



12.3 EMPLOYMENT EQUITY SCORE THE HIGHEST OF ALL LISTED RETAILERS

0.18 TONNES/(GIA)M² ESTIMATED SCOPE 2 EMISSIONS INTENSITY

2% OF PROFIT AFTER TAXATION IN CSI INITIATIVES

LEVEL 3 B-BBEE RIGOROUS STAKEHOLDER ENGAGEMENT

75.9% SCORE

41.9% ESTIMATED EMPLOYEES WITH MEDICAL BENEFITS

CORPORATE ACCOUNTABILITY REPORT



CORPORATE ACCOUNTABILITY

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Introduction

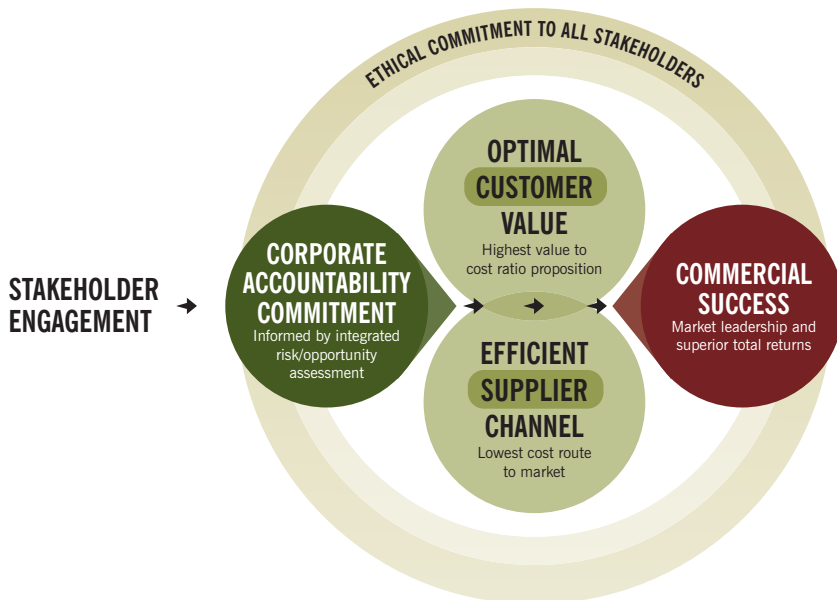
In line with the integrated reporting requirements described in the King III Report on Corporate Governance, Massmart’s 2011 Corporate Accountability Report represents a departure from the content, style and format of previous reports.

We have progressed from our initial approach of reporting corporate accountability solely in terms of Human Capital, Black Economic Empowerment, Environment, African Operations and Corporate Social Investment scorecards.

Now we place our emphasis on providing a clear line of sight through the chain of events that starts with the stakeholder engagement process which enables us to define the risks and opportunities that result in the definition of context-specific corporate accountability objectives. In addition, we continue to report significant statistical trends via themed scorecards.

Our overall approach is reflected in the structure of our report, which comprises the following sections:

- › Engaging with Stakeholders
- › Defining sustainability priorities
- › Stakeholder engagement feedback
- › Massmart’s progress update
- › Massmart’s accountability by the numbers
- › Additional reading list



Massmart’s corporate accountability proposition is to achieve commercial success by adopting a mass distribution business model that proactively incorporates the input of our stakeholders to effectively integrate commerciality and accountability.

Engaging with Stakeholders

Our stakeholder engagement process represents the first and most important ongoing part of the corporate accountability journey. Not only does stakeholder engagement assist in providing unique insight into the expectations of our stakeholders, but through such a process we also gain a better perspective on important public discourse themes and the role that we, as retailers can play in addressing these issues.



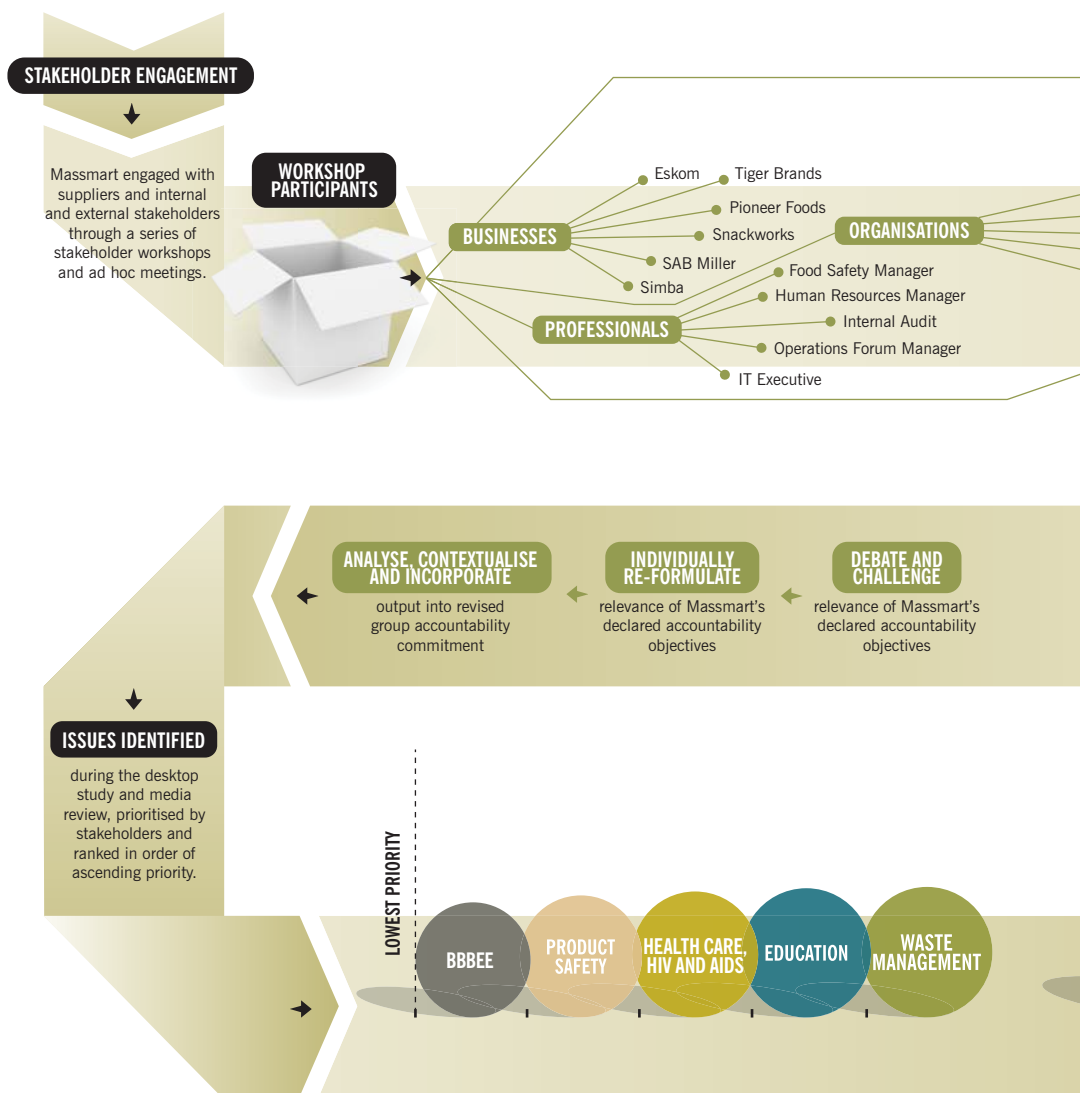
In order to obtain maximum benefit from our interactions with stakeholders, we have re-launched and implemented a more structured and rigorous stakeholder engagement process.

