

ACT

MASSMART
Dedicated to Value

Sustainability Report 2008



African Childrens Feeding Scheme.
Tshebediswane Primary School Soweto
sponsored by Game

WORKING TO CHANGE FACTS ON THE GROUND

Thinking, acting and implementing
for a better world.

2008

Ranked **first place** in the 2008 FM Top Companies Survey

2008

Achieved Top Performer status in the medium environmental impact category of the JSE Limited's Socially Responsible Investment Index

2008

Winner of the **Best Sustainability Report:** Non-extractive Industries in the Association of Chartered Certified Accountants' sustainability reporting awards

2008

Ranked **Best Performer** in the retail industry in the 2008 FM Top Empowerment Companies Survey

Contents

WORKING TO CHANGE FACTS

ON THE GROUND

We have, as in the case of our four previous sustainability reports, consulted with stakeholders to identify opportunities for improving the transparency and accessibility of sustainability information.

The first significant enhancement has been to publish a separate sustainability report, albeit closely integrated with the financial statements. This has been done to facilitate distribution of our sustainability report to a wider audience.

We have merged quantitative data, including scorecards and objectives, with qualitative data by sustainability topic. This is intended to make it easier for readers to focus only on the data that is of direct interest.

Lastly, we have introduced the Global Reporting Initiative III guidelines in question and answer format, in response to comments that locating GRI III reference within the body of the report, has some difficulties.

Initial focus group feedback has indicated that these changes have improved the accessibility of the information presented in this Massmart sustainability report.

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Letter from the CEO

Massmart's approach to sustainability has matured appreciably over the past 12 months and is exerting increasing influence on the way we do business. We're more alert to the social and environmental implications of our decisions and better able to identify opportunities to make a positive difference. Where previously Massmart might have been content to focus mainly on internal operations, we now appreciate the pivotal role we can play in advocating socially responsible behaviour to our suppliers and customers.

Seeking greater supplier transparency

Massmart is seeking greater transparency from suppliers and asking where merchandise comes from, what it's made of, how it's manufactured and what impact it has on the environment. This is generating new types of supplier partnerships like the Makro/Fujitsu Siemens project we're piloting for electronic waste (e-waste) recycling. Because it's no longer appropriate to simply supply to indiscriminate consumer demand, we're creating awareness about the more responsible product choices available to our customers. We've created the Eco-wise environmental advocacy programme for just this purpose. ▣

Investing in employee wellness

Over the past year, Massmart has also scrutinised internal practices and prioritised health issues affecting employees. An important result has been the extension of our Impilo wellness programme – which includes HIV/Aids treatment – to offer free in-store staff screening for diabetes, cholesterol, tuberculosis, and high blood pressure. We've also introduced more affordable company-subsidised primary health cover for permanent employees unable to afford membership of our other Group health schemes. Organisation's in developing countries like ours have a greater duty of care to employees, so I regard these wellness interventions as among the most vital sustainability initiatives we run. ▣



“We appreciate the pivotal role we can play in advocating socially responsible behaviour to our suppliers and customers.”

Supporting school-feeding schemes

Within the communities we serve, our Group has continued to support education and we're particularly pleased that a portion of each division's Corporate Social Investment spend supports school-feeding programmes. The Game-sponsored container kitchens and Makro's financial support for organisations like the African Children's Feeding Scheme have made an important difference in the lives of disadvantaged learners. I've been fortunate to attend a number of container kitchen handovers and was struck by the impact that corporate South Africa can have on the lives of less well-off citizens. What we saw and learned during one such handover led to an opportunity to expand the Group's school-feeding involvement to include erecting Builders Warehouse-sponsored vegetable tunnels at the schools we support. This will not only improve the quality of nutrition learners receive, but will also introduce the concepts of sustainability into our feeding projects.

Calculating our carbon footprint

While Massmart's primary focus is on the local context, global environmental concerns still remain top of mind. We were pleased to successfully complete a first pass project to calculate the Group's carbon footprint, but weren't surprised to learn that the majority of our greenhouse gas emissions are attributable to energy consumption. As a result, we've renewed our efforts to reduce energy consumption in stores and we're keen to work more meaningfully with suppliers to develop a shared environmental agenda for action. ▣

We balance our successes against the understanding that there's always more we can do to improve our sustainability performance. Massmart is beginning to approach tougher issues with greater confidence, issues like how we can benefit from flexible staffing without marginalising our non-permanent employees and how retailers can distribute sensitive merchandise, such as tobacco products, more responsibly. We will, for the foreseeable future, maintain our focus on improving staff health and welfare, investing in black economic empowerment, minimising environmental impacts and advocating responsible consumerism to customers and suppliers.

Grant Pattison
Chief Executive Officer
September 2008

FURTHER READING

Fujitsu Siemens e-waste recycling	pg 31
Impilo wellness programme	pg 19
Massmart carbon footprint	pg 31

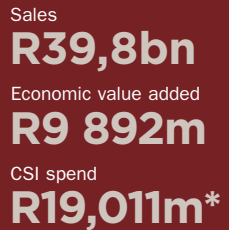
Divisional Sustainability Performance

Massmart Group

The Group is the third largest distributor of consumer goods in Africa, the leading retailer of general merchandise, liquor and home improvement equipment and supplies, and the leading wholesaler of basic foods.

The logo for Massmart, consisting of the word "MASSMART" in a bold, sans-serif font. The "MASS" part is in a dark red color, and "MART" is in a grey color.

Financial highlights,
Economic value added
and CSI spend

A dark red rectangular box containing financial data. The text is white and arranged in a list-like format with labels and values.

Sales
R39,8bn
Economic value added
R9 892m
CSI spend
R19,011m*

Massmart is a managed portfolio of nine wholesale and retail chains, each focused on high-volume, low-margin, low-cost distribution of mainly branded consumer goods for cash, in 14 countries in sub-Saharan Africa through four divisions comprising 242 stores.



* Includes Group, staff and supplier contributions

Sales

R10 407m

Economic value added

R3 210m

CSI spend

R5,3m

Sales

R10 104m

Economic value added

R2 287m

CSI spend

R6,9m

Sales

R5 663m

Economic value added

R1 925m

CSI spend

R0,8m

Sales

R13 610m

Economic value added

R2 520m

CSI spend

R2,9m



84 stores

RSA, Botswana, Namibia,
Mauritius, Mozambique,
Uganda, Zambia, Nigeria,
Malawi, Tanzania, Ghana



13 warehouse clubs

RSA, Zimbabwe



22 stores

RSA



65 stores

RSA, Lesotho, Namibia,
Botswana



6 DionWired

RSA



18 stores

RSA



6 stores

RSA, Lesotho, Namibia,
Botswana



28 stores

RSA



527 member outlets

RSA, Botswana,
Namibia, Swaziland

Sustainability indicators

ENVIRONMENTAL INDICATORS Page 28	Electricity (kW/h)	489 718 020*
	Water consumption in Rands	10 514 897
	Board/paper recycling sites	120*
	CO ₂ (tons) carbon emissions	240 596*
TRANSFORMATION INDICATORS Page 12	Top management	17,8%
	Senior management	28,4%
	Professional qualifications	42,5%
	Technically skilled	73,1%
HUMAN CAPITAL INDICATORS Page 16	Total headcount	27 521*
	Unionised	40,74%
	Investment in staff training	23 700 000*
	Disciplinary hearings	2 651*
	Grievance hearings	144

* Includes Massmart Holdings data

247 991 078	128 305 524	65 442 917	55 371 027
4 364 400	2 052 357	2 195 351	1 902 789
45	13	19	42
117 203	60 988	31 774	29 788
22,22%	13,0%	23,53%	–
46,23%	17,65%	20,41%	19,57%
61,70%	45,63%	33,18%	39,15%
91,88%	74,75%	64,83%	73,78%
12 380	3 390	6 945	4 599
53,54%	58,93%	19 47%	42,67%
4 693 098	7 512 680	7 877 017	2 293 959
915	55	1 512	159
86	23	31	4

Sustainability indicators

CUSTOMER SATISFACTION INDICATORS Page 20	Customers able to make their planned purchase	88,0%
	Satisfied customers	85,0%
	Repeat customers	91,0%
	Customers satisfied with resolution to problems	83,0%
	Customers who feel that products are always competitively priced	81,0%
ETHICS LINE CALLS ANNUAL REPORT 2008	Human resources	170
	Racial	3
	Criminal	65*
HIV/AIDS INDICATORS Page 16	Percentage tested	50,48%
	Prevalence rate	6,04%
	Number of staff on ARV programme	630
	Number of spouses on ARV programme	52

* Includes Massmart Holdings data

Massdiscounters

(General merchandise discounter)



Masswarehouse

Food/liquor/general merchandise Warehouse club discounter



Massbuild

Home improvement retailer and building materials supplier



Masscash

Food wholesaler and buying association



86,96%	82,69%	92,0%	80,0%
88,0%	84,0%	91,5%	83,59%
88,38%	90,0%	92,55%	86,67%
No data	85,38%	57,76%	81,54%
70,92%	82,31%	83,5%	86,92%
85,0	25,0	38,0	22,0
2,0	–	–	1,0
35,0	5,0	13,0	10,0
45,27%	46,15%	68,34%	43,02%
5,4%	4,7%	4,23%	11,6%
217	92	160	261
14	9	12	17

Sustainability Context



Massmart’s sustainability proposition

Massmart’s sustainability proposition has been updated this year (2008) to include reference to customer and supplier advocacy.

Our sustainability proposition is to achieve commercial success by adopting a cost-effective mass distribution business model that 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 involves:

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

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

Managing sustainability at Massmart

Responsibility for monitoring the scope and quality of sustainability practice rests with the Massmart Sustainability Committee which is a committee of the Massmart Board. The committee meets quarterly with the objective of reviewing Massmart’s Socially Responsible Investment Index, Broad-based Black Economic Empowerment, and Sustainability Reporting Performance.

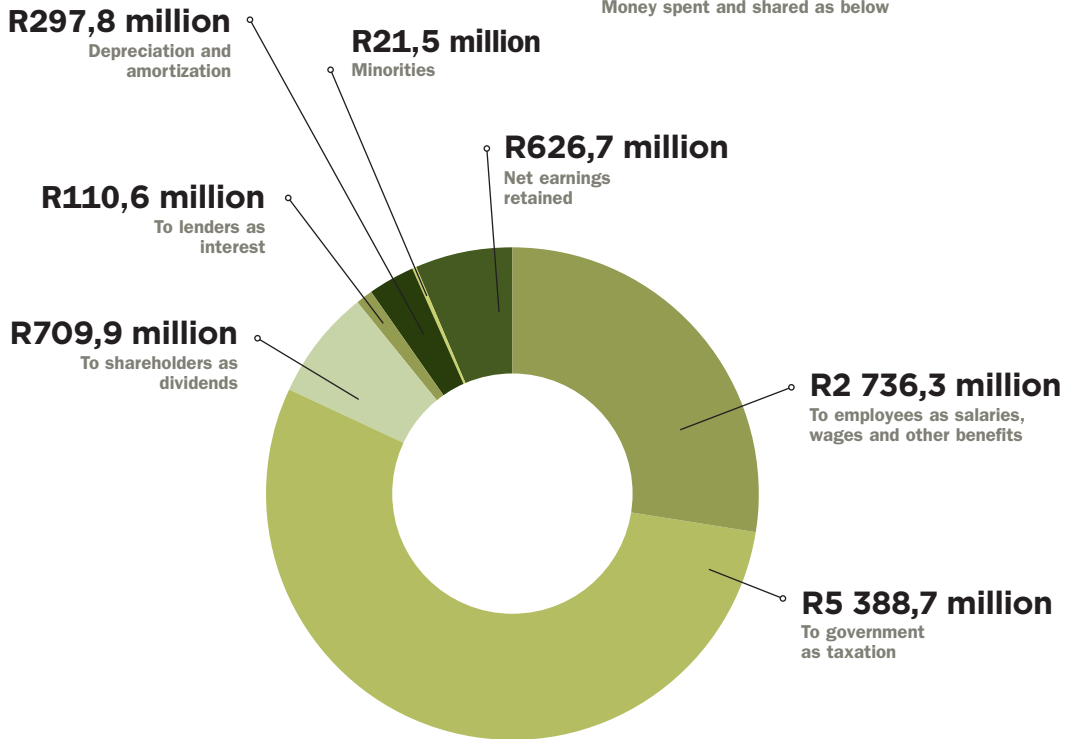
The Group’s annual sustainability priorities are agreed by the Massmart Executive Committee on the recommendation of the Group Corporate Affairs Executive. Implementation is coordinated by the Corporate Affairs Executive who works in close collaboration with divisional line managers. In this sense sustainability practice in the divisions is regarded as a line management function.

We believe that the ultimate measure of our sustainability commitment is our ability to sustainably add exceptional economic value in a way that is responsive to the social and environmental challenges that confront the markets in which we operate.

Our **Economic value added statement** serves as the mechanism for demonstrating the success with which we achieve this, whilst our SRI-Index performance helps us to understand our responsiveness to social and environmental factors.

Economic value added statement

- R44 616,7 million**
Sales, royalties, franchise fees, rentals, management, & admin fees (incl VAT)
- **R32 481,4 million**
Cost of sales
- + **R100,7 million**
Interest and investment income
- **R2 344,5 million**
Net costs of services and other operating expenses
- = R9 891,5 million**
Money spent and shared as below



Stakeholders

IMPACTING

Our stakeholders have a legitimate need for information about our business. We're working hard to understand our stakeholder priorities and respond constructively to achieve mutual commitment to positive and beneficial action.

