



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM059Jun22

In the matter between:

Karan Beef Feedlot
Karan Beef (Pty) Ltd

Primary Acquiring Firms

And

SK Caine Farming
Caine Farming (Pty) Ltd
Triple A Meat (Pty) Ltd

Primary Target Firms

Panel: M Mazwai (Presiding Member)
AW Wessels (Panel Member)
L Mncube (Panel Member)

Heard on: 19 October 2022

Last submission: 07 November 2022

Decided on 18 November 2022

Order

Further to the recommendation of the Competition Commission in terms of section 14A(1)(b) of the Competition Act, 1998 ("the Act") the Competition Tribunal orders that-

1. the merger between the abovementioned parties be approved in terms of section 16(2)(b) of the Act subject to the conditions attached hereto as Annexure A; and
2. a Merger Clearance Certificate be issued in terms of Competition Tribunal rule 35(5)(a).

Presiding Member
Ms Mondo Mazwai

18 November 2022

Date

Concurring: Mr Andreas Wessels and Prof Liberty Mncube



competitiontribunal
SOUTH AFRICA

Merger Clearance Certificate

Date : 18 November 2022

To : Werksmans Attorneys

Case Number: LM059Jun22

Karan Beef and Feedlot Karan Beef (Pty) Ltd And SK Caine Farming Caine Farming (Pty) Ltd and Triple A Meat (Pty) Ltd

Notice CT 10

About this Notice

This notice is issued in terms of section 16 of the Competition Act.

You may appeal against this decision to the Competition Appeal Court within 20 business days.

You applied to the Competition Commission on **10 June 2022** for merger approval in accordance with Chapter 3 of the Competition Act.

Your merger was referred to the Competition Tribunal in terms of section 14A of the Act, or was the subject of a Request for consideration by the Tribunal in terms of section 16(1) of the Act.

After reviewing all relevant information, and the recommendation or decision of the Competition Commission, the Competition Tribunal approves the merger in terms of section 16(2) of the Act, for the reasons set out in the Reasons for Decision.

This approval is subject to:

- no conditions.
- the conditions listed on the attached sheet.

The Competition Tribunal has the authority in terms of section 16(3) of the Competition Act to revoke this approval if

- it was granted on the basis of incorrect information for which a party to the merger was responsible.
- the approval was obtained by deceit.
- a firm concerned has breached an obligation attached to this approval.

Contacting the Tribunal

The Competition Tribunal
Private Bag X24
Sunnyside
Pretoria 0132
Republic of South Africa
tel: 27 12 394 3300
fax: 27 12 394 0169
e-mail: ctsa@comptrib.co.za

The Registrar, Competition Tribunal

Tebogo Mphahlele

ANNEXURE A

IN THE LARGE MERGER BETWEEN

KARAN BEEF FEEDLOT AND KARAN BEEF PROPRIETARY LIMITED

AND

**SK CAINE FARMING, CAINE FARMING PROPRIETARY LIMITED AND TRIPLE A MEAT
PROPRIETARY LIMITED**

CASE NUMBER: LM059Jun22

CONDITIONS

1 DEFINITIONS

The following expressions shall bear the meaning assigned to them below and cognate expressions bear corresponding meaning –

- 1.1 **“Acquiring Group”** means Karan Beef Feedlot (a sole proprietorship) and Karan Beef;
- 1.2 **“Approval Date”** means the date on which the Tribunal issues a Merger Clearance Certificate (Notice CT10) in terms of the Competition Act;
- 1.3 **“CF”** means Caine Farming Proprietary Limited (Registration Number: 1994/010644/07);
- 1.4 **“Commission”** means the Competition Commission of South Africa, a statutory body established in terms of section 19 of the Competition Act;
- 1.5 **“Competition Act”** means the Competition Act, No. 89 of 1998, as amended;
- 1.6 **“Conditions”** means these conditions contained in this **Annexure A** (read with **Annexures B, C and D**);
- 1.7 **“Days”** means any calendar day which is not a Saturday, Sunday or an official public holiday in South Africa. A public holiday shall also include such days as may be declared by the President of the Republic of South Africa in terms of the Public Holidays Act, No 36 of 1994;

