

## Massmart Global Reporting Initiative 4: Questions and Answers

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### Strategy and Analysis

\*indicates updated information for 2017

#### *\*G4-1. The relevance of sustainability to Massmart - Statement from most senior decision maker in organisation*

Massmart's corporate accountability proposition is to achieve commercial success by adopting a mass distribution business model that pro-actively incorporates the input of our stakeholders to effectively integrate commerciality and accountability.

Massmart continues to implement a comprehensive Corporate Accountability programme and we were proud once again, to be identified as one of only ten best performers in the Johannesburg Stock Exchange Socially Responsible Investment (SRI) Index. Our accountability initiatives are driven by an understanding that advocating more sustainable practices and product choices is fundamental to our commitment to enable sustainable supply and consumerism. In this context we recognise that minimising our own environmental footprint is the nucleus around which we develop credibility for our advocacy with our suppliers and customers.

We believe that, as a retailer, Massmart can play a pivotal role by advocating responsible business practice to our suppliers and responsible consumerism to our customers, recognising that a prerequisite for doing this credibly requires that we embrace the principles of responsible corporate citizenship. The Massmart Board places the advancement of the company's sustainability agenda among its most important obligations.

Our sustainability agenda over the short to medium term focuses on the achievement of sustainability objectives that fall under three main sustainability themes; these are:

#### **Enabling sustainable supply and consumerism**

- To partner with willing suppliers to identify and implement opportunities to rationalise private label product packaging primary packaging
- To share knowledge with willing local suppliers to facilitate voluntary achievement of higher environmental and human rights standards in the retail supply chain
- To continue growing our post-consumer e-waste recycling schemes in major metropolitan
- To promote adoption by suppliers of independently verified eco-labels, such as the Marine Stewardship Council (MSC)
- To empower consumers to make responsible consumer choice more frequently through better labelling standards
- To partner with private label, direct import and non-branded merchandise suppliers to ensure adherence to Walmart Supplier Standards

## **Reducing the Group environmental footprint**

- To improve energy efficiency in line with format-specific energy intensity benchmark
- To recycle secondary packaging (specifically paper, board and plastic waste) that is generated in stores and distribution centres
- To harvest rainwater to supplement nurseries (at Builders Warehouse) and landscaping irrigation requirements

## **Championing social equality initiatives**

- To invest a minimum of 1% profit after tax (PAT) in education-focused social development initiatives that benefit the poorest of the poor
- To increase economic opportunities for women by improving employment, education and business opportunities
- To increase permanent employees' access to affordable subsidised private medical benefits
- To combat the rate of infection amongst employees and to provide all employees and their spouses with free access to pre-highly active anti-retroviral therapy and programmes
- We continue to prioritise BBBEE as a key performance area.

## **Achievements and areas focused on over the last year include the following:**

### ***Packaging Rationalisation***

In 2012 we embarked, under Walmart's guidance, on an initiative to identify opportunities to rationalise and improve private label packaging. Since then we have conducted packaging rationalisation workshops and training in techniques on how to reduce packaging resources and optimise packaging recyclability and safety. In 2014, subsequent to the completion of a Group-wide private label packaging rationalisation audit, we were pleased to see a marked improvement in the quality, recyclability and suitability of the Group's private label packaging. Further progress was made when we, in collaboration with our peers in the retail sector, launched a more customer-centric packaging recycling logo. The new on pack recycling logo, which has been launched on our Builders Warehouse Private Label packaging, is intended to simplify the separation and recycling process for consumers and in so doing, reduce recyclable materials finding their way to landfill. In 2016 we completed another private label packaging rationalization audit covering six product categories across our Makro, Builders Warehouse and Game formats. External packaging consultants were engaged to assess private label packaging using a packaging scorecard. Packaging dimensions covered included: recyclability; safety; functionality; and resource efficiency. Overall, the review indicated that the quality and sustainability of private label packaging is consistently high. Opportunities to improve pack performance and recyclability were identified across our detergents and food packaging ranges. One example of this is our decision to reduce the inclusion of colour additives in our private label detergent packs. Implementing cost-effective solutions in these areas, along with identifying opportunities to standardize and consolidate divisional packaging procurement, will be our priority in 2017.

### ***Supplier Advocacy***

For the last eight years, Massmart has facilitated an environmental supplier advocacy programme which includes supplier environmental profiling, screening of high risk products (such as timber and seafood) and environmental assessments. Since the project's inception, we have reviewed the

sustainability practices of over 1,500 suppliers, many of which relate to sustainable seafood, timber, poultry and environmental practices during the year. As part of this engagement, participating suppliers receive individualised feedback on their progress within the key operational sustainability areas of energy efficiency, water conservation and waste management along with areas that affect production and distribution such as packaging recyclability, climate change and reputational risk. Feedback also benchmarks suppliers against peers within their supply category to incentivise improvement throughout the supply chain. Results from 2017's advocacy surveys indicated that a further 10% of suppliers surveyed were engaged in improving on-pack environmental disclosure, whilst more than 60% were working to improve logistics efficiencies in their businesses.

To recognise suppliers who have made an exceptional commitment to environmentally sustainable business practices, we hosted our fourth Annual Supplier Environmental Awards ceremony in November 2017. Coca-Cola Beverages South Africa were the overall winners for 2017 having, amongst other projects, invested in the development of Africa's first Coca-Cola approved rPET recycling plant capable of recycling approximately 21,000 tonnes of PET per annum.

### ***Environmentally sensitive merchandise***

In 2008, Makro launched its first e-waste recycling project with Fujitsu-Siemens and electronic recycling specialists DESCO. Initially piloted at Makro's Woodmead store, it was rolled out to ten Makro stores in South Africa. In 2013 Makro and DESCO, together with new partners Samsung Electronics expanded the e-waste project to 18 Makro stores across the country. It is now South Africa's largest retail-led e-waste collection programme at 20 Makro stores. Empowering customers to make better informed purchasing decisions while in our stores remains an area of interest. One area where we have made modest progress involves the incorporation of an eco-wise consumer information panel on all private label products introduced by Builders Warehouse since January 2013. The panel provides information about environmental product and packaging attributes, relating to factors such as water efficiency, energy efficiency and recyclability. Furthermore, in line with our commitment in 2014 to increase the penetration of energy rating labels on major appliances sold in our stores, we have, through engagement with the Department of Energy (DOE) and our suppliers, formalised a group wide approach to energy efficient appliance labeling. Key to this is an undertaking to enforce a discipline that requires major appliance manufacturers to apply energy efficiency ratings labels on their products in accordance with the standards set out by the DOE.

We are committed to offering products that are both environmentally responsible and that help save our customers money. To achieve this, we stock a wide range of over 1,100 environmentally responsible products including LEDs, solar panels, low-flow showerheads, dual flush toilet systems, rainwater harvesting tanks and water meters.

Lightworx, one of our Builders Warehouse Private Label brands is one such offering, which in 2017 sold over 640,000 LEDs, making Lightworx the bestselling LED brand in the Division, while Simple Choice, a Game Private Label brand sold over 430,000 LEDs, contributing 37% of Game's LED sales. We have also noted a growth in sales of water saving products, especially rainwater-harvesting tanks which saw sales growth of 110% in Builders Warehouse, attributed to our customers become increasingly water wise.

We estimate that the sale of environmentally responsible products enables our customers to save approximately 96.4 million kWh of electricity annually.

### ***Operational Energy Efficiency***

We continue to focus on optimising energy efficiency across our stores and DCs. This helps us drive down operational costs and electricity-related emissions, which represent a significant portion of our greenhouse gas (GHG) emissions.

In 2017, we installed energy efficient lighting in a further eight stores. We also increased, by eight, the number of stores making use of intelligent building management systems and daylight harvesting modules.

Group store energy intensity increased by 16% to 213.1 kWh/m<sup>2</sup>, due primarily to our inclusion of more accurate energy consumption data for our Rhino stores. Improvements in energy efficiency were observed across our Masswarehouse, Massbuild and Masscash Divisions. As previously reported, in 2013 we developed an energy efficiency roadmap that required a 10% improvement in energy efficiency based on our 2010 store footprint. As we approach our 2020 energy efficiency goal we are currently performing 20% better than our target, having avoided the consumption of 50,000 MWh of energy in 2017 alone.

In 2017, we generated more than 1.9 million kWh of solar energy, while bringing a further two new solar plants online at our Builders Warehouse Northriding and our new Makro Riversands stores. These projects bring our total Group renewable energy generating capacity to approximately three million kWh per year, making us the largest producer of on-site renewable energy of any retailer in Africa. A further three solar plants are scheduled for construction during the course of 2018, the first of which will come online at Makro Springfield in February 2018.

