Saving our customers money so they can live better

Our Integrated Annual Report for the year ended December 2016
Massmart, Africa’s second largest retail group, comprises four divisions operating 412 stores, across 13 sub-Saharan countries.

Through our widely-recognised, differentiated retail and wholesale formats, we have leading shares in the General Merchandise, Liquor, Home Improvement and wholesale Food markets. Our key foundations of high-volume, low-cost and operational excellence enable our price leadership.
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www.massmart.co.za/iar2016/groupafs

Company Annual Financial Statements and notes
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Navigating our report
In addition to the content that appears in this report, articles marked with this icon can be found online. Visit our Integrated Annual Report website at: www.massmart.co.za/iar2016

Use this icon to refer to articles in this report
This icon highlights definitions.
## Our performance highlights

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total sales</td>
<td>Up 7.7% from R91,250.0 million in 2015 to R94,731.8 million in 2016.</td>
</tr>
<tr>
<td>Operating profit</td>
<td>Up 15.5% from R2,483.4 million in 2015 to R2,483.4 million in 2016.</td>
</tr>
<tr>
<td>Headline Earnings</td>
<td>Up 15.6% from R1,293.3 million in 2015 to R1,118.8 million in 2016.</td>
</tr>
</tbody>
</table>

### Social and Relationship Capital
- Approximately 13,000 employees have registered for Massmart’s truCARE low-cost medical care offering.
- There are currently 300 Massmart-sponsored mobile kitchens in schools across South Africa, 100 of which were supplied by the Walmart Foundation. Since inception an estimated 151 million meals have been prepared by the local communities of these schools, making a positive impact on the education prospects of 200,000 children each year.

### Intellectual Capital
- Massmart has installed solar energy plants capable of generating approximately 13,000,000 kWh per year.
- There are currently 300 Massmart-sponsored mobile kitchens in schools across South Africa, 100 of which were supplied by the Walmart Foundation. Since inception an estimated 151 million meals have been prepared by the local communities of these schools, making a positive impact on the education prospects of 200,000 children each year.

### Natural Capital
- Approximately 13,000 employees have registered for Massmart’s truCARE low-cost medical care offering.
- There are currently 300 Massmart-sponsored mobile kitchens in schools across South Africa, 100 of which were supplied by the Walmart Foundation. Since inception an estimated 151 million meals have been prepared by the local communities of these schools, making a positive impact on the education prospects of 200,000 children each year.

### Human Capital
- Approximately 13,000 employees have registered for Massmart’s truCARE low-cost medical care offering.
- There are currently 300 Massmart-sponsored mobile kitchens in schools across South Africa, 100 of which were supplied by the Walmart Foundation. Since inception an estimated 151 million meals have been prepared by the local communities of these schools, making a positive impact on the education prospects of 200,000 children each year.

### Manufactured Capital
- Approximately 13,000 employees have registered for Massmart’s truCARE low-cost medical care offering.
- There are currently 300 Massmart-sponsored mobile kitchens in schools across South Africa, 100 of which were supplied by the Walmart Foundation. Since inception an estimated 151 million meals have been prepared by the local communities of these schools, making a positive impact on the education prospects of 200,000 children each year.

### Financial Capital
- Approximately 13,000 employees have registered for Massmart’s truCARE low-cost medical care offering.
- There are currently 300 Massmart-sponsored mobile kitchens in schools across South Africa, 100 of which were supplied by the Walmart Foundation. Since inception an estimated 151 million meals have been prepared by the local communities of these schools, making a positive impact on the education prospects of 200,000 children each year.

### Operating Environment
- Approximately 13,000 employees have registered for Massmart’s truCARE low-cost medical care offering.
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### Intellectual Capital
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- There are currently 300 Massmart-sponsored mobile kitchens in schools across South Africa, 100 of which were supplied by the Walmart Foundation. Since inception an estimated 151 million meals have been prepared by the local communities of these schools, making a positive impact on the education prospects of 200,000 children each year.

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**Our collaboration efforts**

Contributed to reducing our operating costs and improving working capital management.
We are proud to present Massmart’s 2016 Integrated Annual Report. This report covers the integrated financial and non-financial performance of Massmart and its subsidiaries for the 52 weeks ended December 2016.

This Integrated Annual Report is our primary report to stakeholders and is aimed at addressing our stakeholders’ information needs. It aims to demonstrate how the material matters in relation to our financial and non-financial performance, governance, risks and strategy lead to the creation of value in the short-, medium- and long-term.

While this report is primarily aimed at the providers of financial capital, it takes into account the information needs of our diverse range of stakeholders including shareholders, customers, employees, suppliers and communities.

Scope of the report
The scope of the Massmart Integrated Annual Report includes the Group’s four Divisions and key functions. With respect to comparability, all significant items are reported in a manner consistent with the previous financial year, with no material restatements.

The report has been prepared in accordance with the framework principles set out in the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). Other reporting frameworks applied where appropriate include:
- The King Code of Governance Principles (King III);
- JSE Listing Requirements;
- International Financial Reporting Standards (IFRS), relevant to financial information provided in the summary financial results and the Chief Financial Officer review;
- The Companies Act of South Africa, No. 71 of 2008 (as amended); and
- The ‘core’ reporting requirements of the G4 Sustainability Reporting Guidelines.

Materiality
In accordance with the stated objectives of integrated reporting, the Massmart Integrated Annual Report focuses on those matters that are material to Massmart’s ability to create value over the short-, medium- and long-term. Material issues have been identified and reported with regard to the six capitals, namely: financial, manufactured, human, natural, social and relationship, and intellectual.

Management’s interpretation of materiality, being those transactions, balances and information that are significant in terms of Rand value, the Group’s risk profile or the Group’s strategic intent, such that Management believe omission of disclosure thereof would influence the Group’s stakeholders’ decisions, has been applied in determining the financial and non-financial content and disclosure in this Report.

Combined assurance
Massmart applies a combined assurance model, introduced by King III, which seeks to optimise the assurance obtained from Management and internal and external assurance providers. The Group’s Risk Committee monitors all the significant risks facing the Group and with the help of Management, provides the Massmart Board of Directors with assurance that it has implemented and monitored the Group’s risk management plan, and that it is integrated into day-to-day activities. They are also responsible for monitoring and implementing the necessary internal controls.

The internal audit function, overseen by the Group’s Audit Committee, assesses the effectiveness of Massmart’s system of internal control. The Group receives external assurance on certain aspects of the business. For example, the Group’s external auditors, Ernst & Young Inc., provide an opinion on the fair presentation of the Group and Company Annual Financial Statements.

The Group’s Audit Committee ensures that the combined assurance model is applied throughout the Group to provide a co-ordinated approach to all assurance activities and this Committee also monitors the relationship between the external service providers and the Group.

Board approval
The Massmart Board of Directors confirm that they have collectively assessed the content of this Integrated Annual Report and accompanying statutory information, and confirm it addresses all material issues and presents a balanced and fair account of the Group’s performance.

On recommendation of the Audit Committee, which has oversight for the integrity of the Integrated Annual Report and the audited consolidated Group Annual Financial Statements prepared for the 52 weeks ended 25 December 2016, the Board of Directors has therefore approved the Integrated Annual Report and the audited consolidated Group Annual Financial Statements for release to shareholders on 31 March 2017. They are signed on the Board’s behalf by:

Kuseni Dlamini
Chairman

Guy Hayward
Chief Executive Officer

Forward looking statements
The Massmart Integrated Annual Report includes forward looking statements which relate to the possible future financial position and results of the Group’s operations. These statements by their nature involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements, as they relate to events and depend on circumstances that may or may not occur in the future.

Factors that could cause actual results to differ materially from those in forward looking statements include, but are not limited to, global and national economic and market conditions, competitive conditions, the cyclical nature of the retail sector, consumer and trade credit and the associated costs and risks of lending, inventory levels and regulatory factors.

The Group is not under any obligation to update or alter any forward looking statements publicly, whether as a result of new information, future events or otherwise. Investors are cautioned not to place undue reliance on any forward looking statements contained herein, as they have not been reviewed or reported on by the Group’s external auditors.

How to read our report
This report has been developed to explain how Massmart creates value over time. To assist stakeholders in making this assessment, this report has been designed in the following structure:

- AN INTRODUCTION TO MASSMART EXPLAINING OUR BUSINESS, HOW WE CREATE VALUE, AND REFLECTING ON OUR OPERATING CONTEXT AND STRATEGIC RESPONSE TO IT
- OPENING CHAIRMAN AND CEO STATEMENTS
- AN EVALUATION OF THE VALUE CREATED ACROSS THE SIX CAPITALS
- A REVIEW OF OUR GOVERNANCE STRUCTURES

Highlighting our values
The structure of the report is centred around the six capitals as a holistic framework against which to measure value created. As part of this value creation story, we have also highlighted initiatives applicable to our values as these guide the way we work. Our values are marked by the following icons:

- ETHICAL AND RESPECTFUL
- RESPONSIBLE
- EXCELLENCE
- INCLUSIVE

Read more about our values and our purpose p25 and p28-29
We nurture exceptional partner and stakeholder loyalty, enabling us to build trusted, long-term relationships.

We are committed to good governance and compliance. We receive positive feedback from our suppliers about our ethics in business practices (in 2016 we received an average ethics score of 93% and respondents indicated that Massmart is ‘highly collaborative, tough but fair’).

We regularly engage with our partners and stakeholders. 1,000 suppliers participated in the Massmart Supplier Relationship survey.

We have a track record of excellent delivery against commitments. We operate for less so that we can save our customers money. We maintained an expenses to sales ratio of 16.3%.

As a result of our procurement scale, our high-sales density formats and our cost-efficient routes to market, we are able to optimise supplier distribution and obtain price efficiencies.

We manage categories at a Group level allowing us to pass on savings to our customers.

Our business model ensures that we are able to maintain our low price points across our formats. Lowest comparable basket price (Cambridge offers the cheapest and Makro the second cheapest basket of goods out of South Africa’s seven biggest chains surveyed by Retail Price Watch July 2016).

We exceed expectations of value amongst the widest consumer market in sub-Saharan Africa.

We are committed to giving our customers the best possible retail experience. We invest in the development of our people so that they can provide excellent customer service.

We are able to achieve our purpose because of:

- MOST TRUSTED
- HIGH VOLUME
- LOWEST COST
- EXCEPTIONAL VALUE TO MASS MARKET

Our purpose:

To be the most trusted, high volume, lowest cost, wholesale and retail Group in sub-Saharan Africa, delivering exceptional value to mass market consumers.

Our commitment:

We are committed to saving our customers money so they can live better.

Our values:

ETHICAL AND RESPECTFUL
Good business at the centre of everything we do

RESPONSIBLE
Thoughtful choices for a better future

EXCELLENCE
Smart ideas that inspire everyday excellence

INCLUSIVE
Creating opportunities for everyone to prosper

Our scale and retail format:

As a result of our procurement scale, our high-sales density formats and our cost-efficient routes to market, we are able to optimise supplier distribution and obtain price efficiencies.

We manage categories at a Group level allowing us to pass on savings to our customers.

Our business model ensures that we are able to maintain our low price points across our formats. Lowest comparable basket price (Cambridge offers the cheapest and Makro the second cheapest basket of goods out of South Africa’s seven biggest chains surveyed by Retail Price Watch July 2016).

Our best value offering:

We exceed expectations of value amongst the widest consumer market in sub-Saharan Africa.

We are committed to executing across channels so that our customers can easily access our products. In 2016, we opened 19 stores, including two outside of South Africa. We saw 100% growth in online sales.

We are committed to giving our customers the best possible retail experience. We invest in the development of our people so that they can provide excellent customer service.

- 19 Stores opened 2015: 21
- 100% Growth in online sales 2015: 65%
### Our business at a glance

**INPUT**
- Our Business Drivers

**BUSINESS ACTIVITIES**
- How We Do Business

**OUTPUTS**
- What We Deliver

**OUTCOMES**
- What We Enable

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### Our business model

The resources Massmart uses to create value are:

- **FINANCIAL CAPITAL**
  - The funds available to and utilised by the Group
    - The funds generated and reinvested in the Group

- **MANUFACTURED CAPITAL**
  - Our Divisional structure through which we sell our products and services
    - Our focused independent Divisions addressing different customer profiles across geographies
    - A proven high volume, low-cost model

- **HUMAN CAPITAL**
  - The unique set of skills, experiences, perspectives and ideas of our people
    - Our ethical and experienced leadership and management
    - A diverse workforce

- **NATURAL CAPITAL**
  - Our commitment to reducing our environmental impact
    - A sustainable approach to supply and consumerism

- **SOCIAL AND RELATIONSHIP CAPITAL**
  - Our commitment to champion social equality initiatives in our business and through our supply chain, as well as the value added to our business through our relationships with our stakeholders
    - Engaging with our stakeholders
    - A customer-centric approach to business

- **INTELLECTUAL CAPITAL**
  - How, through innovation, we pass on benefits to our customers
    - A robust, flexible business strategy
    - An effective supply chain and leading IT solutions

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Our four Divisions operate more successfully as a Group because we:

- Apply a strategic operating and financial framework to guide Group’s activities
- Implement Group-wide agreements enabling greater extraction of value across Divisions
- Ensure Group-wide consistent compliance with best governance and legislative requirements
- Collaborate via our forums to ensure Group-wide sharing and leverage of capabilities, knowledge and information

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### Our customers’ needs by providing exceptional value goods, through accessible retail and wholesale formats and online.

#### In 2016 we saved our customers R1.9 billion

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### We meet our customers’ needs by providing exceptional value goods, through accessible retail and wholesale formats and online.

### In 2016 we undertook the following actions to enhance our outcomes:

- **FINANCIAL CAPITAL**
  - Drove existing sales through clear customer and value propositions, superb execution of retail basics, and positive price gap
  - Effective margin management through a focus on buying, inventory ranges and levels, product innovation, supplier collaboration and route-to-market relevance

- **MANUFACTURED CAPITAL**
  - New store and store closure strategy
  - Invested R0.8 billion in IT infrastructure and the refurbishment of existing stores and new stores
  - Growth into Africa (led by Game and Builders Warehouse)

- **HUMAN CAPITAL**
  - A remuneration policy supporting the development and retention of top talent and critical skills
  - Aligned learning and development solutions with gaps identified through the talent review process
  - Introduced truCARE – occupational health-offering providing permanent employees with private primary healthcare at no cost

- **NATURAL CAPITAL**
  - Advocated more sustainable practices and product choices
  - Optimised operational energy efficiency
  - Conserved water through the introduction of rain water and condensate harvesting solutions

- **SOCIAL AND RELATIONSHIP CAPITAL**
  - Proactive programme of engagement including stakeholder workshops, surveys and one-on-one issue meetings
  - Invested in local supplier development
  - Focused on school nutrition, early childhood development and school maintenance and infrastructure

- **INTELLECTUAL CAPITAL**
  - Focus on growing online shopping
  - Grew private label
  - Innovative promotions – Makro R100 promotions and Massbuild’s Price-Lock

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### Through these actions, we created value for our stakeholders:

- **FOR OUR CUSTOMERS**
  - Our costs to sales ratio of 16.3% is the lowest and enables us to compete aggressively on price
  - Helped customers avoid approximately 98.9 million kWh of energy through sale of energy efficient and alternative energy products

- **FOR PROVIDERS OF FINANCIAL CAPITAL**
  - Sales increased by 7.7% to R91.3 billion
  - Operating profit before interest increased by 15.5% to R2.5 billion
  - Headline earnings increased by 15.6% to R1.3 billion
  - R404.4 million distributed to shareholders as dividends
  - R601.0 million paid to lenders as interest

- **FOR OUR EMPLOYEES**
  - Conversion of 6,218 contractor staff into full time employees
  - Invested R9.4 million in leadership development
  - R7.3 billion paid to employees as salaries and wages
  - 89% of permanent employees with medical benefits

- **FOR OUR COMMUNITIES**
  - R24.1 million invested in CSI initiatives
  - Total procurement from the Supplier Development Programme beneficiaries surpassed R139 million
  - Group electricity efficiency improved 10%
  - 55% of domestic import facilities have undergone responsible sourcing audits

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## Massmart Integrated Annual Report 2016
Our Divisions

Massdiscounters
Massdiscounters is a multi-category General Merchandise discounter and Food retailer.

Game offers customers the widest range of branded products, at the best price, with a quality guarantee for customers. DionWired offers the widest range of the world’s leading Hi-tech brands to the South African high-income consumer. DionWired offers buyers an interactive shopping experience with tech experts on hand to provide the best advice and on-site repairs and services.

Geographic presence:
South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda, Zambia

165 Stores
22 outside South Africa
(161 stores in 2015)
13,139 Full-time employees
(13,796 in 2015)

5-10
Game

8-10
DionWired

Masswarehouse
Masswarehouse is a warehouse club trading in Food, General Merchandise and Liquor.

Makro sells General Merchandise, Food & Liquor to wholesale and retail customers. This blend gives it a robustness that enables it to trade comfortably in most economic cycles. The warehouse club format keeps costs down and provides the platform for a high volume, high margin sales offering of quality branded merchandise. The customer database of Makro store cards used at the point of purchase helps to keep track of active members. The Fruitspot is an established wholesaler and distributor of fresh and cut fruit and vegetables. It provides customers with quality products at best prices.

Geographic presence:
South Africa

20 Stores
All in South Africa
(19 stores in 2015)
10,481 Full-time employees
(9,952 in 2015)

6-10 Makro primary customers

2-8 Makro secondary customers, via trade

Massbuild
Massbuild is a home improvement retailer and Building Materials supplier.

Massbuild has four store formats that cater to different markets:
Builders Warehouse is a category killer for DIY, the homeowner and building contractor, offering an extensive range of competitively priced products.
Builders Express caters to the homeowner and DIY enthusiast, focuses on a convenient location, a customer-friendly store layout with pleasing displays and personalised service and advice.
Builders Superstore focuses on the lower-income population in under-served markets around the country. These stores are conveniently located near commuter nodes.
Builders Trade Depot caters mostly for medium-to-large-sized contractors and tradesmen engaged in building, maintenance and renovation projects. It trades from large regional low-cost outlets.

Geographic presence:
South Africa, Botswana, Mozambique, Namibia, Zambia

104 Stores
5 outside South Africa
(102 stores in 2015)
10,050 Full-time employees
(10,648 in 2015)

5-10 Builders Warehouse

5-10 Builders Express

2-6 Builders Superstore

4-8 Builders Trade Depot

Masscash
Masscash is a Food wholesaler, retailer and buying association. It comprises two Divisions, Wholesale and Retail.

The Wholesale brands include:
CBW and Trident wholesales Food, Liquor and cosmetics in bulk to independent dealers, government feeding schemes, franchise members, small traders and hawkers.
Jumbo sells mainly cosmetics, toiletries and haircare products to individual customers and independent general dealers.
Shield is a voluntary buying association that buys products in bulk on behalf of 517 members who own wholesale or retail businesses.
Retail brands, targeting the lower LSM group, include:
Cambridge Food stores in a mix of urban, peri-urban and rural areas; and Rhino stores, largely in rural areas. Both are focused on their fresh propositions, with strong emphasis on in-store butcheries, bakeries and fruit and veg departments.

Geographic presence:
South Africa, Botswana, Lesotho, Mozambique, Namibia, Swaziland

123 Stores
12 outside South Africa
(121 stores in 2015)
13,764 Full-time employees
(13,187 in 2015)

2-5 Wholesale

2-6 Retail
Massmart is an African retailer that operates through 412 stores in 13 countries across sub-Saharan Africa. 373 of our stores are in South Africa, in both urban and rural areas, enabling access to a broad consumer base. We operate a further 39 stores across the rest of sub-Saharan Africa.
Our operating environment

Massmart’s ability to create value is partly determined by its operating context and its response to the resulting risks and opportunities. 2016 was a year of global political uncertainty and resulting currency fluctuations and lower commodity prices had an impact on the sub-Saharan African economic environment. Economic pressures within the South African consumer environment affected consumer confidence and shopping behaviour. The majority of Massmart’s business is based in South Africa, but we also operate in 12 other African countries that collectively contribute 8.7% towards Group sales (2015: 8.4%). While there are economic challenges in the short term, the outlook for sub-Saharan African growth remains positive albeit with higher risks and volatility.

Economic growth estimated to have slowed to 1.5% in 2016, with better growth expected in 2017 (2.9%) World Bank

Drought issues

Currency weakness in key African markets (including Nigeria and Mozambique)

THE SOUTH AFRICAN RETAIL ENVIRONMENT

Economy remains under pressure with slow economic growth, a severe drought and policy uncertainty. Rating agency reviews place a spotlight on the country’s sovereign credit rating status.

Weak underlying economic growth (0.3% in 2016 compared with 2015 – StatsSA)

High food inflation (11.7% year on year Dec 16 – StatsSA)

South Africa avoids credit ratings downgrade, but outlook cut to negative

Food prices accelerate due to drought

Weak consumer confidence, consumers limit spend to essential items affecting General Merchandise and DIY sales

High unemployment

Our differentiated retail offering, good margin management and excellent expense control enables us to respond effectively to the challenges presented by the socio-economic environment.

Group operating profit before interest

$15.5%

R2,483.4 million

2015 R2,150.4 million
Material matters and risks

Materiality is defined as any material issue that can impact Massmart’s ability to achieve its objectives. In determining these issues consideration is given to the Group’s long-term strategy, its operating context, the interests of key stakeholders, media coverage or public concern and key risks and opportunities facing the business.

Massmart has identified material matters and risks which have the potential to significantly affect the Group’s ability to achieve its strategic objectives. Material matters are reviewed annually by Executive management, the Risk Committee and the Board.

As part of the annual risk reporting process, the Divisions’ Risk Officers report any major risk incidents that occurred during the year to the Risk Committee. These incidents are defined in the Group Risk Policy as ones that directly or indirectly impact annual Divisional earnings before interest and tax or total assets by 5% or more (quantitative); or have significant qualitative dimensions that may include:
- a major concern to Massmart Holdings’ public shareholders;
- serious damage to the reputations of the Division and/or its executives and management;
- affecting a major portion of the Division’s customer base;
- a large fraud or theft;
- a legal matter that may result in major financial or reputational risk;
- a material ethical or compliance breach, whether qualitative or quantitative;
- a major breakdown in the control environment;
- nationwide media coverage and/or public concern; or
- affecting the Division’s or Group’s ability to implement or execute its strategy and business objectives.

The Risk Committee considers there to be two categories of Group risk that can broadly be described as strategic/environmental risks and operational risks.

**Strategic/Environmental Risks**

- Non-adherence to business model or poor strategic execution by the Divisions
- Talent retention and succession
- Competitor attack on our major merchandise categories
- Insufficient progress with transformation
- Reputational damage associated with non-adherence to health and safety standards
- Constrained consumer environment
- Volatility of the Group’s African operations

**Operational Risks**

- Procurement and distribution channel efficiency
- Adequacy of information technology (IT) systems
- Expense control and margin management
- Adequacy of information technology (IT) systems
- Expense control and margin management

Operational risks by their nature can be immediately addressed or mitigated by local management actions. These risks – which include in-store health, safety and security, compliance, fire prevention and detection, IT systems and food safety, amongst others – are therefore the direct responsibility of each Divisional Executive Committee where a Loss Prevention or Risk Officer has line-responsibility for overseeing these risks.
Below are the key risks facing the Group:

<table>
<thead>
<tr>
<th>Principal risk</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Non-adherence to business model or poor strategic execution by the Divisions</strong></td>
<td>Massmart’s ability to successfully execute its strategy is dependent on adherence to the Group’s business model by the four Divisions. Poor adherence could impact the Group’s longer-term financial performance. The Group insists on strategic clarity at the Divisions and Massmart Corporate. All Divisional and Group strategies are formally documented and reviewed at Divisional, Group Executive Committee and Board levels. Divisional strategies dictate management’s operational priorities and progress against these strategies is monitored on a monthly basis.</td>
</tr>
<tr>
<td><strong>2. Talent retention and succession</strong></td>
<td>The Executive Committee actively monitors the progress, development and succession plans for the ‘Top 500’ employees. There are in-house education programmes that focus on developing graduates, middle management and junior executives. The Group’s remuneration policy, incorporating short- and long-term incentives, is designed to reward performance and provides an opportunity for staff to accumulate wealth.</td>
</tr>
<tr>
<td><strong>3. Competitor attack on our major merchandise categories</strong></td>
<td>We maintain a relevant competitive product offering that offers our customers affordable value through continued management of low-cost efficient operations. We optimise our store locations and ensure regular store refurbishments and format renewal.</td>
</tr>
<tr>
<td><strong>4. Insufficient progress with transformation</strong></td>
<td>Transformation is an agenda item at all Divisional and Group Board meetings and the Group Executive Committee is clear on its responsibility to deliver the transformation strategy.</td>
</tr>
<tr>
<td><strong>5. Constrained consumer environment</strong></td>
<td>Massmart’s leadership across major merchandise categories and our different retail and wholesale formats enables us to respond effectively, and in a differentiated manner to the tough socio-economic conditions. All direct foreign exchange import liabilities are forward covered and interest rates on the Group’s medium-term debt have been fixed. Property lease escalation rates are negotiated as low as possible and are inflation-linked.</td>
</tr>
<tr>
<td><strong>6. Reputational damage associated with non-adherence to health and safety standards</strong></td>
<td>At Massmart, we aim to provide safe, healthy and good-quality products to our consumers. We also recognise that the health, safety and well-being of our employees is vital to the continued success of our operations. There is a significant reputational risk associated with non-adherence to food safety and health and safety standards or failure to maintain appropriate hygiene levels, poor in-store health and safety standards, and site distribution threat. To ensure product safety, regular supplier compliance audits are conducted and our food safety management system is audited by reputable third parties. Massmart has robust product recall procedures in place. There is high compliance, health and safety awareness across the Group. We also make use of professional third parties to assess in-store health and safety issues.</td>
</tr>
<tr>
<td><strong>7. Volatility of the Group’s African operations</strong></td>
<td>This refers to the volatility and complexity of doing business in 13 African countries, each with different regulatory, fiscal and customs environments and political risk. African currencies can be illiquid, making cash repatriation vulnerable and currencies volatile. There are also operational and logistical challenges in managing the lengthy supply chain. We make careful pre-selection of countries and locations for new stores, with a thorough evaluation and on-going monitoring of customs, tax, and exchange control and business legislation. Dedicated Executives across several functions monitor and manage the African operations.</td>
</tr>
<tr>
<td><strong>8. Procurement and distribution channel efficiency</strong></td>
<td>An ineffective or inefficient supply chain may result in sub-optimal inventory management, with duplication of costs and over or under stocking affecting holding costs and sales. We work closely with key suppliers to optimise areas of common interest, including supply chain efficiency, to ensure their products reach their desired target markets cost effectively. In January 2017, Massmart appointed a Group Supply Chain &amp; Logistics Executive to focus on leveraging the Group’s transport, logistics and supply chain.</td>
</tr>
<tr>
<td><strong>9. Expense control and margin management</strong></td>
<td>It is strategically significant to maintain a low cost base and essential that the Group implements sustainably low and efficient operational and overhead cost structures. Our brand commitment requires an everyday low cost foundation. Operating expenses are tightly controlled with key focus areas including supply chain and logistics efficiency and effectiveness, reducing store construction and in-store operating costs, and effective labour-scheduling of our store employees.</td>
</tr>
<tr>
<td><strong>10. Adequacy of information technology (IT) systems</strong></td>
<td>There is potential for misalignment between business strategy and IT capability, which can result in reduced operational effectiveness. Given Massmart’s divisional structure there is reduced risk of failure and distraction associated with large scale system implementations in the Divisions. The Technology, Information and Process (TIP) Forum approves all major IT developments in Group. Massmart Internal Audit Services has significant IT expertise and assesses all IT developments and is part of the ‘go-live’ decision on any project.</td>
</tr>
</tbody>
</table>

**Principal risk Response**

**1. Non-adherence to business model or poor strategic execution by the Divisions**

Massmart’s ability to successfully execute its strategy is dependent on adherence to the Group’s business model by the four Divisions. Poor adherence could impact the Group’s longer-term financial performance.

**2. Talent retention and succession**

The Executive Committee actively monitors the progress, development and succession plans for the ‘Top 500’ employees. There are in-house education programmes that focus on developing graduates, middle management and junior executives. The Group’s remuneration policy, incorporating short- and long-term incentives, is designed to reward performance and provides an opportunity for staff to accumulate wealth.

**3. Competitor attack on our major merchandise categories**

We maintain a relevant competitive product offering that offers our customers affordable value through continued management of low-cost efficient operations. We optimise our store locations and ensure regular store refurbishments and format renewal.

**4. Insufficient progress with transformation**

Transformation is an agenda item at all Divisional and Group Board meetings and the Group Executive Committee is clear on its responsibility to deliver the transformation strategy.

**5. Constrained consumer environment**

Massmart’s leadership across major merchandise categories and our different retail and wholesale formats enables us to respond effectively, and in a differentiated manner to the tough socio-economic conditions. All direct foreign exchange import liabilities are forward covered and interest rates on the Group’s medium-term debt have been fixed. Property lease escalation rates are negotiated as low as possible and are inflation-linked.
Our strategic priorities

We remain focused on our four strategic priorities:

**Improve and grow our core business**
To drive the growth and profitability of the core South African business over the medium term.

**Grow retail Food and Builders formats in South Africa**
To expand further into Food Retail and the Fresh categories through new stores and our existing formats, and to scale and leverage the Builders brand through several formats.

**Grow Africa**
Sub-Saharan African expansion through opening Builders Warehouse, Game and Masscash stores.

**Grow online/omnichannel**
To expand, improve and refine our online/ecommerce offerings in DionWired, Makro and Massbuild.