- 1.8 "DTIC" means the Department of Trade, Industry and Competition, South Africa;
- 1.9 "Employees" means all the permanent Employees of the Acquiring Group, CF or SKCF, as defined in the LRA, employed as such on the Implementation Date;
- 1.10 "Feasibility Study" means a study to determine the appropriate location to roll out an initiative similar to the Ratanda Initiative in South Africa;
- 1.11 "HDP" means historically disadvantaged person within the meaning of the Competition Act;
- 1.12 "Implementation Date" means the date, occurring after the Approval Date, on which the Merger is implemented by the Merging Parties;
- 1.13 "Karan Beef" means Karan Beef Proprietary Limited (Registration Number: 1998/006623/07);
- 1.14 "Karan Beef Feedlot" means Karan Beef Feedlot, a sole proprietorship owned and controlled by Ivor Michael Karan or his successor in title;
- 1.15 "LRA" means the Labour Relations Act, No. 66 of 1995, as amended;
- 1.16 "Merger" means the acquisition of control by the Acquiring Group over the Transferred Firm;
- 1.17 "Merging Parties" means the Acquiring Group and the Transferred Firm;
- 1.18 "Moratorium Period" means a period of 5 (five) years from the Implementation Date;
- 1.19 "Ratanda Initiative" means the Acquiring Group's public interest initiative to support HDP farmers in the Ratanda area through, among others, the supply of its breeding bulls to HDP farmers and general assistance aimed at promoting HDP farmers' cattle herd health (including veterinary assistance);
- 1.20 "SKCF" means SK Caine Farming, a sole proprietorship owned and controlled by Shaun Kelly Caine;
- 1.21 "SMME" means small business or a medium-sized business, as defined in the Competition Act;
- 1.22 "Transferred Firm" means the business and properties of CF, SKCF and Triple A, subject to the acquisition by the Acquiring Group;

1.23 "Tribunal" means the Competition Tribunal of South Africa, a statutory body established in terms of section 26 of the Competition Act; and

1.24 "Triple A" means Triple A Meat Proprietary Limited, a subsidiary of CF (Registration Number: 2001/016861/07).

2 EMPLOYMENT

2.1 The Acquiring Group undertakes that it will not conduct any merger-related retrenchments in respect of Employees during the Moratorium Period and between the Approval Date and the Implementation Date.

2.2 For the sake of clarity, merger-specific retrenchments do not include: (i) voluntary separation arrangements and/or voluntary retrenchments; (ii) voluntary early retirement; (iii) unreasonable refusals to be redeployed in accordance with the provisions of the LRA; (iv) resignations or retirements in the ordinary course of business; (v) retrenchments lawfully effected for operational requirements unrelated to the Merger; (vi) terminations in the ordinary course of business, including (but not limited to) terminations as a result of misconduct or poor performance; and (vii) any decision not to renew or extend a contract or a fixed-term third party contract employee or contract with a third party.

2.3 Given the nature of the Transferred Firm's business and the need to employ additional seasonal or temporary workers from time to time, the Acquiring Group shall continue to employ seasonal and/or temporary workers.

2.4 The Acquiring Firm shall develop, maintain and keep a database of such temporary or seasonal workers for the duration of the Moratorium Period.

2.5 The Acquiring Group will, for the duration of the Moratorium Period, ensure that it first seeks to employ those temporary or seasonal workers that the Transferred Firm contracts with from time to time.

3 SUPPLIER DEVELOPMENT INITIATIVE

3.1 The Acquiring Group shall, within 3 (three) years from the Implementation Date, roll out one initiative similar to the Ratanda Initiative in a suitable area/s in South Africa with HDP cattle farmers who intend to commercialise their operations. For the sake of clarity, the Acquiring Group shall roll out the initiative referred to in this paragraph in KwaZulu-Natal and if not feasible to do so in KwaZulu-Natal, in any other suitable

area in South Africa. The initiative shall support at least 50 (fifty) HDP cattle farmers annually.

3.2 The viability of such initiative will depend on a Feasibility Study as referred to in paragraph 4.3 which the Acquiring Group shall cause to be undertaken.

3.3 It is specifically noted that such a new project similar to the Ratanda Initiative, would require a separate and ring-fenced pool of bulls which may be used on a rotational basis. The commitment at paragraph 3.1 above, therefore, will require a separate ring-fenced pool of bulls, separate to those used at Ratanda and the commensurate investment. The Acquiring Group shall ensure that such initiative endures for 5 (five) years from the date of its implementation.

