



# Details of the **Agreement** between Government and AB InBev in the **SABMiller – AB InBev Merger**

## Introduction

The Competition Commission received notice in December 2015 of the proposed global merger between beer companies SABMiller and AB InBev.

After engagements between the Minister of Economic Development and AB InBev, an Agreement was concluded in April 2016. The Agreement addresses the South African government's public interest concerns about the effect of the merger in South Africa, where South African Breweries, a subsidiary of SABMiller, dominates the beer market.

**Key parts of the Agreement are provided below.**

## Jobs

AB InBev undertakes to ensure that there will be no involuntary retrenchments of employees as a result of the merger. AB InBev undertakes to ensure, for a period of 5 years as from the Closing Date, that it will maintain at least the number of Employees as at the Closing Date.

## The Zenzele Scheme

AB InBev recognises and supports the Zenzele Scheme and its objective of providing long-term economic benefits to a broad range of previously disadvantaged South Africans.

AB InBev commits to the continuation of the Zenzele scheme until its maturity in 2020 and to the following enhancements of the current Scheme:

- a special dividend payment roughly equivalent to the total gross dividends paid to the Zenzele participants from the inception of the Zenzele Scheme in 2010 up to November 2015)
- Zenzele participants will have their existing investment protected and enhanced through a guaranteed minimum value for their shares which incorporates the increased share value implied by GBP44 per SABMiller share of the merger transaction





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### **BBBEE Future Plans**

AB InBev undertakes, by no later than 2 years after the completion of the merger, to present to Government an outline of its Black economic empowerment plans following the maturation of the Zenzele Scheme in 2020, with the objective of maintaining Black participation, including equity, but subject always to taking into account prevailing Government policy and legislation at the time.

### **Regional Head Office**

Consistent with AB InBev's long term commitment to invest in the South African economy, the regional head office for Africa will be located in Johannesburg, South Africa.

### **The AB InBev Investment**

AB InBev will spend, over a 5 -year period, a total amount of R 1 billion for investment in agricultural development, enterprise development, promoting local manufacturing, exports and jobs, and contributing to the improvement of society in general through sustainability, alcohol harm reduction and educational initiatives.

An implementation board, with 3 representatives appointed by AB InBev and 3 by Government, will provide guidance on programme details, receive reports from AB InBev on implementation of the Agreement, make recommendations on implementation of the Agreement, and approve any additional or alternative programmes.

### **Agricultural Development**

The main purpose of the agricultural development programmes will be to establish thriving barley, hops, maize and malt industries in South Africa that strengthen rural employment and job creation, accelerate the development of emerging farmers and enable South Africa to become a net exporter of hops and malt by 2021.

AB InBev will invest R610 million of the total investment to develop the capacity of 800 new Emerging Farmers, and further develop the capacity of 20 new Commercial Farmers, to add 475,000 tonnes of barley to be malted (in contrast to the status quo in 2015 where South Africa was a net importer of 75,000 (seventy five thousand) tonnes of barley), with the strategic intent of creating at least 2,600 new farming jobs in South Africa.





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Agricultural development will include strengthening the South African technological and innovation base to improve the productivity of emerging and commercial farmers, and the creating of new business opportunities in agro-production, processing, storage, logistics and transportation, marketing, and seed/fertilizer/chemical distribution.

### **Enterprise Development**

The main purpose of the enterprise development programme will be to establish a thriving standalone business incubator that will bring together ideas, investors and expertise to promote enterprises (including, without limitation, suppliers and craft brewers) and innovation in South Africa. It is intended that the successful implementation of the enterprise development programme will have a net positive impact on employment opportunities in the beer and cider production, packaging and distribution value chains in South Africa.

AB InBev will invest R200 million of the AB InBev Investment to:

- establish a dedicated business incubator facility
- provide existing South African suppliers, new South African suppliers and certain South African entrepreneurs in adjacent businesses with training to develop skills in accounting, finance, planning, strategy, communications, advertising and human resources
- employ 10 dedicated business coaches to support existing South African suppliers and new entrepreneurs
- employ 10 dedicated engineers to support supplier development activities in South Africa
- stimulate existing and new supplier development in South Africa to support local production to maximise exports from South Africa and minimise imports into South Africa
- provide online and interactive training and course work in South Africa focused on key functional skill requirements
- create sustainable new and convert existing industrialised suppliers to Black ownership.





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### South African Societal Benefits

Through evidence-based and innovative interventions and partnerships, AB InBev will invest in initiatives aimed at promoting advancements in education, business and environmental sustainability, and the reduction of harmful use of alcohol in South African society.

AB InBev will invest R190 million of the AB InBev Investment in the following initiatives:

- supporting the development of alternative energy for use in AB InBev's South African operations
- supporting education around and the use of alternative energy by South African communities
- promoting a more comprehensive sustainability programme aimed at reducing waste, encouraging recycling, and preserving water in South Africa
- further enhancing the current youth sports programmes and establishing after-school educational initiatives in South Africa
- funding 40 scholarships for South African engineering and agronomy students
- sponsoring 200 additional learnerships to support South African individuals who have no formal education and are unemployed, which will allow them to grow in the business.

In addition, AB InBev will introduce the following initiatives to reduce alcohol harm in South Africa:

- running social marketing campaigns and programmes in South Africa to promote a culture of responsible drinking
- introducing and promoting new no-alcohol and lower alcohol products to the South African market to encourage consumers to make lower alcohol choices, including through brewing these products locally
- placing a health guidance label on all beer and cider products it sells in South Africa to increase alcohol health literacy and promote informed choices
- introducing a multi-intervention based city pilot in Johannesburg or such other city selected after consultation with the Minister of Health to reduce harmful alcohol use
- bringing the "Together for Safer Roads Coalition" to South Africa to improve road safety and reduce deaths and injuries through road traffic collisions





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- supporting research on the prevalence of Foetal Alcohol Syndrome ("FAS") in high-risk areas, as well as supporting prevention and treatment programmes for at-risk women and their affected children.

### **Maintaining Local Business And Supply Chain**

AB InBev will use its best endeavours to continue SAB South Africa's policy and practice of maximizing local production of beer and cider and local sourcing of related inputs into such production.

AB InBev undertakes to develop and implement an internal compliance programme to ensure that all of its employees responsible for the formulation and operation of its beverage refrigerator and cooler policies in South Africa after the merger are aware of and understand the provisions of the Competition Act with regards to impermissible exclusion of competitor's products and other activities which lessen competition.

AB InBev will not enter into exclusive supply arrangements with raw material suppliers which prohibit those suppliers from dealing with Small Beer Producers (e.g. craft brewers).

AB InBev shall use its best endeavours to ensure that retail outlets and taverns which are solely supplied by it with coolers or refrigerators should be free to provide at least 10% of space in 1 such cooler or refrigerator to the beer products of Small Beer Producers.

**Release date: 30 May 2016**

This Information Note is provided as a public service and is not intended to be used as a legally binding interpretation of the Terms of the Agreement. The Agreement is subject to consideration by the South African competition authorities.

*Information Note produced with the assistance of Mr Len Verwey, EDD.*