2008 Stakeholder responsiveness highlights

Stakeholder Priority	Massmart Response
Eskom and the Department of Mineral Affairs and Energy appeal to consumers to reduce consumption of electricity.	Massmart identifies further opportunities to conserve electricity and leverages its marketing materials to promote customer awareness.
Civil society expresses outrage at xenophobic violence and appeals for support to aid refugee relief efforts.	Massmart provides support to a community of 650 refugees in Rabie Ridge.
Government, civil society and organised labour express concern about rising food prices.	Massmart engages pro-actively in National Economic Development and Labour Council (Nedlac) process to identify solutions, and participates in academic and civil society research initiatives.
Department of Health raises awareness of the high incidence of cardiovascular disease, and diabetes.	Massmart increases the scope of its free Impilo wellness programme to include blood screening for cholesterol and diabetes.
Carbon disclosure project launches first CDP report in South Africa (2007) and appeals to listed companies to improve carbon disclosure.	Massmart calculates carbon footprint and participates fully in 2008 CDP submission process.
Special interests and industry bodies highlight need to improve food safety protocols.	Massmart launches programme to extend private label food safety audits to branded food products.
Ethics Institute of South Africa requests assistance to measure ethical practice amongst listed companies.	Massmart agrees, in the context of anti-competitive practices in the food industry, to contribute funds to survey business ethics amongst listed companies.
Direct import suppliers indicate that they have insufficient insight into Massmart's supply chain practices.	Massmart hosts supply chain workshops in Shanghai, Xiamen, Taipei, Hong Kong and Shenzhen with 32 globally based suppliers.
Customers indicate that they have insufficient access to information to enable environmentally friendly shopping.	Massmart designs the Eco-wise customer advocacy programme to improve awareness of environmental purchasing considerations.

2008 Feedback

Improve information available to stakeholders on Massmart website.

We implemented a dedicated Sustainability option on our website that covers key sustainability topics.

Implement real time online accessibility to Massmart bi-annual results presentations.

We implemented web casts for our financial results presentations.

Publish a simplified annual report for staff shareholders.

We launched a financial results feature in *Personal Best*, the Massmart internal news magazine.

2009 Priorities

Reconstitute the Massmart Sustainability Committee to include representation by civil society.

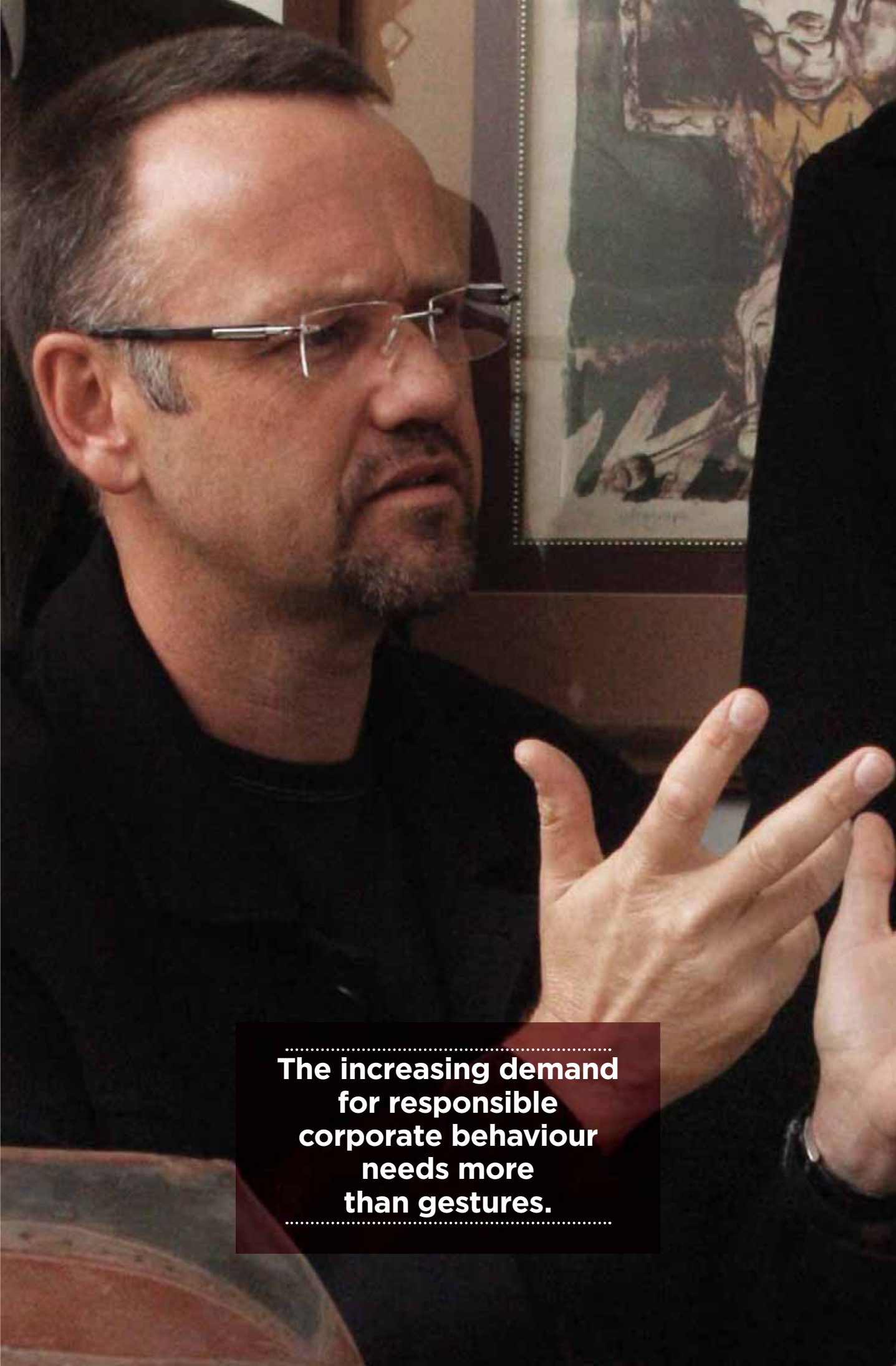
Assist the Ethics Institute of South Africa to launch an Ethics Survey that assesses the ethical practice of South African listed companies.

Workshop the Massmart/UNISA Centre for Corporate Citizenship – Brand citizenship scenarios with key suppliers. 


FURTHER READING 

See **Exchanging ideas with the experts**

pg 11



.....
**The increasing demand
for responsible
corporate behaviour
needs more
than gestures.**
.....



DR NEIL ECCLES

PROF DEREK DE JONGH

MRS RENÉ SWART

MR HERBERT MANTHATHA

.....
**That's why we've helped
structure a programme of
debate with the
experts at UNISA's Centre for
Corporate Citizenship.**
.....

UNISA Centre for
Corporate Citizenship in Pretoria

ACTUALISING

How we engage stakeholders

We proactively contact various stakeholders, individually and collectively, to share information and gain an appreciation for their perspectives. Our correspondents are varied and include government departments, South African legislature, industry bodies, academic institutions and civil society organisations such as WWF, Umsobomvu Youth Fund, WDB, the Ethics Institute of South Africa and the South African Institute of Race Relations.

The more stakeholders we engage, the closer we get to minimising the negative effects our supply chain might have on the societies in which our suppliers and we operate. We do this with the knowledge that just as there will be times when we will be able to change our behaviour, there will be other occasions when we'll be unable to move beyond the status quo.


Exchanging ideas with the experts

Looking for a better understanding of our obligations as a responsible corporate citizen, we established a relationship with the UNISA Centre for Corporate Citizenship in 2007. This year, we've consolidated our partnership by structuring a programme of engagement with their environmental, social development and social investment experts. Our regular roundtable discussions are occasions for robust debate about a wide range of topics from the corporate responses to the energy crisis, food security and xenophobic violence to the merits of outsourcing Massmart's CSI efforts.

Our flagship project has been researching and developing African scenarios for brand citizenship. This initiative, which included funding a project with scenario planners, resulted in a series of workshops and interviews with a cross-section of business and civil society stakeholders to understand good brand citizenship and how to accomplish it.

Working with these stakeholder representatives, we've begun developing a locally relevant definition for meaningful brand citizenship in our business context and we anticipate having findings to share with our suppliers in early 2009.

Working with the Ethics Institute of South Africa

Massmart has had a close relationship with the Ethics Institute of South Africa since 2004. Reviews of the state of ethics within our company are conducted twice annually and recently, we've begun seeking the institute's advice about how to advocate greater external awareness about corporate ethics, especially amongst our supplier base. 

With allegations of price-fixing in the food industry involving certain of our suppliers earlier this year, our discussions with the Ethics Institute took on even greater importance.

We decided to fund, together with the institute, a corporate ethics survey that will enable South African JSE-listed companies to assess their ethical practice relative to their peers.

COUNTERACTING

Tackling ongoing social and industrial challenges

There are issues of immediate national concern that still require solutions, like the current energy crisis. We have made contact with national energy supplier, Eskom, to understand how we could be of assistance by, for instance, leveraging our store network and marketing capabilities to create consumer awareness about ways to reduce household energy consumption. One Eskom-funded campaign we're already involved in is helping consumers replace incandescent light bulbs with more energy efficient compact fluorescent light bulbs.

Another pressing social concern is the high inflation rate, particularly in food. The South African government has established a Food Monitoring Committee to track food pricing and has committed itself to identifying opportunities to minimise the impact on vulnerable people. In this regard, we have participated in the NEDLAC process to work towards an extension of social support for the people most impacted by rising food prices.

A third concern, crime, continues to worry most South Africans. We engage closely with our retail peers, the South African Police Services and industry organisations to fight the scourge, and the Chairman of our Board serves as chairperson of the Business Against Crime initiative.

FURTHER READING

Please see Corporate Governance in the
ANNUAL REPORT 2008

Broad-based Black Economic Empowerment

IMPACTING

Today's South Africans are citizens of a young democracy and every one deserves a dignified and prosperous life. We know meeting this expectation is not only morally right, but also commercially prudent. We're aligning our efforts to the Department of Trade and Industry's BBEEE Codes of Good Practice to ensure we're contributing to a sustainable, fair environment for our business.

Estimated broad-based black economic empowerment (BBBEE) scorecard

Sustainability indicator	2008 (%)	2007 (%)	2006 (%)
Ownership	4,35	4,34	6,0
Management control	5,35	4,31	-
Employment equity	10,98	8,20	6,5
Skills development	5,16	2,20	10,0
Preferential procurement	3,60	4,80	5,1
Enterprise development	15,00	9,82	10,0
Socio-Economic development	5,00	5,0	9,9
Total	49,44*	38,67	47,5

* Source: FM 2008 Top Company Survey

Estimated African, Coloured and Indian diversity profile

Occupational levels	2008 (%)	2007 (%)	2006 (%)
Top management	17,8	13,6	21,0
Senior management	28,4	26,5	28,0
Professionally qualified specialists and middle management	42,5	39,3	43,0
Technically skilled and qualified	73,1	83,4	83,0
Semi-skilled and discretionary decision-making	90,9	90,1	88,0
Unskilled and defined decision-making	98,5	97,5	98,0
Total black permanent staff	83,8	83,4	83,0

2008 Feedback

Increase investment in enterprise development interventions that focus on customers.

Makro created a fund to provide high potential small traders, who otherwise would not have access to credit, with access to unsecured funding to support food procurement from Makro stores.

Implement accelerated payment terms for deserving small and medium black-owned start-up ventures.

Game has implemented a quick payments policy for black-owned non-trade suppliers who were collectively paid approximately R125 million on pre-payment and/or early payment terms.

Develop a self-study retail procurement business guide for small suppliers.


A draft guide was developed but was found, in a small business focus group, to be insufficient. The draft is being enhanced.

