

Absa eyes increased Black ownership in lieu of record multi-billion transaction approval

In what has been dubbed a landmark first for Absa group, the bank has confirmed it will launch its R11.2bn Black empowerment share scheme later this year.



Source: Reuters.

Subject to shareholder approval, the new broad-based black economic empowerment (B-BBEE) transaction is set to strengthen Absa's B-BBEE credentials in South Africa.

It will also provide communities as well as all staff with an opportunity to benefit from the value generated by the group, Arrie Rautenbach, Absa group chief executive officer said.

The transaction will see 7% of the total group shareholding allocated to structures that will benefit ordinary black South Africans through a Corporate Social Investment (CSI) trust, and employees through a staff trust.

Seven per cent of Absa group equates to approximately R11.2bn based on recent prices, making the transaction one of the largest B-BBEE transactions in recent times.

After the transaction, black ownership of Absa group is expected to exceed the 25% threshold set out in the Financial Sector Charter.

"The transaction is the next big step in our broader transformation journey and, at the same time, recognises the role that our staff and communities play by giving them the opportunity to benefit from the value generated by the group," Rautenbach said.

The set up of two trusts

"A CSI trust, benefiting black communities, will indirectly own a 4% shareholding, while a staff trust will indirectly hold 3% of Absa group, collectively constituting the 7% Absa group shareholding in the transaction. Black staff members in South Africa will receive just over 82% of the value of the staff trust."

A further equivalent of approximately 1% of Absa group shareholding will be made available to staff employed by subsidiaries in other markets. •

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"Staff employed by Absa subsidiaries in other countries will be able to participate in a similar award programme, provided those subsidiaries elect to participate based on local considerations," Rautenbach added. "This initiative will be based on cash rather than Absa group shares, given regulatory and taxation complexities related to cross-border shareholding.

"However, the intention is that the programme will broadly mirror the terms of the 3% share scheme in South Africa, with all eligible employees receiving an allocation equal in value to that awarded to staff in South Africa, as well as an annual payment equivalent to a 25% trickle dividend, and a net cash payment five years after implementation.

"The value of the programme will equate to approximately 1% of Absa group's market capitalisation."

A transaction circular will be published in May and shareholders will vote on the transaction at a general meeting on 2 June, 2023.

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