### ***Rainwater Harvesting***

In 2017 we continued to prioritise water conservation across our standalone facilities, expanding rainwater and condensate harvesting initiatives to a total of 88 Builders Warehouse and Makro stores. To identify further opportunities to minimize our water usage we have rolled out independent water meters to a further 7 sites. We estimate that Makro and Builders Warehouse saved approximately 21million litres of water during 2017. To further improve our understanding of water-related risk, we completed a desktop water risk assessment of our stores using the WWF's online Water Risk Filter. We will, where necessary, develop additional water conservation guidelines based on the outcomes of this assessment.

### ***BBBEE***

Massmart achieved a Honeycomb verified score of 66.63 for the BBBEE measurement period from January to December 2016, up from 58.3 for the preceding period. This improvement, which corresponds to an increase in claimable procurement recognition from 10% to 50%, was largely due to a 3.02 point improvement in preferential procurement and a score of 27.40 for Supplier and Enterprise Development, the highest amongst listed retailers.

### ***Corporate Social Investment***

Our Corporate Social Investment (CSI) programme is primarily focused on school nutrition, early childhood development (ECD) and school maintenance and infrastructure projects. In 2017, we invested R23.4 million, representing 1.5% of profit after tax in social investment projects.

During this period, we continued to invest in, amongst other initiatives, the Game amaLunchbox project. A further 12 mobile kitchens were supplied to schools situated in KwaZulu-Natal and the Western Cape, bringing the total number of kitchens installed since inception to 313. We estimate that our mobile kitchens enable the safe and hygienic preparation of approximately 44 million Department of Basic Education supplied meals a year.

Succeed is Makro and Hope worldwide South Africa's early childhood development programme, focused on upskilling ECD practitioners and improving foundation phase education programmes in under-served communities. Makro and Hope worldwide enrolled a further 25 ECD centres and established an additional 21 parent groups in 2017. Annually 170 centres supporting 4,000 learners benefit from this project.

Builders Warehouse, through their 'Let's Play' partnership with Supersport, continued with the construction of specialised multisport school sports facilities. Since starting the project in 2015, Builders Warehouse has successfully completed seven school sports facilities that cater for soccer, netball, hockey and basketball. During 2017, Builders Warehouse completed two facilities: one at Tekwane Primary School in Nelspruit and, following the fires that devastated many homes and schools in the area, one at Fraaisig Primary School in Knysna.

In 2017, employees were encouraged to participate in various Mandela Day charitable activities facilitated by Massmart, with beneficiaries including Red Cross Children's Hospital, Tape Aids for the Blind, Clothing Bank and Trek4Mandela.

### ***Women's Economic Empowerment***

Walmart has a world-wide goal to empower women in employment and in the supply chain. At Massmart, women represent 45% of managers and professionals. We have started to profile women-owned suppliers in order to promote their merchandise to a broader audience of buyers within the group. As important is our initiative to understand the career barriers that confront women employees at Massmart; we achieve this through the deployment of an empowerment survey. Massmart offers a tailored leadership Development Programme and other courses in buying, merchandising and retail skills. These programmes create equal opportunities, but women are encouraged to take advantage of them. Massmart CEO's Council of Women Leaders continues to promote gender equality and encourages women-to-women mentoring in our business.

### ***Employee Healthcare and HIV/AIDS Benefits***

We have, since 2008, implemented a choice of four additional affordable private health benefit packages. Our flagship employee wellness programme, Impilo, a fully-funded wellness programme for employees with no medical cover, continues to offer a 24-hour medical advisory and support service to permanent employees and their spouses, including: a fully funded HIV programme inclusive of medication; and testing for and early diagnosis of chronic diseases such as high blood pressure, raised cholesterol, diabetes and asthma. Our programme has now been further expanded with the launch of truCARE in January 2016. truCare is our occupation health and wellness offering for all new qualifying permanent employees who are not on one of the Company-approved and

subsidised medical aid options. truCare was designed to ensure access for those employees who typically cannot afford to be on Massmart's cheapest medical aid option and is available to any permanent employee earning a salary below a certain threshold who has been employed by Massmart for longer than three months. Approximately 13 000 employees have registered for Massmart's truCare offering since its launch. There has been a steady increase in the use of the truCARE service with the total claims by Massmart employees at the end of December 2016 of R7.8 million.

**\*NOTE:** Data gathering and consolidation accuracy can prove challenging in areas such as water consumption and greenhouse gas emissions, so it is important to disclose that there could be up to a 10% margin for error in the figures presented in this report

## Organizational Profile

### ***\*G4-2. Name and organisation***

Massmart is a managed portfolio of four Divisions, each focused on high-volume of four divisions each focused on high-volume, low-margin, low cost distribution of mainly branded consumer goods for cash, through 423 stores in 13 countries across sub-Saharan Africa. We are a South African retailer and wholesale distributor, with 381 stores in South Africa and 42 stores in other countries in sub-Saharan Africa.

### ***\*G4-3. Primary brands, products, and/or services***

Massmart's primary brands are;

- Massdiscounters (General merchandise, discounter and food retail) – brands include Game and DionWired
- Masswarehouse (Warehouse club) – brands include Makro and Fruitspot
- Massbuild (Home improvement retailer and building materials suppliers) – brands include Builders Warehouse, Builders Express, Builders Trade Depot and Builders Superstore
- Masscash (Food wholesaler, retailer and buying association) – brands include Cambridge, Rhino, Shield, Liquorland, CBW, Jumbo and Trident.

### ***\*G4-5. Location headquarters***

Massmart's headquarters are in Johannesburg, 16 Peltier Drive Sunninghill, Sandton, 2090 to be exact.

### ***\*G4-6. Countries in which the organisation operates***

Massmart currently operates in South Africa and 13 other countries including; Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Swaziland, Uganda and Zambia.

### ***\*G4-7. Nature of ownership and legal form***

Massmart has 3803 shareholders in South Africa and abroad from major institutions to individuals. Further information on our shareholders can be viewed [here](#).

Massmart's Company registration number: 1940/014066/06 (incorporated in South Africa)

JSE share code: MSM

ISIN code: ZAE000029534

***\*G4-8 and 9. Market served (including geographic breakdown, sectors served, and types of customers/beneficiaries) and Scale of organisation***

Massmart employs 47 434 people across its operations. The Group operates under the brands of mentioned in G4.3, which service customers in the Living Standards of Measure (LSM) of between 2—10. Product categories include general merchandise, food and liquor.

The Group achieved sales of R93,735 m with headline earnings of R1,494.3 m before forex. Market capitalization as of 31 December 2017 was R30.3 billion.

	2011	2012	2013	2014	2015	2016	2017
<b>Market Capitalisation (bn)</b>	28.3	36.4	29.4	17.5	22.4	26.6	30.3
<b>Headline Earnings (Rm)</b>	1,252.7	1,216.7	1,334.5	1441,4	1,118.8	1,293.3	1,494.3

***\*G4-10. Employment***

We currently employ 48 000 people across our South African and African operations, down from 48 035 last year, of which 28% are temporary staff.

***G4-11. Percentage of employees covered by collective bargaining agreements***

We have no employees in collective bargaining agreements

***\*G4-12. Description of the organisations supply chain***

Massmart has a global supply chain, we estimate that we over 5000 suppliers ranging from food to general merchandise suppliers. We monitor our suppliers’ practices through three channels; Massmart Responsible Sourcing and Compliance which takes into consideration labour practices and ethical behavior including such issues as child-labour, forced labour and unsafe working conditions, of suppliers; Massmart Sustainability which is focused on the environmental impact of suppliers and; Massmart Stakeholder Engagement which monitors supplier relationships with the Group.

***\*G4-13. Significant changes regarding size, structure, ownership, or supply chain***

Aligned with the Group’s strategic priorities, the following significant changes will be made going forward: further expansion into Food Retail and the Fresh categories through new stores and our existing formats in South Africa; Sub-Saharan African expansion through opening Builders Warehouse, Game and Masscash stores; and expand, improve and refine our online / ecommerce offerings in DionWired, Makro and Massbuild.

## Commitments to External Initiatives

***\*G4-14. Application of the precautionary approach or principle***

As a listed company, Massmart has an obligation to and complies with the criteria defined in the JSE Ltd’s Socially Responsible (SRI) Index.