2009 Priorities

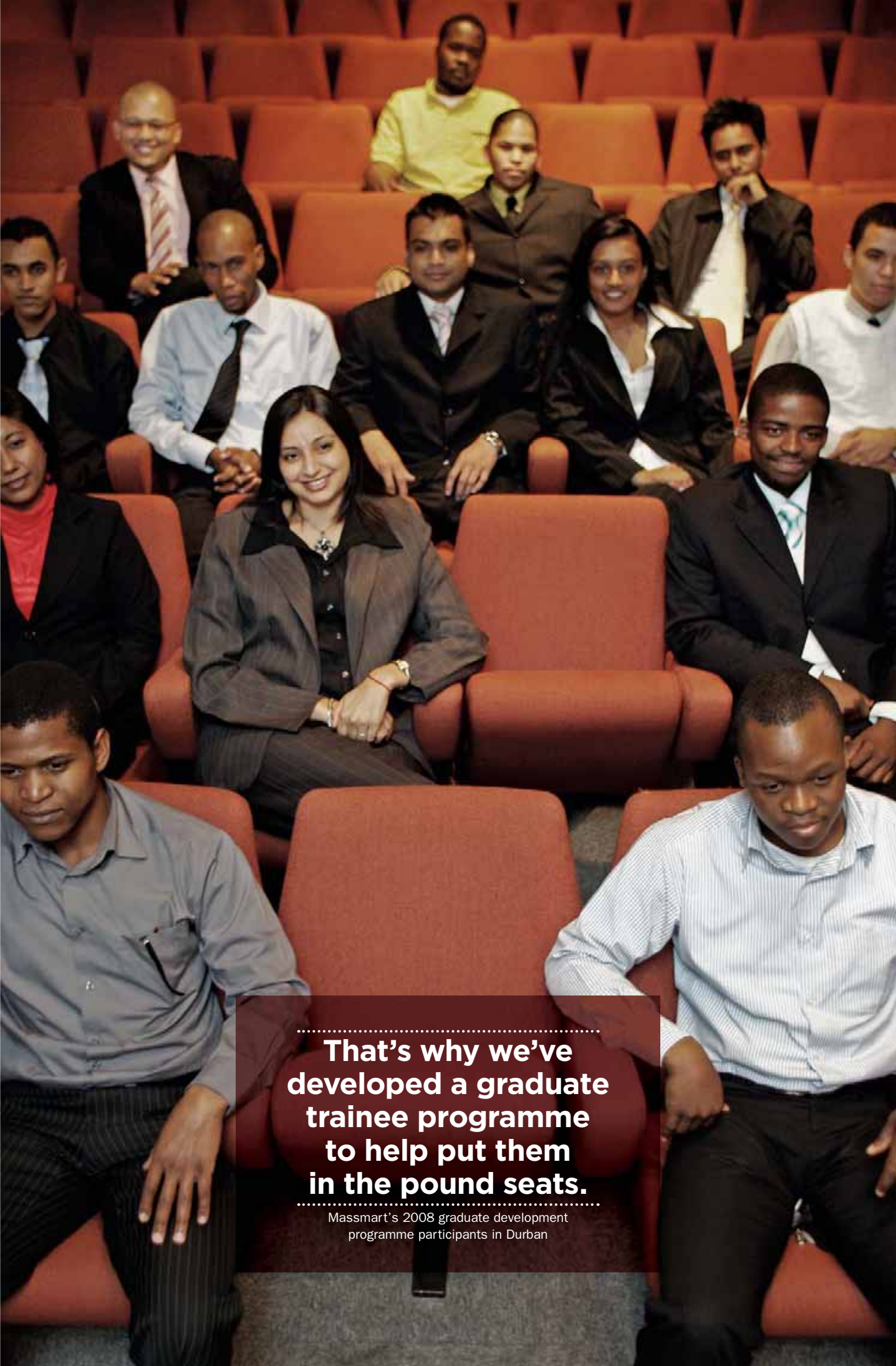
Achieve level six BBBEE contributor status by June 2009.

Launch a group-wide initiative to employ more disabled people, placing emphasis on ensuring that 2% of all permanent employees are black disabled people.

Increase the level of non-trade services procured from majority black-owned suppliers.

A photograph of a row of empty orange office chairs in a classroom or lecture hall. The chairs are arranged in a row, and the focus is on the central one. The text overlay is centered on the chair's seat.

.....
**Increasingly,
new graduates are
facing the empty
prospect of
unemployment.**
.....



.....
**That's why we've
developed a graduate
trainee programme
to help put them
in the pound seats.**
.....

Massmart's 2008 graduate development
programme participants in Durban


ACTUALISING

What we're doing to empower South Africans

We use the DTI's generic broad-based black economic empowerment (BBBEE) scorecard to guide us in making a meaningful contribution that creates more opportunities for black South Africans.

Most important for us is achieving transformation in our own business. Pleasing results in Financial Mail (FM)'s 2008 Top Empowerment Companies survey, in which we were ranked fifth overall on the Employment Equity scorecard element, indicates that we are making steady transformation progress. Five of our 12 non-executive directors are black as are 28% of senior managers, 43% of middle managers and 73% of junior managers.

We have also focused on creating economic opportunities for our employees through their participation in the Thuthukani Employee Share Trust. Black employees own 8,2% of Massmart through the trust, which has already enjoyed a capital growth of 70% since its launch in October 2006. This investment has also collectively earned employee participants R30 363 212,23 in biannual dividends*.

To create more opportunities for black youths not employed within our business, the Massmart/Umsobomvu Youth Development Trust provides access to fast food franchise opportunities in or near our stores. Likewise, our WDB/Massmart Rural Women's Enterprise Development Trust offers female entrepreneurs micro-loans to start up their own businesses in rural areas. 

Our country's most empowered listed retailer

In 2006, we set an internal goal of achieving a self-assessed group BBBEE score of 45% by January 2008. We surpassed this when we achieved 49,44%, and now we're ranked as the most empowered listed retailer in the 2008 FM Top Empowerment Companies survey. Although our BBBEE ranking was high in the retail sector, we're prioritising improving our overall rank of 58th out of all JSE-listed companies.

Up to now, Massmart has relied on a rigorous process of preparing self-assessed scorecards that have been verified by Massmart Internal Audit. Beginning in October 2008, an independent verification agency will be validating our scorecard results. This decision comes before the finalisation of government policy on the South African National Accreditation System (SANAS) accreditation of BBBEE verification agencies. We hope this will serve as an example to our suppliers, many of whom cite the lack of SANAS accreditation of verification agencies as a reason for not submitting BBBEE scorecards.

Solid foundations for equitable employment

Our experience has shown us that two of the best ways to achieve employment equity are by investing in internal management development and by employing and training newly qualified black graduates.

Through our Graduate Development Programme, we identify qualified but inexperienced graduates for development in our business. For them, it's invaluable retail experience; for us, it's an opportunity to get talented young people excited about building retail careers within our business. So desirable have our graduate trainees become, in fact, that our operating divisions compete to retain the graduates they've trained within their chains.

Launched with an initial intake of 22 graduates in January 2007, the programme now hosts 40 graduates with plans in place for a further 35 by January 2010. We regard this as one of the BBBEE initiatives that has delivered the greatest value to Massmart.

Advocating supplier support for BBBEE

The success of BBBEE requires that each South African business encourages its partners to make a meaningful and authentic contribution. During the past three years, we've placed great emphasis on encouraging BBBEE compliance among our established supplier base and while our past experience has been that supplier commitment has been slow, our more recent findings suggest that more suppliers are starting to rise to the occasion by sharing their BBBEE progress with us.

Companies like Clover SA, Engen Petroleum, Eveready SA, Kimberley-Clark, Nestlé, Oceana Brands, Premier Foods, Parys Biltong, Ruto-Mills, Tongaat-Hulett, Tiger Brands, Unilever SA and Brand House deserve mention for their achievement of BBBEE scores between 45% and 75%**.

COUNTERACTING

The worrying lack of black-owned suppliers

Massmart distributes branded consumer goods that are known to and demanded by South African consumers. Typically these goods are produced through capital intensive manufacturing processes, enjoying significant brand building support and are competitively priced. As a consequence, it's difficult for new entrants to compete in these markets and this has limited the number of meaningful transactions we've made with black-owned suppliers of merchandise. We're not sure how to resolve this situation, therefore our current perspective is to remain alert to opportunities with black merchandise suppliers, whilst focusing more effort on opening opportunities for black non-trade services suppliers.

* As of Massmart shares closing price on the JSE on 8 September 2008

** Accurate at time of writing

FURTHER READING

Please see **Improving employability** for more details on WDB.

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Human Capital

IMPACTING

Our employees are provided with the opportunity to earn competitive rewards and continuously develop their talents in a supportive work environment where maximum emphasis is placed on maintaining individual dignity. We have a demanding work ethic and our employees are cognisant of the level of performance required for their own and our Group's continued success.

Employment practices scorecard [VERIFIED]

Sustainability indicator	2008	2007	2006
Total employee headcount	27 521	26 744	24 754
% permanent employees	63,69	61,0	64,3
% flexitime employees	36,31	39,0	35,7
% unionized employees	40,74	41,2	41,1
% black (ACI) employees	81,81	83,8	83,4
% black (ACI) managers and professionals*	77,9	63,0	61,0
Minimum average group wage (R)	2 040	1 373	1 300
% employees on medical schemes	25,86	22,7	22,6
% HIV/Aids prevalence	6,04	7,1	6,2
% employees on retirement plans	96,55	98,6	93,8
Investment in staff training (internal and external) (Rm)	23,7	20,9	16,6
Work days lost to industrial action	467	124	119
Disciplinary hearings	2 651	1 781	1 602
Grievance hearings	144	220	144
% staff turnover	18,96	13,1	17,4
% resignations	10,09	9,3	8,2
% dismissals	0,30	3,4	2,5
% other (eg retirement, retrenchment)	3,69	2,4	2,1

* Growth from 2007 attributable to inclusion of supervisory managers

2008 Feedback

Implement affordable health care programmes for employees.

We launched the OCSA Care occupational health product which offers affordable company-subsidised primary health cover to employees by providing access to the CareCross medical practitioner network.

Accelerate the pace of transformation and implement diversity training.

We've implemented diversity training at executive and senior management level in all divisions. Transformation highlights included being ranked fifth in the employment equity standings in the 2008 FM Top Empowerment Companies survey.

Improve quality of group-wide human resources reporting.

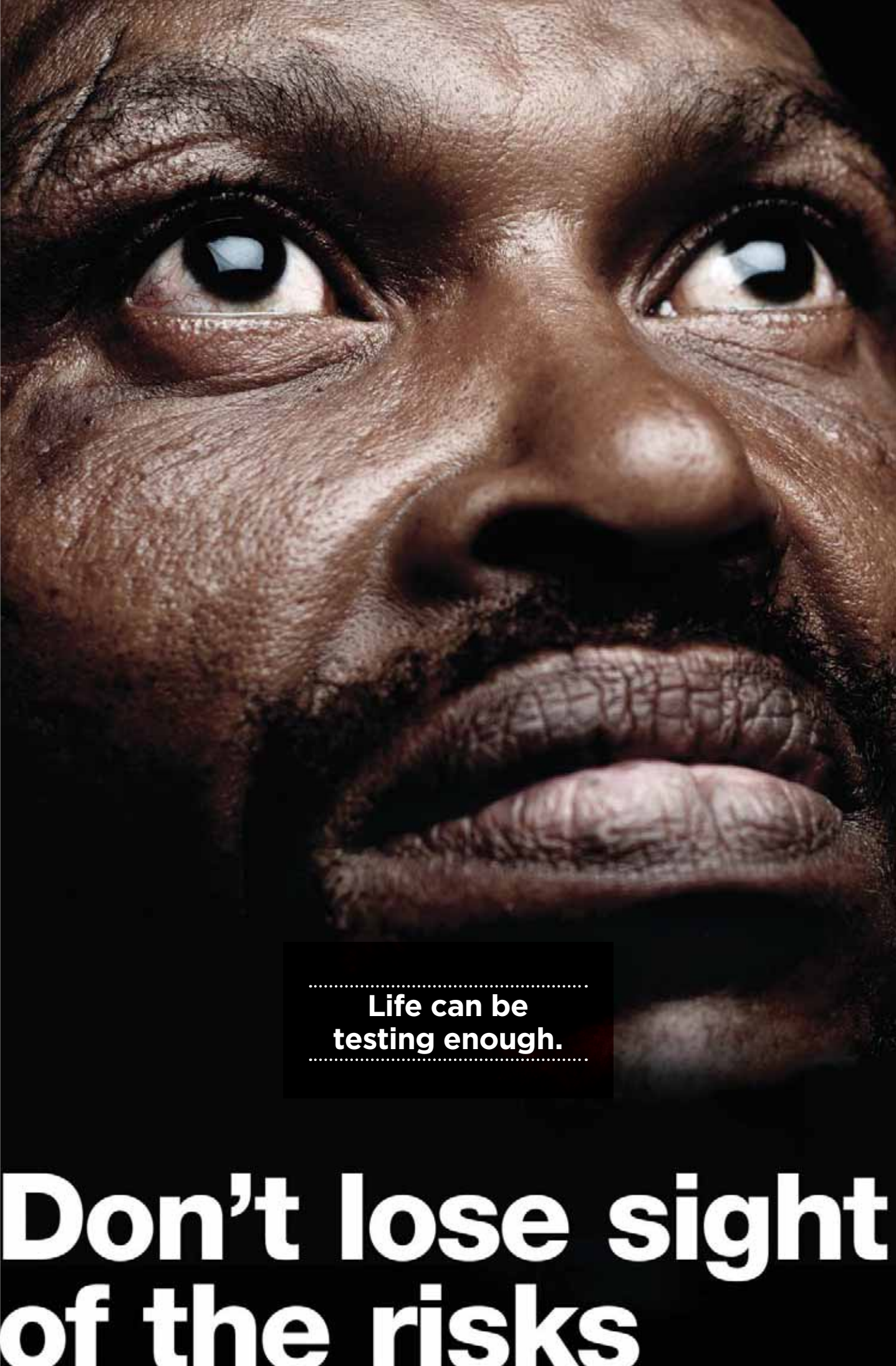
We initiated an information technology project to standardise divisional personnel reporting systems and extend the scope of our human resources management reporting.

2009 Priorities

Engage specialists to conduct a strategic workforce planning exercise to develop an integrated perspective of the development needs of our employees.

