



Massmart Environmental Practices Review

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Global, Corporate and Retail Environmental Perspectives

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SA Environmental Perspectives

- South Africa (SA) is the highest metric ton CO₂ emitter per capita in sub-Saharan Africa, the second highest on the continent and is the third highest middle income emitter in the world .
- SA's energy and CO₂ intensity (measured in terms of energy consumed and CO₂ produced per dollar of GDP) is higher than other industrializing countries (e.g. India & China) and surpasses that of the US.
- SA's stressed water resources are already fully utilized. It is predicted that SA will experience absolute water scarcity by 2015 resulting in insufficient water to meet domestic, industrial and agricultural needs. This is likely to impact on economic growth and social stability.
- Government poverty alleviation initiatives are increasingly positioned in the context of the established link between environmental degradation, food insecurity and rural poverty (National Sustainable Development Strategy).



SA Environmental Perspectives Cont ...

- SA constitution is the only one in the world which ensures the right of citizens to live in a clean and healthy environment. This offers environmental activists compelling legal justification for their actions.
- SA is party to more than 40 environmental treaties including the UN Framework Convention on Climate Change and is therefore encouraged to consider climate change issues in domestic social, economic, and environmental policymaking.
- SA government has, through the Polokwane declaration, committed to reduce waste generation and disposal by 50% and 25% respectively by 2012 and develop a plan for ZERO WASTE by 2022.
- SA waste management strategy has moved from waste disposal to waste prevention and reclamation, and emphasizes the polluter pay's principle.



SA Environmental Perspectives Cont ...

- Government remains committed to developing SA as an eco-tourism destination placing environmental issues in the spotlight. Environmental and Tourism portfolios are merged in one cabinet role.
- SA's diverse environmental heritage is recognized internationally and therefore generates interest from a wide group of respected environmentalists, NGO's and also activists.
- SA has a sophisticated and internationally networked NGO environmental sector that has increased efforts to lobby government for stricter environmental protection laws.
- **However** environmental lobbyists and policy makers are ahead of public opinion. A low percentage of South Africans spontaneously identify environmental issues amongst those that they want government to address.



Corporate Environmental Perspectives

- Advent of environmental governance in corporate reporting leads to widespread voluntary adoption of reporting protocols that emphasize environmental disclosure (e.g. GRI Guidelines, Sustainability Indexes).
- Investment advisors (e.g. Deutsche, UBS, Morgan Stanley) establish specialized teams to establish how organizations are affected by intangible issues such as climate change.
- Leading organizations voluntarily coalesce in associations to regulate environmental behavior and to share best practices (e.g. Centre for Environmental Leadership in Business).
- National Kyoto Protocol commitments drive corporate investment in environmentally friendly production practices and carbon offset initiatives in industrialized countries.



Corporate Environmental Perspectives Cont ...

- Increase in CEO's of prominent Global corporations (e.g. Unilever, GlaxoSmithKline, Wal-Mart) make public commitments to reduce the environmental impact of their corporations.
- Ten leading US based organizations such as General Electric lobby Bush administration to take more pro-active action to combat emission of green house gases.
- Increase in incidence of national environmental legislation that specifically targets corporate environmental behavior (e.g. legislation that holds FMCG producers responsible for disposing e-waste associated with retired consumer products).
- Emergence of the 3P's in management thinking (People, Profit and Planet).



Global Retail Environmental Perspectives

- Environmental consumerism continues to grow in UK and Europe. UK retailers are competing fiercely for the business of the environmentally conscious consumer (e.g. green stores).
- Retailers are confronted with increasing pressure from legislators and NGO's to encourage environmentally responsible consumerism. (e.g. product labeling standards & providing customer product waste disposal services)
- Rise of environmentally focused consumer advisory groups that help consumers select environmentally friendly retail outlets and products (e.g. Green Consumer Guide). Consumer awareness grows as they continue to be bombarded with information about environmental issues.



SA Retail Environmental Perspectives

- The shopping behavior of SA consumers is less influenced by environmental issues than their international counterparts. Respondents to a Unisa consumer survey reveal that they consider environmental choices when shopping but are not prepared to pay more for environmentally friendly products.
- Introduction of environmental legislation that moves environmental management costs to producers and retailers (e.g. National Waste Management Bill).
- Energy crisis in South Africa has resulted in national Power Utility and Government promoting energy efficiency. A key Eskom focus is on the distribution of energy efficient light bulbs. This may create a further opportunity for the sale of energy efficient electrical equipment and appliances (internationally consumers represent 50% of demand for energy).
- WWF launches far reaching consumer awareness programme to influence consumer seafood choices.
- Increased environmental consumerism amongst new black middle class consumers could lead to the creation of a valuable environmental market segment in SA.

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Key Global Trends in Retail (Global Perspective)

- Reduce operational carbon emissions through improving operational efficiencies (e.g. store energy consumption) and seeking eco-efficient fuel alternatives (e.g. biodiesel).
- Recycle waste generated in stores (e.g. cardboard packaging waste).
- Extending influence in the supply chain by introducing supplier focused codes of environmental conduct and introducing supplier audits.
- Reduce packaging waste going to landfill in partnership with suppliers (e.g. better recyclability, compostable packaging).
- Provide e-waste re-cycling/disposal service to customers in collaboration with suppliers (e.g. cell phones).
- Develop organic food ranges/embargo GM food.
- Source and promote sale of affordable environmentally friendly products (e.g. energy efficient light bulbs)
- Build “Green Stores”. (e.g. optimize use of natural light, use of solar power).
- Strive to become carbon neutral by investing in third party carbon offset initiatives (e.g. tree planting).