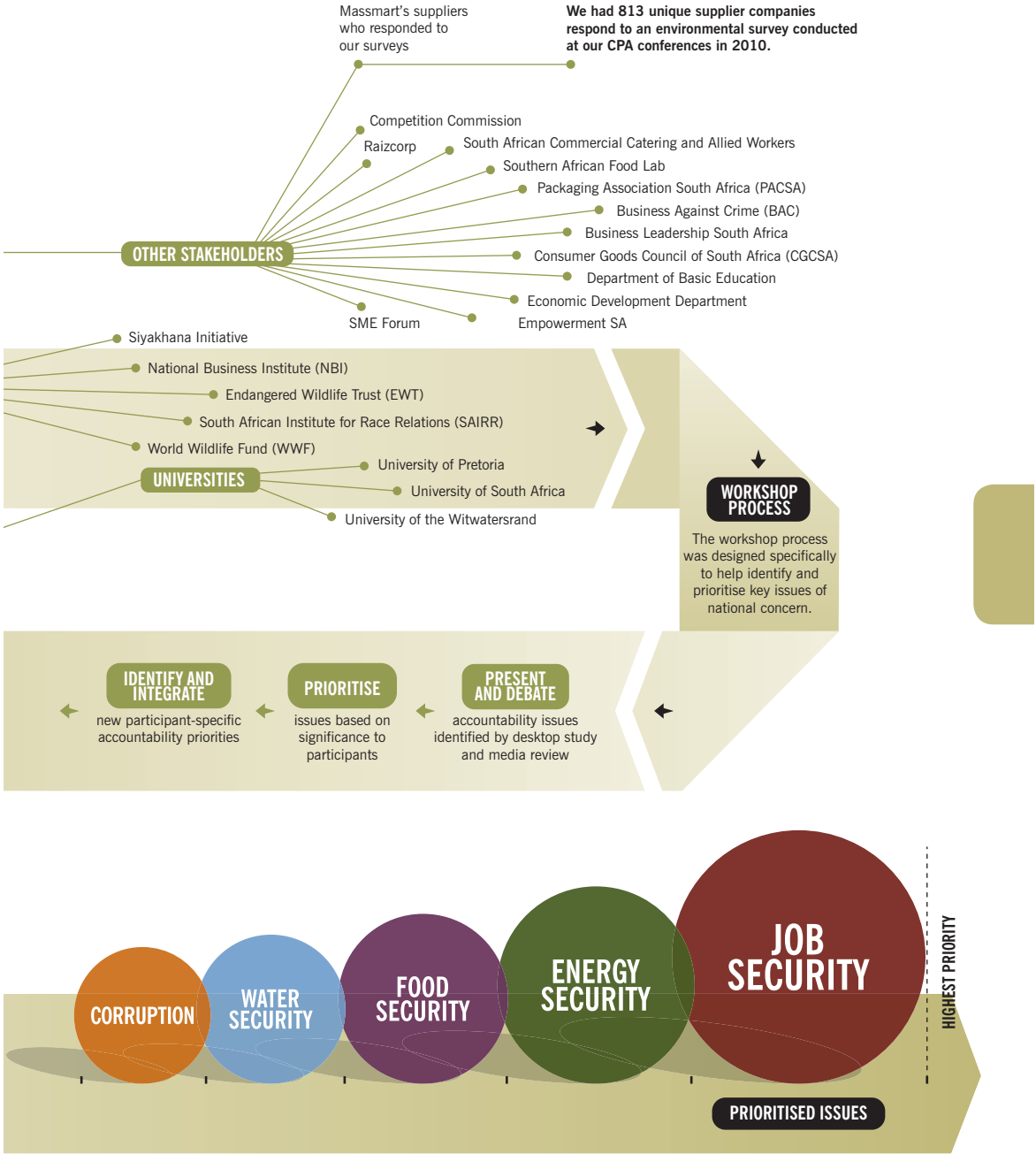
Given that this is the first time that we have embarked on this process, we have taken the decision to provide a detailed description of the steps involved in, and issues identified by, stakeholder engagement. In future, stakeholder engagement highlights will be presented in brief in the accountability report and a detailed description of the process will be made available on Massmart's Group Updates webpage.



Defining sustainability priorities

Issues identified by desktop study and media review, prioritised by stakeholders and ranked in order of ascending priority.





Stakeholder engagement feedback

A wide variety of issues were identified, investigated and debated during our stakeholder engagement process. These issues included the Walmart effect, South Africa's Consumer Protection Act, product safety, Broad-based Black Economic Empowerment (BBBEE), rural poverty, the marginalisation of unemployed youth, labour rights, unsustainable consumption, local manufacturing competitiveness, biodiversity systems, the crisis in education, energy security, crime and corruption, waste management, HIV and AIDS, water security, job security, food security and many others.

We were humbled by the intensity of the various stakeholders' participation and the manner in which they freely shared with us their ideas, perspectives and expectations. It became clear during the engagement process that the central role that retailers occupy in the supply chain leads to high expectations among stakeholders, who recognise that our **supplier convening power** and **access to consumers** provides a powerful opportunity to influence supplier and customer behaviour.

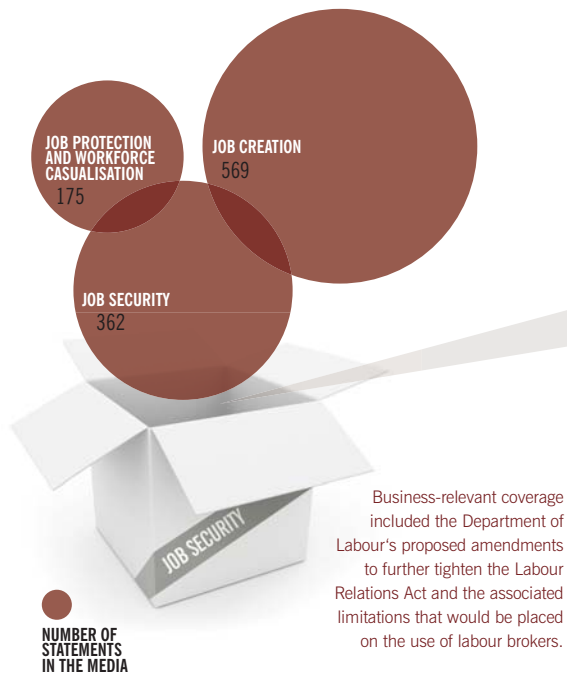
This section provides an extract of some of the issues and feedback that most attracted our attention during the process.

JOB SECURITY

Media discourse

Job security was top of mind for organised labour and government and this topic received moderate media visibility. In the latter part of 2010, media focus on business and employment issues increased significantly, as government released its New Growth Path Strategy and began reinforcing the need for job creation. The themes covered that resonate in Massmart's context are job creation, job protection, casualisation and general job security issues. Job creation as a specific theme receives very high media coverage.

The intensity with which these themes were covered in the media is indicated in the chart below



Massmart specific stakeholder engagement comments:

A general view was expressed that, given the fragility of non-permanent employment, retailers should explore innovative opportunities to integrate non-permanent staff into the permanent workforce without compromising scheduling flexibility. It was suggested that this may, among other things, help improve customer service.

Our staff expressed initial concern about the potential impact of the Walmart transaction on their job security, a concern that was negated by our response that the transaction would not result in job losses.

Stakeholders suggested that Massmart provide a public commitment regarding the number of jobs (ie. 15,000) that would be created by the merged entity. It was also suggested that the Company consider commissioning an independent longitudinal study to understand the impact of Walmart's entry into South Africa.

Perspective

Based on the official strict definition, approximately 25% of South Africa's population is currently unemployed. The broader definition, used by the South African Institute of Race Relations (SAIRR), which includes numbers for discouraged work-seekers, estimates the percentage of unemployed to be higher at 32.4%.

Unemployment in South Africa has risen by approximately 26% between 1994 and 2010. Of those who are unemployed, more than half are youths between the ages of 15 and 34 years old.

A key aspect within the retail industry is our reliance on non-permanent employees. These employees supplement permanent staff numbers to help retailers meet peak trading activity demand, particularly over weekends.

Stakeholder engagement feedback continued

ENERGY SECURITY

Media discourse

Energy security received high media visibility and was strongly reported during the first half of 2011 when Eskom was emphasising the thin reserve margin between supply and demand. Media coverage centred on the potential job and production losses which could occur in the mining industry in the event of extended load-shedding. The themes covered in the media that resonated most for Massmart were energy security in general, alternative energy products, energy efficiency of operations and energy efficient products.

