



B-BBEE ICT SECTOR — COUNCIL —

THE EQUITY EQUIVALENT INVESTMENTS PROGRAMME (EEIP) PROCESS

1. WHAT IS EEIP?

The Equity Equivalent Investment Programme was introduced by the Department of Trade & Industry (the **dti**) in response to the challenge faced by foreign-owned companies operating in South Africa which wanted to comply in spirit with the B-BBEE requirements but were precluded from enabling local ownership of shares in the company.

Such companies may apply to the **dti** for approval of an EEIP. In the ICT Sector, such applications must be approved by the B-BBEE ICT Sector Council (the Council) before submission to the **dti**.

2. EEIP CRITERIA

2.1. Statement STTAICT103 of the Amended ICT Sector Code (Government Gazette 40407) sets out the criteria and guidelines for EEIP applications in the ICT Sector. Highlights are as follows:

2.1.1. Any Equity Equivalent Contributions towards the Ownership Element of BBBEE made by Applicants applying for recognition of equity equivalents are measurable against the value of their operations in the Republic of South Africa.

2.1.2. The Minister of Trade and Industry must, in consultation with the ICT Sector Council and the Line Minister, approve Equity Equivalent Investment. The process is as follows:

- a) Measured Entity to apply to the B-BBEE ICT Sector Council.
- b) B-BBEE ICT Sector Council to recommended to the relevant Line Ministry;
- c) The relevant Line Ministry to consider the recommendations and support the application for approval to the dti.

- 2.1.3. Contributions to Equity Equivalent programmes are measured as actual contributions made using the general principle set out in Code Series AICT400 and AICT500 against either of the following targets:
- a) 30% of the value of the South African operations of the Applicant, determined using a Standard Valuation Method; or
 - b) 4% of Total Revenue from its South African operations annually over the period of continued measurement.
 - c) The Ownership Score under an Equity Equivalent Programme using either of the targets in the paragraphs above must be calculated in terms of Annexure 103(A).
- 2.1.4. Applicants 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 as amended from time to time.
- 2.1.5. The minimum partial contributions that can be made towards EEIP, as allowed in terms of the paragraph above, must be at least 40% of the compliance target for the Ownership Scorecard.
- 2.1.6. Total contributions that are more than R100' million can be considered for an investment period of up to 10 years;
- 2.1.7. Total contributions between R75 million and R100 million can be considered for an investment period of up to seven years;
- 2.1.8. Total contributions between R50 million and R75 million can be considered for an investment period of up to five years; and
- 2.1.9. Total contributions that are less than R50 million can be considered for an investment period of up to three years.

***NB:** Applicants should take note of the full list of criteria set out in Gazette 40407.

3. APPROACHING THE B-BBEE ICT SECTOR COUNCIL

The only enterprises that may apply for EEIP recognition are foreign-owned companies that are precluded from having any local ownership of their operations in any territory outside their home base. If such local ownership is permitted in any country elsewhere, then it must be permitted in South Africa and an EEIP scheme will not apply.

3.1. INITIAL APPROACH

It is recommended that applicant enterprises discuss their proposals with the Implementation & Monitoring sub-committee of the Council prior to finalizing their formal application for an EEIP certificate. This meeting will enable both parties to understand the intention and elements of the proposal and to clear the path for a successful application.

The discussions in this meeting are confidential and non-binding. Both parties may keep notes of the discussions but no formal minutes will be issued.

3.2. FORMAL APPROACH

The applicant enterprise, when satisfied with the preparation of its application, will seek a formal meeting with the Council's Implementation & Monitoring sub-committee to present its application for an EEIP scheme and to seek endorsement thereof.

When the Councillors are satisfied that any issues have been resolved, the sub-committee will recommend endorsement of the application. This endorsement is non-binding, as the application will then be forwarded to the Line Minister for approval before it can be submitted to the **dti** for official acceptance.

The Council Secretariat will record the minutes of this and any other formal meetings with the applicant enterprise.

3.3. TOP-UP APPLICATIONS

On expiry of an EEIP certificate, the applicant enterprise may submit a further application to extend the period of EEIP validity, subject to the same conditions as above. The same process will be followed.

4. MONITORING OF EEIP COMPLIANCE

The Council will seek annual confirmation of the compliance with EEIP terms and conditions by each enterprise holding an EEIP certificate.

5. COMPLIANCE VS COMMITMENT

The Council will seek to establish the degree of commitment of the applicant enterprise to the principles of B-BBEE and transformation in the South African ICT Sector, looking beyond the technical compliance with the criteria.

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