Massmart is also a member of or subscribes to and endorses the social charters and principles of the following:

- Department of Trade and Industry's Codes of Good Practice on Broad-based Black Economic Empowerment;
- Carbon Disclosure Project (CDP);
- King III Report on Governance for South Africa;
- Global Reporting Initiative guidelines; and
- National Business Initiative (NBI)

***\*G4-15. Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses***

- Business Against Crime (BAC);
- Business Unity South Africa (BUSA);
- Consumer Goods Council of South Africa (CGCSA);
- Ethics Institute of South Africa;
- National African Federated Chamber of Commerce (Nafcoc);
- National Economic Development & Labour Council (Nedlac);
- South African Institute of Race Relations; and
- Institute for Democracy in Africa (IDASA);
- Aware.Org

***\*G4-16. Memberships of association and/or national or international advocacy organisations***

Massmart is committed to proactively understanding and responding to the priorities of our stakeholders whom we interpret to include investors, shareholders, employees, customers, suppliers, local communities, government, foreign African diplomats, civil society and the media.

We aim to create transparent trust-based relationships with our stakeholders. We believe that understanding their perspectives in areas of mutual interest can positively influence our actions, enabling us to make thoughtful choices for a better future. To enable this, we practice an open-door policy with all our stakeholders. We host workshops, undertake surveys and facilitate one-on-one meetings to understand our stakeholders' views and to test the validity of our corporate accountability approach. Our stakeholder engagement programme covers a range of key topics. It enables customers, suppliers, civil society and employees to provide input and feedback in areas of interest including;

- **Customer satisfaction:** covering price competitiveness, product quality and safety, product availability and Consumer Protection Act Compliance.
- **Supplier partnering:** dealing with supply chain ethics, brand custodianship, logistics efficiency and operational practices.
- **Employee engagement:** including management style, career management, equal opportunities and work environment.
- **Environmental sustainability:** covering waste management in the supply chain, energy efficiency, sustainable seafood and timber sourcing.
- **Socio-economic development:** involving our corporate social investment priorities, our BBBEE progress and our approach to supplier development

Below are a few examples of issues/concerns raised by stakeholders that we followed up on in 2016;

- WWF:SASSI has red-listed select Skipjack tuna fisheries, a significant species supplied in canned-tuna products. In consultation with the WWF:SASSI and our canned tuna suppliers, we have developed a sustainable tuna sourcing policy to ensure adherence with the amended seafood standards.
- A consumer journalist engaged with Massmart regarding reports of declining honey bee populations in South Africa. Upon engaging with the South African Bee Industry Organisation (SABIO), it was noted that a lack of suitable forage is threatening South African bee populations. We have, at SABIO's request, raised this concern with Sappi and Mondi, who have indicated a willingness to assist the bee industry by allowing bee keepers access to their plantations for forage.
- Massmart was approached by Water Shortage South Africa who highlighted concerns regarding the sale of portable pools at stores located in areas subject to municipal water restrictions. We have issued in-store notices informing customers that the use of portable play pools is prohibited in terms of water restriction regulations.
- The Humane League, an international NGO that focuses on farm animal welfare, has requested that Massmart transition to sourcing only cage free eggs. We have shared our existing welfare audit standard with the Humane League and will continue to engage with the poultry industry on welfare standards.
- As part of a programme to stimulate economic growth in townships, the Gauteng Department of Economic development requested Massmart's help to pilot a spaza shop enterprise development model. We assisted with the design and layout of the shops, and provided a once-off donation of start-up stock to assist one of the stores to trade.

Please refer to [Relationship Capital](#)

## Materials Aspects & Boundaries

### ***\*G4-17. List of entities included in the organisation's financial statement***

Information reported encompasses all divisions and operations over which Massmart has a direct control;

- Massmart Holdings:
- Massmart Channel
- Massmart Shared Services
- Massmart Divisions:
  1. Massdiscounters
  2. Masswarehouse
  3. Massbuild
  4. Mascash

### ***\*G4-19 Process for defining report content and Aspect Boundaries***

We attempt to select information that is perceived to be socially material to our key stakeholder groups, placing particular emphasis on government, employees, customers, suppliers, the communities within which we operate and civil society. The information reported is based on input

provided during stakeholder meetings, outcome of Massmart’s internal risk management process, advice of independent subject matter experts, local and global industry trends, content of public discourse and standards defined by initiatives such as the JSE Ltd. Socially Responsible Investment (SRI) Index and Global Reporting Initiative (GRI).

In order to obtain maximum value from our interactions with stakeholders, we have implemented a structured and rigorous stakeholder engagement process. The information we report is based on feedback from our stakeholders and covers material social and environmental performance indicators

***\*G4-22. Effect of any restatements of information provided in previous reports and the reasons for such restatements***

No information has been restated.

***\*G4-23. Significant changes from previous reporting periods in Scope and Aspect Boundaries***

There have been no significant changes to reporting periods.

## Stakeholder Engagement

***\*G4-24. List of stakeholder groups engaged***

***Non- Governmental Stakeholder Groups***

- Black Management Forum
- Business Unity South Africa
- Business Women’s Association of South Africa
- Conservation South Africa
- Endangered Wildlife Trust
- Foodbank South Africa
- Forest Stewardship Council
- Greenpeace
- Marine Stewardship Council
- National African Federated Chamber of Commerce
- National Business Initiative
- South African Human Rights Commission
- South African National NGO Coalition
- Sustainable Fisheries Partnership
- The Consumer Goods Council of South Africa
- World Wide Fund for Nature

***Governmental Stakeholders***

- African National Congress Women’s League (ANCWL)
- Department of Agriculture Forestry and Fisheries
- Department of Education
- Department of Health
- South African National Defense Force (SANDF)

- South African Police Service (SAPS)
- US Embassy

***\*G4-25. Basis for identification and selection of stakeholders with whom we engage***

Massmart engages proactively with identified stakeholder groups that directly impact on, or are directly impacted by activities in our direct sphere of commercial influence. Factors that are considered before engaging stakeholders include whom they represent, their credentials and the social and business relevance of issues.

Notwithstanding numerous one-on-one meetings, our stakeholder engagement generally involves conducting regular discussion groups that include themed discussions with subject matter experts, public policy discussions with government and civil society representatives and consumer discussions with consumer interest groups. It also includes garnering opinion from customers and suppliers through our intercept and advocacy surveys.

***\*G4-26. Approach to stakeholder engagement***

Stakeholder engagement activities occur on an ongoing basis throughout the year. Engagement with investors and shareholders takes place at least four times a year through results presentations, meetings and the Massmart annual general meeting. We aim to engage with government and civil society stakeholders at least six times per year through meetings, workshops and surveys. Employee, customer and supplier engagement is considerably more intensive and occurs as needed.

**Some recent examples of stakeholder engagement:**

- **Customers:** Price competitiveness, product quality and safety, product availability, online shopping, and compliance with the Consumer Protection Act
- **Employees:** Growth and development, equal opportunity, recognition, trust in leadership, clear link between work and Company objectives, and competitive and fair remuneration
- **Shareholders:** Business performance and strategy, return on investment, margin outlook and managing costs, economic, social and environmental risks, and executive remuneration aligning with shareholders' objectives.
- **Suppliers:** Responsible sourcing, brand custodianship, distribution channel efficiency, and operational practices.
- **Government, communities and civil society:** Transformation, economic development, food security, energy efficiency, sustainable seafood and timber sourcing, public policy issues, and retail sector related issues.

Furthermore, Massmart has set up a Product Safety Compliance and Food Safety Compliance website based on the requirements of the CPA for suppliers. We also, engage with the Consumer Goods Council of South Africa (CGCSA) on an ongoing basis to discuss a range of issues including food safety, sustainability, product formulations and health considerations such as sodium and sugar content. Lastly, we conduct on-going research to understand the impact of the Walmart transaction to suppliers, customers and Massmart employees.

***\*G4-27. Key topics and concerns raised through stakeholder engagement***

**Employee Feedback:** Employees indicated a clear understanding of the organisation's objectives but felt that the business was not sufficiently responsive to their ideas and suggestions.

**Selected low income customers (LSM 3-6):** The focus groups highlighted that low income customers rely heavily on a small range of core products to meet their nutritional requirements. Participants showed strong national brand loyalty, primarily based on perceptions of quality.

**Supplier Advocacy:** Suppliers rated our divisions highly on both ethics and brand custodianship. However, openness to supplier business ideas was noted as an area for improvement.

**Environmental surveys:** 50% of suppliers surveyed are engaged in improving their operational energy efficiency. However, disclosure of material environmental indicators was mostly insufficient.

## Reporting Parameters

### *\*G4-28. Reporting period and date of most recent previous report*

This is Massmart's 14<sup>th</sup> report covering sustainability performance for the financial year ending 31 December 2017. The last report was published for the financial year ending 31 December 2016.

### *\*G4-29. Reporting cycle*

Our corporate accountability report is published annually, timed to coincide with the Group's annual financial reporting cycle (1 January - 31 December).

