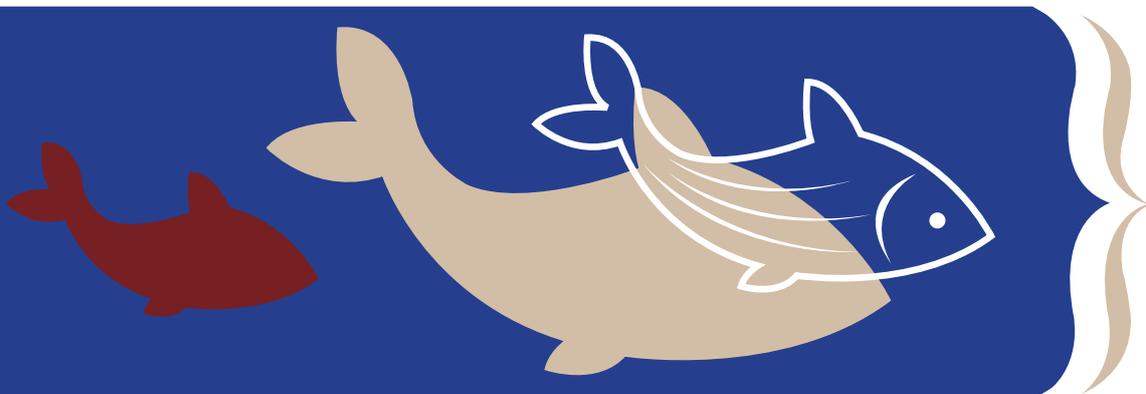




MASSMART GROUP UPDATE

MASSMART



Massmart develops a sustainable

SEAFOOD SOURCING POLICY

To help promote greater accountability and environmental sensitivity in the seafood supply chain, Massmart has developed a structured supplier advocacy process. This process was initiated in 2012 and has enabled Massmart to develop a sustainable seafood sourcing policy and marine advocacy process.

Our diminishing global seafood supply

The Food and Agriculture Organisation of the United Nations (FAO) reports that 85% of the world's fish stocks are either overexploited or being exploited to their full capacity. Furthermore, it is predicted that over the next decade demand for seafood is likely to increase by as much as 10% per annum, placing even more pressure on this valuable and diminishing resource.

As fish and fish products provide more than 40% of the world's population with almost a fifth of their animal protein intake, global fisheries are under significant pressure to meet the globe's growing protein requirements (FAO, 2012). Sustainable fishery management is a core focus of environmental NGOs at both national and international levels, which has led to consumers becoming more aware of the need for responsible and environmentally sensitive fishery management practices. Retailers, from global players to more local traders, have responded to this consumer demand by making sustainable seafood commitments.

Walmart's seafood eco-standards

For example, Walmart U.S. and Sam's Club require all fresh and frozen, farmed and wild seafood suppliers to become third-party certified as sustainable, using the Marine Stewardship Council (MSC), Best Aquaculture Practices (BAP) or equivalent standards as a basis of comparison. As an interim step, they required any uncertified fisheries and aquaculture suppliers to have developed

work plans to achieve certification by June 2012.

Promoting sustainable seafood practices and products through supplier advocacy

For Massmart, responsible seafood sourcing speaks to the Group's commitment to enable sustainable supply and consumerism. Massmart recognises that it can play an influential role in promoting greater accountability and environmental sensitivity in the seafood supply chain through meaningful engagement with suppliers. To this end, Massmart has developed a structured supplier advocacy and knowledge exchange programme that promotes constructive and pragmatic dialogue between the Group and its suppliers.

This marine stewardship advocacy process involves three steps. Firstly, a seafood advocacy survey which assesses seafood supplier attitudes and environmental practices; secondly, supplier workshops, which provide an opportunity to share best practice and identify opportunities to promote sustainable fishery management; and thirdly, supplier site visits, which allow Massmart to verify the information conveyed by suppliers in the advocacy survey and to track supplier progress.

Massmart's supplier advocacy survey

In early 2012, Massmart conducted its first Marine Advocacy Survey. Of the 25 suppliers contacted, a total of 17 responses were received, but only 12 could be accurately analysed. The advocacy



survey, compiled in consultation with relevant industry bodies such as the Sustainable Fisheries Partnership (SFP) and Capfish Monitoring, was developed to enable a better understanding of seafood suppliers' attitudes and performance in terms of responsible and sustainable fishery management. It assessed Massmart's seafood suppliers on the basis of their approach to by-catch mitigation; target stock monitoring; legal sanctions or environmental censure; environmental impact assessments; and the social impact of commercial fishing operations on local communities. Importantly, the survey also provided a credible platform for more in-depth engagement with suppliers through workshops and site visits.

Marine advocacy workshops and site visits

As a follow up to Massmart's Marine Advocacy Survey, the Group facilitated a marine advocacy workshop attended by the Endangered Wildlife Trust (EWT), I&J, Ocean King and Foodcorp. The topics discussed during the workshop were based on the feedback gathered from the Marine Advocacy Survey and centred around the role Massmart could play in promoting more environmentally responsible practices in the Group's seafood supply chain. Massmart is intent on playing a hands-on role in encouraging more sustainable supply chain practices. To this end, Massmart has conducted two site visits to Oceana Brands and Oceanfresh, to verify their responses to the survey and to better understand any additional factors impacting the sustainability of the fisheries in which they operate.

Southern African Sustainable Seafood Initiative (SASSI)

One important element of the survey conducted by Massmart was to determine the environmental status of the seafood species currently supplied to the Group. The World Wildlife Fund's SASSI species list, which classifies fish species as green, orange or red, was used for this purpose. Green species are the most sustainable and can handle current fishing pressure while fish from the orange species have associated reasons for concern, either because the species is depleted as a result of overfishing, or because the fishing or farming method poses harm to the environment. Red species include unsustainable species, as well as those that are illegal to sell in South Africa, and should thus be avoided.

Massmart defines a seafood sourcing policy

On the basis of the Marine Advocacy Survey, supplier workshop and site visits, Massmart has now formulated a series of seafood supplier guidelines and a sustainable seafood sourcing policy.

From a sourcing perspective, Massmart will not source endangered, critically endangered or red-listed species. The Group reserves the right to delist any seafood species that it considers to be high risk, in consultation with subject matter experts and relevant NGOs.

Massmart will not procure seafood from illegal, unregulated and undocumented (IUU) fisheries and all traders supplying seafood to Massmart will be required to disclose the measures they have put in place to ensure they do not source seafood from high risk or IUU fisheries.

In addition, Massmart will require all seafood suppliers and traders to disclose the details pertaining to fishery origin, gear type and species as a listing condition, prior to supplying seafood to the Group. To ensure that the Group promotes continuous improvement with

regards to sustainable fishery management and responsible sourcing, Massmart will facilitate annual seafood sourcing workshops for buyers, in order to sensitise them to high risk species and educate them regarding sustainable seafood alternatives. The Group's seafood suppliers and traders will be required to complete Massmart's Marine Advocacy Survey on an annual basis, enabling Massmart to monitor supplier progress over time and to engage in meaningful dialogues, if necessary, with suppliers with regards to their fishery management practices. ■

Global fishing statistics for 2010 (www.fao.org)

- Global total production of fish and other aquatic animals was 148.5 million tonnes.
- The value of aquaculture production was estimated at USD119.4 billion.
- 86% of total fishery production was used for direct human consumption.

Key results from the Massmart Seafood Supplier Advocacy Survey

- 76% of respondents have partnered with credible third party organisations to improve fishery health.
- 92.2% of respondents said that they are involved in projects specifically aimed at social upliftment in the communities most affected by operations.

