



Sustainability Report

Learners at Diepsloot Combined School, beneficiaries of Massmart educational support.

Sustainability Milestones

2004	2005	2006	2007
<p>We launch our first ever sustainability report. We adopt a comprehensive Ethical Code of Conduct and Environmental Policy, and we commit to investing 1% of profit after tax in Corporate Social Investment initiatives.</p>	<p>We enhance our sustainability reporting by including statistical sustainability performance data and sustainability objectives.</p> <p>We announce a policy to provide free ARVs to our permanent staff and their spouses, and we launch the Massmart WDB Rural Women's and the Massmart Umsobomvu Youth Development Funds.</p>	<p>Our Sustainability Report is significantly improved by the inclusion of an internally verified Key Performance Area (KPA) Scorecard.</p> <p>We establish a Massmart Sustainability Committee, we announce the billion Rand Thuthukani Staff Empowerment Transaction and we start surveying the environmental practices of marine food suppliers.</p>	<p>Our sustainability reporting is further enhanced by making appropriate use of cross references to additional website based sustainability data and by introducing commentary from our Sustainability Committee.</p> <p>We launch an integrated environmental strategy and we significantly increase our proactive engagement with external stakeholders from Government and Civil Society.</p>
<i>1st Sustainability Report</i>	<i>2nd Sustainability Report</i>	<i>3rd Sustainability Report</i>	<i>4th Sustainability Report</i>

Massmart's Sustainability Proposition

Our sustainability proposition is to achieve commercial success by adopting a cost-effective mass distribution business model that simultaneously offers benefits on both ends of the retail value chain without compromising our commitment to socially responsible business practice.

This approach recognises that, for Massmart, good sustainability practice will involve:

- sensibly integrating sustainability practices with commercial objectives;
- offering suppliers an efficient channel to their markets;
- optimising value for customers by providing affordable access to quality, safe merchandise; and
- acting in a socially responsible manner which will involve embracing opportunities and managing risks arising from economic, environmental and social (triple bottom line) developments.

At the core of this proposition is our commitment to apply the highest ethical standard of conduct in our dealings with all Massmart stakeholders.





FROM LEFT: Massmart Sustainability Committee: “KK” Combi, M Rubin, D Brand, D Mokhobo, P Langeni, G Pattison, B Leroni.

About this Report

We have, after discussion with stakeholder representatives, incorporated the best elements of previous sustainability reports into this fourth report. These elements have been supplemented by fresh stakeholder-inspired requirements that include:

- condensing report content and enhancing graphic design to improve readability;
- expanding the definition of our sustainability proposition to provide the reader with a better context for understanding our sustainability actions (see page 74);
- referencing relevant web-based documentation to supplement information presented in this report;
- describing the Group’s social responsiveness with reference to “icon” sustainability initiatives (see page 77); and

- incorporating the Sustainability Committee’s perspective of Massmart’s sustainability performance (see page 76).

We are optimistic that we have, by responding constructively to this stakeholder input, produced a report that is readable, informative and relevant to the sustainability challenges facing our industry.

If you, the reader, would like to offer input about this report, then please e-mail your comments to sustainability@massmart.co.za.

“Massmart is being actualised to be more than just a vehicle pursuing profit.”

Ethics Institute of South Africa.

Sustainability Review and Responsiveness

Incoming Chief Executive Officer's Review

In the past year, drawing on both successes and lessons learned, we have consolidated our perspectives on sustainability, particularly governance, stakeholder engagement and our environmental commitment.

Governance

Our Sustainability Committee is steadily assessing the effectiveness of the Group's sustainability initiatives. Its activities are supplemented by specialist reviews conducted by organisations such as the Ethics Institute of South Africa (internal ethics assessment), Empowerlogic (broad-based empowerment verification audit), Grant Thornton (environmental risk assessment), Sustbrands (environmental policy) and Massmart's Internal Audit department (specialised sustainability audits). Results and recommendations from this committee's initial review underscore its value to the Group.

Stakeholder engagement

Our sustainability commitment is informed by people with a legitimate interest in our activities – people from whom we can learn. We have therefore intensified our stakeholder engagement activities through regular sustainability-related round-table discussion groups and individual stakeholder meetings. These have been fruitful and we are grateful to the subject-matter experts, members of civil society and government representatives who have willingly shared their knowledge.

Environmental commitment

Massmart fully understands the importance of being more proactive about environmental good practice. Our first bi-annual environmental consumerism survey provided valuable insight into the environmental expectations of our customers. This insight, together with research into the environmental practices of our major suppliers and international retail peers, has enabled Massmart to formulate a workable environmental framework.

We have also updated the Massmart environmental policy to reflect our awareness of the impact of our activities on climate change. Although we have not yet developed a response for managing these impacts, we have initiated modest actions to achieve a preliminary understanding of the Group's carbon footprint.

We are encouraged that, beginning from a modest base, each year's execution has been better than the previous year and we are confident of further improvement in the years ahead.

Grant Pattison
Incoming Chief Executive Officer
10 October 2007



Visit: www.massmart.co.za
Select Sustainable Development on home page, scroll to environment and open Environment Policy pdf page 5.

Sustainability Committee Review

The Massmart Sustainability Committee, established in early 2006, comprises five non-executive directors, the Massmart CEO and the Group Corporate Affairs Executive. Our first task was to evaluate Massmart's Broad-based Black Economic Empowerment (BBBEE) and transformation performance.

The transparency and understanding of issues demonstrated by the executive management team during this review was impressive, and the committee is generally satisfied with Massmart's empowerment and transformation progress to date.

We particularly congratulate executive management on the efficient roll-out of the Thuthukani staff empowerment scheme. This task, characterised by considerable administrative and training complexity involving 14 627 staff members, was flawlessly executed.

Our review on BBBEE and transformation resulted in several recommendations to enhance Massmart's initiatives in this field:

1. Conduct a skills audit to identify development opportunities for black employees.
2. Implement a tracking process for the Massmart CEO to monitor recruitment and promotion of black executives.
3. Formalise a practical process encouraging established suppliers to improve their empowerment status.
4. Investigate opportunities to provide additional support to emerging black suppliers, for example an industry-level enterprise development fund.
5. Determine and justify a more definitive level of Massmart enterprise development investment in line with BBBEE guidelines.
6. Task Massmart Internal Audit to assess the effectiveness of third-party enterprise development partners such as Umsobomvu and WDB.
7. Adopt a philosophy of investing more socio-economic development funds in fewer causes.

Recommendations 2, 4, 6 and 7 had been implemented by the time this report was published.

Our priority for the new year will be to assess the status of Massmart's environmental performance against its new environmental advocacy agenda and the Global Reporting Initiative (GRI III) guidelines.

"KK" Combi
Chairman, Sustainability Committee
10 October 2007



Visit: www.massmart.co.za: Select Sustainable Development on home page, scroll to sustainability philosophy and open Transformation and Sustainability Committee Terms of Reference pdf.

Social Responsiveness

At Massmart we keep abreast of social developments and respond meaningfully to social priorities. This table describes our responses to a selection of social issues:

SOCIAL PRIORITY	MASSMART RESPONSE
HIV/Aids crisis and poor access to appropriate treatment.	Massmart launches HIV/Aids voluntary testing and treatment campaign for permanent staff and their spouses.
Broad-based black economic empowerment transactions tend to bypass the average South African.	Massmart launches the R1 billion Thuthukani Staff Empowerment Trust which gives staff dividend, voting and equity-ownership rights.
Relatively poor levels of black representation in specialist retail positions and high levels of unemployed graduates.	Massmart launches a graduate trainee development programme that targets high-potential black graduates for careers in retail. 22 Black graduates are recruited on to the programme in its first year of operation.
Unacceptably high levels of youth unemployment.	Massmart launches Youth Enterprise Development Fund with Umsobomvu to establish unemployed youths in Hot Dog Café franchises outside our stand-alone stores.
Continued rural degradation and increasing poverty in rural communities.	Massmart launches Rural Women's Enterprise Development Fund with WDB to establish unemployed rural women in business.
Crisis in the education proposition to the poorest South Africans.	Massmart amends corporate social investment policy to focus on initiatives that improve the educational experience of the poorest of the poor.
"A hungry child can't learn" Food insecurity, despite the best efforts of government, remains a problem in many parts of South Africa.	Massmart leverages Group access to affordable food supplies and invests up to 50% of Group corporate social investment spending in school feeding schemes.
South African society continues to be affected by high crime levels.	Massmart increases the level of security specification in stores and initiates financial contributions to Business Against Crime.