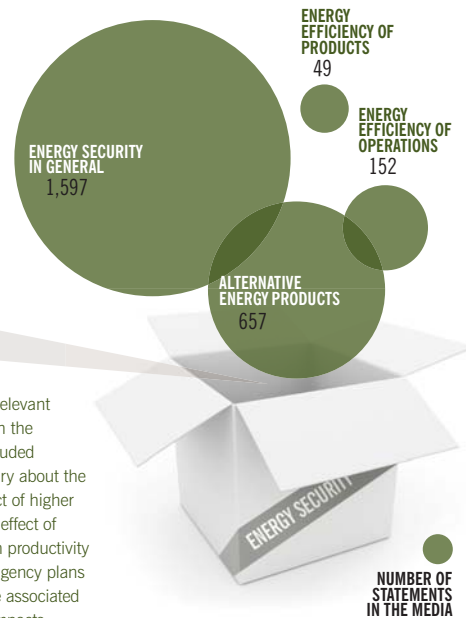
The intensity with which these themes were covered in the media is indicated in the chart below

Massmart-specific stakeholder engagement comments

Stakeholders raised concerns about the impact of electricity tariffs on the cost of retail goods, particularly food. Stakeholders want Massmart to play an assertive role in reducing electricity consumption across the supply chain by reducing its own consumption, as well as encouraging its suppliers to likewise improve their energy efficiency.

Stakeholders revealed a strong sentiment that retailers have an obligation to advocate to their customers that they should adopt more energy-efficient appliances and discussed the need to improve the affordability of energy-efficient consumer products. It was suggested that this could be a focus area for Walmart. As a merchandise risk that should be closely monitored, the issue of government intervention in terms of specifying minimum energy efficiency standards for consumer products was also raised.

Business-relevant coverage in the media included commentary about the cost impact of higher tariffs, the effect of outages on productivity and contingency plans to limit the associated negative impacts.



Perspective

The absence of sufficient electricity-generating capacity has been and continues to be a constraint on the South African economy's ability to accommodate a growth rate high enough to achieve government's goal of creating 500,000 new jobs per annum. As the national electricity utility battles to meet demand, insufficient supply has already resulted in rolling power outages that disrupt economic activity.

The crisis has led to a 25% annual increase in electricity tariffs every year for three years (2010-2013) for the purpose of funding a programme to build new generating capacity. In addition, the energy crisis has created greater awareness among industry and households that energy efficiency must be improved and efforts made to reduce electricity consumption. Despite these initiatives, South Africa's energy supply remains vulnerable, with an energy generation reserve margin of 12%, compared to a desired reserve margin of 15%.

FOOD SECURITY

Media discourse

Surprisingly, food security received very low media visibility, although it was identified in our research as the highest priority for non-governmental organisations (NGOs). The themes covered that resonate in our context were food security in general, producer security, price security and, at the lowest level, nutritional security.

The intensity with which these themes were covered in the media is indicated in the chart below



Massmart-specific stakeholder engagement comments

Stakeholders believe that one of the biggest contributions Massmart can make would be to assemble major food suppliers and identify opportunities for reducing food supply-chain costs and improving the user-friendliness of nutritional labelling.

It was felt that Massmart, in the context of its fresh food strategy, had a good opportunity to invest in developing the local producer base, particularly amongst emerging farmers. Suppliers suggested working together to find opportunities to rationalise food packaging so as to reduce costs. They asked if there were any opportunities whereby Walmart best practice could be deployed to improve supply-chain efficiencies for mutual benefit.

Perspective

Although South Africa is an exporter of agricultural commodities and the Constitution entrenches the right to adequate nutrition, it is estimated that approximately 14% of the population is vulnerable to food insecurity.

In recent years, rapidly rising fuel, energy and food prices have made it difficult for average South Africans to meet basic household needs. This has been exacerbated by incidences of price collusion among major food manufacturers. NGOs express the view that producers, agri-processors and retailers should work together to reduce costs and wastage within the food supply chain, without undermining competition.

Stakeholder engagement feedback continued

WATER SECURITY

Media discourse

Water security received moderate media attention and relatively consistent coverage. Water security coverage followed a similar trend to that of energy security (albeit at a slower pace) and this could prove indicative of a looming crisis. Media reports indicate that 84% of South Africa's freshwater systems are threatened. The themes covered that resonate in Massmart's context are water security in general, phosphates in laundry detergents, water-efficient products and rainwater harvesting.

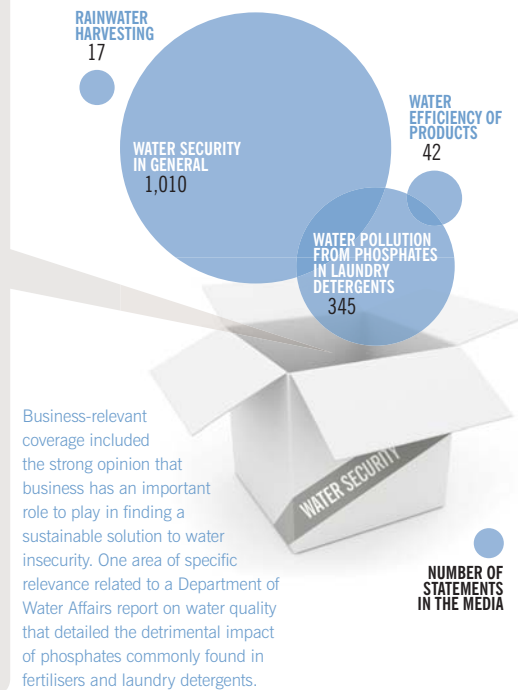
Massmart specific stakeholder engagement comments

The point was made that Massmart needs to be more cognisant of the risk posed by water scarcity on food production, particularly in the context of our strategy to grow our fresh produce proposition. Environmentalists recommended that we respond by establishing a supply chain based on the principles of sustainable agriculture.

In general, stakeholders were pleased to learn about, and commented favourably on, the water harvesting project we have implemented in Builders Warehouse stores. Stakeholders asked, in the context of our relatively modest water consumption, to prioritise initiatives to promote waterwise products to consumers and advocate water conservation to high level water-consumption suppliers.

It was proposed that we use rainwater in store harvesting installations to promote customer awareness as well as increase prominence of waterwise products, such as aerated shower heads, dual flush toilets and drip irrigation. It was noted that Walmart had eliminated phosphates from detergents in the United States, and that there is an opportunity for Massmart to replicate this in a private-public partnership in South Africa.

The intensity with which these themes were covered in the media is indicated in the chart below



Perspective

South Africa's average rainfall of 450mm p/a is approximately half that of the global average (860mm p/a). South Africa is therefore considered to be one of the 30 driest countries in the world. It is predicted that climate change will make South Africa both hotter and drier and that globally, water demand will outstrip supply by as much as 40% in 2030.

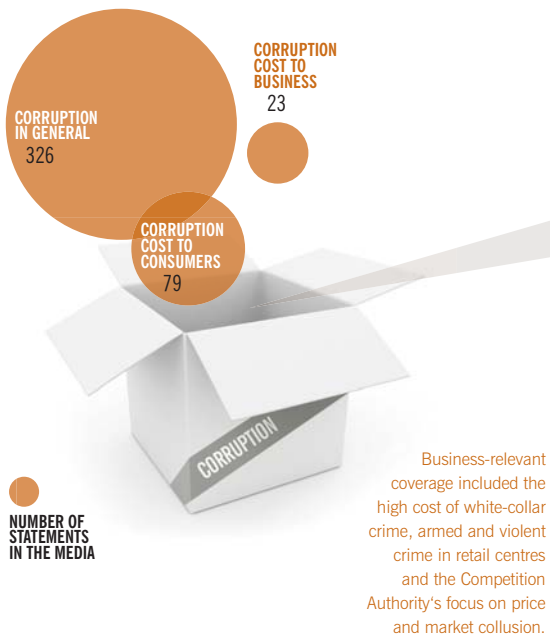
Each year South Africans utilise approximately 97% of the country's total annual water supply. Unless water conservation is prioritised, water shortages could have a negative impact on the country's economic growth and social stability as households, industry and the agriculture sector compete for scarce supply.

CORRUPTION Media discourse

Corruption within the political context received high visibility in the media, although business-related coverage of corruption was low. Interest in corruption peaked when debate around the Protection of Information Bill intensified amid widespread fears that the Bill could be abused to cover up information on corruption and to criminalise whistleblowers.

It is worth noting that this media discussion was initiated and perpetuated principally by researchers and unions, with little input originating from corporates. The themes covered that are relevant to our context, however, are the cost of corruption to consumers and the cost of corruption to business.

The intensity with which these themes were covered is indicated in the chart below



Massmart-specific stakeholder engagement comments

Suppliers discussed with us the risk associated with collusion between delivery personnel and receiving staff at the back doors of retail outlets and the impact this has on shrinkage.

Not all stakeholders were aware of the Massmart Ethics line and felt that it should be promoted more extensively to external stakeholders. Reassuringly, there is, however, a general view that Massmart is perceived to be a very ethical company.