### *\*G4-30. Contact point for questions*

The report was compiled in consultation with divisional management by the Group Corporate Affairs Executive, a member of the Massmart Executive Committee, who is the contact person for questions regarding the report

### *\*G4-31. Policy and current practice with regard to seeking external assurance*

Massmart's Internal Audit Department was again responsible for the verification of the statistical scorecard information contained in our 2017 Integrated Annual Report due to their intimate knowledge of the Group and our information systems and given their independence. The objective of the review was to provide an opinion, based on the AA1000 Assurance Standard principles of completeness, materiality and responsiveness on the:

- Accuracy, adequacy and relevance of data presented in the scorecards
- Processes and mechanisms in place for the preparation and delivery of the corporate accountability scorecards
- Compliance of the scorecards with the Global Reporting Initiative IV (GRI) Sustainability Reporting Guidelines
- Massmart's corporate reporting is aligned with the guidelines given by the King III report on corporate governance

Furthermore, our scope 1 and 2 emissions data is subjected to third party verification by GCX.

### **Audit Opinion:**

The Massmart Internal Audit department (MIAS) conducted a review of the data reported in the preliminary and final Sustainability Scorecards. The review was conducted in terms of assurance standards and entailed the verification of the authenticity of data presented against internal and external sources. All significant reported internal audit findings have been satisfactorily addressed prior to publication. On this basis we are satisfied to report that the data presented in the reported Scorecards fairly represents the position of Massmart's Sustainability performance for the financial year ending 31 December 2016.

King III requires an external verification on the accuracy of sustainability information. Massmart has been ahead of this requirement. Sustainability information has been independently assured by MIAS for the past seven years and disclosure has been integrated with the company's financial reporting. Management is of the view that the quality of the verification performed by MIAS will supersede an external verification. Management is satisfied that this deviation from King III can be acceptably explained.

In 2017, Group and Company Annual Financial Statements are audited by Ernst & Young Inc. in which total fees incurred to Ernst & Young amounted to R30.0 million (2016: R24.5 million). The nature and extent of any future non-audit services have been defined and pre-approved, and the total fee associated with those non-audit services may not exceed 50% of the total audit fee without approval of the Committee.

During the year ended December 2017, the non-audit services made up 0.3% of the audit fee. If it appears that this guideline will be exceeded on a consistent basis, non-audit services will be outsourced to alternative auditors.

## Governance

### Governance Structure and Composition

#### ***\*G4-34. Governance structure, including Board and Board Committees***

The Board comprises two Executive Directors, five independent non-Executive Directors and three non-Executive Directors. It is responsible for directing the Group towards the achievement of the Massmart vision and mission. The Board is therefore accountable for the development and execution of the Group's strategy, operating performance and financial results, as well as being the custodian of the Group's corporate governance. The Board appreciates that strategy, risk, performance and sustainability are inseparable.

The Board is responsible for its own composition, the appointment of the Chairman and the Chief Executive Officer, and the constitution and composition of its Committees. The Board has a charter setting out its policies, roles and responsibilities in the execution of its mandate described above. Each Board Committee also has a charter, or terms of reference, that is formally signed off by the Board. Annually the Committees and Board review, and amend if necessary, the respective charters to ensure their relevance.

Further information regarding the Board and its composition can be found in [here](#).

#### ***Executive Committee***

The Massmart Executive Committee is the most senior executive decision-making body in the Group. The Committee is chaired by the Chief Executive Officer. The Committee deliberates, takes decisions or makes recommendations on all matters of strategy and operations. Within the parameters described by the Board-approved Governance Authorities, the decisions or recommendations are sometimes referred to the Board or its relevant Committee for final approval, while in other cases the power to take decisions is delegated to Divisional Boards or Executive Committees. The Executive Committee deliberates and takes decisions or makes recommendations on all matters affecting Group strategy and operations, including risk management, and executive and senior management succession.

### ***Social and Ethics Committee***

The Social and Ethics Committee assists the Group with its responsibility towards sustainability with respect to practices that are consistent with good corporate citizenship. The Committee is governed by a charter and monitors Group performance in terms of defined Social and Ethics performance indicators that have been formulated with reference to Regulation 43(5) of the Companies Act. These indicators, which include but are not limited to, OECD anti-corruption guidelines, United Nations Global Compact principles, the Employment Equity Act, Johannesburg Stock Exchange Responsible Investment Index criteria and Broad-based Black Economic Empowerment elements, are reviewed by the Committee, on a rotational or core agenda basis.

### **Audit and Risk Committee**

The Audit and Risk Committees oversees the effectiveness of the Group's internal control systems by reviewing the scope and effectiveness of the external and internal audit functions, ensuring that adequate accounting records have been maintained, ensuring that the appropriate accounting policies have been adopted and consistently applied, reviewing and reporting on compliance with the King III Report, testing that the Group's going-concern assertion remains appropriate and overseeing the quality and integrity of the annual financial statements.

### **Remunerations and Nominations Committee**

Massmart, through the Remuneration and Nominations Committee, implements remuneration policies that enable it to recruit, retain and motivate the executive talent needed to achieve superior performance. The Committee, with periodic advice from external executive remuneration consultants, ensures the provision of executive remuneration packages that are competitive with reference to other major South African retail companies, as well as other companies similar to Massmart in their size, spread and complexity.

## **Ethics and Integrity**

### ***\*G4-56. Organizational values, principles and standards and norms of behaviour such as codes of conduct and codes of ethics***

The role of the Social and Ethics Committee broadly is to assist the Group with its responsibility towards sustainability with respect to practices that are consistent with good corporate citizenship. The Companies Act includes specific responsibilities including: the company's standing in terms of the United Nations Global Compact Principles, the OECD recommendations concerning corruption,

the contribution to development within our communities, labour and employment, and the environment and health and public safety. Furthermore the Committee reviews Massmart's Socially Responsible Investment Index. The Committee met twice during the financial year. Broad-based black economic performance in each of these areas is measured with reference to the Johannesburg Stock Exchange's (JSE) Socially Responsible Investment Index criteria, the Department of Trade and Industry's (DTI) Broad-based Black Economic Empowerment (B-BBEE) scorecard and the Global Reporting Initiative IV guidelines. The Committee is satisfied with Massmart's sustainability performance and is particularly encouraged that the Group continues to maintain its B-BBEE target by being a Level 7 contributor.

## Management Approach

### *\*G4-DMA. Management approach to Material Sustainability Aspects*

At Company level the Risk Committee is responsible to the Board for overseeing the Group's risk management programme. The day-to-day responsibility for risk management, including maintaining an appropriate loss prevention and internal control framework, remains with the executives of the Group and of each Division. The Committee's primary role is one of oversight and therefore it reviews and assesses the dynamic interventions, within the Group's available resources and skills, required in response to business-specific, industry-wide and general risks. The Committee tables a Group risk register, aggregated from those prepared by the Divisions and the Group Executive Committee, to the Board annually. The Committee considers there to be two categories of Group risk which can broadly be described as Operational risks and Strategic/Environmental risks. The Social and Ethics Committee assist the Group with its responsibility towards social and environmental sustainability with respect to practices that are consistent with good corporate citizenship. For example, when it comes to Environmental risk we consider among other issues; where we source our products, our emissions, and progress made towards the Group's energy efficiency reduction targets. At asset level Massmart has multiple product and operations forums that meet on a monthly or bi-monthly basis to discuss relevant risks and opportunities. For example, the Operations Forum meets bi-monthly to discuss among other things risks and opportunities related to improving the Group's environmental footprint. All information that is addressed at forum is circulated to the relevant divisional functional units. Over and above Risk Committee Massmart employs three full-time resources who are responsible for identifying key environmental risk and draw them to the attention of the various Group Forums and the Social and Ethics Committee. Risks are prioritised based on the probability of the risk and the potential impact to the company's operations and current business structure and the consequences of taking action versus taking no action. For example, an immediate regulatory requirement mandating a reduction in waste generated to lower emissions requires immediate action to ensure compliance. Whereas a potential regulatory change that may have impacts years into the future, but that does not currently impact our facilities, is monitored but does not necessarily drive short-term actions.

## Performance Indicators

### Economic

#### Economic Performance

**\*G4-EC1. Direct economic value generated**

Total sales: R93.7 billion

Operating profit (before forex): R2.8 billion

	2010	2011	2012	2013	2014	2015	2016	2017
Value Added (Rm)	10,130	13,312	11,475	18,485	17,464.3	9,936.9	10,919.6	11,277.8

In addition, as part of our ongoing Corporate Social Investment, Massmart invested R23.4 m, suppliers and staff contributed R6.1 m, this included initiatives such as Casual Day, Slipper Day and the Knysna Fire Relief project. Our CSI spend amounted to 1.5% of net profit after tax.

