Integrated Annual Report
For the year ended December 2019
This report may contain forward-looking statements which may relate to future performance and prospects. While these statements represent our judgements and future expectations, a number of known and unknown risks, uncertainties and other important factors may cause actual results to differ materially from our expectations. These include factors that could adversely affect our business and financial performance. Investors are cautioned not to place undue reliance on any forward-looking statements contained herein, as they have not been reviewed or reported on by our external auditor. We do not undertake to update publicly or to release any revisions to these forward-looking statements, to reflect events or circumstances after the date of the publication of this report or to reflect the occurrence of unanticipated events.
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Who we are

Massmart operates 443 stores in 13 sub-Saharan countries. Through our widely-recognised, differentiated retail and wholesale formats, we have leading shares in the General Merchandise, Liquor, Home Improvement and Wholesale Food markets. Our key foundations of high volume, low cost and operational excellence enable our price leadership.

OUR COMMITMENT:
To save our customers money so they can live better

OUR BUSINESS:
Our business model is built on high sales density formats, procurement scale and cost-efficient routes to market. It provides us with the opportunity to optimise our supplier distribution, achieve price leadership and deliver on our commitment to save our customers money so they can live better.

OUR AIM:
To build the strongest and healthiest, diversified retail group with the best long-term prospects on the continent.

OUR PURPOSE:
To be the most trusted, high volume, lowest cost, wholesale and retail group in sub-Saharan Africa, delivering exceptional value to mass market consumers.

OUR TURNAROUND PLAN

On 30 January 2020 we held an Investor Day where the Four pillars of our turnaround plan were outlined

PILLAR ONE
Restructure the Group operating model to optimise serving our customers and achieve competitive market agility and efficiency

PILLAR TWO
Optimise our portfolio to ensure store relevance and our customer value proposition

PILLAR THREE
Position our supply chain for long-term success

PILLAR FOUR
Reset our cost base

Board approval
The Massmart Board assumes responsibility for ensuring the integrity of this integrated report. In the Board’s opinion this report addresses the issues material to Massmart’s ability to create value, is a concise and transparent representation of the performance of the Group during the year under review and also provides information relevant to the short-, medium- and long-term outlook. We have applied our collective minds to the preparation and presentation of the information in this report and believe that this report has been prepared in accordance with the International Integrated Reporting Council (IIRC)’s International <IR> Framework. The Board unanimously approved this report on 2 April 2020.
In tough times, we are sustaining value:

R103.3m
In savings from a focus on Group-wide logistics efficiencies
2018: R125.1m

R200.4m
in associate training and development
2018: R230.2m

17%
Staff turnover
2018: 20%

3.3%
Store energy intensity increased by
To 211.6 kWh/m²
2018: 204.9 kWh/m²

Over R1bn
procured from suppliers on our Supplier Development Programme
since inception

82.06
(Level 4) Improved BBBEE score
2018: 80.81

50%
Of the members of our Board are female
2018: 45%

We’ve saved our customers
over R300m
during Black Friday

* Like-on-like excluding IFRS 16 in 2018.
Reinvigorating our business in a challenging environment

The year under review has been one of the most difficult in Massmart’s history culminating in our first loss (R861.0 million) since we listed on the JSE twenty years ago.

The challenging operating environment has certainly contributed to our performance, with hard-pressed consumers, impacted by slow wage growth and rising fuel costs, opting to spend on non-Durable Goods rather than Durable Goods. This, together with the impact of load shedding and service protest action, severely impacted our sales performance, which was exceeded by our expense growth of 10.2% during the same period.

Our Road to Recovery

In September 2019 Mitchell (Mitch) Slape, a seasoned retailer with extensive Walmart leadership experience, took over as the CEO of Massmart. He moved quickly to leverage his well-established Walmart network to implement initiatives to improve Massmart’s operating performance.

These initiatives included breaking down divisional and brand silos to create efficiencies, leveraging the opportunities made possible through our relationship with Walmart, the world’s most successful retailer, and adopting an everyday low-cost mindset among all Massmart associates, with a particular focus on head office, to significantly cut rising operating costs.

In January 2020, Mitch announced his plans for turning the business around, which were well received. These plans put the customer at the centre of our operating model and will see us moving away from four divisions to two business units: Retail and Wholesale. The turnaround plan also focuses on portfolio optimisation, which will involve evaluating Game’s customer value proposition and the consolidation of our low-cost wholesale route to market by merging our Masswarehouse and Masscash Cash & Carry operations.

With the outlook for the South African economy remaining lacklustre, further exacerbated by the coronavirus, COVID-19, global outbreak, Massmart has to operate as efficiently and cost-effectively as possible if we are to continue creating value for our stakeholders in the current economic environment.

Difficult decisions

Our disappointing performance necessitated a review of all stores within our portfolio. Underperforming stores have been identified and their potential turnaround evaluated.

As a responsible retailer, we take any potential job losses very seriously and in any restructuring process think long and hard about what we can do to minimise job cuts. We engage with social partners to look at various options and redeploy associates to other parts of the business where we can.

Following the review process, a decision was taken to close 34 underperforming DionWired and Masscash stores. This affects approximately 1,440 jobs, which is equivalent to 3% of our workforce. After an extensive consultation process with affected associates, organised labour and other relevant stakeholders, the Group announced the closure of 23 DionWired stores on 19 March 2020. Refer to page 68 for more information.

Looking ahead

Despite the ongoing negative outlook for the South African economy, Massmart remains committed to building the strongest and healthiest, diversified retail group with the best long-term prospects on the continent. The Board is confident that with a clear turnaround plan in place, driven by an experienced leadership team, Massmart’s prospects will improve.

In order for Massmart and South Africa to thrive, the South African economy needs a jumpstart. In terms of Africa, we will continue to look to leverage African trade only accounts for approximately 18% of total trade. This is the largest free trade zone since the launch of the World Trade Organisation in 1995. AECFTA contains provisions for countries to reduce tariffs by 90% and also reduce impediments to trade.

The Group is confident that the actions that have been taken, including engagement with various stakeholders such as lenders and shareholders, as well as the cost saving initiatives which have been implemented since the second half of 2019, combined with the Group’s liquidity position, will place Massmart in a strong position to weather this difficult period.
I believe that Massmart leads from the front when it comes to ESG and our inclusion in the FTSE/JSE Responsible Investment Top 30 Index is testament to this. Massmart is the most transformed Retailer in South Africa with a BBBEE rating of 82.06 (80.81 in 2018). Our improved score is attributable to a two-point increase in preferential procurement recognition. During the period we procured R10 billion worth of products from black- and 30% black women-owned businesses.

Thanks to our Supplier Development Programme (SDP), we exceeded the BBBEE investment targets for enterprise development and corporate social investment (CSI). The SDP was established to procure products from small local manufacturers and in 2019, it passed the R1 billion mark in terms of products procured since inception.

The main aim of the SDP is to develop and significantly increase the production scale of small local manufacturers. The work of Massmart’s SDP team typically involves assisting suppliers to meet regulatory standards, improve price competitiveness, build manufacturing capacity and develop retail and business management expertise. The programme currently has a portfolio of 23 small businesses manufacturing a variety of products ranging from chef wear, cooking gel and instant noodles to charcoal, cooler boxes, doors and paint. Six of these manufacturers currently export their products. Through our relationship with Walmart, a Global sourcing buyers team visited nine suppliers to identify opportunities to export suitable products to Walmart sourcing buyers team typically involves assisting suppliers to meet our associates and, as such, the safety of Massmart’s associates is of utmost importance to us. Despite all our efforts we are saddened to report that a product was involved in a work-related fatality during the period. Given the Group’s focus on workplace safety, we also work closely with contractors to ensure compliance to safe work practices. We were deeply saddened by third-party contractor fatalities, of which there were six during the reporting period. This has caused the Group to intensify its focus on safety standards, not only for our associates, but also for our third-party contractors. The Board extends its sincere condolences to the families for their loss.

Our commitment to good governance

In my role as Chairman of the Board, I seek to create a climate of trust, respect and candour, as I believe that these are the qualities required of a Board in fulfilling the most pressing issues that face the Group. In this regard, the Board undergoes ethics and compliance training annually, so that each Board member knows what is expected of him or her and to ensure that we are living the values of the Group. As a Board we recognise that it is our role to lead with integrity. We seek to instil a culture from the top that builds trust and accountability throughout the organisation.

In a water scarce country like South Africa, water conservation is critical and Massmart is working hard to conserve water across its operations. In the coming year we aim to install remote water monitoring capabilities at all standalone facilities so that we can establish long-term water use targets for stores and facilities. We continue to make use of rainwater and refrigerant condensate to supplement our water needs for non-potable water applications. During 2019, our rainwater and refrigerant condensate harvesting projects at Makro and Builders stores captured an estimated 23 million litres of water.

We are cognisant of the role that retailers like Massmart play in job creation. Retail is South Africa’s third largest employer, but this sector faces threats in terms of its ability to create employment beyond those posed by the current economic climate. The new normal is omnichannel and this requires a different workforce to the store-based model. We are working hard to understand the skills required for the jobs of the future and to ensure that our associates have the skills relevant in an increasingly digital world. We believe that this is an area that requires strong collaboration with Government as we seek to position our country for the fourth industrial revolution.

We strive to have only a positive impact on the lives of our associates and, as such, the safety of Massmart’s associates is of utmost importance to us. Despite all our efforts we are saddened to report that one associate was involved in a work-related fatality during the period. Given the Group’s focus on workplace safety, we also work closely with contractors to ensure compliance to safe work practices. We were deeply saddened by third-party contractor fatalities, of which there were six during the reporting period. This has caused the Group to intensify its focus on safety standards, not only for our associates, but also for our third-party contractors. The Board extends its sincere condolences to the families for their loss.

We are also focused on ensuring that we are equipped to lead effectively. During the year under review we undertook an external evaluation of the Board’s effectiveness with the aim of assisting the Board and its Committees in identifying opportunities for improvement. The review considered the balance of expertise, skill and competencies of the Board.

The role of the Board is also to debate strategic decisions and matters of importance, including making sure we have fit-for-purpose structures and processes to manage risk effectively.

Board and Executive changes

The changes made to the Board and Executive Committee during the period under review introduced a balance of diversity in age, gender and race to the Group. The new leadership, together with their management teams, will support the overall turnaround plan with the focus and leadership skills they bring. In summary, the following Director changes were made this year, further information can be found on pages 14-17 and 104.

In February 2019, CFO Johannes (Hans) van Lierop indicated that he was not available to extend his tenure with Massmart for personal reasons after the formal conclusion of his South African work visa in February 2020. Mohammed Abdool-Samad succeeded Hans as CFO and Executive Director, effective 1 August 2019.

On 6 May 2019, CEO Guy Hayward informed the Board of his decision to step down before the end of 2019. On 23 May 2019, it was announced that Mitch Slape would assume the role of CEO and Executive Director; his appointment was effective 1 September 2019.