4 SUPPLIER DEVELOPMENT FUND

4.1 The Acquiring Group shall for a period of 5 (five) years from the Implementation Date, create a Supplier Development Fund, dedicating [REDACTED] to a Supplier Development Fund in cash over a 5 (five) year period at [REDACTED] per annum.

4.2 The Supplier Development Initiative and Supplier Development Fund shall be public interest interventions aimed at:

4.2.1 increasing the participation of HDP farmers in the formal / commercial value chain;

4.2.2 increasing participation by HDP farmers with a view to promote food security in South Africa and in the rural / communal areas; and

4.2.3 increasing economic activity in underdeveloped communal areas where HDP cattle farmers hold their cattle for subsistence or wealth-preservation.

4.3 The Acquiring Group shall within 3 (three) months of the Implementation Date, engage the services of an independent consultant (the **Appointed Consultant**) who will be contractually bound and obligated to conduct a Feasibility Study to determine the appropriate location for the rollout of the supplier development initiative referred to at paragraph 3 above, which Feasibility Study should be completed within 8 (eight) months following the Implementation Date.

4.4 The Appointed Consultant shall be independent of the Merging Parties, shall not have a conflict of interest, and shall possess the necessary skills to conduct the functions stipulated in 4.3, 4.6 and 4.9 of these Conditions. The Acquiring Group shall within 30 (thirty) Days of the Implementation Date, propose for appointment the Appointed Consultant which appointment shall be subject to the prior written

approval of the Commission, and which approval shall not be unreasonably withheld.

- 4.4.1 The Acquiring Group shall, within 15 (fifteen) Days of the Implementation Date, provide the Commission with details of the proposed Appointed Consultant, including their expertise and suitability to perform the assigned functions.
- 4.4.2 The Commission's approval of the proposed consultant shall be provided within 14 (fourteen) Days of notification by the Acquiring Group of the proposed consultant.
- 4.4.3 To the extent that the Commission does not approve the proposed Appointed Consultant, the merger parties shall submit to the Commission the names of 2 (two) more proposed consultants, including their expertise and suitability to perform the assigned functions, within 10 (ten) Days of the Commission's rejection of the first proposed consultant.
- 4.4.4 The Commission's approval of the above consultant shall be provided within 14 (fourteen) Days of notification by the Acquiring Group.
- 4.4.5 If the Commission, acting reasonably and on good cause shown, rejects the further proposed consultants, it shall provide reasons in writing, and shall nominate a consultant whom the merging parties shall appoint or cause to be appointed, within 7 (seven) Days of being informed by the Commission of such consultant's identity.
- 4.5 The Appointed Consultant shall, within 30 (thirty) Days of their appointment, provide the Acquiring Group and the Commission with a detailed workplan for the Feasibility Study referred to at paragraph 4.3. above.
- 4.6 The Appointed Consultant will also be responsible for the management of the Supplier Development Fund and the administration of the fund to achieve the desired outcomes set out in paragraph 4.7 below. The Appointed Consultant will be responsible for providing annual reports as to the performance and spend of the Supplier Development Fund to the Commission. For the sake of clarity, no administration fees or other costs or disbursements for purposes of provision of services by the Appointed Consultant (including fees and expenses for conducting the Feasibility Study referred to in paragraph 4.3 of these Conditions) may be deducted from the value of the Supplier Development Fund.

4.7 For each year of the 5 (five) year period, the Supplier Development Fund will have [REDACTED] available to it to be utilised in supporting HDP beef cattle farmers and associations of beef cattle farmers in, among others:

4.7.1 providing marketing support;

4.7.2 providing grants for the purchasing of machinery and equipment required for beef cattle farming for use by members of an association of farmers (including on a cost-sharing basis);

4.7.3 business development and training interventions to improve HDP farmers and/or associations they represent, corporate governance, management, marketing, productivity and use of modern technology;

4.7.4 provide assistance with administration related to land claims or interactions with governmental organisations in respect of land required for beef cattle farming purposes;

4.7.5 assistance with feed and nutritional supplement procurement for beef cattle, in respect of farmers who require such assistance; and/or

4.7.6 any such assistance that may be required, as recommended by the Appointed Consultant.

