



Automotive Industry Transformation Fund

APDP2 Transformation Fund Guidelines

Date: April 2024

CONTENTS

CONTENTS ii

1 BACKGROUND AND CONTEXT 1

2 AMENDMENTS TO APDP2 IN TERMS OF B-BBEE..... 1

3 Fund SERVICES AnD BENEFICIARIES 2

4 FUND CONTRIBUTION REQUIREMENTS..... 3

5 HOW TO JOIN THE FUND 5

1 BACKGROUND AND CONTEXT

The objective of the APDP 2 Fund is to support the vision of the South African Automotive Masterplan (SAAM 2035) including driving transformation and localisation. As stipulated in the APDP 2 Regulations, participants are required to meet minimum Broad – Based Black Economic Empowerment (B-BBEE) levels to be eligible for APDP 2 benefits. Consultations with the industry established that more time was required to prepare for implementation and to find a more flexible regime to address B-BBEE within the realities of the sector. To accommodate the sector, the dtic has created an alternative mechanism to allow participants to be deemed APDP 2 eligible through contributions to a fund that drives transformation and localisation objectives.

The Minister has directed ITAC that to participate under the APDP2, component and tooling manufacturers (excluding material suppliers) will need to attain a minimum B-BBEE level 6 from 2024 and level 4 from 2025. Alternatively, components and tooling manufacturers can participate through a contribution to a Transformation Fund managed by the Automotive Industry Transformation Fund (“AITF”).

The Fund will run until the end of 2035 and will allow entry of Participants at any point during this period. It will also be possible for participants to exit the programme before the end of the 10-year period.

2 AMENDMENTS TO APDP2 IN TERMS OF B-BBEE

Based on gazette, No. 49859 which was published by the DTIC during December 2023, there are three (3) routes available to qualify for participation under APDP2:

1. A sworn affidavit for qualifying EMEs as defined in the B-BBEE Codes of Good Practice; OR
2. B-BBEE compliance in terms of the generic scorecard as follows;
 - a. Level 6 by January 2024
 - b. Level 4 by January 2025
3. Evidence of contribution to the APDP2 Transformation Fund, with entry requirements as follows:
 - a. Level 8 by January 2024
 - b. Level 6 by January 2025

In the case of (3), above, contributions to the fund impact recognition under APDP2 and the Automotive Incentive Scheme (AIS) only, and do not extend to the generic B-BBEE scorecard.

3 FUND SERVICES AND BENEFICIARIES

The primary services offered by the AITF shall be the provision of financing products to qualifying beneficiaries in the form of (i) loans, (ii) equity, (iii) grants or (iv) similar instruments at affordable and accessible interest rates and contract terms. The type and term of financing may vary based on duration and purpose of funding.

Qualifying transactions	Applicable Service/ Support instrument
B-BBEE Ownership transaction funding	Amongst others loans, grants and/or equity type instruments into Funded entity
Capital Investment Funding	Amongst others loans, grants and/or equity type instruments into Funded entity
Working Capital Funding	Amongst others, loans, grants and/or equity type instruments into Funded entity Non-Financial Support (e.g., Incubation, T&D, Mentorship, etc.) Non-cash or cash grants,
Non-Financial Support (e.g. Incubation, training & development, Mentorship etc)	Non-cash or cash grants, including amongst others but not limited to the following: incubation, training, development, mentorship, research, product development, commercialisation, business development, marketing, roadshows and pipeline development of the funded beneficiaries and / or potential beneficiaries.

The programme shall target black owned (min 51%) EMEs, QSEs and Generic entities who are operating or intend on operating in the automotive sector value chain. The automotive value chain within the scope of funding must be production related, i.e. automotive Tier 3 and Tier 2 manufacturers; raw materials which are utilised within the automotive value chain; production and related technology services including Fourth IR related Innovations and Technologies, digitisation and other competitiveness enhancing production related services, as well as opportunities that support new energy vehicle (NEV) component production for the export market as well as the local market linked to OEM NEV production.

4 FUND CONTRIBUTION REQUIREMENTS

Participant contributions will be made through two (2) contribution channels, i.e., cash contributions and facilitation of market access. The two channels are inextricably linked, and both must be supported. The base year for calculation of contributions will be the latest available, signed annual financial statements at the time of application.

4.1 cash contribution

To cater for equitable contributions in proportion to the varying revenue sizes of the Participants (while limiting the sharing of confidential and sensitive information such as actual revenues per Participant), three (3) contributor classes have been defined as below:

- Contributor classification 1: all Participants with South African operations at an annual turnover equal to or greater than R2 billion;
- Contributor classification 2: all Participants with South African operations at an annual turnover equal to or greater than R550 million but less than R2 billion;
- Contributor Classification 3: which entails all Participants with South African operations at an annual turnover less than R550 million.