Our progress against these priorities in 2016:

- Operating profit growth of 15.5% by offering a clear customer and value proposition
- A sharp cost focus through careful new store decisions, leveraging IT and digital to simplify in-store processes, and effective workforce-scheduling helped us maintain a 16.3% expenses to sales ratio
- Game’s roll-out of SAP point-of-sale system and ERP is key to its long-term growth and profitability
- Masscash Wholesale is evolving towards a low-cost distribution partner
- The Group’s supply chain focus on total cost-to-serve and value-added Financial Services drive

We see the following continuing opportunities:

- Retail Food continues to outperform with a 10% comparable sales increase
- The Fruitspot opened facilities in Cape Town and Durban and one new meat plant is expected to open in late 2017, delivering Group procurement and distribution efficiencies to stores
- There is capacity to increase our market leadership through new stores for all Builders formats – Warehouse, Express and Superstore
- Sub-Saharan African expansion through opening Game stores
- Currently 39 ex-SA stores, represent an 8.7% sales participation
- Weaker local currencies caused lower Rand profits and forex translation costs
- Ex-SA businesses’ sales grew by 11.2% and in constant local currencies grew by 13.4%
- Online sales more than doubled for the year
- Builders Warehouse pilot online offering with 10,000 products delivered great data and rich functionality
- Internationally customer purchases of one of our largest merchandise categories, General Merchandise, have moved significantly online
- Game will evolve an online offering with SAP Hybris and is expected to be fully functional over the next few years

Find more about Builders Online on p99
We believe that our responsibility goes beyond advocating for our customers by offering low prices and convenience, but also includes the positive impact we have on the environment and the communities they come from. Massmart contributes significantly to society through employment, skills development, the development of businesses in our supply chain and our contribution to tax revenues in the regions where we operate.

We are aware of the competing interests of stakeholders and recognise the interdependence between the six capitals in creating shared value. Our values guide our decision-making and in this way allow us to optimise the trade-offs between resources and capitals.

Below are examples of the trade-offs that have influenced our ability to create shared value:

### Increasing permanent workforce
In response to the amendments to the Labour Relations Act, Massmart undertook to reduce its reliance on labour brokers and in 2016 6,218 employees joined the permanent workforce at Massmart. While this had a positive impact on our human capital, it has adversely affected our financial capital as it has resulted in increased employment costs.

### Responsible sourcing
Our initiatives of advocating sustainable supply and consumerism and responsible sourcing require the use of financial capital in the form of cash reserves to remunerate the associates involved in audits and to fund the various programmes. However, relationship and natural capital are enhanced as suppliers and NGOs partner with us in an effort to reduce Massmart’s impact on natural capital.

### Expanding into Africa
As the Group pursues the strategic priority to expand its footprint in Africa, it is exposed to foreign currency movements, political risk and operational challenges of operating in new environments. The expansion into Africa will in future enhance our manufactured and financial capital; it may temporarily expose the Group to negative financial, social and relationship capital impacts.

### Energy efficiency
Makro Carnival City, the newest and biggest Makro store to date, was constructed as an energy-efficient building which required an initial outlay of financial capital but enabled long-term energy conservation and therefore enhanced natural capital. 500 permanent jobs and a further 3,000 temporary jobs were generated as a result of the construction phase of the project thereby enhancing human capital.

---

**Our business at a glance**

Our Cambridge staples’ basket: voted cheapest by Retail Price Watch 2016
Massmart is committed to saving customers money so they can live better. Our ability to fulfil this commitment is dependent on the transparent trust-based relationships we develop with our customers, employees, shareholders, suppliers, government, civil society and the communities in which we operate.

To achieve this we participate in numerous one-on-one meetings with key stakeholders and we undertake regular engagements and themed discussions with subject matter experts. We are involved in public policy forums with government and civil society representatives, and engage with consumer interest groups. In addition, we seek opinion from our customers and suppliers through our intercept and advocacy surveys.

We have identified the following matters of mutual interest:

**Customers**
- Price competitiveness
- Product quality and safety
- Product availability
- Online shopping
- Compliance with the Consumer Protection Act

**Employees**
- Growth and development
- Equal opportunity
- Recognition
- Trust in leadership
- Clear link between work and Company objectives
- Competitive and fair remuneration

**Shareholders**
- Business performance and strategy
- Return on investment
- Margin outlook and managing costs
- Economic, social and environmental risks
- Executive remuneration aligning with shareholders’ objectives

**Suppliers**
- Responsible sourcing
- Brand custodianship
- Distribution channel efficiency
- Operational practices

**Government, Communities and Civil Society**
- Transformation
- Economic development
- Food security
- Energy efficiency
- Sustainable seafood and timber sourcing
- Public policy issues
- Retail sector related issues

We have numerous stakeholder channels including:

**Customers**
- Face-to-face interviews with customers
- In-store communication and campaigns
- Online and social media interaction
- Contact centres

**Employees**
- Employee engagement survey
- Regular management updates
- CEO road shows
- Internal publications
- Performance reviews and career planning

**Shareholders**
- Results presentations
- Our Integrated Annual Report
- Investor road shows
- Our Investor website
- One-on-one meetings and calls
- Annual General Meeting
- Store visits

**Suppliers**
- Supplier relationship survey
- Environmental supplier awards
- On-going site visits and audits
- Regular meetings
- Supplier Development Programme (SDP)

**Government, Communities and Civil Society**
- Socio-economic development workshops
- South African Citizens’ Bribery Survey
- Formal partnerships and projects
- Membership and engagement with industry bodies
- Drafting of submissions to parliamentary bodies
- Socio-economic development programmes

Our response has been to:

**Customers**
- Ensure a low cost operating model
- Offer clear value through well-priced and relevant merchandise
- Grow online shopping and digital activation

**Employees**
- Review our Massmart Corporate University offering
- Optimise our HR/Payroll system
- Implement Total Rewards Strategy to ensure competitive remuneration across three key aspects of basic salary, short- and long-term incentives

**Shareholders**
- Maintain our focus on improving sales, operating margin and expenses
- Grow Retail Food by focusing on Fresh category
- Scale and leverage Builders’ formats
- Adopt a cautious and measured approach to growing in Africa
- Grow online/omnichannel

**Suppliers**
- Recognise our top environmentally focused suppliers
- Undertake timber and seafood procurement screening
- Cross-divisional collaboration to ensure single supplier negotiations

**Government, Communities and Civil Society**
- Invest in local supplier development
- Offer a CSI programme focused on school nutrition, early childhood development, school maintenance and infrastructure
- Power two Makro stores using renewable energy

Read more on how we have engaged with our stakeholders [p93-96]
Shareholder analysis

The following analysis of shareholders was extracted from the shareholders’ register:

<table>
<thead>
<tr>
<th>Shareholder spread</th>
<th>Number of holders</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1,000 shares</td>
<td>3,278</td>
<td>81.3</td>
<td>595,434</td>
<td>0.3</td>
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<tr>
<td>1,001 – 10,000 shares</td>
<td>461</td>
<td>11.4</td>
<td>1,518,265</td>
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<tr>
<td>10,001 – 100,000 shares</td>
<td>213</td>
<td>5.3</td>
<td>7,307,033</td>
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</tr>
<tr>
<td>100,001 – 1,000,000 shares</td>
<td>57</td>
<td>1.4</td>
<td>17,549,704</td>
<td>8.1</td>
</tr>
<tr>
<td>1,000,001 shares and over</td>
<td>25</td>
<td>0.6</td>
<td>190,165,898</td>
<td>87.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,034</strong></td>
<td><strong>100.0</strong></td>
<td><strong>217,136,334</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Public/non-public shareholders

<table>
<thead>
<tr>
<th>Non-public shareholders:</th>
<th>Number of holders</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart subsidiary: Main Street 830 Proprietary Limited</td>
<td>1</td>
<td>–</td>
<td>113,859,293</td>
<td>52.4</td>
</tr>
<tr>
<td>Directors and Group Executives of the Company</td>
<td>3</td>
<td>0.1</td>
<td>253,103</td>
<td>0.1</td>
</tr>
<tr>
<td>Share trusts</td>
<td>1</td>
<td>–</td>
<td>971,525</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Public shareholders</strong></td>
<td><strong>4,029</strong></td>
<td><strong>99.9</strong></td>
<td><strong>102,052,413</strong></td>
<td><strong>47.0</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,034</strong></td>
<td><strong>100.0</strong></td>
<td><strong>217,136,334</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Distribution of shareholders

| Walmart subsidiary: Main Street 830 Proprietary Limited | 1 | – | 113,859,293 | 52.4 |
| Unit trusts/Mutual funds | 100 | 2.6 | 51,732,084 | 23.8 |
| Pension funds | 60 | 1.5 | 22,125,540 | 10.2 |
| Other managed funds | 3,801 | 94.2 | 9,537,200 | 4.4 |
| Sovereign wealth | 13 | 0.3 | 3,809,469 | 1.8 |
| Custodians | 15 | 0.4 | 4,018,259 | 1.9 |
| Private investors | 11 | 0.3 | 2,025,070 | 0.9 |
| Hedge fund | 10 | 0.2 | 1,094,191 | 0.5 |
| Investment trusts | 5 | 0.1 | 4,511,741 | 2.1 |
| Insurance companies | 10 | 0.2 | 2,336,593 | 1.1 |
| Exchange-traded fund | 7 | 0.2 | 2,035,105 | 0.9 |
| Local authorities | 1 | – | 51,789 | – |
| **Total** | **4,034** | **100.0** | **217,136,334** | **100.0** |

Custodians and managers: holding 3% or more
The following custodians and managers held beneficially, directly or indirectly, equal to or in excess of 3% of the Company’s shares:

- Walmart subsidiary: Main Street 830 Proprietary Limited: 113,859,293, 52.4%
- Aberdeen Asset Management Group: 46,211,069, 21.3%
- Public Investment Corporation: 12,210,578, 5.6%
A message from our Chairman

Making a difference in challenging times

‘Our clear strategy, operational priorities and diversified business model have enabled us to navigate the economic hurdles we faced in 2016.’

Kuseni Dlamini, Group Chairman

Across the globe, 2016 was a challenging year both politically and economically, and this was no different for Africa. I am very pleased to report that Massmart emerged strongly in spite of these circumstances and delivered solid results across its Divisions.

In this period we saw a total sales increase of 7.7% (bringing our revenue to R91.3 billion), with good growth across all four of our Divisions. I believe it is the commitment and common purpose of all Massmart’s people that enabled us to achieve this.

The South African environment

Our robust, yet flexible strategy enabled Massmart to navigate the economic headwinds South Africa faced in 2016. In the period, economic growth was lacklustre mainly due to the weak performance of the manufacturing sector, a protracted drought, low commodity prices, high unemployment and inflationary pressures placing pressure on consumer spending.

The year was also marked by increased social unrest. The #FeesMustFall campaign, a student-led movement calling for free tertiary education, dominated national discourse in 2016. In this period we saw a total sales increase of 7.7%

The African opportunity

Our African stores have been resilient in what can be described as a tough operating environment. Notwithstanding the decline in commodity and oil prices and foreign currency challenges, our African operations delivered sales growth in Rands of 11.2% (13.4% in constant local currencies).

Growing our African footprint remains a key strategic priority; we believe Africa presents a myriad of growth opportunities. Our commitment to growing our business in Africa is very strong and long-term. Over the coming years we will grow our retail footprint with the ambition of achieving space growth of about 26.2% in the next two years. We remain confident in the medium- to long-term prospects of African economies.

As an African company, Massmart is a proud investor and partner for growth and development of the continent. We are invested for the long-term, and aim to make a positive impact on the communities and countries in which we operate. We have policies regarding local sourcing and employment in order to achieve this: in most of our African operations almost 95% of our management and employees are locals and the vast majority of our fresh produce is locally sourced.

Delivering on our strategy

Our clear strategy, operational priorities and diversified business model have enabled us to navigate the economic hurdles we faced in 2016. Under Guy Hayward’s astute leadership, we have managed to deliver solid results, testament to our world-class talent bench. Our focus on good margin management and excellent cost control has resulted in strong divisional performance and resulted in the Group delivering above market expectations.

Creating and sharing value with our customers is an inherent part of our customer value proposition. Our promise is to save customers money so that they can live better. We achieve this by understanding our customers’ needs and ensuring we offer them relevant, competitive product choices. In a Retail Price Watch Survey (July 2016) conducted across South Africa’s seven biggest chains in four categories for a total basket of goods Cambridge came out cheapest and Makro second. We are proud to occupy the first and second spots.

Keeping pace with changing customer needs

Ever growing access to the Internet and increased ownership of smartphones continues to change the way customers shop and, consequently, the growth of online remains one of Massmart’s key strategic objectives. In 2016 Massbuild launched a world-class online offering to complement the existing Builders’ shopping experience.

This platform supports our value proposition of being the customers’ first choice, providing convenient shopping hours and locations, with the widest range of quality branded products, project complete solutions and best advice. It has also allowed for an expanded product offering and extended our reach to customers who previously did not have access to the various Builders’ formats due to their location.

Smart ideas that inspire everyday excellence

Builders Online is seen as a new sales channel where innovation opportunities can be explored before being sent to stores. As space becomes more scarce and expensive, the platform gives Massbuild an opportunity to reduce space and use existing spaces to introduce new categories or expand more profitable categories.

Creating opportunities for everyone to prosper

We believe it is not just the responsibility of Government to improve society; business has an equally important role to play. As Chairman of Massmart, I believe that this is the core to being a good business as today’s problems are too complex and too big for government to solve alone. We believe in doing well by doing good wherever and whenever we can. Through public private partnerships, and working towards a common goal, we have the ability to enable economic prosperity for all, especially for those less fortunate.

Massmart plays an important role in creating jobs in all the markets in which we operate. We embrace the ethos and principles of South Africa’s National Development Plan (NDP), especially around job creation. We create jobs along the value chain from the construction of stores, to employing associates in our shops and through our supply chain. We will continue to look at ways to drive employment by working in partnership with relevant authorities to maximise our contribution. For example, at our new Makro Carnival store, 500 permanent jobs were generated during the construction phase.

Employee welfare and affordable access to health cover for our employees is important to Massmart.
We took our first step towards offering a robust healthcare programme with the implementation of mandatory healthcare cover for all new permanent employees in 2008. Our programme, which comprises the three Massmart Health Plan Options (Choice, Network and Essential) and the Impilo Workplace Wellness Programme, has now been further expanded with the launch of truCARE in January 2016. A good proof of what is possible when Government and business work together is our Supplier Development Programme (SDP). Our SDP typically involves assisting suppliers to meet product quality standards, investing in bespoke manufacturing equipment to build capacity and providing retail and business management training. We are immensely proud of what we have achieved through this, knowing that we are playing our part in helping to unleash the entrepreneurial potential in Africa. Import substitution is an area where we are having an impact; we are working with numerous small- and medium-sized enterprises to resuscitate local manufacturing of these goods and, by so doing, promote local job creation and retention. Our partnership with the Department of Basic Education, in which we provide facilities for the hygienic preparation of meals for school children across the country, is another example of the government and private sector working together to bring about positive change in South Africa.

Thoughtful choices for a better future

Managing our impact on the environment is equally important. Across our store network we are consistently improving energy efficiency in our efforts to drive down our carbon footprint. We are committed to seeking commercially viable renewable energy alternatives and in 2016 we installed two solar photo-voltaic plants at our new Makro store at Carnival City and at Makro Woodmead. These plants will help reduce energy costs whilst also lowering energy related carbon emissions by around 30%. We are committed to doing our part to contribute to greening the South African economy and, by so doing, help the country fulfill its commitments to the COP21 Paris Climate Agreement.

South Africa is a water scarce country which requires a consolidated effort across all sectors to attain and maintain water security for current and future generations. Through our water saving initiatives we are doing our bit to help conserve this vital resource, expanding rainwater and condensate initiatives at a number of our Builders Warehouse and Makro stores, saving approximately 20 million litres of water in 2016. As part of our environmental supply chain focus, we have prioritised products that are potentially vulnerable to exploitation and unsustainable utilisation. While sustainable timber and fresh and frozen seafood sourcing remain a high priority, we have expanded our focus to include canned tuna and poultry welfare.

Good business at the centre of what we do

Massmart has an unwavering commitment to good governance, across all the markets in which we operate, and we apply good corporate governance standards. Our colleagues ensure that the Massmart way of doing business, underpinned by the principal of ‘doing well by doing good’ is effectively applied across all our businesses. We also believe that we should play a broader anti-corruption role in our society because bribery increases the cost of living for all of us and undermines the rule of law and the values of our democracy. It is not good for social cohesion nor is it good for business, hence our sponsorship of the South African Citizens’ Bribery Survey.

Our Board is actively engaged and encourages management to profitably grow Massmart in the best interest of all stakeholders. I am delighted to report that there was excellent attendance at the Board and Committee meetings. Our Board conducts regular reviews of our effectiveness, composition, strategy, structure and talent within Massmart.

Our Board diversity is one of Massmart’s strengths. From global retail experience, to race, gender, experience and length of service, Massmart’s Board is well positioned to add value to the business.

Our Board

The Board of Massmart continues to work effectively in providing strategic oversight and supporting our Executive team in the execution of the Group’s strategy. Guy Hayward, our CEO, and his Executive team continue to do a commendable job in delivering impressive results in a challenging economic cycle.

After two and a half years on the Massmart Board, Walmart appointee Andy Clarke has resigned with effect from 22 February 2017. Andy’s deep retail experience has contributed significantly to the Group’s retail thinking and execution, especially on Fresh and online, and we thank him for his valuable service.

With thanks with all our stakeholders

On behalf of the Board, I would like to thank the 48,000 colleagues that make Massmart the business it is. We are also deeply grateful to our suppliers, and to our customers who choose our stores as their retail destination. Lastly, I would like to thank my Board colleagues, management and stakeholders for their passion and support, without which it would have been difficult to achieve the solid results we did.

Kuseni Dlamini
Chairman
31 March 2017

Guy Hayward, Group CEO

Our CEO’s letter to our stakeholders

Strong growth in a tough environment

Most Massmart Divisions performed exceptionally well in the tough South African consumer environment...’

The year in review

Massmart’s total sales were R88.6 billion, an increase of 7.7% over the prior year. Comparable stores’ sales growth was 5.4%, with product inflation of 6.7%. Currency weakness and challenging operating environments saw total sales growth from our non-South African stores slow to 11.2% (13.4% in constant currencies) from 23.2% for the six months to June 2016.

Good management and excellent expense control resulted in Group trading profit, excluding foreign exchange movements and interest, growing by 11.9% to R2.6 billion, while headline earnings increased by 15.6% to R1.3 billion.

Much has been said, both externally and elsewhere in this Integrated Annual Report, about the difficult South African and sub-Saharan African economic environments in 2016. It is likely that the period from early 2016 to mid-2017 will represent South Africa’s economic low-point in the decade to 2020. The divergent sales performances across our major product categories reflect the economic pressure within the South African consumer environment, with total Food & Liquor sales growing at 11.7% for the year while General Merchandise grew by 1.5% and Home Improvement/DIY total sales grew by 5.6%. Sales in General Merchandise and, to lesser extent, DIY were negatively impacted by very low discretionary spending by consumers.

Since 2014 many African economies have been adversely affected, to varying degrees, by a strong US Dollar, weak commodity prices, their own currency weakness, and undiversified industrial/manufacturing bases. Compounding this is that drought conditions in southern Africa remained severe and sales growths in this region slowed noticeably in the latter part of 2016. Slightly more than 50% of the Group’s ex-SA sales are non-Food (General Merchandise and Home Improvement) and the difficult economic conditions therefore exacerbated these categories’ performances. In Rand’s, the Group’s total sales growth ex-SA was 11.2% while comparable stores’ sales growth was 3.1%. At a category level these comparable sales growths were 9.4% in Food but 0.6% in non-Food, reflecting the adverse conditions of the ex-SA consumer economies.

Most Massmart divisions performed well in the tough South African consumer environment where we effectively managed the fine line between growing sales and maintaining profitability, whilst controlling cost growth in the face of severe cost pressures. During the year 2016, 19 stores were opened, including two outside of South Africa, representing new space growth of 3.7%. Our focus on optimising the Group’s store footprint continued with ten stores that were closing, resulting in a net space increase of 1.2%. Our portfolio of 412 stores includes 39 outside South Africa 8.7% of the Group’s sales. Ex-SA sales currently represent 19.0% of Massconnectors’ total sales, 79% of Massbuild and 13.3% of Masscash Wholesale respectively. We expect to open 11 new stores outside South Africa during 2017-18 representing 26% space growth.

Our financial highlights:

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2015</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total sales</td>
<td>R91,250.0</td>
<td>million</td>
<td>7.7%</td>
</tr>
<tr>
<td>Comparable sales growth</td>
<td>5.4%</td>
<td>6.7%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Operating profit before interest</td>
<td>R2,483.4</td>
<td>million</td>
<td>15.6%</td>
</tr>
<tr>
<td>Headline earnings</td>
<td>R1,293.3</td>
<td>million</td>
<td>15.6%</td>
</tr>
</tbody>
</table>

During the 2016 year, 19 stores were opened, including two outside of South Africa, representing new space growth of 3.7%. Our focus on optimising the Group’s store footprint continued with ten stores that were closing, resulting in a net space increase of 1.2%. Our portfolio of 412 stores includes 39 outside South Africa 8.7% of the Group’s sales. Ex-SA sales currently represent 19.0% of Massconnectors’ total sales, 79% of Massbuild and 13.3% of Masscash Wholesale respectively. We expect to open 11 new stores outside South Africa during 2017-18 representing 26% space growth.
Our response

Later in this letter, I describe our four strategic priorities we are pursuing, namely:

- Improving and growing the core business; growing Retail Food and Builders’ formats in South Africa; growth into sub-Saharan Africa; and e-commerce. In the shorter-term however, we are emphasizing:
  - Holding operating costs as a % of sales as low as feasible. This is achieved in multiple ways but key focus areas include supply chain and logistics’ efficiencies, reducing store construction and in-store operating costs, effective labour-scheduling of our store employees, and an intense focus on the procurement costs of our goods-not-for-resale;
  - Maintaining a competitive price-gap against our major competitors across Known Value Items (KVI’s). This price-gap is enabled by Massmart’s operating costs (as a % of sales) being the lowest in South African retail;
  - Working closely with key suppliers to ensure that we invest energy and resources into areas of common interest, including supply chain efficiency, to ensure their products reach their desired target markets cost effectively; and
  - Being selective about our South African store footprint: only opening stores that we are confident will be sustainably profitable and closing those with permanently compromised profitability.

Overview of financial performance

In his report included on pages 39-49, our Chief Financial Officer, Johannes van Lierop, addresses in useful detail the key financial issues necessary to understanding and interpreting the Group’s 2016 performance.

Divisional operational review

Massdiscounters

**Game:** 141-store General Merchandise discounter and Food retailer. Trades in South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda and Zambia

DionWired: 24-store Hi-tech retailer. Trades in South Africa

Total sales for the year increased by 5.3% and comparable sales grew by 1.5% with product inflation of 4.8%. South African total and comparable sales growths were higher in the second half of 2016 while ex-SA sales growth in Rands slowed dramatically given the economic conditions and our higher proportion of Non-Food sales.

Our two-year focus on Game’s merchandise execution and assessing in-store and supply chain costs manifested in a strong trading margin and expense performance, and so Massdiscounters’ trading profit before interest and tax increased by 54.8%.

DionWired had an exceptional year with good sales, despite a very challenging environment, and an impressive profit performance.

In the last quarter of 2016 we successfully trialled the new SAP point-of-sale system in 12 Game stores in South Africa. We have therefore started our next phase of the point-of-sale roll-out, with all Game and DionWired stores in SA likely to be converted by June 2017. The more significant SAP ERP systems’ implementation remains on schedule for mid-2018. In time this implementation will support improved in-store processes and inventory management, improved customer engagement and relationship management, enable an online offering, and provide a platform to offer ancillary financial services.

Our fresh roll-out continues with 88 Game stores now offering this category. Although not yet in all stores, Food & Liquor sales participation is already 23% and is achieving comparable growth of 11%.

Massbuild

Massbuild comprises 99 stores, trading in DIY, Home Improvement and Building Materials, under the Builders Warehouse, Builders Express, Builders Trade Depot and Builders Superstore brands in South Africa; and five Builders Warehouse stores in Botswana, Mozambique and Zambia.

Massbuild grew total sales for the year by 5.6%, with comparable sales increasing by 1.6% and product inflation of 4.7%. Sales growth in our South African stores improved slightly in the second half of 2016 as a result of more effective promotions, and good merchandise execution while our ex-SA stores’ sales growth in Rands decelerated markedly given the weakening economies in those countries.

Given the sales pressures and despite good expense control, the increase in Massbuild’s trading profit before interest and tax was 2.7%.

For further information on our Divisional review, see p59-66.
Strategic priorities

For the longer-term, our key areas of strategic focus remain unchanged:

- Improve and grow the core South African business
- To drive the growth and profitability of the core South African business across the medium-term;
- To expand further into Food Retail and the Fresh categories through new stores and our existing formats in South Africa;
- Sub-Saharan African expansion through opening Builders Warehouse, Game and Massbuild stores. In the next two years we anticipate opening 11 new stores representing ex-SA space growth of about 26.2%; and
- To expand, improve and refine our online/ecommerce offerings in DionWired, Makro and Massbuild.

Growth into sub-Saharan Africa

As noted elsewhere, our 2016 sales growth from our ex-SA stores was strong at 11.2% (and 13.4% in local currencies) which is well above the 8.0% total sales growth reported from our South African stores for the same period. Ex-SA sales currently represent 19.7% of Game’s total sales, 79% of Massbuild and 13.3% of our Total Group sales.

We are optimistic, but measured, about the long-term growth opportunities across selected African countries and expect to open 11 new stores, representing 26% additional space, in five countries outside South Africa during 2017-18. Despite the current economic headwinds facing sub-Saharan Africa ex-SA, the major regions of south, west and east Africa are forecast to grow ahead of South African economic growth.

Ecommerce

We are alive to the growing presence of online shopping and digital activation in our customers’ lives and the effect it has on their shopping behaviour and needs. Similarly, we are clear that internationally customers’ purchases of General Merchandise, are increasingly migrating to online platforms. It is estimated that in South Africa online sales represent only 1.5% to 2.0% of sales and we see similar participation rates in those categories we sell online. It is likely however, that this participation will grow rapidly and, indeed, in Makro online sales doubled in 2016 compared to the prior year. In response Massmart has built both B2B and retail online offerings covering: General Merchandise and Liquor in Makro; DionWired’s Hi-tech merchandise range; Builders Online; and, in Massbuild, Shield’s S2B platform. Linked to ecommerce and digital is the provision of a broad array of financial services to our retail customers. An executive with many years’ experience in this area, Gerhard Hayes, joined the Group in 2015 and much work is underway to expand and improve our offering including the roll-out of kiosks across our stores and network providing financial services such as prepaid electricity, Lotto tickets and airtime purchases.

The Board and Executive Committee

My Board and Executive Committee colleagues remain a source of great counsel and support. At Board level we have ready access to skills and experience across diverse areas including international retail, corporate governance and risk, public policy and transformation, and real estate. This counsel, of course, extends beyond me to our Executive Committee colleagues and senior management. I thank and acknowledge the support the business and I have received from my Board colleagues, and I recognise the quality of the leadership, strategic debate and operational execution that comes from my Executive Committee colleagues.

With effect from 31 August 2016, the Deputy Chairman of our Board, Chris Seabrooke, handed over the chairman roles of the Audit and Risk Committees to Moses Kgosas and ceased to be a member of both committees after 16 years of membership.

After 2.5 years on the Massmart Board, Walmart-appointee Andy Clarke resigned with effect from 22 February 2017. Andy’s deep retail experience contributed significantly to the Group’s retail thinking and execution, especially on Fresh and online, and we thank him for his valuable service. In August 2016, we announced that Albert Voogd was joining as the Masdiscoutners Chief Executive Officer (CEO). Outgoing CEO Robin Wright, whose drive and energy played a very significant part in the improved Game performance, has retired but will continue to work with Massmart on specific projects.

With effect from November 2016, Joe Ralebepa joined the Group as General Counsel and the Massmart Holdings Executive Committee Secretary, replacing Mike Spivey who, after six great years at Massmart, returns to an executive role with Walmart International. Mike played a significant role in upweighting the effectiveness and contribution of the legal community, within Massmart and in helping the Group participate usefully within the Walmart International business, governance and legal franchises.

Richard Inskip joined the Group in January 2017 as Group Supply Chain & Logistics Executive to focus on leveraging the Group’s transport, logistics and supply chain.

Our people and transformation

The contribution of our 48,000 colleagues never goes unnoticed or unappreciated, especially in the current environment where likely many of them, and their own families, are feeling the adverse consequences of the weak economy. We would like to acknowledge and thank every colleague for their service and support, including those in our administrative offices and distribution centres, knowing that the largest part of the Group’s improving performance comes from their efforts.

For a business to be sustainable it must reflect, and be responsive to, the needs, nature and direction of the society within which it operates. We believe that diversity and transformation make business stronger, more resilient and more responsive. As a major South African corporate, we continue to focus on the transformation of our senior and executive management.

Sales update and outlook

For the 13 weeks to 26 March 2017 Massmart’s total sales growth was 0.5% over the prior year’s period and comparable store sales decreased by 1.7%. Sales performance outside South Africa remains weak with Rand total sales growth of -17.4% and comparable sales growth of -19.4%, while in constant currency these figures are -1.9% and -2.1% respectively. South African total and comparable sales growths are 2.5% and 0.2% respectively.

Given our large wholesale businesses, the Group’s sales performance for the 13 weeks has been adversely impacted by Easter falling in April 2017 compared to March in 2016. This Integrated Annual Report was finalised a day after the announcement of several changes to key roles in the South African Cabinet. This development may increase policy uncertainty in South Africa, potentially with negative consequences for the economy, and thus it is extremely difficult to currently provide any useful short- to medium-term economic or performance outlook.

Conclusion

Our appreciation and gratitude is due to all our stakeholders for their support for, and contribution and commitment to, Massmart during this period.

Guy Hayward
Chief Executive Officer
31 March 2017
Our Board

Massmart’s Board is responsible for directing the Group towards achieving Massmart’s vision and mission.

