

MASSMART

Corporate Social Investment
Policy

Contents

1. Preamble.....	3
2. Objective.....	4
3. Primary Principles Governing CSI Practice at Massmart.....	5
4. Application Monitoring and Reporting	6

1. Preamble

Massmart is committed to occupying an impactful role as a socially responsible corporate citizen. This commitment is rooted in a deep moral conviction and is driven by prudent business sustainability practice. It is reinforced in our Ethical Code of Conduct which states that we will “always act as a compassionate and responsible Corporate Citizen”. In this context we have embraced a variety of socially responsible business practices which include a commitment to pro-actively invest in the social development needs of the countries in which we operate.

2. Objective

Massmart's approach to Corporate Social Investment (CSI) is underpinned by the view that we must achieve a pragmatic balance between meeting the developmental needs of society whilst simultaneously deriving value for our business. In this context our primary CSI objectives will be to;

- Make a relevant and notable contribution to the social development agenda in the education sector where our primary criteria for success will be the real difference that we have made in the lives of the beneficiaries that we assist.
- Nurture a reputation amongst our stakeholders for being a compassionate organization that is playing its part in the up-liftment of the poorest of the poor South Africans.

Divisions will, wherever possible, establish synergies between commercial priorities and our CSI involvement. This may involve leveraging our CSI initiatives in order to consolidate our position in existing markets or to gain access to new business opportunities, such as those offered by supply to government funded feeding schemes.

Finally, Massmart recognises that we are not social development experts and the divisions therefore have full discretion to outsource their CSI involvement, via the mechanism of financial and/or in-kind grant making, to organizations with credible social development and governance track records. In such instances the divisions must ensure regular, accurate and transparent feedback reporting by beneficiaries of grants.

3. Primary Principles Governing CSI Practice at Massmart

The practice of CSI will be de-centralized to the individual division and/or operating company level, at which level the relevant Executive Committees or Boards of Directors will be given considerable discretion within the parameters of Massmart's CSI Best Practices framework. The framework incorporates a number of CSI considerations the following of which deserve particular emphasis:

1. Operating companies are required to set aside 1% of profit after tax for CSI initiatives. For budgeting purposes CSI spend should be based on the profit after tax forecasts.
2. The CSI budget must be represented and tracked in a separate cost centre so that it can be clearly distinguished from contributions that are made as part of good Customer Relationship Management practices. This underscores the fact that Massmart distinguishes between CSI practices and Public Relations practices, both of which are important to our business.
3. CSI initiatives must focus on the Education sector although operating companies have broad discretion to select initiatives within this sector focus. The selected initiatives should, as far as is possible, be consistent with government education policy.
4. The beneficiaries of CSI support must be financially disadvantaged people from the poorest of the poor communities.
5. CSI spending must be allocated in terms of a Divisional Executive Committee approved CSI Plan that is published at the beginning of each financial year. This plan must describe a pro-active CSI strategy for the year and should provide the basis for tracking and evaluating CSI performance.
6. The CSI plan must be based on an insightful understanding of the targeted social development issue and should incorporate the input of representatives of the development community with proven knowledge of the issue.
7. CSI initiatives must be underpinned by realistic and measurable social development objectives. These should be supplemented by an understanding of the business benefits associated with involvement in the initiative.
8. The allocation of CSI resources should be based on quality of initiative impact rather than on the number of contributions made. Care must be taken not to dilute the impact of CSI spending by making token contributions to a wide variety of recipients.
9. Every reasonable effort should be made to synergize CSI efforts with those of other Massmart Group companies, development agencies and the corporate donor community as a whole.
10. The recipients of CSI support must be evaluated in terms of clear performance targets and should understand that continued support will be dependent upon their achieving these targets.
11. The success or otherwise of CSI initiatives must ultimately be measured in terms of beneficiary perceptions.

4. Application Monitoring and Reporting

Accountability for the implementation of this policy will be decentralized to the operating companies and/or divisions who will:

1. Assign executive accountability for CSI to an appropriate Divisional Executive Committee member who will: be accountable for overall CSI governance, fulfil the role of chairman of the CSI committee and who will report the status of CSI efforts to the Divisional Board of Directors.
2. Establish the corporate governance processes that will be required to ensure the professional management of CSI in the organization.
3. Appoint a CSI Practitioner, in a fulltime or part-time capacity, with responsibility for coordinating the design, development, implementation and assessment of the company's CSI involvement.
4. Elect a representative CSI committee that should ideally incorporate at least one external subject matter expert. The CSI committee will have overall responsibility for selecting and approving CSI support to nominated initiatives.
5. Submit quarterly CSI progress reports to the Massmart Transformation and Sustainability Committee. These will form the basis of the CSI component of Massmart's Annual Sustainability Report.