	2010	2011	2012	2013	2014	2015	2016	2017
Total Group CSI spend including supplier and staff contributions (Rm)	20.6	24.4	46.4	42.3	24.2	20.8	27.8	29.5

**G4-EC2. Financial implications, risks and opportunities from climate change**

The Massmart Board considers risk management to be a key business discipline designed to balance risk and reward, and to protect the Group against risks and uncertainties that could threaten the achievement of our business objectives.

Climate change risks are typically identified and quantified by the Group Corporate Affairs Executive through interventions that include desktop research, consultation with external subject matter experts (for example, environmental lawyers), facilitated workshops with appropriate internal managers (for example, Risk Managers) and consultation with Divisional Chief Executives. These risks are formally debated and prioritised by the Massmart Executive Committee on an annual basis and response options are identified.

A further division specific step involves each divisional Executive Committee discussing that division's exposure to the identified group risks and, where appropriate, re-prioritising the risks to reflect specific divisional concerns. In most instances risks are assessed with reference to the impact that they could have on each division's commercial and reputational proposition. Massmart has identified potential climate change risks, none of which is regarded, in the medium term, as significant. Some identified risks include climate change impacting on food security, causing water shortages and disrupting supply chains. These risks are tracked and updated by the Group Corporate Affairs Executive on an on-going basis and are reported on in more detail in our CDP as of the 30<sup>th</sup> June 2017.

Opportunities exist to reduce costs in all divisions due to the implementation of electricity conservation measures. The potential for additional income from environmentally responsible merchandise also exists. Empowering consumers to make informed purchasing decisions while in stores. One area where we have made modest progress involved the incorporation of an eco-wise consumer information panel on all private label products introduced by Builders Warehouse since

January 2013. The panel provides information about the environmental product packaging attributes, relating to factors such as water efficiency, energy efficiency and recyclability.

***\*G4-EC3. Defined benefit plan obligations***

All permanent Massmart employees are members of either a pension or provident fund which funds are managed externally by Alexander Forbes, a leading provider of financial, risk and insurance and multi-manager investment solutions internationally and a licensed financial services provider.

***\*G4-EC4. Significant financial assistance from government***

Massmart receives no financial assistance from government.

## Market presence

***G4-EC5. Ratio of standard entry level wage to local minimum wage***

Entry level wages are determined by each division with reference to minimum wage legislation, internal wage equity, sectoral standards and local market expectations.

	2009	2010	2011	2012	2013	<b>2014</b>	Benchmark
<b>Average Minimum Wage ( R )</b>	2,139	2,555	2,589	2,953	2,688	<b>3,108</b>	2,456

It is worth noting that the Group minimum average wage is higher than the minimum wage of R2,456 prescribed by the Sectoral Determination for the Wholesale and Retail Sector in Area A.

***G4-EC6. Proportion of senior management hired from local communities***

Massmart has a strong preference for hiring staff from local communities. We are however sometimes constrained in our efforts by the unavailability of individuals with the requisite skill and experience. Local citizens represent 87.46% of our full staff complement, at our African operations.

## Indirect Economic Impacts

***\*G4-EC7. Development and impact of infrastructure***

Our trading divisions have been responsible for the provision of container kitchens, vegetable tunnels, and school repair kits for school up-keep and infrastructural maintenance at government run primary schools.

***\*G4-EC8. Indirect economic impacts***

Our primary indirect economic impact is rooted in Massmart’s high volume low-cost customer value proposition that seeks to provide wholesale and retail customers with an exceptional value for money proposition and improved competitiveness of informal traders

## Procurement Practices

**\*G4-EC9. Spending on local suppliers**

Massmart defines local procurement as being procured from sources within the country in which we operate. We apply every effort to first procure merchandise from local manufacturers insofar as they satisfy our customer expectations of style, quality and price. In addition the Massmart Supplier Development Programme (SDP) provides small and emerging suppliers with access to the Group’s supply chain. The Massmart SDP gives preference, but not exclusivity, to black and black woman owned-enterprises, who received 69% of the funds disbursed in 2017. The SDP typically involves assisting suppliers to meet product quality standards, investing in bespoke manufacturing equipment to build capacity and providing retail and business management training. We have seen encouraging sales traction through the programme, with total procurement surpassing R 228 million in 2017.

**Environmental**

**Materials**

**\*G4-EN1 and EN2 Material used by weight or volume and percentage of recycled materials used**

As a retail/wholesale organisation, Massmart is not directly involved in the manufacturing process and as such, does not measure raw materials. Initiatives are in place to encourage suppliers to reduce packaging, use more recycled materials whilst the use of toxic materials and inks are discouraged. In addition, Massmart conducts an annual environmental survey of its suppliers. This survey assists the Group in identifying the potential impacts that its suppliers may have on the environment and allows Massmart to advocate environmentally responsible practices to members of its supply chain.

**Energy**

**G4-EN3. Energy consumption (internal)**

Massmart reports on its energy consumption as part of its annual greenhouse gas emissions reporting processes, which are externally verified by CGX who align to the ISO14065 standard. Nearly all energy is procured from the national grid which had an emissions factor of 1 t CO<sub>2</sub>e/MWh in 2017. CO<sub>2</sub> emissions resulting from purchased electricity (scope 2, location based) amounted to 468 879 tCO<sub>2</sub>e. This represents 74% of Massmart’s total reported emissions for 2016 and an increase of 3% on 2015. The increase can potentially be attributed to the inclusion of some facilities and stores resulting from organic growth and a continued transition to more intensive food retail operations.

Massmart Group Emissions Intensities

Massmart Group Emissions Intensities		FY2015	FY2016	FY2017
tCO <sub>2</sub> e/m <sup>2</sup>	Scope 1	0.02	0.03	0.03
	Scope 2	0.22	0.18	0.18
tCO <sub>2</sub> e/Rm	Scope 1	0.60	0.82	0.82
	Scope 2	4.83	5.16	5.18

<b>tCO<sub>2</sub>e/FTE</b>	Scope 1	0.92	1.56	1.59
	Scope 2	9.50	9.81	10.11

Definitions:

“tCO<sub>2</sub>e” refers to tonnes of carbon dioxide equivalent as calculated using DEFRA emissions factors for the reporting year

“m<sup>2</sup>” refers to gross lettable area under roof in square metres (GLA)

“Rm” refers to total Group turnover in Rand millions

“FTE” refers to full-time employee equivalent

Scope 1 (2016) – GHG Scope 1 Disaggregation (within and outside of scopes)

<b>Source</b>	<b>tCO<sub>2</sub>e</b>							<b>TOTAL</b>
	<b>CO<sub>2</sub></b>	<b>CH<sub>4</sub></b>	<b>N<sub>2</sub>O</b>	<b>HFC</b>	<b>PFC</b>	<b>SF<sub>6</sub></b>	<b>HCFC</b>	
<b>Fuels</b>	29 955.31	25.17	194.81					30 175.28
<b>Refrigerants</b>	12.33			43 151.17	0.00	0.00	1 478.64	44 642.15
<b>Other</b>	0.00	0.00	0.00	0.00	0.00	0.00	11 335.75	11 335.75
<b>TOTAL</b>	29 967.65	25.17	194.81	43 151.17	0.00	0.00	12 814.39	86 153.18

***\*G4-EN4. Energy consumption (external)***

The Group consumed a reported 468879 MWh of electricity across its South African and African operations (2016 – 490 671.8 MWh; 2015- 464 371.50 MWh; 2014-426876.4 MWh).

***\*G4-EN6. Energy consumption reductions***

Electricity consumption, estimated at 78% of our Group’s total CO<sub>2</sub> emissions, is our main focus area for energy conservation and efficiencies across the Group. The implementation of more in-store electricity meters and the analysis of the Group’s energy usage figures have resulted in greater accuracy of our energy consumption data. Energy efficiency is an on-going focus of Massmart, we have developed an energy roadmap based on a Business As Usual (BAU) energy model. The model, which uses 2010 as a baseline, defines energy targets to the year 2020. Thus far the improvement in energy efficiency goals is as follows; 10% for the Massmart Group, 12% for Builders Warehouse, 13% for Makro and 9% for Game. Energy intensity savings have been achieved through a number of energy interventions, including improved in-store consumption tracking and the implementation of technologies such as; LED sales floor lighting, daylight harvesting systems and high performance refrigeration plants in our new stores and retrofit programmes.