For the complete and detailed CVs of the Board members please visit www.massmart.co.za/iar2016/CVs
Through our promotions, we saved our customers R1.9 billion in 2016.

Game seeks, through its promotional activity, to communicate to their core customer demographic about its unbeatable weekly deals. Their media strategy is designed to maximise their reach and share-of-voice in the market each week. The key objective is to drive feet into stores everyday utilising high volume driving lines at prices nobody can beat.

DionWired’s purpose is to simplify life by obsessively sharing the joy of technology. Through their promotional activity, they aim to constantly share trending technology with their high LSM customer profile, showing them how it can be used to make life simpler. Their key promotional objective is to drive traffic online and to stores, through velocity driving lines, with the added value of their services’ bouquet.

During 2016 the highly successful Makro R100 promotions continued, and were once again effective at increasing footfall and in expanding the number of categories shopped.

The Price-Lock campaign was initiated in Massbuild two years ago following insights from the UK market. The concept is to choose about 50 products, negotiate with suppliers to hold their cost prices for at least six months, and then in turn hold the reduced selling price for the full six months. Massbuild doubled the amount of products on the 6 month Price-Lock adverts in 2016, giving Builders branches a broader variety of merchandise to display in bulk, helping to re-enforce the value for money price message in-store.

A deal a day is a daily targeted SMS marketing campaign focused at Masscash Wholesale’s existing store customer database. Each day customers are offered two or three deep-cut deals that are valid for a single day only. Real deals is a quarterly campaign that promotes 10 KVI deals, for 10 days nationally.

Gumba Gumba refers to items of extraordinary large magnitude. These words are personified through Cambridge Food’s consumer champion, Mr Gumba Gumba, a larger-than-life character that is dedicated to saving people money so that they can live better lives. To achieve this, Cambridge Food does not just offer its customers ordinary savings, but rather Gumba Gumba savings.
Chief Financial Officer’s review

‘Good margin management and great expense control underpinned our results.’

Johannes van Lierop, Group CFO

Sales
During a year where the sub-Saharan Africa consumer environment became increasingly challenging, total Group sales for the year to December 2016 increased by 7.7% over the prior year, with a comparable sales growth of 5.4%. Product inflation was estimated at 6.7%, suggesting a real comparable volume decline of 1.3%. Inflation in General Merchandise, Food & Liquor and Home Improvement increased to 5.9%, 7.7% and 4.7% respectively.

Sales split
Our ex-SA businesses represented 8.7% (2015: 8.4%) of total sales and grew by 11.2% in Rands and 13.4% in constant currencies, while comparable sales growth in Rands from these territories was 3.1%.

Inflation
%  
<table>
<thead>
<tr>
<th></th>
<th>December 2016</th>
<th>December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group production</td>
<td>6.7</td>
<td>3.0</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>5.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Food &amp; Liquor</td>
<td>7.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Home Improvement</td>
<td>4.7</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Gross profit
The Group’s gross margin of 19.0% is marginally higher than that of the prior year of 18.9%, mostly driven from business-mix and better category management. Gross profit includes rebates and other forms of income earned from suppliers.

Other income
Included in other income are dividends from unlisted investments and financial services’ income which were not received in the prior year and insurance proceeds on non-PP&E items, mainly related to the Jumbo Crown Mines fire.

Summary consolidated income statement

<table>
<thead>
<tr>
<th></th>
<th>December 2016 (Audited)</th>
<th>December 2015 (Audited)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>91,564.9</td>
<td>84,857.4</td>
<td>7.9</td>
</tr>
<tr>
<td>Sales</td>
<td>91,250.0</td>
<td>84,731.8</td>
<td>7.7</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(73,948.9)</td>
<td>(68,689.6)</td>
<td>(7.7)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>17,301.1</td>
<td>16,042.2</td>
<td>7.8</td>
</tr>
<tr>
<td>Other income</td>
<td>216.8</td>
<td>125.6</td>
<td>72.6</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(1,036.5)</td>
<td>(946.2)</td>
<td>(9.5)</td>
</tr>
<tr>
<td>Employment costs</td>
<td>(7,346.6)</td>
<td>(6,784.3)</td>
<td>8.3</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>(3,133.2)</td>
<td>(2,865.6)</td>
<td>(9.3)</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>(3,397.8)</td>
<td>(3,245.8)</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Trading profit before interest and taxation</td>
<td>2,603.8</td>
<td>2,325.9</td>
<td>11.9</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>(76.7)</td>
<td>(25.7)</td>
<td></td>
</tr>
<tr>
<td>Insurance proceeds on items in PP&amp;E</td>
<td>98.1</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Operating profit before foreign exchange movements and interest</td>
<td>2,625.2</td>
<td>2,300.2</td>
<td>14.1</td>
</tr>
<tr>
<td>Net foreign exchange loss</td>
<td>(141.8)</td>
<td>(149.8)</td>
<td>5.3</td>
</tr>
<tr>
<td>Operating profit before interest</td>
<td>2,483.4</td>
<td>2,150.4</td>
<td>15.5</td>
</tr>
<tr>
<td>– Finance costs</td>
<td>(601.0)</td>
<td>(507.7)</td>
<td>(18.4)</td>
</tr>
<tr>
<td>– Finance income</td>
<td>29.1</td>
<td>32.4</td>
<td>(10.2)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(571.9)</td>
<td>(475.3)</td>
<td>(20.3)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1,911.5</td>
<td>1,675.1</td>
<td>14.1</td>
</tr>
<tr>
<td>Taxation</td>
<td>(588.9)</td>
<td>(505.9)</td>
<td>(16.4)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>1,322.6</td>
<td>1,169.2</td>
<td>13.1</td>
</tr>
<tr>
<td>Profit attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Owners of the parent</td>
<td>1,308.2</td>
<td>1,112.8</td>
<td>17.6</td>
</tr>
<tr>
<td>– Non-controlling interests</td>
<td>14.4</td>
<td>56.4</td>
<td>(74.5)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>1,322.6</td>
<td>1,169.2</td>
<td>13.1</td>
</tr>
<tr>
<td>Basic EPS (cents)</td>
<td>604.7</td>
<td>513.5</td>
<td>17.8</td>
</tr>
<tr>
<td>Diluted basic EPS (cents)</td>
<td>594.4</td>
<td>506.1</td>
<td>17.4</td>
</tr>
<tr>
<td>Dividend (cents):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Interim</td>
<td>74.1</td>
<td>146.0</td>
<td>(49.2)</td>
</tr>
<tr>
<td>– Final</td>
<td>224.8</td>
<td>112.2</td>
<td>100.4</td>
</tr>
<tr>
<td>– Total</td>
<td>298.9</td>
<td>258.2</td>
<td>15.8</td>
</tr>
</tbody>
</table>

Includes R30 million of financial services’ income which were not in the prior year and insurance proceeds on Jumbo Crown Mines’ non-PP&E items.

Great expense control resulted in comparable expense growth of only 5.4%. Expenses as a % of sales were held at 16.3%.

Majority of the impairment and the insurance compensation income were as a result of the Jumbo Crown Mines’ store fire in February 2016.

We actively managed the value and currency of our foreign-denominated balances.

Increase in net finance costs mainly aggravated by two interest rate hikes in 2016.

The audited consolidated Group Annual Financial Statements for the year ended December 2016 can be found on the Company website at: 
www.massmart.co.za/iar2016/groupafs
Operating expenses
Operating expenses were tightly controlled, increasing by 7.7% over the prior year, and great expense control resulted in comparable expense growth of only 5.4%. Pleasingly expenses as a % of sales were held at 16.3%. Growth in employment costs, the Group’s biggest cost category, increased by 8.3%. Occupancy costs increased by 9.3%, mainly due to store openings. Depreciation and amortisation increased by 9.5%. Other operating expenses increased by 4.7%. The non-capital costs of upgrading our IT infrastructure, as well as pre-opening store expenses are included in this expense category.

Jumbo Crown Mines impairment and insurance proceeds
Included in operating profit is the net insurance gain of R141.8 million (2015: loss of R149.8 million) are also included in operating profit. African currencies have been particularly volatile and mostly weaker during the year. We have been actively managing the value and currency of our foreign-denominated balances and we take out foreign exchange disallowable expenses. All foreign-denominated inventory orders are automatically covered forward.

Finance costs
Net finance costs have grown to R571.9 million (2015: R475.3 million), mainly aggravated by two interest rate increases during 2016.

Taxation
The Group’s effective tax rate of 30.8% is in line with expectation (2015: 30.2%). Massmart is not concerned about any specific element of historical tax risk in the Group, but there remains the uncertainty that adjustments could arise from potentially unfavourable tax assessments of previous tax returns. Management believes that the final outcomes of any such matters will not have a material adverse effect on the Group’s financial position. 

Headline earnings
Reconciliation of profit for the year to headline earnings
Profit for the year attributable to owners of the parent
1,308.2 1,128.2 17.6
Impairment of assets
76.7 25.7
Loss on disposal of tangible and intangible assets
6.7 2.3
Profit on sale of non-current assets classified as held for sale
– (5.2)
Compensation from 3rd parties for items of tangible assets that were impaired, lost or given up
(98.1) (1.2)
Foreign currency translation reserve re-classified to the Income Statement
– (12.7)
Foreign exchange effect of adjustments
(0.2) (2.9)

Headline earnings
1,293.3 1,118.8 15.6
Foreign exchange loss after taxation
95.3 111.0

Headline earnings before foreign exchange (taxed)
1,388.6 1,229.8 12.9

Headline EPS (cents)
597.8 516.3 15.8
Headline EPS before foreign exchange (taxed) (cents)
641.8 567.5 13.1
Diluted headline EPS (cents)
587.6 508.8 15.5
Diluted headline EPS before foreign exchange (taxed) (cents)
630.9 559.3 12.8

Summary consolidated statement of comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>December 2016 ( Audited )</th>
<th>December 2015 ( Audited )</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>1,322.6</td>
<td>1,169.2</td>
<td>13.1</td>
</tr>
<tr>
<td>Items that will not subsequently be re-classified to the Income Statement:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net post retirement medical aid actuarial profit</td>
<td>3.6</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Items that will subsequently be re-classified to the Income Statement:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>(368.2)</td>
<td>(21.2)</td>
<td></td>
</tr>
<tr>
<td>Cash flow hedges – effective portion of changes in fair value</td>
<td>(376.9)</td>
<td>(24.2)</td>
<td></td>
</tr>
<tr>
<td>Fair value movement on available-for-sale financial assets</td>
<td>(23.2)</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>Income tax relating to components of other comprehensive income</td>
<td>(31.9)</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Total other comprehensive loss for the year, net of tax</td>
<td>(364.6)</td>
<td>(16.2)</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>958.0</td>
<td>1,153.0</td>
<td>(16.9)</td>
</tr>
<tr>
<td>Total comprehensive income attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Owners of the parent</td>
<td>943.6</td>
<td>1,096.6</td>
<td></td>
</tr>
<tr>
<td>– Non-controlling interests</td>
<td>14.4</td>
<td>56.4</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>958.0</td>
<td>1,153.0</td>
<td>(16.9)</td>
</tr>
</tbody>
</table>
### Summary consolidated statement of financial position

<table>
<thead>
<tr>
<th></th>
<th>December 2016 (Audited)</th>
<th>December 2015 (Audited)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>12,517.6</td>
<td>12,031.2</td>
<td></td>
</tr>
<tr>
<td>Goodwill and other intangible assets</td>
<td>8,470.2</td>
<td>8,117.8</td>
<td>-4.3</td>
</tr>
<tr>
<td>Investments and other financial assets</td>
<td>3,159.0</td>
<td>2,999.1</td>
<td>5.3</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td></td>
<td>724.2</td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>19,348.3</td>
<td>18,687.6</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>11,803.0</td>
<td>11,934.5</td>
<td>-1.1</td>
</tr>
<tr>
<td>Trade, other receivables and prepayments</td>
<td>4,684.7</td>
<td>4,697.4</td>
<td>-0.3</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td>58.3</td>
<td>50.8</td>
</tr>
<tr>
<td>Cash on hand and bank balances</td>
<td>2,802.3</td>
<td>2,004.9</td>
<td>39.8</td>
</tr>
<tr>
<td>Non-current assets classified as held for sale</td>
<td>17.7</td>
<td>11.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>31,883.6</td>
<td>30,730.3</td>
<td></td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>6,183.7</td>
<td>5,791.1</td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>6,108.1</td>
<td>5,636.0</td>
<td>8.4</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>75.6</td>
<td>155.1</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td>4,722.4</td>
<td></td>
</tr>
<tr>
<td>Interest-bearing borrowings</td>
<td>3,301.9</td>
<td>1,819.6</td>
<td>81.5</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td></td>
<td>73.9</td>
<td>73.5</td>
</tr>
<tr>
<td>Other non-current liabilities and provisions</td>
<td>1,346.6</td>
<td>1,160.3</td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>20,977.5</td>
<td>21,885.8</td>
<td></td>
</tr>
<tr>
<td>Trade, other payables and provisions</td>
<td>19,634.0</td>
<td>20,077.7</td>
<td>-2.2</td>
</tr>
<tr>
<td>Taxation</td>
<td>138.4</td>
<td>156.6</td>
<td></td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>180.6</td>
<td>446.4</td>
<td></td>
</tr>
<tr>
<td>Interest-bearing borrowings</td>
<td>1,024.5</td>
<td>1,206.1</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>31,883.6</td>
<td>30,730.3</td>
<td></td>
</tr>
</tbody>
</table>

- **Property, plant and equipment and other intangible assets**
  - **Deferred taxation**
  - **Inventories**
  - **Trade, other receivables and prepayments**
  - **Capital management and shareholder returns**
  - **Provisions and other liabilities**

**Property, plant and equipment and other intangible assets**
During the past few years, investment spending has been focused on new IT infrastructure, store openings, and the refurbishment of existing stores. The net book value of property, plant and equipment increased by 4.3% over the prior year.

**Deferred taxation**
The deferred tax asset includes the operating lease liability arising from lease smoothing and unutilised assessed losses. This net asset will reduce over time as the associated tax benefits are utilised. The net deferred tax asset decreased from R675.7 million at December 2015 to R650.3 million at December 2016.

**Inventories**
Improved inventory management saw our inventory balance decrease by 11% compared to December 2015, with inventory days reducing by five days to 58 days, despite store openings.

**Trade, other receivables and prepayments**
Trade and other receivables were in line with 2015 and debtors’ days stayed flat, at nine days.

**Capital management and shareholder returns**
Interest-bearing borrowings increased by R1 billion, the Group’s average borrowings only increased by R208 million against average borrowings in 2015. During the year, a R2.0 billion facility was entered into and was offset by the settlement of older term loans, the settlement of overdrafts of R265.8 million and a working capital outflow of R263.0 million due to year-end being on Christmas weekend.

**Provisions and other liabilities**
The largest non-interest-bearing liability is the net operating lease liability of R1.3 billion (2015: R1.0 million) arising from the lease smoothing adjustment which will be reversed over the remaining period of the Group’s operating leases. The increase in the operating lease liability primarily relates to the roll-out of new stores during the current year. At year-end, the actuarial valuation of the Group’s potential unfunded liability arising from post-retirement medical aid contributions owed to current and future retirees amounted to R111.7 million (2015: R104.2 million), R6.0 million of which has been reflected as a current provision.

**Trade, other payables and provisions**
Creditors’ days decreased from 76 days to 70 days partly due to the lower inventory levels but also from the early settlement of some foreign-denominated creditor balances as part of our foreign exchange risk management strategy. The Supplier Development Programme, a separate fund, created in response to the judgement of the Competition Appeal Court at the time of the Walmart transaction, had a closing balance of R72.2 million (2015: R111.6 million) and is reported on annually to the Competition Tribunal highlighting our expenditure and achievements.

**Lease exclusivity and contingent liabilities**
During 2016 there were several developments regarding lease exclusivities. These lease exclusivities are legal arrangements contained within certain shopping centre lease agreements that appear to entrench the incumbent major food supermarkets in certain localities within South Africa. In 2014 Massmart formally requested the Competition Commission to investigate these market practices and in mid-2015 self-referred this complaint to the Competition Tribunal. In November 2016 the Constitutional Court handed down judgement in which Game won the right to operate as a supermarket that sells Food at the Cape Gate shopping centre. This ruling gives momentum to our food business as it allows for free and fair trade in this space.

In addition to this matter, the Group and our subsidiaries are party to a variety of legal, administrative, regulatory and government proceedings, claims and inquiries arising in the normal course of business. While the results of these proceedings, claims and inquiries cannot be predicted with certainty, management believes that the final outcome of the foregoing will not have a material adverse effect on the Group’s financial position.

**Commitments**

<table>
<thead>
<tr>
<th>December</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 (Audited)</td>
<td>2015 (Audited)</td>
</tr>
<tr>
<td>612.0</td>
<td>953.4</td>
</tr>
<tr>
<td>1,477.8</td>
<td>1,033.9</td>
</tr>
<tr>
<td>1,759.8</td>
<td>1,987.3</td>
</tr>
</tbody>
</table>

Massmart has the right of first refusal on the sale of any shares by the non-controlling interest holders in various Masscash stores. Historically Massmart has exercised this right. All capital commitments will be funded using current facilities.
Our performance: Financial capital

Chief Financial Officer’s review

Working capital movements

The working capital outflow is largely as a result of timing differences. The cash inflows obtained from inventory and trade receivables in the current period are comparable to those in the prior period, however the cash outflow on trade creditors in the current period exceeds that of the prior period comparative due to the significantly large trade creditor balance at the end of December 2015 (10% higher than that at December 2014). In addition, the early settlement of foreign denominated creditors, to limit potential currency exposure, contributed to this position.

Dividend paid

In August 2015 Massmart indicated to shareholders that the Group’s future dividend policy would likely be changed to levels similar to South African retail peers. This adjustment was necessary as a result of significant property acquisitions between 2012 and 2015 and store growth into Africa which increasingly entail investing in real estate. Therefore, with effect from that dividend cycle, the dividend cover was amended to 2.00 x cover.

A gross final cash dividend of 224.80 cents per share (December 2015: 112.16), in respect of the year ended December 2016 was declared out of income reserves as defined in the Income Tax Act, 1962, and will be subject to the South African dividend withholding tax (DWT) rate of 20%. This was distributed to shareholders registered in the books of the Company on 20 March 2017.

Capital expenditure

The total capital expenditure of R1.8 billion comprises: R0.8 billion on replacement expenditure including store refurbishments and our IT systems’ investments; and R1.0 billion on expansionary expenditure.

<table>
<thead>
<tr>
<th>Rm</th>
<th>December 2016 (Audited)</th>
<th>December 2015 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings/leasehold improvements</td>
<td>393.3</td>
<td>281.8</td>
</tr>
<tr>
<td>Vehicles</td>
<td>31.0</td>
<td>14.3</td>
</tr>
<tr>
<td>Fixtures, fittings, plant and equipment</td>
<td>443.3</td>
<td>353.6</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>56.8</td>
<td>31.4</td>
</tr>
<tr>
<td>Computer software</td>
<td>29.3</td>
<td>29.6</td>
</tr>
<tr>
<td>Investment to expand operations</td>
<td>953.7</td>
<td>710.7</td>
</tr>
<tr>
<td>Land and buildings/leasehold improvements</td>
<td>123.8</td>
<td>134.7</td>
</tr>
<tr>
<td>Vehicles</td>
<td>43.0</td>
<td>64.7</td>
</tr>
<tr>
<td>Fixtures, fittings, plant and equipment</td>
<td>300.7</td>
<td>586.3</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>157.5</td>
<td>105.0</td>
</tr>
<tr>
<td>Computer software</td>
<td>201.5</td>
<td>92.8</td>
</tr>
<tr>
<td>Other</td>
<td>0.2</td>
<td>0.2</td>
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<tr>
<td>Investment to maintain operations</td>
<td>826.7</td>
<td>983.7</td>
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</table>

Summary consolidated statement of changes in equity

<table>
<thead>
<tr>
<th>Rm</th>
<th>Share capital</th>
<th>Share premium</th>
<th>Other reserves</th>
<th>Retained profit</th>
<th>Equity attributable to owners of the parent</th>
<th>Non-controlling interests</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at December 2014 (Audited)</td>
<td>2.2</td>
<td>733.4</td>
<td>550.5</td>
<td>4,048.3</td>
<td>5,334.4</td>
<td>192.8</td>
<td>5,527.2</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(914.1)</td>
<td>(914.1)</td>
<td>(52.7)</td>
<td>(966.8)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>(16.2)</td>
<td>1,112.8</td>
<td>1,096.6</td>
<td>56.4</td>
<td>1,153.0</td>
</tr>
<tr>
<td>Changes in non-controlling interests</td>
<td>–</td>
<td>–</td>
<td>(18.7)</td>
<td>–</td>
<td>(18.7)</td>
<td>(41.4)</td>
<td>(60.1)</td>
</tr>
<tr>
<td>IFRS 2 charge and Share Trust transactions</td>
<td>–</td>
<td>–</td>
<td>218.5</td>
<td>(23.6)</td>
<td>194.9</td>
<td>–</td>
<td>194.9</td>
</tr>
<tr>
<td>Treasury shares acquired</td>
<td>–</td>
<td>(58.3)</td>
<td>1.2</td>
<td>–</td>
<td>(57.1)</td>
<td>–</td>
<td>(57.1)</td>
</tr>
<tr>
<td>Balance as at December 2015 (Audited)</td>
<td>2.2</td>
<td>675.1</td>
<td>735.3</td>
<td>4,223.4</td>
<td>5,636.0</td>
<td>155.1</td>
<td>5,791.1</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(404.4)</td>
<td>(404.4)</td>
<td>(48.5)</td>
<td>(452.9)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>(364.6)</td>
<td>1,308.2</td>
<td>943.6</td>
<td>14.4</td>
<td>958.0</td>
</tr>
<tr>
<td>Changes in non-controlling interests</td>
<td>–</td>
<td>–</td>
<td>(132.3)</td>
<td>–</td>
<td>(132.3)</td>
<td>(45.4)</td>
<td>(177.7)</td>
</tr>
<tr>
<td>IFRS 2 charge and Share Trust transactions</td>
<td>–</td>
<td>–</td>
<td>198.5</td>
<td>(28.1)</td>
<td>170.4</td>
<td>–</td>
<td>170.4</td>
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<tr>
<td>Treasury shares acquired</td>
<td>–</td>
<td>(106.1)</td>
<td>0.9</td>
<td>–</td>
<td>(105.2)</td>
<td>–</td>
<td>(105.2)</td>
</tr>
<tr>
<td>Year ended December 2016 (Audited)</td>
<td>2.2</td>
<td>569.0</td>
<td>437.8</td>
<td>5,099.1</td>
<td>6,108.1</td>
<td>75.6</td>
<td>6,183.7</td>
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</tbody>
</table>
Segmental review
The Group is organised into four Divisions for operational and management purposes, being Massdiscounters, Masswarehouse, Massbuild and Masscash. Massmart reports its operating segment information on this basis. The principal offering for each Division is as follows:
- Massdiscounters (MDD) – General Merchandise discounter and Food retailer
- Masswarehouse (MWH) – warehouse club trading in Food, General Merchandise and Liquor
- Massbuild (MB) – Home Improvement retailer and Building Materials supplier
- Masscash (MC) – Food wholesaler, retailer and buying association
No single customer represented more than 10% of any of one of the Divisions’ revenue in the current and prior financial year.

Business segment

<table>
<thead>
<tr>
<th>Rm</th>
<th>Total</th>
<th>Other</th>
<th>MDD</th>
<th>MWH</th>
<th>MB</th>
<th>MC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>91,250.0</td>
<td>–</td>
<td>20,544.5</td>
<td>26,270.3</td>
<td>12,687.1</td>
<td>31,748.1</td>
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<tr>
<td>Operating profit before foreign exchange movements and interest</td>
<td>2,625.2</td>
<td>45.2</td>
<td>345.5</td>
<td>1,251.3</td>
<td>712.6</td>
<td>270.6</td>
</tr>
<tr>
<td>Trading profit before interest and taxation</td>
<td>2,612.9</td>
<td>–</td>
<td>364.3</td>
<td>1,251.3</td>
<td>712.6</td>
<td>284.7</td>
</tr>
<tr>
<td>Net foreign exchange loss</td>
<td>(141.8)</td>
<td>(61.4)</td>
<td>–</td>
<td>(77.6)</td>
<td>7.3</td>
<td></td>
</tr>
<tr>
<td>Net foreign exchange (gain)/loss</td>
<td>(571.9)</td>
<td>(337.3)</td>
<td>(74.0)</td>
<td>60.6</td>
<td>(157.7)</td>
<td>(63.5)</td>
</tr>
<tr>
<td>Net finance (costs)/income</td>
<td>1,911.5</td>
<td>(353.5)</td>
<td>261.4</td>
<td>1,311.9</td>
<td>477.3</td>
<td>214.4</td>
</tr>
<tr>
<td>Operating profit/(loss) before taxation</td>
<td>1,770.0</td>
<td>1,624.0</td>
<td>290.3</td>
<td>1,311.9</td>
<td>554.9</td>
<td>221.2</td>
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<td><strong>Inventory</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>84,731.8</td>
<td>–</td>
<td>19,514.1</td>
<td>23,675.9</td>
<td>12,010.6</td>
<td>29,531.2</td>
</tr>
<tr>
<td>Operating profit before taxation</td>
<td>2,612.9</td>
<td>–</td>
<td>1,251.3</td>
<td>712.6</td>
<td>284.7</td>
<td></td>
</tr>
<tr>
<td>Trading profit before taxation</td>
<td>2,300.2</td>
<td>(39.8)</td>
<td>235.4</td>
<td>1,198.7</td>
<td>693.6</td>
<td></td>
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<tr>
<td>Trading profit before interest and taxation</td>
<td>2,349.7</td>
<td>–</td>
<td>235.4</td>
<td>1,198.7</td>
<td>693.6</td>
<td></td>
</tr>
<tr>
<td>Net foreign exchange (loss)/gain</td>
<td>(149.8)</td>
<td>(78.1)</td>
<td>(65.4)</td>
<td>–</td>
<td>(3.4)</td>
<td></td>
</tr>
<tr>
<td>Net finance (costs)/income</td>
<td>(475.3)</td>
<td>(292.6)</td>
<td>(49.5)</td>
<td>53.0</td>
<td>(100.7)</td>
<td></td>
</tr>
<tr>
<td>Operating profit before foreign exchange movements and interest</td>
<td>2,150.4</td>
<td>(71.2)</td>
<td>654.6</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit before taxation</td>
<td>2,483.4</td>
<td>1,824.8</td>
<td>658.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading profit before taxation</td>
<td>2,338.7</td>
<td>22,762.2</td>
<td>21,541.2</td>
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<td></td>
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<tr>
<td>Trading profit before interest and taxation</td>
<td>2,315.0</td>
<td>1,824.8</td>
<td>658.6</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>2,150.4</td>
<td>(292.6)</td>
<td>654.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>84,731.8</td>
<td>–</td>
<td>19,514.1</td>
<td>23,675.9</td>
<td>12,010.6</td>
<td>29,531.2</td>
</tr>
<tr>
<td><strong>Net capital expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>24,939.2</td>
<td>(4,608.9)</td>
<td>7,999.0</td>
<td>7,865.3</td>
<td>4,602.8</td>
<td>9,081.0</td>
</tr>
<tr>
<td>Non-current asset held for sale</td>
<td>11,934.5</td>
<td>22.1</td>
<td>4,064.7</td>
<td>3,094.5</td>
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<tr>
<td>Non-current asset held for sale</td>
<td>–</td>
<td>11.5</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-cash items other than depreciation and impairment</td>
<td>23,939.2</td>
<td>4,608.9</td>
<td>7,999.0</td>
<td>7,865.3</td>
<td>4,602.8</td>
<td>9,081.0</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>2,150.4</td>
<td>1,824.8</td>
<td>658.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>(475.3)</td>
<td>(292.6)</td>
<td>(49.5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>2,150.4</td>
<td>(292.6)</td>
<td>654.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>1,649.6</td>
<td>–</td>
<td>527.4</td>
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</tr>
<tr>
<td>Net capital expenditure</td>
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<td>186.8</td>
<td>351.6</td>
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<td>Cash flow from operating activities</td>
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<td>450.6</td>
<td>276.1</td>
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<td></td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>(1,645.6)</td>
<td>(183.2)</td>
<td>(527.2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>(25.5)</td>
<td>(60.9)</td>
<td>(71.5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-cash items other than depreciation and impairment</td>
<td>23,939.2</td>
<td>4,608.9</td>
<td>7,999.0</td>
<td>7,865.3</td>
<td>4,602.8</td>
<td>9,081.0</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
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</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>2,150.4</td>
<td>1,824.8</td>
<td>658.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>(1,645.6)</td>
<td>(183.2)</td>
<td>(527.2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>(25.5)</td>
<td>(60.9)</td>
<td>(71.5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net capital expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>1,649.6</td>
<td>–</td>
<td>527.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net capital expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>1,770.4</td>
<td>450.6</td>
<td>276.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>2,150.4</td>
<td>1,824.8</td>
<td>658.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>2,150.4</td>
<td>1,824.8</td>
<td>658.6</td>
<td></td>
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<td></td>
</tr>
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<td><strong>Cash flow from operating activities</strong></td>
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<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>2,150.4</td>
<td>1,824.8</td>
<td>658.6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Segment assets exclude financial instruments and deferred taxation and reflects the geographic location of the Group’s assets.
- Net capital expenditure is defined as capital expenditure less disposal proceeds.

**Geographic segment**

The Group’s four Divisions operate in two principal geographical areas – South Africa and the rest of Africa.