Stakeholder Responsiveness

At Massmart we listen empathetically and try our best to respond constructively to stakeholder feedback. This table describes a selection of Massmart responses to stakeholder suggestions:

STAKEHOLDER PRIORITY	MASSMART RESPONSE
Retail customers asked for a stimulating, high service technology retail experience.	Massmart launches new concept Dion Wired stores.
Wholesale customers asked for increased support to compete more effectively with national retail chains.	Massmart increases level of operational support and negotiates better merchandise deals.
Investors asked for improved remote access to results presentations.	Massmart implements webcast functionality at our August 2007 results presentation.
Employees asked for improved access to affordable health cover.	Massmart explores options to introduce an affordable subsidised primary healthcare solution for employees.
Employees asked for more information about our corporate social investment projects.	Massmart publishes a special CSI edition of our inhouse magazine and produces a CSI focused corporate video.
The Society for Family Health (SFH) asked us to improve their trading terms thereby improving affordability of Lovers Plus condoms.	Massmart improves SFH's trading terms resulting in increased savings for that organisation. (refer to case study on page 93)
Environmental interest groups asked for higher levels of supplier and customer-focused environmental stewardship.	Massmart expands its environmental focus to include customer and supplier advocacy opportunities.
Sustainability interest groups asked for improved access to sustainability data.	Massmart increases the scope of sustainability information available on the Massmart website.

At Massmart we work hard at maintaining our social relevance by responding meaningfully to social and stakeholder priorities.

Data presented in the scorecards fairly represents the position of Massmart's performance.

Massmart Internal Audit Services

Massmart's economic value added contribution increased by R1 565,9 million in 2007.

FROM LEFT: The Massmart Internal Audit Services Sustainability Verification Team Lindsay Samuels – Internal Auditor, Nokubonga Ngidi – Audit Manager.



Verification Statement and Approach

The progress we have made in several key areas of sustainable development is encouraging. Just as importantly, the accuracy and relevance of information reported is improving year by year as we embed appropriate reporting disciplines and protocols.

Given the evolving and often qualitative nature of sustainability reporting, we have developed a methodology that allows quantitative data to be verified and evaluated for reasonableness by Massmart Internal Audit Services.

Verification Statement

The Massmart Internal Audit Services (MIAS) conducted a review of the data reported in the preliminary and final Sustainability Scorecards. The review was conducted in terms of assurance standards and entailed the verification of the authenticity of data presented against internal and external sources. All significant reported Internal Audit findings have been satisfactorily addressed prior to publication. On this basis we are satisfied to report that the data presented in the Scorecards fairly represents the position of Massmart's Sustainability performance for the financial year ending 30 June 2007.

Massmart Internal Audit Services

Verification approach

The objective of the review was to provide an opinion, based on the AA1000 Assurance Standard principles of completeness, materiality and responsiveness on the:

- accuracy, adequacy and relevance of data presented in the Scorecards;
- processes and mechanisms in place for the preparation and delivery of the Sustainability Scorecards; and
- compliance of the Scorecards against the Global Reporting Initiative (GRI III) Sustainability Reporting Guidelines 2006 v3.

Our work included the following:

- Detailed discussions with those responsible for co-ordinating the Employment Practices Scorecard to assess whether reported information was consistent with source documents supplied by business units.
- Desktop reviews of the Estimated Broad-based Black Economic Empowerment Scorecard; Employee HIV/Aids Scorecard; Customer Satisfaction Scorecard; Supplier Satisfaction Scorecard; Corporate Social Investment Scorecard; and Environmental Scorecard to assess whether reported information was consistent with source documents supplied by business units and external sources.

Responsibilities of respective parties

Massmart is responsible for compiling the Sustainability Scorecards, for selecting sustainability reporting indicators, and for the information and data presented.

MIAS's responsibility is to present our independent opinion regarding the Sustainability Scorecards, the materiality of issues covered, and to formulate recommendations to management.

Limitation of scope

The following scope limitation was applicable:

- Disciplinary and grievance hearing statistics received from various operational sites were not subjected to completeness testing.

JSE Limited Socially Responsible Investment Index (SRI) Scorecard

Sustainability indicator	Score 2007	Score 2006	JSE baseline
Governance	Information	44	16
Social sustainability	not available	54	25
Economic sustainability	from JSE at	35	21
Environmental sustainability	time of publication	48	16
Total		181	78

Economic Value-added Statement

Sustainability indicator	2007 June Rm	2006 June Rm	2005 June Rm
Sales, royalties, franchise fees, rentals, management, and administration fees (incl VAT)	39 408,3	34 196,2	28 870,2
Cost of sales	(28 435,7)	(25 122,4)	(22 912,4)
Interest and investment income	113,8	102,8	99,1
Net costs of services and other operating expenses	(2 161,7)	(1 827,8)	(1 037,7)
Value added	8 924,7	7 358,8	6 019,2
Applied as follows:			
To employees as salaries, wages and other benefits	2 449,8	2 088,1	1 649,4
To government as taxation	5 059,5	4 117,5	3532,5
To shareholders as dividends	565,1	402,8	221,1
To lenders as interest	100,4	96,5	71,4
Depreciation and amortisation	240,9	203,5	156,9
Minorities	15,3	24,7	2,2
Net earnings retained	493,7	425,7	385,7
Total	8 924,7	7 358,8	6 019,2

Estimated Broad-based Black Economic Empowerment Scorecard

Sustainability indicator	2007	2006	2005
Ownership	4,34%	6,0%	
Management control	4,31%	—	
Employment equity	8,20%	6,5%	
Skills development	2,20%	10,0%	
Preferential procurement	4,80%	5,1%	
Enterprise development	9,82%	10,0%	
Socio-economic development	5,0%	9,9%	
Total	38,67%	47,5%	Not reported in 2005

Employee HIV/Aids Scorecard

Sustainability indicator	2007	2006	2005
Estimated HIV/Aids prevalence rate among staff	7,1%	6,2%	
% staff uptake of voluntary counselling and testing (VCT)	64,9%	53,6%	
Number of staff receiving Massmart-funded treatment	283	56	
Number of spouses receiving Massmart-funded treatment	33	7	
Annual value of Massmart investment on HIV/Aids prevention and treatment	R6,0 million	R3,7 million	
			Not reported in 2005

JSE Limited Socially Responsible Investment Index (SRI) Scorecard: The JSE re-evaluated the SRI Index submission process during 2006/07. As such, the submission process was postponed from September 2006 to July 2007, resulting in the delayed publication of SRI results for the financial year ending June 2007.

Estimated Broad-based Black Economic Empowerment Scorecard: As anticipated in our last report, the reduction in the estimated score from 2006 to 2007 follows formula adjustments to the scorecard criteria for socio-economic and skills development introduced by the Department of Trade and Industry's codes of good practice on broad-based black economic empowerment.

Scorecards

Employment Practices Scorecard

Sustainability indicator	2007	2006	2005
Total employee headcount	26 744	24 754	15 297
% permanent employees	61,0%	64,3%	70,0%
% flexi-time employees	39,0%	35,7%	30,0%
% unionised employees	41,2%	41,1%	–
% black (ACI) employees	83,8%	83,4%	83,0%
% black (ACI) managers	63,0%	61,0%	–
Minimum average group wage	R1 373	R1 300	–
% employees on medical schemes	22,7%	22,6%	25,6%
% employees on retirement plans	98,6%	93,8%	96,6%
Investment in staff training (internal and external)	R20,9m	R16,6m	R16,5m
Work days lost to industrial action	124	119	0
Disciplinary hearings	1 781	1 602	1 519
Grievance hearings	220	144	–
% staff turnover	13,1%	17,4%	16,4%
% resignations	9,3%	8,2%	11,7%
% dismissals	3,4%	2,5%	2,4%
% other (eg retirement, retrenchment)	2,4%	2,1%	1,8%

Customer Satisfaction Scorecard

Sustainability indicator	2007	2006	2005
% Massmart shoppers who were able to make their planned purchases in Massmart stores	78,0%	85,0%	–
% shoppers who were totally or quite satisfied with the shopping experience in Massmart stores	76,7%	93,0%	–
% shoppers who indicated they would repeat shopping at Massmart stores	89,0%	98,0%	Not reported in 2005
% customers who were satisfied with the resolution to problems raised with the store	76,6%	73,0%	–
% of customers who feel that prices of products are always competitive at our stores	71,6%	–	–

Supplier Satisfaction Scorecard

Sustainability indicator	2007	2006	2005
% favourable supplier perceptions of Massmart distribution channel efficiency	92%	100%	–
% favourable supplier perceptions of Massmart stewardship of their brands	71%	91%	–
% favourable supplier perceptions of Massmart responsiveness to market opportunities	71%	97%	Not reported in 2005
% favourable supplier perceptions of Massmart fairness in procurement negotiations	67%	94%	–
% favourable supplier perceptions of Massmart ethics	88%	100%	–

Customer satisfaction scorecard: Data relating to the successful resolution of customer problems was not available for Massdiscounters and is therefore not included in this scorecard. The apparent deterioration, from 2006 to 2007, in certain results is attributable to the introduction of a more conservative respondent rating scale which has resulted in marginal positive responses now being interpreted as neutral responses.