Lindiwe Mthimunye was appointed as an Independent Non-Executive Director and member of the Audit and Risk Committees on 28 February 2019 and JP Suarez, a Walmart-appointed Non-Executive Director replaced Roger Burnley.

Chris Seabrooke retired as the Deputy Chairman and Lead Independent Non-Executive Director of the Board on 23 May 2019.

On 27 May 2019, Phumzile Langeni assumed the role of Deputy Chairman and Lead Independent Non-Executive Director effective 23 May 2019.

On 5 September 2019, Mohammed Abdool-Samad was appointed as a member of the Risk Committee effective 1 August 2019 and Mitch Slape became a member of the Risk and Social and Ethics Committees on 1 September 2019.

The Group’s General Counsel and Company Secretary, Joseph Ralebepe, resigned as of 31 December 2019 and the appointment of Nicole Morgan as the Interim Company Secretary came into effect as of 1 January 2020.

On 25 February 2020, Enrico Ostalé resigned from the Board, Remuneration and Nominations Committees. JP Suarez was appointed to the Remuneration and Nominations Committees on the same day. Charles Redfield was also nominated for appointment as a Non-Executive Director of the Board.

On 6 March 2020, Phumzile Langeni’s resignation from the Risk and Audit Committees to focus on her other Massmart Board and Committee duties was announced, with effect from 21 May 2020.

I believe that these appointments have further strengthened the Board, which has the right balance of skills and experience to discharge its duties.

Appreciation

On behalf of the Board, I would like to extend our appreciation to Guy Hayward and Hans van Lierop for their contribution to Massmart over the years. We welcome the incoming CEO Mitch Slape and CFO Mohammed Abdool-Samad and thank them for the work they have done so far. We would also like to thank the rest of the Executive team and Massmart’s associates across the Group for their ongoing commitment.

I extend my appreciation to the Board for their valuable guidance and oversight during the year. Finally, I would like to thank our business partners, shareholders and other stakeholders for their continued engagement and support.

Kuseni Dlamini
Chairman
2 April 2020
3.0% total sales growth in difficult environment

Having taken over the Massmart CEO role on 1 September 2019, Walmart-appointee, Mitch Slape, shares his insights and how he aims to turn around Massmart and build the strongest and healthiest, diversified retail group with the best long-term prospects on the continent.

What have your observations been since joining Massmart?

Massmart experienced a difficult 2019, with slowing sales growth, gross margin pressure and higher than expected expense growth. Our performance was not consistent with what we expect of ourselves as a management team, nor was it consistent with the expectations of our shareholders. The loss we reported this year is the first loss in the history of Massmart.

While Massmart has a solid underlying business with great brands, strong positions in many categories and substantial procurement scale, our review of the business as a leadership team identified strategic and operational gaps in core elements across the value chain, which have impacted performance. These included:

- **Blurred go-to-market focus:** Observing our brands, we believe that the way we serve customers has become blurred – by overlap and cannibalisation between our formats and, in some cases, overlapping customer value propositions. This has contributed to lower store profitability levels across our brands and formats.

- **Structural complexity and immature support function capabilities:** We identified high levels of duplication of effort in support functions with low levels of standardisation, resulting in higher overhead costs with limited use of centres of excellence to leverage best ways of working.

- **Stale ways of working:** We have had a history of driving our businesses as independent, stand-alone divisions, with limited collaboration across the Group. This has resulted in failed opportunities to learn from collective experience and optimise business opportunities.

Expectations of high sales growth to compensate for inefficiencies in our cost structure are not realistic, particularly in the current challenging economy and very constrained consumer environment. We must do more in order for us to thrive and succeed as a business. The leadership team fully realises the need to act deliberately and with urgency to shift the trajectory of Massmart’s performance.

What initiatives have you put in place to shift this trajectory?

In order to quickly mobilise our associates in the business to drive our change programme, we launched three key initiatives from 1 September 2019. These included:

- **Unbeatable together**
  
  This initiative is geared towards breaking down divisional and brand silos and working together to optimally leverage our procurement scale, ensuring we are able to get the best deals for our customers.

A great demonstration of its effectiveness was the impact of the collaboration between our divisions when they worked together on Black Friday promotions. For the first time in the history of the Group, we were able to leverage our scale to deliver promotions across the divisions. For example, Game, Makro and Builders Warehouse power tool buyers were able to save our customers almost R4 million by leveraging their collective buying power. This is not an isolated occurrence. This collaboration is continuing throughout the Group, with various departments leveraging Group scale to reduce costs (e.g. integration of core services), to achieve improved efficiency in order to strengthen margins and our ability to compete.

**Powered by Walmart**

Over the past few years, we have not fully realised the benefits associated with leveraging the best practices and opportunities that are available from Walmart. This is not just with regard to obvious areas of opportunity such as product sourcing, but also with regard to leveraging business processes and ways of working. Our relationship with Walmart will now fundamentally change – Massmart will be Powered by Walmart and we will pursue leverage at every opportunity, by drawing on the global resources of the world’s largest global retail group.

Early in the process of my engagement with the leadership team at Massmart during the second half of 2019, we began working with Walmart to further enhance this relationship. For the first time the entire Massmart Executive Committee travelled to Walmart’s headquarters for a full week of discussions on how we could maximise leverage opportunities. We are now drawing on Walmart’s best practices and expertise to gain an edge in the competitive retail space – from its procurement processes and cost-saving methodologies to systems and logistics capabilities.

**Every Rand matters**

We have shared the Every Rand matters initiative with our associates across the Group – for every Rand spent at head office, our stores must generate R50 in sales to recover the cost. This initiative is designed to drive a cultural shift in the business. We are leveraging Walmart’s expertise and experience in driving indirect expense management and resetting costs in the business, while developing an everyday low-cost mindset. No retailer is better at cost control than Walmart and we need to learn from their approach.
Our collaborative efforts within Massmart, our ability to leverage the capabilities of Walmart and our cultural reset towards an everyday low-cost mindset resulted in our costs growing at a significantly lower rate during the second half of the year compared to the first half. This trend continued during the first few weeks of 2020.

We strongly believe in the importance of being an everyday low-cost operator as this enables us to achieve our commitment to save our customers money so they can live better. When we control costs effectively, we are able to pass these savings on to our customers in the form of lower prices on the basics that they need. Our customers in turn reward us with their business, resulting in improved comparative store sales.

Speaking of your customers, how is Massmart fulfilling its commitment to save the customer money so they can live better?

In the current economic environment, our customers are more financially constrained than ever before. It is during trying times like these that our customers need us the most. By saving our customers money, they are able to stretch their budgets further to afford the basics that they need the most and in doing so they can live better.

As a leadership team, we are focused on reducing our business expenses, while also working hard to negotiate the very best possible everyday low-cost prices with our suppliers. This frees up funds, which we in turn invest in everyday low prices for our customers. With better prices, the demand for our products increases and we are able to grow sales and reinvest in our business. My perspective is that if we can get this virtuous cycle right, it will form the basis of our shift towards price leadership.

Can you elaborate on your plans of turning around the business?

In order for Massmart to succeed and thrive as a business, we have defined a turnaround plan focused on key building blocks that will help us to serve our customers, while at the same time improving our business performance. The pillars of this plan include:

1. **Restructure the Group operating model:** shifting our operating model from the current federated approach with independent/autonomous divisions to an integrated, customer facing approach in which we have two business units: Retail and Wholesale, supported by centres of excellence that provide services across the Group.

2. **Portfolio optimisation:** putting in place a disciplined portfolio strategy, driven by a clear point of view regarding where we will play and how we will win. At the same time, we will engage in careful monitoring of store performance with appropriate follow-up action. As a key part of our portfolio strategy, we also believe that we must address the performance of our Game stores as well as improve the manner in which we go to market in the wholesale space:
   - **Game customer value proposition (CVP):** a key part of our portfolio work includes the revitalisation and growth of Game’s relevance to customers. We are focused on getting back to the basics of good retailing at Game, while we also engage in a series of merchandising tests, to ensure that we are offering the right assortment at the right prices to our customers. Significantly, these tests have resulted in our decision to remove Fresh and Frozen Food categories from our Game stores and to relaunch the basic apparel category. At the same time, we are designing our customer value proposition to create an exciting and relevant customer experience.
   - **Wholesale route to market:** an analysis of our portfolio made us realise that the way we were serving our Wholesale customers was not optimal across our divisions and brands. We believe that there is an opportunity to create a consolidated, low-cost wholesale route to market, with high relevance for suppliers and customers through merging our Masswarehouse and Masscash Cash & Carry operations. To unlock this value, we are unifying our wholesale leadership and buying team, and leveraging one ERP with one point of sale system. Concurrently, we will add Cash & Carry volumes to our existing inbound network and expand our General Merchandise product offering from Makro for our Cash & Carry customers.

3. **Supply chain optimisation:** integrating the supply chain for the total Group to promote cost-effective on-shelf availability at a lower cost to serve, as well as improve inventory management.

4. **Cost reset:** identification of new approaches and new ways of working to move the existing cost structure down and moving towards the goal of ensuring that expense growth does not outpace sales growth. This includes leveraging Group scale to deliver spend reduction across indirect procurement categories (including Goods Not For Resale) and cost of goods sold, freeing cash to reinvest in price and customer experience and to provide fuel for future growth.

We will closely monitor our progress in each of these pillars and share progress with our stakeholders.

As we execute the pillars of our turnaround plan, we will also be developing our plans around various growth initiatives:

1. **Building capability in our online business**
2. **Determining the best way to grow our Food offering**
3. **Identifying the best path to creating sustainable scale in African markets.**

How confident are you in Massmart’s ability to achieve success, and what shortcomings do you foresee in implementing the turnaround plan?

While Massmart’s circumstances are challenging, history indicates that we have the potential to succeed and I am confident that we can turn this business around. Our own bureaucracy and shortcomings in execution have been limiting factors in the past. We are overcoming these shortcomings by instilling a culture of collaboration and a desire and willingness to achieve success, tightly linked to the right metrics, and by holding ourselves accountable. Our associates have a wealth of knowledge in the business and that has impressed me. We have realigned ourselves to apply our best talent to our biggest opportunities.
What is Massmart doing to assist associates affected by the potential store closures?

It is sometimes necessary for businesses to make tough decisions. We have committed to approach this sensitive situation in a compassionate and understanding way, and have assured all those affected that any store closure decision will only be taken after a meaningful and inclusive consultation process. Our approach is to remain transparent and honest with our associates and to engage with our associates as often as required through internal channels as well as through regular town hall meetings. We understand that this can be a distressing experience and we have provided our affected associates with access to face-to-face counselling services and a 24-hour counselling support line.

How are you able to justify retaining Game given its sustained weak performance?