<table>
<thead>
<tr>
<th></th>
<th>December 2015</th>
<th></th>
<th>December 2016</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>South Africa</td>
<td>Rest of Africa</td>
<td>Total</td>
<td>South Africa</td>
</tr>
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<td><strong>Sales</strong></td>
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<td>83,292.9</td>
<td>7,957.1</td>
<td>84,731.8</td>
<td>77,579.2</td>
</tr>
<tr>
<td>Operating profit before interest and tax</td>
<td>2,483.4</td>
<td>1,824.8</td>
<td>658.6</td>
<td>2,150.4</td>
<td>1,495.8</td>
</tr>
<tr>
<td>Segment assets (Total)</td>
<td>23,735.8</td>
<td>22,762.2</td>
<td>21,541.2</td>
<td>1,846.6</td>
<td></td>
</tr>
<tr>
<td>Segment assets (Non-current)</td>
<td>11,629.2</td>
<td>10,895.0</td>
<td>734.2</td>
<td>11,128.4</td>
<td>10,118.2</td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>1,770.0</td>
<td>1,624.0</td>
<td>146.8</td>
<td>1,649.6</td>
<td>1,366.1</td>
</tr>
</tbody>
</table>

- Segment assets exclude financial instruments and deferred taxation and reflects the geographic location of the Group’s assets.
- Net capital expenditure is defined as capital expenditure less disposal proceeds.
- Segment assets exclude financial instruments and deferred taxation and reflects the geographic location of the Group’s assets.

**Note:** The other columns include consolidation entries.

- All intercompany transactions have been eliminated in the above results.
Our performance: Financial capital

Chief Financial Officer’s review

Related-party transactions
Massmart and its Divisions enter into certain transactions with related parties in the normal course of business. Details of these are disclosed in more detail in Massmart’s Annual Financial Statements. Of the Walmart integration and related costs, an amount due to Walmart of R1.0 million (December 2015: R299.4 million) remains unpaid at the end of the current financial year. There are no amounts due from Walmart at the end of the current financial year (December 2015: R8.7 million). The Group has a R600.0 million medium-term loan with Walmart repayable in one installment in April 2018, on which interest of 7.5% is paid quarterly. This loan is accounted for under interest-bearing non-current liabilities. As a 52.4% shareholder, Main Street 830 Proprietary Limited, a subsidiary of Walmart, will also be receiving the ordinary dividend based on their number of shares held.

Directors’ emoluments
A detailed breakdown can be found in the Remuneration Report on pages 71-84.

Accounting policies, critical judgements and key sources of estimation uncertainty
I have supervised the preparation of these audited summary consolidated results which have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, presentation and disclosure as required by International Accounting Standard (IAS) 34 Interim Financial Reporting, the JSE Limited Listings Requirements and the requirements of the Companies Act 71 of 2008 of South Africa. The accounting policies and methods of computation used in the preparation of these audited summary consolidated results are in terms of IFRS and are consistent in all material respects with those applied in the most recent Annual Financial Statements, as none of the amendments coming into effect in the current financial year have had a material impact on the financial reporting of the Group, besides impacting disclosure within the Annual Financial Statements.

Going concern assertion
The Board has formally considered the going concern assertion for Massmart and its subsidiaries and believes that it is appropriate for the forthcoming financial year.

The year ahead
This Integrated Annual Report was finalised a day after the announcement of several changes to key roles in the South African Cabinet. This development may increase policy uncertainty in South Africa, potentially with negative consequences for the economy, and thus it is extremely difficult to currently provide any useful short- to medium-term economic or performance outlook.

Appreciation
2016 was a challenging year, marked by volatility in our operating environment. However, through the dedication of our people we were able to meet these challenges head-on, producing the good results that we did. This year our finance team continued to grow, we welcomed new talent to the team and were delighted with the internal promotions we made. Our processes and controls have been streamlined through the application of new technology, and as a consequence we are better able to more innovatively serve the business.

We have embarked on the implementation of King IV principles as we continually strive to deliver an excellent Integrated Annual Report; this has been achieved through the collaboration of our finance teams at Massmart’s corporate office and across our Divisions.

I feel proud and privileged to have the opportunity to work with such an excellent team. The contribution and efforts of the Group Finance teams, both at the Divisions and the corporate office, have once again been outstanding. I want to express my gratitude for their ways of working together as a team and putting business performance, as well as personal and collective development, at the same level. The result of this is fully to their benefit and to the advantage of all of our stakeholders.

Johannes van Lierop
Chief Financial Officer
31 March 2017

ETHICAL AND RESPECTFUL

Directors’ responsibilities
The Directors acknowledge responsibility for the preparation of the Annual Financial Statements, which, in their opinion, fairly present the results and cash flows for the year ended December 2016 and the state of affairs of Massmart Holdings Limited and its subsidiaries at the end of the financial year. The external auditors are responsible for reporting on the fair presentation of these financial statements.

The Company and its subsidiaries have maintained satisfactory accounting records and an effective system of internal controls to ensure the integrity of the underlying information. Appropriate accounting policies, supported by sound and prudent managerial judgments and estimates, have been consistently applied.

The Board’s Audit Committee reviews the financial information presented and ensures that there has been adherence to International Financial Reporting Standards and the Companies Act of South Africa. Internal and external auditors of Group companies have unrestricted access to the Committee.

Group financial results
The financial results of the Group are set out in the income statement, statement of comprehensive income, the statement of cash flows and the statement of changes in equity. The financial position of the Group is set out in the statement of financial position and accompanying notes.

Directorate and secretary
The current Directorate of the Company is shown on page 35. The Board comprises nine Directors at the time of this report of whom seven are non-Executive and five are independent. In addition, each Board committee is chaired by an independent Director.

The Company Secretary provides a central source of guidance and advice to the Board, and within the Company, on matters of ethics and good governance. The Company Secretary is Joe Ralebepa, an admitted attorney of the High Court of South Africa, whose business and postal addresses are the same as that of the Company, and he was appointed in November 2016. This role was previously held by Philip Sigsworth.

After 2.5 years on the Massmart Board, Walmart-appointee Andy Clarke resigned with effect from 22 February 2017.

At least one-third of the non-Executive Directors are required to retire every year and the Executive Directors have elected to also retire on this basis. As a result, all Directors retire by rotation at least every three years and if eligible and available, their names are submitted for re-election by the shareholders at the Annual General Meeting (AGM). In addition, shareholders must ratify the initial appointment of each Director at the first AGM following that Director’s appointment. As a result of these requirements, at the 25 May 2017 AGM, Lulu Gwagwa, Phumzile Langeni, JP Suarez and Johannes van Lierop retire by rotation. Being eligible, they all offer themselves for re-election.
Shares in issue
Please find the movement in ordinary and preference shares for the financial year under review below:

Ordinary shares
Balance at December 2014 217,118,072
Converted preference shares* 18,262
Balance at December 2015 217,136,334
Converted preference shares* –
Ordinary shares in issue at December 2016 217,136,334

Preference shares
Balance at December 2014 2,858,745
Converted to ordinary shares (18,262)
Balance at December 2015 2,840,483
Converted to ordinary shares –
Preference shares in issue at December 2016 2,840,483

* These preference shares above relate to Massmart’s BlackScarce Skills Trust.

Interests of Directors in the Company’s shares
At December 2016, Directors owned, directly or indirectly, ordinary shares or options over ordinary shares in the Company. These holdings were all beneficial and are aggregated in the table below:

<table>
<thead>
<tr>
<th>Non-Executive Directors</th>
<th>December 16</th>
<th>December 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Options/Share Awards</td>
<td>Shares</td>
</tr>
<tr>
<td>K Dlamini</td>
<td>9,800</td>
<td>9,800</td>
</tr>
<tr>
<td>NN Gwagwa</td>
<td>9,800</td>
<td>9,800</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>December 16</th>
<th>December 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Options/Share Awards</td>
<td>Shares</td>
</tr>
<tr>
<td>GRC Hayward</td>
<td>233,503</td>
<td>600,654</td>
</tr>
<tr>
<td>JJM van Lierop</td>
<td>–</td>
<td>156,477</td>
</tr>
</tbody>
</table>

At the date of this report, the Directors’ beneficial holdings were as follows:

<table>
<thead>
<tr>
<th>Non-Executive Directors</th>
<th>March 17</th>
<th>April 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Options/Share Awards</td>
<td>Shares</td>
</tr>
<tr>
<td>K Dlamini</td>
<td>9,800</td>
<td>9,800</td>
</tr>
<tr>
<td>NN Gwagwa</td>
<td>9,800</td>
<td>9,800</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>March 17</th>
<th>April 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Options/Share Awards</td>
<td>Shares</td>
</tr>
<tr>
<td>GRC Hayward</td>
<td>232,390</td>
<td>566,475</td>
</tr>
<tr>
<td>JJM van Lierop</td>
<td>–</td>
<td>156,477</td>
</tr>
</tbody>
</table>

Material subsidiaries
As at the date hereof, the following companies are material subsidiaries of the Company:

- Massbuild Proprietary Limited 2004/035206/07
- Masscash Holdings Proprietary Limited 1997/014716/07
- Massmart International Holdings Limited (incorporated in Mauritius) 47902 C1/GBL
- Massstores Proprietary Limited 1991/006805/07
- Wild Developments Proprietary Limited 1973/000178/07

The principal subsidiaries above are determined based on the Group’s cross-surety arrangement. These subsidiaries represent the Group for which lender covenants shall be maintained. Details of the Company’s interests in material subsidiaries are set out in note 37 on www.massmart.co.za/iar2016/groupafs.

Borrowing powers
In terms of the Memorandum of Incorporation, the Group has unlimited borrowing powers. At December 2016, borrowings were R4.5 billion (December 2015: R3.5 billion).

Going concern
The Directors are of the opinion that the business will be a going concern in the year ahead. In reaching this opinion, the Directors considered the following factors:

- strong positive cash flows from trading;
- no recurring operating losses at Divisional and Group level;
- well-controlled working capital and good quality inventory;
- approved short- and long-term financing, with sufficient additional short-term borrowing capacity if required;
- key executive management in place;
- there have been no material changes that may affect the Group in any of its customer, product or geographic markets; and
- budgets to December 2017 reflect a continuation of the above positive factors.

Direct and ultimate holding companies
The Company’s direct holding company is Main Street 830 Proprietary Limited, incorporated in South Africa, and the Company’s ultimate holding company is Wal-Mart Stores, Inc., incorporated in the United States.

Subsequent events
There were no significant subsequent events after the year-end.

Company Secretary certificate
In terms of section 88(e) of the Companies Act No. 71 of 2008, as amended (‘Companies Act’), Joe Ralebepa, in my capacity as Company Secretary of Massmart Holdings Limited, confirm that, to the best of my knowledge and belief, in respect of the year under review, Massmart Holdings Limited has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

On behalf of the Board
Joe Ralebepa
Company Secretary
31 March 2017

Massmart address
The Company’s registered office and postal address are as follows:

Registered office: Massmart House 16 Peltier Drive Sunninghill Ext 6 Sandton 2146 South Africa
Postal address: Private Bag X4 2157 South Africa
Independent auditor’s report on audited summary consolidated Annual Financial Statements

for the year ended December 2016

To the Shareholders of Massmart Holdings Limited

Opinion

The audited summary consolidated Annual Financial Statements of Massmart Holdings Limited, incorporated in the ‘Financial Capital’ section of this Integrated Annual Report, which comprise the summary consolidated statement of financial position as at 25 December 2016, the summary consolidated income statement, the summary consolidated statements of comprehensive income and changes in equity, and the Group cash flow analysis for the year then ended, on pages 43, 40, 42, 46 and 45 respectively, and related notes on pages 41-49, are derived from the audited consolidated Group Annual Financial Statements of Massmart Holdings Limited for the year ended 25 December 2016.

In our opinion, the audited summary consolidated Annual Financial Statements derived from the audited consolidated Group Annual Financial Statements of Massmart Holdings Limited for the year ended 25 December 2016 are consistent, in all material respects, with the audited summary consolidated Annual Financial Statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the ‘Board Approval’ on page 4, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Directors’ responsibility for the audited summary consolidated Annual Financial Statements

The Directors are responsible for the preparation of the audited summary consolidated Annual Financial Statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the ‘Board Approval’ on page 4, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary financial statements

The audited summary consolidated Annual Financial Statements do not contain all the disclosures required by IFRS and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the audited summary consolidated Annual Financial Statements, therefore, is not a substitute for reading the audited consolidated Group Annual Financial Statements of Massmart Holdings Limited for the year ended 25 December 2016.

Our responsibility is to express an opinion on whether the audited summary consolidated Annual Financial Statements are consistent, in all material respects, with the audited consolidated Group Annual Financial Statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Ernst & Young Inc.

Per: Allister Jon Carshagen
Director
Registered Auditor
31 March 2017

102 Rivonia Road, Johannesburg,
Gauteng, South Africa

The Audit Committee report

for the year ended December 2016

Moses Kgosana, Chairman of the Audit Committee

The Audit Committee met three times during the year ended December 2016. The internal and external auditors presented formal reports to the Committee and attended these meetings by invitation. In response to the requirements of the Companies Act, King III and in terms of its charter, the Committee can report as follows:

- The scope, independence and objectivity of the external auditors was reviewed; and
- The audit firm Ernst and Young Inc. and audit partner Allister Jon Carshagen, are, in the Committee’s opinion, independent of the Company. Roger Hillen will be succeeding Allister, who is retiring after five years as Massmart’s audit partner, and both he and Ernst and Young Inc. have been proposed to the shareholders for approval to be the Group’s external auditor for the 2017 financial year;
- On an on-going basis, the Committee reviews and approves the fees proposed by the external auditors;
- The appointment of the external auditor complies with the Companies Act, as amended, and with all other legislation relating to the appointment of external auditors;
- The nature and extent of non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence;
- The nature and extent of future non-audit services have been defined and pre-approved;
- No reportable irregularities were identified and reported by the external auditors to the Committee;
- The Committee is satisfied that the internal financial controls of the Divisions and Group operated effectively throughout the year ended December 2016, and can be relied upon. In addition, the Committee is satisfied with the Group’s accounting policies and that these have been appropriately and consistently applied throughout the year ended December 2016;
- The Committee reviewed this Integrated Annual Report, and the audited consolidated Group Annual Financial Statements of Massmart Holdings Limited for the year ended 25 December 2016, and recommended them to the Board for approval;
- At the date of this report, no complaints have been received relating to accounting practices and internal audit of the Company or to the content or auditing of the Company’s financial statements, or to any related matter; and
- The Massmart website (www.massmart.co.za) has a link enabling the general public to lodge complaints with the Committee. Since establishing this functionality in 2009, no complaints have been received.

More information on the Audit Committee’s roles and responsibilities can be found on page 107 and on the Company’s website at www.massmart.co.za/iar2016/auditcom
**Group income statement**

<table>
<thead>
<tr>
<th>(Rm)</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,315,492</td>
<td>4,411,757</td>
<td>4,723,950</td>
<td>4,550,068</td>
<td>4,346,277</td>
</tr>
<tr>
<td>Sales</td>
<td>4,315,492</td>
<td>4,411,757</td>
<td>4,723,950</td>
<td>4,550,068</td>
<td>4,346,277</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(2,603,176)</td>
<td>(2,793,959)</td>
<td>(3,033,430)</td>
<td>(2,902,290)</td>
<td>(2,672,365)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,712,316</td>
<td>1,617,798</td>
<td>1,690,520</td>
<td>1,647,778</td>
<td>1,673,912</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(1,036,508)</td>
<td>(946,204)</td>
<td>(846,606)</td>
<td>(731,100)</td>
<td>(661,200)</td>
</tr>
<tr>
<td>Employment costs</td>
<td>(734,648)</td>
<td>(678,432)</td>
<td>(610,900)</td>
<td>(542,355)</td>
<td>(468,655)</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>(1,333,288)</td>
<td>(2,665,668)</td>
<td>(2,678,800)</td>
<td>(2,553,455)</td>
<td>(2,295,650)</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>(3,397,888)</td>
<td>(2,345,888)</td>
<td>(3,033,333)</td>
<td>(2,750,553)</td>
<td>(2,533,050)</td>
</tr>
<tr>
<td>Trading profit before interest and taxation</td>
<td>30,000</td>
<td>23,250</td>
<td>20,405</td>
<td>21,263</td>
<td>23,101</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>(767)</td>
<td>(257)</td>
<td>(246)</td>
<td>(416)</td>
<td>(216)</td>
</tr>
<tr>
<td>Insurance proceeds on items in PP&amp;E</td>
<td>981</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Operating profit before foreign exchange movements, Walmart transaction, integration and related costs</td>
<td>2,625,2</td>
<td>2,300,2</td>
<td>2,015,9</td>
<td>2,084,7</td>
<td>2,288,5</td>
</tr>
<tr>
<td>Foreign exchange (loss)/gain</td>
<td>(141,8)</td>
<td>(149,8)</td>
<td>(49,8)</td>
<td>67,8</td>
<td>(213,8)</td>
</tr>
<tr>
<td>Walmart transaction, integration and related costs</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(348,9)</td>
</tr>
<tr>
<td>Operating profit before interest</td>
<td>2,483,4</td>
<td>2,150,4</td>
<td>1,966,1</td>
<td>2,152,5</td>
<td>2,170,8</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(601,0)</td>
<td>(507,7)</td>
<td>(386,8)</td>
<td>(283,8)</td>
<td>(217,4)</td>
</tr>
<tr>
<td>Finance income</td>
<td>29,1</td>
<td>32,4</td>
<td>41,5</td>
<td>28,7</td>
<td>90,0</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(571,9)</td>
<td>(475,3)</td>
<td>(345,3)</td>
<td>(255,1)</td>
<td>(127,4)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1,911,5</td>
<td>1,675,1</td>
<td>1,620,8</td>
<td>1,897,4</td>
<td>1,580,6</td>
</tr>
<tr>
<td>Taxation</td>
<td>(588,9)</td>
<td>(505,9)</td>
<td>(483,4)</td>
<td>(555,3)</td>
<td>(549,6)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>1,322,6</td>
<td>1,169,2</td>
<td>1,137,4</td>
<td>1,342,1</td>
<td>1,031,0</td>
</tr>
</tbody>
</table>

**Group statements of financial position and cash flows**

<table>
<thead>
<tr>
<th>(Rm)</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>31,883,6</td>
<td>30,730,3</td>
<td>28,906,4</td>
<td>26,147,9</td>
<td>23,019,8</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>1,558,5</td>
<td>1,483,4</td>
<td>1,588,3</td>
<td>1,639,9</td>
<td>2,850,2</td>
</tr>
<tr>
<td>Cash inflow/(outflow) from operating activities</td>
<td>3,984,9</td>
<td>3,384,4</td>
<td>2,983,4</td>
<td>2,984,0</td>
<td>2,681,8</td>
</tr>
<tr>
<td>Working capital movements</td>
<td>(263,0)</td>
<td>372,0</td>
<td>(295,1)</td>
<td>752,6</td>
<td>(775,5)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>3,721,9</td>
<td>3,756,4</td>
<td>2,688,3</td>
<td>3,736,6</td>
<td>1,906,3</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(489,3)</td>
<td>(437,0)</td>
<td>(345,3)</td>
<td>(255,1)</td>
<td>(127,4)</td>
</tr>
<tr>
<td>Investment income</td>
<td>50,0</td>
<td>40,3</td>
<td>–</td>
<td>79,2</td>
<td>0,1</td>
</tr>
<tr>
<td>Taxation paid</td>
<td>(573,9)</td>
<td>(631,0)</td>
<td>(683,4)</td>
<td>(732,8)</td>
<td>(601,5)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(453,2)</td>
<td>(958,3)</td>
<td>(914,0)</td>
<td>(931,4)</td>
<td>(864,7)</td>
</tr>
<tr>
<td>Cash inflow from operating activities</td>
<td>2,255,5</td>
<td>1,770,4</td>
<td>1,745,6</td>
<td>1,914,5</td>
<td>312,8</td>
</tr>
<tr>
<td>Investment to expand operations</td>
<td>(1,440,1)</td>
<td>(903,7)</td>
<td>(857,4)</td>
<td>(752,1)</td>
<td>(629,4)</td>
</tr>
<tr>
<td>Investment to maintain operations</td>
<td>(826,7)</td>
<td>(710,7)</td>
<td>(1,322,1)</td>
<td>(1,306,8)</td>
<td>(685,2)</td>
</tr>
<tr>
<td>Investment in subsidiaries and businesses</td>
<td>(1,377)</td>
<td>(169,4)</td>
<td>(14,4)</td>
<td>–</td>
<td>(383,6)</td>
</tr>
<tr>
<td>Other net investing activities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td>50,0</td>
<td>40,3</td>
<td>–</td>
<td>79,2</td>
<td>0,1</td>
</tr>
<tr>
<td>Cash outflow from investing activities</td>
<td>(1,774,9)</td>
<td>(1,645,8)</td>
<td>(2,145,5)</td>
<td>(2,363,0)</td>
<td>(1,664,7)</td>
</tr>
<tr>
<td>Cash inflow/(outflow) from financing activities</td>
<td>959,5</td>
<td>(25,5)</td>
<td>1,349,7</td>
<td>293,0</td>
<td>135,6</td>
</tr>
<tr>
<td>Net increase/ (decrease) in cash and cash equivalents</td>
<td>1,440,1</td>
<td>99,3</td>
<td>(51,2)</td>
<td>(98,8)</td>
<td>(1,213,6)</td>
</tr>
<tr>
<td>Foreign exchange movements</td>
<td>(376,9)</td>
<td>(24,2)</td>
<td>(53,7)</td>
<td>47,2</td>
<td>6,0</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>1,558,5</td>
<td>1,483,4</td>
<td>1,588,3</td>
<td>1,639,9</td>
<td>2,850,2</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the period</td>
<td>2,621,7</td>
<td>1,558,5</td>
<td>1,483,4</td>
<td>1,588,3</td>
<td>1,639,9</td>
</tr>
</tbody>
</table>

**Statement of Financial Position**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>4,411,757</td>
<td>4,723,950</td>
<td>4,550,068</td>
<td>4,346,277</td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td>27,465,870</td>
<td>27,465,870</td>
<td>27,465,870</td>
<td>27,465,870</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>31,883,6</td>
<td>30,730,3</td>
<td>28,906,4</td>
<td>26,147,9</td>
<td>23,019,8</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>2,685,668</td>
<td>2,678,800</td>
<td>2,553,455</td>
<td>2,295,650</td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>24,928,102</td>
<td>24,928,102</td>
<td>24,928,102</td>
<td>24,928,102</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>27,613,770</td>
<td>27,613,770</td>
<td>27,613,770</td>
<td>27,613,770</td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>6,108,1</td>
<td>6,108,1</td>
<td>6,108,1</td>
<td>6,108,1</td>
<td></td>
</tr>
<tr>
<td>Reserves and surplus</td>
<td>9,375,7</td>
<td>9,375,7</td>
<td>9,375,7</td>
<td>9,375,7</td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>1,322,6</td>
<td>1,169,2</td>
<td>1,137,4</td>
<td>1,342,1</td>
<td>1,031,0</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>31,883,6</td>
<td>30,730,3</td>
<td>28,906,4</td>
<td>26,147,9</td>
<td>23,019,8</td>
</tr>
</tbody>
</table>

**A more detailed five-year review can be found on the Company’s website at [www.massmart.co.za/iar2016/5yearreview](http://www.massmart.co.za/iar2016/5yearreview)**

### Notes

- Details of the ratios and terms can be found in definitions and formulas.
- Financial year periods are 12 month periods.
- *Massmart transaction, integration and related costs have been included in the 2011 and 2012 financial years.
- *Excludes Walmart transaction, integration and related costs and the loss on disposal of Makro Zimbabwe.
Massmart’s purpose to be the lowest cost wholesale and retail Group in sub-Saharan Africa is premised on a cost efficient route-to-market as the foundation of price leadership. The low cost base required to achieve price leadership can only be sustained by unlocking the competitive benefit of our scale through collaboration across the Divisions.

Our collaboration efforts involve the core functional areas across each Division – namely IT, Supply Chain, Real Estate, Merchandise and Private Label – working together. Collaboration takes many forms: negotiating with a single supplier across the Group for best price and service; aligning around a single instance of product master-data; using software to optimally manage primary and secondary transport and logistics; or enforcing a peer-review for new IT projects. Our collaboration efforts contributed to reducing our operating costs and improving working capital management.

A significant contributor to the Group’s cost-to-serve, and an area where the Group can benefit from collaboration, is supply chain, transport and logistics. In January 2017 Richard Inskip joined Massmart as the Group Supply Chain & Logistics Executive. Richard’s mandate is to efficiently and effectively leverage the Group’s scale in its supply chain activities including transport, logistics, distribution centres and the associated areas of working capital management, inventory service levels, and customer fulfilment. We believe this approach should result in a sustainably lower cost-to-serve which will support our stated objective of price-leadership.
### Massdiscounters

Massdiscounters operates through two retail formats: Game and DionWired. Game is a discount multi-category format retailer of General Merchandise, Fresh Food, Groceries and Liquor, operating throughout South Africa and in 18 cities in sub-Saharan Africa. DionWired sells the complete technological solution in Multimedia and Hi-tech.

### 2016 Highlights

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>• Healthy profit growth of 54.8% amidst tough economic trading conditions</td>
<td>• Deliver real value to our core customer through unbeatable low prices</td>
<td>• Continue to improve our customers’ value proposition</td>
<td>Game will continue to roll-out Fresh Food. We will refurbish some current stores and focus on consolidating our footprint to optimise profitability.</td>
</tr>
<tr>
<td>• Food continues to grow strongly</td>
<td>• Offer a good retail experience which guarantees quality</td>
<td>• Simplify our systems and processes as we invest in SAP point-of-sale and ERP systems</td>
<td>We will carry on consolidating the Hi-tech and Multimedia categories. We will start our Omnichannel journey. At DionWired we will focus on reinvigorating our customer experience through focusing on our core purpose to simplify life by obsessively sharing the joy of technology.</td>
</tr>
<tr>
<td>• Focused customer-centric approach further aligned product offering, in-store experience, stock availability and value proposition</td>
<td>• Provide focused ranges that meet all our customers’ household needs</td>
<td>• Mobilise the business around delivering on our strategic plan and SAP implementation</td>
<td></td>
</tr>
<tr>
<td>• Improvements in the supply chain enabling a reduction in stockholding levels, whilst achieving improved on-shelf stock availability</td>
<td>• Ensure an effective supply chain, enabled by efficient information systems and processes</td>
<td>• Reduced operating costs through focus on supply chain, non-trading space and labour scheduling</td>
<td></td>
</tr>
<tr>
<td>• Improvements in the operating model enabling reduced operating costs</td>
<td>• What we did well:</td>
<td>• Build the best team to deliver value to our customers, shareholders and communities whom we serve</td>
<td></td>
</tr>
<tr>
<td>• Successful pilot of SAP point-of-sale system</td>
<td>• Responded to our customers’ needs by offering the correct assortment of price points</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Re-energised our Food, Cellular and Homeware offering</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Collaborated with our suppliers to improve supply chain efficiencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mobilised the business around delivering on our strategic plan and SAP implementation</td>
<td></td>
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<tr>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>The improvements we made:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Significant growth in both sales and margin of our Food &amp; Liquor offerings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Improved in-stock coupled with reduced stock level</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Improved supply chain and store cost efficiencies</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The challenges we’re facing:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Low consumer confidence and tough South African economic environment pressuring our core middle-class customer</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Slowing African economies</td>
<td></td>
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</tr>
</tbody>
</table>
Masswarehouse comprises Makro and The Fruitspot. Makro sells national and owned brands in the Food, Liquor and General Merchandise categories, catering for personal, commercial and trading customers. The Fruitspot is a wholesaler and distributor of fresh and cut fruit and vegetables in Gauteng, KwaZulu-Natal and the Western Cape.

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</tr>
</thead>
<tbody>
<tr>
<td>• Makro Carnival opened in April 2017 achieving record sales on opening day and during its first month of trading</td>
<td>• Continue to grow our commercial sales and customer service offerings</td>
<td>• Ensure we balance our investment in inventory for availability and price</td>
<td>Makro remains focused on bringing the benefits of scale to all our customers. We will do this by offering products and brands that our customers know and trust at prices that save them money. Makro will continue to work on providing access to our proposition to all customers, and on building relevant and cost-effective fulfilment capability to support this.</td>
<td>Guy Hayward Non-Executive Chairman</td>
</tr>
<tr>
<td>• Continued growth of retail and commercial Food business, supported by extended national sales capability</td>
<td>• Reduce cost to operate fulfilment network</td>
<td>• Invest in our owned brands so that we continue to bring relevant products at best value to our customers</td>
<td>Doug Jones Chief Executive Officer</td>
<td></td>
</tr>
<tr>
<td>• Continued growth of online sales, with 828 segment growing in contribution</td>
<td>• Continue to improve the Food offering to retail customers, and deepen Fresh and Butchery offering</td>
<td>• Empower our employees with better data and simpler process to be more effective, at less cost</td>
<td>Dean Bauer Supply Chain</td>
<td></td>
</tr>
<tr>
<td>• Conversion of more than 1,300 contract workers to permanent employees</td>
<td>• Grow market share in Liquor</td>
<td>• Build and operate our stores in an environmentally responsible manner</td>
<td>Michelle Chandler Human Resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Grow market share in retail and commercial segments, maintain margins and share in wholesale markets</td>
<td>• Complete the construction of the new Makro store in Johannesburg north</td>
<td>Norman Gray Non-Executive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Optimise working capital through replenishment and supply chain investments, while ensuring adequate inventory levels</td>
<td>• Reduce cost through process optimisation and better contracting with service providers and suppliers</td>
<td>Garry Hendry Merchandise Food</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Drive value through data-led insights into customer behaviours and needs</td>
<td></td>
<td>Stuart Jowett Merchandise General Merchandise</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Invest in technology to better serve customers, manage our supply chain and operate stores</td>
<td></td>
<td>Jonathan Koff Merchandise Liquor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>What we did well:</td>
<td>• Improved forecasting and replenishment capabilities</td>
<td>Gert Lourens Operations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Continued maturation of fulfilment capabilities, through building a multi-channel network to service a wide range of customer and product needs</td>
<td>• Improved mature stores’ profitability</td>
<td>Pieter Schoeman IT and Projects</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Improvement in working capital performance, in part through the continued adoption of automated algorithm-based replenishment methods</td>
<td>• Improved the employment equity profile of Executive and senior management teams</td>
<td>Deepa Sita Finance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Delivered online commercial functionality</td>
<td>• Better use of customer and market data to optimise promotional and pricing activity</td>
<td>Craig Stewart Commercial</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>The challenges we’re facing:</td>
<td>Johannes van Lierop Non-Executive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The improvements we made:</td>
<td>• Low consumer confidence and weak spending power</td>
<td>Melanie van Rooy Marketing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Improved forecasting and replenishment capabilities</td>
<td>• Slowing and variable inflation, particularly in food commodities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Improved mature stores’ profitability</td>
<td>• Rand volatility causing import price challenges</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Improved the employment equity profile of Executive and senior management teams</td>
<td>• Aggressive trading practices from independent wholesale competitors</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Better use of customer and market data to optimise promotional and pricing activity</td>
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</tbody>
</table>
Massbuild is the Southern African leader in Home Improvement, DIY and Building Materials. Four Builders formats each cater to different markets with their own personalised feel and service offerings. Builders’ stores offer exceptional value, a comprehensive range of competitively priced products, with helpful service. Whatever our customers want or need to live better, we provide solutions to help them to ‘Get it Done’.