***\*G4-EN7. Reductions in energy requirements of products and services***

The Group provides an easily recognizable environmentally responsible product range that includes private label products. Our Eco-wise consumer advocacy label was developed specifically to grow awareness about products that offer energy and water saving solutions, encourage recycling and highlight responsible use of natural resources. An important Eco-wise development has been the introduction of an Eco-wise product information panel that has been designed to inform and assist consumers to make better informed product choices that are good for the

environment. To date these information panels are available on all private-label products offered by Builders Warehouse stores.

In addition, we have increased the frequency and scope of product promotions that feature environmentally responsible merchandise options. We also continue to offer a range of low carbon alternatives that include solar geysers-cookers-heaters, Light Emitting Diode (LED) and solar lighting, low Volatile Organic Compound (VOC) paints, and low flow taps. We have launched a new private label range of energy efficient products which gives consumers a low-cost high-value for money alternative to more energy intensive products. During 2017, Builders, Makro and Game sold in excess of 1 million energy-saving light bulbs, which we estimate, help save our customers 96.4 million kWh of electricity a year.

Most importantly we are working on price democratisation and information transparency to promote responsible consumer behaviour. These are areas in which Walmart has considerable expertise, including partnerships with a consortium of universities, suppliers and NGOs to develop a product information database that will provide the framework for the development of a consumer-facing index tool for shoppers.

## Water

### ***\*G4-EN8. Water withdrawal by source***

The majority of the Group's water comes from municipal water supply. In 2016 this amounted to approximately 1.52 million kilolitres (0.55 kL/m<sup>2</sup>). The remainder of water consumption comes from ground and rainwater sources and accounts for less than 1.37% of overall water consumption.

Water consumption is calculated from a combination of data from independently monitored water meters and municipally supplied invoices indicating water consumption. An intensity figure is generated and is used to extrapolate consumption for facilities that have no data.

Massmart does not extract water directly from the environment.

### ***\*G4-EN9. Water sources significantly impacted***

As a retailer, Massmart is not considered to be a significant consumer of water resources.

In response to the water shortages in the Western and Eastern Cape we are independently tracking water resources in these catchments and have taken the decision to initiate added water saving measures, including discontinuing all non-critical water use, investing in atmospheric water generating units, capable of producing up to 5000l of water a day, at high priority sites and transitioning to waterless cleaning and sanitation alternatives where appropriate.

In line with municipal water restriction levels in place, all stores are required to reduce their water consumption by 45%.

### ***\*G4-EN10. Percentage and volume of water recycled***

Massmart does not recycle or reuse water, however, the Group has a number of water harvesting initiatives (rainwater and condensate from refrigeration). These initiatives generated approximately 21 million litres of water in 2017. This water is used for irrigation purposes and for servicing nurseries which are part of the product offering at Builders Warehouse stores.

## Biodiversity

### ***\*G4-EN11 to EN14. Biodiversity impacts of protected areas***

Massmart does not own, lease or manage any land in or adjacent to protected areas or areas of high biodiversity value. As an indication of our sensitivity, environmental impact assessments are conducted in respect of all new store developments and site developers work to minimise any negative impact they might have on the environment.

Two of our divisions currently contribute funds towards a Wildlands Trust Rehabilitation Program investing in the planting of indigenous seedlings for reforestation projects.

In terms of commodity sourcing, Massmart focuses on timber, seafood and palm oil procurement. In regards to Palm oil, 100% of the commodity used in our private label products is RSPO GreenPalm certified.

## Emissions

### ***\*G4-EN15. Direct emissions (Scope 1)***

Massmart's Scope 1 emissions, excluding non-Kyoto gases for the reporting period were 75113 tonnes CO<sub>2</sub>e.

### ***\*G4-EN16. Energy indirect emissions (Scope 2)***

Massmart's Scope 2 emissions for the reporting period were 468879 tonnes CO<sub>2</sub>e.

### ***\*G4-EN17. Other indirect emissions (Scope 3)***

Massmart's Scope 3 emissions for the reporting period were 80 279 tonnes CO<sub>2</sub>e.

### ***\*G4-EN18. Reduction of emissions***

As reported in EN5 above, several projects are currently being implemented to reduce energy consumption across the divisions. As a result of more accurate energy usage data and a division-wide benchmarking exercise, the divisions have committed to the following targets: Massmart Group has committed to a 10% energy reduction per m<sup>2</sup>; Game and DionWired have committed to a 9% and 6% reduction in energy consumption per m<sup>2</sup> respectively; Builders Warehouse and Builders Express have committed to a 12% and 11% reduction in energy consumption per m<sup>2</sup> respectively and Makro has committed to a 13% reduction in energy consumption per m<sup>2</sup>. The targets have been derived using 2010 intensity as a baseline and with reference to the roll out of new stores and expected changes in store format design. In 2016, we achieved an 11% comparable reduction in our energy intensity for the Massmart Group compared to 2015 figures. We are thus ahead of our 2020 target.

Emissions according to scope: Scope 1 and 2 = 0.2132 tonnes CO<sub>2</sub>e/m<sup>2</sup>; Scope 3 = 0.03 tonnes CO<sub>2</sub>e/m<sup>2</sup>.

**\*G4-EN20. Emissions of ozone-depleting substances**

A total of 55 978 tonnes of CO<sub>2</sub>e emissions can be attributed to fugitive emissions from a variety of different gases used in refrigeration and air-conditioning plants at Massmart facilities, 11336 tonnes of CO<sub>2</sub>e of these emissions can be attributed to non-Kyoto gases. New standalone stores make use of natural gas refrigeration which have lower global warming potential.

## Effluents and Waste

**\*G4-EN22. Total water discharge by quality and destination**

No unplanned water was discharged outside of rainwater and sewerage discharge through municipal facilities.

**\*G4-EN23. Total weight of waste by type and disposal method**

Our objective remains to reduce waste to landfill by prioritising the separation and recycling of paper, plastic and board at our stores and distribution facilities. We have made considerable effort to improve our recycling rates by circulating online waste assessments, working closely with waste service providers and monitoring waste generation across our facilities. Currently, 95% of all stores are actively engaged in separating and recycling their waste, resulting in an estimated 16 500 tonnes of waste being diverted from landfill in 2017. Those stores not recycling are located in areas where we are, at present, unable to find reliable vendors to perform this function.

For total volumes of waste recycled, please see table below:

Year	Total volume of waste recycled (t)
2013	15438t
2014	89383t
2015	20178t
2016	25000t
2017	16500t

For total volumes of non- recyclables generated, please see table below:

Year	Total volume of non-recyclables generated (t)
2013	14056t
2014	50358t
2015	23828t
2016	20000t
2017	12600t

For total volumes of e-waste collected, please see table below:

Year	Total volume of e-waste collected (t)
2013	130t
2014	139t
2015	143t
2016	106t
2017	103t

***\*G4-EN24. Number and volume of significant spills***

As a retail industry, it is unlikely that there will be significant or catastrophic environmental incidents; however, there is the potential for minor hazardous spills to occur. In instances where this does happen, Massmart has developed a hazardous spills clean-up policy which is followed by using items found in the store's hazardous spill kit. If a major spill does occur, stores are required to inform their divisional risk manager, as well as the Massmart Environmental team.

## Products and Services

***\*G4-EN27. Mitigation of environmental impacts of products and services***

The impacts of products sold through Massmart stores during the production cycle, use phase and at the end of their useful life are not currently measured.

Massmart does, however, have an internal Environmental Management System (EMS) which is based on ISO14001 standards. This EMS is used Group wide as a tool to mitigate against environmental impacts and incidents that can be caused by hazardous spills, improper waste management, etc.

***\*G4-EN28. Percentage of products sold and packaging reclaimed by category***

A significant percentage of supplier packaging is currently recycled prior to selling products to the end consumer, although exact percentages are not measured. We can confirm that approximately 89% of stores are currently separating all secondary packaging, the bulk of which comprises paper-board and plastic. In addition to prioritising operational waste recycling Massmart is intent on engaging with suppliers to reduce overall packaging. To this end, Massmart has hosted a series of packaging rationalization workshops with our private label buyers to highlight packaging reduction and rationalisation opportunities.

Our post-consumer e-waste take back programme at Makro stores in partnership with Samsung electronics is continuing to make good progress. We have expanded the programme from 10 stores, to 20 in 2017. The programme is currently the largest retail led e-waste takeback programme. Since its inception the programme in 2008, 948 tons of e-waste has been processed, 103 tons of which was processed in 2017.

Although voluntary recycling by customers is encouraged, no accurate measure is in place as to the extent thereof.