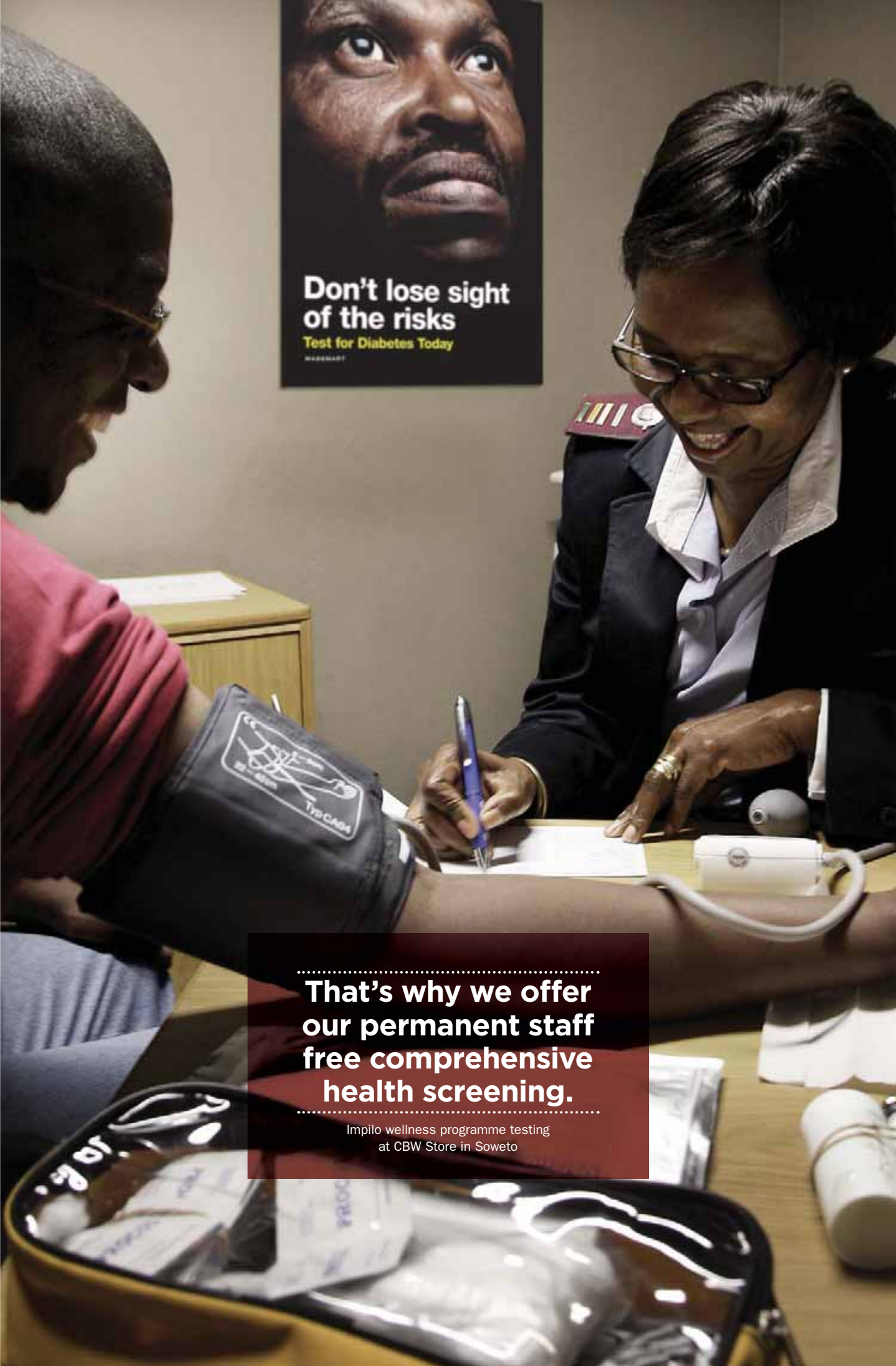
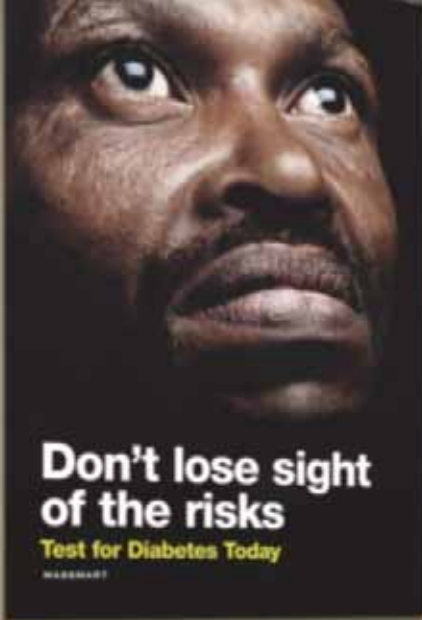
Gain insight into social impacts on employees by conducting an employee social living standards survey.

Pilot test government sponsored TB treatment protocols for employees.



.....
**Life can be
testing enough.**
.....

**Don't lose sight
of the risks**



**That's why we offer
our permanent staff
free comprehensive
health screening.**

Impilo wellness programme testing
at CBW Store in Soweto

ACTUALISING

How we ensure a healthy, productive workforce

Our ability to attract and retain the right people to work with us in a challenging, low-cost retail environment is fundamental to our business success. It requires that we offer our employees rewarding retail careers in a safe and healthy workplace where they can develop their talents and progress their careers, and where emphasis on affirmative action practices ensures equality.

At times, we take our human capital management practices further than some of our peers in developed countries, particularly in the area of health care. Our provision of free anti-retroviral treatment for our HIV-positive permanent staff members and their spouses, together with other ongoing initiatives to make affordable primary health care available to our staff, help bridge the gap for employees who need health care support, but find little within their price range available on the market.

Making employee wellness affordable


Our employees drew our attention to the fact that long queues and unreliable diagnosis of ailments at public health care facilities has made access to quality primary health care difficult. This knowledge, together with our concern about the low percentage of staff members who benefit from company subsidised medical aid schemes, led us to introduce more accessible medical cover. The recently launched OCSA occupational health product provides employees, who have historically relied mainly on public health services, with access to a network of private CareCross doctors for basic dentistry, optical care and chronic medication at affordable rates paid in part by Massmart.

Health care issues in developing countries are numerous and any company reliant on a healthy workforce in South Africa must implement additional workplace-based interventions to address the growing pressures of diseases like HIV/Aids. Our Impilo wellness programme has implemented one of the most comprehensive corporate HIV/Aids prevention and treatment programmes in the country. We're pleased that as many as 17 217* HIV tests (including repeated tests) have been conducted since we launched voluntary testing in the Group.

Notwithstanding the devastating impact of HIV/Aids on our society, there are other illnesses that can, if not diagnosed and treated early, lead to poor quality of life and lowered life expectancy. It is estimated that one in five South Africans have diabetes**, but many go undiagnosed and without treatment. To help ensure none of our employees become part of these statistics, we've extended our Impilo wellness programme to include free annual check-ups for early diagnosis of high cholesterol, high blood pressure, unsafe blood sugar levels, obesity and, at larger sites, eye screening.

Access to these services is optimised through clinics run on location and staffed by external health care professionals. We also provide free access for employees to Impilo's 24-hour telephone helpline for professional medical advice.

Growing retail knowledge in SA

South Africa's well-documented skills shortage affects the retail sector in the scarcity of experienced buyers, planners, business analysts and senior executives. To grow our own retail skills pool, we've launched a corporate place of learning. The Massmart Corporate University grows experienced career retailers to contribute significantly to Massmart, to the local industry and, in fact, to retailing anywhere in the world. Our training is offered with employment equity in mind, and our equity figures reflect this. 

This virtual university consists of the Massmart School of Leadership Development, the School of Retail Excellence and the School of Management Development. Courses are run in conjunction with GIBS, UCT, Harvard, the Centre for Creative Leadership and the University of Stellenbosch, and our executives make annual visits to the Sam M Walton College of Business to learn Wal-Mart mentored international best practice. We believe all our courses strengthen our knowledge base and contribute to Massmart's distinctive high performance culture.

COUNTERACTING

Balancing our staff commitments against best practice

Retailers globally rely on flexitime staff scheduling to minimising store operating costs and meet quiet and peak trading requirements. In many instances, employees working these shifts don't qualify for the same benefits as their permanent colleagues. While we have not resolved the issue within our own organisation, we are looking for ways to extend permanent staff benefits to semi-permanent employees without compromising the intrinsic operational benefits of flexitime staffing practices.

* As of June 2008

** Source: Diabetes South Africa

FURTHER READING



Please see **BBBEE** for further details.

pg 12

Customers

IMPACTING

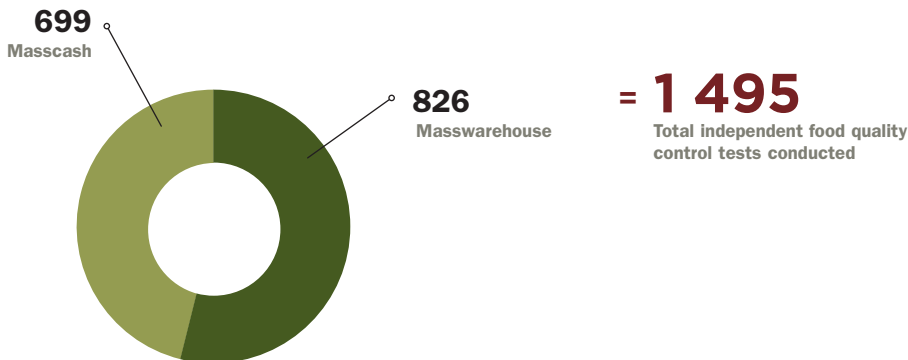
Retaining and growing our customer base while bearing social and environmental challenges in mind is key to the sustainability of our business. This requires that we not only satisfy our customers' needs for quality and value, but that we also make a conscious effort to nurture responsible consumerism by empowering shoppers to make informed merchandise choices.

Customer satisfaction scorecard

Sustainability indicator	2008 (%)	2007 (%)	2006 (%)
Massmart shoppers who were able to make their planned purchases in Massmart stores	88,0	78,0	85,0
Shoppers who were totally or quite satisfied with the shopping experience in Massmart stores	85,0	76,7	93,0
Shoppers who indicated that they would repeat shopping at Massmart stores	91,0	89,0	98,0
Customers who were satisfied with the resolution to problems raised with the store	83,0	76,6	73,0
Customers who feel that the prices of products are always competitive at our stores	81,0	71,6	-

* Excludes data from Massdiscounters

Independent food quality controls tests conducted (July 2007-June 2008)



2008 Feedback

Review the social proposition underpinning selected Massmart merchandise brands.

We focused on private label products and resolved to test a process to conduct independent reviews of the sustainability practices of direct import suppliers.

2009 Priorities

Implement the Eco-wise customer advocacy programme in at least three general merchandise categories.

Implement a Massmart-managed call centre to enhance customer support for our Trojan private label.

Prepare the Group for compliance with the principles proposed in the Consumer Protection Bill.



.....
**Consumers have the
right to expect that
the food they buy is
not only healthy,
but manufactured and
packed hygienically.**
.....



.....
**That's why we've
made food safety
a bread and
butter issue.**
.....

Food Consulting Services (FCS)
laboratory in Midrand

ACTUALISING

What we're doing to safeguard our customers

Our profitability depends on our reputation with our customers, the majority of whom are within the Living Standard Measure (LSM) 4 to 10 brackets. We do our utmost to provide good customer service, to safeguard our customers and their possessions in our stores and to remedy shortcomings if our products or services fall below the standards to which we hold ourselves.

We recognise our duty of care to distribute goods that meet stringent quality and safety standards. In the case of some products, we're now moving beyond relying purely on supplier quality assurance and have started verifying quality standards ourselves.

Although Massmart will always be a low-cost mass merchant of mainly branded consumer goods, we want to do more than simply react to changing customer attitudes toward social and environmental issues. We're developing strategies to advocate more responsible consumer behaviour by increasing the selection, visibility and promotion of branded merchandise with socially responsible attributes and associations in our stores. **D**

Extending food safety assurances

The South African Department of Health reported in its 2007 review that as many as 1 886 cases of food poisoning and 51 deaths from eating contaminated or spoiled food occurred between 2001 and 2005.

As retailers, we have a responsibility to ensure the safety of the products we sell in our stores. Because most of the food we distribute is branded merchandise we, like many of our retail peers, have relied on our suppliers to ensure their foodstuff meets expected safety specifications.

During the much-publicised discovery of illegal dye Sudan Red in certain branded food products in 2005, we started rethinking the merit of this approach and began to ask our suppliers for additional quality assurance. We have subsequently decided to take the process even further and have just begun applying the same testing we have always used for our private label food products to nationally branded goods, starting with high-risk perishables. Key to this process is the implementation of random audits to help ensure that all relevant health and safety requirements are being met by food manufacturers. To further emphasise the value we place on food safety, supplier membership of the Consumer Goods Council of South Africa's (CGCSA) Food Safety Initiative will be a condition for trade with Massmart from 2009.

Reacting quickly to in-store incidents

When it comes to safety, we recognise the importance of ensuring the physical safety of our customers, staff and trading partners in our stores.

Our high-volume merchandise model means our stores are always well-stocked with merchandise, often stored above head level. Forklift operations are common in our Masscash, Massbuild and Masswarehouse divisions so ensuring the safety of the thousands of customers who pass through our doors on a daily basis is challenging.

