

Corporate Accountability



Builders Warehouse
Kempton Park





CORPORATE ACCOUNTABILITY	100
Introduction	103
Sustainable Development Beliefs	104
Broad-based Black Economic Empowerment	106
Human Capital	108
Climate Change and Environment	110
Corporate Social Investment	112

INTRODUCTION

During the past two financial years, Massmart disclosed its sustainability performance in increasing detail in separate sustainability reports packaged with the financial statements.

This year, we have changed our approach in two ways:

Based on the perspective that sustainability reporting covers financial and accountability factors, we have incorporated a corporate accountability section in the main body of Massmart's 2010 annual report. This section covers Broad-based Black Economic Empowerment (B-BBEE), Human Capital, Climate Change and Environment and Corporate Social Investment (CSI).

At the same time, we have reduced the scope of accountability information available within the 2010 annual report, preferring instead to refer the interested reader to considerably more detailed information on the Massmart website. This additional reading can be accessed under the menu option "2010 Annual Report Additional Reading" by following the link: <http://www.massmart.co.za/additionalreading>

Insight



Massmart's core sustainability commitments

We sensibly integrate sustainability practices with business objectives.

We offer suppliers an efficient and socially relevant channel to their markets.

We optimise value for customers by providing affordable access to quality safe merchandise that has been procured responsibly.

We act in an accountable manner leveraging opportunities and managing risks arising from economic, environmental and social developments.

We advocate the principles of responsible consumerism to customers and responsible business practice to suppliers.

For additional reading in the report you can also refer to:

f Sustainable Development perspective in Chief Executive Officer's Review	page 28
f Group Sustainability Scorecard in Massmart at a Glance	page 5
f Sustainability and Transformation Committee composition and role in Corporate Governance	page 122
f Group Risk Landscape in Corporate Governance	page 132
f Group Value Added Statement in Notes to the Annual Financial Statements	page 223

SUSTAINABLE DEVELOPMENT BELIEFS



Primary school recipients of a Game container kitchen (2009)



Remarkable colouring pens made from recycled materials (2010)



Owl energy saver



Gardeners in a vegetable tunnel donated by Massmart Holdings (2009)

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Today's South Africans are citizens of a young democracy and everyone deserves a dignified and prosperous life. We know that meeting this expectation is not only morally right, but also commercially prudent. We have therefore aligned our efforts to the Department of Trade and Industry's B-BBEE Code of Good Practice to ensure that we contribute to a sustainable and equitable society.

HUMAN CAPITAL

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





Massmart graduate trainee (2009)



Micro loan beneficiary of Massmart WDB Rural Women's Fund (2006)



Energy saving compact fluorescent light bulb (CFL)



Beneficiaries in refurbished domestic science classroom (2010)

CLIMATE CHANGE AND ENVIRONMENT

Massmart acknowledges that the climate is changing and that part of this change can be attributed to human activities. We recognise that our operations and the products we sell have the potential to contribute to climate change and that we have a responsibility to minimise our own impacts, to adapt to the risks of climate change upon our business and to provide consumers with responsible merchandise choices that limit their impacts.

CORPORATE SOCIAL INVESTMENT

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.



BROAD-BASED BLACK ECONOMIC EMPOWERMENT



COMMENTARY

Massmart's objective has been to achieve a Broad-based Black Economic Empowerment (B-BBEE) score of 65%, equivalent to **Level 4 B-BBEE** contributor status, by June 2011. We are pleased that we surpassed this to achieve an Empowerdex-verified score of 66.1% in **February 2010**, 21 months earlier than anticipated.

This led Massmart to be ranked the second most empowered listed retailer in the **2010 FM Top Empowerment Companies Survey**, 3.5% lower than the most empowered retailer, which achieved a score of 69.6%. From a transformation perspective, Massmart achieved the highest Employment Equity score in the retail industry and the sixth highest score of the 100 listed companies who participated in the survey.

The improvement in our scorecard performance is mainly the result of increased investment in skills development, improved black representation in management and professional positions and greater emphasis on gathering the preferential procurement credentials of our suppliers.