4.8 To the extent that the [REDACTED] annual budget is not fully utilised in a specific year, the balance of the budget shall roll over into the following year to ensure that by the fifth year, the Supplier Development Fund will have utilised the full [REDACTED] allocation.

4.9 The Supplier Development Fund shall be administered at the Appointed Consultant's sole discretion and in line with the qualification criteria formulated by the Appointed Consultant in consultation with the Commission. For the avoidance of doubt, such criteria will be aimed at ensuring that the Supplier Development Fund will benefit HDP beef cattle farmers and/or the associations to which they belong, where such HDP farmers and/or their associations require the funding for the purposes listed at paragraph 4.2 above. The Appointed Consultant will provide the Commission a copy of the criteria for comment prior to the finalisation of the criteria and the Supplier Development Fund being utilised.

5 HDP PROCUREMENT OF CALVES AND SLAUGHTER-READY CATTLE

5.1 For a period of 5 (five) years following the Implementation Date, the Acquiring Group shall procure [REDACTED] of the Transferred Firm's required volumes of calves /

weaners from HDPs. The Acquiring Group will not prescribe any logistics suppliers for the transportation of these calves / weaners, provided that the logistics services / self-transportation are in compliance with the Acquiring Group's bio-security measures set out in **Annexure B** of the Conditions.

- 5.2 For a period of 5 (five) years following the Implementation Date, the Acquiring Group shall reserve [REDACTED] of the Transferred Firm's volumes of slaughter capacity in favour of slaughter-ready cattle from HDPs. In this regard, to ensure that HDP feedlots selling slaughter-ready cattle are able to access the merged entity, in addition to the Transferred Firm's abattoir, HDP farmers will also have the option to supply their slaughter-ready cattle at the Acquiring Group's Balfour abattoir. The Acquiring Group will not prescribe any logistics suppliers for the transportation of these slaughter-ready cattle, provided that the logistics services / self-transportation are in compliance with the Acquiring Group's bio-security measures and internal requirements set in **Annexure C** of the Conditions.
- 5.3 To the extent that there are not enough HDPs supplying calves / weaners or not enough slaughter-ready cattle to satisfy reserved capacity such that the Acquiring Group is unable to meet the requirements of these conditions, the Acquiring Group will be required to show its attempts to procure calves / weaners from HDP farmers and will be required to roll-over volumes into the following 12-month cycle in the first 2 (two) years from the Implementation Date. For the avoidance of doubt, the Acquiring Group shall after the first 2 (two) years of the Implementation Date ensure that the calves / weaner procurement volumes set out in paragraphs 5.1 and slaughter-ready cattle reserved volumes set out in 5.2 are met. In relation to slaughter-ready cattle, the Acquiring Group will be required to show that it has reserved sufficient capacity and show its slaughter-ready cattle acquisitions in the 12-month cycle and how much of the reserved capacity they contributed.
- 5.4 The [REDACTED] is not provided as a procurement cap. To the extent that additional calves / weaners and slaughter-ready cattle are made available by HDPs, the Acquiring Group will procure these from HDPs, insofar as they comply with **Annexures B** and **C** of the Conditions.
- 5.5 The Acquiring Group undertakes that for each year of the 5 (five) year period following the Implementation Date, it will support at least [REDACTED] HDP farmers through the procurement of calves / weaners or slaughter-ready cattle.

6 OTHER PROCUREMENT

The Acquiring Group will not terminate the relationships with the Transferred Firm's current suppliers nor offer any less favourable terms to other suppliers, provided that such suppliers meet its internal requirements as per **Annexures B** and **C** of the Conditions.

7 HOLDING STATION ASSISTANCE

For a period of 5 (five) years following the Implementation Date, the Acquiring Group shall keep its holding stations available for the HDPs supplying it with calves / weaners and to, during the 28-day quarantine period, feed the calves / weaners at its own cost. The Acquiring Group will also be responsible for the transportation costs of the calves / weaners to its feedlot.

