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Regulation for Commercialisation



February 2025

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Regulation for Commercialisation

Type of Document:	Rules / Regulation ¹
Purpose:	<i>The purpose of this document is to establish overarching principles for all commercial activities undertaken on the property of Stellenbosch University (SU) or under the name of SU or any wholly owned entity. The commercialisation of intellectual property is excluded from this regulation.</i>
Approved by:	Rectorate
Date of Approval:	2025/03/18
Date of Implementation:	2025/03/18
Date of Next Revision:	2030/03/18
Related Documents:	Innovus Mandate
Policy Owner: ²	Chief Operating Officer
Policy Curator: ³	Senior Director: SUNCOM
Keywords:	Regulations, Rules, Commercialisation, Governance Management.
Validity:	The English version of this policy is the operative version, and any Afrikaans version would be a translation of the operative version.

¹ An accepted set of prescriptions and/or instruction(s)

² Policy Owner: Head(s) of Responsibility Centre(s) in which the regulation function

³ Policy Curator: Administrative head of the division responsible for the implementation and maintenance of the regulation

1. INTRODUCTION

SU tangible and intangible assets and services are commercialised to support SU's long-term financial sustainability.

Stellenbosch University's (SU) Innovation and Commercialisation division (Innovus) is institutionally mandated to manage Stellenbosch University's (SU) fifth income stream, i.e. income from intellectual property (IP), Commercialisation, Short Courses, and Consultancy. Through this, Innovus is granted the exclusive mandate by SU to establish companies or other commercial entities to commercialise SU intellectual property or other assets.

SUNCOM (Stellenbosch University Commercial Services) is a subdivision of Innovus and is SU's commercialisation arm for mostly non-intellectual property related outputs. SunCom has, through Innovus, the sole mandate to commercialise business opportunities within SU, whether through a separate internal business unit or a spin-out company.

In 2018, SUNCOM underwent further alignment which resulted in the inception of Factory 209 (Pty) Ltd (F209), a wholly owned subsidiary of SU that was established to support the commercialisation of various university assets and services. F209 operates within the guidelines of a Master Service Level Agreement (SLA) with SU that was concluded in 2019. F209 was set up to provide an agile commercial environment for further growth of university services and commercial activities emanating from SUNCOM.

F209 use the same external auditors as SU to ensure that they remain aligned with the SU audit and risk management protocols. The financial results of both SUNCOM and F209 are fully integrated as part of the Integrated Financial Report of SU. Surplus funds generated within F209 will flow back to SU Integrated Budget in line with the Dividend Policy.

Collectively these entities (SUNCOM & F209) will be referred to as the SU Business Office (SUBO). SUBO aims to:

- deliver a comprehensive and cost-effective support to SU students and staff, as well as the public and other organisations.
- re-invested surplus funds into new projects, SU's Integrated Budget and the environment from where the business opportunity originated.
- contribute to a new institutional culture seeking optimal ways of operating support services to maximise value and, where possible, to remove such support services from the Main Budget and, transform them into self-sustaining units operating on a full-cost recovery basis. In doing so, SUBO aim to decrease pressure on the Main Budget and to unlock additional income streams.

2. PRINCIPLES

The Regulation aims to:

- outline the overarching principles for all commercialisation activities undertaken on the property of SU, or under the name of SU. The academic agenda of the University will always take priority over any commercialisation activity.
- ensure all commercial activities are done in accordance with the relevant policies and procedures within SU and applied to all activities where goods and services are sold/traded, and SU facilities rented for short- or long-term usage by contracting parties.
- contribute to an organisational culture where environments are managed optimally to maximise value, reduce financial pressure on, and create leeway in SU's mainstream budget and to unlock additional income streams.
- support SU's imperative of research and innovation, learning and teaching, transformation and social impact to ensure that business principles apply to all commercialised activities on a sustainable basis.