Meanwhile, our Thuthukani Staff Empowerment Trust continues to disburse financial benefits to staff participants, who have collectively received R114.2 million in dividend payments from inception of the trust to 30 June 2010. Capital growth of the shares in the trust had increased from R49.98 per share to R119.72 (by 30 June 2010), representing total growth of R69.74 per share.

Thuthukani participants reach an important milestone on 1 October 2010 when they will be able to vest the first 33.3% of the units that they have been allocated in the trust. We are currently implementing a further awareness programme to advise Thuthukani participants on the vesting process and the alternatives available to them.

Going forward our objective is to maintain Level 4 B-BBEE contributor status.

For additional reading refer to <http://www.massmart.co.za/additionalreading>

- f Massmart B-BBEE philosophy (website video). A 30-second video interview in which the Massmart Group Corporate Affairs Executive describes Massmart's perspective on B-BBEE.
- f Massmart announces staff empowerment programme (website pdf). A two-page article distributed to staff at the inception of the Thuthukani Empowerment Trust that provides an easy to understand overview of the scheme.
- f B-BBEE scorecard February 2010 (website pdf). The scorecard issued by Empowerdex in February 2010 that quantifies Massmart's performance on all scorecard elements.

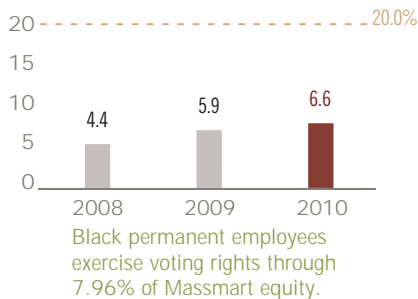
Insight



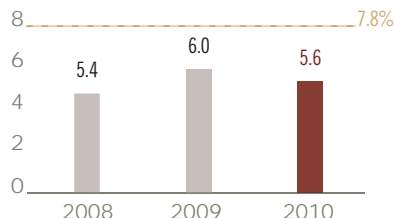
1. The B-BBEE scorecard, although issued in February 2010, is based on performance for the period July 2008 to June 2009 and is active for the period March 2010 to February 2011.
2. Level 4 B-BBEE contributor status requires a scorecard score that is >65% but <75%.
3. FM Top Empowerment Companies Survey refers to an annual survey of the B-BBEE performance of the top 100 listed companies that is compiled by Empowerdex and published in the FM (*Financial Mail*) magazine.

B-BBEE SCORECARD PERFORMANCE INDICATORS

Ownership (%)



Management control (%)



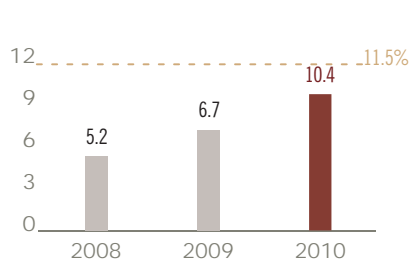
Graph legend

---- Comparative data

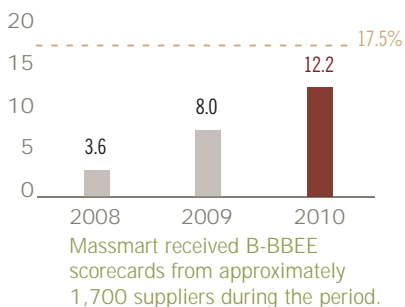
Employment equity (%)



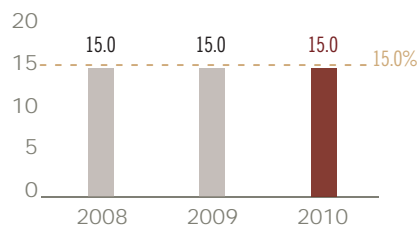
Skills development (%)