Class contributions are outlined below:

Class 1	Class 2	Class 3
<ul style="list-style-type: none"> • Revenue <u>in excess of R2bn</u> • Total contribution amount per company: R31.96 million • Per annum contribution amount per company: R3.196 million 	<ul style="list-style-type: none"> • Revenue <u>in excess of R550m, less than R2bn</u> • Total contribution amount per company: R10.49 million • Per annum contribution amount per company: R1.049 million 	<ul style="list-style-type: none"> • Revenue less than R550m • Total contribution amount per company: R2.62 million • Per annum contribution amount per company: R0.262 million

Contributions are envisaged over a 10-year period for the duration of the life of the Fund, however in certain instances there will be a mechanism that allows companies to exit the Fund before the 10-year period.

4.2 Market Access

Market access is classified as any new or additional revenue that goes to black owned businesses assisted by intervention of the AITF.

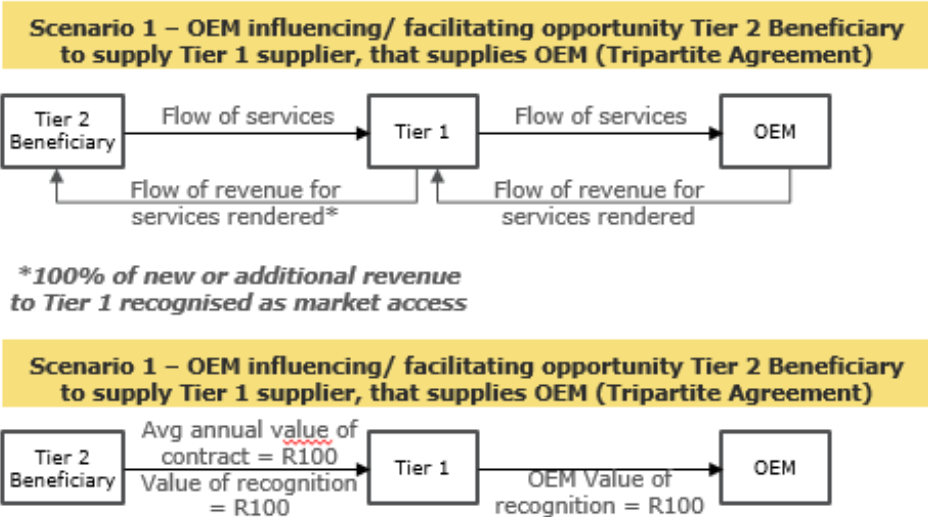
Market access contributions will be made as a direct proportion of each Participant’s South African turnover, similar to the approved OEM EEIP model. The value agreed between the Participants and the dtic (ITAC) will be subject to the following formula:

Participant turnover x 2.72% x 68%

The first year of participation in the Fund won’t have a market access component to allow for set up and pre-development activities. From year 2 onwards, participants will need to achieve at least 11.11% of the 10-year market access commitment.

Year of participation	Annual contribution
Year 1	0% of total market access contribution
Year 2 – 10	11.11% of total market access contribution

It is to be noted that market access opportunities can be shared between OEMs and Fund participants (subject to a tripartite agreement), therefore no element of competition exists. This is intended to encourage collaboration between OEMs and Fund participants for larger impact on beneficiaries and to enable co-funding in the case of large transactions.



5 HOW TO JOIN THE FUND

For qualifying companies, application documents can be accessed on the following platform:

AITF website (www.autofund.co.za)

5.1 Application requirements:

1. Signed NDA
2. Company registration documentation from CIPC
3. Valid BBEE certificate indicating level 8 for 2024 (and level 6 for 2025)
4. Completed application form
5. Latest 3-year annual financial statements
6. Signed adherence to the APDP2 Fund business case

5.2 Onboarding process

1. Potential applicant to sign an NDA with AITF
2. AITF to share the full business case with applicant
3. Qualifying companies to complete application requirements, including supporting documentation and submit to AITF at: APDP2Fund@autofund.co.za
4. AITF to assess documentation in line with Fund requirements.
5. Successful applicants will be issued with a letter of enrolment. This letter can then be submitted to ITAC for recognition under APDP2.
6. Successful applicants to the fund should make contributions within 30 days of receipt of the letter of enrolment.
7. On an ongoing basis, ITAC will monitor contributors to ensure continued compliance.