Daily in-store safety checks, strict adherence to safety protocols and biannual safety audits keep us focused on in-store safety. Our success at operating safely in this high-volume environment is demonstrated by our estimate that one safety incident occurs for every 1.9 million customer transactions. This statistic is monitored closely within the divisions and on a group-wide basis to allow early detection of any increase in incidents. During a routine review of public liability incidents in 2007, we were concerned by an increase in the number of serious injuries to customers by falling merchandise. Our CEO initiated a full store safety review to re-examine licensing of forklift drivers, the effectiveness of our forklift safety procedures, the assessment of merchandise stacking and storage protocols and the upgrading of our first response protocol to customer injury.

A key principle of this review was emphasising to store managers that they are expected, regardless of where perceived liability lies, to ensure anyone injured in our stores receives high quality medical care both in-store and after transfer into the hands of qualified medical practitioners.

To this end, our emergency response policy gives store managers full discretion to contract private medical care for injured customers and commits them to providing post-incident support including trauma counselling for family members and child care assistance for children of injured parties, and facilitating public liability insurance claim applications where appropriate.

COUNTERACTING

Responsible distribution of merchandise

Although we have increased the intensity of our focus on the health and safety aspects of the goods we sell, it is important to appreciate that some merchandise, like tobacco products have negative health effects. The distribution of these products presents a dilemma which we attempt to resolve by committing to sell these products in a responsible manner and in strict accordance with the letter and spirit of the law. We continue to debate the merits of moving beyond this position to define and adopt additional voluntary codes of conduct that move beyond legislated standards.

FURTHER READING **D**

See **Making customers Eco-wise**

pg 31

Suppliers

IMPACTING

We strive to provide our suppliers with a reliable, highly competitive channel to sub-Saharan African markets in a manner that balances our commercial imperative with our commitment to responsible business practice. It is material to our long term sustainability to encourage suppliers to embrace responsible business practices.

Supplier satisfaction scorecard

Sustainability indicator	2008	2007	2006
Total number of listed merchandise suppliers	8 677	9 390	-
% favourable supplier perceptions of Massmart distribution channel efficiency	53,0	92,0	100,0
% favourable supplier perceptions of Massmart stewardship of their brands	67,0	71,0	91,0
% favourable supplier perceptions of Massmart responsiveness to market opportunities	67,0	71,0	97,0
% favourable supplier perceptions of Massmart fairness in procurement negotiations	63,0	67,0	94,0
% favourable supplier perceptions of Massmart ethics	77,0	88,0	100,0

Group procurement statistics

2008	Number of vendors	Procurement value (Bn)
Local procurement	3 689	33,6
Direct imports	243	1,6

2008 Feedback

Explore implementation of enhanced product assurance protocols for products sourced directly from the Far East.

A process has been formulated to enhance the quality assurance process for foreign-based suppliers. The process will involve launching an independent quality verification initiative covering selected private label products.

Conduct workshops with Chinese-based direct import suppliers to address supply chain inefficiencies and legislative compliance.

We hosted workshops in Shanghai, Xiamen, Taipei, Hong Kong and Shenzhen with 32 of our suppliers who represent 68,9% of our import volume.

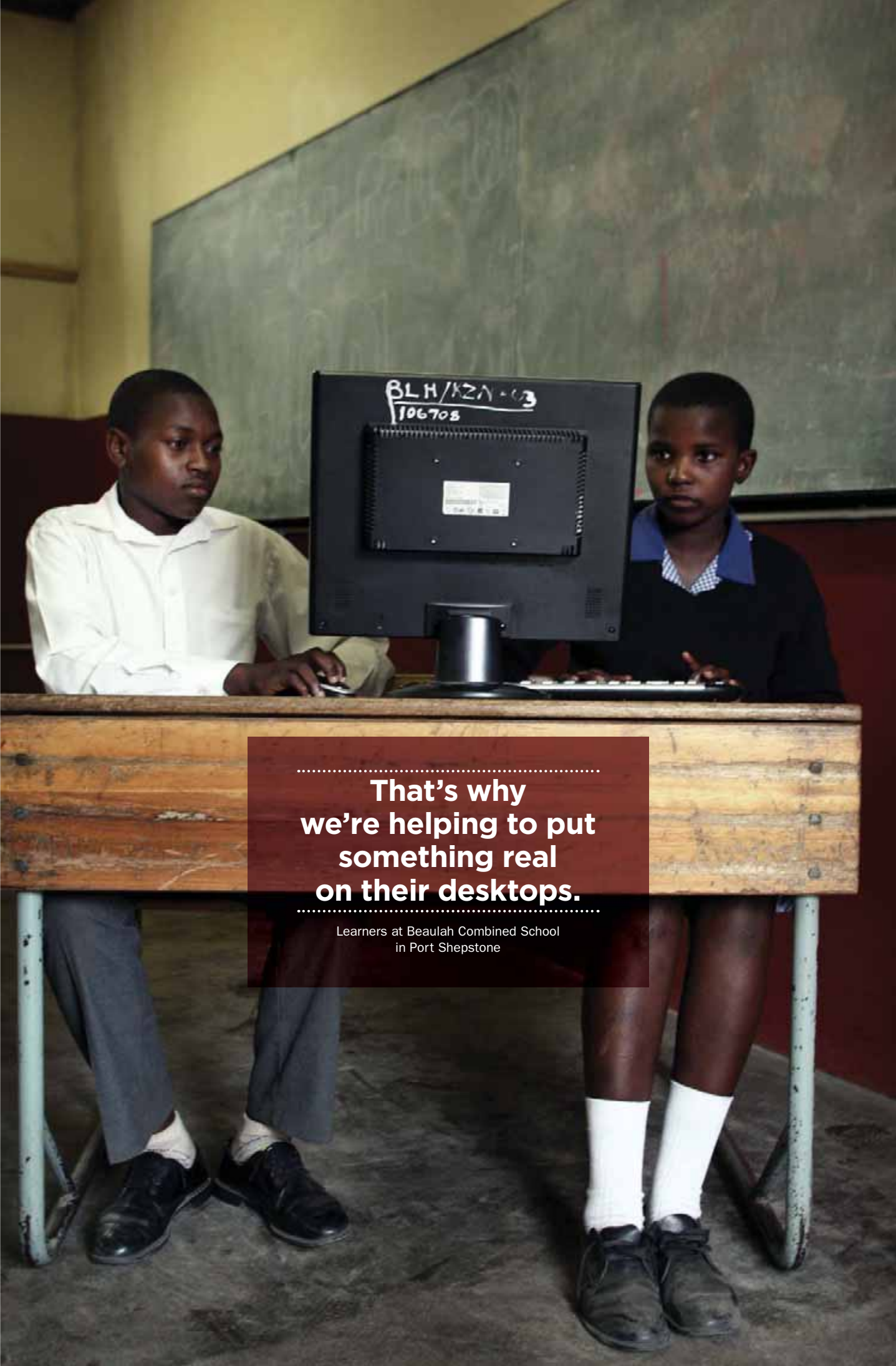
2009 Priorities

Appoint an external specialist to conduct a pilot Social Sustainability Audit of selected Garden Master private label suppliers based in the Far East.

Appoint an external specialist to conduct ongoing independent quality assurance of selected Garden Master and Trojan private label products sourced from the Far East.



.....
**There are far fewer
prospects for children
left behind by the
high-tech revolution.**
.....



.....
**That's why
we're helping to put
something real
on their desktops.**
.....

Learners at Beaulah Combined School
in Port Shepstone

ACTUALISING

Building sustainability into our supply chain

We are increasingly finding common ground with responsible suppliers. Many of them are as concerned as we are by the environmental challenges facing our planet, the need to create an equitable post-apartheid society and the need to improve the lives of the poorest South Africans. This shared understanding builds stronger commercial relationships in non-confrontational circumstances where the common good is the common goal.

As our relationships with suppliers evolve, we will increasingly make use of procurement policies that reinforce our preference for doing business with responsible companies. These are suppliers who demonstrate their willingness to build the principles of corporate responsibility into their pursuit of commercial success.

Social upliftment in partnership with like-minded suppliers

It is estimated that there are 1,7 million children orphaned by Aids in South Africa, and many are HIV-positive themselves. It's essential to improve the quality of life for these children which is why we donated R1 000 000 to Aids charities such as Starfish Foundation and Tomorrow Trust during 2008.

We have discovered that we share common ground with a number of our suppliers who have similar concerns about the impact of HIV/Aids. We have therefore sought to work with these suppliers outside the parameters of our commercial relationship and in the interests of the social good. One ongoing example is the response we'd had to a request from a non-profit condom supplier, Society for Family Health, for favourable trading terms to enable them to bring affordable condoms to market.

Another opportunity involves partnering with suppliers who encourage staff volunteerism through a policy of staff volunteer days. For example, when our brand development consultants, HKLM, undertook a staff volunteerism project to build a playground for children living with Aids at the Cotlands abandoned and vulnerable baby sanctuary, we agreed to donate the merchandise required to implement the project.

By the same token, when one of our staff members was approached by Beaulah Combined Primary School in Oshabeni on the Natal south coast for assistance in equipping a computer centre, our team turned to Fujitsu Siemens for assistance. Their response was to equip the school with a full computer centre – another good example of how a shared sense of compassion between two corporate entities can improve the lives of others. There is more to these opportunities than just doing good. They also build mutual respect and a sense of shared agenda with business partners beyond the tension that can sometimes characterise purely commercial relationships.



Fujitsu Siemens sponsored a Computer Centre at the Beaulah Combined School in Port Shepstone.

Rejecting uncompetitive practice

Despite our desire to work with like-minded suppliers in the interests of social upliftment, there are times when the business community, through its actions, damages public perceptions and increases public cynicism. We were therefore dismayed at the price-fixing allegations that implicated some of our key food suppliers, not only because such activity is morally indefensible in the context of food security in South Africa, but also because it raises questions about the integrity of their negotiations with us. Retail is a fiercely competitive industry and while it is difficult for individual retailers to censure suppliers who engage in uncompetitive practice, we applaud the Competition Commission's efforts to do so.

COUNTERACTING

Better informed for a global supply chain

Like all large retailers, our stores carry products procured from all over the world. Manufacturing practices in other countries do not always comply with global environmental and human rights standards and we worry about the risk of inadvertently procuring product from suppliers who don't comply with accepted standards of conduct. While our suppliers are required to demonstrate their efforts to comply with a variety of corporate responsibility standards, we recognise that we have the option of assuming a bigger role in monitoring their actual compliance. With this in mind, we have decided to explore opportunities to introduce a third-party human rights and environmental verification process for a selection of products that are imported directly by Massmart.

Environment

IMPACTING

We agree with the experts that there is a need for governments, individuals and businesses to be aware of and to make every effort to minimise the greenhouse gas emissions that are linked to climate change. As retailers, we have a pivotal role to play by encouraging environmentally responsible behaviour by our suppliers and our customers.

Environmental scorecard

Sustainability indicator	2008	2007	2006
Water consumption (R)	R10 514 897	R9 337 160	R9 745 654
Electrical consumption (kW)	253 949 546*	–	–
Sites with board recycling programmes	120**	159	137
Supplier environmental surveys conducted	28	14	8
Environmental partnerships with suppliers	3***	–	–
Greenhouse gas emissions	240 596 metric tons of CO₂	Unknown	Unknown

* Reported in Kilowatts not Rand value

** Excludes plastics recycling which was included in 2007

*** Osram - CFL recycling, Uniross - battery recycling, Fujitsu Siemens - E waste bin

Maplecroft Climate Change Vulnerability Index

Country in which Massmart has a presence	Mean Climate Change Vulnerability Index (CCVI)	Mean CCVI economy sub-index
Botswana	4,01 High risk	4,60 High risk
Ghana	3,99 High risk	2,89 High risk
Lesotho	3,18 High risk	2,82 High risk
Malawi	3,18 High risk	1,78 Extreme risk
Mauritius	Unknown	Unknown
Mozambique	3,73 High risk	2,92 High risk
Namibia	3,68 High risk	4,77 High risk
Nigeria	3,18 High risk	2,87 High risk
South Africa	4,27 High risk	4,47 High risk
Tanzania	3,20 High risk	2,45 Extreme risk
Uganda	2,68 High risk	2,20 Extreme risk
Zambia	3,75 High risk	2,36 Extreme risk
Zimbabwe	2,87 High risk	2,61 High risk

Key

0 to 2,5 Extreme risk

2,5 to 5 High risk

5 to 7,5 Medium risk

7,5 to 10 Low risk

Source: Maplecroft Climate Change Risk Report; www.Maplecroft.com.

Interpretation Note: The economy sub-index refers to the risk posed by climate change to the economy of the country.

2008 Feedback

Create a buyers' guide to responsible procurement.

We developed and published "The Green Book of Answers, Massmart's Buyers' Guide to Choosing Environmentally Friendly Products".

Engage with willing suppliers to explore ways to reduce packaging waste.

We were unable to enter into a packaging rationalisation partnership. We will maintain this focus in 2009.

Pilot test interventions to help customers make environmentally friendly purchasing decisions.

We researched and developed the Massmart Eco-wise customer advocacy programme.

2009 Priorities

Improve the accuracy of reporting to the Carbon Disclosure Project, focusing on Scope three emissions relating to air and car rental travel.

Engage an environmental specialist to conduct an environmental risk assessment of our merchandise assortment.

Interact with willing suppliers to develop an environmental agenda for action that focuses on shared environmental priorities in our supply chain.