Stakeholders expressed their belief that corporate South Africa should adopt a more outspoken stance on corruption and devote more resources to supporting institutions with a mandate to combat corruption. Suppliers and staff referenced Walmart's renowned approach to combating corruption, including their no-gift policy, and suggested that Massmart adopt these anti-corruption practices.

Perspective

Corruption is damaging to all aspects of society. It adversely affects job security, food security, business infrastructure, healthcare and economic growth. The Council for the Advancement of the South African Constitution believes that approximately 25% of South Africa's GDP is lost to corruption annually and that corruption increases the cost of goods by as much as 20%.

A 2007 PriceWaterhouseCoopers study revealed that 72% of companies in South Africa reported that they had been the victims of economic crime, in comparison with 43% of companies globally. In addition, on a scale from 0 (highly corrupt) to 10 (highly clean) South Africa scored 4.5 in Transparency International's 2010 Corruption Perceptions Index.

Stakeholder engagement feedback continued

WASTE MANAGEMENT

Media discourse

The topic of waste management had high media visibility and generally received a consistent level of coverage in the press. The themes covered that resonate in Massmart's context are waste management in general, recycling and re-use and hazardous post-consumer waste. Interestingly, packaging rationalisation was a relatively neglected area of media focus.

Massmart-specific stakeholder engagement comments

During 2010 and 2011 there was a shared perspective that consumers and legislators have become more sensitive to packaging waste associated with Fast Moving Consumer Goods (FMCG). It is expected that consumers and legislators will look to suppliers and retailers for solutions.

Stakeholders felt that those who respond lethargically to this challenge could face reputational damage, while proactive efforts to offer consumers convenient, responsible waste disposal options might benefit from favourable customer perceptions.

Stakeholders commented favourably about Makro's e-waste customer take-back programme and suggested that Massmart identify further opportunities to offer post-consumer waste take-back and recycling schemes to customers.

Suppliers expressed interest in improving environmental attributes of product packaging, such as reducing packaging and improving recyclability, especially if this resulted in opportunities to achieve cost efficiencies. Considerable interest was expressed in Walmart's acknowledged expertise in this area. Numerous civil society participants said they felt that FMCG were generally over-packaged. Our suppliers and staff indicated that we are not fully realising the opportunities that exist in terms of reducing and recycling secondary packaging waste in our stores.

The intensity with which these themes were covered in the media is indicated in the chart below:



Perspective

South Africans generate in excess of 42 million cubic tons of waste per annum. Altogether 95% of urban waste is deposited on land, either in open trenches or in one of the approximately 1,200 landfill sites operated mainly by local authorities. Industry experts have warned that South Africa is rapidly running out of landfill space. This has prompted the government to adopt a waste minimisation approach that places the onus on manufacturers and retailers to reduce the waste sent to landfill.

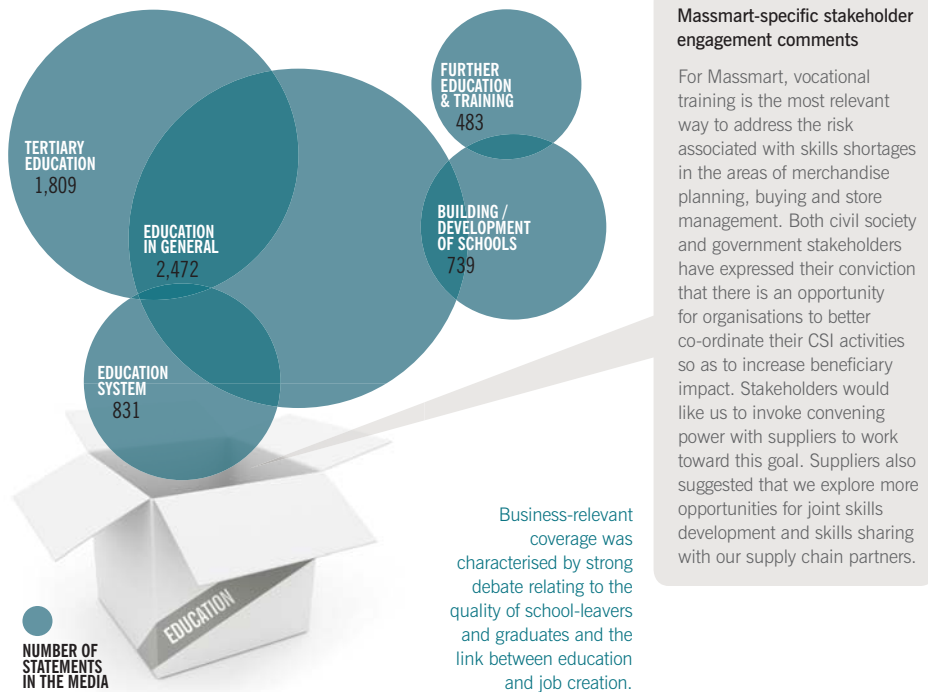
E-waste in particular is an area of growing environmental concern, as many electronic products contain potentially hazardous components. E-waste generation in Africa is expected to increase by as much as 400% by 2020. The government's Polokwane Declaration has set clear goals regarding waste generation and disposal. The most prominent among these is the goal of zero waste to landfill by 2020.

EDUCATION

Media discourse

The issue of education was addressed a great deal in the media and featured prominently on the government's communication agenda. Within our particular context, the education themes covered that resonated most in our context were tertiary education, the education system, development of schools and further education and training.

The intensity with which these themes were covered is indicated in the chart below.



Perspective

Improving basic education was foremost among the government's ten 2010 development goals. Despite this focus, the Development Bank of Southern Africa education expert, Graeme Bloch (2009), believes that between 60% and 80% of South African schools are currently dysfunctional. The results of the 2011 Annual National Assessment (ANA) indicate that basic literacy and numeracy skills among Grade 3 and Grade 6 pupils are alarmingly underdeveloped.

Better education would play a critical role in addressing many of the socioeconomic issues that hamper South Africa's growth. Improved education systems would undoubtedly pave the way for more adequately meeting the economy's demand for skills and achievement of globally competitive productivity standards. In this context, stakeholders indicated that corporate South Africa should prioritise in-house vocational training and corporate social investment in education.

Stakeholder engagement feedback continued

HEALTH CARE, HIV AND AIDS

Media discourse

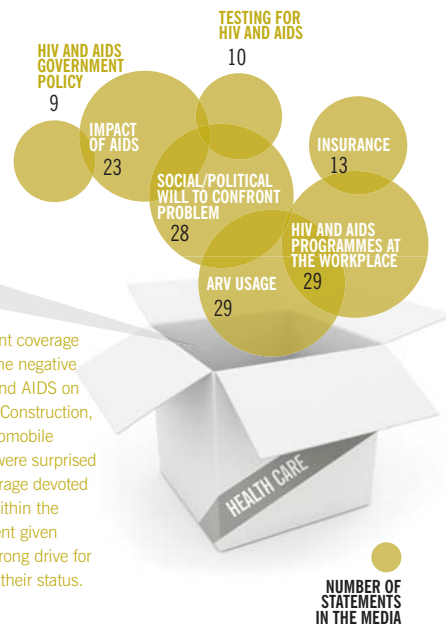
HIV and AIDS had low media visibility which peaked in December around World Aids Day. It was largely reported as a social issue to be dealt with by the government and did not feature as a particularly visible mainstream business issue. The themes covered that resonate in our context are HIV and AIDS programmes in the workplace, anti-retroviral usage, impact of HIV and AIDS and testing for HIV and AIDS.

Massmart-specific stakeholder engagement comments

Stakeholders were generally complimentary about Massmart's extensive Highly Active Antiretroviral Therapy (HAART) and pre-HAART programmes. Civil society representatives and Massmart human resources practitioners raised the point that we need to find ways to extend HIV and AIDS support to non-permanent employees. It was also felt that we should implement innovative workplace programmes to destigmatise HIV and AIDS in order to increase the level of voluntary testing penetration.

Massmart merchants suggested working more closely with suppliers to improve labelling associated with the efficacy of immune boosters used by HIV-positive consumers. The view was expressed that this is an area that is under-regulated and that there is an opportunity here for Massmart to adopt a leadership role. There was considerable discussion about the need for corporates to support organisations that care for children orphaned by HIV and AIDS.