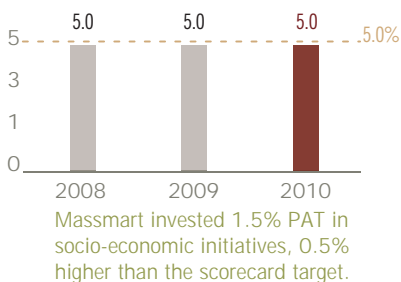
Preferential procurement (%)



Enterprise development (%)



Socio-economic development (%)



Notes



1. B-BBEE scores are calculated retrospectively, therefore the data reported is based on the scorecard compiled in February 2010 for the period ended June 2009.
2. Comparative data represents the best performance in the retail sector as published in the FM Top Empowerment Companies Survey 2010.
3. (%) indicates percentage score achieved on the B-BBEE scorecard.
4. An updated scorecard for the period ended June 2010 will be published on the Massmart website in November 2010.

HUMAN CAPITAL

COMMENTARY

Massmart's emphasis remains on increasing permanent employees' access to private medical benefits and early detection of priority illnesses. As a percentage of current permanent employee headcount, medical benefits coverage has increased by 3% over last year. This is lower than what is required to meet the Group target of medical benefits coverage for 60% of permanent employees by June 2011. The main reason is that recent acquisitions have increased our staff complement by 2,000 employees who don't have medical cover. Legally, we are prevented from enforcing the adoption of Group health benefits to these employees. On a like-for-like basis (excluding staff from new acquisitions), however, 10% more permanent employees now have access to medical benefits.

Massmart is pleased that HIV/Aids prevalence has dropped by almost 1%, although we are unable to attribute the specific cause of the decline. One hypothesis is that we are reaping the positive results of five years of ongoing awareness efforts, but it's too early to attach significance to this statistic. Disturbingly, up to 30% of HIV-positive employees are not registered on our treatment programme. Recent changes, including providing human resources directors with better, more regular reporting data and increasing the intensity of follow-up with HIV-positive employees, place us in a better position to improve this.

During the financial year, the Group experienced industrial action related to a re-engineering exercise at Massdiscounters and wage-related industrial action at Masscash. In this context, it is worth noting that the Group minimum average wage of R2,555.00 is greater than the highest minimum wage of R1,947.24 prescribed by the **Sectoral Determination for the Wholesale and Retail Sector in Area A**.

For additional reading refer to <http://www.massmart.co.za/additionalreading>

- f Massmart's Talent Management framework (website video). A 30-second video in which the Group Human Capital Executive identifies the Group's three primary talent management focus areas.
- f Massmart encourages early detection of priority illnesses (website pdf). A two-page article providing insight into in-store testing protocols that have been implemented to facilitate the early detection of illnesses such as diabetes and cardio-vascular disease.
- f Massmart aims to provide employees with greater access to private health benefits (website pdf). A two-page article that describes the various Group subsidised health options that have been introduced to provide staff with lower cost access to private healthcare benefits.
- f Building diversity is important at Massmart (website pdf). A two-page article providing race and gender diversity statistics and discussing transformation successes and failures in the Group.



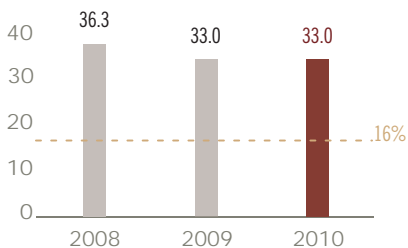
Insight



1. Sectoral Determination for the Wholesale and Retail Sector in Area A is promulgated annually by the Department of Labour and sets minimum wages and basic employment conditions for workers in the sector with different wage levels being set for urban, rural and intermediate geographic areas, of which level A is the highest prescribed minimum wage level.

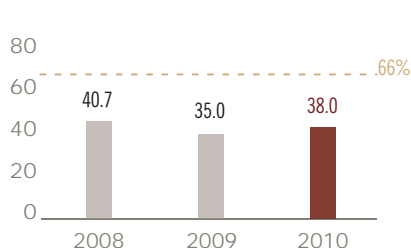
HUMAN CAPITAL PERFORMANCE INDICATORS

Flexi-timers (%)



Because flexi-timers are regarded as a vulnerable employee category, the comparative is based on lowest % in the retail industry.