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</tr>
</thead>
<tbody>
<tr>
<td>• Four new stores opened in South Africa: two Builders Express and two Builders Superstores</td>
<td>• What we did well:</td>
<td>• Open two new ex-SA stores in Kitwe (Zambia) and Maputo (Mozambique).</td>
<td></td>
</tr>
<tr>
<td>• Builders Online launched to a select group of trade customers in November 2016</td>
<td>• Our Best Price Cement and Price-Lock campaigns delivered great value for money</td>
<td>• Focus on optimisation initiatives, including space planning, assortment optimisation and workforce scheduling.</td>
<td></td>
</tr>
<tr>
<td>• Builders stores outside of South Africa achieved sales of R1 billion</td>
<td>• Piloted Builders Online to a select group of B2B customers</td>
<td>• Relocate Western Cape Regional Distribution Centre to a larger premises</td>
<td></td>
</tr>
<tr>
<td>• Centralised auto-replenishment stock management contributed 85% of total orders with on-shelf availability for replenishment articles was 92%</td>
<td>• Increased African stores contribution to the Group</td>
<td>• Grow Builders Superstore by eight stores</td>
<td></td>
</tr>
<tr>
<td>• Revamped three key stores</td>
<td>• The improvements we made:</td>
<td>• Grow Massbuild private label sales</td>
<td></td>
</tr>
<tr>
<td>• Developing Builders’ customer value proposition</td>
<td>• Increased the centralised warehousing and distribution network to 52%</td>
<td>• Build a leading inter-connected retail business</td>
<td></td>
</tr>
<tr>
<td>• Interconnected retail by digitising Builders, to increase sales through channels such as e-commerce, a customer contact centre and customer relationship management</td>
<td>• Significant optimisation efforts through implementing JDA Workforce Management pilot and JDA Space Management pilot</td>
<td>• Continuously revisit store specifications to reduce costs and improve energy efficiency</td>
<td></td>
</tr>
<tr>
<td>• Extend and optimise supply chain network to improve efficiencies and customer service through a central model</td>
<td>• The challenges we’re facing:</td>
<td>Massbuild remains committed to growth through extending our store footprint, by opening new stores in South Africa and Southern Africa and by growing sales through our digital platform. We aim to increase our market penetration in rural areas through the Builders Superstore format and filling the market gaps in metros, cities and towns with the appropriate format. Massbuild’s overall objective remains to be Southern Africa’s market leader in Home Improvement, DIY and Building Materials.</td>
<td></td>
</tr>
<tr>
<td>• Innovation through focusing on Builders private label, home design and solar categories</td>
<td>• Tough South African economic environment placing pressure on our core middle- and upper-income customer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Space management</td>
<td>• Economic challenge and the resulting currency devaluation in Mozambique</td>
<td></td>
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<tr>
<td>• Focus on brand awareness</td>
<td></td>
<td></td>
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<tr>
<td>• Grow Builders footprint through new channels, new stores and African expansion</td>
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### Key Performance Indicators

- **Sales**
  - 2016: R12,687.1 million
  - 2015: R12,010.6 million
  - 5.6% growth

- **Trading Profit**
  - 2016: R712.6 million
  - 2015: R693.6 million
  - 2.7% growth

- **Stores**
  - 2016: 104 stores
  - 2015: 102 stores

- **Total Trading Space**
  - 2016: 449,212 m²
  - 2015: 448,133 m²

### Management Team

- **Guy Hayward**
  - Non-Executive Chairman
- **Llewellyn Walters**
  - Chief Executive Officer
- **Karen Ferrini**
  - Africa
- **Norman Gray**
  - Non-Executive
- **Neville Hatfield**
  - Merchandise
- **Diane Hoffman**
  - Supply Chain
- **Chris Lourens**
  - Operations
- **Mncane Mthunzi**
  - Builders Superstore
- **Lizelle Petersen**
  - Finance
- **Joe Ralebepa**
  - Non-Executive
- **Alex Rymaszewski**
  - Store Development
- **Andre Steyn**
  - Marketing and Innovation
- **Cristina Tomaz Weeden**
  - Human Resources
- **Johannes van Lierop**
  - Non-Executive
Masscash consists of a Wholesale division with Cash & Carry Food and cosmetics’ businesses, and a Retail division, which comprises Food outlets targeting lower LSM groups. The Wholesale division includes CBW, Jumbo Cash & Carry, Trident and Shield. The Retail division consists of the Cambridge Food and Rhino Cash & Carry brands.

2016 Highlights

- Wholesale Cash & Carry store optimisation plan completed
- National customer Banner and Franchise brands in Wholesale accelerated growth in Food & Liquor
- Second consecutive year of strong Retail operating profit growth in a challenging consumer environment
- Opened eight new Retail stores – the highest number of store openings in a year

2016 Strategy

- Complete reorganisation of Wholesale store operations and buying departments
- Improve Wholesale supply chain and logistics capability to facilitate a superior route-to-market for suppliers
- Improve Retail profitability of underperforming regions, whilst accelerating pace of growth of profitable regions
- Enhance Fresh Food offering to increase participation and margin
- Roll-out single platform on SAP within Retail Division

What we did well:

- Successfully regionalised Wholesale store operations
- Improved operating performance of Wholesale stores
- Significantly grew Retail business profitability from new and existing stores
- Maintained positive price perception in an increasingly competitive environment
- Strengthened Fresh Food proposition and participation

The improvements we made:

- Improved customer value proposition and experience through better store operations and distribution capability
- Improved Fresh department execution
- Successfully contained overhead costs

The challenges we’re facing:

- Tough consumer environment characterised by weak employment and less disposable income
- Deflationary economic outlook in Food expected from quarter 2, 2017

Strategic focus for 2017

- Driving the Wholesale customer value proposition through investment in sales capability
- Continue to build a superior route-to-market for our suppliers
- Increase the Retail new store pipeline to grow profitable regions and consider smaller format opportunities
- Expand Wholesale store footprint outside South Africa
- Improve trading densities in new Retail stores whilst increasing profitability of mature stores
- Continue momentum in enhancing the business’s Fresh Food proposition
- Continue to roll-out SAP roadmap across all regions within Retail division

Masscash Retail will open eight stores in 2017 and a further 10 in 2018 representing space growth of 59.8%. Key focus areas will include process and quality improvements to the Fresh departments and IT infrastructure, and supply chain projects to improve operating efficiencies, and investments in human capital to support future growth plans. On the Wholesale side, our organisational redesign, increased focus on customer solutions and sales, and absolute focus on providing a superior route-to-market for our suppliers will continue to drive gains.

Future outlook

Retail
Guy Hayward Non-Executive Chairman
Kevin Vryan-Day Chief Executive Officer
Bronwynne Best Human Resources
Norman Gray Non-Executive
Chris Knight Gouteng Managing Director
Mike Marshall BSP
Joe Ralebepa Non-Executive
Andrew Stein Marketing
Craig Surmon KFM Managing Director
Johannes van Lierop Non-Executive

Wholesale
Guy Hayward Non-Executive Chairman
Neville Dunn Chief Executive Officer
Norman Gray Non-Executive
Andrew Mardon Merchandise
Thiruvasathi Naicker Finance
Joe Ralebepa Non-Executive
Johannes van Lierop Non-Executive
Robin Wright Non-Executive
Employee welfare and affordable access to health cover for our employees is important to Massmart. Research suggests that employees who have access to private healthcare are healthier, and so are absent from work less often with the advantage of increased productivity.

We took our first step towards offering a robust healthcare programme with the implementation of mandatory healthcare cover for all new permanent employees in 2008. Our programme, which comprises the three Massmart Health Plan Options (Choice, Network and Essential) and the Impilo Workplace Wellness Programme, has now been further expanded with the launch of truCARE in January 2016.

truCARE is our occupational health and wellness offering for all new qualifying permanent employees who are not on one of the Company-approved and subsidised medical aid options. truCARE was designed to ensure access for those employees who typically cannot afford to be on Massmart’s cheapest medical aid option. It is available to any permanent employee earning a salary below a certain threshold who has been employed by Massmart for longer than three months. Through our truCARE programme we aim to provide tailored health and wellness benefits to all permanent employees.

truCARE has been specifically designed to meet Massmart employee’s occupational health and wellness needs, ensuring access to quality healthcare at no cost. It is linked into the Universal Healthcare Provider Network, a well-established and fully accredited managed healthcare company providing a comprehensive, integrated portfolio of services that sets a new benchmark in care management for medical schemes.

Through truCARE employees have access to the Universal Healthcare Provider Network, which includes general practitioners (GPs), medicines, radiology, pathology, dentistry, optometry and HIV services. We believe that by offering facilitated access to these important services the risk of developing disabling or life threatening diseases, and dealing with the associated costs thereof, can be reduced.

Approximately 13,000 employees have registered for Massmart’s truCARE offering since its launch. There has been a steady increase in the use of the truCARE services with the total claims by Massmart employees at the end of December 2016 of R7.8 million.
Human capital

Multiply talent
A key enabler of the Massmart business strategy is to have world-class, fit-for-purpose talent.

Our focus this year has been on redesigning the Massmart talent management approach to create a customised, integrated talent management solution that will better enable the organisation to plan for, identify, assess, manage, develop and retain high value talent in all identified talent segments.

In conducting this review, we adopted a fully integrated approach, resulting in Talent Management 2.0. We are guided by the need to empower our people to create a better future for themselves and the business while addressing the critical skills shortage and transformation imperative.

The objectives of Talent Management 2.0 are to:
• Ensure remuneration competitiveness through the systematic application of our Total Rewards Strategy;
• Align strategic talent management initiatives to current and future business requirements;
• Provide accurate, useful, actionable ‘people intelligence’ to the business for the purpose of human capital risk management and succession planning;
• Equip line managers to facilitate quality talent conversations and robust talent reviews;
• Accelerate and multiply the development of high potential talent through on-going career management discussions and intentional development planning;
• Retain key and critical talent segments;
• Build a diverse organisation that is representative of the customers and communities that we serve; and
• Enable the operating Divisions by providing best practice talent management processes, tools and training.

Grow capabilities
At all levels, our people are encouraged to develop themselves. Divisional learning and development teams provide skills development for both existing employees and unemployed people through learnerships and skills programmes.

• The purpose of the Massmart Corporate University (MCU) is to support continuous learning at both individual and organisational level, in order to position Massmart to achieve its long-term strategic objectives. The university is now entering its eighth year.
• In order to ensure its strategic relevance we conducted a review of all master classes and courses. This review further aligns the course content to our critical talent segments. We are confident that the programme content is more aligned than ever to meet Massmart’s future needs.
• As a result of this review we expanded our graduate programme to include two focused graduate programmes for Finance and Store Development. Our cadet programme, which commenced in 2001, is bearing fruit as the first executive appointments were made from this group in 2016.
• We have invested R8.1 million (2015: R4.5 million) in leadership development ensuring that the employees who serve our customers have the best leaders possible. In order to ensure that our customers get the best service from our employees, we have invested R60.8 million (2015: R64.3 million) in upskilling and developing our people.
• The MCU forms an integral element of our transformation agenda. Selection for programmes is based on South Africa’s National Economically Active Population (EAP) demographics.

Developing a lead culture
We offer employees an authentic retail experience which encourages a spirit of entrepreneurship. We recognise that a diverse and inclusive workforce is crucial for sustained business growth.
• Transformation remains a critical focus predominantly at senior management levels. Our vision is to become a truly diverse company that mirrors our customers and the communities we serve, a company that has an environment that will allow all team members to feel valued for all of their various characteristics, skills and abilities, so that they contribute wholeheartedly to the success of the Company. To ensure that diversity and inclusion is viewed as integral to business sustainability rather than just the achievement of targets, we have introduced several initiatives, including, but not limited to:
• monitoring of recruitment practices;
• diversity awareness training and experiences;
• bonding of roles; and
• specific focus on managing strategic diversity and inclusion across all identified talent segments.
• In terms of amendments to the Labour Relations Act (S 198A(3)) an employee of a service provider not performing a genuine temporary service is deemed to be the employee of that client after three months. In response to these amendments, each Division undertook an assessment of their employment contract composition. Plans to reduce reliance on Labour Brokers are currently being implemented by all Divisions. In 2016, more than 6,218 employees joined the permanent workforce at Massmart.
• An integral element of our culture is our employee value proposition. During the course of 2016 we have further refined this to drive attraction and retention.
• Affordable healthcare in South Africa continues to be a subject of much debate. Employee welfare and affordable access to health cover for staff is important for Massmart and as such 25,447 (2015: 16,324) employees received medical cover either through Massmart’s Health Plans or its occupational health and wellness offering in 2016.
• 36.77% (2015: 38.83%) of the permanent workforce are union members. The Company supports freedom of association as part of our culture.
• Our Women in Leadership Mentorship programmes have supported an increase in female store managers.
• Black management increased to 62.34% (2015: 60.13%) as a percentage of all management.

Optimising HR processes
The HR Forum embarked on a project to implement a new Group-wide HR/Payroll system. The motivation was to replace the existing legacy payroll systems, while optimising HR processes to facilitate clean data and richer reporting.
• In July 2016, the Group-wide implementation of the Sage VIP HR/payroll system, the People First project, was concluded. The project delivered the following for the first time:
• a single Group-wide source of people data, and HR/payroll processes;
• a more intuitive, more responsive system allowing for the creation of operating efficiencies in payroll processing; and
• an employee self-service portal.
• Synergies continue with the HR/payroll community to conclude any outstanding issues, ensure full HR adoption, and plan the implementation of Employee Self Service.
• An online tool will be used to support our Talent Management 2.0 project and allow for richer, more intuitive reporting.
I am pleased to present the Massmart Remuneration Report for the year ended December 2016. Within this report information applicable to Massmart’s remuneration philosophy, policy and practice for Executive and non-Executive Directors is detailed. It sets out the actual payments, accruals and awards for the 2016 financial year. The Remuneration Report is aligned with the Remuneration guidelines of the King Code of Governance Principles (King III) and it is compliant with the Companies Act. The report seeks to provide the following:

• A summary of the Group’s remuneration policy, philosophy and objectives;
• The Remuneration Committee and its role;
• Key remuneration decisions taken during the 2016 financial year;
• Key remuneration priorities for the 2017 financial year;
• Executive Directors’ contractual arrangements, pay-mix and earnings; and
• Non-Executive Directors’ contracts and payments.

The Board is actively working towards the integration of Massmart’s total sales for the year ended December 2016 (R1.9 billion) and our return on investment (ROI) for the year will be 37.1%.
Pleasingly, Group operating profit, excluding foreign exchange movements and interest, grew by 14% to R2.6 billion (2015: R2.3 billion) Pleasingly, Group operating profit, excluding foreign exchange movements and interest, grew by 14% to R2.6 billion (2015: R2.3 billion) and our return on investment (ROI) for the year was 18.3% (2015: 17.1% 2014: 17.0% and 2013: 19.4%).

Taking the above performance into account, the Remuneration Committee is satisfied that the remuneration policy, and its implementation, are appropriately aligned to the achievement of Massmart’s strategic objectives.

Forward looking targets
The Group’s Executives, including the Executive Directors, are incentivised around the achievement of each year’s actual financial performance compared to the annual business plan approved by the Board the previous year. As explained within our policy which follows, performance is measured against three dimensions being: operating profit before interest and taxation (but from 2017 this will be profit before taxation), total sales, and return on invested capital. Disclosing these forecast figures for the purposes of this report would however, be revealing confidential and commercially sensitive information.

In finalising the annual business plan for the following financial year, the Board considers the prevailing and forecast economic conditions in all countries where we operate: key business objectives, the pursuit of growth, capital investment programmes, the relative business maturity and the appropriate degree of improvement in business performance. As can be seen from the historical targets noted elsewhere, previous annual business plans have incorporated real growth in total sales, improved operating performance and improved returns on invested capital.

Director changes
In August 2016, I handed over the chairman roles of the Audit and Risk Committees to Moses Kgosana, at which time I also ceased to be a member of both committees. We believe Moses Kgosana is an excellent candidate to lead these important committees.

Key remuneration issues deliberated by the Remuneration Committee in 2016:

• Decision to extend participation in the long-term incentive scheme to skilled/junior management level employees, increasing the portion of their remuneration linked to Group strategic priorities and stakeholder interest;
• On-going deliberation about non-financial Annual Incentive Plan (AIP) metrics with the aim of improving the alignment to King IV recommendations;
• Review and approval of the Group’s recruitment and retention strategies for key executive management roles e.g. our overall Executive fireside chats remain a positive and informative process;
• Succession planning – this is a topic that remains relevant and was discussed to ensure future success; and
• Robust discussions about transformation and gender diversity at a Board level.

Key remuneration priorities for 2017:

• Implement the change in Incentive metric from approved Group operating income to approved profit before tax (PBT), enforcing more accountability for the Group’s net working capital and overall level of interest-bearing debt.
• Enhance our Employee Value Proposition to retain key talent as well as to attract critical skills as may be required to meet strategic objectives.

Non-binding advisory vote
Each year at the Annual General Meeting (AGM), in accordance with King III, the Group remuneration policy is put to a non-binding advisory vote, allowing shareholders to express their views on the policy adopted. Massmart will once again table its remuneration policy for a non-binding advisory vote by shareholders at its 2017 AGM, having received an 84.7% vote in favour of the policy at the AGM held on 26 May 2016.

Executive remuneration overview
The following table provides an overview of the Executive Directors’ remuneration for 2016, explained in detail in Section C of this report (pages 79-81).

<table>
<thead>
<tr>
<th></th>
<th>Guy Hayward</th>
<th>Johannes van Lierop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed package</td>
<td>6,128.0</td>
<td>5,660.0</td>
</tr>
<tr>
<td>Other benefits</td>
<td>757.0</td>
<td>2,666.0</td>
</tr>
<tr>
<td>Short-term incentive (101.2% of target achieved)</td>
<td>6,128.8</td>
<td>4,913.1</td>
</tr>
<tr>
<td>Total 2016 (excluding first-time long-term incentive vestings)</td>
<td>13,009.8</td>
<td>13,239.1</td>
</tr>
<tr>
<td>Total 2015</td>
<td>11,956.5</td>
<td>12,266.0</td>
</tr>
<tr>
<td>% increase</td>
<td>8.8%</td>
<td>7.9%</td>
</tr>
<tr>
<td>% of earnings performance-based</td>
<td>47.1%</td>
<td>37.1%</td>
</tr>
<tr>
<td>Long-term incentive*</td>
<td>2,150.8</td>
<td>293.5</td>
</tr>
<tr>
<td>Performance Shares vested</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Restricted Shares vested</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total 2016 (including first-time long-term incentive vestings)</td>
<td>15,454.3</td>
<td>13,239.1</td>
</tr>
</tbody>
</table>

*Long-term incentive shares vested for the first time in the current year.

As a Group we value the opinion of our stakeholders and we believe that strong stakeholder engagement strengthens the relationship between them and our Board, helping to ensure the effectiveness of our Board and their alignment to all stakeholder interests. In line with the principles set out in King IV, we proactively engaged with our shareholders, as a key stakeholder, on this policy. Below are some of the comments we received in this process and I am confident that this year’s report successfully addresses these.

Please consider disclosing variable pay performance targets: The Board recognises that shareholders would wish to see prospective performance or financial targets but is concerned at the likely commercial sensitivity of these. We do however disclose previous targets and the relative achievements thereto.

Please consider changing the order of the report and specifically bringing the application of the policy ahead of the policy itself: We believe that without first understanding the Group’s remuneration philosophy and policy, it will be very difficult to interpret the application thereof.

Please improve performance metrics used: The Board continues to consider a non-financial AIP metric for employees at an Executive level.

Please disclose any adhoc awards made in the year: There were no discretionary awards in 2016.

The information provided in this report has been approved by the Board on the recommendation of the Remuneration Committee.

Chris Seabrooke
Chairman of the Remuneration Committee
31 March 2017
Section B: Remuneration policy

Remuneration philosophy
The purpose of Massmart’s remuneration philosophy is to establish fair and equitable reward levels that will attract, motivate and retain high calibre employees. This is in line with the Group’s culture and values, whilst aligning remuneration with shareholder interests and best practice in the retail environment. We strive to ensure that our remuneration policy supports the development and retention of top talent and critical skills. Its purpose is to ensure a workforce that is motivated to successfully develop, implement and support the Group’s business strategy. The focus is on ensuring the long-term growth and success of the Group and the enhancement of shareholder value.

The desired outcome of our remuneration programmes is to:
- Provide competitive and equitable remuneration, based on an employee’s skills, performance and contributions to the Group, among other factors;
- Attract and retain the talent necessary to achieve the Group’s business objectives;
- Develop a sense of Group ownership and align the interests of employees with those of its shareholders; and
- Provide opportunities for the potential of greater financial rewards to those who perform well within their job responsibilities.

Massmart’s total reward offering
Guaranteed remuneration
The guaranteed remuneration of Executive Directors is set according to annual benchmarking using data from the PwC Remchannel and the Korn Ferry Hay Group salary surveys as well as specific benchmarking to other similar sized JSE listed companies. The TGP is benchmarked to the median, but if stretch performance is achieved for the AIP and SIP, the total reward package is intended to pay out at the 75th percentile. Massmart remains committed to ensuring competitive remuneration packages whilst managing costs. Annual TGP increases for Executive Directors are determined by the Remuneration Committee and are aligned to individual performance and the annual salary increase percentage range as set for the Group.

MASSMART’S TOTAL REWARD OFFERING

Total Guaranteed Package
What is TGP?
- Basic salary
- Retirement and Medical aid benefits
- Other expatriate benefits

Alignment to strategy
To achieve the Group strategic priorities it is important that our employees are fairly rewarded for their contribution to achieving operational and strategic objectives. Massmart has embarked on a job evaluation project to ensure fair and consistent remuneration decision-making and adherence to prescribed labour legislation.

Short-term incentives
What is AIP?
- One year Annual Incentive Plan (AIP)
- Bonus is expressed as a multiple of basic monthly salary

Alignment to strategy
To recognise individual and Company achievement of financial and non-financial objectives aligned to Group strategy.
- Financial objective: Group operating income
- For non-Executive employees, non-financial objectives: alignment to Group strategy and demonstration of Group ethics and culture.

Long-term incentives
What is SIP?
- Performance and Restricted shares
- Award is expressed as a percentage of guaranteed package

Alignment to strategy
The Performance share plan is aligned to the achievement of the financial objectives, directly linking this remuneration component to Company financial performance and the sustained creation of shareholder value.
- Financial objective: Group nominal sales and Group return on investment (ROI).

Massmart’s total reward offering
Overview
The Total Guaranteed Package provides a fixed remuneration package as determined to be appropriate and market-aligned for each particular level and or role. TGP increases are awarded annually against market data and increases are awarded on TGP in July each year. The actual percentage increases awarded are determined by taking CPI, business performance, market trends and individual merit into account, whilst also considering salary positioning against the Massmart salary structure and market data.

Basic salary
All permanent employees are required to belong to a Group-approved retirement fund. The current Group-approved funds are all defined contribution schemes. The funds provide the employee with an opportunity to save for retirement. Life, disability and funeral cover are also provided to all permanent employees. Alexander Forbes has administered the Massmart funds for a number of years. A formal service level agreement is in place that regulates this relationship. The trustees of the funds monitor fund performance on a quarterly basis. The Company contributes 10.5% of Pensionable Salary to the retirement fund and related insurances. Employees contribute at least 7%. Expatriate employees are paid a cash allowance in lieu of retirement benefits.

Medical aid benefits
It is compulsory for all new permanent Massmart Group employees to join a Company-approved medical plan. The Group has the responsibility of ensuring that appropriate plans are offered by the Massmart Health Plan and that contribution levels are sustainable and affordable for all levels of employees. Expatriate employees are covered by a separate international medical insurance. The Company contributes a portion of the medical aid fund contribution; the difference is contributed by the employee.

Car/travel benefits
Travel allowances, or company cars, are provided to nominated employees to enable them to perform their duties, as required. The quantum of the allowance or company car value is determined based on the requirements of each specific level and or role.
Incentives
Massmart offers both short and long-term incentives; these are further described below. These performance measures are set and approved by the Remuneration Committee on an annual basis.

Short-term incentives:

### Annual Incentive Plan (AIP)

**Purpose**
The AIP aims to incentivise and reward the achievement of the approved annual operating income targets. Massmart places particular emphasis on generous annual incentives for high performance.

**Eligibility**
Executives and employees from a certain staff level are able to participate in the AIP, subject to Remuneration Committee approval.

**Formula**
Participating employees can earn an increasing multiple of their monthly basic salary dependent upon achievement against the agreed targets.

**Performance**
Financial performance: Currently the AIP for Executive Directors is based only on Group financial performance against approved operating income targets for both the Massmart Group and its Divisions. As noted in the key priorities for 2017, the performance measure of the AIP has been changed to PBT for 2017. The Board is reviewing this structure with a possibility of adding specific non-financial metrics in the future.

Group Executives are 100% incentivised on Group Performance, Divisional CEOs are incentivised on 50% of Group performance and 50% on Divisional performance, while Divisional Executives are incentivised on 75% of Divisional performance and 25% of Group performance.

Individual performance: At the lower levels of the AIP an individual metric, based on employee performance, is included.

**Bonus payouts**
For business performance below 90% of planned operating income, no incentives are earned. Incentives are capped at performance levels of 107% of planned operating income, unless the Remuneration Committee has approved a super maximum target for a specific year.

At Executive Director level the bonus payouts per achievement level are:

<table>
<thead>
<tr>
<th>Performance</th>
<th>Threshold payout 6 months basic salary</th>
<th>Target payout 12 months basic salary</th>
<th>Above target payout 18 months basic salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income (100% weighting)</td>
<td>[based on 50% achievement of target]</td>
<td>[based on 100% achievement of target]</td>
<td>[based on 107% achievement of target]</td>
</tr>
</tbody>
</table>

Discretion of the Remuneration Committee
Outside of the AIP, the Remuneration Committee also has the option to provide discretionary awards to reward individual performance. The discretionary awards are capped at not more than 25% of target AIP. If awarded, these incentives are paid annually.

Massmart believes in rewarding employees for performance that is aligned to shareholders’ interests, in particular the sustained creation of shareholder value. In prior years, various share schemes were established to recognise and reward different levels of employees. In May 2013, the Massmart Share Incentive Plan that is more closely aligned to the Walmart approach, was approved and replaced all other share schemes. No further share options are issued from either the Massmart Holdings Limited Employee Share Trust; the Massmart Black Scarse Skills Trust; or the Massmart Thuthukani Empowerment Trust. Those options which have not yet vested through the above-mentioned Trusts will still vest according to the relevant rules and plans.

Long-term incentives:

### Share Incentive Plan (SIP)

**Purpose**
The SIP is a long-term equity-based incentive plan. A combination of Performance Shares and Restricted shares is awarded to qualifying employees.

**Eligibility**
Full-value share rights are awarded bi-annually to qualifying permanent employees. Initial qualification is based on motivation by the Executive Committees of each of the Divisions. Final approval for participation is provided by the Remuneration Committee.

Eligibility and award values have been benchmarked to the PwC-reported long-term incentive awards and Massmart is positioned in the upper quartile.

**Operation and instruments**

**Performance Shares:** The performance share plan has specific performance metrics that have been designed to align with Walmart’s metrics and are measured individually against approved Group-level annual nominal sales and ROI targets, over three separate years, with an equal weighting (50% nominal sales and 50% ROI). Each target has a range and the final awards are calculated based on a sliding scale in the range of 50% to a maximum of 150%.

If achieved, the awards are equity-settled at the end of the third year. If performance against either of the targets falls below the minimum of the range, no performance share awards will be earned against that target.

**Restricted Shares:** Restricted share grants are specifically utilised for retention purposes and vest on a time basis, being one third each at the end of years 3, 4 and 5. There are no performance conditions applicable to the restricted shares. Restricted shares are aimed at retaining employees with the long-term reward linked to share price growth.

**Mix of awards**
The plan provides for a mix of performance shares, which are awarded annually in March/April and grants of restricted shares which are granted annually in September, based on the level of the employee. At Executive Director levels, the mix is 75% performance shares/25% restricted shares and at other levels, 50%/50%.

**Value of awards**
Currently, at Executive Director level, the award value of the award is 100% of guaranteed package.

**Limits**
The cumulative total of all shares over the period of the scheme that can be offered via the scheme is 39.5 million shares. Individually, one participant may not exceed four million shares.

**Settlement**
The settlement of grants and awards is done primarily through on-market share purchases.

**Discretion of the Remuneration Committee**
The Remuneration Committee may approve special restricted share awards to employees which the Company wishes to recognise for extraordinary achievements.
Executive pay mix

Anticipated contribution to total annual packages

The Committee believes that over an extended period and subject to business performance, Executives’ total annual remuneration (TAR) should comprise approximately equal amounts from TGP, AIP and SIP. The amounts received annually under AIP will vary depending on the achievement of the set targets, while those received under the SIP will also vary depending on the business achievement of targets and the growth of the Massmart share price.