The intensity with which these themes were covered in the media is indicated in the chart below



Business-relevant coverage was related to the negative impact of HIV and AIDS on the Agriculture, Construction, Mining and Automobile industries. We were surprised by the low coverage devoted to HIV testing within the work environment given government's strong drive for people to know their status.

Perspective

In South Africa, approximately 11% of the population is HIV-positive with roughly 18% of people between the ages of 15 and 49 infected with the disease. It is estimated that, in total, 5.7 million South Africans are HIV-positive. Of this number, roughly 330,000 are children under the age of 14. In addition, South Africa is home to approximately 3.4 million orphans, and according to some accounts, more than half of them are believed to have been orphaned as a result of AIDS.

It is generally accepted that HIV and AIDS has impacted upon South Africa's socioeconomic growth and development. Specific business impacts include lower productivity levels which are attributable to higher absenteeism and the loss of workforce skills and experience. Civil society has generally encouraged corporate South Africa to implement workplace prevention and treatment programmes and to contribute to initiatives that provide care and support within local communities.

Massmart's progress update

A key aspect of the feedback we received from our stakeholders, particularly our employees, was the view that we have not been sufficiently clear and concise in communicating our corporate accountability commitment in a way that is both "memorable" and easy to understand.

We realise that we have communicated a myriad of individual interventions and that we should be communicating our intentions with greater clarity. As a result, we have begun classifying various accountability interventions under the umbrella of three broad accountability themes. These are to:



Put simply, these themes relate to Massmart's operations, products and people.

Although all our Divisions subscribe to these broad themes we acknowledge that as a multi-format retail organisation our Divisions have differences in their structures and retail propositions. This has meant that our Divisions are unable to participate equally in the interventions associated with each theme. We are now distinguishing between **shared Group** and **discretionary Division-specific** accountability interventions, which we anticipate will be implemented according to five-year cycles.

We have applied our best efforts to incorporate the perspectives raised by stakeholders into our current sustainability priorities based upon an assessment covering issue materiality, commerciality and social relevance. Those stakeholder perspectives that have still to be incorporated will be subject to ongoing review and discussion with stakeholders.

Finally, it is clear that there are significant opportunities in the short-to-medium term to align more closely with Walmart's sustainability objectives and best practice which will lead to further evolution of our corporate accountability commitment. A project to do this has been initiated in the context of the Massmart-Walmart integration programme.



ACCOUNTABILITY THEME 1

During our stakeholder engagement we realised the full extent of the high expectations that civil society, government and customers place on retailers because of the position we occupy as the link between suppliers and consumers in the supply chain.

We are perceived to have significant supplier-convening power, which creates opportunities to encourage suppliers to act responsibly in sourcing, manufacturing and distributing their products. Equally, we are seen to have direct and credible face-to-face access to consumers, which presents opportunities to influence their buying decisions.

With this in mind and, as a part of the world's largest retailer, with access to its industry-leading approach to supply-chain advocacy, we are confident that we can promote the adoption of more sustainable practices across our supply chain.

SUSTAINABLE AGRICULTURE

Opportunity to leverage Walmart best practice

Objective

TO SUPPORT AND INTEGRATE EMERGING FARMERS INTO MASSMART'S NEW FRESH PRODUCE SUPPLY CHAIN

Commentary

Massmart is increasing the Group's fresh food retail proposition through a variety of initiatives that include expanding our Cambridge Food chain, implementing Foodco stores in Game and introducing fresh food into our Makro stores. Developing a local supply base makes good commercial sense and is also good for food-producer security. This presents a good opportunity to develop a sustainable farming initiative that provides local farmers with support and that also integrates them into the retail fresh food supply chain. Walmart has extensive sustainable agriculture expertise and funds from the Massmart-Walmart Supplier Development Fund have been earmarked to support this initiative. We are currently reviewing Walmart best practice and meeting with players to understand how best to approach this project. We hope to ultimately identify 1 500 emerging farmers to participate.

CONSUMER E-WASTE RECYCLING

Objective

TO IMPLEMENT POST-CONSUMER E-WASTE RECYCLING SCHEMES IN MAJOR METROPOLITAN AREAS

Commentary

Government has identified e-waste as a priority waste stream. Massmart has a significant hi-tech proposition that generated sales in excess of R1 billion** in the year ending June 2011. It is therefore intuitive to provide facilities that allow for the responsible disposal of e-waste. We achieve this through e-waste recycling schemes that have been implemented at all Makro stores and that have resulted in the collection of 214 tons of e-waste since their implementation in 2008

POST-CONSUMER WASTE RECYCLING*

Objective

TO IMPLEMENT REGIONALLY BASED POST-CONSUMER WASTE RECYCLING SCHEMES IN OUR STORES

Commentary

The successful implementation of Makro's customer e-waste recycling programme resulted in the identification of similar opportunities in other post-consumer waste areas. Builders Warehouse has implemented a scheme to take CFL light globes, non-recyclable batteries, rechargeable batteries and fluorescent tubes in all Builders Warehouse and Builders Express stores. Makro has received customer requests for glass recycling bins at their liquor stores and Game has initiated a study to explore demand for small appliance recycling.

PRIMARY PACKAGING RATIONALISATION*

Opportunity to leverage Walmart best practice

Objective

TO PARTNER WITH WILLING SUPPLIERS TO IDENTIFY AND IMPLEMENT OPPORTUNITIES TO REDUCE PRIMARY PACKAGING

Commentary

Each year Walmart hosts a packaging conference that facilitates exchange of information between packaging companies and Walmart suppliers. This is intended to identify opportunities for reducing and improving the environmental attributes of product packaging. An important aspect of this is Walmart's experience that these objectives can result in cost savings in the supply chain. Massmart has aspired to implement a packaging rationalisation programme since 2009 but has been unable to access suitable local expertise. We are enthusiastic about opportunities that the Walmart merger presents to leverage Walmart's packaging expertise and we have initiated discussions to get started. Our initial focus is likely to be on private label products.

ECO-LABEL ADVOCACY

Opportunity to leverage Walmart best practice

Objective

TO PROMOTE ADOPTION BY SUPPLIERS OF INDEPENDENTLY VERIFIED ECO-LABELS, SUCH AS MARINE STEWARDSHIP COUNCIL (MSC), FORESTRY STEWARDSHIP COUNCIL (FSC), AND ENERGY STAR (OR THEIR EQUIVALENTS)

Commentary

Irresponsible raw materials sourcing and manufacturing practices can cause extensive damage to the environment, including deforestation and depletion of marine resources. One way to counter this is through independent verification that certifies supplier procurement, manufacturing and distribution practices. Previous Massmart attempts to introduce eco-labels to suppliers have been relatively unstructured and have delivered mixed results. We have therefore appointed a fulltime ecologist who has been tasked with developing a commercially viable approach to eco-label advocacy to suppliers. A short-term priority is to ensure that major appliances in our stores display an energy-efficiency rating.

SUPPLIER ADVOCACY*

Objective

TO EXCHANGE KNOWLEDGE WITH WILLING SUPPLIERS TO FACILITATE HIGHER ENVIRONMENTAL AND HUMAN RIGHTS STANDARDS IN THE RETAIL SUPPLY CHAIN

Commentary

One technique to advocate more responsible practice is to ask suppliers to disclose their environmental and human rights activities. Massmart has been surveying and profiling the environmental practices of major suppliers since 2007. In 2011, a total of 350 suppliers were asked to participate in the Group's environmental survey, although only 112 responded. We continue to supplement the survey process with random site visits to selected suppliers. Various suppliers who participated in the 2010 survey round have indicated a willingness to collaborate with Massmart to improve their environmental credentials. In response, we have undertaken to develop follow-on 'quick start' educational workshops aimed at teaching practical steps to improve environmental performance in the supply chain. The objective of the workshops is to contribute to improving sourcing and manufacturing practices as well as the environmental attributes of consumer products. Our aim is to maintain active environmental profiles for our top 500 suppliers by unit volume and to expose all willing suppliers to 'quick start' environmental workshops.

CONSUMER EMPOWERMENT

Opportunity to leverage Walmart best practice

Objective

TO EMPOWER CONSUMERS TO MAKE RESPONSIBLE CONSUMER CHOICES MORE FREQUENTLY

Commentary

Price competitiveness and access to accurate information are two important levers for assisting consumers in making responsible purchasing decisions. Massmart has responded by launching the Eco-wise environmental awareness programme, a current priority that involves the development of an Eco-wise consumer website, which is nearing completion for launch in the fourth quarter of 2011. In addition, we have increased the frequency and scope of product promotions that feature environmentally responsible merchandise options. Most importantly we are working on price democratisation and information transparency to promote responsible consumer behaviour. These are areas in which Walmart has considerable expertise, including partnerships with a consortium of universities, suppliers and NGOs to develop a product information database that will provide the framework for the development of a consumer-facing index tool for shoppers. The aim of this tool is to offer consumers easy-to-understand labelling information that assists them in making sustainable product choices. Consequently, Massmart has prioritised consumer empowerment as a key area for knowledge exchange with Walmart.