Unionised staff (%)

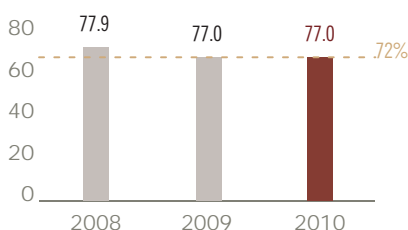


Massmart views % unionised staff as an indicator of commitment to freedom of association.

Graph legend

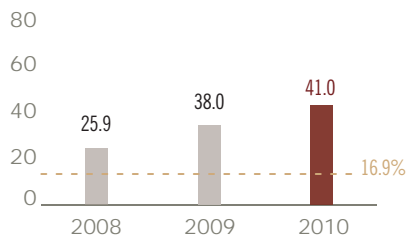
- Comparative data
- No data available for that year

Black management as % of all management and professionals (%)

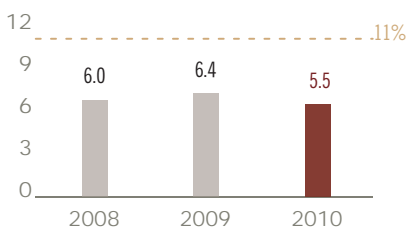


Black representation amongst top management is 33%, senior management is 41%, professionals and middle management is 61% and junior and supervisory management is 85%

Estimated employees with medical benefits (%)

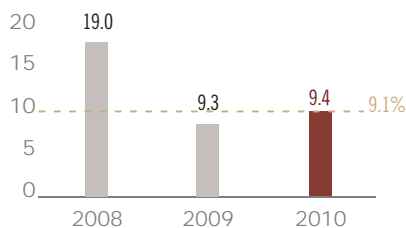


Estimated HIV prevalence (%)

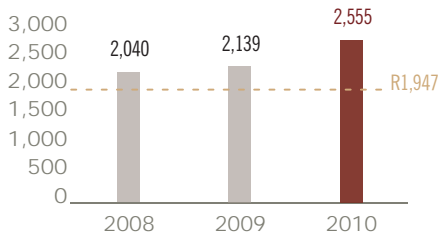


Estimated HIV prevalence is based on annual voluntary testing data.

Estimated staff turnover (%)

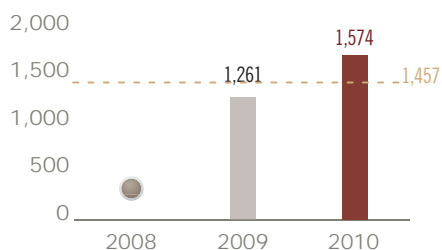


Average minimum wage (R)



Massmart's average minimum wage is amongst the highest in the retail industry.

Estimated per capita training investment (R)



Notes



- Comparative data represents the best available performance disclosed by South African retailers, except for:
 - Employees with medical benefits sourced from 2009 South African General Household survey.
 - HIV prevalence which represents published national prevalence rate.
 - Average minimum wage sourced from Sectoral Determination for Wholesale and Retail Sector.

CLIMATE CHANGE AND ENVIRONMENT



COMMENTARY

Massmart's goal to improve energy efficiency and reduce carbon emissions has been hampered by inaccurate data.

To address this, we took three corrective steps: extending our pilot electricity-metering project to include more stores, appointing independent consultancy Global Carbon Exchange (GCX) to benchmark energy efficiency in our chains and focusing most of our emissions data-gathering efforts on **scope 1 and 2 emissions** (because we can exert greater control over these emissions). An immediate outcome is that we have included previously unaccounted for greenhouse gases in our scope 1 emissions reporting, namely refrigerant gases.

More accurate metering of electricity consumption reveals that our energy efficiency initiatives are not always delivering the anticipated impact. Our objective to reduce energy consumption by 12% by June 2011 now appears unachievable, so we're reviewing this in the context of gathering more accurate consumption data and combining it with the results of the energy efficiency benchmarking exercise that is still in progress. We aim to confirm, or revise, the energy efficiency target by December 2010 and our findings will be published on the Massmart website.