It is anticipated that about two thirds of Executives’ remuneration should be variable and conditional upon sustainably improving business performance.

Potential award mix

The following chart shows the potential mix of TAR for the year:

Executive Directors:
The potential award mix of the Executive Directors is determined based on group performance and achievement of individual targets. The amounts received from TGP, AIP and SIP will vary depending on the achievement of targets.

Non-Executive Directors:

One-third of the non-Executive Directors are required to retire every year and Massmart Executive Directors have elected to also retire on this basis. As a result, all Directors retire by rotation at least every three years and are then eligible to offer themselves for re-election. In addition, shareholders must ratify the initial appointment of each Director at the first AGM following that Director’s appointment. All Committee members complete detailed self-assessments covering the composition, duties, responsibilities, process and effectiveness of the relevant committees. The results of these assessments are collated by the Company Secretary and sent in summarised form to the Chairman for a formal written response. The summarised results, together with the Chairman’s written response, are included in the Board papers at the November Board meeting.

Non-Executive Director fees

These fees remunerate the independent non-Executive Directors for their time, responsibilities and commitment to Massmart.

Each independent non-Executive Director receives a fixed fee for their services based on their Board membership and membership of the Board Committees.

The Board has elected to pay a fixed fee only, without the payment of additional attendance fees. This decision was taken on the basis that many Directors provide expertise that extends beyond the boardroom.

The remuneration of independent non-Executive Directors is reviewed annually by the Remuneration Committee and the Board after a benchmarking exercise against market. Fees are required to be competitive but not necessarily in the top quartile of the market. Recommendations for increases are made to shareholders at the AGM for consideration and approval.

The Walmart-appointed non-Executive Directors do not receive fees from Massmart.

Non-Executive Directors do not qualify for participation in any share plan or incentive scheme.

Proposed fees 2017

For several years only inflation-linked fee increases have been proposed for most of the sub-committee roles. Following a recent benchmarking exercise of the upper-quartile of the South African market, the below-mentioned increases are proposed for the non-Executive Directors and the various committee roles. The increases take into account the aggregate fees that each Director will earn given their committee roles. For this reason, the proposed independent non-Executive Directors’ fees of R400,000 are typically lower than the market (upper quartile). In addition, it was felt that the fees for the Audit Committee Chairman and members did not represent the appropriate reward for the greater risks and responsibilities associated with that committee’s role.

<table>
<thead>
<tr>
<th>Role</th>
<th>2017 Fee (R’000)</th>
<th>2016 Fee (R’000)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>1,500.0</td>
<td>1,270.0</td>
<td>18.1%</td>
</tr>
<tr>
<td>Deputy Chairman of the Board</td>
<td>800.0</td>
<td>660.0</td>
<td>21.2%</td>
</tr>
<tr>
<td>Independent non-Executive Directors</td>
<td>400.0</td>
<td>350.0</td>
<td>14.3%</td>
</tr>
<tr>
<td>Audit Committee Chairman</td>
<td>350.0</td>
<td>267.1</td>
<td>31.0%</td>
</tr>
<tr>
<td>Risk Committee Chairman</td>
<td>275.0</td>
<td>267.1</td>
<td>3.0%</td>
</tr>
<tr>
<td>Remuneration Committee Chairman</td>
<td>275.0</td>
<td>252.0</td>
<td>9.1%</td>
</tr>
<tr>
<td>Nomination and Social Ethics Committee Chairman</td>
<td>275.0</td>
<td>252.0</td>
<td>9.1%</td>
</tr>
<tr>
<td>Audit Committee member</td>
<td>175.0</td>
<td>128.0</td>
<td>36.7%</td>
</tr>
<tr>
<td>Other Board Committee members</td>
<td>140.0</td>
<td>128.0</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

The Remuneration Committee and its role

Composition

The Remuneration Committee consists of three non-Executive Directors, two of whom are independent. Meetings are held four times per year and more often if deemed necessary. The CEO is a permanent invitee to all Committee meetings. Other nominated Executives attend meetings by invitation. Neither the CEO nor nominated invitees are present when matters relating to their own remuneration are discussed. The Group General Counsel acts as secretary for the Committee.

Responsibilities

In accordance with the Remuneration Committee Charter, as approved by the Board, the responsibilities of the Committee include:

- Reviewing the Group remuneration strategy and policies to ensure alignment with the Group strategic, operating and financial objectives and remuneration best practice principles;
- Evaluating the remuneration packages of the Executive Directors and Group Executive Committee members to ensure TGP is market-competitive and fair, and AIPs and SIPs are equitably related to relevant performance indicators;
- Approving performance-related AIP and SIP targets;
- Making recommendations to the Board on amendments to AIP and SIP schemes;
- Reviewing and recommending independent non-Executive Directors’ and Board Committee members’ fees and also the fees of any Director-related entities providing services to the Group;
- Reviewing Group remuneration practices and policies; and
- Selecting independent consultants to advise the Board on appropriate.

A full account of the role and responsibilities of the Remuneration Committee is described in the Remuneration Committee Charter and is available on request.
Section C: Application of the remuneration policy during the year ended December 2016

Actual payouts and increases

Total Guaranteed Package

The Committee remains alert to the concentrated and highly competitive nature of the South African retail market, as well as a shortage of retail-specific skills, and sets remuneration levels accordingly. In 2015 the committee approved a number of market related adjustments which were to be phased in over a few years and the 2016 annual increase again includes a number of these market-related adjustments. In July 2016 increases awarded to Massmart’s Executive Directors, the Executive Committee and Divisional management teams averaged 8.72%.

Annual Incentive Plan

2016 performance:

As disclosed on page 75, the AIP for 2016 is linked to approved annual operating income targets for both the Massmart Group and its Divisions and is fully aligned with Walmart’s policy. The following illustration shows the achievement to plan and actual payouts received by the Executive Directors. No discretionary bonuses were paid in 2016.

Performance measure = achievement of approved operating income target 2016 approved Group operating income target = R2.6 billion

Target payout

<table>
<thead>
<tr>
<th>Below threshold</th>
<th>Threshold payout</th>
<th>Target payout</th>
<th>Above target payout</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>6 months</td>
<td>12 months</td>
<td>18 months</td>
</tr>
<tr>
<td>basic salary</td>
<td>basic salary</td>
<td>basic salary</td>
<td>basic salary</td>
</tr>
<tr>
<td>AIP PAYOUT (’000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target</td>
<td>R2.6 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guy Hayward</td>
<td>R2.6 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(101.2% of target)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payout: 12,988 months’ basic salary = R6,123.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Johannes van Lierop</td>
<td>R2.6 billion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(101.2% of target)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payout: 12,988 months’ basic salary = R4,913.1*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2016 share vesting:

Guy Hayward

Sales (50% weighting) + ROI (50% weighting) = Total achieved (100%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (101.2%)</th>
<th>ROI (101.2%)</th>
<th>Total achieved (100%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013*</td>
<td>R72.3 billion achieved</td>
<td>19.4% ROI achieved</td>
<td>35.9% → 2,495 shares vested</td>
</tr>
<tr>
<td>2014</td>
<td>R75.8 billion target</td>
<td>17.1% ROI target</td>
<td>108.2% → 7,519 shares vested</td>
</tr>
<tr>
<td>2015</td>
<td>R86.1 billion target</td>
<td>16.9% ROI target</td>
<td>101.1% → 6,957 shares vested</td>
</tr>
</tbody>
</table>

2013 Performance shares awarded assuming 100% target achieved: 81.4% of original award

Value at vesting

<table>
<thead>
<tr>
<th>No. of shares</th>
<th>Value at vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>R2,150,816</td>
</tr>
<tr>
<td>2014</td>
<td>6,948</td>
</tr>
<tr>
<td>2015</td>
<td>6,952</td>
</tr>
</tbody>
</table>

Fully vested September 2016: actual shares vested

<table>
<thead>
<tr>
<th>No. of shares</th>
<th>Value at vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>16,971</td>
</tr>
<tr>
<td>2014</td>
<td>2,495</td>
</tr>
<tr>
<td>2015</td>
<td>7,519</td>
</tr>
</tbody>
</table>

First third vested September 2016: actual shares vested

<table>
<thead>
<tr>
<th>No. of shares</th>
<th>Value at vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>6,950</td>
</tr>
<tr>
<td>2014</td>
<td>2,316</td>
</tr>
</tbody>
</table>

Total value of award and grant at vesting date

<table>
<thead>
<tr>
<th>No. of shares</th>
<th>Value at vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>R2,444,316</td>
</tr>
</tbody>
</table>

Johannes van Lierop had no shares vesting in 2016 as he only joined Massmart in early 2015.

Share Incentive Plan

The SIP was established in September 2013 and is linked to approved ROI and sales targets (refer to page 76 for more information). The first vesting of this new plan took place in September 2016.

The next vesting of performance share awards will take place in March 2017 (for performance in years 2014/5/6). This vesting, resultant of awards issued in 2014, will be as a result of the following performance achievements to target in the subsequent three years: 108.2% for 2014, 100.1% for 2015 and 104.4% for 2016.

The next vesting of restricted share grants will take place in September 2017.

The illustration below shows previous performances against approved level annual nominal sales and ROI targets.

Definition of SIP performance measures:

Nominal sales: total sales of the Massmart Group for a financial year.

Return on investment (%): adjusted operating profit/average invested capital. Adjusted operating profit includes finance income and adds back depreciation, amortisation and rentals. Average invested capital is average total assets of continuing operations plus average accumulated depreciation and amortisation less average accounts payable plus occupancy costs x8.

2014 Performance share awards assuming 100% target achieved

Value of vested shares

<table>
<thead>
<tr>
<th>No. of shares</th>
<th>Value of vested shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>20,848</td>
</tr>
<tr>
<td>2014</td>
<td>6,948</td>
</tr>
<tr>
<td>2015</td>
<td>6,952</td>
</tr>
</tbody>
</table>

First third vested September 2016: actual shares vested

<table>
<thead>
<tr>
<th>No. of shares</th>
<th>Value at vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>R2,150,816</td>
</tr>
<tr>
<td>2014</td>
<td>6,948</td>
</tr>
<tr>
<td>2015</td>
<td>6,952</td>
</tr>
</tbody>
</table>

Fully vested September 2016: actual shares vested

<table>
<thead>
<tr>
<th>No. of shares</th>
<th>Value at vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>16,971</td>
</tr>
<tr>
<td>2014</td>
<td>2,495</td>
</tr>
<tr>
<td>2015</td>
<td>7,519</td>
</tr>
</tbody>
</table>

Total value of award and grant at vesting date

<table>
<thead>
<tr>
<th>No. of shares</th>
<th>Value at vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>R2,444,316</td>
</tr>
</tbody>
</table>

* The Board believe that the sales and ROI targets which form the basis for the SIP achievement and payout calculation are commercially sensitive information and therefore not all targets have been disclosed.
Executive Directors' contracts and earnings

The comments below provide further background and context to the figures disclosed in the tables which follow and the composition of remuneration outcomes in 2016 for the CEO and CFO are represented graphically below.

Guy Hayward

Guy was awarded a 6.53% annual guaranteed package increase in July 2016. In terms of Massmart’s AIP, Guy received an incentive payment of R6.1 million (equivalent to 13.0 months of salary) based solely on the Group’s actual operating income performance against the 2016 plan. During the year to December 2016 Guy did not convert or sell any Massmart options or shares. Through the Employee Share Trust, Guy holds 456,906 Massmart shares and options of which 19,912 shares are held directly. Guy also owns 47,126 Massmart shares directly.

Johannes van Lierop

Johannes was awarded a 2% annual salary increase on his US-dollar denominated basic salary in July 2016. In terms of Massmart’s AIP, Johannes received an incentive payment of R4.9 million (equivalent to 13.0 months of salary) based solely on the Group’s actual operating income performance against the 2016 plan. During the year to December 2016 Johannes did not sell any Massmart shares. Through the SIP, Johannes was awarded 37,199 performance share awards on 18 March 2016 and 11,578 restricted share grants on 16 September 2016. Whilst Johannes does not have a fixed-term contract, he is contractually bound by a notice period of twelve months.

Non-Executive Directors’ contracts and payments

As approved by the shareholders at Massmart’s May 2016 AGM, the following fees were paid to non-Executive Directors in the financial year ending December 2016:

<table>
<thead>
<tr>
<th>Role</th>
<th>2016 Fee (R’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>1,270.0</td>
</tr>
<tr>
<td>Deputy Chairman of the Board</td>
<td>660.0</td>
</tr>
<tr>
<td>Independent non-Executive Directors</td>
<td>350.0</td>
</tr>
<tr>
<td>Audit and Risk Committees Chairman</td>
<td>267.1</td>
</tr>
<tr>
<td>Other Board Committee Chairman</td>
<td>252.0</td>
</tr>
<tr>
<td>Board Committee members</td>
<td>128.0</td>
</tr>
</tbody>
</table>

Details shares and share options:

**Employee Share Option Scheme**

<table>
<thead>
<tr>
<th>Award/grant dates</th>
<th>Subscription price (R)</th>
<th>Number of shares/share options</th>
<th>Gain on sale/exercise (R’000)</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at December 2015</strong></td>
<td></td>
<td></td>
<td>456,906</td>
<td></td>
</tr>
<tr>
<td>Options exercised/shares sold</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Comprising:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 May 2007</td>
<td>94.25</td>
<td>24,444</td>
<td>23 May 2017</td>
<td></td>
</tr>
<tr>
<td>1 Apr 2008</td>
<td>66.91</td>
<td>19,912</td>
<td>31 Mar 2018</td>
<td></td>
</tr>
<tr>
<td>26 May 2008</td>
<td>72.86</td>
<td>36,573</td>
<td>25 May 2018</td>
<td></td>
</tr>
<tr>
<td>27 May 2009</td>
<td>77.56</td>
<td>105,448</td>
<td>26 May 2019</td>
<td></td>
</tr>
<tr>
<td>1 Sep 2011</td>
<td>153.84</td>
<td>120,987</td>
<td>31 Aug 2021</td>
<td></td>
</tr>
<tr>
<td>16 May 2012</td>
<td>159.62</td>
<td>149,542</td>
<td>15 May 2022</td>
<td></td>
</tr>
</tbody>
</table>

**Employee Share Incentive Plan**

<table>
<thead>
<tr>
<th>Award/grant dates</th>
<th>Subscription price (R)</th>
<th>Number of shares/share options</th>
<th>Gain on sale/exercise (R’000)</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at December 2015</strong></td>
<td></td>
<td></td>
<td>113,847</td>
<td></td>
</tr>
<tr>
<td>Performance shares vested/lost*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Sep 2013</td>
<td>–</td>
<td>(20,848)</td>
<td>15 Sep 2016</td>
<td></td>
</tr>
<tr>
<td>15 Sep 2013</td>
<td>–</td>
<td>(2,316)</td>
<td>15 Sep 2016</td>
<td></td>
</tr>
<tr>
<td>Performance share award top-up*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17 Mar 2014</td>
<td>–</td>
<td>1,393</td>
<td>16 Mar 2017</td>
<td></td>
</tr>
<tr>
<td>Performance share awards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 Mar 2016</td>
<td>–</td>
<td>37,719</td>
<td>17 Mar 2019</td>
<td></td>
</tr>
<tr>
<td>Restricted share grants</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Sep 2016</td>
<td>–</td>
<td>13,953</td>
<td>15 Sep 2021</td>
<td></td>
</tr>
</tbody>
</table>

**Non-Executive Share Option Scheme**

<table>
<thead>
<tr>
<th>Award/grant dates</th>
<th>Subscription price (R)</th>
<th>Number of shares/share options</th>
<th>Gain on sale/exercise (R’000)</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at December 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance share awards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26 May 2008</td>
<td>72.86</td>
<td>36,573</td>
<td>25 May 2018</td>
<td></td>
</tr>
<tr>
<td>27 May 2009</td>
<td>77.56</td>
<td>105,448</td>
<td>26 May 2019</td>
<td></td>
</tr>
<tr>
<td>26 May 2012</td>
<td>159.62</td>
<td>149,542</td>
<td>15 May 2022</td>
<td></td>
</tr>
<tr>
<td>Restricted share grants</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Sep 2013</td>
<td>–</td>
<td>13,953</td>
<td>15 Sep 2021</td>
<td></td>
</tr>
<tr>
<td>Performance share awards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Sep 2013</td>
<td>–</td>
<td>4,634</td>
<td>15 Sep 2018</td>
<td></td>
</tr>
<tr>
<td>17 Mar 2014</td>
<td>–</td>
<td>34,179</td>
<td>16 Mar 2017</td>
<td></td>
</tr>
<tr>
<td>Performance share awards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Sep 2014</td>
<td>–</td>
<td>11,506</td>
<td>14 Sep 2019</td>
<td></td>
</tr>
<tr>
<td>Performance share awards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Mar 2015</td>
<td>–</td>
<td>27,559</td>
<td>15 Mar 2018</td>
<td></td>
</tr>
<tr>
<td>Performance share awards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Sep 2015</td>
<td>–</td>
<td>14,198</td>
<td>14 Sep 2020</td>
<td></td>
</tr>
<tr>
<td>Performance share awards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 Mar 2016</td>
<td>–</td>
<td>37,719</td>
<td>17 Mar 2019</td>
<td></td>
</tr>
<tr>
<td>Performance share awards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Sep 2016</td>
<td>–</td>
<td>13,953</td>
<td>15 Sep 2021</td>
<td></td>
</tr>
</tbody>
</table>

TGP includes expatriate benefits
** Due to performance conditions
Section D: Remuneration tables

Directors’ emoluments

The following disbursements were made by Massmart Holdings Limited to Massmart’s Directors in the years ending December 2016 and December 2015 respectively:

### December 2016

<table>
<thead>
<tr>
<th>R’000</th>
<th>Services as Directors of Massmart Holdings Limited</th>
<th>Salary and allowances</th>
<th>Bonuses and performance related payments</th>
<th>Other benefits</th>
<th>Retirement and related benefits</th>
<th>Fringe benefit of interest-free loans used to finance shares</th>
<th>Gains on exercise of share options and on shares purchased by Directors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hayward, GRC</td>
<td>–</td>
<td>5,551</td>
<td>6,124</td>
<td>757</td>
<td>578</td>
<td>13,010</td>
<td>829</td>
<td>13,839</td>
</tr>
<tr>
<td>van Lierop, JJM</td>
<td>–</td>
<td>5,660</td>
<td>4,913</td>
<td>2,666</td>
<td>–</td>
<td>13,239</td>
<td>–</td>
<td>13,239</td>
</tr>
<tr>
<td>Snyman, R</td>
<td>–</td>
<td>11,211</td>
<td>10,837</td>
<td>3,423</td>
<td>578</td>
<td>26,249</td>
<td>829</td>
<td>27,078</td>
</tr>
<tr>
<td><strong>Non-Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dlamini, KD</td>
<td>1,621</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,621</td>
<td>–</td>
<td>1,621</td>
</tr>
<tr>
<td>Seabrooke, CS</td>
<td>1,432</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,432</td>
<td>–</td>
<td>1,432</td>
</tr>
<tr>
<td>Clarke, A</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Gwagwa, NN</td>
<td>600</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>600</td>
<td>–</td>
<td>600</td>
</tr>
<tr>
<td>Otaal, E</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Kgosana, M</td>
<td>700</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>700</td>
<td>–</td>
<td>700</td>
</tr>
<tr>
<td>Langeni, P</td>
<td>852</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>852</td>
<td>–</td>
<td>852</td>
</tr>
<tr>
<td>Suarez, JP</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,205</td>
<td>11,211</td>
<td>10,837</td>
<td>3,423</td>
<td>578</td>
<td>31,454</td>
<td>829</td>
<td>32,283</td>
</tr>
</tbody>
</table>

1. In order to match incentive awards with the performance to which they relate, bonuses above reflect the amounts accrued in respect of each year and not amounts paid in that year
2. Held in terms of the rules of the Company’s share scheme
3. Appointed with effect from 24 February 2016
4. Resigned with effect from 12 March 2015
5. Appointed with effect from 12 March 2015
6. Resigned with effect from 9 November 2015
7. Appointed with effect from 1 September 2015

### December 2015

<table>
<thead>
<tr>
<th>R’000</th>
<th>Services as Directors of Massmart Holdings Limited</th>
<th>Salary and allowances</th>
<th>Bonuses and performance related payments</th>
<th>Other benefits</th>
<th>Retirement and related benefits</th>
<th>Fringe benefit of interest-free loans used to finance shares</th>
<th>Gains on exercise of share options and on shares purchased by Directors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hayward, GRC</td>
<td>–</td>
<td>5,175</td>
<td>5,273</td>
<td>965</td>
<td>543</td>
<td>11,956</td>
<td>834</td>
<td>12,790</td>
</tr>
<tr>
<td>Zwarenstein, I</td>
<td>–</td>
<td>671</td>
<td>–</td>
<td>–</td>
<td>63</td>
<td>734</td>
<td>–</td>
<td>734</td>
</tr>
<tr>
<td>van Lierop, JJM</td>
<td>–</td>
<td>4,106</td>
<td>5,582</td>
<td>2,222</td>
<td>–</td>
<td>12,266</td>
<td>–</td>
<td>12,266</td>
</tr>
<tr>
<td>Snyman, R</td>
<td>–</td>
<td>9,952</td>
<td>10,855</td>
<td>3,187</td>
<td>962</td>
<td>24,956</td>
<td>834</td>
<td>25,790</td>
</tr>
<tr>
<td><strong>Non-Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dlamini, KD</td>
<td>1,440</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,440</td>
<td>–</td>
<td>1,440</td>
</tr>
<tr>
<td>Seabrooke, CS</td>
<td>1,531</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,531</td>
<td>–</td>
<td>1,531</td>
</tr>
<tr>
<td>Broader, S</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Clarke, A</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Gwagwa, NN</td>
<td>543</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>543</td>
<td>–</td>
<td>543</td>
</tr>
<tr>
<td>Kgosana, M</td>
<td>185</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>185</td>
<td>–</td>
<td>185</td>
</tr>
<tr>
<td>Langeni, P</td>
<td>795</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>795</td>
<td>–</td>
<td>795</td>
</tr>
<tr>
<td>Suarez, JP</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,494</td>
<td>9,952</td>
<td>10,855</td>
<td>3,187</td>
<td>962</td>
<td>29,450</td>
<td>834</td>
<td>30,284</td>
</tr>
</tbody>
</table>

The Board is wholly responsible for the formulation, development and effective implementation of Group strategy. The Board has gained progressive insight into the definition of a ‘prescribed officer’ following the issuance of guidance from SAICA and, in turn, delegates operational strategy implementation and general executive management of the business to its Executive Directors. As such, in terms of Regulation 38 of the Companies Act 2008, those previously designated as prescribed officers are no longer deemed to be...
Massmart is focused on reducing its environmental footprint. As part of its commitment to renewable energy, Makro operationalised two solar plants in 2016. Makro Carnival, which opened in April, became the first building in the Massmart Group to make use of renewable energy. The 2,080 solar photovoltaic (PV) panels installed on its roof have the capacity to generate almost one million kilowatts of electricity per annum, accounting for approximately 60-80% of the building’s electricity needs during the day and 30% of the store’s total annual energy requirements.

Makro Woodmead followed in Makro Carnival’s footsteps by installing an even larger solar PV plant in the store’s car park. Not only is it estimated to supply roughly 20% of the store’s annual electricity needs, it offers the added benefit of shaded parking for customers.

In addition to the inclusion of renewables, Massmart stores incorporated other energy saving technologies such as daylight harvesting, energy efficient lighting, heat reclamation and condensate harvesting to minimise their environmental footprints. Collectively these initiatives enabled the Group to avoid approximately 71,500 tons of Greenhouse Gas (GHG) emissions in 2016.

Following on from Makro’s successful renewable energy pilots, Builders Warehouse have scheduled the installation of a third PV plant at their Northriding store for March 2017.

Massmart’s efforts to reduce its impact on the environment were celebrated at the Mail & Guardian’s Greening Future Awards where Makro Carnival was recognised in the Energy Efficiency and Carbon Management Award category.
Minimise the Group environmental footprint

Water conservation
We have continued to prioritise water conservation across our 850+ stores, expanding rainwater and condensate harvesting initiatives. We have negotiated national waste management contracts that have seen the number of waste service providers reduced by 86%. We estimate that Makro and Builders Warehouse have saved approximately 20 million litres of water during 2016. To further improve our understanding of water-related risk, we completed a desktop water risk assessment of our stores using the WWF’s online Water Risk Filter. We will, where necessary, develop additional water conservation guidelines based on the outcomes of this assessment.

Energy efficiency
Format-specific energy targets along with the on-going installation of energy-saving technologies continue to form part of our energy efficiency strategy. In 2016, we expanded our range of renewable energy products and solutions in these areas, along with identifying opportunities to standardise and consolidate divisional packaging procurement, which has resulted in significant energy and carbon savings.

- We have continued to prioritise water conservation across our 850+ stores, expanding rainwater and condensate harvesting initiatives. We have negotiated national waste management contracts that have seen the number of waste service providers reduced by 86%. We estimate that Makro and Builders Warehouse have saved approximately 20 million litres of water during 2016.

- To further improve our understanding of water-related risk, we completed a desktop water risk assessment of our stores using the WWF’s online Water Risk Filter. We will, where necessary, develop additional water conservation guidelines based on the outcomes of this assessment.

Enable sustainable supply and consumerism

Environmental supplier advocacy
For the last seven years, Massmart has facilitated an environmental supplier advocacy programme which includes supplier environmental profiling, screening of high risk products (such as timber and seafood) and environmental assessments. Since the project’s inception, we have reviewed the sustainability practices of 1,200 suppliers, 340 of whom participated in assessments relating to sustainable seafood, timber, poultry and environmental practices during the year. A survey highlight indicates that 11.1% more suppliers are focusing on improving the sustainability attributes of their products, while more than 63% of our suppliers are prioritising energy efficiency in their operations. However, disclosure of environmental indicators including energy usage, emissions and waste generation needs improvement.

To recognise the efforts of those suppliers who are making an industry leading effort to implement sustainability programmes within their businesses, we hosted our third Environmental Supplier Awards ceremony in October 2016. Distell Group was recognised as our Environmental Supplier of the Year for their investment in water conservation and renewable energy which will see them treat 200 million litres of water and generate more than 2 million kWh of renewable energy annually.

Operational waste recycling
Our objective remains to reduce waste to landfill by prioritising the separation and recycling of paper, plastic and board at our stores and distribution facilities. We have made considerable effort to improve our recycling rates by circulating online waste assessments, working closely with waste service providers and monitoring waste generation across our facilities.

Currently, 89% of all stores are actively engaged in separating and recycling their waste, resulting in an estimated 25,000 tons of waste being diverted from landfill in 2016. Those stores not recycling are located in areas where we are, at present, unable to find reliable vendors to perform this function.

During the year, Makro and Massbuild successfully negotiated national waste management contracts that have seen the number of waste service providers reduced by 86%. In Makro alone, associated cost savings have amounted to approximately R2 million.

Working in consultation with WWF-SASSI and our suppliers, we have formulated a canned-tuna policy to transition all sourcing to International Seafood Sustainability Foundation (ISSF) participants.

Our poultry welfare programme assesses bird welfare dimensions such as access to food and water, ventilation, temperature control and general bird health. These assessments are conducted by a specialist poultry veterinarian who has been appointed by Massmart.

We have, together with Conservation South Africa, built on our hardwood timber screening process. This has included combining chain of custody information, local legislation and species population health to develop a more rigorous hardwood rating tool to assist buyers to make sustainable sourcing decisions.

Packaging rationalisation project
We completed a private label packaging rationalisation audit covering six product categories across our Makro, Builders Warehouse and Game formats. External packaging consultants were engaged to assess private label packaging using a packaging scorecard. Packaging dimensions covered included: recyclability, safety, functionality, and resource efficiency.

Overall, the review indicated that the quality and sustainability of private label packaging is consistently high. Opportunities to improve pack performance and recyclability were identified across our dinosaurs and food packaging ranges. One example of this is our decision to reduce the inclusion of colour additives in our private label detergent packs. Implementing cost-effective solutions in these areas, along with identifying opportunities to standardise and consolidate divisional packaging procurement, will be our priority in 2017.

Environmentally sensitive merchandise
We realise that we are well positioned to play a role in offering our customers products which will reduce their environmental footprints and save them money.

During 2016, Builders, Makro and Game sold in excess of 1.4 million energy-saving light bulbs, which we estimate, help our customers save 98.9 million kWh of electricity a year. We have significantly expanded our range of renewable energy products to include solar chargers, small scale solar and inverter packages, and solar security lighting solutions. Last year we indicated that we would expand our range of water-saving products. We have done this, achieving sales of R119.3 million in 2016.

Post-consumer e-waste recycling
Electronic waste (e-waste) presents risks to both human health and the environment if not recycled and disposed of correctly, this has prompted the Department of Environmental Affairs to list it as a priority waste stream in South Africa.

Since 2008, Makro, first in partnership with Fujitsu Siemens and currently Samsung, has facilitated South Africa’s most successful retail-led, post-consumer e-waste take back programme. Makro offers e-waste take back across 20 sites countrywide that, in 2016, enabled the collection of 106 tons of post-consumer e-waste.

We estimate that since inception, the project has resulted in the recycling of 845 tons of e-waste ranging from laptops and printers to washing machines and cellular phones. A recent Massmart assessment of e-waste service providers’ facilities in Cape Town, Gauteng and KZN, revealed that requisite record keeping processes were in place and environmental best practices were being followed.