Supplier satisfaction scorecard: The apparent deterioration, from 2006 to 2007, in certain results is attributable to the introduction of a more conservative respondent rating scale which has resulted in marginal positive responses now being interpreted as neutral responses.

Corporate Social Investment (CSI) Scorecard

Sustainability indicator	2007	2006	2005
Total Group CSI spend including staff contributions	R11 511 509	R10 581 877	R6 005 000
Total Group CSI spend less staff and supplier contributions	R9 805 384	R8 097 368	R5 333 000
Total Group spend as a % of profit after tax	1,1%	1,6%	0,9%
Massmart Holdings	R1 533 258	R736 593	R230 000
Massdiscounters (Dion and Game)	R3 399 996	R3 422 450	R2 700 000
Masswarehouse (Makro)	R1 433 952	R1 419 291	R1 609 000
Masscash (CBW, Jumbo and Shield)	R2 037 360	R1 301 323	R794 000
Massbuild (Builders Warehouse, Builders Trade Depot and Builders Express)	R1 400 818	R1 217 711	R1 035 054
Staff and supplier contributions	R1 706 125	R2 484 509	R672 000

Environmental Scorecard

Sustainability indicator	2007	2006	2005
Water consumption	R9 337 160	R9 745 654	R7 708 000
Electrical consumption	R72 341 521	R61 211 647	R49 117 000
Sites with recycling programmes	159	137	96
Supplier environmental surveys conducted	14	8	0
Environmental partnerships with suppliers	0	0	0
Greenhouse gas emissions	Unknown	Unknown	Unknown

Priority Sustainability Risks

Massmart maintains a comprehensive risk register that covers all risk categories and includes input by internal and independent external risk specialists. Appropriate risk management strategies have been implemented for identified risks and these are continually reviewed. Given that sustainability risks and business risks are constituent parts of the same risk spectrum and intrinsic to corporate governance, we have combined our risk reporting on page 99 of the annual report.

For ease of reference, we elaborate here on four risks relevant to the subject matter of this sustainability report and our responses: crime, HIV testing, shortage of skills and environmentally sensitive merchandise.

Impact of crime on customer and staff safety

The rate of armed and violent incidents of crime in South Africa continues to be of concern. Unchecked, this could further affect employees, customers, our business and the overall business environment.

We are continually improving procedures and controls to minimise the risk of losses or injury through potential criminal incidents. Massmart is also an active participant in the Business Against Crime forum that shares information on all incidents of crime across the major retail chains.

Staff reticence to participate in voluntary HIV counselling and testing

We are concerned that after 18 months of actively heightening awareness, only 65% of staff have submitted to voluntary testing. Sadly, a further trend – which we are monitoring closely – indicates that many staff identified as HIV-positive are not registering on our pre-HAART and HAART treatment programmes.

We believe these issues can be remedied through perseverance, and Massmart will continue to invest in initiatives to build awareness and concentrate on destigmatising HIV/Aids.

Attracting and retaining specialised (buying and planning) and executive retail-level skill and experience

There are clearly many talented people with the potential to be placed in specialist and executive-level positions. However, there is a shortage of experienced, “job-ready” retail candidates which has resulted in an extremely competitive job market. This situation impacts on staff costs and our ability to achieve transformation targets.

We continue to invest in initiatives – such as the Massmart scarce skills programme – to retain, build and promote talent internally.

Inadvertent procurement of environmentally sensitive merchandise that undermines consumer brand perceptions

While we have always ensured that product specifications comply with published legislative and regulatory standards, we have noted a significant increase in the incidence and complexity of voluntary environmental criteria that are not incorporated into existing regulatory frameworks. Sensible identification and application of these criteria requires considerably deeper understanding of environmental issues by Massmart buyers.

We are currently developing buyer awareness programmes to train buyers to apply sensible environmental screens as part of their new merchandise procurement activities.

Performance Against Objectives

Massmart has invested a further R1 million in the Massmart WDB Rural Women’s Enterprise Development Fund.

Broad-based Black Economic Empowerment

PROMISE	MASSMART RESPONSE
Engage an accredited verification agency to review Massmart’s empowerment status once the codes of good practice have been gazetted.	Massmart continued the process of self-assessment initiated in 2005, given that the accreditation of broad-based black economic empowerment agencies has still to be completed by SANAS.
Conduct a comprehensive communication campaign to ensure staff empowerment beneficiaries understand their rights as Massmart shareholders.	Massmart implemented an awareness campaign comprising leaflets, video and workshops with all 14 627 staff beneficiaries of the Thuthukani Staff Empowerment Trust: 98% of staff surveyed indicated they understood their rights as shareholders.
Invest further capital in Massmart Enterprise Development activities.	Massmart invested a further R1 million in the Massmart WDB Rural Women’s Enterprise Development Fund following a comprehensive audit of the fund’s performance by Massmart Internal Audit Services.
Engage with strategic suppliers to determine their empowerment status.	Massmart has renewed engagement efforts with our top 200 suppliers to determine their empowerment status.
Continue efforts to formulate competitive supply agreements with black start-up suppliers.	Massmart has, despite considerable effort, enjoyed little success in concluding supply agreements with small black suppliers. Supply agreements have however been concluded with a variety of medium-sized black suppliers such as Vezubuhle Assets, Thokozani, M’Hudi and Ses’fikile.
Host a workshop to orientate start-up suppliers to the issues associated with entering into competitive supply agreements in the retail industry.	Massmart has, after consulting with emerging suppliers, initiated the development of a self-study pack that orientates emerging suppliers to the retail procurement process. The pack will be available on request to all potential emerging Massmart suppliers.

Refer to page 87 for Case Study 3:
A new breed of winemakers

Suppliers and Customers

PROMISE	MASSMART RESPONSE
Research the influence that socially responsible consumerism exerts on customer buying behaviour.	Massmart engaged Bateleur Khanya Research Solutions to conduct a customer intercept survey that measured attitudes towards environmental consumerism.
Improve sharing of sales and forecast information with suppliers.	This has been driven by two divisions: Massdiscounters and Masswarehouse. In Massdiscounters, the digital sharing of information with suppliers through a web portal has been extended to cover more than 60% of the division’s retail purchases and in Masswarehouse, integration with the Makro SAP system has been completed for five major suppliers.
Increase frequency of high-level Group interaction with strategic suppliers.	The four major trading forums (General Merchandise, Food, Home Improvement and Cellular) – each of which includes a member of the Massmart Executive Committee and divisional executives responsible for purchasing that product category – have implemented a focused calendar of strategic supplier interactions to strengthen relationships.

Refer to page 97 for Case Study 11:
Environmental consumer highlights

Human Capital

PROMISE	MASSMART RESPONSE
Launch a centralised programme to develop scarce buying, planning, store management and business analysis skills.	We launched the Massmart merchandise development, Massmart analyst development and Massmart senior management development programmes in response to the scarce-skills challenge confronted by the retail industry: 82 candidates are currently involved in these development programmes.
Launch a graduate development programme aimed at equity candidates.	We launched the Massmart graduate development programme in January 2007. An initial intake of 22 black graduates is participating in this two-year programme. A further intake is planned for January 2008.
Conduct in-depth research to identify opportunities for improving levels of job satisfaction.	Massmart engaged The Hay Group to conduct a survey of staff attitudes. Opinions were elicited from a sample representing 30% of the Group's staff complement.