Game is a powerful brand and is recognised by our customers as a destination store for many categories, as indicated by the multiple choice awards that Game has received, including Star Readers’, Daily Sun, the Sunday Times and Sowetan 2019 Shopper Survey. A recently conducted Brand Poll study also found Game to be the first choice destination for small appliances, large appliances, patio and garden, equipment, televisions and electronics, health and fitness and Black Friday deals. We have also made significant strides to improve the Game offering and have received an overwhelmingly positive response from our customers to the online shopping platform launched in November 2017. The potential of Game is clear – but we need to operate our stores better and get back to basics, including improving the product assortment, our in-stock availability and creating a better in-store experience.

What does being a responsible business mean to Massmart?

We are committed to being a responsible corporate citizen; being socially and environmentally responsible is fundamental to achieving our purpose and are proud that we:

- Have the highest BBBEE score among South African retailers, and are the only listed Retailer to offer our customers 100% BBBEE procurement recognition
- Manage South Africa’s longest running Supplier Development Programme (SDP), through which we have invested more than R200 million since inception
- Are the only South African Retailer that undertakes genetic identity testing of our seafood products
- Produce more renewable energy than any other South African retailer.

Our SDP has not only benefited the manufacturers in the programme (R1 billion procurement from small manufacturers on the programme, in addition to the R3 billion procured per annum from small suppliers not on the programme), but has added value to the Group as well. We have grown our existing local supplier base, maintained consistent availability of products that previously experienced shortages, extended selected ranges and provided the flexibility to create some innovative consumer-trend inspired Private Label products. Our relationship with Walmart’s Global Sourcing team has created further opportunities for nine of the 23 local suppliers and small manufacturers from our SDP to export suitable products to Walmart markets.

Together with the new management team, we are revitalising Game’s CVP to get Game back to being the destination store that it once was. While we continue to adjust stores across the chain, we will also be launching our revised CVP store in the Mall of Africa during the first half of 2020.

Why has Masscash underperformed, and what makes you believe profits can be restored?

Masscash is a Wholesale and Retail business selling to small independent retailers whose consumers have been heavily impacted by the slowing economy. The result is that our Cash & Carry operations have been under significant sales and margin pressure. It is also the division that is most impacted by price deflation in commodities (like maize, wheat, oil, sugar and rice). I strongly believe that the business will benefit from better leverage of our Group scale, particularly through access to shared distribution centres that will reduce operating costs. We also need to improve certain operating disciplines. The new operating model will also help us to address these issues as we introduce strong operating principles and practices to the overall business.

Is growing Massmart’s sub-Saharan African footprint still a priority?

Our aim is to build the strongest and healthiest retail group, with the best long-term prospects in Africa. We are deliberate about where and how to expand our portfolio in the rest of Africa. We will not go into a market unless we can do well.

Our business Massmart Integrated Annual Report 2019 13
The Board is responsible for directing the Group towards achieving high standards of corporate governance based on local and international corporate practice and is ultimately accountable for achieving the Group’s strategy and performance.

**Our Board at a glance**

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<thead>
<tr>
<th>Composition</th>
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<tr>
<td>Executives</td>
<td>30%</td>
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<tr>
<td>Non-Independent Non-Executives</td>
<td>30%</td>
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<tr>
<td>Independent Non-Executives</td>
<td>50%</td>
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**Tenure**

| 0-3 years | 70% |
| 3-5 years | 10% |
| 6-9 years | 5% |
| >9 years | 5% |

Average Board attendance 92.5%

Refer to Board Committee feedback section for Committee attendance details on pages 99 to 103.

**Demographics**

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<td>Female (Target 40%)</td>
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<tr>
<td>Male</td>
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<tr>
<td>AGM (Target 50%)</td>
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<tr>
<td>Foreign nationals</td>
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**Board experience**

- Leadership
- Corporate governance
- Compliance
- General business management
- Economics and public policy
- Human Resources and legal
- International retail
- Risk management
- Finance and accounting

For complete and detailed CVs of the Board members please visit www.massmart.co.za/as/2019/CVs

Our Board Committees

- A Audit
- E Executive
- M Remuneration
- N Nominations
- R Risk
- SE Social and Ethics

Our Board of Directors as at 2 April 2020

* Resigned as a member of the Audit and Risk Committees, effective 31 May 2020.
The Massmart Executive Committee, chaired by the Chief Executive Officer, comprises key Executives in the Group. This Committee assists the Board to deliberate, take decisions on, or make recommendations on, strategic and operational matters delegated to them by the Board through its Delegation of Authority, which is reviewed annually.

## Our Exco at a glance

**Experience**

- Leadership
- Corporate governance
- Compliance
- General business management
- Economics and public policy
- Human resources and legal
- International retail
- Risk management
- Finance and accounting

**Demographics**

- Female: 40%
- Male: 60%
- Act: 40%
- Foreign nationals: 10%
Creating value through good governance

By appointing strong, independent Directors, with an extensive range of expertise and experience and a good working knowledge of its business, Massmart has ensured it has a Board with the competence to lead effectively and contribute to the creation of sustainable value for its stakeholders. Our Nominations Committee annually reviews the independence of Board members against the criteria set out in King IV as part of its facilitation of a comprehensive Board self-assessment. In addition to this, an external evaluation was conducted regarding the Board’s effectiveness to assist in identifying and addressing opportunities for improvement. This review considered the balance of skills, expertise and competencies of the Board.

The Board of Massmart and its Executive team work together to create value for all our stakeholders by delivering on our purpose to be the most trusted wholesale and retail group in sub-Saharan Africa, ensuring our strategy and business model are fit for purpose in the short, medium and long term and that we are able to adapt rapidly to changing market conditions and ensure the sustainability of our business. We do so by constantly monitoring the macro environment and its potential impact on our business; our risks and opportunities; the performance of our business; and our performance in terms of society, the environment and achieving the benefits of our business. We do so by constantly monitoring the macro environment and its potential impact on our business; our risks and opportunities; the performance of our business; and achieving the benefits of our business.

Our governance framework positions our Board as the custodian of governance in Massmart and provides it with effective control of the business. Its role and responsibilities are set out in its Charter and Memorandum of Incorporation (MOI), which also set out the shareholders’ delegation of authority to the Board, which has a formal schedule of matters reserved for its consideration and decision. (see the governance section of our website at www.massmart.co.za/governance/board-committees/).

Our combined assurance model, which is an integral part of our governance structures, enables an effective internal environment that supports the integrity of information used for internal decision-making by management, the Board and its Committees and supports the integrity of our integrated report. It achieves this through the incorporation and optimisation of all assurance services and functions.

The purpose of our approach to governance

Our approach to governance, which is an essential part of our value creation process, is integrated into our Board-approved strategies, policies, standards, practices and procedures and is designed to support the achievement of a high standard of corporate governance. It supports the delivery of our purpose of being the most trusted wholesale and retail group in sub-Saharan Africa by enhancing accountability and transparency and facilitating effective performance, risk and opportunity management and compliance with all applicable legislation and regulation.

Goverance structures and delegation that achieves effective control and a clear balance of power

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It also ensures that we act in the best interests of our stakeholders, comply with applicable laws and regulations and are able to adapt quickly to changes in our regulatory environment.

The Group’s risk strategy is established through deliberation with Massmart’s Executive Committee. To ensure Massmart maintains a balance between its efforts to provide stakeholder rewards as a responsible corporate citizen, the Group’s risk tolerance is considered and balanced against our drive towards achieving our strategic objectives and realising identified opportunities emanating from the assessment of the Group’s risks and opportunities. The Board has delegated the responsibility of overseeing the Group’s risk management programme to the Risk Committee. Details of our management and governance of risk can be found on pages 38 to 41 of this report.

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Responsible corporate citizenship
The Board ensures that Massmart meets, and where possible exceeds, its obligations and responsibilities to society and the natural environment on which society depends, and contributes to the sustainable development of the communities in which we operate. We believe that being socially and environmentally responsible and committed to practising good governance is fundamental to fulfilling our purpose of being the most trusted wholesale and retail group in sub-Saharan Africa and creating long-term stakeholder value. As a responsible corporate, we contribute towards the achievement of 14 of the United Nations (UN) Sustainable Development Goals (SDGs), where we believe we can have the most meaningful impact.

The Board also ensures that Massmart assesses its standing in terms of the United Nations Global Compact (UNGC) Principles, which includes meeting its integrated reporting commitments.

In this regard, through the Remuneration Committee, the Board ensures that the Group remunerates fairly and responsibly.

We also have a Board diversity policy in place, which includes gender diversity targets. (See the governance section of our website at www.massmart.co.za/governance/board-committees/).

Stakeholder inclusivity
Adopting a stakeholder-inclusive approach
By effectively governing Massmart through its oversight and monitoring of performance, identifying stakeholders through engagement, and taking into consideration our stakeholders’ interests, needs and expectations, our Board and Executive management contribute value to both the business and its stakeholders. See Our stakeholder relationships on pages 34-37.

Evaluating performance
Board performance
Evaluating the Board’s performance and the performance of its members in terms of applying the King IV principles and outcomes provides the Massmart Board with a mechanism with which to assess its governance performance and make improvements if necessary. In October of each year the Nominations Committee facilitates a comprehensive self-assessment of the Board and its Committees, which covers their composition, duties, responsibilities, processes and effectiveness. This process also includes an appraisal of the Chairman, individual Board members, permanent invitees, the Chief Executive Officer and the Chief Financial Officer.

The Group Company Secretary also facilitates an annual evaluation of the performance and effectiveness of the Chairman, the Board and its Committees and individual members by means of an internal evaluation process. In 2019 a formal evaluation was also conducted by an independent external service provider.

These assessments provide valuable input, which is used to enhance the effectiveness of our Board and its members and serves as focus areas in the ensuing year.

Executive performance
Executive performance is evaluated against agreed metrics set out in the Remuneration report on pages 103 to 127 of this report.