8 ENTERPRISE DEVELOPMENT

Karan Academy

- 8.1 In line with the objectives of the Agriculture and Agro-Processing Masterplan, the Acquiring Group shall establish an educational program aimed at providing educational material and opportunities to cattle farmers in South Africa (the **Karan Academy**).
- 8.2 The Acquiring Group anticipates that an indirect investment of [REDACTED] (spread over three years) will also be required to prepare and roll out the educational material.
- 8.3 The Karan Academy will be aimed at raising the standard of local future commercial cattle farmers' herds to a level where they have optimal production and have access to a competitive market. It is anticipated that the Karan Academy will include professionally produced training videos on, among others:
- 8.3.1 nutritional requirements for cattle;
 - 8.3.2 biosecurity;
 - 8.3.3 major diseases, prevention and risk mitigation; and/or
 - 8.3.4 vaccines, dipping and deworming.
- 8.4 The Karan Academy will also deliver its educational material over the radio using pre-recorded clips for broadcast, and on community farmer days (approximately 4

to 6 per year) at community centres with informational and educational material / sessions and consultants being made available to local farmers.

- 8.5 The Karan Academy will also invite industry partners to provide insights on products, vaccines, best practices and protocols. In line with the recognised potential for growth (within the context of the Agriculture and Agro-Processing Masterplan, priority will be given to educational material on protecting herd health from foot-and-mouth disease and other bio-security risks with focused support for HDP cattle farmers in smallholder / communal production systems.

Pre-packed offal

- 8.6 For a period of 5 (five) years from the Implementation Date, the Acquiring Group shall continue to supply pre-packed offal packages to the Transferred Firm's existing customers controlled by HDPs and SMME and to retain such customers' records with regards to credit facilities, payment terms and trading conditions. In addition, the Acquiring Group will retain the logistics / delivery arrangements in place to ensure that the supply of pre-packed offal continues as it did prior to the Implementation Date.

Third-party abattoir services

- 8.7 The Acquiring Group shall, for a period of 5 (five) years from the Implementation Date, subject to capacity, offer abattoir services to third-party HDP farmers, provided that they comply with the Acquiring Group's biosecurity and other requirements as set out in **Annexure D** of the Conditions.

Wholesale supply

- 8.8 For a period of 5 (five) years following the Implementation Date, the Acquiring Group shall supply █████ of the Transferred Firm's finished beef products (i.e., beef carcasses or deboned / primalised beef cuts) to HDP wholesalers for retailing purposes.
- 8.9 To the extent that there is not enough demand by HDP wholesalers for the Transferred Firm's finished beef products such that the Acquiring Group is unable to meet the requirements of these conditions, the Acquiring Group will be required to show its efforts / attempts to supply to HDP wholesalers and will be required to roll-over volumes into the following 12-month cycle in the first 2 (two) years from the Implementation Date. For the avoidance of doubt, the Acquiring Group shall

after the first 2 (two) years of the Implementation Date ensure that the wholesale supply volumes set out in paragraph 8.8 are met.

- 8.10 The [REDACTED] as mentioned in paragraph 8.8 is not provided as a supply cap. To the extent that additional volumes are required by HDP wholesalers and the Acquiring Group is able to supply such additional volumes, the Acquiring Group will supply finished beef products to HDP wholesalers.

HDP farmers marketing support

- 8.11 The Acquiring Group undertakes, for a period of 5 (five) years from the Implementation Date, to assist HDP farmers who market and sell their calves / weaners and slaughter-ready cattle at auctions through an annual sponsorship of an auction aimed at supporting HDP farmers, subject to applicable bio-security protocols. For the sake of clarity and in order to ensure a broader participation of HDP farmers from various regions across South Africa, the Acquiring Group shall ensure that an annual sponsorship takes place on a rotational basis in at least 5 areas largely occupied by HDP farmers such as KwaZulu-Natal, Gauteng, Free State, Limpopo, North-West, Mpumalanga, Eastern Cape, amongst others.

9 SOCIO-ECONOMIC DEVELOPMENT

- 9.1 The Acquiring Group shall:

9.1.1 within 18 (eighteen) months of the Implementation Date, onboard a total of [REDACTED] [REDACTED] learners from agricultural educational institutions for the purpose of training them during their practical training year; and

9.1.2 within 18 (eighteen) months of the Implementation Date, avail a total of [REDACTED] [REDACTED] bursaries to underprivileged individuals to attend Cedara College of Agriculture or any other agricultural college.

- 9.2 For the purpose of the undertakings at paragraph 9.1 above, the Acquiring Group undertakes to only consider applicants who are HDPs and from underprivileged communities. The number of learnerships and bursaries granted will be dependent on the applicants for learnerships and bursaries meeting the Acquiring Group's minimum requirements, which will include that the applicant:

9.2.1 must be South African citizen;

9.2.2 must be from a rural or previously disadvantaged background; and

9.2.3 in the case of bursaries, must hold a valid Grade 12 certification and submits proof of financial need.