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Massmart's Potential Exposure to Environmental Issues

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The Source of Massmart's Environmental Risk Exposure

- The Group's status as a publicly listed entity and major player in the South African retail industry.
- The procurement relationship that the Group holds with other organizations and especially those operating in environmentally sensitive industries (e.g. Forestry, Fishing, Chemicals etc).
- The products sold by the Group and especially those that are regarded as environmentally topical, sensitive or damaging (e.g. e-waste associated with Hi-tech products, toxic waste associated with chemically based products, timber products, fish products etc)



Assessment of Massmart's Environmental Risk Exposure

Risk Description

1. Electrical energy consumption costs represent a high proportion of overall expenditure.
2. Water consumption costs represent a high proportion of overall expenditure.
3. The organization operates in an industry that is subject to intense environmental scrutiny/activist interest.
4. The organization operates in an industry in which there is a global trend toward adoption of environmentally responsible practices.
5. The organization operates in an industry in which local competitors are committed to adopting environmentally friendly practices.
6. Customer buying decisions are strongly influenced by the organizations environmental reputation.
7. The organization's reputation management practices include an environmental component (e.g. Socially Responsible Investment Index, GRI Guidelines)
8. The organization has adopted a reporting policy that includes full environmental disclosure.

Risk Exposure

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Lo	Med	Hi	Un
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Lo	Med	Hi	Un
Lo	Med	Hi	Un

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Un = Unknown



Assessment of Massmart's Environmental Risk Exposure

Risk Description

1. The organization sells products that contain genetically modified ingredients. (1.4 million ha in SA devoted to GM crops in 2006)
2. The organization sells significant units of environmentally sensitive/toxic products (e.g. paint, pesticides, chemicals etc).
3. The organization sells significant units of environmentally emotive products (e.g. fish, timber etc).
4. The organization sells significant units of products that consume electrical energy (e.g. stoves, fridges, power tools etc).
5. The organization sells significant units of products that may present a toxic waste hazard when retired from use (e.g. computers, batteries etc).
6. The organization's products generate significant packaging waste.

Risk Exposure

Lo **Med** Hi Un

Lo **Med** Hi Un

Lo **Med** Hi Un

Lo **Med** Hi Un

Lo **Med** Hi Un

Lo **Med** Hi Un

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Un = Unknown

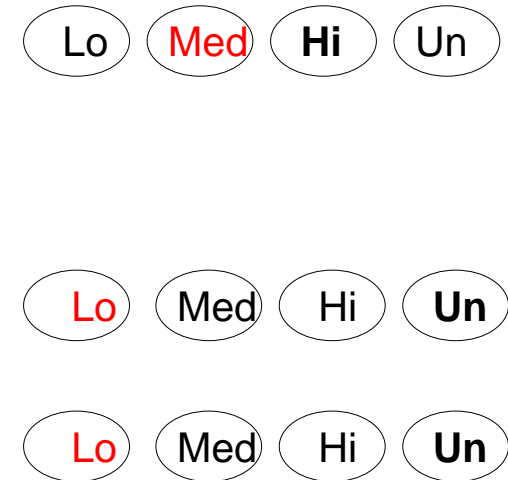


Assessment of Massmart's Environmental Risk Exposure

Risk Description

1. The organization has significant business dealings with other organizations that operate in environmentally sensitive industries (e.g. Chemicals, Forestry, Petroleum, Agriculture).
2. The organization has significant business dealings with other organizations that are environmentally suspect.
3. The organization is exposed to suppliers who's businesses may be disrupted by climate change impacts (e.g. agriculture)

Risk Exposure



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Un = Unknown



Toward an Integrated Environmental Plan for Massmart Holdings

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Massmart will have Three Environmental Focus Areas

- **Operational Advocacy** focusing on applying environmental guidelines to new store development projects, adopting energy efficient store lighting and technology options, implementing water saving devices and re-cycling store waste.
- **Supplier Advocacy** focusing on facilitating supplier adoption of an environmental code of conduct, tracking environmental performance of suppliers operating in environmentally sensitive industries and collaborating with suppliers to reduce packaging waste.
- **Consumer Advocacy** focusing on improving environmental labeling standards on environmentally sensitive/relevant merchandise, offering environmentally friendly merchandise choices to customers and exploring the take up of free re-cycling services to customers.

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Massmart's Operational Advocacy Aspiration

1. Develop New stores according to minimum energy efficient standards for lighting, insulation, air conditioning, refrigeration, office equipment and water consumption solutions.
2. Leverage opportunities to retrofit existing stores with energy efficient technology and water consumption devices that meet minimum standards.
3. Operate active recycling programmes covering all waste categories (e.g. Glass, Cardboard, Plastic & e-waste).

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Massmart's Supplier Advocacy Aspiration

1. Implement environmentally friendly sourcing guidelines for Massmart buyers.
2. Track top 200 suppliers environmental performance through an annual environmental survey which will be used as the basis for encouraging environmental reforms where appropriate.
3. Encourage suppliers to assess packaging waste placing emphasis on firstly reducing product packaging and secondly on converting to recyclable or compostable packaging.

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Massmart's Consumer Advocacy Aspiration

1. Improve merchandise labeling standards to incorporate accurate and appropriate environmental warning and advisory information.
2. Source and offer consumers sensible environmentally friendly merchandise options in selected ranges such as electrical appliances
3. Provide consumers with access to needed re-cycling facilities at selected standalone store sites.

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