A register documenting the summarised assessment of the King IV principles applicable to Massmart is available online.
Our business

Massmart is an African Retail group with General Merchandise, Liquor, Home Improvement and Food offerings

Massmart has four divisions each comprising widely-recognised, differentiated retail and wholesale formats

GROUP SALES

<table>
<thead>
<tr>
<th>Division</th>
<th>2019 Sales</th>
<th>2018 Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Merchandise</td>
<td>R29.4bn</td>
<td>R28.8bn</td>
</tr>
<tr>
<td>Food &amp; Liquor</td>
<td>R29.4bn</td>
<td>R28.8bn</td>
</tr>
<tr>
<td>Electrical goods</td>
<td>R14.2bn</td>
<td>R13.8bn</td>
</tr>
<tr>
<td>Homeware and household</td>
<td>R669.8m</td>
<td>R749.1m</td>
</tr>
<tr>
<td>Building materials</td>
<td>R30.3bn</td>
<td>R30.3bn</td>
</tr>
</tbody>
</table>

OMNICHANNEL

- 4 Ecommerce points of presence
- 1,675,052m² of trading space
- 443 stores
- 6% online sales decline
- 3% online traffic decline
- Unique customer collection points: 373
- Total full-time employee equivalents (FTEs): 51,000

GROUP PROFILE

- 173 stores in South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda, Zambia
- 22 stores in South Africa
- 246,125m² trading space
- 51,000 employees
- 11,835m² of total trading space
- 2,365 unique customer collection points
- 13% online sales decline
- 3% online traffic decline

OWNERSHIP

- Walmart subsidiary*: 53%
- Investec Asset Management: 9%
- Franklin Resources Inc: 6%
- PIC (2%) 5%
- Other (holding <4%): 27%

OCCASIONS

- We are strongly represented in LSMs 6-8

 Our formats cover almost all LSM groups

<table>
<thead>
<tr>
<th>LSM</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and liquor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical goods and appliances</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeware and household goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building materials</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We are strongly represented in LSMs 6-8

* Like-on-like basis

Trading (loss)/profit

- Massdiscoun ters: R32.6m
- Masswarehouse: R1,100.8m
- Massbuild: R188.6m
- Masscash: R184.6m

Trading space

- Massdiscoun ters: 11,964 m²
- Masswarehouse: 9,776 m²
- Massbuild: 10,421 m²
- Masscash: 14,984 m²

GROUP SALES

- 2019: R93.7bn total Group sales
- 2018: R90.9bn total Group sales

TRADE MARKS

- The Giant of Africa Wholesale
- The Giant of Africa Shield

Walmart subsidiary: Main Street 830 Proprietary Limited

* Like-on-like basis

TRADE MARKS

- The Giant of Africa Wholesale
- The Giant of Africa Shield

Walmart subsidiary: Main Street 830 Proprietary Limited

* Like-on-like basis

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22 Our business

Massmart Integrated Annual Report 2019 23
Our footprint

SUB-SAHARAN AFRICA

REST OF AFRICA AT A GLANCE

12 COUNTRIES

49 STORES

233,278 M² OF RETAIL SPACE

14% OF TOTAL SPACE

R8.4bn SALES 2018: R7.9bn

9% OF GROUP SALES

R171.2m AVERAGE SALES PER STORE

368 CLICK-AND-COLLECT POINTS

3 ZAMBIA

2 BOTSWANA

368 CLICK-AND-COLLECT POINTS

12 COUNTRIES

394 STORES

1,441,774 M² OF RETAIL SPACE

86% OF TOTAL SPACE

R85.3bn SALES 2018: R83.0bn

91% OF GROUP SALES

R216.4m AVERAGE SALES PER STORE

SA AT A GLANCE

136 CITIES

394 STORES

1,441,774 M² OF RETAIL SPACE

86% OF TOTAL SPACE

R85.3bn SALES 2018: R83.0bn

91% OF GROUP SALES

R216.4m AVERAGE SALES PER STORE

5 CLICK-AND-COLLECT POINTS

3 ZAMBIA

2 BOTSWANA
Our business model

Our business model is built on high-sales density formats, procurement scale and cost-efficient routes to market. As a result, we are able to optimise supplier distribution and obtain price leadership, which enables us to deliver on our commitment to save our customers money so they can live better. Our merchandise is made available through our network of 443 retail and wholesale stores across 13 countries.

How we drive value

Output

R93.7 billion in low-cost, high-volume merchandise distributed through our widely-recognised, differentiated retail and wholesale formats sold in 443 stores in 13 countries.

How we make money

<table>
<thead>
<tr>
<th>PROFIT FORMULA</th>
<th>OUR REVENUES</th>
<th>OUR COSTS</th>
</tr>
</thead>
</table>
| Our profit formula is to reduce expenses and negotiate the best possible everyday low-cost price with suppliers. This frees up cash, which we invest in everyday low prices for our customers. By doing this, our customers save money, the demand for our product increases, we grow sales and reinvest the money back into our business. | Our revenue differentiators:  
- Working closely with key suppliers to ensure a competitive product assortment  
- Private Label to offer customers good quality products at everyday low prices  
- Improving customer convenience by driving Value-Added Services (VAS) customer offerings  
- Maintaining a competitive price-gap against our major competitors across Known Value Items (KVI)s  
- Leveraging Walmart’s expertise and relationships  
- Investing further in customers’ online and omnichannel experience | Our cost differentiators:  
- Leveraging Group collaboration to ensure effective product sourcing and an efficient supply chain  
- Centralisation of Group services where possible  
- Establishing multi-tenanted distribution centres (DCs) and focusing on final mile logistics efficiencies  
- Reducing capital expenditure  
- Optimising store space and reducing in-store operating costs  
- Driving structurally lower operating costs  
- Increased focus on working capital management  
- Increased IT costs to ensure we have systems to support our growth, innovation and to address cyber security |

For customers

We save our customers money by operating for less and maintaining a positive price-gap against competitors.

For suppliers

We build fair and transparent relationships, create supply chain efficiencies, where possible, and create export opportunities through our relationship with Walmart.

For associates

We strive to create a diverse and inclusive workplace, equip associates with skills and training and remunerate fairly and responsibly.

For investors

We endeavour to offer sustainably long-term returns for our investors and implemented a turnaround plan to achieve this.

For society

We impact society by advocating for responsible business practices, through investing in CSI and environmental programmes and committing to ethical business and good governance.
How we sustain the value we create

Through our business activities we positively and negatively impact the capitals and strive to manage these trade-offs responsibly, while sustaining value.

People, intellectual capability and governance

<table>
<thead>
<tr>
<th>Human and intellectual capital:</th>
<th>The unique set of skills, experiences and perspectives of our people constantly innovating to save our customers money</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs</td>
<td>51,000 FTEs 2018: 48,500</td>
</tr>
<tr>
<td></td>
<td>Sophisticated merchandise and distribution systems and processes</td>
</tr>
<tr>
<td></td>
<td>114 Private Label brands within our portfolio 2018: 136</td>
</tr>
<tr>
<td></td>
<td>Sound compliance and governance processes Two sustainable packaging workshops held to devise sustainability specification</td>
</tr>
<tr>
<td>How we sustain value</td>
<td>Training and upskilling our associates to better serve our customer and business needs</td>
</tr>
<tr>
<td></td>
<td>Maintaining a diverse and inclusive culture</td>
</tr>
<tr>
<td></td>
<td>Optimising supplier distribution and price efficiencies through our procurement scale</td>
</tr>
<tr>
<td></td>
<td>Ensuring the highest ethical standards in our operating environment and business practices</td>
</tr>
<tr>
<td>Outcomes</td>
<td>R8.0 billion paid in salaries, wages and other benefits</td>
</tr>
<tr>
<td></td>
<td>R200.4 million invested in upskilling staff (2018: R230.2m)</td>
</tr>
<tr>
<td></td>
<td>Staff turnover of 17%</td>
</tr>
<tr>
<td></td>
<td>Developed a sustainability specification for recyclability of bags used</td>
</tr>
</tbody>
</table>

Quality relationships with key stakeholders

<table>
<thead>
<tr>
<th>Social and relationship capital:</th>
<th>The value added to our business through our relationships with our stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs</td>
<td>Our loyal customer base (the heart of our business)</td>
</tr>
<tr>
<td></td>
<td>Our associates</td>
</tr>
<tr>
<td></td>
<td>Our suppliers</td>
</tr>
<tr>
<td></td>
<td>The communities in which we operate</td>
</tr>
<tr>
<td></td>
<td>Government and regulators</td>
</tr>
<tr>
<td>How we sustain value</td>
<td>Maintaining strong relationships with our key suppliers and service providers</td>
</tr>
<tr>
<td></td>
<td>Continued informed engagement with regulators</td>
</tr>
<tr>
<td></td>
<td>Trust from our communities</td>
</tr>
<tr>
<td></td>
<td>Loyalty from our customers</td>
</tr>
<tr>
<td>Outcomes</td>
<td>BBBEE Level 4</td>
</tr>
<tr>
<td></td>
<td>Over R1bn procured from SDP suppliers since inception</td>
</tr>
<tr>
<td></td>
<td>R13.2 million invested in CSI initiatives (2018: R25.4m)</td>
</tr>
<tr>
<td></td>
<td>&gt;89% voting outcome for all AGM resolutions</td>
</tr>
</tbody>
</table>

Assets needed for our operations

<table>
<thead>
<tr>
<th>Manufactured capital:</th>
<th>The physical infrastructure and information technology systems through which we sell our products and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs</td>
<td>443 stores covering 1,675,052m² trading space 2018: 436 stores 14 DCs and four large item depots</td>
</tr>
<tr>
<td>How we sustain value</td>
<td>Investing in new stores</td>
</tr>
<tr>
<td></td>
<td>Maintaining and refurbishing current stores</td>
</tr>
<tr>
<td></td>
<td>Investing in our omnichannel offering</td>
</tr>
<tr>
<td>Outcomes</td>
<td>7 net stores opened 1.6% increase in trading space</td>
</tr>
<tr>
<td></td>
<td>Increased customer collection points Delay in SAP ERP implementation</td>
</tr>
</tbody>
</table>

Funding available for our operations

<table>
<thead>
<tr>
<th>Financial capital:</th>
<th>The funds accessible to be utilised by the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs</td>
<td>R6.3 billion in equity 2018: R6.3 billion R7.8 billion available funding facilities 2018: R9.1 billion R1.7 billion cash generated from operations 2018: R2.9 billion</td>
</tr>
<tr>
<td>How we sustain value</td>
<td>Utilising finance facilities responsibly in implementing our turnaround plan and developing our stores, capabilities and investment in IT</td>
</tr>
<tr>
<td>Outcomes</td>
<td>3.0% increase in sales 79.3% decrease in profit before interest and taxation</td>
</tr>
<tr>
<td></td>
<td>35.0% down on EBITDA 182.9% decrease in headline earnings</td>
</tr>
</tbody>
</table>

Natural resources

<table>
<thead>
<tr>
<th>Natural capital:</th>
<th>The natural resources required by our business, directly or through our supply chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs</td>
<td>211.6 kWh/m² store-purchased energy intensity 2018: 204.9 kWh/m² 0.46 kL/m² estimated water consumption 2018: 0.56 kL/m²</td>
</tr>
<tr>
<td>How we sustain value</td>
<td>Continue being a responsible corporate citizen by advocating responsible business practices in all spheres of business</td>
</tr>
<tr>
<td>Outcomes</td>
<td>0.02 scope 1 emissions intensity (tCO₂e/m²) (2018: 0.02) 0.19 scope 2 emissions intensity (tCO₂e/m²) (2018: 0.17) Diverted approximately 17,091 tonnes of waste from landfill (2018: 15,354 tonnes)</td>
</tr>
</tbody>
</table>

Positive impact on capital  Neutral impact on capital  Negative impact on capital
Effective turnaround of the business

In 2019, Massmart reported its first loss. This necessitated the implementation of a turnaround plan to improve margin and better serve our customers. Our turnaround plan is focused on four key pillars which include:

- Restructure the Group operating model to optimise serving our customers while ensuring our competitive market agility and efficiency
- Portfolio optimisation to ensure the relevance of our store portfolio and corresponding CVP
- Supply chain optimisation to unlock value and position our supply chain for long-term success
- Cost reset through a holistic focus on price, consumption and specification

These turnaround priorities are significant in their own right and their level of interdependency necessitates careful alignment. Success will therefore require discipline and rigour as management will be required to execute effectively on the plan while ensuring an organisational culture that will support change.