* Denotes mandatory Group-wide accountability interventions

** Hi Tech figure for Makro.



ACCOUNTABILITY THEME 2

South Africa faces a number of significant environmental challenges. Due to the country's reliance on coal-fired power stations, South Africa is the largest emitter of greenhouse gases on the continent and the 13th largest CO₂ emitter in the world.

Africa is a chronically water-stressed continent and existing water resources are almost fully utilised. Despite the promulgation of the National Environmental Management Waste Act in 2008, South Africa still faces significant waste management challenges, including widespread illegal dumping, inadequate landfill space and a general lack of waste management data.

With this in mind, we appreciate how pressing the need is to minimise the environmental footprint of our operations. Consequently, we are working to improve energy efficiency, reduce water use and minimise the volume of waste to landfill.

ENERGY EFFICIENCY*

Opportunity to leverage Walmart best practice

Mandatory for new stores

Objective

TO IMPROVE ENERGY EFFICIENCY IN LINE WITH FORMAT-SPECIFIC ENERGY INTENSITY BENCHMARK RANGES

Commentary

Energy security and significantly increased energy tariffs continue to be a national priority. Massmart has developed energy intensity benchmarks for all Group formats that distinguish between legacy and new store energy efficiency opportunities. These benchmarks recognise that our different retail formats have different energy requirements and that more can be achieved by designing new energy efficient stores versus retrofitting legacy stores. Massbuild and Massdiscounters have achieved 10.0% and 3.0% energy intensity savings respectively based on their original 2008 baseline energy consumption. Energy intensity savings have been achieved through a number of interventions, including improved in-store consumption tracking, conversion to energy efficient lighting and refrigeration systems and the installation of lighting strips and skylights to reduce in-store lighting requirements. Makro, which has historically operated energy efficient stores, has taken the next step by designing and building stores that optimise natural lighting and reclaim heat from refrigeration systems to heat the store. These and other innovations have led to a 25.0% reduction in energy consumption (based on an annualised comparison between the new Makro Vaal store and a similar-sized legacy store).

SECONDARY PACKAGING RECYCLING*

Opportunity to leverage Walmart best practice

Sometimes inhibited by a lack of infrastructure in outlying areas

Objective

TO RECYCLE SECONDARY PACKAGING (SPECIFICALLY BOARD AND PLASTIC WASTE) THAT IS GENERATED IN STORES AND DISTRIBUTION CENTRES

Commentary

Massmart currently has approximately 172 active board and plastic waste recycling sites at store level. These vary in sophistication and effectiveness. An initial high-level recommendation based on Walmart store visits has highlighted an opportunity to cost-effectively improve store recycling activities. We are currently reviewing Walmart's recycling practices and meeting with recycling service providers to scope and verify the opportunity. This will serve as input to the development of a Massmart recycling standard. We would ideally like to achieve a situation of zero secondary packaging plastic and board waste to landfill.

WATER EFFICIENCY

Rainwater harvesting

Objective

TO HARVEST RAINWATER TO SUPPLEMENT NURSERIES (AT BUILDERS WAREHOUSE) AND LANDSCAPING IRRIGATION REQUIREMENTS

Commentary

This objective is most relevant for standalone stores, as opposed to stores located in shopping malls. All standalone stores have been assigned a rainwater harvesting index based on a 2009 study conducted by an independent consultant. All Builders Warehouse and Builders Express stores have installed rainwater harvesting solutions to supplement irrigation requirements for in-store nurseries. We estimate that 3,240 kilolitres was harvested in this way during the 2010 calendar year. Makro is currently using the Builders Warehouse solution as a reference for assessing the merits of using rainwater harvesting to supplement its landscaping irrigation needs. We aspire to supplement 40.0% of nursery and landscaping irrigation needs in this way.



ACCOUNTABILITY THEME 3

In the context of the unsustainably high level of social inequality in South Africa and Africa which is characterised by factors that include unequal access to housing, sanitation, food, education, economic opportunities and healthcare, the benefits associated with social development are clear. An empowered, healthy, well-skilled and productive population will contribute to a cohesive and stable society that is geared to prosper socially and economically.

EMPLOYEE HEALTHCARE BENEFITS*

Objective

TO INCREASE PERMANENT EMPLOYEES' ACCESS TO AFFORDABLE SUBSIDISED PRIVATE MEDICAL BENEFITS

Commentary

Approximately 41.9% of permanent employees have access to private medical benefits. This is a 16.0% improvement on the situation when this objective was launched in 2008. Massmart has now implemented four different subsidised health benefits options in the space of four years to increase staff uptake. In addition, we continue with our in-store wellness testing programme for early detection of high cholesterol, high blood pressure, unsafe blood sugar levels and obesity. Our goal is to achieve a minimum of 60.0% medical benefits coverage among permanent employees. We are closely monitoring the proposed National Health Insurance scheme which will impact upon this objective.

SOCIOECONOMIC IMPACT OF THE MASSMART-WALMART MERGER*

Objective

TO COMMISSION AN ACADEMIC STUDY OF THE SOCIOECONOMIC IMPACT OF WALMART'S ENTRY INTO SOUTH AFRICA

Commentary

There has been robust debate about the potential impact of Walmart's entry into South Africa. Walmart have asked Massmart to commission research to understand the impact on areas defined by academic researchers that are likely to include job creation, consumer prices, local manufacturing, local farming and export development.

EMPLOYEE HIV AND AIDS BENEFITS*

Objective

TO COMBAT THE RATE OF INFECTION AMONGST EMPLOYEES AND TO PROVIDE ALL HIV-POSITIVE PERMANENT EMPLOYEES AND THEIR SPOUSES WITH FREE ACCESS TO PRE-HAART AND HAART PROGRAMMES

Commentary

The infection rate among employees has remained stable, at 5.6%, lower than the national average (11.0%). We have improved testing penetration, with Voluntary Counselling and Testing (VCT) increasing from 3,180 in 2009/2010 to 8,153 for 2010/2011. This constitutes a 156.4% increase in penetration. A total of 87.0% of all HIV-positive staff have enrolled on the Impilo treatment programme, representing good progress in our initiative to ensure that all HIV-positive permanent employees receive treatment. However, this process continues to be hampered by the stigma which surrounds the virus. To facilitate greater treatment uptake, Massmart has extended its treatment hotline operating hours to enable employees to seek help and treatment advice after hours. We would like 100% of HIV-positive permanent staff to enrol for treatment and we aspire to achieve a 70.0% voluntary testing penetration rate.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT*

Objective

TO ACHIEVE AND MAINTAIN LEVEL 4 BBBEE CONTRIBUTOR STATUS

Commentary

Massmart achieved level-3 BBBEE contributor status in the 2011 BBBEE verification process, with a score of 75.9%. This was, according to the 2011 FM Top Empowerment Companies Survey, the highest score in the retail industry. In addition, we were pleased to be ranked 7th of all JSE-listed companies on Employment Equity in the same survey. Many employees will, however, consider the R430.6 million paid out by the Thuthukani Staff Empowerment scheme when the Walmart transaction was completed as one of the most significant BBBEE milestones achieved by the Group. Going forward, we expect the dilution of staff share ownership and changes to Enterprise Development scoring criteria to impact negatively on our BBBEE score.

SOCIOECONOMIC DEVELOPMENT*

Objective

TO INVEST A MINIMUM OF 1% PROFIT AFTER TAX (PAT) IN EDUCATION-FOCUSED SOCIAL DEVELOPMENT INITIATIVES THAT BENEFIT THE POOREST OF THE POOR

Commentary

Massmart invested R24,4 million, equating to 2.0% PAT, in Corporate Social Investment (CSI) initiatives during the period, exceeding the minimum investment guideline by 1.0%. CSI spending is decentralised to the operating divisions that supported projects that included early childhood development, teacher support, sustainable food production at schools, implementation of school container kitchens to enable hygienic food preparation and support for established feeding schemes. Massmart continues to encourage the divisions to adopt central guidelines that will see a minimum of 85.0% of CSI support being allocated, in partnership with the Basic Education Department, to nutrition (container kitchens and vegetable tunnels) and English literacy at quintile 1 primary schools. The Group's decentralised model means that this initiative is progressing more slowly than we would like.