9.3 The Acquiring Group shall engage the African Farmers Association of South Africa or other similar associations to identify ways to assist farmers with the goal of commercialising their subsistence or wealth holding cattle farming operations.

10 MONITORING OF CONDITIONS

10.1 The Acquiring Group shall notify the Commission in writing of the Implementation Date of the Merger and the number of Employees within 5 (five) Days of the Implementation Date.

10.2 The Merging Parties shall circulate a copy of the employment conditions to the Employees, the trade unions representatives and employee representatives within 5 (five) Days of the Approval Date.

10.3 The Acquiring Group shall, within the first month of the Implementation Date:

10.3.1 publish a non-confidential version of the conditions on the Acquiring Group and Transferred Firm's websites;

10.3.2 to ensure that potential HDP farmer beneficiaries are aware of the conditions, the Acquiring Group shall provide a non-confidential version of the conditions to the South African Feedlot Association, African Farmers Association of South Africa, and request that these associations announce the conditions and the potential benefits for the HDP beef cattle farmers they represent;

10.3.3 using local media within the Transferred Firm's catchment area, publish an announcement relating to the conditions and requesting potential qualifying beneficiaries to contact the Appointed Consultant or any other designated employee of the Acquiring Group;

10.3.4 using local media within the Balfour abattoir's catchment area, publish an announcement relating to the reservation of slaughter capacity for slaughter-ready cattle purchased from HDPs whose cattle meet the criteria in **Annexure C** of the conditions; and

10.3.5 provide a business forum whose members are known, or likely, to represent HDP wholesalers with a summary of the conditions and requesting potential qualifying wholesalers to contact the Appointed Consultant or any other designated employee of the Acquiring Group.

- 10.4 As proof of compliance with paragraph 10.2, a senior executive of the Acquiring Group shall within 10 (ten) Days of circulating the Conditions, submit to the Commission an affidavit attesting to the circulation of the Conditions and provide a copy of the notices that were circulated to the Employees, trade unions and their employee representatives.
- 10.5 Within 10 (ten) Days of the anniversary of the Implementation Date and on each anniversary of the Implementation Date the Acquiring Group shall for the duration of the Conditions provide the Commission with a report regarding its compliance with the Conditions. This report shall include:
- 10.5.1 Employment - the total number of Employees at its operations housing the Transferred Firm and a confirmation that there have been no merger-specific retrenchments. To the extent that retrenchments unrelated to the merger are effected, the Acquiring Group will provide all necessary details and documents;
- 10.5.2 Supplier Development Initiative - as soon as it is finalised, the outcome of the Feasibility Study and, on an annual basis, the details of the Supplier Development Initiative in the preceding twelve months and the details of the HDP farmers supported in the preceding year;
- 10.5.3 Supplier Development Fund - the qualification criteria for intended beneficiaries of the Supplier Development Fund and, details of the Supplier Development Fund spend in the preceding twelve months;
- 10.5.4 HDP Procurement - its HDP procurement levels in respect of the Transferred Firm's calves / weaners and slaughter-ready cattle, and if not achieved, reasons for not achieving the HDP procurement levels;
- 10.5.5 Holding Station Assistance - confirmation that the Acquiring Group made its holding stations available to HDP suppliers of calves / weaners;
- 10.5.6 Enterprise Development – all details on the Karan Academy's activities, the names of HDP / SMME pre-packed offal customers, details of the HDP third-party abattoir services and the details of supply to HDP wholesalers, in the preceding 12 (twelve months); and
- 10.5.7 Socio-Economic Development – the details of the bursaries awarded and individuals onboarded in order to obtain practical training, including the

monetary value of the Acquiring Group's investments in advancing the broad socio-economic imperatives of South Africa, and provide reasons where no such bursaries were awarded and no individuals onboarded.

- 10.6 The Appointed Consultant will on each anniversary of the Implementation Date, for a period of 5 (five) years, submit a report on the Supplier Development Fund's initiative/programme undertaken, expenditures and beneficiaries.
- 10.7 Each report submitted in terms of paragraph 10.5 and 10.6 shall be accompanied by an affidavit deposed to by a senior executive of the Acquiring Group confirming the accuracy of the information contained in the report and attesting to the compliance with the Conditions.
- 10.8 The Commission may request any additional information from the Merging Parties which the Commission from time to time may deem necessary for purposes of monitoring the extent of compliance with these Conditions.