In addition to building our own environmental credentials, we recognise that advocacy to suppliers and customers offers significant opportunity to limit the harmful effects of consumerism on the environment. We therefore continue to focus on intensifying environmental advocacy efforts with these stakeholders. This includes surveying the environmental practices of suppliers and increasing the number of **Eco-wise merchandise** promotions to customers. We are also exploring a number of opportunities, such as partnering with environmental advocacy groups, to build on our existing advocacy efforts.

For additional reading refer to <http://www.massmart.co.za/additionalreading>

- f Massmart measures its energy efficiency (website pdf). A four-page description of the approach, challenges and variables involved in calculating Group energy consumption including the impact of different assumptions on energy intensity.
- f Massmart calculates its carbon footprint (website pdf). A four-page description of the approach, challenges and variables involved in calculating the scope 1 and 2 carbon emissions including the impact of different assumptions on carbon emissions intensity. It also includes an estimate of scope 3 emissions.
- f A three-page description of the environmental attributes including energy efficiency and water conservation interventions in the new Makro Vaal store which represents the environmental model for future Makro stores.
- f Builders Warehouse uses Eco-wise to make saving the planet, and saving money, easy (website pdf). A two-page article showcasing Builders Warehouse Eco-wise customer campaign promoting energy efficiency solutions for the home.
- f Builders Warehouse encourages recycling (website pdf). A two-page article describing Builders Warehouse's drive to get customers into the habit of recycling hard to dispose of waste.
- f Responsible customer e-waste disposal at Makro (website pdf). A two-page article describing Makro's store-based customer e-waste disposal facilities that have been implemented in partnership with Fujitsu Siemens.

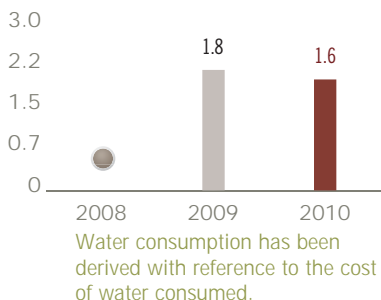
Insight



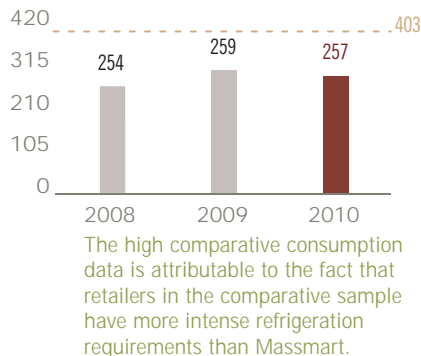
1. **Scope 1 emissions**
refer to direct carbon emissions occurring from sources that are owned or controlled by Massmart, specifically refrigerant gases, company vehicles and diesel generators.
2. **Scope 2 emissions**
refer to indirect carbon emissions from the generation of purchased electricity consumed by Massmart.
3. **Eco-wise merchandise**
refers to products that Massmart buyers have identified as having unique positive environmental attributes, for example energy efficient heaters or water efficient shower roses.

CLIMATE CHANGE AND ENVIRONMENT PERFORMANCE (ONLY INCLUDES SOUTH AFRICAN OPERATIONS)

Estimated Group water consumption intensity (kl/m²)



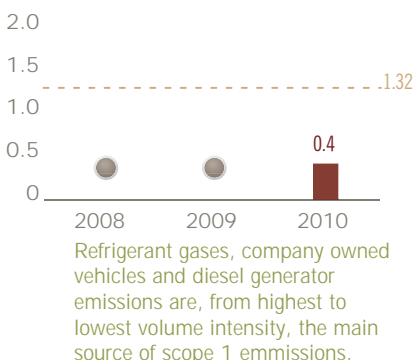
Estimated like-for-like purchased energy consumption intensity (kWh/(TA)m²)



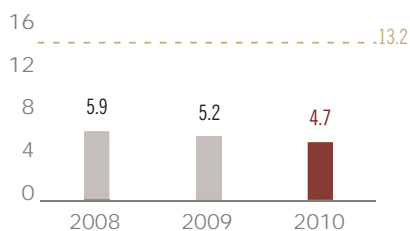
Graph legend

- Comparative data
- No data available for that year.