Refer to page 89 for Case Study 5:
Building our future

Corporate Social Investment

PROMISE	MASSMART RESPONSE
Facilitate the practical implementation of Massmart's staff volunteerism policy in operating divisions.	The divisions, with the exception of Massdiscounters and Masscash, requested this project be postponed due to resource constraints. Both Massdiscounters and Masscash run staff volunteerism programmes while Masswarehouse operates a staff payroll contribution scheme.
Commission an independent review of the effectiveness of the Group's corporate social investment focus.	An internal review of the Group's CSI activities revealed the need for improved focus. This led to the decision to establish, in the year ending June 2008, a centrally co-ordinated CSI fund to which all operating divisions will contribute and which will account for up to 50% of divisional CSI expenditure. This fund will be supplemented by a maximum of two division-specific icon CSI interventions accounting for the remaining 50% of divisional spending.

Refer to page 91 for Case Study 6:
Helping our people help others

Environmental

PROMISE	MASSMART RESPONSE
Appoint an environmental consultant with retail expertise.	Massmart appointed an external retail experienced environmental advisor.
Conduct a critical review of the scope of Massmart's environmental focus.	We reviewed our environmental focus and have developed an environmental agenda focused on operational, supplier and consumer advocacy opportunities.
Extend the scope of the supplier environmental review process to include the Group's top 40 food suppliers.	Our environmental advisor developed a supplier environmental survey which was distributed to 20 high-impact strategic suppliers and to which 14 suppliers responded. All participating suppliers were adjudged to be applying acceptable environmental standards.
Continue the rollout of internal energy-saving and recycling activities.	The divisions continued to implement energy-saving technologies and recycling initiatives although rollout continues to be slower than desired.

Massmart has appointed an external environmental advisor to the Group.

Stakeholder Engagement

Massmart has continued to increase the intensity of stakeholder engagement primarily through regular round-table discussion groups.

“We have been encouraged by the level of participation of government and civil society in our round-table discussion programme.”

Grant Pattison, Incoming Chief Executive Officer

Overview

Massmart has continued to increase the intensity of stakeholder engagement to improve the extent, quality and value of these activities to all parties, and to integrate the information gathered as an input into corporate decision-making and planning.

Through this process, we are developing a more coherent and appropriate positioning of our environmental, black economic empowerment and corporate social investment practices and building the credibility of our Group as trustworthy, frank and accessible.

In addition to prior reported stakeholder engagement activities (government submissions, participation in industry forums, stakeholder surveys, media queries and others), we have added three proactive activities to our programme:

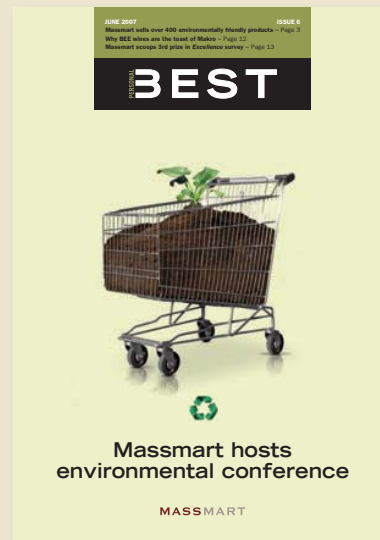
1. Improving non-financial media accessibility through informal one-on-one meetings with members of the press.
2. Improving information sharing and collaboration with organisations that have recognised competence in areas directly relevant to Massmart’s sustainability focus. This has involved working more closely with the Unisa Centre for Corporate Citizenship (brand citizenship) and WWF (environmental), and sharing relevant information, such as the results of our survey on consumer attitudes towards environmental consumerism.

2008 PRIORITIES

Improve type, quality, relevance and accessibility of information to stakeholders through Massmart website.

Improve real-time accessibility of bi-annual results presentations to shareholders and investors by implementing webcast functionality into results presentations.

Improve staff understanding of Massmart strategy and performance by publishing a simplified Employee Annual Report.



3. Improving face-to-face interaction with stakeholders from government and civil society. This involves a regular discussion group programme that engages stakeholders on areas of mutual interest such as the impact of environmental issues on consumer buying behaviour. Massmart typically hosts three types of round-table discussion:

- Themed general interest discussions to which subject-matter experts from civil society and government are invited and which are open to the press.
- Public policy discussions to which public policy experts representing a broad range of ideological perspectives from both government and civil society are invited.
- Consumer discussions which are restricted to representatives of specific consumer interest groups.

We have been greatly encouraged by the positive response to these interactions by government and civil society representatives. Valuable contributions have been made by representatives from the departments of Trade and Industry, Environmental Affairs and Tourism, and Justice, Gauteng Department of Education, WWF, South African National Consumer Union, South African Consumer Goods Council, South African Institute of Race Relations, Free Market Foundation, Umsobomvu Youth Fund and Unisa Centre for Corporate Citizenship.

Case Study 1 Massmart hosts environmental conference

As part of developing an appropriate green strategy to address pressing environmental issues, in April 2007, Massmart hosted a climate change discussion with representatives from WWF, the Council for Scientific and Industrial Research (CSIR), the Department of Environmental Affairs and Tourism and the media.

Perhaps one of the most addressable concerns raised by the experts for a Group like Massmart was South Africa's status as one of the most energy-inefficient countries in the world, given its history of cheap and plentiful electricity. Through customer education, surveys and alternative and affordable green product options in store, we realise that we can play a role in raising public awareness of the long-term benefits of energy efficiency and the products that reduce energy consumption.

Case Study 2 Massmart and Unisa Centre for Corporate Citizenship Think-tank

There is a global trend, driven largely by concerned consumer lobbyists, to encourage companies to disclose the principles behind their brands once all the trimmings – such as marketing, advertising, corporate image and branding – have been peeled away. Consumer bodies are demanding to know where products are sourced and manufactured and under what circumstances, and what impact these have on social and environmental issues.

In line with our commitment to sound ethical principles across all our chains and brands, Massmart will host and support (including funding) the activities of a Unisa Centre for Corporate Citizenship Think-tank on brand citizenship that is researching and developing the concepts of brand citizenship and ethical consumerism.

Although this concept is in its infancy, we believe it will become a driving force worldwide. By adopting a proactive approach, once the research is completed, we can begin developing and implementing plans to ensure the products available in our chains conform to the relevant standards of ethical consumerism.

PICTURES FROM LEFT: Massmart's inhouse magazine, Personal Best, and the logos of key stakeholder partners.



Broad-based Black Economic Empowerment

Thuthukani Staff Empowerment Trust participants are already receiving financial benefits through dividends.

“Approximately 1 300 rural women and 6 000 family members benefit from every R1 million invested in the Massmart WDB Rural Women’s Enterprise Development Fund.”

BEN NKUNA
WDB MICRO-FINANCE MANAGER

Overview

Massmart’s Board-approved policy covers all aspects of empowerment, with programmes in place to achieve set objectives. Following the February 2007 gazetting of the codes of good practice on broad-based black economic empowerment, Massmart’s overall empowerment score dropped from 47,5% to 38,6%, reflecting formula adjustments to the scorecard criteria for socio-economic and skills development. While we were disappointed by this apparent deterioration, we welcome the certainty provided by the finalised codes and are applying renewed effort to lift our rating above the estimated 35% average for the retail sector to 45% by June 2009.

To achieve this target, we have conducted a rigorous review of opportunities to enhance our empowerment status and identify areas for improvement. In the short term, we are prioritising preferential procurement and enterprise development.

Although we recognise the importance of scorecard credentials, our commitment to empowerment far exceeds scorecard points. Our overarching motivation is to act in a way that underscores the very essence of empowerment – constantly seeking and implementing initiatives that have a greater qualitative socio-economic development impact than points on a scorecard would indicate.

For example, in May 2007, we contributed a further R1 million to the Massmart WDB Rural Women’s Enterprise Development Fund. In scorecard terms, this translates to some 0,5 points. In qualitative terms – according to WDB Micro-finance – the loan provides micro-financing opportunities to 1 300 rural women and benefits around 6 000 family members every year.

Similarly, a loan of R60 000 from the Massmart Umsobomvu Youth Enterprise Development Fund to aspirant Hot Dog Café franchise owners fails to register scorecard points. However, this funding translates into a fast-food business opportunity outside Massmart stores that generates up to R720 000 in annual turnover. After deducting running costs and franchise loan repayments, these young beneficiaries can take home some R120 000 each year while increasing the value of their franchise.

2008 PRIORITIES

Increase Group investment in enterprise development, focusing on interventions that provide assistance to current and potential customers.

