

Equity Equivalent Programmes for Multinationals

 thedti.gov.za/financial-and-non-financial-support/b-bbee/equity-equivalent-programmes-for-multinationals/

The Codes of Good Practice require that all entities operating in the South African economy make a contribution towards the objectives of Broad-Based Black Economic Empowerment (B-BBEE). It is, however, acknowledged that there may be Multinationals that have global practices preventing them from complying with the ownership element of B-BBEE through the traditional sale of shares to black South Africans. In this instance, and provided that it can be proven that such entities do not enter into any partnership arrangements in other countries globally, the Codes of Good Practice have made provision for the recognition of contributions in lieu of a direct sale of equity. Such contributions are referred to as Equity Equivalent (EE) contributions. Such EE contributions count towards the ownership element of B-BBEE made by Multinationals. The value of these EE contributions may be measured against 25% of the value of the Multinational's South African operations or may be measured against 4% of the Total Revenue from its South African operations annually over the period of continued measurement.

Equity Equivalent would entail a public programme/scheme and/or private programme/scheme designed to fulfill the requirements of B-BBEE ownership. Equity Equivalent may also entail a programme targeting investment or any other programme that promotes Socio-Economic advancement/ development within the South African Economy. Such a programme needs to be approved by the Minister of Trade and Industry in order to qualify for ownership points on the scorecard. Where approval for an Equity Equivalent Programme has been granted, the programme and points awarded may not form part of any other B-BBEE element in the Multinational's B-BBEE Scorecard.

A proposal for an EE Programme would have to be developed by a representative entity of the foreign Multinational for submission to **the dti** and may either take the form of a private programme or a public programme or a combination of both as provided for in the Codes of Good Practice, Code 100: Statement 103.

Functions of the Equity Equivalent Secretariat

The Equity Equivalent Secretariat is responsible for:

- Analysing valuation methodologies and business plans from multinational companies;
- Managing and processing applications for exemptions from multinational companies;
- Assisting with developing strategies for implementing specific elements of the scorecard within the Employment Equity Programme;

- Handling all queries and concerns from all relevant stakeholders (public, private, external and local);
- Collating and disseminating information to all relevant stakeholders with respect to the Equity Equivalent Programme;
- Providing secretariat support to the Equity Equivalent Committee;
- Analysing multinational company structures and vetting (scrutinising) Equity Equivalent proposals to determine commercial viability and sustainability against the set criteria;
- Developing and conducting presentations to foreign offices, embassies, high commissions, chambers and international clients; and
- Assisting in the monitoring and evaluation of implemented programmes.
- Guidelines
- Equity Equivalent Programme
- Equity Equivalent Business Plan Guide
- Annexure A – Application: Equity Equivalent Exemption from Scale of Equity [XLS]
- Equity Equivalent Check list
- Equity Equivalent Monitoring and Evaluation