Environmental performance indicators

- **0.5** Estimated water consumption intensity (kWh/m²)
  2015: 0.4, 2014: 0.6, 2013: 1.7, 2012: 2.6, 2011: 2.4

- **194.6** Store purchased energy intensity (kWh/m²)

- **Benchmark 369**

- **0.6** Scope 1 emissions intensity (tCO₂e/Rm total sales)
  2015: 0.6, 2014: 0.7, 2013: 0.6, 2012: 0.4, 2011: 0.3

- **Benchmark 1.18**

- **0.2** Scope 2 emissions intensity (tCO₂e/m²)
  2015: 0.02, 2014: 0.03, 2013: 0.03, 2012: 0.02, 2011: 0.02

- **5.2** Scope 2 emissions intensity (tCO₂e/Rm total sales)

- **Benchmark 9.46**

- **0.18** Scope 2 emissions intensity (tCO₂e/m²)
  2015: 0.22, 2014: 0.21, 2013: 0.21, 2012: 0.18, 2011: 0.18

- **Benchmark 0.37**

The inclusion of water consumption data from additional sites has resulted in an increase in reported water usage for the period.

Continued roll-out of independent energy meters and energy efficiency initiatives has resulted in a Group wide improvement in energy efficiency.

Scope 1 and 2 emissions are externally checked by GCA-Africa consultants. Scope 1 emissions relate to direct emissions resulting from company-owned vehicles, generators, and fugitive emissions across the Group in South Africa and Africa.

Scope 2 figures are derived from Differential grid recycling consumption figures. Energy consumption data is annualised and normalised (outlying data excluded). Margin of error is consequently 10% - 15%. Ekom scope 2 emission factor is updated to 1.00. Total Group sales are used to calculate Scope 1 and 2 emissions’ intensity per Rand million (Rm). Water usage has been calculated from the cost of water consumed divided by regional commercial tariff averages. Square metres (m²) is reported as a function of gross lettable area (GLA).

*Comparative data represents best available performance as disclosed by comparable South African retailers.*
For the last eight years, Massmart has, through Game and Masscash, provided primary school children across South Africa with the opportunity to receive a hygienically prepared, hot, nutritious meal everyday through its mobile kitchen project.

In 2016, Game invested R1.3 million in the project, providing a further eight schools with mobile kitchens and equipment to make the preparation of these meals possible. Research undertaken by the World Food Programme has found that the provision of a cooked meal to undernourished children at schools not only provides more sustained energy, but also results in better school attendance and an increase in classroom participation.

There are currently 300 mobile kitchens in place across South Africa, one hundred of which were supplied by the Walmart Foundation (as part of the Nelson Mandela 94 initiative) and a further 80 were provided by Masscash. Since inception it is estimated that more than 151 million meals have been prepared in these kitchens, making a positive impact on the education prospects of 200,000 children each year. This is in keeping with Massmart’s social investment focus on education and nutrition.

Each mobile kitchen is fitted with a four-plate gas burner, a double bowl sink, stainless steel counters, shelving, four 100-litre cooking pots, serving spoons, tumblers, plates and spoons for every child. For Massmart it is not just about providing a hygienic food preparation area but also ensuring that food safety and storage standards are met and sustained, that hot meals are provided regularly and that learners are the recipients of a service that promotes nutrition, education and eating with dignity.

The on-going success of the project is thanks to the ingredients supplied by the Department of Education Schools Nutrition programme and the incredible efforts of the educators and volunteers who prepare and serve the meals.
Broad-Based Black Economic Empowerment (BBBEE)

Massmart achieved an Empowerdex verified score of 58.3 in 2016, for the BBBEE measurement period from January to December 2015. This decrease from 68.3 achieved for 2014 is associated with the introduction of the amended Broad-Based Black Economic (BBBEE) Codes of Good Practice.

Despite this drop in score, we achieved full scorecard recognition for investment in Supplier Development, Enterprise Development and Socio-economic Development, while improving our performance in the areas of Management Control and Ownership.

Unfortunately, our preferential procurement score dropped by 8.4 points, largely as a result of significantly increased procurement targets. To achieve full points against these targets would, for example, require us to procure a total of R23.0 billion from qualifying and emerging suppliers compared with the R4.0 billion we currently procure.

We remain focused on identifying and exploring opportunities to improve our contribution to Broad-Based Black Economic Empowerment.

Supporting small local manufacturers

The Massmart Supplier Development Programme (SDP) provides small and emerging suppliers with access to the Group’s supply chain. The Massmart SDP gives preference, but not exclusivity, to black and black woman owned-enterprises, who received 81% of the funds disbursed in 2016.

The core focus of the SDP is developing General Merchandise manufacturers in categories in which we are market leaders.

The SDP portfolio consists of 32 suppliers, eight of whom are female-owned businesses, who manufacture a variety of products including mosaics, hollow-core doors, bricks, office furniture, textiles, adhesives, cooler-boxes and paints.

The SDP typically involves assisting suppliers to meet product quality standards, investing in bespoke manufacturing equipment to build capacity and providing retail and business management training. We have seen encouraging sales traction through the programme, with total procurement surpassing R139 million in 2016, 10 times more than the R13.8 million achieved in our first full year of operation.

Ownership recognition up from 6.32 in 2015.

Despite a drop in preferential procurement recognition, Massmart achieved full points for supplier and enterprise development investment.

BBBEE performance indicators

8.98 Ownership


8.8 Management control


24.4 Skills development


24.4 Enterprise development

15.0 in 2015, 15.0 in 2014, 15.0 in 2013, 15.0 in 2012, 15.0 in 2011, Benchmark 26.2*

5.0 Socio-economic development

5.0 in 2015, 5.0 in 2014, 5.0 in 2013, 5.0 in 2012, 5.0 in 2011, Benchmark 5.0*

58.3 BBBEE score

68.3 in 2015, 68.8 in 2014, 66.3 in 2013, 72.8 in 2012, 75.9 in 2011, Benchmark 75.0*

*Comparative data represents best available performance as disclosed by comparable South African retailers.

Total procurement from SDP participants has grown ten-fold in the last four years – total procurement from beneficiaries surpassed R139 million in 2016 compared to R13.8 million in the SDP’s first full year of operation.

Harry Montjane, owner of Kurhula Paints and supplier to Builders Warehouse

Our performance: Social and Relationship capital
Socio-economic development

In 2016, we invested R24.1 million, representing 1.8% of profit after tax, in CSI initiatives focused primarily on nutrition, Early Childhood Development (ECD), and school maintenance and infrastructure. During the year we expanded the Game amaLunchbox school nutrition project in partnership with the Department of Basic Education (DBE) and Makro’s ECD initiative with Hope Worldwide. We also continued to provide food donations, through Game and Cambridge, to vulnerable communities in collaboration with FoodBank SA.

Of those initiatives undertaken in 2016, we are most proud of our mobile kitchen project which provided for the efficient, safe and hygienic preparation of approximately 40 million meals supplied by the DBE school nutrition programme. In addition to the donations made by our operating divisions, and emergency relief aid provided in association with the Gift of the Givers, we donated a total of R1.3 million to Council for the Advancement of the South African Constitution (CASAC), the Helen Suzman Foundation and Section 27 for the purpose of Constitutional rights advocacy. It is our expectation that this financial support will, hence forth, be provided on an on-going annual basis.

Responsible sourcing

With Walmart’s assistance, Massmart initiated a responsible sourcing programme for our private label, direct import and exclusive brand products in 2013. As part of the programme, suppliers are assessed by independent auditors on a broad range of dimensions that include fair labour practices and compliance with health, safety and environmental standards and regulations. Post implementation of the responsible sourcing programme, all direct import facilities have the required audits in place and supplier audit status is verified prior to the placement of orders. In 2016, additional focus was placed on engaging domestic import and manufacturing facilities and piloting a programme whereby recognised third-party audits (rather than only Walmart-specific ones) were accepted as part of the responsible sourcing programme. Presently, 55% of all Massmart domestic import facilities have either been subjected to Walmart responsible sourcing audits or submitted acceptable third-party audits. Our priority in 2017 will be to secure complete audit reports for the remaining domestic import facilities and for a select number of domestic manufacturers.

Engaging our stakeholders

Understanding the views of the people and organisations who are impacted by our activities and in turn have an influence on us, is central to the way we do business. Aligned to this is our desire to contribute to social sustainability initiatives that create opportunities, foster growth and promote socio-economic inclusivity.

In the course of doing business we engage with a wide variety of people and organisations on a range of topics. To help us identify relevant issues we use the following forms of engagement:

1. Conduct desktop research to identify topics of interest in the broader public discourse.
2. Track media coverage to understand leading public viewpoints;
3. Assess the materiality of these issues to the Group through workshops and engagement with subject matter experts and interested parties; and
4. Review alignment to broader Walmart objectives and priorities.

Key stakeholder discussions

<table>
<thead>
<tr>
<th>Topics of interest in 2016</th>
<th>LEGISLATORS (e.g. Portfolio committees)</th>
<th>STATE DEPARTMENTS AND MINISTRIES (e.g. Economic Development Department and Industrial Development Corporation)</th>
<th>GOVERNMENT AGENCIES (e.g. National Regulator for Compulsory Specifications, SABS)</th>
<th>ENVIRONMENTAL NGOs (e.g. Conservation South Africa)</th>
<th>PUBLIC INTEREST AND SOCIAL SUSTAINABILITY NGOs (Section 27)</th>
<th>INDUSTRY ASSOCIATIONS (e.g. Consumer Goods Council of South Africa, National Business Initiative)</th>
<th>SUPPLIERS</th>
<th>LOCAL COMMUNITIES (e.g. Magaliesig Action Forum)</th>
<th>EMPLOYEES</th>
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<tbody>
<tr>
<td>included the proposed sugar tax, industry waste management plans, amendments to the National Liquor Act, water scarcity, food inflation, product safety, product screening and labour rights. Once identified, these issues lead us to a range of discussions with various stakeholders. In 2016 they included the following:</td>
<td>Providing input into proposed legislation, identifying opportunities for alignment with Government priorities</td>
<td>Partnering on policy implementation and fostering public-private sector cooperation</td>
<td>Obtaining guidance on implementation of regulatory standards and identifying opportunities to work together in the public interest</td>
<td>Developing environmental product screening approaches, policy development and prioritisation of environmental issue prioritisation</td>
<td>Reviewing public interest issues, taking guidance on the operational disbursement of social development funding, identifying opportunities to support social justice initiatives</td>
<td>Industry challenges and operational responses, joint projects and proposed and existing legislation</td>
<td>Product innovation opportunities, customer engagement and opportunities to support corporate social investment initiatives</td>
<td>Understanding potential operational impacts and identifying and engaging with partners</td>
<td>Workplace satisfaction and engagement, business objectives and strategy, and career development opportunities</td>
</tr>
</tbody>
</table>
Over the course of the year, some of which are highlighted below:

### Proactive engagement

Aligned to the topics identified on the previous page, we had a number of engagements over the course of the year, some of which are highlighted below:

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Our engagement activities</th>
<th>Insights</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>26,000 employees</td>
<td>Research has found that globally only 30% of all employees are actively engaged in the workplace. To better understand employee perspectives and facilitate higher levels of engagement, we conduct a regular employee engagement survey.</td>
<td>Employees indicated a clear understanding of the organisation’s objectives but felt that the business was not sufficiently responsive to their ideas and suggestions.</td>
<td>Departmental employee feedback sessions have been facilitated to assist in improving responsiveness to employee concerns and fostering dialogue around issues of interest.</td>
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<td>4,553 citizens across five provinces</td>
<td>South Africa ranked 67th out 175 countries in Transparency International’s most recent Corruption Perception Index. We partnered with, the Ethics Institute of South Africa to assist with evaluating how South Africans from different income levels and walks of life perceive corruption.</td>
<td>The number of people who felt they could get by without paying bribes increased by 27% as compared with 2015 feedback. The leading reasons to pay bribes were to obtain driving licenses and to avoid traffic offenses.</td>
<td>Through the Ethics Institute we are exploring opportunities to provide on-going feedback concerning public perceptions of bribery to the relevant authorities.</td>
</tr>
<tr>
<td>Selected low income customers (LSM 3-6)</td>
<td>More than 20% of South Africans are considered to be vulnerable to food insecurity. To better understand the grocery shopping preferences and challenges faced by our most vulnerable customers, we facilitated a series of focus groups to help identify opportunities to assist customers to optimise their household grocery budgets.</td>
<td>The focus groups highlighted that low income customers rely heavily on a small range of core products to meet their nutritional requirements. Participants showed strong national brand loyalty, primarily based on perceptions of quality.</td>
<td>We will closely monitor the pricing of key product lines to ensure affordability and price competitiveness.</td>
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<tr>
<td>1,000 suppliers</td>
<td>Retailers are often criticised for failing to maintain constructive relationships with their suppliers. We ask suppliers to evaluate us annually on factors that include business ethics, distribution efficiency, brand custodianship and responsiveness.</td>
<td>Suppliers rated our divisions highly on both ethics and brand custodianship. However, openness to supplier business ideas was noted as an area for improvement.</td>
<td>We have conducted follow up calls with select suppliers to explore opportunities for better strategic partnering.</td>
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<tr>
<td>340 suppliers</td>
<td>It has been reported that businesses are responsible for nearly two thirds of all post-industrial age GHG emissions. To foster awareness and advocate sustainable supply chain practices we profile the environmental activities of our suppliers on, for example, waste management, energy efficiency, water conservation and environmental disclosure.</td>
<td>50% of suppliers surveyed are engaged in improving their operational energy efficiency. However, disclosure of material environmental indicators was mostly insufficient.</td>
<td>We benchmarked overall supplier environmental performance and circulated environmental reporting guidance to participating suppliers.</td>
</tr>
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</table>

### Reactive engagement

### Sustainable tuna sourcing

WWF-SASSI has red-listed select Skipjack tuna fisheries, a significant species supplied in canned-tuna products. In consultation with the WWF-SASSI and our canned tuna suppliers, we have developed a sustainable tuna sourcing policy to ensure adherence with the amended seafood standards.

### Sustaining bee population health

A consumer journalist engaged with Massmart regarding reports of declining honey bee populations in South Africa. Upon engaging with the South African Bee Industry Organisation (SABIO), it was noted that a lack of suitable forage is threatening South African bee populations. We have, at SABIO’s request, raised this concern with Sappi and Mondi, who have indicated a willingness to assist the bee industry by allowing bee keepers access to their plantations for forage.

### Promoting responsible consumerism

Massmart was approached by Water Shortage South Africa who highlighted concerns regarding the sale of portable pools at stores located in areas subject to municipal water restrictions.

We have issued in-store notices informing customers that the use of portable play pools is prohibited in terms of water restriction regulations.

### Farm animal welfare

The Humane League, an international NGO that focuses on farm animal welfare, has requested that Massmart transition to sourcing only cage free eggs.

We have shared our existing welfare audit standard with the Humane League and will continue to engage with the poultry industry on welfare standards.

### Enterprise development

As part of a programme to stimulate economic growth in townships, the Gauteng Department of Economic development requested Massmart’s help to pilot a spaza shop enterprise development model.

We assisted with the design and layout of the shops, and provided a once-off donation of start-up stock to assist one of the stores to trade.
Our performance: Social and Relationship capital

Food safety

Food safety is one of the platforms that we use to build trust. To ensure food safety, regular supplier compliance audits are conducted and our management system is audited by reputable third parties. Massmart has robust recall procedures in place. There is high compliance, health and safety awareness across the Group. We also make use of professional third parties to assess in-store food, health and safety issues.

Massmart’s consumer protection and product safety programme

The Massmart Consumer Protection and Product Safety programme has been enhanced by the implementation of new standards and controls across the businesses. Our research efforts that serve both in alignment of our business with future international and national policy, as well as the influence of these policies, position our organisation in good stead for the future. This has served as an effective catalyst in balancing our ethos of Everyday Low Price with higher levels of product safety and quality, which leads the markets. As the programme continues to roll-out into the operational community, the rights and value proposition of our customers will continue to be honoured and improved.

Food safety indicators

1,503
In-store food safety audits 2015: 936

18
Private label products tested 2015: 1,248

12,982
In-store environmental tests (surface swabs, hand swabs, product tests, water tests, drain swabs) 2015: 5,700

34
Products recalled 2015: 24

The increase is due to new store openings and increase in frequency of audits being conducted.

The increase is due to new DC’s opening and increase in frequency of audits being conducted.

The slight decrease is due to consolidation of some Divisional private label products to Group private label products.

The number of environmental testing was increased at store level to enhance the validation of the Food Safety Management system at store level.

Increase number of recalls due to increased number of testing and supplier awareness.

* NCT is National Consumer Tribunal, CGSO is Consumer Goods and Services Ombud and NCC is National Consumer Commission.

Massmart Integrated Annual Report 2016
Ever growing access to the Internet and increased ownership of smartphones is changing the way customers shop. Starting with increased awareness, right through to the purchasing process, digital channels are playing an increasing role in every step of the customer journey.

Customers are demanding flexibility in how and where they shop, making the growth of online one of Massmart’s key strategic objectives. In 2016 Massbuild launched a world-class online offering to complement the existing Builders’ shopping experience and enhance our position as Africa’s leading DIY, Home Improvement and Building Materials retailer.

The Builders Online store has been rolled out in stages. About 400 trade customers at four Johannesburg stores participated in the limited release first phase of Builders Online. During this phase 10,000 frequently-purchased trade products and yard items were made available. The second phase of this project is now available to the broader customer base across South Africa.

This allows our customers to search and browse for products, view price and check stock availability at store level, and either click and collect in store or have products delivered to site.

This platform supports our value proposition of being the customers’ first choice, providing convenient shopping hours and locations, with the widest range of quality branded products, project complete solutions and best advice. It has allowed for an expanded product offering and extended our reach to customers who previously did not have access to the various Builders’ formats due to their location. Enriched digital content displayed on the website gives the customer enhanced product advice and is seen as a differentiator.

Builders Online is seen as a new sales channel where innovation opportunities can be explored before being sent to stores. As space becomes more scarce and expensive, the platform gives Massbuild an opportunity to reduce space and use existing spaces to introduce new categories or expand more profitable categories.
Ecommerce/online

In order to remain relevant to a rapidly evolving and digitally connected Customer 2.0, Massmart must understand and stay in touch with the technology innovations impacting retail formats, and the increasingly complex omnichannel paths to purchase. We recognise that smartphone penetration and declining costs of bandwidth are creating a digitally-connected customer that will be ubiquitous in every market segment we serve. Put simply, the internet and mobile phone have created new dimensions in retail that enable us to raise the bar on convenience, service, choice and communication.

To take advantage of the opportunity to win, serve and retain customers in new ways, we must become literate in the new dimensions of retail, acquire new competencies and adapt existing assets, in order to retain and advance our leadership in the categories we trade, and market segments we serve. To this end we have spent time in various Walmart markets around the world to understand the context, trends, best practices and competency gaps impacting retail operations like ours, in order to inform our strategic choices. We have identified the need to evolve our formats to synthesise the physical and digital elements of retail, in ways that create compelling new value propositions for customers, and to align with their expectations of a digitally-augmented shopping experience; and new standards for convenience, choice and service.

Makro Pick-Up Lockers

Makro now has 28 Pick-Up Lockers which allow customers to collect their online orders at a convenient time and place, as well as a further 42 lockers within the DSV Distribution network. This has proved a popular fulfilment option, allowing broader access to the Makro value proposition for professional and retail customers alike.

Private label

Private label has always been an important focus for our business, as can been seen from the innovation in product, point of sale and packaging execution of the brands. We strive for brand excellence through customer centric decisions in everything we do; these decisions should excite and delight our customers at every contact point.

Whether through product innovation, world class social media or website platforms off which our customers can not merely view product range, but also engage directly with us. With our Camp Master and Trojan repair centres we are unrivalled in the space of post-purchase customer care.

Private label has a number of benefits to Massmart: it builds trust, supports Everyday Low Cost (EDLC) and Everyday Low Price (EDLP); drives customer loyalty; creates and drives differentiation; increases profitability; and now, with the Walmart relationship, we are able to leverage opportunities and collaboration. We are continually searching for new products, brands and initiatives that both fulfill our customers’ needs and give Massmart Private Label a sustainable advantage.

Retail is largely driven off innovation and on-trend product and packaging development. The last quarter of 2016 saw the launch of the new ‘colour range’ under our Garden Master brand. We have an exciting gardening range in pink, lime and turquoise that were developed off world colour trends in the gardening category. Significant growth has been seen since the launch of this colour range innovation.
Corporate governance overview

At Massmart, we aim to be the most trusted wholesale and retail Group in sub-Saharan Africa, delivering exceptional value to mass market consumers. As such, good business is at the centre of everything we do.

We believe in making well-considered and informed choices to shape a better future for our business and stakeholders alike. We are fully committed to sustainable business practices and continuously monitor and measure our impact on the planet, people and our communities at large. Our Board is actively engaged and encourages management to profitably grow Massmart in the best interest of all stakeholders.

Massmart believes that the first steps towards good corporate governance must include embracing the requirements of the relevant governance and regulatory frameworks, as well as corporate best practice. More than this, Massmart believes that sustainable and effective corporate governance is best demonstrated through a consistent pattern of doing the right thing regardless of the circumstances.

I am pleased to report that Massmart continues to respond appropriately to these requirements.

Corporate governance approach

The primary South African corporate governance framework is the King Report on Governance for South Africa and King Code of Governance Principles (King III, which has since been replaced by King IV adopted on 1 November 2016). The King Code on Corporate Governance forms the backbone to Massmart’s own corporate governance framework. In addition, Massmart applies high ethical standards to its operating environment as reflected in the Group’s Code of Ethical Conduct. While we continued to apply the King III recommendations in line with the JSE Listings Requirements, Massmart is in full support of King IV and will apply its recommendations progressively ahead of the effective date of 1 April 2017. An initial assessment of the King IV recommendations has been completed in preparation for their integration into Massmart’s internal controls and policies, and the Board’s terms of reference and overall governance processes.

Our assessment of the principles of King III

For the year ended December 2016, apart from the exceptions outlined below, the Board confirms that the Group complied with the Code of Governance Principles as set out in King III:

<table>
<thead>
<tr>
<th>Principle</th>
<th>Practice</th>
<th>Our response</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.25: The Company remunerates its Directors and executives fairly.</td>
<td>Non-executive Directors’ fees comprise both a base fee and an attendance fee per meeting.</td>
<td>Not applied</td>
</tr>
<tr>
<td>9.3: Sustainability reporting and disclosure should be independently assured.</td>
<td>Massmart’s sustainability report has not been audited by an external assurance provider in its entirety.</td>
<td>Partially applied</td>
</tr>
</tbody>
</table>

A register documenting the assessment of all 75 principles of King III is available online at www.massmart.co.za/iar2016/KingIII

In addition to this corporate governance framework, the Group is committed to complying with all legislation, regulations and best practices relevant to our business, in every country where we conduct business.

The Board endorses and accepts responsibility for achieving the four values underpinning good governance advocated by King III, namely: fairness, responsibility, transparency and accountability and further embraces the concept of integrated thinking encapsulated in King IV which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting. The Board and its Committees regularly review Massmart’s governance structures and processes to ensure that the Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes decisions to ensure sustainability.

Massmart’s Executive Committee has established a sub-committee to focus on Ethics and Compliance. This sub-committee meets every other month to consider a legal update; an ethics review; specific areas of focus that conduct its affairs as a good corporate citizen and takes decisions to ensure sustainability.

For Massmart’s BBBEE scorecard and Emissions data see our integrated sustainability report available on our website www.massmart.co.za/iar2016/KingIII

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For Massmart’s BBBEE scorecard and Emissions data see our integrated sustainability report available on our website www.massmart.co.za/iar2016/KingIII

We continue to apply the King III recommendations in line with the JSE Listings Requirements, Massmart is in full support of King IV and will apply its recommendations progressively ahead of the effective date of 1 April 2017. An initial assessment of the King IV recommendations has been completed in preparation for their integration into Massmart’s internal controls and policies, and the Board’s terms of reference and overall governance processes.

A register documenting the assessment of all 75 principles of King IV is available online at www.massmart.co.za/iar2016/KingIV

In addition to this corporate governance framework, the Group is committed to complying with all legislation, regulations and best practices relevant to our business, in every country where we conduct business.

The Board endorses and accepts responsibility for achieving the four values underpinning good governance advocated by King III, namely: fairness, responsibility, transparency and accountability and further embraces the concept of integrated thinking encapsulated in King IV which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting. The Board and its Committees regularly review Massmart’s governance structures and processes to ensure that the Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes decisions to ensure sustainability.

Massmart’s Executive Committee has established a sub-committee to focus on Ethics and Compliance. This sub-committee meets every other month to consider a legal update; an ethics review; specific areas of focus that conduct its affairs as a good corporate citizen and takes decisions to ensure sustainability.

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Our Board

The Board is responsible for directing the Group towards achieving Massmart’s vision and mission. The Board is therefore accountable for the development and execution of the Group’s strategy, operating performance and financial results, as well as being the custodian of the Group’s corporate governance. The Board appreciates that strategy, risk, performance and sustainability are inseparable elements of value creation.

Board composition

The role of all Directors is to bring independent judgement and experience to the Board’s deliberations and decisions. At the time of this report, the Board comprises two Executive Directors, five independent non-Executive Directors and two non-Executive Directors.

The Board’s diversity is one of Massmart’s strengths. From global retail experience to race, gender, business experience and length of service, Massmart’s Board is well-positioned to add value to the business. During the reporting period, the Board adopted a gender equality and diversity policy which will include an annual review of the objectives and performance.

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Independent non-Executive Directors

In Massmart’s Board, at least one-third of the Directors are independent (paragraph 3.84(k)), in line with the requirements of King III. The Board believes that the diversity and skills of its independent Directors are of utmost importance to the sustainable and correct operation of the Group.

The Board has five categories of Directors:

- Executive Directors
- Non-Executive Directors
- Independent non-Executive Directors
- Independent non-Executive Directors
- Independent non-Executive Directors

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- Independent non-Executive Directors

Independent non-Executive Directors

In Massmar
Our Board

Our Board Committees

While the Committees will continue to operate within its terms of reference and ensure that the meetings address all regular matters reserved for their consideration.

Audit Committee
- M Kgosa, N Gwagwa and M Langeni (Chair)
- Meets 3 times per year
- Key focus areas in 2016:
  - Overseeing the effectiveness of the Group’s internal control systems
  - Evaluating the independence and effectiveness of the external auditors
  - Reviewing the scope and effectiveness of the internal and external audit functions
  - Ensuring that adequate accounting records have been maintained
  - Ensuring the appropriate accounting policies have been adopted and consistently applied
  - Overseeing the quality and integrity of the Annual Financial Statements and the Integrated Annual Report
  - Testing that the Group’s going concern assertion remains appropriate
- Committee focus for 2017:
  - The following additional key activities are expected to require the Committee’s attention during 2017:
    - Information and technology governance
    - Reviewing and monitoring the Group’s risk and opportunity management
    - Tax risk assessment and governance

Risk Committee
- M Kgosa, N Gwagwa, G Hayward, P Langeni and J van Lierop (Chair)
- Meets twice a year
- Key focus areas in 2016:
  - Reviewing and monitoring the significant risks impacting the Group
  - Considering the adequacy of risk management strategies, disclosures and plans for the significant risks facing the Group
  - Reviewing and reporting on the Group’s application of King III
  - Monitored Group ethics and compliance
- Committee focus for 2017:
  - On-going deliberation about new financial Annual Incentive Plan (AIP) metrics with the aim of improving alignment of Massmart’s remuneration policy to the King IV recommendations
  - Reviewed and approved the Group’s recruitment and retention strategies for key executive management roles e.g. Executive fireside chats are underway and to date have been very positive and informative
  - Succession planning – this is a topic that remains relevant and was discussed to ensure future Executive succession
  - Robust discussions about transformation and gender diversity at Board level

Remuneration Committee
- CS Seabrooke, K Dlamini and E Ostalé (Chair)
- Meets four times a year
- Key focus areas in 2016:
  - Succession planning – this is a topic that remains relevant and was discussed to ensure future Executive succession
  - Robust discussions about transformation and gender diversity at Board level
- Committee focus for 2017:
  - The following additional key activities are expected to require the Committee’s attention during 2017:
    - Information and technology governance
    - Reviewing and monitoring the Group’s risk and opportunity management
    - Tax risk assessment and governance

Nomination Committee
- K Dlamini, E Ostalé and CS Seabrooke (Chair)
- Meets four times a year
- Key focus areas in 2016:
  - Succession planning – this is a topic that remains relevant and was discussed to ensure future Executive succession
  - Robust discussions about transformation and gender diversity at Board level
- Committee focus for 2017:
  - The following additional key activities are expected to require the Committee’s attention during 2017:
    - Information and technology governance
    - Reviewing and monitoring the Group’s risk and opportunity management
    - Tax risk assessment and governance

Social and Ethics Committee
- P Langeni, G Hayward and JP Suarez (Chair)
- Meets twice a year
- Key focus areas in 2016:
  - Assists the Group with its responsibility towards sustainable development with practices that are consistent with good corporate citizenship
  - Considering the Group’s standing in terms of consumer relationships, with particular attention to the United Nations Global Compact Principles and the OECD recommendations concerning corruption
  - Monitoring the Group’s activities relating to labour and employment, the environment, health and public safety, and consumer relationships
  - Considering the Group’s contribution to social and economic development within our communities
  - Reviewing the Group’s compliance in terms of ethics and anti-corruption standards

Committee focus for 2017:
- The following additional key activities are expected to require the Committee’s attention during 2017:
  - Information and technology governance
  - Reviewing and monitoring the Group’s risk and opportunity management
  - Tax risk assessment and governance

Our Company Secretary

The Board is comfortable that it meets the King II principle of having an arm’s length relationship with the Company Secretary and confirms that the Company Secretary is not a Director of any of the main operating companies within the Group. Based on the outcome of a formal assessment of the Company Secretary, which was completed by the Chairman of the Board, the CEO, the CFO and the Chairman of the Audit Committee, the Board confirms that it has assessed and is happy with the qualification, competence and expertise of the Company Secretary, the role which was until September 2016 held by Philip Sigsworth who was succeeded by Joe Ralebepa in November 2016. For the interim period between September 2016 and October 2016, Julie Wilford competently served as Company Secretary.