Our risks

- Non-adherence to our business model or poor strategic execution by the divisions
- Inability to innovate in response to a changing competitive landscape
- Weak consumer environment impacting on growth and profitability

Our response

- Massmart is well-positioned to provide a high quality merchandise offering to the sub-Saharan continent which has a young and growing population, rapid urbanisation, and widespread mobile technology adoption.

A constrained consumer environment

With sustained high levels of unemployment, currency weakness and falling consumer confidence, consumer disposable income levels remained low. The unfavourable trading environment has resulted in a marked slowdown in sales growth. Retailers have had to compete aggressively to capture a share of the consumers’ wallet. Consumers remain persistently focused on promotions as they look for value, making it increasingly difficult for retailers to maintain margins.

Forecasts suggest that retail sales growth will remain under pressure, the same goes for consumer spending and disposable income, and the subdued economic environment is expected to persist. Massmart serves all consumer segments from LSM 1 to LSM 10 and our product mix comprises 43% Durable Goods and 57% Food & Liquor. This relatively high exposure to Durable Goods sales categories means that parts of our business feel the impact of any slowdown in consumer spending more intensely.

Our risks

- Non-adherence to our business model or poor strategic execution by the divisions
- Inability to innovate in response to a changing competitive landscape
- Weak consumer environment impacting on growth and profitability

Our response

- Massmart is well-positioned to provide a high quality merchandise offering to the sub-Saharan continent which has a young and growing population, rapid urbanisation, and widespread mobile technology adoption.
Economic uncertainty

The headwinds facing the South African economy continue with sluggish economic growth, high unemployment rate, subdued business and consumer confidence, deteriorating state infrastructure, load-shedding, and struggling state-owned enterprises. These challenges have been further exacerbated by the global outbreak of the coronavirus, COVID-19, and the recently announced 21 day nationwide lockdown from 27 March 2020 to 16 April 2020. We do not expect the economy and trading conditions to improve substantively over the next few months. Trading conditions in the other 12 countries in which we operate also remain challenging with weakening domestic economies and depreciating currencies.

It is during times like these that our customers need us the most, because of the value we offer by saving them money, so they can live better.

Our response

• Our business Massmart Integrated Annual Report 2019

IT and digitisation of business

The digital world continues to evolve at an unprecedented rate disrupting traditional retail models, presenting a business risk, as well as new opportunities for value creation. Digitally connected consumers are becoming more price-savvy, are engaging in more activism, and expect highly personalised and efficient interactions with our stores.

We rely extensively on our IT infrastructure to process transactions, summarise results and manage our business. This includes point-of-sale transactions, product forecast and replenishment, labour scheduling and financial planning and reporting. Any interruption to our information systems may have a materially adverse effect on our business or operations. In addition to developing our technology, we must develop the skills and capabilities of our people. This will be critical to providing a seamless customer experience.

Our risks

• Volatility of the Group’s African operations
• Increase in cost of goods and operating expenses undermining the low-cost foundation of the business
• The high level of uncertainty, due to the unpredictable outcomes of COVID-19, complicates the estimation of the financial effects of the outbreak and could materially impact the results of the Group negatively and the assumptions applied in our assessment of provisions and impairment considerations.

Our response

• Focus on becoming a more cost-efficient retailer, recognising that every Rand matters
• Being Powered by Walmart and leveraging Walmart’s expertise in retail best practice
• Prioritising the health and safety of our associates and customers and implemented measures to stem the spread of coronavirus.

Talent and change management

Massmart’s ability to develop, motivate and retain the right skills will be critical to achieving our objectives to transform the business and the culture. As we transform our business, the calibre of our associates will be integral to delivering on operational and strategic objectives. Our associates shape our customers’ in-store experiences and enforce the store standards that, in turn, drive footfall and on-shelf product availability. However, securing these skills amidst intense competition for talent is challenging.

Our turnaround plan will require that we prioritise our people to minimise the impact on morale and motivation. Transformation will also require that we align the broader business change strategy while developing and executing change and communication interventions.

Our risks

• Section 189 implications
• Potential operational disruptions associated with the above process
• Talent retention and succession.

Our response

• Implementing an integrated talent management programme ensuring that we have the right skills to deliver on our turnaround plan and serve our customers better
• Continue to heighten associates’ engagement and retention while presenting a compelling proposition for new entrants to the Group, including the formation of our Diversity and Inclusion Committee.

Corporate accountability

We recognise that a prerequisite for success is embracing the principles of responsible corporate citizenship. Our core commitment is to save our customers money so they can live better. We make a contribution to national and global developmental objectives by delivering on our commitment in a way that creates economic opportunity, enhances the sustainability of our operations and value chain, and strengthens local communities.

The United Nations Sustainable Development Goals (UN SDGs) set a long-term agenda to end poverty, protect the planet and ensure prosperity for all by 2030. We believe that, as a retailer, Massmart can play a pivotal role in the attainment of these goals by advocating responsible business practices in all spheres of the Group. Massmart has identified and prioritised 14 SDGs, where we believe we can have the most meaningful impact.

Our risks

• Failure to meet expected standards of responsible business conduct
• Failure to meet food safety and hygiene at stores and manufacturing facilities
• Failure to address health and safety issues across our facilities
• Ineffective management of labour/union relationships.

Our response

• Procured over R2.9 billion from small suppliers in 2019 and R1 billion from suppliers on our SDP since inception
• Our contribution towards national and global development objectives
• Auditing food safety and hygiene against the highest global and local food standards.

Responsible business
Our stakeholder relationships

Our ability to fulfil our commitment is dependent on the transparent trust-based relationships we build with our customers, suppliers, associates, regulators, shareholders and the communities in which we operate.

Our customers

The people who choose to shop in our stores in 13 countries across sub-Saharan Africa and online

Day-to-day liaison, call centres, online, surveys and social media
3,041 specific engagements including household consumers, Proudly South African intercept and Private Label perception surveys 2018: 5,682
What matters to them:
• Price
• Competitiveness
• Product availability, quality and safety
• Game’s CVP

We create value for our customers by:
• Collaborating internally and leveraging Group scale to reduce costs and pass savings on to our customers
• Improving customers in-store experience through investing in technology
• Providing responsibly sourced products

Our response:
👍 Saved customers in excess of R300 million over Black Friday through Group collaboration
👍 Made 114 Private Label brands available in our portfolio
👍 Hybris online interruptions and delayed SAP S/4 HANA ERP implementation
👍 Online sales decreased by 6.0%
👍 Revitalising Game’s CVP as part of our turnaround plan

Suppliers

The suppliers and service providers that enable us to carry out our business activities

Advocacy surveys, site visits and workshops 251 supplier Environmental Advocacy Surveys 2018: 320
16 Private Label palm oil and pulp and paper suppliers surveyed 2018: 16
What matters to them:
• Brand custodianship
• Fair pricing and transparent negotiation
• Transformation and supplier development

We create value for our suppliers by:
• Creating supply chain efficiencies to ensure products reach desired markets cost-effectively
• Building fair and mutually beneficial business relationships
• Supporting small local manufacturers through our SDP
• Promoting responsible environmental supply chain practices

Our response:
👍 Integrating the supply chain to promote cost-effective on shelf availability at a lower cost to serve
👍 Through our relationship with Walmart, created potential opportunities for nine local suppliers and small manufacturers from our SDP to export goods to Walmart markets
👍 We drive product traceability within our supply chains
👍 We ensure fair wages and safe working conditions through our Responsible sourcing programme

Government and civil society

The Government departments, JSE, regulatory bodies and local authorities and civil society groups in the communities in which we operate

Public policy discussions and engagement with consumer interest groups, working groups and workshops
What matters to them:
• Broad-Based Black Economic Empowerment
• Contribution to economic development
• Responsible sourcing of priority products

We create value for Government and civil society by:
• Contributing to fiscal revenue through the payment of taxes and economic development through our SDP
• Investing in education-focused social development initiatives
• Improving our resource efficiency (energy, water, waste)

Our response:
👍 Maintain the highest BBBEE status (Level 4) in retail in South Africa
👍 Procured over R2.9 billion from small suppliers in 2019 and R1 billion from suppliers on our SDP since inception
👍 Included on the FTSE/JSE Responsible Investment Top 30 Index

Shareholders

The 5,291 institutional and private investors who have shares in our business, and the fund managers and analysts who support our shareholders

Investor presentations, meetings and roadshows and the Annual General Meeting
What matters to them:
• An improved and sustainable return on their investment
• Our strategic response to the changing operating environment
• Good corporate citizenship

We create value for our shareholders by:
• Efforts made to reduce costs
• Ensuring future success of the business
• Ensuring responsible corporate governance practices

Our response:
👍 Implemented initiatives to drive a low-cost mindset
👍 Implemented a turnaround plan to ensure the future success of the Group
👍 Ensured continued ethical and effective leadership by the Board

Associates

The 51,000 FTEs who work across our business

Empowering our people
Remuneration report
What matters to them:
• Competitive remuneration and benefits
• Career development and growth opportunities
• Equal opportunities

We create value for our associates by:
• Delivering fair and responsible remuneration
• Preparing our associates for future roles by ensuring they are change ready and digitally empowered
• Establishing a diverse and inclusive workplace and culture where all our associates feel valued and respected for the work they do and the diversity of thinking and culture they bring to the Group

Our response:
👍 Ongoing remuneration reviews at all levels conducted by the Remuneration Committee
👍 R200.4 million spent on training and upskilling our associates
👍 Launched the Diversity and Inclusion Committee
👍 Reviewed the Massmart Corporate University offering

positive impact on stakeholder  negative impact on stakeholder  Other impact on stakeholder

34 Our business
Responding to stakeholder issues

Plastic waste and pollution
Issue raised
The increased volumes of non-recyclable packaging waste, particularly single use plastics, which are contributing to pollution and ultimately compromising the environment.

Our response
- We developed a position on single use plastics and packaging
- We established a packaging review process for all new Private Label product packaging
- We hosted workshops with key suppliers and associates on designing more sustainable packaging
- We developed a sustainability specification for single and multi-use plastic bags and paper bags ensuring they are fully recyclable
- Together with the South African Plastics Recycling Organisation (SAPRO), we hosted a workshop on packaging designing for our Private Label buying teams
- Our target, in line with the Walmart Global commitment, is to achieve 100% recyclable Private Label packaging by 2025.

Local community development
Issue raised
Local community members raised their frustration regarding insufficient engagement and local employment during the construction of new stores.

Our response
- We have developed an internal framework to assist us in ensuring sufficient engagement with local communities prior to the construction/development of new stores
- In line with this framework, we seek to identify potential employment opportunities for local community members in areas where we develop new stores.

IT systems capability and capacity to support future growth
Issue raised
Concerns raised regarding the ability of our current IT systems to support the future growth and complexities of the Group.