.....
**Every year, more than
50,000 tons of
toxic electronic goods are
thrown away in
South Africa, but not
always in the right places.**
.....

.....
**That's why at Makro
we're offering to take
back our customers'
e-waste for recycling.**
.....

Fujitsu Siemens e-waste pilot project
at Makro in Woodmead



ACTUALISING

How we're addressing environmental sustainability

From our position within the supply chain, we look for opportunities to work as advocates for positive environmental change. The environmental impacts associated with our supply chain are many times greater than those related to our own operations, so we believe it's in positively influencing our customers and suppliers that we can make the biggest difference.

To understand the impacts better, we survey the environmental practices of our key suppliers and gauge the environmental attitudes of our customers. We also engage suppliers about the environmental commitments they can make and we are talking to our marine and timber products suppliers about their capacity to achieve Marine Stewardship and Forest Stewardship Council certification*.

Furthermore, we've committed to exploring partnerships with environmentally progressive suppliers to tackle other big concerns. To reduce electronic waste, recognised as the world's fastest-growing waste category, we're piloting an e-waste take back programme with Fujitsu Siemens. To promote environmentally responsible product choices, we're running more environmentally focused customer promotions on merchandise like thermal geyser blankets, compact fluorescent light bulbs, solar water heaters and low volatile organic compound paints, to name a few.

Procuring greener goods

Supply chain environmental advocacy starts with identifying appropriate merchandise. To help our buyers advocate responsible environmental practice by suppliers, we've published a self-help book that encourages both parties to get more involved. The Green Book of Answers provides Massmart's buyers with a tool to navigate their way through environmental facts and understand the negative impacts relevant to particular product categories. Better informed buyers make better environmental advocates, so the book focuses on five big environmental questions:

1. Can suppliers provide evidence of traceability to source for the raw materials used in their products?
2. Have suppliers implemented an environmental management system to minimise the negative environmental impacts of their operations?
3. Have suppliers considered the environmental impact of their product design?
4. Have suppliers considered the environmental impact of their product packaging?
5. Have suppliers made an effort to disclose relevant environmental information about their products to consumers?

Making customers Eco-wise

The next step in effective advocacy is communicating environmental responsibility to our customers. While appreciative of South Africa's natural resources, environmental issues do not rate high on the list of priorities for many South African shoppers.

The results of our customer surveys reveal that awareness of environmentally responsible consumerism is relatively low, so we're developing promotional material to place these considerations top of mind.

Thus, our Eco-wise initiative, is being developed to make it easier for environmentally aware consumers to support progressive suppliers. By highlighting products that have achieved specified externally accredited environmental standards such as Forest Stewardship Council (FSC) certification, for example, we hope to make environmentally responsible choices more visible in our stores*.

Participating in the Carbon Disclosure Project

We appreciate that we can't advocate responsible behaviour if we don't demonstrate a willingness to change our own behaviour, so while our greatest contribution may be in supplier and customer advocacy, we also look for ways to improve our own performance.

Massmart recently contracted environmental specialist, Sustbrands, to measure exactly how much greenhouse gas our operations emit. This was a precursor to our participating in the 2008 Carbon Disclosure Project and confirmed that scope two indirect emissions attributable to energy used in our stores is our biggest source of greenhouse gas emissions.

Our carbon footprint measurement project also revealed that our low cost business model is beneficial for the environment because it encourages efficient energy consumption. We estimate that the Group consumes 247kW of power per square meter of operational space per year. This compares favourably to a benchmark range of 230kW/m² to 300kW/m² for non-food retailers in the European Union.**

COUNTERACTING

Challenges still to tackle

One dilemma mass merchandisers like ourselves face is distributing goods that are not as environmentally friendly as they could be, but for which there is demand like pesticides, pool chemicals, disposable batteries, computers and chrome plated goods. We're not sure how to approach this issue, but have made a start by seeking the expertise of external consultants to identify products that are potentially environmentally sensitive and to help us find solutions by, for example, improving on-pack environmental disclosure.

* To be implemented fourth quarter 2008

** European Union non-food benchmarks provided by UNISA Centre for Corporate Citizenship

Corporate Social Investment

IMPACTING

There are commentators who believe that it is enough for business to pay taxes, and that social upliftment is a distraction from business that should be the responsibility of the state. We disagree. It is clear to us that it requires the combined resources and expertise of both the private and public sector to overcome the social impoverishment caused by South Africa's Apartheid legacy.

Corporate Social Investment (CSI) scorecard

Sustainability indicator	2008	2007	2006
Total Group CSI spend including staff and supplier contributions (R)	19 011 175,83	11 511 509,84	10 581 877
Total Group CSI spend less staff and supplier contributions (R)	16 664 391,64	9 805 384,58	8 097 368
Total Group spend as a % of profit after tax	1,2	1,1	1,6
Massmart Holdings (R)	778 741,65	1 533 258,31	736 593
Massdiscounters (Dion and Game) (R)	5 300 000	3 399 996	3 422 450
Masswarehouse (Makro) (R)	6 897 874,52	1 433 952	1 419 291
Masscash (CBW, Jumbo and Shield) (R)*	2 916,283	2 037 360,27	1 301 323
Massbuild (Builders Warehouse) (R)	771 492,47	1 400 818	1 217 711
Staff, customer and supplier contributions (R)	2 346 782,19	1 706 125,26	2 484 509

2008 Feedback

Establish a centrally coordinated national school-feeding scheme.

We have implemented and applied standards which require all divisions to contribute a portion of their CSI spend to school-feeding projects.

Implement a programme to raise awareness about missing children.

All editions of our internal magazine, which is distributed nationally to 17 000 readers, now feature photographs and details of missing children.

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

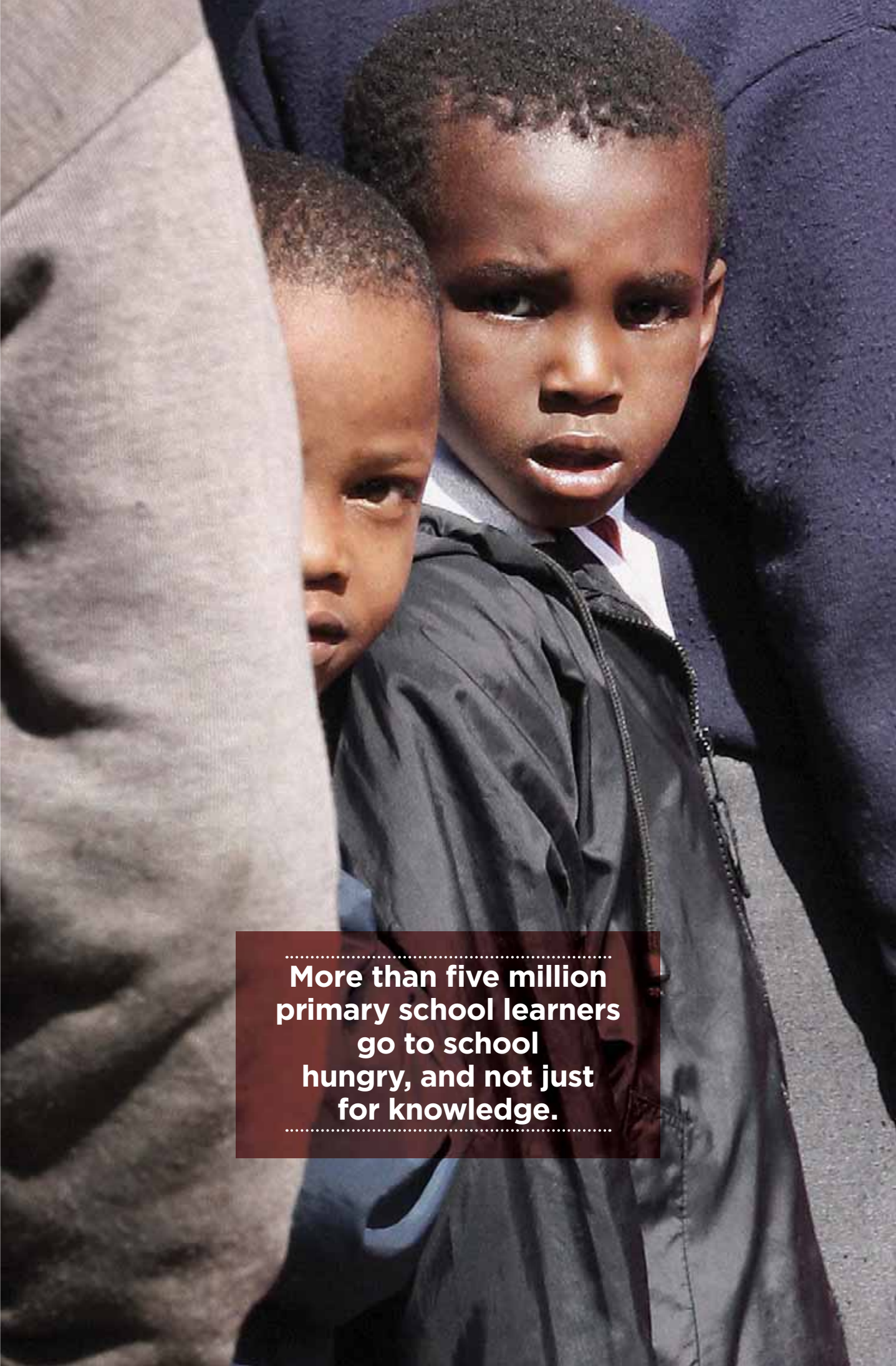
Although significant interest has been expressed by NGOs in this proposal, we have made no implementation progress.

2009 Priorities

Develop vegetable tunnel gardens to support feeding at a minimum of five Gauteng based primary schools.

Increase level of formal CSI involvement in all African countries in which we have a retail presence.

Review social development impact of icon CSI projects.



.....
**More than five million
primary school learners
go to school
hungry, and not just
for knowledge.**
.....



.....
**That's why we're helping
organisations like
the African Children's
Feeding Scheme to provide
nutrition at Schools.**
.....

Game container kitchen at Tshebediswane
Primary School in Pimville Soweto

ACTUALISING

Our contribution to a sustainable South African citizenry

Some of the challenges South Africans face every day include fighting the spread of HIV/AIDS, a lack of food security, unemployment and a lack of educational and business opportunities for capable young people. That's why each of our trading entities donates one percent of after-tax profit to meet pressing social needs, with a preference for aiding educational initiatives, among the poorest of the poor.

We try wherever possible, to identify opportunities to leverage our retail capabilities to optimise the impact of our social upliftment activities. For example, our food wholesaling skills are valuable for supporting school-feeding programmes that improve learner nutrition. Likewise, we leverage our expertise as back-to-school retailers to meet teachers' and students' stationery needs through our Tools-to-Teach stationery distribution programme.

Feeding South African school children

The Department of Education understands that a hungry child cannot learn, and we support this by asking all of our divisions to participate in our group-wide priority to provide assistance to school-feeding programmes.

Makro helps fund established feeding schemes through donations to organisations like the African Children's Feeding Scheme. Game and CBW container kitchens, meanwhile, provide immediate solutions for schools that want to be included in a feeding programme, but don't have the necessary food preparation areas on-site to qualify. Most recently, Builders Warehouse has begun developing a programme to roll out vegetable tunnels to schools, facilitating high-intensity, cultivation of fresh produce to improve nutrition for learners.

Stocking classrooms with Tools-to-Teach

School budgets aren't always sufficient to meet the needs of public schools in South Africa. Because our Game and Makro chains have significant stationery and office supplies, it makes sense to provide deserving schools with access to these classroom essentials.

Two programmes, Tools-to-Teach and the Excellence in Education Awards, provide opportunities for our divisions to contribute. Massdiscounters provides teacher classroom packs for public school educators in the case of the former and Makro provides Excellence in Education Award recipients with stationery vouchers worth R1 425 000*.

Improving employability

Because unemployment in South Africa is at 23%** , our educational focus includes employment-related training. Our preference is to deliver quick access to business ventures for fledgling entrepreneurs, which is why we've partnered with a franchise operator and the Umsobomvu Youth Fund to provide unemployed youths with access to Hot Dog Café and Coffee Stop franchises in our stores.

We're also helping rural women establish new businesses, often retail-related, through our fund established with the Women's Development Businesses (WDB) small business institution. So far, we've given R2 000 000 to help fund these micro-enterprises for 1 365 women.

Of course, our educational work for adults is not limited to entrepreneurs. Massbuild's Men on the Side of the Road programme teaches artisan skills to unemployed men and women, often resulting in employment with our building contractor customers or at one of our Builders Warehouse stores.

Finally, for young people who wish to continue their studies before finding jobs, we aid matriculants who've earned good marks, but have no funding for tertiary studies, through annual tuition grants to the Tertiary School in Business Administration (TSiBA) in Cape Town. This small, but regular contribution helps promising young South Africans obtain high quality business degrees and life skills training geared for the modern workplace.

Responding to social crisis

The recent xenophobic attacks on foreign nationals in South Africa outraged South Africans and the international community. In many cases the victims of these attacks were nationals from southern African countries in which we operate, so we didn't hesitate to participate in relief efforts to assist affected people.