Implement shorter payment terms for emerging small- and medium-sized black-owned suppliers.

Develop a self-study small business guide to supplying retailers that will be distributed to potential small business suppliers to the Group.



Given that participants in this initiative were all previously unemployed and had been actively looking for a job, this is a step change in their quality of life. There are currently ten Massmart/Umsobomvu-funded Hot Dog Café franchise owners operating rent-free in prime space outside selected Game, Jumbo Cash and Carry, and Builders Warehouse stores.

In October 2006, Massmart issued units in the R1 billion Thuthukani Staff Empowerment Trust to 14 627 participating employees. The 18,0 million Massmart shares used to establish the trust were issued at R49,98. At 30 September, Massmart shares were trading at R83,38, representing significant capital growth in the Thuthukani Trust.

Importantly, Thuthukani participants are already receiving financial benefits through dividends, the first of which was announced in March 2007, and paid to participating staff with their April salaries.

The Thuthukani Trust was established to share value with employees and – as importantly – to enable employees to manage and vote their 8,2% stake at Massmart’s annual general meetings. During the year, a group-wide and independently administered trustee election process was held to elect four of the nine staff trustees required to represent the interests of staff shareholders. A fifth independent trustee was appointed by staff representatives and the remaining trustees were appointed by Massmart.

Our biggest disappointment during the year was our poor result in procuring merchandise from small black entrepreneurs for resale in our stores, primarily because of the intensive coaching on demand required to assist these entrepreneurs, for which we are not geared. In an attempt to overcome this hurdle, we are investing in a self-study small business guide to supplying retailers. This will be issued to small business entrepreneurs hoping to enter into commercial transactions with our Group. Given our primary business focus, we prefer not to develop an in-house small business advisory unit and this retail-specific self-study measure represents a further attempt to help new entrepreneurs as fairly as possible.

Case Study 3 A new breed of winemakers

As a leader in the wine wholesale and retail sector, constantly searching for exciting new products for customers and reinforcing its commitment to preferential procurement, Makro stocks a carefully selected range of South African wines produced by black economic empowerment groups. One of these, Ses’fikile, is produced by three women who are determined to share their passion for winemaking with a huge and relatively untapped consumer market. Leaving established but unfulfilling careers behind, this energetic trio is already producing wines that successfully compete with well-established labels. With the support of retailers like Makro, which showcases empowerment wines to its customers, previously disadvantaged winemakers are making their mark on South Africa’s world-class wine industry.

Case Study 4 Breathing life into employee share schemes

On paper, employee share schemes are often a mass of numbers – millions of shares issued in complex tranches to thousands of employees under complicated criteria. The reality is simpler, as two Massmart employees who are participating in the Thuthukani staff empowerment scheme discovered when they received their maiden dividends with their April salaries. For head office driver and 20-year Massmart veteran, Kaiser Dikgale, the windfall will go towards painting recent extensions to his home. For Lucas Matsiane, his dream is that the capital growth of his share options will fund a second home – for his children – near his familial home when he retires in seven short years. For both men, and 14 725 other employees, Massmart share options are part of their long-term financial planning and peace of mind.



Visit: www.massmart.co.za : Select Sustainable Development on home page, scroll to BBBEE and access Qualitative Analysis of Massmart’s 2006 and 2007 Scorecard Performance pdf.

PICTURES FROM LEFT: Case Study 3: Jackie Bacela, Nondumiso Pikasle and Nomvuyo Xaliphis’ Ses’fikile wine products. Case Study 4: Thuthukani shareholder Lucas Matsiane outside his family home in Hammanskraal.



Human Capital

Massmart's approach to human capital is founded on the principle of equal opportunity and respect for human rights.

Overview

As a leading wholesaling and retailing Group, our people are more than an important asset. They are the reason for our existence – their knowledge, skill and experience underpin the procurement processes that get the goods customers want into our stores and their attitude to service builds the customer loyalty so important to our success.

As such, Massmart's approach to its human capital – the people who make up our 26 744-strong full-time and flexi-time workforce – is founded on equal opportunity, respect for human rights, a group-wide commitment to external guidelines such as the universal declaration of human rights and International Labour Organisation (ILO) charters, and complying with the letter and spirit of relevant legislation. In territories where labour legislation is not yet mature, we apply the standards and practices governing our South African operations.

Benefits

In return for the contribution of our people, Massmart provides a stimulating, safe and entrepreneurial working environment, attractive benefits and performance-based rewards, and personal development opportunities for members of every team to reach their full potential.

- Clear remuneration principles based on performance appraisals, salary surveys and union negotiations are complemented by progressive remuneration practices and benefit options that include share ownership.
- In addition to the employer's contribution to pension and provident funds, and retirement funding, Massmart also offers insured benefits such as insured life, disability, dread disease and funeral cover.

Massmart's employment costs for the review period was R1,95 billion spanning 26 744 people.

2008 PRIORITIES

Implement affordable healthcare programmes for employees, to expand the pool of medically insured people.

Accelerate the pace of transformation in Massmart and roll out diversity training to all divisions.

Improve Group-wide human resources data accessibility and reporting.



LENNY LETLHAKE

THOMAS MABONA

NORMAN MAINGANYA

Training and development

In keeping with our entrepreneurial approach, Massmart runs both centralised and decentralised training programmes, focused on the Group's operational priorities and areas of identified skills shortages. Our total direct training and development investment annually is some 1% of payroll, supplemented by non-classroom development initiatives such as management and executive mentoring.

Working closely with the wholesale and retail sector education and training authority (W&RSETA), Massmart has 331 learnerships under way to address the shortage of skills in our industry. The scope of our Group training services function has been broadened to manage developmental priorities across our chains cost-effectively and to capitalise on synergies.

To continue building the foundations of a sustainable business, our various executive training programmes (including leadership development and succession planning at all levels) have been intensified. Massmart's Group human resources forum continues to identify projects across the businesses that will maximise individual potential and entrench our Group as a preferred employer.

During the year ending June 2007 Massmart trained 12 123 people, 80,5% of whom were previously disadvantaged, at a cost of R20,9 million.

Employee relations

Responsibility for managing employee relations, including relationships with trade unions, is vested in Massmart's divisional human resources directors, reporting to their respective boards. Various processes and forums are used to facilitate employee participation and elicit feedback. These include employee-elected trustees to manage the Thuthukani Empowerment Trust and staff participation in forums such as health and safety shop steward and transformation committees.

Case Study 5 Building our future

As a salesman in Makro's Wonderboom store, 34-year-old Norman Mainganya jumped at the chance to participate in Massmart's new two-year graduate development programme. This has exposed him to other operational areas in the Group and allowed him to develop an understanding of the work done in different departments. "I believed my job was harder because I had to bring in the sales," says Norman. "Once I saw how involved receiving was – scheduling deliveries and validating stock – I gained new respect for the work they do."

The graduate development programme is exposing some 22 black South African graduates to a diverse range of Massmart activities and building the required retail skills each year. By the end of the period, Norman and others like him will have a thorough understanding of how the Group operates its retail businesses, from procurement to sales. They will also have had the opportunity to determine where their personal interests lie and will have received intensive training in that area.

The programme has a dual thrust – preparing the Massmart senior managers of tomorrow and positioning the Group as a career option for those who want to become professional retailers. Some 900 applications are received for each intake, so selection processes are thorough.

Last word from Norman: "I feel like this programme was created with me in mind." It was – you and many others like you who hold our future in your hands.

PICTURE FROM LEFT: Case Study 5: Massmart Graduate Trainees.



RUDOLPH SIBISI

JERRY MALESHANE

PAUL SEBOOA

THEMBO MOSIPHA

MERCY MOKHWANYATHANDO

SITHUNGU NOZIPHO DLAMINI

Human Capital

People from previously disadvantaged backgrounds comprise 28% of senior management, 42,5% of middle management and 73,1% of supervisory management in the Group.

We recognise the rights of our employees to associate freely and bargain collectively and over 41% of our workforce is represented by bona fide employee representative bodies, principally the South African Commercial Catering and Allied Workers Union (SACCAWU). Detailed processes are in place to ensure transparency and fairness and these are widely communicated.

During the year, we conducted an in-depth staff survey across our workforce, which included focus groups. A second initiative focused on senior management to assess leadership styles, Group skills and climate. The wealth and quality of data from these exercises will enable Massmart to establish internal and external benchmarks for continuous improvement.