Our response
- We are working to ensure our IT capabilities support our future business needs in a digital world
- We are drawing on global resources at Walmart to support our IT ambitions
- We are working with Walmart’s Development Centre, which is based in India, for additional tech support so that we are able to leverage their expertise and experience.
Managing our risks

Risk management is an integral part of the Board’s decision-making process and strategy setting. The Risk Committee assesses Massmart’s risk appetite and tolerance three times a year. The Board, through the Risk Committee, defines risk appetite as the nature and extent of risk that Massmart is willing to take to meet its strategic objectives.

In reviewing Massmart’s risk appetite and tolerance, the Risk Committee considers the severity of the potential impact of key risks and the controls or management actions in place to mitigate such impacts within appropriate tolerance levels.

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 Massmart’s Executive Committee and divisional Executives. Each division has developed a risk and loss prevention process. The Committee tables a Group risk register to the Board, in February, August and November, which is aggregated from those prepared by the divisions and the Massmart Executive Committee.

In determining the key risks and opportunities facing Massmart, we take into consideration the Group’s long-term strategy, its operating context and environment, the interests of our key stakeholders, media coverage and/or public concern. As part of the risk reporting process, risk incidents are determined in the context of identified material matters and events, which have the potential to significantly affect the Group’s ability to achieve its strategic objectives.

We define risk as any issue that can impact Massmart’s ability to achieve its objectives such as protecting shareholder value and business reputation, enhancing our brand, ensuring compliance and safeguarding our operations. We aim to deal with our operating uncertainty by not only minimising the downside, but by seeking to capitalise on the upside potential to achieve our strategy.

The movement of each principal risk from its potential impact and estimated likelihood in the previous year has been assessed and is presented as:

1. Non-adherence to business model or inability to adapt our strategy to changing market conditions
2. Talent retention and succession
3. Threat of cyber security breach
4. Insufficient progress with transformation
5. Inability to innovate in response to a changing competitive landscape
6. Poor consumer environment impact on potential growth
7. Failure to address health and safety issues across our facilities
8. IT systems capability and capacity to support operations and future growth
9. Increase in cost of goods and operating expenses undermining our low-cost foundation
10. Inefficient or ineffective supply chain or a failure in the supply chain

NO CHANGE
INCREASED RISK EXPOSURE
DECREASED RISK EXPOSURE
NEW RISK

Residual risk ratings
The residual risk graph represents our risks before taking mitigating factors into account.

Residual risk impact vs likelihood

<table>
<thead>
<tr>
<th>POTENTIAL IMPACT</th>
<th>LIKELIHOOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td>RARE</td>
</tr>
<tr>
<td>MEDIUM TO HIGH</td>
<td>UNLIKELY</td>
</tr>
<tr>
<td>MEDIUM</td>
<td>POSSIBLE</td>
</tr>
<tr>
<td>LOW TO MEDIUM</td>
<td>LIKELY</td>
</tr>
<tr>
<td>LOW</td>
<td>ALMOST CERTAIN</td>
</tr>
</tbody>
</table>

*INTERNAL RISKS
*EXTERNAL RISKS
*BOTH INTERNAL AND EXTERNAL RISKS
Below are the key risks facing the Group:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Context</th>
<th>Mitigating actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-adherence to our business model or inability to adapt our strategy to changing market conditions</td>
<td>The continuing adverse economic environment is increasing competition in retail and intensifying price and promotion activity. Massmart’s ability to successfully and sustainably execute on its strategy is dependent on adherence to the Group’s business model. Failure to do so could impact longer-term financial performance and compromise our competitive positioning.</td>
<td>• Having strategic clarity at divisional and Group level. • Formally documented strategic objectives are reviewed regularly at Group Executive Committee level and then by the Board.</td>
</tr>
<tr>
<td>Talent retention and succession</td>
<td>Given the scarcity of retail skills, there is a risk of an inadequate pipeline of the skills required to sustain current operations and achieve Massmart’s long-term strategic objectives. There may also be an over-dependence on key leaders in the Group. This creates the need to actively manage development, retention and succession planning of sufficient skills within the Group.</td>
<td>• Quarterly Group talent risk reviews focused on succession planning for mission critical roles as part of ongoing talent project. • Completed identification of future Massmart DNA and the competencies relevant to Massmart’s strategy.</td>
</tr>
<tr>
<td>Threat of cyber security breach</td>
<td>We receive and store personal information about our customers, associates and suppliers in our information systems. We also depend on the secure transmissions of confidential information over public networks on our online platforms. Failure to protect this information, by inadequately protecting ourselves against advanced cyber breaches, could result in reputational damage, lawsuits and substantial costs.</td>
<td>• The Chief Security Officer addresses and manages information and cyber security risks. • Massmart leverages resources and methodologies from Walmart’s IT Security Division. • Cyber security assessments have been undertaken and intrusion detection and prevention systems have been implemented. • A Group-wide security awareness programme has been implemented.</td>
</tr>
<tr>
<td>Insufficient progress with transformation</td>
<td>In the broader national context, it is clear that retailers need to be invested in impactful initiatives that improve economic inclusivity, both in our supply chain and the transformation of our management team. Inadequate transformation across Massmart may result in adverse reputational and commercial risk. This may include limited access to B2B/commercial business opportunities.</td>
<td>• Clear quantitative and qualitative BBBEE targets are in place. • A percentage of our Executive remuneration is linked to transformation. • Formation of a Diversity and Inclusion Committee is driving impactful initiatives, such as the Women’s Leadership Council, exploring barriers to women in retail and Corporate.</td>
</tr>
<tr>
<td>Inability to innovate in response to a changing competitive landscape</td>
<td>The digitalisation of retail means that we operate in an ever-changing competitive environment. We face strong competition from other retailers in terms of price, merchandise selection and availability and our store formats and locations. A failure to respond effectively to competitive pressures and changes in retail could adversely affect our financial performance.</td>
<td>• Maintaining low-cost, efficient operations will enable us to provide relevant, competitive and affordable products to our customers. • Continue to optimise our store locations and ensure regular store refurbishments and format renewals. • Our active investment into the e-commerce capability across the Group will assist us in ensuring we are the preferred online destination for our customers.</td>
</tr>
<tr>
<td>Poor consumer environment impact on potential growth</td>
<td>The business continues to feel the impact of negative GDP growth in South Africa, low consumer confidence, volatile exchange rates, increased fuel and municipal tariffs and load-shedding. Our rest of Africa businesses expose Massmart to currency volatility, in-country currency regulation and currency availability challenges, which may result in material forex gains/losses.</td>
<td>• Continual monitoring of economic indicators in all our markets. • Close monitoring and adjustment of our borrowing portfolio, leverage and interest charges to maintain a sustainable financial position. • Portfolio review of property lease escalation rates and targeted renegotiations. • All direct foreign exchange import liabilities are hedged.</td>
</tr>
<tr>
<td>Failure to address health and safety issues across our facilities</td>
<td>Failure to comply with the Occupational Health and Safety Act, regulations and by-laws could compromise the health and safety of our associates and customers and could result in reputational or legal consequences. The significant size of our stores and DCs means potentially large insurance claims in the case of fire damage. Unsafe storage or racking of product increases the risk of injury. Lost confidence would be difficult and costly to re-establish.</td>
<td>• Our Food Safety Management and Health and Safety programmes are continuously reviewed and improved by the Massmart Group Subject Matter Expert. • Effectiveness of these programmes are measured by tracking key performance indicators. • Ongoing monitoring by independent external service providers and Massmart’s Internal Audit Services.</td>
</tr>
<tr>
<td>IT systems capability and capacity to support operations and future growth</td>
<td>Delays or failure in IT implementations, failure to integrate and update systems timely and downtime of IT systems could present a risk to the operational continuity of our stores and online trading. This may result in additional IT costs and lost sales. An over-reliance on external service providers may also impact operations.</td>
<td>• Appointment of Chief Information Officer (CIO) driving alignment and leverage of Group-wide systems. • CIO forum reviews and approves all major IT projects in the Group. • The formation of our own SAP centre of excellence minimises our dependence on external service providers. • Drawing on Walmart’s expertise for IT support. • Working with Walmart’s Indian Development Centre for additional tech support.</td>
</tr>
<tr>
<td>Increase in cost of goods and operating expenses undermining the low-cost foundation of the business</td>
<td>Our business model is driven on a high volume, high density, and low-cost premise to enable the sale of merchandise at the lowest possible price. High cost inflation and inefficiency are potential threats to this approach. The success of our business model is dependent on cost of goods sold, efficiencies and working capital productivity.</td>
<td>• Collaborations leveraging Group scale to maintain price advantage. • Created visibility of cost categories across the Group and identified an addressable indirect spend baseline of R4 billion, and cost saving opportunities of between R0.6 billion and R1.5 billion. • Centralised supply chain strategy. • Eliminating duplicated costs through integrated Group operating model.</td>
</tr>
<tr>
<td>Inefficient or ineffective supply chain or a failure in the supply chain</td>
<td>It is essential that we have the lowest possible cost to serve for the movement and storage of inventory, and appropriate stock availability. An inefficient supply chain may result in sub-optimal inventory management, with cost inefficiencies and/or over or under-stocking affecting holding costs and sales. Failure in the supply chain could cause out-of-stocks of products resulting in sales loss and reputation damage, or a slowdown in sales resulting in over-stock of products.</td>
<td>• Dedicated supply chain Executives. • Group supply chain leveraging core assets of transport and DCs. • Increased volumes of products moved through supply chain network to reduce costs and stock holdings. • Improved processes and systems in planning, forecasting, replenishments, DCs and transport.</td>
</tr>
</tbody>
</table>
Our commitment is to save our customers money so they can live better. We have historically lived up to this commitment by delivering good value products through accessible Retail and Wholesale formats and online. However, over the past few years, Massmart has seen slowing sales growth, margin pressure and reducing profitability, and we reported our first loss in 2019. This necessitated a review of our business.

Our initial review revealed that while Massmart is a solid underlying business with strong brands and high market share in key categories, there are some strategic and operational gaps in core elements across the value chain impacting our performance and moving our focus away from the customer, these include:

- Blurred go-to-market focus
- Structural complexity and immature support capabilities
- Siloed ways of working

Our task now is to ensure we remain focused on our customers, particularly in the face of challenging economic conditions. We need to be more competitive and offer our customers the value, quality and service that they expect. Our historical performance indicates the potential to deliver significantly better results; to deliver this we require urgent and deliberate intervention.

We have devised a recovery plan to reinvigorate growth within our business, which we presented to analysts on 30 January 2020. Our plan focuses on four key pillars that will help us serve our customers better and improve our business performance.

We are confident that we can positively shift our trajectory to improve our performance and create fuel for further growth of our business.

Growth opportunities beyond our turnaround

Opportunities for us to continue our growth trajectory include:

- Building capability in our online business
- Determining the best way to grow our Food offering
- Identifying the best path to creating sustainable and profitable scale in African markets.
Restructure the Group operating model

Creating an organisational structure to optimise serving our customers while ensuring competitive market agility and efficiency.