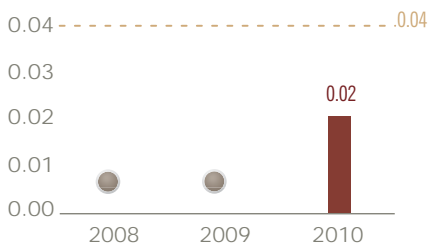
Estimated Group scope 1 emissions intensity (tonnes/Rm)



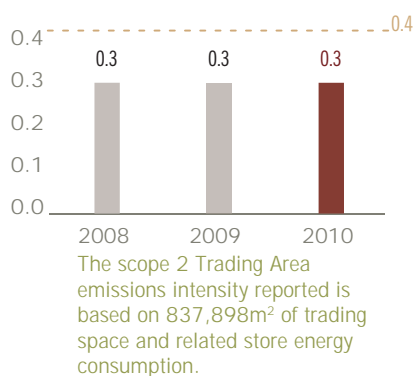
Estimated scope 2 emissions intensity (tonnes/Rm)



Estimated Group scope 1 emissions intensity (tonnes/(TA)m²)



Estimated scope 2 emissions intensity (sq.m.)



Notes



- Comparative data was calculated by GSX with reference to six Green House Gas (GHG) assessments across the South African operations of four South African retailers.
- Massmart trend data is not available for scope 1 emissions since this information has historically been reported by calendar rather than financial year.
- Trading Area (TA) covers any area in which customers are able to view, collect or pay for merchandise. It excludes space associated with storage, parking and support facilities.
- Scope 2 Trading Area emissions intensity is calculated with reference to the stores originally included when we started tracking scope 2 emissions in 2008.
- All Massmart data presented in this section is estimated due to difficulties experienced in ensuring data accuracy.
- Like-for-like refers to all stores that have traded for a full financial year and that will continue to trade for a further full financial year.

CORPORATE SOCIAL INVESTMENT



COMMENTARY

Massmart invests a minimum of **1% profit after tax (PAT)** in Corporate Social Investment (CSI) annually. During the year ended June 2010, Massmart invested R17.45 million (1.5% PAT). This is marginally lower than the 1.6% invested last financial year, but that included once-off initiatives such as a donation of 8,000 portable lanterns to the South African Police Services. Investment allocated to feeding projects was negatively affected by administrative delays involved in finalising a container kitchen contract with the Department of Education.

During the period, we commissioned a review of the Group's CSI by an independent consultancy, Social Innovations. Their feedback was sobering and included the opinion that CSI is spread over too many projects, Massmart lacks an identifiable development position and the Group has insufficient capacity to monitor the impact of CSI projects.

Social Innovations recommended that Massmart refine its CSI focus to improve learner **capacity to learn** by supplementing established government primary school nutrition programmes and increase learner **capacity to access knowledge** by supporting **Grade 4 to 6 English literacy**. To exercise greater control over project delivery, they also suggested that the Group enter into partnerships with Massmart accredited school nutrition and English literacy service providers who will be closely managed in terms of clearly defined service level agreements.

Massmart has therefore undertaken to invest at least 85% of future CSI contributions **in sustainable food production, hygienic food preparation and Grade 4 to 6 English literacy at primary schools** that are benefiting from existing government-funded nutrition programmes. We will start this in the 2011 calendar year and make these changes in a way that is sensitive to the expectations of the current beneficiaries of Group CSI funds. The remaining 15% of Group CSI contributions will be invested in discretionary projects.