This must be done on a full cost recovery basis without the extraction of additional resources from the academic environment. The purpose is therefore to generate resources (and to fund such) from within SUBO to support these activities. All operational cost of the commercialised activities must therefore be funded from the project and as such, be removed from Main Budget funding.

3. DEFINITIONS

- **Commercialisation**
In the context of SU, commercialisation can be defined as the development of commercial opportunities to the benefit of SU and/or to reduce SU Main Budget expenses with full cost recovery for support services rendered. It is a dynamic process that should lead to new ways of doing and thinking with a view to increasing stakeholder value. The objective is to derive sustainability and financial benefit through budget savings (in the first instance) from the determination of the market value of activities and the use of assets through marketing these activities and assets at a competitive price using a full-cost recovery approach. Marketing and/or service provision may be targeted at internal and external clients, although strategy and pricing may differ in the two cases.

- Full Cost Recovery

All direct and indirect expenditures are recovered from the income of a specific activity.

4. IMPLEMENTATION AND GOVERNANCE

4.1 APPLICATION OF REGULATION

Commercialisation is applied to units with a service and/or a product (not directly related to research or teaching of SU's student cohort) and/or premises that could be managed and administered to generate revenue, given sound business principles. This may occur through a newly established operational unit on a full cost recovery approach or in an existing operational unit. Such operational units will be managed by SUNCOM. Such newly established operational unit can also be placed within Factory 209 (Pty) Ltd (F209), a wholly owned subsidiary of SU that was created to further enhance commercialisation within SU in a more agile environment.

All SU property is a tangible institutional asset and the rental of property, whether short or long term, is managed by SUNCOM in terms of the relevant policies.

New operational units may be established only if their potential profits are expected to exceed their incremental costs, and they are still able to serve their internal clients optimally. Effectiveness is measured against the quality of goods and services provided and against the costs of their provision to SU.

This regulation applies to all SU environments.

4.2 PROVISIONS & OUTCOMES

The provisions in this Regulation attest to those within the Innovus Mandate and in relation to the commercial activities as defined in clause 4 and clause 5.1 of this Regulation.

The core outcomes of commercialisation in the context of SU are:

- a central overview and regulation of all commercial activities in SU to reduce associated risks and ensure consistent pricing.
- avoidance of duplications through centralisation of services and activities
- an increase in productivity regarding the provision of commodities through, *inter alia*, the achievement of economy-of-scale benefits.
- creating leeway in the central SU budget for the University to fulfil its core activities and, in doing so, contribute to the financial sustainability of SU.
- the generation of 5th stream income.
- the development and creation of new commercial assets for SU.

- generating resources / funding to support the upgrading or modernisation of existing infrastructures.
- an improvement in the quality of commodities; and
- the protection of SU's trademark and reputation.

4.3 PROCEDURES

The following guidelines apply to the commercialisation process:

- General:
 - Commercialisation should benefit SU with respect to service, quality, and cost as well as the reputation of the SU brand.
 - Commercialisation principles will apply if commodities or services are traded and an income is generated through the transacting thereof, whether through levies for added value or through a sustainable margin.
 - Each new commercial activities will be ringfenced within a separate unit (department) within the SUNCOM structure or within F209. In the latter case, SU will enter into a Service Level Agreement with F209 to render such service.
 - All operational units in SUNCOM, or F209, should therefore operate on an appropriate commercially sustainable basis without direct university funding.
 - Where opportunities are investigated and the full cost approach does not appear to be financially sustainable, SUNCOM's input will cease at the calculation of the actual monetary impact on the environment and the budget requirements. SUNCOM will present its findings and impact to the relevant RC Head. Should the RC Head decide to continue with the opportunity, it would need to be executed within that environment on a non-full cost basis (i.e. the environment subsidises the activity). All other requirements, for example contracts, must still be concluded through SUNCOM.
- Establishment of new operational units:
 - The required steps in the establishment of new operational units are:
 - the identification of activities; and
 - the formulation of business plans to manage the reform actions of the activities.
 - Business plans for commercialisation are based on the following five important principles:
 - Full cost recovery.
 - Clear objectives and visions.
 - An appropriate level of autonomy in management's responsibility.
 - A pricing strategy aligned with competitive market rates; and
 - Accountability for the financial performance of the new operational units.