To help displaced foreign nationals in Rabie Ridge, we distributed 400 blankets, 650 personal hygiene packs and cases of baby food. This experience taught us the valuable lesson that while we may have the will, we are not sufficiently geared to respond quickly to social crisis. As a result, we are stockpiling relief supplies, including sufficient Red Cross approved blankets, for rapid distribution by our chains in crisis situations or disasters.

COUNTERACTING

Extending CSI beyond our borders

Massmart operates in 14 African countries outside South Africa where the social support we offer lacks the disciplined structure and focus we have achieved in South Africa. We have therefore challenged our Game chain, which trades in eight African countries, to investigate the social relevance and feasibility of rolling out their Tools-to-Teach programme to deserving schools beyond South Africa's borders.

* In 2008

** Estimated by Statistics South Africa September 2007

GRI III Questions & Answers

Strategy and analysis

1.1 Statement from CEO

What are Massmart's current sustainability priorities?

Massmart believes that, as a retailer, we have a pivotal role to play to advocate responsible business practice to our suppliers and responsible consumerism to our customers, recognising that a prerequisite for doing this credibly, requires that we embrace the principles of responsible corporate citizenship.

Our sustainability priorities include improving staff health and welfare opportunities, contributing authentically to the process of black economic empowerment, testing environmental initiatives that minimise supplier, customer and our own impacts on the environment, and implementing a practical framework for advocating responsible practice to suppliers and customers.

1.2 Key impacts, risks and opportunities

What are key sustainability risks and impacts that confront Massmart?

Massmart conducts a biannual sustainability SWOT assessment that involves desktop research, consultation with external experts, such as the UNISA Centre for Corporate Citizenship, and also internal debate to identify the sustainability issues facing the organisation.

Our top three sustainability risks are: difficulty sourcing skilled and experienced retail executives, planners, buyers and business analysts; insufficient independently verified understanding of suppliers social and environmental business practices; and impact of diseases on staff health, such as HIV/Aids, diabetes, cardiovascular disease and tuberculosis.

We continue to track and develop responses to the impacts of unreliable electricity supply, heightened political uncertainty, incidents of price fixing in the food supply chain, tightening retail regulatory environment (eg Consumer Protection and National Waste Management Bills) and high crime levels.

Organisational profile

2.1 – 2.7 Profile and Markets

How does Massmart's operational structure support sustainability?

Responsibility for monitoring the scope and quality of sustainability practice rests with the Massmart Sustainability Committee. The committee meets quarterly to review Massmart's Socially Responsible Investment Index, Broad-based Black Economic Empowerment, and Sustainability Reporting performance.

Annual sustainability priorities are agreed by the Massmart Executive Committee on the recommendation of the Group Corporate Affairs Executive. Implementation is coordinated by the Group Corporate Affairs Executive working in close collaboration with divisional line managers.

2.8 Scale

What is the scope and scale of Massmart's operations?

Massmart is a managed portfolio of nine wholesale and retail chains, each focused on high volume, low margin, low-cost distribution of mainly branded consumer goods for cash. The Group operates in 14 countries in Southern Africa through four divisions comprising 242 stores and one buying division. The Group's total market capitalisation as at 29 June 2008 was R12,4 billion.

2.9 Significant changes

What sustainability reporting changes have been implemented in this report?

Sustainability reporting has remained the same in terms of geographic and divisional scope. Environmental reporting has been expanded to include carbon emissions and the economic impact of climate change. In addition sustainability indicators have, for the first time, been reported at divisional level.

2.10 Awards received

What sustainability awards did Massmart achieve during the reporting period?

Massmart was ranked as the top BBEE performer in the listed retail sector in FM's 2008 Top Empowerment Companies Survey, achieved Top Performer status in the JSE Limited's 2007 Socially Responsible Investment Index (medium environmental impact category) and was awarded the Association of Certified Chartered Accountants (ACCA) 2008 award for the Best Sustainability Report (Non-Extractive Industries).

Report profile

3.1 Reporting period

What reporting period does this report cover?

This is Massmart's fifth report and it covers sustainability performance for the financial year ending 30 June 2008.

3.2 Most recent previous report

When did Massmart publish its last sustainability report?

Massmart's previous sustainability report covered sustainability performance for the financial year ending 30 June 2007.

3.3 Reporting cycle

How often does Massmart publish sustainability reports?

Massmart publishes annual sustainability reports that are timed to coincide with the Group's annual financial reporting cycle (1 July to 30 June).

Report scope and boundary

3.5 – 3.7 Process for defining content, and any limitations

How does Massmart identify and select information covered in the sustainability report?

Massmart attempts to select information that is perceived to be socially material to our key stakeholder groups placing particular emphasis on government, employees, customers, suppliers, communities within which we operate and civil society. The information reported is based on input provided during stakeholder meetings, outcome of Massmart's internal risk management process, local and global industry trends, content of public discourse and standards defined by initiatives such as the Global Reporting Initiative.

How does Massmart ensure that its reporting is balanced?

Massmart seeks to achieve balance in two ways. Firstly, by emphasising purely statistical reporting through the compilation of sustainability scorecards covering black economic empowerment, human resources, customer, supplier, environmental and corporate social investment performance. Secondly, we consciously disclose priority performance concerns within each sustainability performance area, for example poor levels of procurement from black merchandise suppliers.

3.8 Reporting on group elements and data measurement techniques

Are data measurement techniques described sufficiently?

Our scorecards are constructed in a manner that seeks to eliminate opportunities for subjective interpretation. We don't provide specific formulae and detail underpinning the statistical information presented in the scorecards.

3.10 – 3.11 Restatements or significant changes

Have significant reporting changes been made/identified since the previous reporting period?

Yes, plastic recycling has not been included in the 2008 recycling statistics.

3.12. GRI Index

Why does Massmart use the GRI standard and how does it impact on sustainability processes at Massmart?

Massmart applies the GRI standard mainly because it has, in our opinion, become the de facto sustainability reporting standard. We apply GRI standards as key performance indicators to measure sustainability progress.

Assurance

3.13 Policy and practice on external assurance

Massmart remains of the firm opinion, giving their independence and intimate knowledge of the Group and our information systems, that Massmart Internal Audit Services is better placed than any external organisation to verify the statistical scorecard information contained in this report. We also believe that verification is best achieved by focusing on purely statistical data. The Massmart Internal Audit Department is therefore responsible for verifying all Group sustainability scorecard information.

Governance

4.1 – 4.3 Governance structure, independence

What structure exists at Board level to cover responsibility for sustainability practice?

Sustainability practice is reviewed by the Sustainability Committee which is a committee of the Massmart Board. The committee comprises five non-executive directors, Massmart CEO, Massmart Corporate Affairs Executive and Group Human Capital Executive.

4.4 Shareholder/employee interaction

What mechanisms are in place to enable shareholders and employees to make recommendations to the Board?

Employees have a 11,4% shareholding in Massmart through their participation in the Thuthukani Employee Empowerment Trust. Employee and external shareholders are entitled to make recommendations to the Board at annual general meetings. Employees are represented at the annual general meeting by staff elected Thuthukani Trustees.

4.5 – 4.7 Link between compensation and performance

To what extent is sustainability performance taken into account when determining executive compensation?

Executive bonuses are based on individual performance, as well as, the overall financial performance of the Group and the particular division in which executives are employed. In the case of sustainability performance a financial incentive is payable to top executives based on the extent that they improve the BBBEE performance of their division. This reflects the high priority that the Group places on transformation.

4.8 Policies on triple bottom-line performance and implementation status

What is Massmart's sustainability proposition?

Massmart's 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 involves sensibly integrating sustainability practices with business objectives, offering suppliers an efficient channel to their markets, optimising value for customers, acting in a socially responsible manner and advocating principles of responsible consumerism to suppliers and customers.

Achievement of this proposition is underpinned by black economic empowerment, human capital, ethics, environmental, Corporate Social Investment and related policies that define minimum standards of sustainability practice.

4.10. Self-assessment of triple bottom-line governance

What processes are in place to assess triple bottom-line governance at Massmart?

The Massmart Sustainability Committee assesses Group sustainability performance in terms of a framework that measures progress against agreed sustainability targets. This is supplemented by comparing internally assessed performance against the progress made against criteria defined by the JSE Limited Socially Responsible Investment Index.

4.11. Precautionary approach

How does Massmart follow the precautionary approach in the procurement of products?

Massmart makes every effort to base procurement decisions on a sound understanding of relevant facts with reference to the reasonable man test. The Group's default approach is to adopt a conservative approach to procurement decisions in situations characterised by doubt about suppliers and/or the merchandise in question.

What does Massmart do to promote adoption of a precautionary approach in its decisions?

Massmart has implemented a variety of interventions that reinforce the principles of a precautionary approach. These include training staff in the process of ethical decision-making, applying a risk management approach that seeks to avoid exposing the organisation to undue risk, defining comprehensive product specifications that emphasize health and safety issues, conducting supplier environmental surveys and contracting suppliers to specified standards of conduct.

4.12 External economic, environmental and social charters or initiatives

Which charters/associations/principles or other sustainability initiatives does Massmart subscribe to or endorse?

Massmart's sustainability programme is strongly influenced by the criteria defined in the JSE Limited's Socially Responsible Index, Department of Trade and Industry's Codes of Good Practice on Broad-based Black Economic Empowerment and the Global Reporting Initiative guidelines.

4.13 Industry associations and advocacy organisations

What associations and advocacy organisations does Massmart participate in and support?

Massmart is a member of and/or participates in organisations that include; Business Against Crime, Business Unity South Africa (BUSA), Consumer Goods Council of South Africa (CGCSA), Ethics Institute of South Africa, National African Federated Chamber of Commerce (NAFCOC), National Economic Development & Labour Council (NEDLAC), Retailers Association, South African Institute of Race Relations and WWF.

Stakeholder engagement

4.14 – 4.16 Stakeholder groups engaged, basis for identification and frequency of engagement

What is Massmart's position on stakeholder engagement?

Massmart is committed to proactively understanding and responding to the priorities of our stakeholders who we interpret to include investors, shareholders, employees, customers, suppliers, local communities, government, civil society and the media. Our stakeholder engagement practices include participation in stakeholder organised forums, making formal submissions to parliament, conducting stakeholder surveys, and hosting public policy and general interest discussion groups with stakeholders.

What criteria does Massmart use in deciding who to engage with?

Massmart engages proactively with stakeholder groups that directly impact on, or are directly impacted by activities in our direct sphere of commercial influence. Factors that are considered before engaging stakeholders include representivity, credentials, social and business relevance of issue.

How frequently does Massmart engage stakeholders?

Stakeholder engagement activities occur on an ongoing basis throughout the year. Engagement with investors and shareholders takes place at least four times per annum through results presentations, meetings and the Massmart annual general meeting. We aim to engage with government and civil society stakeholders at least six times per year through meetings, workshops and surveys. Employee, customer and supplier engagement is considerably more intensive and generally occurs as needed.

Economic performance

EC1

How much economic value has Massmart generated over the reporting period?

Massmart derives economic value with reference to employee salaries, wages and benefits, government taxation, shareholders dividends, interest paid to lenders, minority holdings in Masscash subsidiaries, and amortisation and depreciation. On this basis our Economic value added for the year ending June 2008 was R9 891 million.

EC2 Financial implications, risks, opportunities relating to climate change

How does Massmart measure risks and opportunities relating to climate change?

Massmart doesn't understand the economic impacts of climate change well enough and has therefore embarked on a process to identify and purchase credible independently compiled climate change risk reviews. The environmental section of this report incorporates, for the first time, a Maplecroft.com climate change risk assessment which indicates that 12 of the 15 countries in which we operate have very high economic risk exposure to climate change.

EC3 Defined benefit plan obligations

How does Massmart manage financial risks relating to defined benefit plans?

Massmart has no defined benefit plans.

EC4 Financial assistance from government

What is the extent of financial assistance received from government?

None.

EC5 Standard entry level wage compared to local minimum wage

How does Massmart determine entry level wages for employees?

Entry level wages are determined with reference to minimum wage legislation, internal wage equity and local market expectations. The minimum average wage in the Massmart Group is R2 040.

EC 6 Proportion of spending on locally based suppliers

What is Massmart's policy with regard to procurement from locally based suppliers?

Massmart applies every effort to first procure merchandise from local manufacturers insofar as they satisfy our customer expectations of style, quality and price. Total direct South African imports for the year ending 30 June 2008 represented approximately 4,5% of total procurement. Statistics for our other sub-Saharan African operations outside South Africa were not available at the time of printing this report.

EC 7 Procedures for local hiring

What is Massmart's approach to hiring staff from local communities?

Massmart has a strong preference for hiring staff from local communities. We are sometimes constrained in our efforts by the unavailability of individuals with the requisite skills. Altogether 98% of the staff in our foreign operations are local citizens.

EC 8 Significant direct impacts

What are the most significant indirect economic benefits that derive from Massmart's operations?

Massmart's primary indirect economic impact is rooted in Massmart's high volume low cost customer value proposition that seeks to provide wholesale and retail customers with an exceptional value for money proposition. Further economic opportunities are also created for the property development industry as the result of the Group's store opening programme. We don't have sufficient data to quantify the specific indirect economic benefits attributable to the Group's activities.

Environmental performance

EN1-2 Materials use and recycled

Does Massmart track and manage all the materials used in its operations?

Massmart doesn't currently have the systems in place to track recycled waste materials as a percentage of all materials used in operations.

What percentage of materials used by Massmart are recycled?

