

MASSMART

Broad Based Black Economic
Empowerment Philosophy and
Governance Framework

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1. Philosophy Underpinning BBEE at Massmart

As a company with its roots in South Africa, the Massmart Board of Directors acknowledges that transforming our workplace and broader society is not only morally and ethically right, but it is also commercially prudent.

Morally, BBEE is a necessary measure for the normalization of South African society given the emphasis that it places on the socio-economic up-liftment of previously disadvantaged black people. In this sense we recognize that Massmart's constructive commitment to BBEE will contribute to the creation of a better society for all South Africans.

Commercially, BBEE will improve the buying power of the broader South African demographic, thereby expanding the markets in which we trade and increasing demand for the products that the Group sells.

We recognize therefore that transformation is critical for the sustainability of a healthy society and our business, we understand the implications and challenges it presents and the opportunities and benefits that will materialize through successful transition.

The Group is, as a consequence, fully supportive of the underlying principles and objectives of BBEE as outlined in the Department of Trade and Industries Codes of Good Practice on BBEE.

2. Objectives of BBEE at Massmart

Massmart is, notwithstanding our moral commitment to BBEE, focused on facilitating the achievement of the following pragmatic outcomes as a consequence of our BBEE focus:

- Extending Massmart's customer base to include individuals, businesses, parastatals and Non Governmental organizations (NGO's) whose procurement criteria demand demonstrated empowerment credentials;
- Ensuring that the Group meets legislated qualifying criteria in respect of trading licenses or authorities that may be required for trading purposes;
- Enhancing relations with the public service thereby improving the incidence of successful outcomes with regard to engagement on policy issues that have direct commercial relevance for the wholesale and retail sector generally and Massmart specifically; and
- Improving perceptions of Massmart's social relevance and corporate citizenship credentials thereby, providing a sound foundation on which to build better relationships with staff, customers, suppliers and civil society stakeholders.

3. Scope of BBEE at Massmart

The scope of Massmart's BBEE activities will be determined by the Codes of Good Practice on BBEE and will include investment in the following areas: Equity Ownership, Management Control, Employment Equity, Black Skills Development, Preferential Procurement, Enterprise Development and Socio-economic Development.

The intensity of investment in each of these areas will be determined by the Massmart Executive Committee in consultation with the Massmart Transformation and Sustainability Committee, where the key consideration will be ensuring that Massmart achieves its agreed objectives with reference to The Department of Trade and Industries Generic BBEE Scorecard.

4. Governance of BBEE at Massmart

Overall accountability for determining Massmart's BBEE agenda will lie with the Massmart Executive Committee. Responsibility for prioritizing and implementing chain specific BBEE interventions will however be the responsibility of the Massbuild, Masscash, Massdiscounters and Masswarehouse Boards of Directors.

Assessment of the Group's BBEE progress will be conducted by the Massmart Transformation and Sustainability Committee which is a sub-committee appointed by the Massmart Board of Directors. The Transformation and Sustainability Committee will report their BBEE findings and recommendations to the Massmart Board on a bi-annual basis.

5. Massmart BBEE Reporting

Each Massmart division will produce and maintain a BBEE scorecard that will be independently verified by an accredited BBEE verification agency on an annual basis. These scorecards will correspond in all respects to the Department of Trade and Industries Generic BBEE Scorecard.

Divisional scorecards will be submitted to the Transformation and Sustainability Committee in August and February each year as an input into that committees BBEE assessment process.

Divisional scorecards will be made available to interested stakeholders on request. A consolidated Group scorecard will be published in the Massmart Sustainability Report and on the Massmart website.

6. Measurement of BBBEE Performance

The Massmart Group's BBBEE performance will be measured with primary reference to the progress made toward achieving agreed BBBEE objectives that are based on the recommended targets defined in the Department of Trade and Industries Generic Scorecard.

In this respect each division will have the latitude to set their own BBBEE objectives within broad parameters albeit that these objectives must be approved by the Massmart Transformation and Sustainability Committee.

BBBEE objectives, whilst taking a minimum of a three year view, will be reviewed and updated on an annual basis.