* Denotes mandatory Group-wide accountability interventions

Massmart's accountability by the numbers

Five years ago Massmart developed four accountability scorecards that became the core of our accountability reporting. In 2009 we added a fifth scorecard covering our African Operations following input received from the Benchmarks Foundation, an NGO that focuses on corporate practice in Africa.

These scorecards, which are covered in this section, provide data describing BBBEE, Human Capital, Environmental, Corporate Social Investment and African Operations accountability performance over a four-year period and with reference to comparative industry practice.

Data gathering and consolidation accuracy can prove challenging in areas such as water consumption and greenhouse gas emissions, so it is important to disclose that there could be up to a 15% margin for error in these areas. The estimated margin for error is also indicated in the comments associated with each scorecard. Comparative data is provided for context and represents the best available performance data as reported by other South African retailers.

Looking forward we have taken the decision, following recent stakeholder engagement feedback about product safety and related issues, to introduce another scorecard in 2012 that will cover Group performance with reference to the Consumer Protection Act (CPA). We anticipate that this scorecard will cover aspects such as product recalls, National Consumer Commission (NCC) complaints and supplier compliance to the ethical, quality and safety requirements set out by Massmart. Since the enforcement of the CPA on 1 April 2011 Massmart has initiated 31 product recalls and responded to three NCC complaints.

Human Capital Performance Indicators

NON-PERMANENTS (%)				
32.1 2011 ▼	33.0 2010	33.0 2009	36.3 2008	16.0 COMPARATIVE
Because non-permanents are regarded as a vulnerable employee category, the comparative is based on lowest % in the retail industry.				
UNIONISED STAFF (%)				
37.3 2011 ▼	38.0 2010	35.0 2009	40.7 2008	66.0 COMPARATIVE
Massmart views % unionised staff as an indicator of commitment to freedom of association.				
BLACK MANAGEMENT AS A % OF ALL MANAGEMENT AND PROFESSIONALS				
77.7 2011 ▲	77.0 2010	77.0 2009	77.9 2008	76.2 COMPARATIVE
ESTIMATED % EMPLOYEES WITH MEDICAL BENEFITS				
41.9 2011 ▲	41.0 2010	38.0 2009	25.9 2008	17.6 COMPARATIVE
Our goal is to achieve a minimum of 60% medical benefits coverage among permanent employees.				
ESTIMATED STAFF TURNOVER (%)				
10.2 2011 ▲	9.4 2010	9.3 2009	19.0 2008	9.1 COMPARATIVE
AVERAGE MINIMUM WAGE (R)				
2,589 2011 ▲	2,555 2010	2,139 2009	2,040 2008	2,159 COMPARATIVE
ESTIMATED PER CAPITA TRAINING INVESTMENT (R)				
1,879 2011 ▲	1,574 2010	1,261 2009	• 2008	1,499 COMPARATIVE
ESTIMATED HIV PREVALENCE (%)				
5.6 2011 ▲	5.5 2010	6.4 2009	6.0 2008	11.0 COMPARATIVE
HIV figure has remained constant despite a 156% increase in the number of HIV tests carried out during the reporting period.				

Notes
Comparative data represents the best available performance disclosed by South African retailers, except for:

- › Employees with medical benefits sourced from 2010 South African General Household survey;
- › HIV prevalence which represents published national prevalence rate; and
- › Average minimum wage sourced from Sectoral Determination for Wholesale and Retail Sector.

› Non-permanents and Unionised Staff sourced from Massmart's 2009/2010 Sustainability Report.

Human capital data measurements and assumptions

Human capital data is based on Group and Divisional payroll data. HIV prevalence data is based on Right to Care VCT testing figures. Data is internally audited prior to publication. Estimated figures include the percentage of staff with medical benefits, HIV prevalence, staff turnover and per capita training investment.

BBBEE Performance Indicators

OWNERSHIP (%)				
14.8	6.6	5.9	4.4	19.6
2011 ▲	2010	2009	2008	COMPARATIVE
MANAGEMENT CONTROL (%)				
5.2	5.6	6.0	5.4	9.0
2011 ▼	2010	2009	2008	COMPARATIVE
EMPLOYMENT EQUITY (%)				
12.3	11.5	9.2	11.0	12.3
2011 ▲	2010	2009	2008	COMPARATIVE
SKILLS DEVELOPMENT (%)				
10.6	10.4	6.7	5.2	10.6
2011 ▲	2010	2009	2008	COMPARATIVE
PREFERENTIAL PROCUREMENT (%)				
12.9	12.2	8.0	3.6	18.1
2011 ▲	2010	2009	2008	COMPARATIVE
ENTERPRISE DEVELOPMENT (%)				
15	15	15	15	15
2011	2010	2009	2008	COMPARATIVE
SOCIO-ECONOMIC DEVELOPMENT (%)				
5	5	5	5	5
2011	2010	2009	2008	COMPARATIVE
BBBEE SCORE (%)				
75.9	66.1	55.7	49.4	75.9
2011	2010	2009	2008	COMPARATIVE

As a result of the early vesting and staff shareholder payments made by Walmart, employee voting rights have decreased by 4.1%. As at 30 June 2011, black permanent employees exercised voting rights through 1.9% of Massmart equity.

Massmart's 2011 score of 12.3% is the highest of all listed retailers and seventh best of all listed companies.

Massmart invested 2.0% PAT in socio-economic initiatives, 1.0% higher than scorecard target.

Massmart's 2011 score of 75.9% is the highest of all listed retailers.

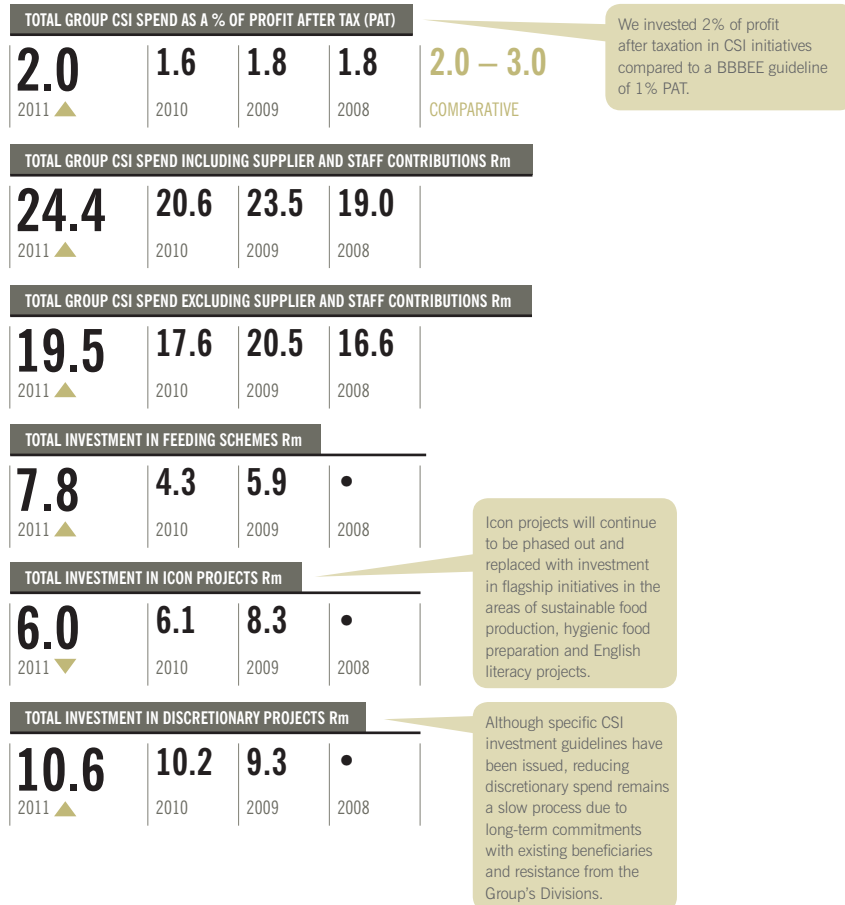
BBBEE data measurements and assumptions

Massmart's BBBEE figures are calculated externally by Empowerdex Economic Empowerment Rating Agency. These figures are based on actual staff numbers (not estimates) and are believed to be 100% accurate at the time at which they were published. BBBEE scores are calculated retrospectively, therefore the data reported is based on the scorecard compiled in February 2011 for the period ended June 2011.