Our federated operating model led to a blurred go-to-market focus, structural complexity and siloed ways of working. We have identified the following issues that have negatively affected our ability to capture market share, leverage supplier relationships and optimise our associates’ effectiveness:

- Overlapping customer value propositions (CVPs) across the brands, impacting market share
- High duplication of support functions with low levels of standardisation and no use of shared services
- High overheads, selling, general and administration (SG&A) costs with cost growth exceeding revenue growth
- Limited leveraging of suppliers and end-market focused collaboration across the Group
- Incentives and culture geared towards divisional self-interest.

We have taken a decision to simplify our structure to drive Group-wide efficiencies. We will evolve from the federated model of four divisions with discrete capabilities, disparate systems and limited digital capabilities to a customer-facing integrated model with distinct Retail and Wholesale business units.
By doing this we will create a more efficient customer-centric organisation that optimises customer focus, supplier relationships and procurement scale as well as back-office efficiencies.

Further, we will establish centres of excellence to support customer-facing business units, eliminating duplicated functions and introducing high levels of standardisation across the Group. Centres of excellence include Finance, Supply chain and Information Technology (IT), including Digital. IT and Digital will be led by the Chief Operating Officer.

The value to our business will extend beyond cost savings and will enable:

- Business units to increase their customer focus
- Improved working capital efficiency
- Enhanced risk management
- Business transformation
- Improvements in functional excellence and cost efficiency.

The evolved operating structure will enable the business to be more agile, efficient and customer-focused.
Our current portfolio and format choices have led to underperformance in significant parts of our business, including:

- Significant performance deterioration in Game and extreme underperformance in DionWired
- Declining profitability in Cash & Carry with an unclear strategy in Wholesale route to market
- Uncoordinated merchandising strategies and lack of CVP discipline in existing brands
- Limited fresh Food offering and limited strategic focus on development of Cambridge
- Unclear articulation of our strategy to build profitable scale in Africa.

The above has resulted in poor customer experience, declining financial results and pressure on stronger business units to compensate. To address this, we have initiated a process to:

- Conduct a comprehensive store review within our portfolio to identify under-performing stores
- Evaluate businesses within the portfolio to determine their fit with the Group and opportunity for future success
- Evaluate geographies to determine where to play and how to win.

During our portfolio review, we have evaluated underperforming stores. Game’s CVP and our Wholesale route to market capabilities:

a. Evaluating underperforming stores:
   - Our store portfolio and initial business review highlighted 34 persistently underperforming DionWired and Masscash stores with no clear prospects for improvement. As a result, we have taken the difficult decision to commence a potential store closure consultation process in terms of Section 189 and Section 189A of the Labour Relations Act 66 of 1995, as amended; with organised labour and other relevant stakeholders. Approximately 1,440 associates are potentially affected by this process. After an extensive consultation process with affected associates, the closure of 23 DionWired stores was announced on 19 March 2020. Refer to page 68 for more information.

b. Reinvigorating Game’s CVP:
   - Game is a powerful brand with enduring value for middle class South Africans. However, we have executed poorly against our customers’ needs:
     - The Game brand does not resonate with key growth segments and its CVP is unclear
     - The assortment lacks coherence, innovation and relevance, competitors are making inroads into historic ownership categories and Fresh and Frozen Food categories are not working
     - There is an over-reliance on promotions, price positions lack distinctiveness, aged stock levels are high and there are high overhead costs
     - Customer experience is inconsistent; there are stock-outs in core and promotional lines and long queues with slow checkout and inefficient return processes.

The Game brand remains strong and has enduring value. By resetting Game to be the store it used to be, we believe we will return to profitability and successfully deliver on our customers’ needs.

We believe we have a substantial opportunity to improve our customer offering and return Game to profitability by restoring sales growth, recovering margins and operating as a low-cost discounter. We will do this by:

- Refocusing our assortment on growth and high-margin categories
- Improving margin management by reducing reliance on promotions and reducing the cost of goods sold through sourcing scale
- Achieving an everyday low-cost operating model through spend discipline and lean store practices
- Improving stock availability
- Enhancing online execution.

c. Optimally leveraging Wholesale route to market capabilities:
   - With our siloed approach to working as separate divisions, and with limited visibility of a Group-wide scale, we did not leverage synergies to deliver unexploited opportunity to lead in the Wholesale and Business-to-Business (B2B) market. We experienced:
     - Poor visibility of customer and category performance, insufficient control of merchandise processes and high maintenance costs to maintain multiple systems
     - Trading competition reduced profitability and the Shield customer base was not fully leveraged
     - The route to market for suppliers was sub-optimal and the Wholesale inbound supply chain was underutilised
     - The Group’s General Merchandise scale and expertise was not deployed
     - There was an underutilisation of expertise and siloed investment decisions.

We believe opportunities exist for us to create a consolidated, low-cost Wholesale route to market, with high relevance for suppliers and customers by:

- Having a unified Wholesale leadership and buying team
- Having one ERP, merchandise and point of sale system
- Adding Cash & Carry volumes to our existing inbound network
- Building out our Cash & Carry General Merchandise offering
- Reducing operating costs.

We believe that by doing this we have an opportunity to lead in the Wholesale and B2B market.
Supply Chain optimisation

Positioning our supply chain for long-term success

Under the federated Group operating model, each division’s supply chain had their own infrastructure, processes and IT systems resulting in high duplication of costs with limited collaboration. In addition to this, the Group historically held high levels of aged and discontinued stock, which affected stock replenishment efficiencies. This resulted in:

- High levels of aged and discontinued stock impacting stock replenishment efficiencies
- Variances in demand forecast accuracy resulting in poor on-time in full (OTIF), high stock holding and poor availability
- High duplication of costs and facilities across divisions
- No minimum Group benchmark to leverage scale due to maturity differences between divisional supply chains
- Limited opportunity to lower costs due to varied product mix and scale
- Low distribution centre (DC) network penetration in Masscash and Masswarehouse.

Our opportunity lies in driving an integrated end-to-end supply chain enabling cost effective on-shelf availability, supporting sales growth while reducing operating costs and total stock holding and improving supplier income.

Our supply chain journey commenced in 2017 and we will continue our efforts to drive an integrated end-to-end supply chain. This will enable cost-effective on-shelf availability, support sales growth, reduce operating costs and total stock holding and improve supplier income.

We will achieve this by:

- Establishing an integrated, augmented demand forecasting and supply planning capability
- Building an integrated IT platform with master data
- Creating a diversified channel strategy that will enable Retail and Wholesale product flow.

An integrated end-to-end supply chain will unlock the following value:

- One integrated supply chain leveraging skills, systems and physical assets (trucks and sheds)
- Improved demand planning and forecast accuracy
- Capability and capacity in our DC network
- Implementation of an integrated suite of systems providing a single view of stock in real time
- Evaluation of the Africa supply chain for consolidation and efficiencies.
During the past few years, selling, general and administrative expenses (SG&A) have been growing faster than sales growth, resulting in unsustainable margin compression. The focus of current savings initiatives has been on product price reduction, rather than a holistic focus on price, consumption and specification. There has been a lack of transparency and a consolidated Group view of costs, resulting in a misaligned approach to managing costs across the Group.

We have set out to leverage Group scale to target spend reduction across indirect procurement categories through price and volume reduction. By creating visibility of every aspect across the Group to identify opportunities for savings, we have identified an addressable indirect spend baseline of R10.4 billion. We applied local and global benchmarks and identified savings opportunities between R0.6 billion and R1.5 billion across cost packages. While savings opportunities have been identified, targeted spend and culture initiatives need to be developed and executed to realise and sustain value.

We will implement new approaches and new ways of working to reset the cost structure by:

- Reviewing existing cost structures, including the identification of addressable spend and targeting reductions
- Creating a culture of cost consciousness through our Every Rand matters initiative
- Initiating a Group-wide Smart Spend project to deliver cost savings
- Centralising ISM under the Group CFO to manage procurement.

By maintaining disciplined control of our expenses, we are able to create efficiencies, thus freeing cash to reinvest in price and customer experience and provide the business with fuel for future growth.
Our performance

During the period under review, the Group adopted IFRS 16 ‘Leases’ using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 31 December 2018. To provide a more meaningful comparison of the current year’s financial performance with the prior year, December 2019 has been presented on a like-on-like basis with prior periods, excluding the impact of IFRS 16 in 2019. Therefore, with the exception of the Statement of Financial Position, the current year’s information is reported on a like-on-like basis excluding the impact of IFRS 16 in 2019.

The adverse consumer environment of 2018 continued into 2019 and was further exacerbated in the second half of the year by the high unemployment rate (29.1%), negative GDP growth (-1.4%), increased municipal tariffs, electricity and petrol prices, and load-shedding. This resulted in financially constrained consumers continuing to prioritise their spending on Non-Durable Goods and reducing their spending on Durable Goods. This was reflected in the Group’s total sales performance across our major categories with Food and Liquor sales increasing by 5.1%, Home Improvement sales increasing by 3.4% and General Merchandise sales decreasing by 1.3% over 2018.

Sales
Massmart’s total sales for the 52 weeks of R93.7 billion represent year-on-year sales growth of 3.0%, with comparable store sales growth of 1.5% and year-to-date internal sales inflation of 2.5%.

Mohammed Abdool-Samad, Chief Financial Officer
Sales from our South African stores increased by 2.7% over 2018, with comparable stores sales increasing by 1.3%. Total sales from our rest of Africa stores increased by 6.4% in Rands, and by 5.5% in constant currencies. On a comparable store basis, our rest of Africa store sales increased by 2.9% in Rands and by 2.1% in constant currencies.

Sales performance over the Black Friday period was robust and through Group collaborations our customers saved in excess of R300 million. However, this strong performance did not continue during the festive period.

**Margin**

A combination of increased promotional activity during the year and the shift of consumers to prioritising lower margin categories (Food and Liquor) over higher margin categories (General Merchandise and Home Improvement), resulted in gross margins declining from 19.5% in 2018 to 18.9%. Gross margins were further impacted by additional provisioning adjustments relating to the Masscash business.

**Operating expenses**

Operating expenses increased by 10.2%, which exceeded sales growth of 3.0% over 2018. During the second half of 2019, cost saving initiatives were implemented within the Group, which resulted in expenses increasing at a lower rate (8.6%) than in the first half of the year (11.8%).

Employment costs, the Group’s biggest cost category, increased by 8.0% (7.8% increase on a comparable store basis), mainly impacted by the legislative requirement of converting temporary contractors to permanent associates in late 2018, as well as the impact of new stores and annual labour cost inflation.

The seven net new stores, increased municipal and electricity tariffs, and costs associated with power generation during load-shedding, contributed to the 8.4% increase in occupancy costs (4.4% increase on a comparable store basis).

Depreciation and amortisation increased by 17.3%, owing to the net seven new stores and increased costs associated with the new SAP Hybris web and fulfillment platform in Makro. This increase was further impacted by an R80 million credit adjustment in 2018 relating to the reassessment of useful lives to certain Masscash assets. If this credit adjustment were to be excluded, depreciation and amortisation would have increased by 9.6%.