The Company Secretary assists the Board in fulfilling its functions and is empowered by the Board to perform her or his duties. The Company Secretary, directly or indirectly:
- assists the Chairman, CEO and CFO with the induction of new Directors;
- assists the Board with Director orientation, development and education;
- ensures that the Group complies with all legislation applicable/relevant to it;
- monitors the legal and regulatory environment and communicates new legislation, and any changes to existing legislation, relevant to the Board and the Divisions, and
- provides the Board with a central source of guidance and assistance.
The table below reflects the Board members’ attendance at the meetings for the year ended December 2016:

<table>
<thead>
<tr>
<th>Status/Position</th>
<th>Board</th>
<th>AGM</th>
<th>A</th>
<th>R</th>
<th>M</th>
<th>N</th>
<th>SE</th>
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<tbody>
<tr>
<td><strong>Board members</strong></td>
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<tr>
<td>K Dlamini</td>
<td>Independent non–Executive</td>
<td>4/4†</td>
<td>1/1‡</td>
<td>–</td>
<td>–</td>
<td>4/4</td>
<td>4/4</td>
</tr>
<tr>
<td>CS Seabrooke</td>
<td>Independent non–Executive</td>
<td>4/4</td>
<td>1/1</td>
<td>2/2</td>
<td>2/2</td>
<td>4/4</td>
<td>4/4</td>
</tr>
<tr>
<td>A Clarke 3</td>
<td>Non–Executive</td>
<td>3/4</td>
<td>0/1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1/1*</td>
</tr>
<tr>
<td>NN Gwagwa</td>
<td>Independent non–Executive</td>
<td>4/4</td>
<td>1/1</td>
<td>3/3</td>
<td>2/2</td>
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<tr>
<td>GRC Hayward</td>
<td>Executive</td>
<td>4/4</td>
<td>1/1</td>
<td>3/3*</td>
<td>2/2</td>
<td>4/4</td>
<td>4/4</td>
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<tr>
<td>M Kgosana</td>
<td>Independent non–Executive</td>
<td>4/4</td>
<td>1/1</td>
<td>3/3</td>
<td>2/2</td>
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<tr>
<td>P Langeni</td>
<td>Independent non–Executive</td>
<td>4/4</td>
<td>1/1</td>
<td>3/3</td>
<td>2/2</td>
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<tr>
<td>E Ostalé</td>
<td>Non–Executive</td>
<td>4/4</td>
<td>1/1</td>
<td>–</td>
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<td>3/3</td>
<td>3/3</td>
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<tr>
<td>JP Suarez</td>
<td>Non–Executive</td>
<td>2/4</td>
<td>0/1</td>
<td>–</td>
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<tr>
<td>JIM van Lierop</td>
<td>Executive</td>
<td>4/4</td>
<td>1/1</td>
<td>3/3*</td>
<td>2/2</td>
<td>–</td>
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<tr>
<td><strong>Management</strong></td>
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<tr>
<td>J Bruyns</td>
<td>Human Capital Executive</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2/2*</td>
</tr>
<tr>
<td>N Gray</td>
<td>Chief Ethics and Compliance Officer</td>
<td>–</td>
<td>1/1</td>
<td>3/3*</td>
<td>2/2</td>
<td>–</td>
<td>–</td>
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<tr>
<td>B Leroni</td>
<td>Corporate Affairs Executive</td>
<td>–</td>
<td>1/1</td>
<td>–</td>
<td>–</td>
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<td>–</td>
</tr>
<tr>
<td>D Moodley</td>
<td>Chief Audit Executive</td>
<td>–</td>
<td>1/1</td>
<td>3/3*</td>
<td>2/2</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>NJ Ralebepa 1</td>
<td>Company Secretary</td>
<td>2/2*</td>
<td>–</td>
<td>2/2*</td>
<td>1/1*</td>
<td>1/1*</td>
<td>–</td>
</tr>
<tr>
<td>P Sigsworth 1</td>
<td>Company Secretary</td>
<td>3/3*</td>
<td>1/1</td>
<td>2/2*</td>
<td>2/2</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>M Spivey 1</td>
<td>General Counsel</td>
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<td>1/1</td>
<td>3/3*</td>
<td>2/2</td>
<td>4/4*</td>
<td>4/4*</td>
</tr>
</tbody>
</table>

| No. of meetings | 4 | 1 | 3 | 3 | 4 | 4 | 2 |

1 Chairman  
2  Invite  
3  Resigned from the Audit and Risk Committees with effect from 31 August 2016 and as such was only invited to meetings prior to that date in the 2016 financial year  
4  Resigned with effect from 22 February 2017  
5  Appointed with effect from 1 November 2016 and as such was only invited to meetings post that date in the 2016 financial year  
6  Resigned with effect from 20 September 2016 and as such was only invited to meetings prior to that date in the 2016 financial year  
7  Resigned with effect from 1 January 2017
Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of holders of all classes of shares of the Company will be held on Thursday, 25 May 2017 at 09h00 at Massmart House, 16 Pelletter Drive, Sunninghill Ext 6, Sandton, for the purposes of:

1. Transacting the following business:
   i. presenting the audited consolidated Group Annual Financial Statements of the Company and its subsidiaries (Group) for the year ended December 2016, and the associated Directors’ report and Independent Auditors report, the Audit Committee report and the Social and Ethics Committee report;
   ii. electing Directors in the place of those resigning and retiring in accordance with the Company’s Memorandum of Incorporation;
   iii. the remuneration and appointment of Ernst & Young Inc. (with Roger Hillen) as the Company’s external auditors for the ensuing financial year; and
   iv. such other business as may be transacted at an annual general meeting.

2. Considering and, if deemed fit, passing, with or without modification, the below mentioned ordinary and special resolutions.

The Board of Directors of the Company has determined, in accordance with section 59 of the Companies Act 71 of 2008, as amended (Act), that the respective record dates for shareholders to be recorded as shareholders in the securities register of the Company in order to: (i) be entitled to receive this notice of AGM is Friday, 7 April 2017; and (ii) be entitled to attend, participate and vote at the AGM is Friday, 19 May 2017. The last date to trade to be entitled to attend, participate and vote at the AGM is Tuesday, 16 May 2017.

Ordinary business

The audited summary consolidated Annual Financial Statements of the Company and the Group (as approved by the Directors of the Company), including the Directors’ report and Independent Auditors report, the Audit Committee report and the Social and Ethics Committee report for the year ended December 2016, circulated together with this notice of AGM, are presented to the shareholders for their consideration.

Ordinary resolutions

Ordinary Resolution Number 1

“Resolved that Dr Nolulomo (Lulu) Gwagwa, who retires by rotation and has offered herself for re-election, be and is hereby re-elected to the Board of Directors of the Company.”

Ordinary Resolution Number 2

“Resolved that Phumzile Langeni who retires by rotation and has offered herself for re-election, be and is hereby re-elected to the Board of Directors of the Company.”

Ordinary Resolution Number 3

“Resolved that JP Suarez, who retires by rotation and has offered herself for re-election, be and is hereby re-elected to the Board of Directors of the Company.”

Ordinary Resolution Number 4

“Resolved that Johannes van Lierop, who retires by rotation and has offered himself for re-election, be and is hereby re-elected to the Board of Directors of the Company.”

Ordinary Resolution Number 5

“Resolved that Ernst & Young Inc. (with Roger Hillen as the Audit Partner) be and are hereby elected as the Company’s external auditors for the ensuing financial year to hold office until the Company’s next AGM, as approved by the Audit Committee and recommended to shareholders.”

In terms of the Act, more than 50% of the voting rights exercised on this resolution must be cast in favour of ordinary resolution number 5 for it to be adopted.

Ordinary Resolution Number 6

“Resolved that the following persons be and are hereby appointed, each by way of a separate vote, as members of the Audit Committee:

6.1 Moses Kgosaana (Chairman)
6.2 Kuseni Dlamini (alternate member)
6.3 Lulu Gwagwa*
6.4 Phumzile Langeni*

* Subject to their re-election as Directors pursuant to ordinary resolutions number 1 and number 2.”

In terms of the Act, more than 50% of the voting rights exercised on each of these resolutions must be cast in favour of each of ordinary resolution numbers 6.1, 6.2, 6.3 and 6.4 for such resolutions to be adopted.

Ordinary Resolution Number 7

“Resolved that, subject to the JSE Limited (JSE) Listings Requirements (JSE Listings Requirements), the Directors be and are hereby authorised to issue ordinary shares in the authorised but unissued shares of the Company for (i) to issue options or convertible securities convertible into ordinary shares of the Company for more than 50% of the ordinary voting rights exercised on this resolution must be cast in favour of ordinary resolution number 8 for it to be adopted.

Ordinary Resolution Number 8

“Resolved that, by way of a non-binding advisory vote, the remuneration policy of the Company, as outlined in the Remuneration Report on pages 71 to 84 of the Integrated Annual Report 2016, is approved.”

As this is a non-binding advisory vote, no record voting threshold is required. Nevertheless, for record purposes, in terms of the King Report on Governance for South Africa (King III), more than 50% of the ordinary voting rights exercised on this resolution must be cast in favour of ordinary resolution number 8 for it to be adopted. This non-binding advisory vote allows shareholders to express their views on the remuneration policies adopted by the Company and on their implementation.

Special resolutions

Special Resolution Number 1

Resolved, as a special resolution, that the Company and/or its subsidiaries be and are hereby authorised to generally repurchase the ordinary and/or preference shares in the issued shares of the Company from such shareholder/s, at such price, in such manner and subject to such terms and conditions as the Directors may deem fit, but subject to the following:

1.1 repurchases may not be made at a price greater than 10% above the weighted average of the market value for the shares determined over the 5 business days immediately preceding the date at which the repurchase is effected (or, if no shares of the Company have been traded in that period, subject to a ruling by the JSE);
1.2 repurchases may not be made at a price greater than 10% above the weighted average of the market value for the shares determined over the 5 business days immediately preceding the date at which the repurchase is effected (or, if no shares of the Company have been traded in that period, subject to a ruling by the JSE);
1.3 repurchases in the aggregate in any one financial year shall not exceed 15% of that class of the Company’s issued shares;
1.4 the repurchase of shares will be effected through the order book operated by the JSE trading system and will be done without any prior understanding or arrangement between the Company and the counterparty.
1.5 the Company may only appoint one agent, at any point in time, to effect the repurchases on the Company’s behalf;

1.6 neither the Company nor its subsidiaries may repurchase shares during a prohibited period (as defined in the JSE Listings Requirements) unless a repurchase programme is in place where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company’s securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.

1.7 an announcement complying with paragraph 11.27 of the JSE Listings Requirements will be published by the Company when the Company and/or its subsidiaries have cumulatively repurchased 3% of the Company’s initial number of issued ordinary and/or preference shares at the time that the general authority from shareholders is granted and for each 3% in aggregate of the initial number of that class acquired thereafter; and

1.8 a resolution by the Board of Directors that it authorises such repurchase, that the Company and its subsidiaries have passed the solvency and liquidity test as set out in section 4 of the Act and that since the application by the Board of Directors of the solvency and liquidity test, there have been no material changes to the financial position of the Group, has been passed.

Statement by the Board of Directors

In accordance with the JSE Listings Requirements, the Directors state that:

(a) the intention of the Directors is to utilise the authority given under special resolution number 1 at a future date to provide, at any time and from time to time during the period of 2 years commencing on the date of this resolution, any direct or indirect financial assistance as contemplated in such section of the Act to any one or more related or inter-related companies or corporations (as defined in the Act) of the Company that are currently in or in the future may become subsidiaries (whether local or foreign) of the Company on such terms and conditions as the Board of Directors of the Company, or by any one or more persons or committees authorised by the Board of Directors of the Company from time to time for such purpose, deem fit, provided that any such financial assistance shall not in the aggregate exceed an amount of R15 billion in any financial year. In terms of the Act, at least 75% of the voting rights exercised on this resolution must be cast in favour of special resolution number 3 for it to be adopted.

The following additional information, which appears in the Integrated Annual Report of which this notice of AGM forms part, is provided in terms of the JSE Listings Requirements for purposes of special resolution number 1:

• major shareholders page 25;
• material changes page 113;
• share capital of the Company page 51; and
• responsibility statement page 113.

The Directors, whose names are set out on page 35 of the Integrated Annual Report, collectively and individually, accept responsibility for the accuracy of information contained in this statement and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard.

Other than the facts and developments reported in the Integrated Annual Report, to which this notice of AGM attaches, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the publication of the audited consolidated Group Annual Financial Statements for the year ended December 2016.

In terms of the Act, at least 75% of the voting rights exercised on this resolution must be cast in favour of special resolution number 1 for it to be adopted.

Special Resolution Number 2

Resolved, as a special resolution, that the following Directors’ remuneration (payable to the applicable non-Executive Directors for services to be rendered by them in their capacities as such) be and thereby approved, each by way of a separate vote, for the period commencing on 26 May 2017 to the date of the Company’s next AGM:

In terms of the Act, at least 75% of the voting rights exercised on each of these resolutions must be cast in favour of special resolution numbers 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8 and 2.9 for such resolutions to be adopted. The Remuneration Report for the year ended December 2016 can be found on pages 71 to 84 of the Integrated Annual Report.

Special Resolution Number 3

Resolved, as a special resolution, to the extent required in terms of, and subject to the provisions of, section 45 of the Act, that the shareholders hereby approve of the Company providing, at any time and from time to time during the period of 2 years commencing on the date on which special resolution number 3 is adopted, any direct or indirect financial assistance as contemplated in such section of the Act to any one or more related or inter-related companies or corporations (as defined in the Act) that are currently in or in the future may become subsidiaries (whether local or foreign) of the Company on such terms and conditions as the Board of Directors of the Company, or by any one or more persons or committees authorised by the Board of Directors of the Company from time to time for such purpose, deem fit, provided that any such financial assistance shall not in the aggregate exceed an amount of R15 billion in any financial year.

Before this limit may be exceeded shareholder approval under section 45 of the Act would again have to be sought.

In the event that the Company provides financial assistance to its subsidiary companies in the form of loans, the Company’s solvency and liquidity will not be impaired as the Company will raise an asset in its books for the equivalent amount thus due by that subsidiary.

In the event that a resolution is delivered to shareholders, the Board of Directors will have adopted a resolution (Section 45 Board Resolution) authorising the Company to provide, at any time and from time to time during the period of 2 years commencing on the date on which the special resolution number 3 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Act to any one or more related or inter-related companies or corporations of the Company and/or to any one or more members of any such related or inter-related company or corporation and/or to any one or more persons related to such company or corporation, provided that any such financial assistance shall not in the aggregate exceed an amount of R15 billion in any financial year.

In terms of the Act, at least 75% of the voting rights exercised on this resolution must be cast in favour of special resolution number 3 for it to be adopted.

The following direct and/or indirect financial assistance was provided by the Company to related and/or inter-related companies and/or corporations of the Company as at the financial year ended December 2016:

<table>
<thead>
<tr>
<th>Role</th>
<th>2017 Fee (R’000)</th>
<th>2016 Fee (R’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Chairman of the Board</td>
<td>1,500.0</td>
<td>1,270.0</td>
</tr>
<tr>
<td>2.2 Deputy Chairman of the Board</td>
<td>800.0</td>
<td>660.0</td>
</tr>
<tr>
<td>2.3 Independent non-Executive Directors</td>
<td>400.0</td>
<td>350.0</td>
</tr>
<tr>
<td>2.4 Audit Committee Chairman</td>
<td>350.0</td>
<td>267.1</td>
</tr>
<tr>
<td>2.5 Risk Committee Chairman</td>
<td>275.0</td>
<td>267.1</td>
</tr>
<tr>
<td>2.6 Remuneration Committee Chairman</td>
<td>275.0</td>
<td>252.0</td>
</tr>
<tr>
<td>2.7 Nomination and Social &amp; Ethics Committee Chairman</td>
<td>275.0</td>
<td>252.0</td>
</tr>
<tr>
<td>2.8 Audit Committee member</td>
<td>175.0</td>
<td>128.0</td>
</tr>
<tr>
<td>2.9 Other Board Committee members</td>
<td>140.0</td>
<td>128.0</td>
</tr>
</tbody>
</table>

In the event that a resolution is delivered to shareholders, the Board of Directors will have adopted a resolution (Section 45 Board Resolution) authorising the Company to provide, at any time and from time to time during the period of 2 years commencing on the date on which the special resolution number 3 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Act to any one or more related or inter-related companies or corporations of the Company and/or to any one or more members of any such related or inter-related company or corporation and/or to any one or more persons related to such company or corporation, provided that any such financial assistance shall not in the aggregate exceed an amount of R15 billion in any financial year.

The Section 45 Board Resolution will be effective only if and to the extent that special resolution number 3 is adopted by the shareholders, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board of Directors being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Act.

In as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one tenth of one percent of the Company’s net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to all shareholders. Such notice will also be provided to any trade union representing any employees of the Company.
General

Identification, voting and proxies

Shareholders are entitled to attend, speak and vote at the AGM.

In terms of section 63(1) of the Act, any person attending or participating in the AGM must present reasonably satisfactory identification and the person presiding at the AGM must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as proxy for a shareholder) has been reasonably verified.

Forms of identification include valid identity documents, drivers licences or passports.

Shareholders holding dematerialised shares, but not in their own name, must furnish their Central Securities Depository Participant (CSDP) or broker with their instructions for voting at the AGM.

If your CSDP or broker, as the case may be, does not obtain instructions from you, it will be obliged to act in accordance with your mandate furnished to it, or, if the mandate is silent in this regard, complete the form of proxy attached.

Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut-off time stipulated therein, that you wish to attend the AGM or send a proxy to represent you at the AGM, your CSDP or broker will assume that you do not wish to attend the AGM or send a proxy.

If you wish to attend the AGM or send a proxy, you must request your CSDP or broker to issue the necessary letter of authority to you. Shareholders holding dematerialised shares, and who are unable to attend the AGM and wish to be represented thereat, must complete the form of proxy attached in accordance with the instructions therein and lodge it with or mail it to the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare).

A form of proxy (which is attached) must be dated and signed by the shareholder appointing a proxy and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the AGM.

A proxy may delegate the proxy’s authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to Computershare. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy’s authority to act on behalf of the shareholder as of the later of: (i) the date stated in the revocation instrument, if any and (ii) the date on which the revocation instrument is delivered to Computershare as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to Computershare, as long as that appointment remains in effect, any notice that is required by the Act or the Company’s Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (i) the shareholder or (ii) the proxy or proxies, if the shareholder has: (a) directed the Company to do so in writing and (b) paid any reasonable fee charged by the Company for doing so.

Attention is also drawn to the Notes to the form of proxy and the completion of a form of proxy does not preclude any shareholder from attending the AGM.

Shareholders may participate (but not vote) electronically in the AGM. Shareholders wishing to participate in the AGM electronically should contact the Company Secretary on info@massmart.co.za or +27 11 517 0000 not less than five business days prior to the AGM and are required to provide identification reasonably satisfactory to the Company Secretary for purposes of verifying that shareholders right to participate. Access to the AGM by way of electronic participation will be at the shareholders expense. Only persons physically present at the AGM or represented by a valid proxy shall be entitled to cast a vote on any matter put to a vote of shareholders.

By order of the Board

NJ Ralebepa
Company Secretary
31 March 2017

Long text about AGM details and voting instructions.

Form of proxy

Massmart Holdings Limited
Incorporated in the Republic of South Africa
Registration number
1940/014066/06
JSE share code MSM
ISIN ZAE0000S2617
(Massmart or the Company)

For use by certificated and dematerialised shareholders who have ‘own name’ registration of shares on Friday, 19 May 2017 at the AGM to be held on Thursday, 25 May 2017 at 09h00 at Massmart House, 16 Peltier Drive, Sunninghill Ext 6, Sandton.

I/we (Please PRINT full names) being the holders of
ordinary shares/’B’ preference shares, hereby appoint (see note 3),
1. 
2. 
3. 
4. 
the Chairman of the AGM as my/our proxy to participate in, speak and vote for me/us on my/our behalf at the AGM which will be held for the purpose of considering and, if deemed fit, passing the ordinary and special resolutions to be proposed and at each adjournment of the AGM and to vote for or against the ordinary and special resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the instructions as set out in note 4.

<table>
<thead>
<tr>
<th>Ordinary resolutions</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Re-election of Lulu Gwagwa to the Board of Directors</td>
<td>OS</td>
<td>PS</td>
<td>OS</td>
</tr>
<tr>
<td>2. Re-election of Phumzile Langeni to the Board of Directors</td>
<td>OS</td>
<td>PS</td>
<td>OS</td>
</tr>
<tr>
<td>3. Re-election of JF Swanepoel to the Board of Directors</td>
<td>OS</td>
<td>PS</td>
<td>OS</td>
</tr>
<tr>
<td>4. Election of Ernst &amp; Young Inc. as the Company’s auditors</td>
<td>OS</td>
<td>PS</td>
<td>OS</td>
</tr>
<tr>
<td>5. Appointment of the Audit Committee members</td>
<td>OS</td>
<td>PS</td>
<td>OS</td>
</tr>
<tr>
<td>6.1 Moses Kgosana</td>
<td>OS</td>
<td>PS</td>
<td>OS</td>
</tr>
<tr>
<td>6.2 Kuseni Dlamini</td>
<td>OS</td>
<td>PS</td>
<td>OS</td>
</tr>
<tr>
<td>6.3 Lulu Gwagwa</td>
<td>OS</td>
<td>PS</td>
<td>OS</td>
</tr>
<tr>
<td>6.4 Phumzile Langeni</td>
<td>OS</td>
<td>PS</td>
<td>OS</td>
</tr>
<tr>
<td>6.5 Appointment for the Directors to issue ordinary shares for cash, not exceeding 5% of the shares in issue</td>
<td>OS</td>
<td>PS</td>
<td>OS</td>
</tr>
</tbody>
</table>

8. Endorsement of the Company’s remuneration policy

Indicate with an ‘X’ or the relevant number of ordinary or ‘B’ preference shares, in the applicable space, how you wish your votes to be cast (see note 4). If you return this form duly signed, without any specific directions, the proxy will vote as he/she thinks fit.

Signed at Tel
on Cell
2017

Signature
Assisted by me (where applicable)

Email

Completed forms of proxy must be lodged with Computershare Investor Services Proprietary Limited, not less than 48 (forty-eight) hours before the time for holding the AGM, i.e. by no later than 09h00 on Tuesday, 23 May 2017.

Please read the notes on the reverse side of this form of proxy.
Notes to the form of proxy

1. A form of proxy is only to be completed by those shareholders who are:
   1.1 holding shares in certificated form; or
   1.2 recorded on the sub-register of the Company in dematerialised electronic form in ‘own name’ on the record date for attending, participating and voting at the AGM.

2. If you have already dematerialised your shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the AGM, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement between yourself and your CSDP or broker.

3. A shareholder may insert the name of a proxy or the names of alternative proxies of the shareholder’s choice in the space/s provided, with or without deleting ‘the Chairman of the AGM’ but any such deletion must be initialled by the shareholder. The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of any proxy appointed in the register shall, in the event of a dispute, be taken in the register in which the shareholder wishes to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholders’ votes exercisable at the AGM.

4. Please insert an ‘X’ in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholders’ votes exercisable at the AGM.

5. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which an abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

6. Forms of proxy must be received by the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare), Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa (PO Box 61051, Marshalltown 2107) by no later than 09h00 on Tuesday, 23 May 2017.

7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person at such meeting to the exclusion of any proxy appointed in terms of this form of proxy.

8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy unless previously recorded by Computershare or waived by the Chairman of the AGM.

9. Any alterations or corrections made to this form of proxy must be initialled by the signatory/ies.

10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare.

11. The Chairman of the AGM may accept any form of proxy which is completed other than in accordance with these notes if the Chairman is satisfied as to the manner in which the shareholder wishes to vote.

12. If any shares are jointly held, the first name appearing in the register shall, in the event of a dispute, be taken as a shareholder.

Definitions and formulas

<table>
<thead>
<tr>
<th>Definition</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment costs</td>
<td>Includes the IFRS 2 share-based payment expense.</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>Interest received less interest paid.</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings before interest, taxation, depreciation, amortisation and asset impairments.</td>
</tr>
<tr>
<td>EBITDAR</td>
<td>Earnings before interest, taxation, depreciation, amortisation, asset impairments and occupancy costs.</td>
</tr>
<tr>
<td>Trading profit before interest and taxation</td>
<td>Earnings before interest, taxation, asset impairments, the BEE IFRS 2 charge, foreign exchange movements, loss on disposal of business and assets classified as held for sale and Walmart-related costs.</td>
</tr>
<tr>
<td>Comparable sales</td>
<td>Sales figures quoted for stores that have traded, and will trade, for all 12 months of the current and prior year.</td>
</tr>
<tr>
<td>FTE (full-time equivalents)</td>
<td>Includes all permanent employees and the permanent equivalent of temporary employees and contracted workers.</td>
</tr>
<tr>
<td>Trading space (m²)</td>
<td>Trading space excludes parking, yard, warehouse space, office space and receiving areas.</td>
</tr>
<tr>
<td>Regional distribution centre space (m²)</td>
<td>Distribution centre space excludes parking and yard space.</td>
</tr>
<tr>
<td>Sales per store (R000)</td>
<td>Sales / Number of stores.</td>
</tr>
<tr>
<td>Sales per FTE (R000)</td>
<td>Sales / FTE.</td>
</tr>
<tr>
<td>Sales per trading m² (R000)</td>
<td>Sales / Trading m².</td>
</tr>
<tr>
<td>Sales for Shield, CellShack, Saverite and Kangela are excluded as they do not have stores.</td>
<td></td>
</tr>
<tr>
<td>Net asset turn</td>
<td>Sales / Net assets.</td>
</tr>
<tr>
<td>Trading profit before interest and taxation margin (%)</td>
<td>Trading profit before interest and taxation / Sales.</td>
</tr>
<tr>
<td>Effective tax rate (%)</td>
<td>Taxation.</td>
</tr>
<tr>
<td>Return on average shareholders’ equity (%)</td>
<td>Average of opening and closing equity attributable to equity holders of the parent.</td>
</tr>
</tbody>
</table>

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
PO Box 61051, Marshalltown 2107
Telephone: 011 370 5000
Call Centre: 086 110 09818

Massmart + Walmart
We strive to provide useful and frequent disclosure to our shareholders.

Massmart reports formally to shareholders twice a year (in February and August) when its full-year and half-year results, together with a thorough Executive overview, are announced and issued to shareholders and the media. On both occasions the CEO, CFO and certain Group Executives give presentations to institutional investors, analysts and the media.

Early in January and July, shortly after the conclusion of the full-year and half-year trading periods, on release of the Integrated Annual Report and at the Group’s AGM in May, Massmart releases sales updates reporting on the Group’s year-to-date sales performance. In addition, annually in May, the CEO and CFO host a day-long visit by institutional analysts and investors to Massmart stores. A sales update is released along with this visit.

During the year, apart from closed periods, the CEO and CFO together meet regularly with institutional shareholders and, in addition, are available for meetings or conference calls with analysts and any existing or prospective Massmart shareholder.

### Shareholders’ calendar

<table>
<thead>
<tr>
<th>Event</th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
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<tbody>
<tr>
<td>Analyst presentation and preliminary announcement</td>
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<tr>
<td>Final dividend declared</td>
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<tr>
<td>Cape Town institutional investor road show</td>
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<tr>
<td>Johannesburg institutional investor road show</td>
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<td>Final dividend paid</td>
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<tr>
<td>Publication of Integrated Annual Report</td>
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<td>Annual General Meeting</td>
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<td>Cape Town institutional investor road show</td>
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<td>Johannesburg institutional investor road show</td>
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<tr>
<td>Interim dividend declared</td>
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<tr>
<td>United States institutional investor road show</td>
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<tr>
<td>United Kingdom institutional investor road show</td>
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<tr>
<td>Financial year-end</td>
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</tbody>
</table>

### Share data:

- **28 December 2015 – 25 December 2016**
- **Closing price, 23 December 2016**: R122.59
- **Share price (52 weeks high)**: R156.46
- **Market Cap (billions)**: 99.36
- **Shares in issue (millions)**: 26.6
- **Shares traded (millions)**: 217.1
- **Percentage of shares traded**: 115.1
- **Earnings yield (%)**: 53.0
- **Dividend yield (%)**: 4.9
- **Dividends over the current year**: 2.4
- **Bloomberg**: MSM SJ
- **Reuters**: MSMJ.J
- **Lead sponsor**: Deutsche Securities (SA) Proprietary Limited
- **Proxy**: Computershare Investor Services Proprietary Limited

### Design and layout

- **Design partner and publisher**: Ninepoint
- **Editor**: Iris Consulting
- **Printer**: Lawprint
- **Photography**: Objektiv, Roger Jardine
- **Transfer secretaries**: Computershare
- **Company registration number**: 1940/014066/06 (incorporated in South Africa)
- **Website**: www.massmart.co.za
- **JSE share code**: MSM
- **ISIN**: ZAE000152617

### Data and statistics

- **Reuters**
  - **Dividend yield (%)**
  - **Shares in issue (millions)**
  - **Market Cap (billions)**
  - **Share price (52 weeks high)**
  - **Share price (52 weeks low)**
  - **Earnings yield (%)**
  - **Dividend yield (%)**

### Company information

- **Registered Name**: Massmart Holdings Limited
- **Company Secretary**: NJ Ralebepa
- **Contact details**
  - **Registered office**: Massmart House, 16 Pelletier Drive, Sunninghill Ext 6, Sandton, 2146, South Africa
  - **Postal address**: Private Bag X4, Sunninghill, 2157, South Africa
  - **Telephone number**: + 27 11 517 0000
  - **Facsimile number**: + 27 11 517 0020
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- **Website**: www.massmart.co.za
- **JSE share code**: MSM
- **ISIN**: ZAE000152617
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