11 VARIATION

The Commission and/or the Merging Parties may at any time, on good cause shown, apply to the Tribunal for the Conditions to be waived, relaxed, modified and/or substituted.

12 BREACH

If the Parties appear to have breached the above Conditions or if the Commission determines that there has been an apparent breach by the Parties of the Conditions, this shall be dealt with in terms of Rule 39 of the Rules for the Conduct of Proceedings in the Commission read with Rule 37 of the Rules for the Conduct of Proceedings in the Tribunal.

13 GENERAL

All correspondence in relation to these Conditions must be submitted to the following email address: mergerconditions@compcom.co.za and Ministry@thedtic.gov.za

ANNEXURE B

PROCUREMENT REQUIREMENTS FOR CALVES / WEANERS

1 Breed / Type

- 1.1 Karan Beef will only purchase beef breeds and not dairy breeds or dairy crossbreeds.
- 1.2 Karan Beef does not purchase Nguni, Afrikaner, or Boran calves as these breeds grow and perform in agricultural setting but do not perform or realise economic value when put through a feedlot system. However, Karan Beef will purchase Nguni, Afrikaner and Boran cross-breed calves / weaners if:
 - 1.2.1 the cows from which they originate are large-framed breeding stock; and
 - 1.2.2 the bulls from which they originate are large-framed late maturing beef breeds.

2 Age and weight

As a broad guideline, Karan Beef purchases young calves (up to 8 months old) with a live standing weight of between 170kg and 250kg. Heavier calves may be purchased on an *ad hoc* basis, at Karan Beef's sole discretion, depending on its requirements at the time.

3 Sex

Karan Beef prefers to purchase castrated male calves / weaners. To maintain its desired sex ratio, and to the extent possible given the market dynamics and availability, Karan Beef will seek to maintain a steer / heifer ratio of two thirds male and 1 third heifer. Offers for purchases which will result in a compromise of this ratio will not be allowed unless there are exceptional extenuating circumstances.

4 Health and hides

- 4.1 Karan Beef requires that all cattle be of good health and have hides that are free of damage from improper branding or insects. A veterinarian's certificate is required in respect of all cattle purchased.

4.2 Karan Beef will not purchase calves whose health, defects or other conditions which may impact their feedlot growth potential. For the avoidance of doubt, this includes sick calves / weaners, or calves / weaners with disabilities (including, blindness, leg / hoof defects) and calves / weaners with other conditions having an impact on their growth potential in a feedlot.

5 Horns

Absent extenuating circumstances, Karan Beef does not purchase cattle with horns and requires that the calves / weaners it purchases be dehorned at a young age (0 to 3 months).

6 Biosecurity

6.1 Biosecurity is crucial to the safe operations of the Acquiring Group's business as well as to public health and safety. The Acquiring Group therefore requires that all suppliers comply with its bio-security protocols.

6.2 The seller of calves / weaners must be in possession of a certificate issued by a veterinarian confirming that the farmer has a controlled and closed herd, i.e., that the seller has not moved cattle onto his premises in the preceding 30 calendar days and that the calves / weaners are free of any disease. The responsibility and costs of obtaining such certificate shall rest on the supplier.

6.3 Karan Beef will not purchase calves / weaners whose source cannot be traced or those which originate from an area where foot and mouth disease has been detected. In most cases, Karan Beef will not purchase cattle from farms in the vicinity of a farm where foot and mouth disease has been detected.

6.4 Karan Beef will, from time to time, demarcate areas which are too risky for it to purchase from given the risk of the spread of foot and mouth disease. These areas will, in most cases, be within a specified radius of the areas demarcated as a Disease Management Areas. There shall be no purchases from these areas or in respect of cattle originating from those areas.

7 Exclusions

7.1 Karan beef does not purchase calves / weaners which:

7.1.1 originate from a feedlot; and

7.1.2 do not have the require certificates from a veterinarian.