Health and safety

In addition to complying with relevant legislation, Massmart's risk managers and Grant Thornton conduct regular safety and health audits, phase II of our Impilo wellness programme is under way and there is constant communication through diverse channels on safety and health issues.

A total of 737 occupational accidents were reported across the Group during the financial year ending June 2007, resulting in 944 lost days.

In several aspects, there has been encouraging use of our Impilo wellness programme, initiated in August 2006. While this focuses on addressing the impact of HIV/Aids on employees and their families, the programme extends to broader health issues such as drug-resistant tuberculosis, occupational health, nutrition and lifestyle.



Since February 2007:

- the second phase of Impilo has targeted 116 Massmart stores, focused on raising HIV/Aids awareness through voluntary counselling and testing. By September 2007, we expect to have testing facilities in place at all Massmart sites across the country.
- all Massmart chains and head offices have participated in a week-long programme, training selected employees as certified Impilo Friends to create HIV/Aids awareness in the workplace, focus on the wellness programme – which covers many aspects of general health – and provide support and guidance to fellow employees.

As at 30 June 2007, Massmart had 2 276 trained fire fighters, first aiders, and health and safety representatives spanning all employment categories.

Employment equity

Clearly defined employment equity policies and targets are in place. People from designated groups currently occupy 42,5% of middle management, 28% of senior management and 18% of top management positions in the Group. Women comprise 41% of our workforce.

Underscoring Massmart’s commitment to transformation and employment equity, a diversity management training programme was initiated at executive level in 2007. This will be rolled out across all divisions over the next two years to entrench an appreciation of the value of diverse thinking and cultures. We have recently renewed our focus on employing people with disabilities.

Massmart also pays particular attention to ensuring that, in constituting staff forums such as employment equity committees, and occupational health and safety committees, we consider issues of diversity related to race, gender, age and employee level.

Case Study 6 Helping our people help others

Bayanda Sikiti is a Game employee. At 22, he is also the coach of the Dangerous Heroes football club – a ladies’ team he helped create because young women in his community were abusing drugs while still at school. “My aim is for them to be able to face their problems as a team. When we work together, we are strong. Our goal is to play in the Vodacom Women’s League because it’s the biggest in South Africa.”

Bayanda’s spirit of volunteerism was a natural fit with Massdiscounters’ unique employee volunteer programme, which enables employees to apply for one of 10 monthly product-based grants and get time off from work to concentrate on their specific community project. The Dangerous Heroes team now proudly takes to the field in full kit supplied by Game’s Maynard Mall store, and Bayanda is equally proud of the willing help he received from his employer.



Visit: www.massmart.co.za : Select Sustainable Development on home page, scroll to HIV/Aids. Select HIV/Aids Statistics as at (date) pdf.

PICTURE FROM LEFT: Case Study 6: Bayanda Sikiti and the Dangerous Heroes ladies’ football team.

Estimated African, Coloured and Indian (aci) diversity profile

Occupational levels	Guidelines	2007 %	2006 %	2005 %
Top management	Massmart Executive Committee and chain directors	17,8	13,6*	21
Senior management	Senior management, heads of major functions, programming decisions; chain executive committee members who are not directors	28,4	26,5*	28
Professionally qualified specialists and middle management	Professionally qualified and experienced specialists; middle management; interpretive decisions; Paterson grade D	42,5	39,3	43
Technically skilled and qualified	Junior management; routine or process decisions; Paterson grade C (i.e. supervisors or foremen)	73,1	83,4	83
Semi-skilled and discretionary decision-making	Non-management; discretionary, operative, sub-system or automatic decisions; Paterson grade B	90,9	90,1	88
Unskilled and defined decision-making	Non-management; defined decisions; Paterson grade A	98,5	97,5	98
Total permanent		83,8	83,4**	83

* The decline from 2005 to 2006 reflects revised occupational level guidelines.
** This excluded Builders Express.

Suppliers and Customers

Massmart is committed to keeping supplier negotiations fair, free of abuse and free of unethical trading practices.

We take every precaution to ensure that customers don't become victims of crime at stores... Massmart has one of the highest security specifications in the retail industry.

Overview

We believe that one of our most meaningful contributions to sustainable development is giving suppliers an efficient channel to their markets while offering consumers low-price access to high-quality, safe merchandise that adds value to their lives.

Our challenge is therefore to ensure highly competitive pricing for our customers without compromising the sustainability of our own and our suppliers' businesses.

We meet this challenge, in part, by focusing on operational excellence which allows us to maintain an exceptionally low cost base and operate profitably at one of the lowest gross margins in the industry. This is good for both the profitability of our suppliers and the pockets of our customers.

To maintain this operating model also requires a firm negotiating stance which inevitably creates constructive tension in supplier relationships. We understand this could lead to confrontational relationships which is not good for our suppliers, our customers or for our own business.

We are therefore committed to keeping supplier negotiations fair, free of abuse and free of unethical trading practices. This includes operating an outsourced ethics line for suppliers to report any unethical practice, relationship surveys to identify supplier attitudes toward the Group, regular relationship meetings between suppliers at multiple management levels in our chains and buyer training on our code of ethical conduct.

For our customers, providing access to quality, safe merchandise is as important as competitive pricing. We focus on employing extremely competent buyers who are specialists in their fields and well versed in the quality, performance, health and safety criteria required to meet our procurement standards. We apply numerous quality screens to ensure our merchandise complies with regulatory requirements such as SABS and HACCP standards.

2008 PRIORITIES

Explore the implementation of an enhanced product assurance process in respect of products sourced from the Far East, that will provide increased levels of assurance for human rights and environmental good practice.

Open direct channels of engagement with Chinese-based suppliers of direct imports through workshops in Chinese ports of origin in order to smooth supply chain inefficiencies and improve product assurance standards.

Review the social proposition behind selected merchandise brands.



Massmart chains also ensure peace of mind for shoppers by backing merchandise with comprehensive product guarantees, after-sales support, refund and repair policies.

As a Group, we are broadening this peace of mind for our customers by ensuring they can buy products from our stores in good conscience. Suppliers are required to provide undertakings that they operate ethically by, for example, applying employment practices that are consistent with the law and workers' rights as determined by the International Labour Organisation and that they are not complicit in any human rights abuses.

More recently we have initiated a programme to survey the environmental policies of our key suppliers to determine their sensitivity to the environmental impact of their manufacturing practices.

In the context of personal customer safety, minimising the impact of crime is a priority as it affects both our customer and supplier relationships. For customers, we take every precaution to ensure they do not become victims of crime in our stores. Accordingly, Massmart has one of the highest security specifications in the retail industry. This includes planning store operations so that back office cash-handling processes are separated from customer service activities.

We also collaborate closely with our industry peers and partners, the SAPS and crime-fighting organisations to learn from each other's successes and improve the industry's crime-prevention capability. This typically involves sharing crime intelligence, analysing crime and especially violent crime trends in the industry, working together to develop best practices in crime prevention strategies and facilitating a close working relationship with the SAPS and other organisations such as Business Against Crime, to which we contributed R1 million during the review period.

Case Study 7 Massmart narrows the gap between social and business imperatives

Massmart is addressing HIV/Aids in South Africa by identifying areas in which it can help curb the spread of the disease, such as through the Group's Impilo programme. Recently, Massmart found another way to help by improving its trading terms for a non-profit supplier of condoms to make these prophylactics more affordable for customers.

The Society for Family Health (SFH) is a non-profit section 21 company and the South African affiliate of Population Services International (PSI), the largest social marketing organisation in the world which uses commercial marketing skills to sell good-health practice to citizens of 70 countries. Given that the Massmart Group represented a significant percentage of PSI's Lovers Plus and Choice brands condoms, more favourable trading terms would make a considerable impact in ensuring affordable condoms were available to South Africans.

Massmart's initiative sparked a chain reaction that spread beyond the Group to other chains throughout the retail industry, resulting in significant savings for the supplier and for customers, and – more importantly – increased use of condoms.

Between January and June 2007, the SFH reported condom sales of 13.3 million. This was unprecedented volume growth and a clear example of how doing the right thing for the community can also be good for the bottom line.

Case Study 8 Private label

Massmart's extensive private label programme provides exceptional value to our customers. At present, the private label programme is well established in selected food categories, sport, outdoor and do-it-yourself equipment.