Notes

- › Comparative data represents the best performance in the retail sector as published in the FM Top Empowerment Companies Survey 2011.
- › (%) indicates percentage score achieved on the BBBEE scorecard.
- › An updated scorecard for the period ended June 2011 will be published on the Massmart website in November 2011.

CSI Performance Indicators



CSI data measurements and assumptions

CSI data is based on actual Group expenditure figures which have been internally audited. CSI figures are believed to be 100% accurate at time of publication.

Notes

- › Investment in feeding projects includes spend on container kitchens, vegetable tunnels, NGO and government feeding schemes and Gauteng Foodbank contributions.
- › 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.
- › Investment in discretionary projects includes donations to Starfish Foundation, Tomorrow Trust, Vodacom Wheelchair Fund, Business Against Crime and others

Africa Operations Performance Indicators

LOCAL EMPLOYEES AS A % OF TOTAL (AFRICA) HEAD COUNT

97.7	97.7	98.0
2011 ▲	2010	2009

LOCAL MANAGEMENT AS A % OF TOTAL MANAGEMENT

86.7	87.0	86.0
2011 ▼	2010	2009

LOCAL EXECUTIVE STORE MANAGERS AS A % OF TOTAL EXECUTIVE STORE MANAGERS

27.0	27.0	50.0
2011 ▲	2010	2009

PRODUCTIVITY LOST TO MALARIA AS A % OF TOTAL WORK DAYS

UNKNOWN	UNKNOWN	1.0
2011 ▼	2010	2009

LOCAL PROCUREMENT AS A % OF TOTAL PROCUREMENT

21.0	18.4	19.0
2011 ▲	2010	2009

Local procurement has improved. However, the Group's 2009 target of 25% local procurement by 2011 has not been achieved.

CORPORATE SOCIAL INVESTMENT (Rm)

0.4	0.7	0.2
2011 ▼	2010	2009

CUSTOMER SATISFACTION INDEX (%)

83.0	82.0	82.0
2011 ▲	2010	2009

PURCHASED ELECTRICITY CONSUMPTION KWH/m²

292	354	323
2011 ▼	2010	2009

Purchased electricity consumption for our Africa Operations remains highly inaccurate. This is largely due to the absence of in-store electricity meters.

PENALTIES FOR LEGAL NON-COMPLIANCE

9	5	1
2011 ▲	2010	2009

Penalties accrued for the reporting period came to R10,721. Penalties related to the late submission of tax returns and fines received as a result of incorrect paperwork at border crossings.

Africa operations data measurements and assumptions

Africa Operations information is limited to data from the Group's Massdiscounters division. Local management as a percentage of total management is based on all employees whose job titles contain the word "manager". The calculation of local executive store managers as a percentage of total executive store managers was based on store manager and store manager designated job titles. Energy consumption figures are based on total spend on energy and have a 10%-15% margin of error. Data is internally audited prior to publication.

Notes

- › HIV testing has been carried out in Africa, however, insufficient tests have been conducted to calculate a reliable prevalence percentage. We realise that HIV and AIDS is a significant concern in Africa and we hope to expand voluntary HIV and AIDS testing in our Africa Operations in the future.

Climate Change and Environmental Performance Indicators



• No data available for this year

Climate change data measurements and assumptions

Scope 1 and 2 emissions figures are calculated externally by Global Carbon Exchange consultants. Scope 1 emissions relate to direct emissions resulting from Company owned vehicle, generator use and refrigerant gas emissions. Massmart trend data is not available for Scope 1 2008/2009 emissions since this information has historically been reported by calendar rather than financial year.

Scope 2 figures are based on divisional electricity consumption figures. Energy consumption data is annualised and normalised (outlying data is excluded). Consequently, the margin for error on reported data is considered to be between 10%-15%. Gross Lettable Area (GLA) is used to calculate per m² intensity figures. GLA covers the total functional uses area for commercial purposes such as retail shop, office, etc. inside the building excluding all common areas, car parking and service areas. Electricity consumption and Scope 2 emissions figures relate to South African operations only.

Electricity consumption figures from the Group's Africa Operations are excluded due to data inaccuracy and difficulties associated with determining what percentage of the electricity supply comes from renewable sources. The total Group sales are used to calculate Scope 1 and 2 emissions' intensity per Rand million (Rm). Water usage has been derived with reference to the cost of water consumed. Water consumption is based on Rand Water Tariff 2010/2011 of 858,89 c/kl.

Additional readings

This Corporate Accountability report is intended to provide an overview, rather than an exhaustive account, of the Group's accountability process, focus and achievements.

For further information, we recommend that you refer to the additional website-based:

- GRI** **GRI III questions and answers** (<http://www.massmart.co.za/sustainability/GRI/strategy.asp>)
- GROUP** **Group Updates** (http://www.massmart.co.za/media_info/c_updates.asp)
- eMAG** **E-magazines** (http://www.massmart.co.za/media_info/online_magazine.asp)

GRI 2011 GRI III Questions and Answers

A series of Questions & Answers derived from the Global Reporting Initiative III that describes Massmart's performance with reference to this standard.

eMAG Walmart Best Practice Overview

An e-magazine that describes a selection of Walmart's global social investment, sourcing, packaging, environmental and related accountability credentials.

GROUP Makro partners with Fujitsu on e-waste disposal programme

Makro runs an e-waste disposal project at all its stores in partnerships with Fujitsu-Siemens. This Group Update describes the e-waste situation in South Africa and Makro's response.

GROUP Profiling supplier environmental awareness – what have we learned?

A Group Update that summarises the highlights of Massmart's most recent supplier environmental survey. The survey covers manufacturing practices and environmental product and packaging attributes of manufactured merchandise.

GROUP Eco-wise brand update

The Eco-wise brand was launched in 2008 to promote consumer awareness about more environmentally friendly merchandise options. This Group Update summarises the progress that has been made in this regard.

GROUP Builders Warehouse encourages recycling

In a drive to offer customers in-store recycling options, Builders Warehouse has implemented recycling bins in all its stores. This Group Update describes the initial pilot project.

eMAG Making saving the planet and saving money easier

Massmart encourages our chains to promote environmentally responsible products. This is a summary of some recent product promotions aligned to this objective.

GROUP Massmart measures its 2011 energy efficiency

A Group Update that offers a detailed account of the pitfalls, challenges and achievements involved in measuring energy efficiency. Data integrity remains a challenge.

GROUP Massbuild installs rainwater-harvesting tanks to grow plants in its nurseries

South Africa is one of the 30 driest countries in the world. This Group Update describes Builders Warehouse's project to harvest rainwater to supplement water requirements in their in-store nurseries.

GROUP Environmental attributes in the new Makro Vaal store

The Makro Vaal store serves as the model for future Makro stores, three of which are currently in the construction phase. This Group Update describes steps taken to ensure that these stores use less water and electricity.

GROUP Massmart winning the fight against HIV and AIDS

In 2005 Massmart made free anti-retroviral treatment available to all permanent staff members and their spouses. This supplemented the Group's already-established Voluntary Counselling and Testing (VCT) programme. A Group Update describes the status of the fight against HIV and AIDS at Massmart.

eMAG Massmart encourages early detection of priority illnesses

A Group Update that provides a brief synopsis of the actions that Massmart is taking to increase employee access to private health benefits and to provide in-store testing to detect priority illnesses, such as diabetes and raised cholesterol levels.

GROUP Reaping the benefits of share ownership – Thuthukani pays out

The Thuthukani staff empowerment scheme was launched in 2006, when permanent staff members were issued equity at R49.98. This Group Update quantifies benefits paid to Thuthukani staff culminating in the purchase of 51% of Massmart equity at R148, when Walmart partnered with Massmart.

GROUP Massmart's approach to CSI is evolving

In order to improve the combined impact of Massmart's CSI projects, we are trying to align the spending of all Group Divisions. This Group Update describes our CSI vision and the underpinning rationale.

eMAG The impact of CSI – What we achieved in 2010/2011

A round-up covering examples of the CSI work of Massmart's four Divisions, including implementation of container kitchens and vegetable tunnels at primary schools.

This does not represent an exhaustive list and is complemented by the Group updates available on our website.





