



MASSMART

GROUP UPDATE



Massmart's Empowerment through Transformation

In all of Massmart's strategic social goals – education, nutrition, employee health and wellness, addressing food insecurity and encouraging environmental responsibility – the company sees its effectiveness and sustainability as starting within itself.

In none of our efforts do we regard our success as more vital than in the South African process of social and economic transformation. This comprehensive kind of change must begin with our own business culture, and it has.

Today's South Africans are citizens of a young democracy and everyone deserves a dignified and

prosperous life. We know that meeting this expectation is morally right and we believe it is socially and commercially empowering for our business as well. We have aligned our efforts to the Department of Trade and Industry's BBBEE Code of Good Practice to ensure that we contribute to a sustainable and equitable society. The Massmart group's verified BBBEE score is 66.14%. This is substantially higher than our last year's score of 55.67%, when the group obtained Level Five status. There has been steady growth in Massmart's empowerment performance since its June 2007 score of 49.77%. We are now a Level Four contributor and we are very proud

of this. But, we're not through yet.

Our philosophy

BBBEE is an essential path to the normalisation of our society given the emphasis it places on the socio-economic upliftment of previously disadvantaged black South Africans. We believe that Massmart's constructive commitment to BBBEE will contribute to the creation of a better society for all South Africans. Economically, BBBEE will also improve the buying power of the broader South African society, thereby expanding the markets in which we trade and increasing demand for the products that the Group sells.

We recognise 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 materialise through successful transformation. The group is fully supportive of the underlying principles and objectives of BBBEE as outlined in the Department of Trade and Industries Codes of Good Practice on BBBEE.

Where do we start?

Massmart believes in practical solutions and the first steps are ones we can do ourselves inside our own business. One useful measure is to make provisions for stakeholders such as employees to become shareholders.

Though by no means the first or only practical step in the transformation process, Massmart's board and executive committee created an employee empowerment trust called Thuthukani and placed 18 million Massmart shares in the trust. As early as 2004, Massmart had adopted a policy to focus on every aspect of BEE and one of our key objectives was to share the growth of the company with previously disadvantaged people. Our permanent employees, 85% of whom are previously disadvantaged, are the people the board feels most deserving of recognition for the part they have played in Massmart's success.

This direct measure allowed Massmart to recognise the valuable contribution the group's permanent employees have made and it provides the opportunity to demonstrate our commitment to transformation. The board was also confident that it is entirely appropriate at this time in the history of not only the company, but

also the country. In addition, the advantages spread far beyond the company. This transaction not only aligns Massmart with staff, whose efforts have been the origin of the value created over the past 18 years, but also with our customers, whose continued patronage is highly valued. It is also expected to have a positive impact on broader South African society, whose respect we strive to earn.

Ownership is only one of the BBBEE sector measurements. We focus on improving in other areas including management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

What we are doing to empower South Africans?

We have focused on creating economic opportunities for our employees through their participation in the Thuthukani Employee Empowerment Trust. Black employees own 8.2% of Massmart through this trust and have benefited from significant capital growth in their investment since the trust's launch in October 2006. Participants earn regular dividends and are able, through the trustees, to vote at Massmart's annual general meeting.

We have established two enterprise development funds to help create sustainable livelihoods for unemployed black youths and rural women. The Massmart Umsobomvu Youth Development Fund creates opportunities for black unemployed youths by providing access to Hot Dog Café convenience food franchise opportunities at selected standalone stores. The Massmart WDB Rural Women's Development Fund offers female

entrepreneurs micro-loans to start up their own businesses in rural areas.

Massmart has undertaken two important initiatives aimed at educating black undergraduates and providing new black graduates with workplace experience. The Massmart bursary scheme awards five bursaries per annum to black commerce undergraduates registered to study in the commerce faculty at the University of Pretoria. Our Graduate Development Programme identifies and provides qualified but inexperienced graduates with access to a structured programme comprising practical work experience and related classroom training.

In the face of urgent need of more and more qualified business staff, the group relies on the Massmart Corporate University to develop experienced career retailers to contribute significantly to not only our organisation, but to the local industry and, in fact, to retailing anywhere in the world. This virtual university comprises the Massmart School of Leadership Development, the School of Retail Excellence, the School of Management Development and the Centre for Career Development which houses the Massmart Graduate Programme. Courses are run in conjunction with Gordon Institute of Business Science, University of Cape Town, University of Witwatersrand, Centre for Creative Leadership and the University of Stellenbosch, Harvard, Babson College and includes executives making annual visits to the Sam M Walton College of Business in Arkansas USA.

For executives and emerging leaders, the university offers the Executive Development (EDP) and

Leadership Development Programmes (LDP). As part of these offering, candidates are exposed to global leadership insight and personal action learning. Personal skills mastery is promoted through business simulations and assessments. Middle Managers are exposed to a cutting edge developmental programme in the Senior and Management Development Programme (SMDP and MDP). Candidates take part in business related courses as well as developmental tools to assist in transitioning to the next management levels.

The flagship Graduate Development programme brings in key talent from universities and exposes them to a year of retail value chain teaching and specialisation in a chosen field. Areas of specialisation have a direct link to key scarce skills in our business and the retail sector as a whole. The School of Retail Excellence hosts key retail specific courses such as the Strategic Retail Management Course presented by Babson College and the Massmart Merchant Development Programme. The school also hosts special retail conferences in fields such as Private Label which are central to the Massmart business model.

Recruitment of students and administrative staff of Massmart Corporate University is one of the main ways Massmart is making itself a more efficient and profitable leader in the retail consumer industry both now and for the future. Sustainable transformation to greater BBBEE standards through quality professional and continuous education is also a profit motive.

Empowering the disabled

As it is in nature, diversity is also the key to long term sustainability in human enterprises. Massmart is a truly African business and reflects the diversity of our population. Of our nearly 30 thousand employees, 82% are black (African, Coloured or Indian). Likewise, 77% of all management and professional staff are black. Of our permanent employees, nearly 60% are males and 40% females. We have 3 857 female managers/professionals, of whom 80% are ACI African. We take pleasure in having come this far. But recently we have been embarrassed at the fact that we have not been effective enough in the recruitment, training and employment of disabled persons. That is changing.

We started informing ourselves about the employment problems of the disabled two years ago when Statistics South Africa published data showing that just over 23% of all South Africa's workforce was without full-time jobs. We learned from several disabled persons representative bodies' estimates that the percentage of un- or under-employed disabled people was many times higher. Some of the challenges today's jobseekers with physical disabilities face include a lack of access to job-related skills training, a history of social isolation and common misperceptions about the productivity of disabled people on the part of potential employers. Combined, these obstacles have made employment nearly impossible for many South Africans with physical disabilities.

Massmart's objective is to employ more people with disabilities in permanent positions across the group and raise the total number of disabled employees to a minimum of 25. At Makro Silver Lakes in Pretoria, the management employed 13 employees with physical disabilities ranging from those in wheelchairs or on crutches to staff members who are hearing or vision impaired. We have learned from Makro Silver Lakes something that people who regularly live or work with the disabled know well: because of, not despite their limitations, they are very often clever problem solvers, and every active business needs problem solvers.

We have made a small, but good beginning. Makro's example can be emulated in other stores and across the group to other businesses. We see our job as creating and sustaining a meaningful communication process within Massmart and with outside public individuals and communities to find what they feel would be a productive path to employing, and learning from, all South Africans. ■