In the food arena, Massmart applies regular and random independent quality audits to ensure its private label products conform to stringent standards such as the good manufacturing practices required by SANAS 1449, labelling standards and food safety. Massmart's internal audit service also conducts annual audits on food safety and quality assurance. Demonstrating this commitment further, Massmart was a founder member of the Food Safety Initiative, a division of the Consumer Goods Council of South Africa.

Massmart's private label brands include Camp Master outdoor equipment, Garden Master garden equipment, Mastercraft DIY equipment and food brands, Aro, Heritage and First Value.

When buying any of these private label products, customers are assured of stringent quality control, best supplier practices and competitive pricing.

PICTURES FROM LEFT: Case Study 8: A selection of Massmart Private label brands

LOGIK *Airtech*

MASTERCRAFT

**CAMP
MASTER**

Aro

Group-wide Merchandise Procurement

Level	Number of Group vendors	2007
ESG 1	117	15 783 706 657
ESG 2	168	3 909 942 209
ESG 3	3 310	10 508 640 783
Total local	3 595	30 202 289 648
Total imports	272	1 506 690 922
Grand total	3 867	31 708 980 570

Level	Number of Group vendors	2006
ESG 1	123	12 370 800 676
ESG 2	188	4 375 928 104
ESG 3	4 361	7 899 235 056
Total local	4 672	24 645 963 837
Total imports	402	1 125 713 042
Grand total	5 074	25 771 676 879

Level	Number of Group vendors	2005
ESG 1	115	10 482 306 644
ESG 2	176	3 350 821 889
ESG 3	3 903	4 838 724 557
Total local	4 194	18 671 853 090
Total imports	341	1 102 754 144
Grand total	4 535	19 774 607 234

Corporate Social Investment

“At Massmart, we like being in a position to give back to society. It’s good for nation building, it’s good for the people we assist, it’s good for business and it’s good for our own sense of humanity.”

GRANT PATTISON,
INCOMING CHIEF EXECUTIVE
OFFICER

Massmart invests 1% of profit after tax in education-based CSI initiatives aligned with government’s socio-economic objectives.

Overview

Massmart remains keenly aware of the role corporate South Africa can play in nation building by contributing generously to uplifting disadvantaged people in our society. We annually invest at least 1% of after-tax profit in social development activities that benefit the poorest of the poor. Over the past three years, this has amounted to approximately R28 million.

We concentrate on education-based initiatives aligned with government’s own socio-economic objectives and work closely with credible social development organisations on projects relevant to their communities and that are likely to have the most impact on individual lives. Acknowledging that our skill lies in mass distribution of merchandise, not social development, we provide financial and in-kind support that enables development experts to take care of detailed operational issues.

We do however leverage our wide procurement and distribution network to enhance our social development impact. For example, a rising percentage of our Group spending on corporate social investment will now be devoted to supporting school feeding schemes, given the obvious synergy this has with our food distribution activities.

The balance of our funds are invested in flagship projects run by each chain, such as Game’s Tools to Learn and Tools to Teach programme which provide stationery packs to learners and teachers at disadvantaged schools, Makro’s Excellence in Education initiative which rewards educator achievements with R30 000 gift vouchers for educational materials, and the artisan development programme at Builders Warehouse.

2008 PRIORITIES

Finalise and establish a centrally co-ordinated national school feeding scheme initiative, operated close to Group stores and in which all chains participate.

Implement a programme to leverage Group communication material to raise awareness about missing children.

Provide selected NGOs with the opportunity to add social research questions to Massmart consumer research surveys.



Responding to stakeholder feedback to communicate our corporate social investment activities more effectively, we recently devoted an entire issue of our in-house magazine to the people and causes that have benefited from our social development initiatives. The purpose was twofold: to highlight the relevance and impact of our activities to our stakeholder communities and to showcase the extraordinary efforts of ordinary people – including our own employees – in making a difference.

Some of the organisations that benefited from our support in the year ending June 2007 included:

Alafang Secondary School	Phateng Comprehensive School
Allanridge Secondary School	Phumulani Secondary School
Alexandria High School	PJ Simelane Secondary School
Central Johannesburg College	Rethabile Children's Home
Bhukulani Senior Secondary School	Rally to Read Tools to Teach
Bokgoni Technical Secondary School	Sebatsa Secondary School
Botse-Botse High School	Soshanguve High School
Cape Peninsula Feeding Scheme	Solomon Mahlangu Secondary School
Diepsloot Combined School	Starfish Greathearts Foundation
Ebokodweni Primary School	Thandeke Crèche
Eldorado Park Secondary School	Tomorrow Trust
Forte Secondary School	Tshwane College
Gonyane Public School	Tsiba Education
Ivory Park Secondary School	Twilight Children's Shelter
KE Mathebula Children's House	Vula College
Kgomotso Secondary School	Walmer High School
Kgosi Neighbourhood Foundation	Zakariyya Park Combined School
Masithwalisane Secondary School	Business Against Crime
Men on the Side of the Road	Free Market Foundation
	WWF

Case Study 9 From roadside piecework to graduate skills

For Floyd Qwathi, 31, each day started and often ended on the side of the road, waiting to be one of the lucky ones to secure a day's work. His life changed when he was approached by a recruiter from Men on the Side of the Road, an NGO looking for candidates for the Builders Warehouse-sponsored artisan skills development programme. This encompasses 10 weeks of training in one specific field as an outcome-based training initiative on par with an NQF III course. Today, Floyd has a certificate that proves his skills – and a much better chance in the job market.

Builders Warehouse donated R1 million to this skills development project and has helped 80 people earn qualifications as bricklayers, carpenters and plumbers. For Builders Warehouse, it offers the chance to address unemployment in a relevant way and to the benefit of its own business sector, with graduates employed either in Builders Warehouse stores or by building contractors.

Oh, yes. Floyd also has a job.

Case Study 10 Assisting AIDS orphans

Contributing to the education of South African youths is always worthwhile. It is even more so when those benefiting are affected by the HIV/AIDS pandemic. Massmart actively supports both these areas of social investment, and where they meet you'll find the most worthy recipients. This is the case with Palesa Poo.

Nineteen-year-old Palesa lost both her parents to Aids. She dreamt of earning good results on her matric exams so that she could study further and eventually open her own business. Her reality is that she lives alone, and had no support for the extra studying to achieve this.

Thanks to her enrolment in Tomorrow Trust, an organisation Makro helps fund, she found that support. Palesa was tutored in accounting, economics, mathematics and English. She also spent her school holidays in study programmes, so no time was lost preparing for her year-end exams.

By contributing to post-secondary educational organisations like Tomorrow Trust, Makro has made a real difference in Palesa's life. Although orphaned by Aids, this student's future is still bright.

PICTURES FROM LEFT: Case Study 9: Floyd Qwathi, a participant in the Builders Warehouse artisan skills training programme. Case Study 10: Palesa Poo, participant in Tomorrow Trust's Holiday School.



“At Massmart we have become more focused on the risks that climate change, environmental degradation and proliferation of waste pose to our business and society...”

Grant Pattison
Incoming Chief Executive Officer

Our environmental approach is to proceed prudently, to avoid acting opportunistically and to learn from our mistakes.

Overview

As the science has evolved, so we have become more focused on the risks that climate change, environmental degradation and proliferation of waste pose to our business and to society, and we are starting to explore the role we must play in mitigating these impacts.

But we want to be informed and sensible about our response to these challenges. In the past year, we have therefore accelerated the development of our corporate environmental strategy. Our overall approach is to proceed prudently, to avoid acting opportunistically and to acknowledge and learn from any mistakes we may make along the way.

A principal aspect of our environmental focus has been to move beyond internal operational compliance towards identifying opportunities to extend our focus to include both the supply and distribution sides of our value chain. This includes creating awareness among buyers about environmental procurement considerations.

In early 2006, we retained an external environmental advisor who is helping us identify and assess potential risks and opportunities in our operations, our supply chain and our value proposition to customers. We are using this information to engage with our senior executive, buyers, store managers and suppliers.

To inform the process, we conducted an environmental review of local and global retail industry practice, particularly European retailers that have a well-established track record of environmentally friendly retail practice.

2008 PRIORITIES

Create and implement a guide to responsible environmental procurement for buyers.

Engage with willing suppliers to explore and, where feasible, implement opportunities to rationalise packaging waste.

Pilot test interventions (such as better merchandise labelling) to help customers make environmentally responsible purchasing decisions.