For additional reading refer to <http://www.massmart.co.za/additionalreading>

- f CSI Policy (website pdf). A six-page document describing Massmart's CSI objective and the principles governing CSI practice in the Group.
- f Massmart's approach to CSI is evolving (website pdf). A four-page article describing Massmart's re-focused approach to CSI following an assessment by Social Innovations, an independent consultancy.
- f Builders Warehouse encourages sustainable food production (website pdf). A two-page case study about Builders Warehouse sponsored vegetable tunnels that enable the sustainable production of fresh vegetables.
- f Game's Ama lunchbox promotes feeding with dignity at primary schools (website pdf). A two-page case study about Game's sponsorship of container kitchens that offer a hygienic space to prepare food at primary schools.
- f Massmart believes in improving literacy to improve learner performance (website pdf). A two-page article describing Massmart's approach to improving English literacy amongst Grade 4 learners to improve scholastic performance.

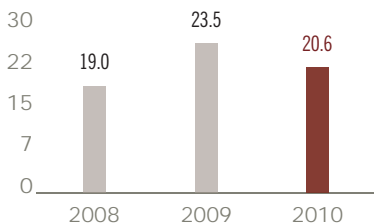
Insight



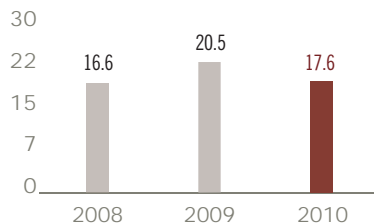
1. The objective to invest 1% of PAT in CSI, of which 75% must benefit black people, is a guideline established by the B-BBEE Codes of Good Practice.
2. Government policy on education provides that learners be taught in their mother tongue until Grade 3, after which teaching instruction is in English.
3. The plan is to provide beneficiary schools with a support package comprising nutritional and English literacy support.

CSI PERFORMANCE INDICATORS

Total Group CSI spend including supplier and staff contributions (Rm)



Total Group investment excluding supplier and staff contributions (Rm)

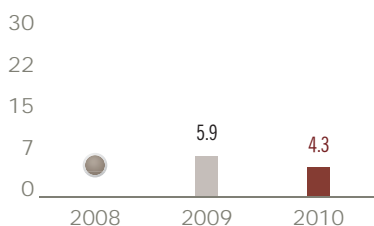


Graph legend

● No data available for that year.

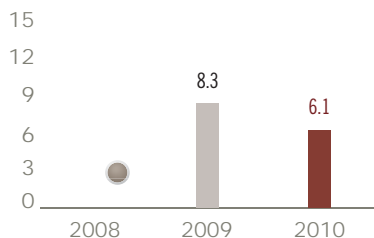
We invested 1.5% of profit after taxation in CSI initiatives compared to a B-BBEE accrued guideline of 1% PAT.

Total investment in feeding projects (Rm)



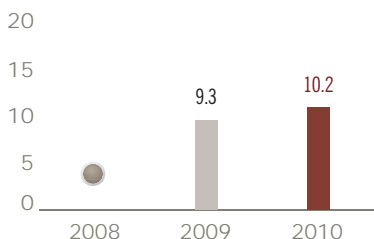
We were disappointed by reduced investment in feeding. More financial resources will be allocated to this area starting in 2011.

Total investment in "icon" projects (Rm)



We intend phasing "icon" projects out and replacing these with investment in Grade 4 to 6 English Literacy study in 2011.

Total investment in discretionary projects (Rm)



We are concerned about the disproportionate investment in discretionary CSI initiatives. New spending guidelines have been issued to remedy this.

Notes



1. Comparative data for total investment in CSI is sourced from the B-BBEE Codes of Good Practice.
2. Investment in feeding projects includes spend on container kitchens, vegetable tunnels, Non-Governmental Organisation (NGO) and government feeding schemes and Gauteng Foodbank contributions.
3. Investment in icon projects includes spend on Game Stores tools-to-play early childhood development kits, Makro Excellence in Education school gift voucher awards and the Massmart bursary scheme.
4. Investment in discretionary projects includes donations to Starfish Foundation, Tomorrow Trust Game & Vodacom Wheelchair Fund, Business Against Crime and others.