## Compliance

### ***G4-EN29. Fines and sanctions for non-compliance with environmental laws and regulations***

None

## Transport

### ***G4-EN30. Environmental impact of logistics***

Emissions due to supply-side freight as a result of imports of products by sea, land and air totalled 9753 tonnes of CO<sub>2</sub>e. Company owned vehicles used by staff members and for the delivery of products to and from facilities and for customer deliveries resulted in 25 855 tonnes of CO<sub>2</sub>e. Delivery vehicles owned and operated by contractors accounted for 28 918 of CO<sub>2</sub>e, which represents a significant increase from last year and can be attributed more accurate data collection. Massmart does not measure emissions resulting from staff members commuting to and from the work place. Business air and road travel emissions account for 1.1% of our total emissions.

## Overall

### ***G4-EN31. Environmental protection expenses type***

None currently.

## Labour Practices and Decent Work

### Employment

#### ***\*G4-LA1 Staff turn over***

In 2017, we had a staff turnover of an estimated 10.4%.

#### ***\*G4-LA2. Benefits provided to full-time employees that are not provided to temporary or part-time employees***

Our part-time employees are excluded from the following list of benefits available to the majority of full-time employees:

- Life insurance
- Disability insurance
- Private medical benefits (89% of staff)
- Free HIV/AIDS treatment
- Access to primary health awareness education
- Access to EAP counselling programmes
- Retirement or Provident fund membership
- Bursary programme
- Share ownership
- Staff discounts

- Incentive and bonuses

## Labour-Management and Relations

### ***\*G4-LA4. Minimum notice periods regarding operational changes including whether specified in collective agreements***

Our minimum notice period included in collective agreements for the majority of our employees is 30 days. This is not a stipulation included in collective agreement. Senior level management agreements, however, vary between 30 and 90 days.

## Training and Education

### ***\*G4-LA9-LA11. Employee training and development***

At Massmart, we believe that each of our people bring a unique set of skills, experiences, perspectives and ideas that give us the competitive edge. We believe people drive their own development, but it is our duty to provide an environment that is conducive for nurturing talent and creating opportunities for them. In 2017 we spent 477 days as a company on technical and developmental training as a company, with the average days of training per employee totaling 3.61.

At all levels, our people are encouraged to develop themselves. Divisional learning and development teams provide skills development for both existing employees and unemployed people through learnerships and skills programmes. One such programme is the Massmart Corporate University (MCU), which is now entering its eighth year. The purpose of the MCU is to support continuous learning at both individual and organisational level, in order to position Massmart to achieve its long-term strategic objectives. We have invested R8.1 million (2015: R4.5 million) in leadership development ensuring that the employees who serve our customers have the best leaders possible. In order to ensure that our customers get the best service from our employees, we have invested R112.1 million in upgrading skills and developing our people.

## Diversity

### ***G4-LA12. Employee breakdown by gender, age, minority group membership and other indicators of diversity***

1. Top Management – 0.05%
2. Senior Management – 0.63%
3. Professionally qualified and experienced specialist and mid-management – 4.69% of staff complement
4. Skilled technical and academically qualified workers, junior management – 16.06% of staff complement
5. Semi-skilled and discretionary decision making – 48.82% of staff complement
6. Unskilled and defined decision making – 16.41% complement
7. Total ACI employees 86.5%
  - African – 65.07%
  - Coloured – 12.63%
  - Indian – 9.06%
8. Female employees – 41.99% of staff complement
9. Disabled employees – 1.02% of staff complement

10. 18 to 35 age range – 47.57% of staff complement
11. 36 to 50 age range – 40.27% of staff complement
12. 51 to 65 age range – 12.06% of staff complement
13. 65 and older age range – 0.10% of staff complement

Massmart's Employment Equity committee is responsible for developing Employment Equity targets that focus on transformation and gender equality in the business.

## Equal Remuneration for Women and Men

### Human Rights

#### Investment

***\*G4-HR1. Investment agreements or contracts that included human rights clauses or that underwent human rights screening***

All import and local merchandise supply agreements include clauses covering compliance with applicable laws in respect of the manufacture, sale and distribution of goods, including those relating to customs and excise, taxation and labour. Conditions listed include stipulation that the goods bear authentic country of origin markings and are not manufactured in sweat-shops which are defined as those which use child-labour or other labour practices that are regarded as illegal in the Republic of SA. These terms are also included in all significant service level agreements and service supply agreements.

In addition, supply agreements contain that relevant suppliers are required to participate in the Walmart/Massmart Responsible Sourcing program which requires supplier to adhere to Walmart's Standards for Suppliers. Facilities must have a valid audit from of the following programmes, or undergo such audit: Business Social Compliance Initiative, SMETA or Social Accountability International. Enquiries on the specific industry audit required can be sent to [responsible.sourcing@massmart.co.za](mailto:responsible.sourcing@massmart.co.za).

#### Non-Discrimination

***\*G4-HR3. Incidents of discrimination and actions taken***

Massmart is committed to achieving the highest standards of ethical behaviour and continued its strong emphasis on promoting awareness of, and compliance with, Massmart's Code of Ethical Practice.

During the period, no instances of human rights violations were raised.

Massmart continued to operate an independently run Ethics Line by Deloitte Tip Offs Anonymous to which any third party, member of staff or supplier may report a suspected unethical practice. Contacting the Massmart Ethics Line is made easy by either a FreeCall number 0800 203 246, by sending a 'please call me' SMS to a dedicated number, FreeFax or email.

## Freedom of Association and Collective Bargaining

### ***G4-HR4. Infringements or threats to the right to exercise freedom of association and collective bargaining, and measures taken to support these rights***

Massmart views the percentage of unionized staff as one of the indicators of commitment to freedom of association with 40.9% of the permanent workforce union members. No incidents of a threat to exercise freedom of association were reported for the period.

## Child Labour

### ***\*G4-HR5. Elimination of child labour***

Massmart regularly communicates its Code of Ethical Practice to suppliers and service providers, and attempts to ensure that they comply with our ethical standards. Massmart's formal trading agreements detail ethical practices that suppliers are expected to uphold; and relevant suppliers are required to participate in the Massmart/Walmart Responsible Sourcing program which specifically looks for child labour in the supply chain.

## Forced or Compulsory Labour

### ***G4-HR6. Elimination of child labour***

No forced or compulsory labour is one of the standards required as part of the Responsible Sourcing program. No incidents of forced or compulsory labour were reported for Massmart.

## Security Practices

### ***G4-HR7. Percentage of security personnel trained in human rights policies or procedures***

Security staff receive training related to the legal procedures that they must follow when apprehending an employee, customer or supplier suspected of wrongdoing. Training of security personnel ensures that they are aware of Massmart's expectations of human rights performance.

## Indigenous Rights

### ***G4-HR8. Violations indigenous rights and actions taken***

No violations were reported. Massmart's general principle is that the dignity and rights of all individuals be respected and never infringed by the way in which Massmart conducts its business in all countries in which we operate.

## Supplier Human Rights Assessment

### ***G4-HR10. Percentage of suppliers screened using human rights criteria***

With Walmart's assistance, Massmart initiated a responsible sourcing programme for our private label, direct import and exclusive brand products in 2013. As part of the programme, suppliers are assessed by independent auditors on a broad range of dimensions that include fair labour practices and compliance with health, safety and environmental standards and regulations. Post implementation of the responsible sourcing programme, all direct import facilities have the required audits in place and supplier audit status is verified prior to the placement of orders. In 2016, additional focus was placed on engaging domestic import and manufacturing facilities and piloting a programme whereby recognised third-party audits (rather than only Walmart-specific ones) were accepted as part of the responsible sourcing programme. Presently, 55% of all Massmart domestic import facilities have either been subjected to Walmart responsible sourcing audits or submitted acceptable third-party audits. Our priority in 2017 will be to secure complete audit reports for the remaining domestic import facilities and for a select number of domestic manufacturers.

In June 2017, Massmart attended a World Business Council for Sustainable Development (WBCSD) Human Rights workshop aimed at further understanding how to advance human rights due diligence and disclosure.

## Society

### Local Communities

***\*G4-S01 and S02. Percentage of operations with implemented local community engagement, impact assessment and development programs and operations with significant actual and potential negative impacts on local communities***

Massmart's main focus is on impact assessments prior to the development of new store sites. There is on-going interaction with community forums to ensure that all parties are satisfied prior to the opening on new stores.

Massmart is a member of Aware.Org, an organization focused on creating awareness and preventing the negative impacts associated with alcohol abuse. As part of their programme, Aware.Org run numerous campaigns in partnership with their members, such as:

- Foetal Alcohol Syndrome Programme-
- Project "Genz Runner"
- Road Safety Programme
- Safe Tavern Environment

The applications for new and renewal Retail Liquor Licences and Wholesale Liquor Licences are facilitated by the Massmart Licences and Permits Compliance team via the National Liquor Authority. Once licences are issued or renewed, original copies of the liquor licence is displayed in store together with a document of provincial "do's and don'ts". In order to ensure compliance with the South African liquor regulations, various audits and reviews are conducted by the Massmart Project Right Start team, Continuous Improvement team, as well as external inspections by SAPS and Liquor Board Inspectors.