From this review, we created an environmental framework for action that incorporates three broad areas:

- **Operational advocacy** – ensuring internal operational practices are guided by environmental considerations. Our current priorities are to implement waste recycling at all stores, instal energy-saving and water conservation options in stores and to incorporate environmentally friendly design principles into new store design.
- **Supplier advocacy** – engaging closely with selected suppliers about their environmental practices. Our priorities are to track the manufacturing practices of key suppliers, work with suppliers to reduce packaging waste and to carefully screen environmentally sensitive merchandise.
- **Consumer advocacy** – promoting environmental consumerism. Our current priorities are to improve labelling standards on environmentally sensitive merchandise and to improve awareness of environmentally friendly merchandise choices.

This environmental framework has been presented to the Executive committees of all Massmart divisions as the basis for defining environmental commitments specific to each division.

The Group has also implemented additional data-gathering processes to improve our understanding of each of the identified areas of environmental advocacy. Massmart now conducts a regular customer survey that tracks, among other issues, the influence of environmental considerations in customer purchasing decisions.

We also survey the environmental commitment of our suppliers and follow up any areas of concern with a site visit by the Group's environmental advisor. Finally, as part of our ongoing risk assessment process, Grant Thornton prepares a bi-annual report that assesses environmental compliance in selected stores.

Case Study 11 Environmental consumer survey highlights

In April 2007, Massmart launched a pilot survey to enhance our understanding of customer attitudes to environmental consumerism and the results were used to identify our environmental priorities. The survey, conducted by an external research organisation, spanned over 500 representative Game customers and provided illuminating results, including:

- 37% of respondents take environmental factors into account when purchasing products;
- 46% of respondents avoid purchasing products that contain environmentally harmful ingredients;
- 50% of respondents would pay more for environmentally friendly products;
- 91% of respondents don't look for environmentally friendly logos when they shop; and
- 70-74% of respondents were unable to define/explain topical environmental terms to interviewers.

Massmart shared the full survey results with WWF to help that organisation derive further insight about consumer attitudes towards the environment.

Case Study 12 Environmentally friendly products at Builders Warehouse

Two years ago, our Massbuild division began stocking a target range of green products in Builders Warehouse stores. With initial response seemingly limited to specific consumer Groups like farmers, Builders Warehouse took the initiative to get suppliers involved by inviting them into the stores to explain the benefits of environmentally friendly products.

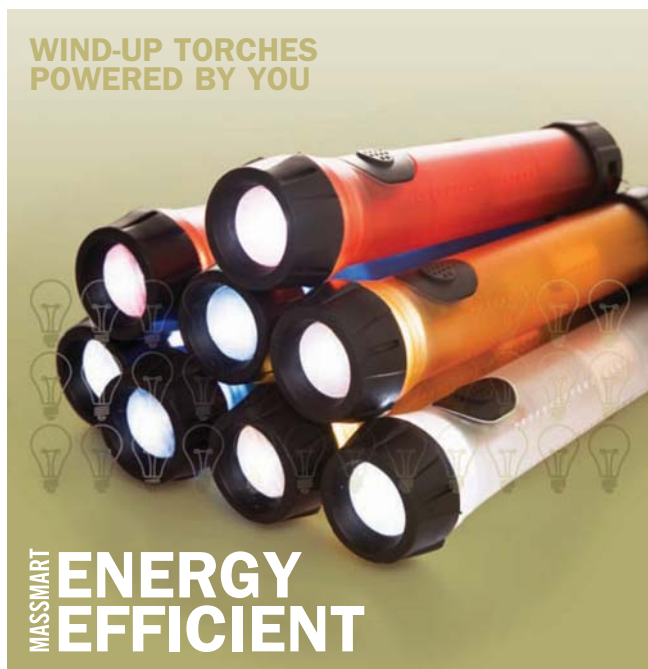
Today, there are over 400 environmentally friendly options on Massmart shelves from wind-up torches and dynamo-powered cellphone chargers, to energy-efficient lighting, solar-powered products and water-saving devices. All green products have been thoroughly tested and conform to local regulatory standards.

Builders Warehouse has now taken this initiative further by having dedicated areas for these products to make it easier for consumers to take the green option.



visit: www.massmart.co.za/environment : Select Sustainable Development on the home page, scroll to Environment and access Key Supplier Environmental Risk Survey Summary pdf.

PICTURES FROM LEFT: Case Study 12: A selection of the environmentally friendly products at Builders Warehouse.



Index to sustainability report

In this report, we begin the transition to reporting and indexing our sustainable development activities against the 2006 v3 GRI guidelines (GRI III). We expect to report Sustainability Reports more fully against these guidelines in future.

GRI III			GRI III		
REFERENCE	CONTENT	PAGE	REFERENCE	CONTENT	PAGE
Strategy and Analysis			Environmental performance		
1.1	Statement from Chief Executive Officer.....	76	EC5	Standard entry-level wage compared to local minimum wage (Additional)	80
1.2	Key impacts, risks and opportunities	77 & 81	EC6	Proportion of spending on locally based suppliers	93
Organisational Profile			EC7	Procedures for local hiring	SA-based, mostly SA workers
2.1 – 2.7	Profile and markets		EC8 – 9	Significant indirect impacts, including extent.....	81 & 94-95
2.8	Scale, including:.....	1-7	Labour practices and decent work		
	• Employees		LA1 – 3	Workforce breakdown, turnover and benefits.....	80
	• Net sales		LA4 – 5	Employees in collective bargaining agreements and policies on communicating significant operational changes	80 and 89-90
	• Total capitalisation (debt and equity)		LA6 – 9	Occupational health and safety	90-91
	• Products or services		LA10 – 12	Employee training and education	89
2.9	Significant changes		LA13 – 14	Diversity and equal opportunity.....	91
2.10	Awards received.....	27	Human Rights		
Report Profile			HR1 – 3	Investment and procurement practices	Not reported
3.1	Reporting period	12 months to 30 June 2007	HR4	Incidents of discrimination.....	Zero
3.2	Most recent previous report	June 2006	HR5	Risks to freedom of association and collective bargaining	Zero
3.3	Reporting cycle.....	Annual	HR6 – 7	Incidents of child labour, forced or compulsory labour ...	Zero
3.4	Contact point	75	HR8	Security personnel trained in relevant human rights (Additional)	Not reported
Report Scope and Boundary			HR9	Violations of rights of indigenous people (Additional).....	Zero
3.5 – 3.7	Process for defining report content, and any limitations... ..	75	Society		
3.8	Reporting on Group elements and data measurement techniques	123-127	S01	Programmes to manage impacts on communities.....	Not reported
3.10 – 3.11	Restatements or significant changes	Nil	S02 – 4	Policies and practices on corruption	108-109
3.12	GRI content index	98	S05	Policies on public policy development and lobbying.....	Not reported
Assurance			S06	Contributions to political parties and related institutions (Additional)	Zero
3.13	Policy and practice on external assurance	78	S07	Legal actions for any anti-competitive behaviour	Zero
Governance			S08	Fines or sanctions for non-compliance.....	Zero
4.1 – 4.3	Governance structure, independence	110 and 111	Product Responsibility		
4.4	Shareholder/employee interaction	Not reported	PR1 – 2	Customer health and safety	92-93
4.5 – 4.7	Link between compensation and performance.....	103 and 106	PR3 – 4	Products and service labelling	92-93
4.8	Policies on triple bottom-line performance and implementation status	74, 76 and 88	PR5	Practices on customer satisfaction, results of surveys (Additional)	80
4.9	Managing triple bottom-line performance, risks and opportunities, and international compliance	79-81	PR6	Compliance with marketing communications standards	Fully compliant
4.10	Self-assessment of triple bottom-line governance	Not reported	PR7	Incidents of non-compliance	Zero
Commitments to External Initiatives			PR8	Substantiated complaints on breaches of customer privacy (Additional)	Zero
4.11		76, 78	PR9	Fines for non-compliance	Zero
Governance					
4.1	Precautionary approach.....	104-105			
4.12	External economic, environmental and social charters or initiatives.....	78			
4.13	Industry associations and advocacy organisations	84-85			
Stakeholder Engagement					
4.14 – 4.17	Stakeholder groups engaged, basis for identification, frequency of engagement, response to key topics and concerns raised.....	77 & 84-85			
INDICATORS					
Economic performance					
EC1	Economic value generated and distributed	79			
EC2	Financial implications, risks, opportunities relating to climate change.....	Not reported			
EC3	Defined-benefit plan obligations	80			
EC4	Financial assistance from government	Zero			