Our stores are required to recycle board and paper waste associated with merchandise packing material. To this end we currently have 120 active paper and board recycling facilities. In addition, Makro recently launched a pilot customer e-waste recycling project.

EN 3-7 Energy used and saved

How much energy was consumed by Massmart during the reporting period?

The Group consumed approximately 253 949 546 kW of electricity during the reporting period ending 30 June 2008.

What percentage of energy was saved during the reporting period?

We estimate that energy savings of approximately 4% were achieved during the current reporting period. These were achieved primarily as the result of closer management of lighting and climate control in stores.

What alternative energy sources does Massmart use?

None.

EN8 – 10 Water used and recycled

How much water did Massmart use during the period?

The cost of water consumed was R10 514 897. We don't have statistics regarding the volume of water used.

How much water was recycled during the period?

Data not available.

EN11 – 15 Biodiversity

How does Massmart currently manage its impact on biodiversity?

Environmental impact assessments are conducted for all store development activities. Massmart does not own, lease or manage any land in or adjacent to protected areas or areas of high biodiversity value. We have not implemented any initiatives in respect of tracking and managing supplier impact on biodiversity.

EN16 – 25 Emissions, effluents and waste

What were Massmart's greenhouse gas emissions during the reporting period?

Massmart estimates, based on available data, that the Group emitted 249 222 metric tons of carbon dioxide during the reporting period ending June 2008. Altogether 97% of emissions are attributable to electricity consumption. This calculation was based on the international WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard.

Were there any significant waste spills during the reporting period?

No.

EN26 – 27 Products and services

What constraints will environmental considerations place on future demand for Massmart's products and services?

We anticipate that consumers will seek alternatives to environmentally sensitive products, for example, detergents, insecticides, solvents and paints. Massmart has engaged KPMG to assist the Group to identify merchandise categories that may be affected with the objective of developing appropriate mitigation strategies, which will include sourcing alternative greener product options.

How does Massmart take into account environmental issues associated with the procurement of products and services?

All merchandise procured must comply with legislated environmental standards and South African Bureau of Standards specifications where these exist. Massmart has developed guidelines that encourage buyers to ask suppliers about the environmental impacts of their products placing emphasis on manufacturing practices, product design, traceability, packaging and environmental labelling standards.

Does Massmart calculate the carbon footprint of the merchandise that it sells?

No.

What is Massmart's approach to environmentally friendly packaging?

Massmart recognises the environmental and commercial benefits associated with reducing product packaging and has set an objective to explore packaging reduction opportunities with key suppliers.

EN28 Incidents of non-compliance

Were there any instances of non-compliance to environmental legislation and regulations during the reporting period?

No.

EN29 Impact of transport

What were the greenhouse gas emissions that can be attributed to Massmart owned transport, and air travel during the reporting period?

We estimate that 16 000 metric tons of carbon dioxide attributable to company owned transport and air travel was emitted during the reporting period ending June 2008. This estimate is however based on incomplete data and the actual emissions are likely to be higher. We do not have any data relative to transport emissions associated with supplier deliveries to the Group.

EN30 Total environmental protection investments

What is the extent of Massmart's investment in initiatives and projects aimed at environmental protection?

Data not available.

Social performance

Labour practices and decent work.

LA1 – 3 Workforce breakdown turnover and benefits

How many people does Massmart employ and what is the racial composition of the workforce?

Massmart employs 27 521 employees, 82% of whom are black (African, Coloured or Indian). Labour turnover is estimated to be 19%.

LA4-5 Employees covered by collective bargaining agreements and policies for communicating major change

What is the level of staff unionisation?

A total of 41% of staff are unionised.

Have there been any significant changes in collective bargaining agreements and union memberships?

No, union membership has remained relatively stable at 41% for the past three reporting periods.

Have there being any significant instances of labour unrest during the reporting period?

No.

LA 6 – 9 Occupational health and safety

How does Massmart manage the risks associated with Occupational Health and Safety (OHS)?

Massmart's risk management process includes applying extensive OHS safety protocols that include appointment of safety officers, establishment of store safety committees, incorporation of safety standards into job descriptions and, conduct of line management and independent safety reviews.

How many occupational health and safety incidents occurred during the reporting period?

A total of 516 workplace injuries were sustained by Massmart employees during the period ending 30 June 2008.

What is Massmart's approach to HIV/Aids?

Massmart has an extensive HIV/Aids programme which includes ongoing awareness building, regular voluntary counselling and testing clinics, as well as the provision of free anti-retroviral treatment for permanent staff and their spouses. The estimated HIV-prevalence rate amongst permanent staff for the year ending June 2008 was 5,41%.

What is Massmart's approach to other priority diseases and ailments?

The Group runs regular store-based programmes to screen for diabetes, cholesterol, high blood pressure, tuberculosis and obesity.

LA10 – 12 Employee training and education

Who takes responsibility for training at Massmart?

Job specific retail training is the responsibility of Divisional Human Resources directors.

The Massmart Human Capital Executive has responsibility for development associated with maintaining the executive and priority skills pipeline. The latter is addressed primarily through the Massmart corporate university.

What investment does Massmart make in training and development?

The Group invested approximately R23,7 million in formal training and development activities during the year ending June 2008.

How many hours' training does each employee receive per annum?

Data not available.

LA13 – 14 Diversity and equal opportunity

Does Massmart have any programmes in place to promote appreciation of diversity amongst employees?

Massmart has conducted diversity training with executives and senior managers, and is in the process of implementing "The Diversity Game" across the Group.

Human rights

HR1 – 3 Investment and procurement practices

What proportion of Massmart's investments have been subject to human rights screening?

Data not available.

What does Massmart do to extend the principles of human rights screening to suppliers?

Massmart trading terms contracts include a provision requiring suppliers to comply with all relevant legislation and also with good human rights practice. Massmart has approved a pilot project to conduct an independent social audit of selected direct import suppliers.

HR4 Incidents of discrimination

What mechanisms does Massmart have in place to disclose incidents of human rights abuse?

Massmart has implemented an independently managed anonymous ethics line to which suppliers and staff can report any unethical issues which include incidents of discrimination.

Call our ethics line on **0800 203 246**.

How many incidents of discrimination have been reported?

Three incidents of racial discrimination were reported during the financial year ending June 2008.

HR5 Risks to freedom of association and collective bargaining

Are there any areas of operation within Massmart in which risks to freedom of association may exist?

No, our commitment to freedom of association is authentic and we would act firmly against any employee who through their actions/omissions is found to undermine this commitment. Altogether 40,74% of divisional staff are currently unionised.

HR6 – 7 Incidents of child, forced or compulsory labour

What is Massmart's policy with regard to child labour?

The Group does not employ underage staff and contracts suppliers to make the same commitment in their employment practices.

HR8 Security personnel trained in relevant human rights

What training do security staff receive to ensure that they do not infringe employee, customer and supplier human rights?

Security staff receive training related to the legal procedures that they must follow when apprehending an employee, customer or supplier suspected of wrong doing. This training, whilst dealing with the 'rights' of suspects, does not focus specifically on human rights per se.

HR9 Violations of the rights of indigenous people?

Does Massmart have a policy covering the rights of indigenous people?

No, although we reinforce, through our ethics training, the general principle that the dignity and rights of all individuals may never be infringed in the way that the Group conducts its business.

Society

S01 Programmes to manage impacts on communities

How does Massmart assess the impact of its operations on communities?

Massmart's primary focus is on impact assessments that are conducted prior to the development of new store sites. Broader social impacts are identified through our programme of stakeholder engagement which is currently deficient in this specific area of engagement.

S02 – 4 Policies and practices on corruption

Does Massmart have a code of ethics and how is this implemented and enforced?

Massmart has a Code of Ethical Conduct which has and continues to be communicated to staff and strategic suppliers. Ethical practice in the Group is tracked and managed by accredited divisional Ethics Officers who are accountable to a Chief Ethics Officer. An outsourced anonymous ethics line has been established to report unethical practice and the Ethics Institute of South Africa conducts biannual surveys of the state of ethics in the Group.

How many incidents of unethical conduct were raised during the current reporting period?

The ethics line received 238 calls during the financial year ending June 2008. A total of 65 of these calls related to allegations of criminal misconduct.

What is the extent of Massmart's involvement in organisations dealing with ethics?

Massmart is a member of the Ethics Institute of South Africa. The Group has agreed to jointly fund, with the Ethics Institute, a project to survey the ethics practice of listed South African companies.

S05 Policies on public policy development and lobbying

How does Massmart engage government on public policy issues?

The Group focuses public policy engagement efforts primarily on the legislature by making written and verbal submissions to the appropriate parliamentary portfolio committees. We also participate in forums such as Business Unity South Africa that represent the business community's perspective on public policy issues.

S06 Contributions to political parties and related interests

What is Massmart's policy on making donations to political parties?

Massmart does not make donations to political parties or related institutions.

S07 Legal actions for any anti-competitive behaviours

Were any actions for anti-competitive behaviour lodged against Massmart during the reporting period?

No.

S08 Fines or sanctions for non-compliance

What fines were imposed on Massmart for incidents of legislative or regulatory non-compliance during the reporting period?

None.

Product responsibility

PR1 – 2 Customer health and safety

What standards and voluntary codes with regard to merchandise health and safety does Massmart subscribe to?

The merchandise that Massmart sells conforms with relevant legislated requirements, product specific South African Bureau of Standards criteria and Hazard Analysis and Critical Control Point (HACCP) standards. We also retain Food Consulting Services to conduct Good Manufacturing Practice (GMP) audits and random food quality and safety checks on private label food products.

PR3 – 4 Products and service labelling

What product labelling standards and voluntary codes does Massmart subscribe to?

Our suppliers are required to comply with all relevant labelling legislation, such as the Foodstuffs, Cosmetics and Disinfectants Act No 54, 1972 (food and alcohol) and the Merchandise Marks Act No 17, 1941 (various).

PR5 Practices on customer satisfaction

How does Massmart identify customer expectations with regard to sustainability issues?

Market research including focus groups and customer surveys are conducted at divisional level within the Group. The primary emphasis of this research tends to be on traditional commercial elements of the value proposition to customers, with a relatively modest, but inconsistent focus, on environmental and social issues.

PR6 – 7 Compliance with marketing and communications standards

What marketing codes and voluntary standards does Massmart subscribe to?

Massmart follows the Direct Marketing Association (DMA) and Advertising Standards Authority (ASA) codes of advertising practice and complies with relevant marketing and advertising legislation. We have started reviewing current Group-wide advertising and marketing practice in terms of the principles proposed in the Consumer Protection Bill.

How does Massmart take sustainability issues into account in its marketing campaigns?

Game, Makro and Builders Warehouse have begun experimenting with mechanisms in their print, advertising material that draw the consumers attention to socially responsible merchandise options.

Did Massmart incur any fines/legal sanction for breach of advertising and marketing standards?

No, although one advertising standards authority's finding was upheld against Game for inaccurate price marking.

PR8 – 9 Substantiated complaints and fines for breaches of customer privacy

What is Massmart's policy on customer privacy?

Massmart maintains strict confidentiality with regard to all personal information relating to our customers. We are closely monitoring the progress of the Protection of Personal Information Bill.

Did Massmart incur any fines/legal sanctions for breach of customer privacy during the reporting period?

No.

Glossary

ACCSA.....	Association of Certified Chartered Accountants
Aids.....	Acquired immune deficiency syndrome
ARV.....	Anti-retroviral
ASA.....	Advertising Standards Authority
BBBEE.....	Broad-based black economic empowerment
BUSA.....	Business Unity South Africa
CGCSA.....	Consumer Goods Council of South Africa
CFL.....	Compact fluorescent light bulbs
CO ₂	Carbon dioxide
DMA.....	Direct Marketing Association
DTI.....	Department of Trade and Industry
E-waste.....	Electronic waste
FM.....	Financial Mail
FSC.....	Forest Stewardship Council
GIBS.....	Gordon Institute of Business Sciences
GMP.....	Good Manufacturing Practice
GRI.....	Global Reporting Initiatives
HACCP.....	Hazard Analysis and Critical Control Point
HIV.....	Human immunodeficiency virus
kWh.....	Kilowatt hour
LSM.....	Living Standard Measure
NAFCOC.....	National African Federated Chamber of Commerce
NEDLAC.....	National Economic and Labour Council
OCSA.....	Occupational Care South Africa
OHS.....	Occupational Health and Safety
SANAS.....	South African National Accreditation System
TB.....	Tuberculosis
TSiBA.....	Tertiary School of Business Administration
UCT.....	University of Cape Town
UNISA.....	University of South Africa
VAT.....	Value added tax
WDB.....	Women's Development Businesses
WRI/WBCSD GHG ...	World Resources Institute / World Business Council for Sustainable Development Greenhouse Gases
WWF.....	World Wildlife Fund

Internal Audit Verification Statement

We remain of the firm opinion, given their intimate knowledge of the Group and our information systems, that Massmart Internal Audit Services is better placed than any external organisation to verify the statistical scorecard information contained in this report.

The Massmart Internal Audit Services 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 year ending 30 June 2008.

Massmart Internal Audit Services

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We report to shareholders and stakeholders through a number of channels. Our annual report 2008 issued along with the sustainability report 2008, focuses on the financial and operational performance of our company as well as our future outlook. Our website www.massmart.co.za is regularly updated, and contains a wealth of detailed information about Massmart and our social and environmental initiatives.

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