- Cooperation agreements:
 - Where applicable, an advisory forum may be established for each activity. The role of the advisory forums will be to ensure that the relationship between the operational unit and the environment within which it functions is managed optimally and that the impact of any conflicting objective (commercial versus academic) is minimised.
 - The existing stock and assets of the environment and of the space from where the activity is operated are transferred, without cost, to the new entity/unit unless specifically agreed otherwise.
 - Where applicable, specific service-level agreements may be concluded with environments to ensure effective service.
- Division of income:
 - Unless otherwise agree upon on a case-by-case situation, the environment from which the activity arises, shares in the net apportionable income (after provision for reserves and cost recovery) through income sharing and/or discount on activities to a maximum of 20% of the net apportionable income. Payments are made with due account of the following:
 - Payments may only be made from realised income.
 - Sufficient reserves should be built up to finance long-term growth.
 - No payments may be made if there is a risk that such payments have a negative effect on the long-term financial sustainability of the activity.
 - In the case of single-use rental of premises (such as films, promotions, exhibitions, conferences, sport events and festivals), the net apportionable income is divided and aligned with the determination in the Short-Term Rental Policy.
 - Unless otherwise agree upon on a case-by-case situation, where the Letting Office acts as a Letting Agent to manage the longer-term rental of facilities where the costs attributed to these spaces are funded by such environments, the Letting Office will charge a fee of 10% of the net rental (excluding VAT).

4.4 ROLES AND RESPONSIBILITIES

4.4.1 Owner

- The Chief Operating Officer is the owner of this Regulation.
- The Chief Director: Innovation and Commercialisation is responsible to oversee the implementation of and compliance with this Regulation.

4.4.2 Curator

- The Senior Director: SUNCOM is responsible for compiling, reviewing, updating, and communicating this Regulation.

5. IMPLEMENTATION

- The Regulation will be implemented as part of the Strategic Business Plan of SUNCOM.

6. MONITORING, REPORTING AND CONFLICT RESOLUTION

- The Regulation owner is responsible for the creation of the necessary controls for the monitoring and reporting of the Regulation.
- The curator is responsible for implementing these controls.
- Procedure for the settlement of conflicting interpretations of the applicable Regulation takes place within the normal management lines and existing SU structures.

7. NON-COMPLIANCE

In instances of non-compliance, the Regulation owner will indicate which remedial steps or actions are applicable. This will be dealt with on a case-by-case basis.

8. REVISION

The Regulation will be reviewed every five years, or sooner if deemed necessary, or as specified in the Regulation. Editorial amendments e.g., name changes of offices, which do not affect the essence and intent of the Regulation, may be made and implemented by the SUNCOM Advisory Committee (SAC). Each such amendment must be communicated for ratification to the Regulation owner. The date of such amendments must be indicated clearly in the Regulation.

9. RELATED DOCUMENTS

Title of Document	Status (identified, in process, approved, etc.)
Policy in Respect of the Presentation of Short Courses at SU	Approved
Policy in Respect of the Use and Licensing of Stellenbosch University's Trade Marks	Approved

Title of Document	Status (identified, in process, approved, etc.)
Short-Term Rental Policy	Approved
Longer-Term Rental Policy	Approved
SUNCOM Development Fund Regulation	Approved
Purchasing and Tender Policy and Procedure	Approved
Full Cost Budget costing and pricing of research and research related grants and contracts.	Approved
Indirect Cost Recovery Rate (ICRR) with regards to Third and Fifth Stream Income	Approved
Protection and Commercialisation of Intellectual Property Policy	Approved
Travelling and Subsistence Policy	Approved

10 March 2025

Approved by Rectorate 18 March 2025