

CODE SERIES 100: THE MEASUREMENT OF THE OWNERSHIP ELEMENT OF  
BROAD-BASED BLACK ECONOMIC EMPOWERMENT

STATEMENT 103: THE RECOGNITION OF EQUITY EQUIVALENTS FOR  
MULTINATIONALS

Issued under section 9 of the Broad-Based Black Economic Empowerment Amended Act  
of 2013

Arrangement of this statement

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## 1 OBJECTIVES OF THIS STATEMENT

The objectives of this statement are to:

- 1.1 Define the means by which Multinationals may apply for recognition of Equity Equivalent programmes; and
- 1.2 Specify how contributing towards the Ownership element of Broad Based Black Economic Empowerment (B-BBEE) by Multinationals is measurable.

## 2 KEY MEASUREMENT PRINCIPLES

Any Equity Equivalent contributions towards the Ownership element of B-BBEE made by Multinationals are measurable against the value of their operations in the Republic of South Africa.

## 3 RECOGNITION OF EQUITY EQUIVALENT PROGRAMMES

- 3.1 The Minister may approve certain Equity Equivalent Investment Programmes (EEIP) after the Multinational has consulted with the sectoral Line Ministry, Premiers or other stakeholders in any government department, provincial government or local government with respect to their equity equivalent proposal.
- 3.2 Any Equity Equivalent programme forming part of a Sector Code constitutes an approved programme. The ownership target of the relevant Sector Code shall apply.
- 3.3 Equity Equivalent programmes are preferably Sector Specific, but the Minister may consider requests for approval of programmes that are not Sector Specific.
- 3.4 Equity Equivalent programmes may involve projects that support Government strategic economic development policies and programmes such as:
  - 3.4.1 The Industrial Policy Action Plan (IPAP) and the Black Industrialists Development Programme;
  - 3.4.2 The New Growth Path (NGP);
  - 3.4.3 The National Skills Development Strategy; and
  - 3.4.4 The National Development Plan.
- 3.4.5 Equity Equivalent programmes must promote and advance the following critical areas:
  - 3.4.5.1 Enterprise and Supplier Development;
  - 3.4.5.2 Research and Development; and

- 3.4.5.3 Critical and core Skills.
- 3.4.6 Multinationals may have any of the enterprises or natural persons stipulated under paragraphs 3.4.7 and 3.4.8 below as beneficiaries of their Equity Equivalent programmes.
- 3.4.7 If the beneficiaries of any programme stated under 3.4.6 above are Enterprises, the following criteria will apply:
  - 3.4.7.1 for Exempted Micro Enterprises, the beneficiary must be a level one B-BBEE compliant enterprise; and
  - 3.4.7.2 for Qualifying Small Enterprises, the beneficiary must be a level one B-BBEE compliant enterprise.
- 3.4.8 If the Beneficiaries of any programme state under 3.4.6 above are Natural Persons or Designated Groups or Co-Operatives or Communities, the following criteria will apply:
  - 3.4.8.1 The natural persons who are Black people must be at least 75% of the total beneficiaries;
  - 3.4.8.2 The Economic Interest/Benefit allocated to the beneficiaries must be at least 75%.
  - 3.4.8.3 In the event that the Beneficiaries are represented by a Co-Operative then Black women must own more than 30% of the Co-operative.
- 3.5 Equity Equivalent programme applications must include:
  - 3.5.1 full description of the programme objectives and projected outcomes;
  - 3.5.2 Qualification criteria for participation in the programme;
  - 3.5.3 Timelines for implementation and delivery with milestones against which progress is measurable; and
  - 3.5.4 Details about the sponsors of the programme.
- 3.6 Equity Equivalent programmes are limited to Multinationals subject to a Global Practice.

#### 4 MEASUREMENT OF EQUITY EQUIVALENT CONTRIBUTIONS ON THE OWNERSHIP SCORECARD

- 4.1 The Ownership Score of a Multinational participating in an Equity Equivalent programme is calculated in terms of paragraph 4.3. A Multinational participating in an Equity Equivalent programme cannot receive any points for ownership under any statement in Code Series 100 other than this statement.
- 4.2 Contributions to Equity Equivalent programmes are measured as actual contributions made using the general principle set out in code series 400 and 500 against any of the following targets:
- 4.2.1 25% of the value of the South African operations of the Multinational, determined using a Standard Valuation Method; or
- 4.2.2 4% of Total Revenue from its South African operations annually over the period of continued measurement.
- 4.3 The Ownership Score under an Equity Equivalent programme using either of the targets in paragraph 4.2 must be calculated in terms of Annexe 103 (A).

#### 5 EEIP OWNERSHIP POINTS CERTIFICATE

- 5.1 The EEIP Ownership Points Certificate awarded in terms of this statement will be valid for an investment period agreed upon in terms of paragraph 9 below.

#### 6 TOPPING-UP

- 6.1 If a Multinational wants to retain its EEIP Ownership Points at the date of expiry of its Certificate in terms of paragraph 5 above, then the Multinational will have to reinvest and make an additional contribution into a new Equity Equivalent programme using the Topping-Up principle as illustrated in the Technical Assistance Guide of the B-BBEE Codes.

#### 7 PARTIAL CONTRIBUTIONS

- 7.1 Multinationals can make partial contributions to the EEIP on proportional ratio basis for the recognition of Ownership points. The Ownership points will be awarded and determined in terms of the provisions of both Statement 100 and Statement 103.
- 7.2 The minimum partial contributions that can be made towards EEIP, as allowed in terms of paragraph 7.1 above, must be at least 40% of the

compliance target for the Ownership scorecard.