Furthermore, Massmart participates in Healthy Food Option worksops hosted by Consumer Goods Council of South Africa (CGCSA) to support the manufacture and access of healthy food and diet to South Africans.

## Anti-Corruption

### ***\*G4-S03. Number and percentage of operations assessed for risk related to corruption, and risks identified***

Massmart has a Code of Ethical Conduct which continues to be communicated to staff and strategic suppliers across all business units. The outsourced anonymous ethics hotline implemented in 2011 continues to be monitored by Deloitte.

### ***\*G4-S04. Communication and training on anti-corruption policies and procedures***

A total of 1 272 permanent and non-permanent employees successfully completed comprehensive training this year in anti-corruption Foreign Corrupt Practices Act and bribery.

Our anti-corruption policy with regards to political contributions requires that all business expenditures (gifts, meals and entertainment, and travel and lodging) with Government Officials must be reasonable and directly related to a legitimate business purpose. In addition to any business unit approvals, some expenditures with Government Officials must be approved in writing in advance by A/C Compliance, as explained below. Further, associates are not permitted to provide gifts, meals and entertainment, or travel and lodging to Family Members or Close Business Associates of Government Officials without A/C Compliance's prior written approval.

Massmart takes a risk based approach in reviewing Anti- Corruption high risk areas, by prioritising, *inter alia*, third party intermediaries, donations, sponsorships and legal contracts.

Furthermore, the Massmart anti-corruption policy requires the following of third party intermediaries prior to being listed:

1. undergone the diligence process
2. Identification, Selection, and Due Diligence Process," below;
3. been approved as a TPI by A/C Compliance; and
4. entered into a written and signed agreement with the Company, which includes an anti-corruption clause

## Public Policy

### ***G4-S061. Value of political contributions by country and recipient***

Government liaison is conducted primarily at Group level where responsibility is shared between the CEO, the Group Corporate Affairs Executive. The Group Corporate Affairs Executive is responsible for broad public policy issues. Public policy engagement efforts are made through written and verbal submissions to the appropriate parliamentary portfolio committee as well as participation in forums such as Business Unity South Africa. Furthermore, in 2016 Massmart sponsored the SANDF Goodwill Parcel Project, SAPS National Excellence Awards and the DBE National Teaching awards, amounting to R146 617.80, R 55 992.00, and R 49 500.00 respectively.

## Anti-Competitive Behaviour

**\*G4-S07. Number of legal actions of anti-competitive behaviour and their outcomes**

No legal actions of this nature were instituted during the reporting period.

## Compliance

**\*G4-S08. Fines and sanctions for non-compliance with laws and regulations**

None

## Product Responsibility

### Health and Safety

**\*G4-PR1. Percentage of significant product and service categories for which health and safety impacts are assessed**

A broad range of products sold by Massmart are subjected to a variety of voluntary and compulsory standard testing procedures to ensure that a high level of health and safety is maintained. Regular testing of food products is conducted annually and sensitive categories are analysed quarterly or monthly. In 2016, Massmart conducted 12, 982 in-store environmental tests (surface swabs, hand swabs, product tests, water tests, drain swabs). Massmart's formal trading agreements detail that suppliers are expected to abide by the laws and regulations of the country, and that all products and services must comply with legal and safety standards.

Store audits are also conducted by a 3rd party auditing body to identify non-conforming goods and practices to ensure that goods are certified and comply with compulsory specifications. Numerous external organisations including; SABS (South African Bureau of Standards); NRCS (National Regulator of Compulsory Standards); and ICASA (Independent Communications Authority of South Africa) are consulted to assist with the procedures. Authentication certification procedures are also followed for products labelled Halaal or Kosher.

Additionally stores are audited for Food Safety compliance to all regulatory and standards applicable to food safety on a quarterly basis. In 2016 we conducted 1 503 Food Safety audits and trained 584 employees on Food Safety in 2017. We also conduct in-store Microbiological assessments on a monthly basis.

Presently we do not conduct OHSAS 18001 certification reviews at our facilities. However, we conduct a number of independent health and safety assessments across all of our facilities, with a target set to reduce all injury related incidents by 5% by the end of 2018. If an incident or injury occurs on site, it is recorded in an Incident Report which is then reviewed and, depending on the scope of the incident/ injury, escalated to senior management at Head Office level. An investigation will then be conducted at the site, witness statements will be taken and all supporting information reported to senior management for action and/ or remediation.

In 2017 we conducted Health and Safety training on 5 745 employees. Massmart defines "lost time" as a period when an employee misses one or more shifts.

Continuous Improvement (CI) is a team within Massmart’s Compliance division. The CI approach is collaborative and involves assessing, coaching, teaching and mitigating compliance risk, such as Health and Safety, Licences and Permits, Food Safety and Environmental. This is achieved through the execution of Continuous Improvement Reviews (global question set for Stores, Distribution Centres and Plants), Compliance Store Tours (Risk/ Trend focused), Project Right Start (new store openings) and through the Compliance Champion program which is a new initiative designed to empower associates and embed a culture of compliance.

Massmart have also launched “Project Right Start”, an initiative run by the Massmart Continuous Improvement Team designed to support compliance training, and guidance for new, relocated, acquired, and remodelled facilities through: pre-grand opening training and awareness initiatives for store staff, store development/planning department and other key business partners and thereafter the early identification of training and resource gaps during and after grand opening. This initiative covers all areas of Compliance, including, inter alia, Health and Safety, Licences and Permits, Food Safety and Environmental Compliance.

## Product and Service Labeling

### ***\*G4-PR3. Product and service labeling requirements, and percentage of significant product and services categories subject to such information requirements***

The following voluntary labelling information standards are used on relevant products sold by the Group:

- SABS Mark Scheme
- ISO (International Organisation for Standardisation)
- Forestry Stewardship Council (FSC)
- Marine Stewardship Council (MSC)
- Fairtrade
- Energy Star
- European Energy Rating Standards

In addition, all labelling must comply with all regulations relevant to the country in which it is sold. Applicable legislation in South Africa includes the following:

- The Medicine, Tobacco and Liquor Acts;
- The National RCS (Regulator of Compulsory Specifications);
- Agricultural Product Standards Act;
- Food, Cosmetics and Disinfectant Act;
- Consumer Protection Act;
- ICASA (The Independent Communications Authority of South Africa; RICA (The Regulation of Interception of Communications and Provision of Communication-Related Information Act); and
- The Liquor Act and Liquor Products Act

### ***G4-PR4. Incidents of non-compliance with regulations and voluntary codes concerning products and services information and labeling, by type of outcomes***

A new standard of merchandise labelling has been implemented to ensure future compliance. In 2016, we reviewed 3000 labels. In addition, there were 96 GM product recalls and quarantines, and 34 recalls related to food safety.

#### ***G4-PR5. Results of surveys measuring customer satisfaction***

Divisions continue to conduct regular customer surveys including focus groups to research elements of the traditional value proposition to customers. As previously mentioned, customer intercept research introduced in 2009 at Group level also focused on customer satisfaction levels and included attitudes to responsible consumerism. Group research conducted in 2014, indicated an overall customer satisfaction score of 87.7% We have invested in an automated recall system to conduct effective, efficient recalls into all the stores. This enables faster response and more accurate response time for product recalls.

## Marketing Communications

***\*G4-PR7. Incidents of non-compliance with regulation and voluntary codes concerning marketing communications, by type of outcomes.***

No significant incidences were reported.

## Customer Privacy

***G4-PR8. Substantiated complaints regarding breaches of customer privacy or loss of customer data***

Massmart follows the Direct Marketing Association (DMA) Code of Conduct, the Advertising Standards Authority (ASA) codes of practice. In addition, steps are in place to comply with the Access to Personal Information Act, Protection of Personal Information Act and the Consumer Protection Act. In 2016, there were 121 complaints filed with the Consumer Goods and Services Ombud (CGSO), none of which related to breaches of customer privacy or loss of customer data.

## Compliance

***\*G4-PR9. Fines for non-compliance with laws and regulations concerning the provision and use of products and services***

At Massmart, regulatory contacts, fines issued and environmental incidents against the business are reported and tracked through a central system by Massmart employees or via the Massmart call centre. All fines issued are paid for via a central payments system within Massmart.

For the year 2017, Massmart has not received any significant fines or non- monetary sanctions with respect to non-compliance with environmental laws and/or regulations.