ANNEXURE C

PROCUREMENT REQUIREMENTS FOR SLAUGHTER-READY CATTLE

1 Breed / Type

- 1.1 Karan Beef will only purchase beef breeds and not dairy breeds or dairy crossbreeds.
- 1.2 Karan Beef does not purchase Nguni, Afrikaner, or Boran slaughter-ready cattle. However, Karan Beef will purchase Nguni, Afrikaner and Boran cross-breed slaughter-ready cattle if:
 - 1.2.1 the cows from which they originate are large-framed breeding stock; and
 - 1.2.2 the bulls from which they originate are large-framed late maturing beef breeds.
- 1.3 Karan Beef will only purchase grain-fed A2 or A3 grade slaughter-ready cattle originating from feedlots.

2 Age and weight

Karan Beef purchases slaughter-ready cattle that are below the age of 15 months and which produce carcasses with a mass between 260kg and 300kg. Slaughter-ready cattle not meeting those requirements may be purchased on an *ad hoc* basis, at Karan Beef's sole discretion, depending on its requirements at the time.

3 Sex

Slaughter-ready cattle may be purchased with no regard as to their sex, provided that the male cattle are castrated and of moderate temperament.

4 Health and hides

- 4.1 Karan Beef requires that all cattle be of good health and have hides free of damage from improper branding or insects. A veterinarian's certificate is required in respect of all cattle purchased.

- 4.2 Karan Beef will not purchase sick cattle or cattle with disabilities (including, blindness, leg / hoof defects) or other conditions having an impact on Karan Beef's ability to efficiently handle and slaughter them, or realise value for their carcasses.

5 Horns

Absent extenuating circumstances, Karan Beef does not purchase cattle with horns and requires that the slaughter-ready cattle it purchases must have been dehorned at a young age (0 to 3 months).

6 Biosecurity

- 6.1 Biosecurity is crucial to the safe operations of the Acquiring Group's business as well as to public health and safety. The Acquiring Group therefore requires that all suppliers comply with its bio-security protocols.
- 6.2 The seller of slaughter-ready cattle must be in possession of a certificate from a veterinarian confirming that the cattle have been quarantined for 28 calendar days and that the cattle are free of any disease. The responsibility and costs of obtaining such certificate shall rest on the supplier.
- 6.3 Karan Beef will not purchase slaughter-ready cattle whose source cannot be traced or those which originate from an area where foot and mouth disease has been detected. In most cases, Karan Beef will not purchase cattle from farms in the vicinity of a farm from where foot and mouth disease has been detected.
- 6.4 Karan Beef will, from time to time, demarcate areas which are too risky for it to purchase from given the risk of the spread of foot and mouth disease. These areas will, in most cases, be within a specified radius of the areas demarcated as a Disease Management Areas. There shall be no purchases from these areas or in respect of cattle originating from those areas.

7 Exclusions

- 7.1 Karan beef does not purchase slaughter-ready cattle which:
- 7.1.1 do not display white fat;
 - 7.1.2 have not been grain-fed on a feedlot;

- 7.1.3 do not meet the requirements for A2 or A3 grade;
- 7.1.4 do not have the require certificates from a veterinarian; and
- 7.1.5 do not meet its age and weight requirements.

ANNEXURE D

HDP THIRD-PARTY ABATTOIR SERVICE PRE-CONDITIONS

- 1 Biosecurity is crucial to the safe operations of the Acquiring Group's business as well as to public health and safety. The Acquiring Group therefore requires that all suppliers comply with its bio-security protocols.
- 2 HDP individuals or firms owned or controlled by HDPs requiring the abattoir services of the Acquiring Firm must ensure that their cattle, upon entering the Acquiring Group's bio-secure area, comply with the Biosecurity Requirements set out in **Annexure C**.
- 3 The Acquiring Group will slaughter cattle on behalf of HDP third parties and return the full carcass. For the avoidance of doubt, the Acquiring Group will not prepare primalised beef cuts on behalf of third parties.
- 4 The Acquiring Group will return the carcass only and will retain the fifth quarter (consisting of the hide and offal).
- 5 The Acquiring Group will not be responsible or liable in respect of the transportation costs of the slaughter-ready cattle or the beef carcass.
- 6 HDP third parties requiring this service will be required to make an upfront cash payment of ZAR200, which fee may be adjusted by Karan Beef at any time without prior notice to third parties. These increases will be based on cost increases having a direct impact on the operations of the abattoir.