## 8 INVESTMENT PERIODS

- 8.1 Total contributions that are more than R100 million can be considered for an investment period of up to 10 years;
- 8.2 Total contributions between R75 million and R100 million can be considered for an investment period of up to seven years;
- 8.3 Total contributions between R50 million and R75 million can be considered for an investment period of up to five years; and
- 8.4 Total contributions that are less than R50 million can be considered for an investment period of up to three years.

## 9 RULES FOR THE ADMINISTRATION OF THE PROGRAMME

- 9.1 If the administration of the programme is outsourced then the rules stated below will apply, where applicable:
  - 9.1.1 the economic interest and voting rights of the administrator must be at least 51% Black owned;
  - 9.1.2 the administrator must be B-BBEE compliant and be a superior B-BBEE contributor;
  - 9.1.3 the administration fee for programme must not exceed 15%;
  - 9.1.4 the administrator must possess the appropriate and necessary skill and experience;
  - 9.1.5 the programme manager responsible for overseeing the implementation of the programme by the administrator must be in possession of the B-BBEE Management Development Programme;
  - 9.1.6 the programme manager must sign off on all reports to the multinational and/or to Department of Trade and Industry( " the dti");
  - 9.1.7 all goods and services procured for the purposes of implementing this programme must be sourced and procured from Service Providers that are B-BBEE compliant with a minimum B-BBEE Level Four; and
  - 9.1.8 the dti reserves the right to request the B-BBEE verification certificate of both the administrator and the Service Provider(s) of goods and services procured in terms of paragraph 9.1.7 above.

- 9.2 If the administration of the programme is located within the Multinational, then the rules stated below will apply:
- 9.2.1 the staff assigned to the administration of the programme must possess the appropriate and necessary skill and experience;
- 9.2.2 the programme manager responsible for overseeing the implementation of the programme must be in possession of the B-BBEE Management Development Programme;
- 9.2.3 the administration fee for the programme must not exceed 15%;
- 9.2.4 all goods and services procured for the purposes of implementing this programme must be sourced and procured from Service Providers that are B-BBEE compliant with a minimum B-BBEE Level Four;
- 9.2.5 the programme manager and the CEO must sign off on all reports to the dti; and
- 9.2.6 the dti reserves the right to request the B-BBEE verification certificate of the Service Provider(s) of goods and services procured in terms of paragraph 9.2.4 above.

## 10 SPECIFIC RULES ON MULTINATIONALS

- 10.1 Any contributions towards the Ownership element of B-BBEE made by Multinationals, in terms of this Statement, are measurable against the value of their operations in the Republic of South Africa.
- 10.2 In calculating their Ownership score, Multinationals and South African Multinationals must apply the Exclusion Principle to any portion of the business value of their South African operations gained from non-South African sources. A Standard Valuation Method must be used to determine the value of the South African operations.
- 10.3 In calculating their Ownership score Multinationals may recognise sales of Equity Instruments in non-South African companies to Black people on the following basis:
- 10.3.1 the non-South African company and the Multinational in South Africa must form part of the same chain of ownership and be owned by the same ultimate parent company; and
- 10.3.2 the transaction must comply with South African exchange control requirements; and
- 10.3.3 the percentage of the value of the Equity Instruments (i.e. in the Non-South African company) sold to or held by South African Black people in the non-South African company to the value of the Multinational based in South Africa represents the recognisable Black claim to Economic Interest; and

- 10.3.4 the percentage of Exercisable Voting Rights ceded to the buyers of the Equity Instruments in the Multinational represents the recognisable Black right to Exercisable Voting Rights; and
- 10.3.5 The rights of Ownership in the Equity Instruments are comparable to rights that would have accrued to Black people had the Equity Instrument been held in the Multinational in South Africa.

## ANNEXE 103(A)

This formula is for determining the Ownership Score under an Equity Equivalent Programme using either of the targets in paragraph 4.2, where the contribution is made upfront on a once off basis.

$$A = \frac{B \times 25}{C}$$

Where

A is Ownership points of the Multinational in any year arising from its equity equivalent contribution

B is the value of contributions made

C is the financial value of the target of 4% of total revenue from its South African operations annually over the period of continued measurement;

This formula is for determining the Ownership Score under an Equity Equivalent Programme using either of the targets in paragraphs 4.2, where the contribution is made on an annual basis towards a 10 year target is as follows:

$$A = \frac{B}{C} \times 25 \times D$$

Where

A is Ownership points of the Multinational in any year arising from its equity equivalent contribution

B is the value of total contributions made as at the date of measurement

C is the financial value of the target in paragraph 4.2.1 or the 10 year value of contributions to be made over the life of this statement

D is the time-based graduation factor outlined below:

10% for the first year after the commencement of statement 000.

20% for the second year after the commencement of statement 000.

40% from the first day of the third year after the commencement date of statement 000 to the last day at the end of the fourth year after the commencement date of statement 000.

60% from the first day of the fifth year after the commencement date of statement 000 to the last day at the end of the sixth year after the commencement date of statement 000.



80% from the first day of the seventh year after the commencement date of statement 000 to the last day at the end of the eighth year after the commencement date of statement 000.

100% from the first day of the ninth year after the commencement date of statement 000 to the last day at the end of the 10th year after the commencement date of statement 000.