The current economic environment, resulting in increased credit card costs, security costs and bad debts, contributed to the 14.2% increase in other operating expenses.

**Impairment expense**

During 2019, the evaluation of loss-making stores conducted, and an assessment of non-current assets held for sales, resulted in the recognition of impairment costs of R69.5 million.

**Foreign exchange loss**

Currency weaknesses continued into 2019, resulting in a foreign exchange loss of R53.3 million. The impact of the Botswana Pula, Mozambican Metical and Zambian Kwacha was most noticeable.

**Net finance costs**

Net finance costs increased by 10.6% to R689.8 million as a result of increased borrowings during the period.

**Taxation**

The Group’s effective tax rate of - 67.4% (2018: 31.5%) is as a result of impairing certain deferred taxation assets previously raised, limiting the recognition of further deferred tax assets and the impact of the taxation charge on profit-making entities. In addition to this, the decrease in Massmart’s share price further impacted the deferred tax asset recognised on the Group share scheme.

### Like-on-like divisional trading review

<table>
<thead>
<tr>
<th>Division</th>
<th>52 weeks December 2019 (% of sales)</th>
<th>% of sales</th>
<th>Comparable % sales change</th>
<th>Estimated % sales inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>19,796.0</td>
<td>79.4%</td>
<td>(2.1)% (0.2)%</td>
<td></td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>29,367.5</td>
<td>78.2%</td>
<td>(0.3)% 2.2%</td>
<td></td>
</tr>
<tr>
<td>Massbuild</td>
<td>14,219.0</td>
<td>57.6%</td>
<td>1.4%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Masscash*</td>
<td>30,277.5</td>
<td>76.7%</td>
<td>3.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Sales</td>
<td>93,640.0</td>
<td>100.0%</td>
<td>1.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Trading profit/(loss) before interest and taxation**</td>
<td>(428.3)</td>
<td>0.5%</td>
<td>2.3% (79.3)</td>
<td></td>
</tr>
<tr>
<td>Massdiscounters</td>
<td>(674.6)</td>
<td>(3.4)</td>
<td>2.3% (2,169.3)</td>
<td></td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>934.9</td>
<td>3.2%</td>
<td>(2,169.3)</td>
<td></td>
</tr>
<tr>
<td>Massbuild</td>
<td>669.8</td>
<td>4.7%</td>
<td>(15.1)</td>
<td></td>
</tr>
<tr>
<td>Masscash*</td>
<td>(501.8)</td>
<td>(1.7)</td>
<td>(10.6)</td>
<td>(10.6)</td>
</tr>
</tbody>
</table>

* The Group has adopted IFRS 16 ‘Leases’ using the modified retrospective approach in the 2019 period. Prior year comparatives are on an IAS 17 ‘Leases’ basis. Refer to note 2.

** The ‘trading profit/(loss) before interest and taxation’ above is the amount per the summary consolidated income statement less the BBBEE transaction IFRS 2 charge and excludes reorganisation and restructuring costs. Divisional trading profit/(loss) includes Corporate allocations.

† Group sales inflation is a weighted inflation.

* Included in the sales number is R332.6 million commission income (2018: R324.9 million) earned by acting as an agent through the Shlef arrangement (voluntary buying association). In cases where the Group acts as an agent in a transaction and where sales are recognised on a net basis, the contractual terms of such arrangements do not meet the requirements that allow offsetting financial instruments resulting in the related receivable and payable balances being disclosed on a gross basis.

Margins were negatively impacted by the lower contribution of General Merchandise sales to total sales and the impact of a higher promotional mix, specifically in Game. Expenses increased by 8.7%, with comparable expenses increasing by 6.9%. Included in this were the costs associated with store openings and IT costs expensed. The SAP S/4 HANA ERP system implementation continues and is expected to be completed during 2020.

Masswarehouse recorded total sales of R29.4 billion, which was 2.0% up on last year, with comparable stores sales contracting by 0.3%. While General Merchandise sales remained flat on last year, Liquor sales grew by 3.5%, Food sales grew by 2.5% and product inflation was 2.2%.
Expenses of R4.1 billion represent an increase of 6.8% over 2018, with a 4.5% increase in comparable expenses. Included in this are pre-opening expenses of approximately R14 million for the opening of the Makro Cornubia store during the period.

Massbuild grew sales by 3.4% over 2018 to R42.1 billion and continues to maintain its market leading performance in DIY, home maintenance and building supplies. Comparable store sales increased by 1.4%, while product inflation was 4.0%. Sales from the rest of Africa stores increased by 15.9% and similarly in constant currencies.

The significant slowdown in the construction sector negatively impacted Massbuild, with commercial and yard sales decreasing by 0.5% compared to last year. This was, however, more than offset by Retail sales growing by 5.3%, as consumers’ focus shifted to prioritising smaller home improvement and DIY type projects, as opposed to major renovations and builds.

New stores opened during the period and significant increases in utility and energy costs contributed to the 5.7% increase in expenses during the period (comparable increase of 4.3%).

Masscash grew sales by 5.6% over 2018 to R30.3 billion, especially supported by strong Wholesale sales growth of 8.6%. Comparable store sales have shown a similar increase. Product inflation was 3.6%. Retail sales are flat on last year, testament to a very competitive market environment. Sales from the rest of Africa stores increased by 11.6% and by 10.4% in constant currencies.

Conclusion

Our dedicated and focused effort on working capital improvement continued into the second half of 2019. Continued focus on inventory management led to a 2.4% decrease in inventory levels compared to 2018, despite the impact of new stores. Inventory days decreased by four days to 57 days compared to 2018. Trade receivables decreased by 10.7% with debtors days decreasing by two days. Trade creditors also decreased by 5.0% resulting in creditor days decreasing by seven days due to the change in the mix of goods purchased.

Cash flow management

Operating cash before working capital movements, excluding IFRS 16, was R1,911.5 million, 44.0% lower than 2018 aligned with lower operating performance. An increased focus on working capital resulted in improved working capital cash flows relative to 2018. Free cash flow of R29.6 million declined by R1,046.0 million compared to the prior year, due mainly to cash generated from operations being R1,142.8 million lower than the prior year.

Dividend

Our current dividend policy is to declare and pay an interim and final cash dividend representing a 2.0 times dividend cover, unless circumstances dictate otherwise. Due to the headline loss reported, no final dividend has been declared.

Appreciation

I am sincerely appreciative of the hard work and dedication of our finance teams within the Group during the year. Their commitment and support has enabled us to deliver quality financial results. I am honoured to have the opportunity to work with our excellent team.

Mohammed Abdool-Samad
Chief Financial Officer
2 April 2020

Divisional trading review

<table>
<thead>
<tr>
<th>Rm</th>
<th>52 weeks December 2019 (Audited)</th>
<th>IFRS16 adjustment*</th>
<th>52 weeks December 2019 (Adjusted)**</th>
<th>52 weeks December 2018 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>93,660.0</td>
<td></td>
<td>93,660.0</td>
<td>90,942.6</td>
</tr>
<tr>
<td>Massdiscounters</td>
<td>19,796.0</td>
<td></td>
<td>19,796.0</td>
<td>19,729.4</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>29,367.5</td>
<td></td>
<td>29,367.5</td>
<td>28,778.2</td>
</tr>
<tr>
<td>Massbuild</td>
<td>14,219.0</td>
<td></td>
<td>14,219.0</td>
<td>13,756.1</td>
</tr>
<tr>
<td>Masscash</td>
<td>30,277.5</td>
<td></td>
<td>30,277.5</td>
<td>28,677.9</td>
</tr>
<tr>
<td>Trading profit/(loss) before interest and taxation**</td>
<td>1,112.2</td>
<td>(682.9)</td>
<td>428.3</td>
<td>2,071.1</td>
</tr>
<tr>
<td>Massdiscounters</td>
<td>391.0</td>
<td>(304.2)</td>
<td>93.9</td>
<td>32.6</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>1,075.1</td>
<td>(704.2)</td>
<td>371.0</td>
<td>100.8</td>
</tr>
<tr>
<td>Massbuild</td>
<td>848.5</td>
<td>(178.7)</td>
<td>670.8</td>
<td>749.1</td>
</tr>
<tr>
<td>Masscash</td>
<td>(385.4)</td>
<td>(116.4)</td>
<td>(501.8)</td>
<td>188.6</td>
</tr>
</tbody>
</table>

* The Group has adopted IFRS 16 ‘Leases’ using the modified retrospective approach in the 2019 period. Prior year comparatives are on an IAS 17 ‘Leases’ basis. Refer to note 2.

** The trading profit/(loss) before interest and taxation above is the amount per the summarised consolidated income statement less the B-BBEE transaction IFRS 2 charge and excludes reorganisation and restructuring costs. Divisional trading profit/(loss) includes Corporate allocations.

<table>
<thead>
<tr>
<th>Total*</th>
<th>Other*</th>
<th>Massdiscounters</th>
<th>Masswarehouse</th>
<th>Massbuild</th>
<th>Masscash</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2019 (Audited)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>40,337.8</td>
<td>5,322.4</td>
<td>10,054.3</td>
<td>8,292.9</td>
<td>7,360.2</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>35,537.0</td>
<td>3,696.2</td>
<td>8,864.5</td>
<td>10,516.7</td>
<td>5,947.5</td>
</tr>
<tr>
<td>December 2018 (Audited)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>34,782.6</td>
<td>5,880.3</td>
<td>7,606.0</td>
<td>6,838.1</td>
<td>5,253.2</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>28,254.0</td>
<td>4,455.5</td>
<td>6,042.7</td>
<td>7,478.4</td>
<td>3,786.8</td>
</tr>
</tbody>
</table>

* Includes consolidation entries.

Divisional assets and liabilities

<table>
<thead>
<tr>
<th>Rm</th>
<th>December 2019 (Audited)</th>
<th>December 2018 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>40,337.8</td>
<td>34,782.6</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>35,537.0</td>
<td>34,254.0</td>
</tr>
</tbody>
</table>

December 2019 (Audited) | December 2018 (Audited)
Our performance Massmart Integrated Annual Report 2019

The like-on-like financial effects, for which the Directors of Massmart are responsible, are provided for illustrative purposes only to compare the current financial year’s results with the 30 December 2018 Income Statement, allowing for a like-on-like comparison to December 2019. The Group’s external auditor has issued a reporting accountants’ report on the December 2019 Income Statement. A copy of their procedures report is available at the Group’s registered office.

Refer to note 3. The external auditor has issued a separate reporting accountants’ report on the pro forma 52-week information above and as such is not included in the Independent Auditor’s Report on page 69. A copy of the reporting accountants’ report is available at the Group’s registered office.

* To provide a more meaningful comparison of the current year’s performance, the performance summary has been prepared on a like-on-like basis which excludes the impact of IFRS 16 ‘Leases’ in the current financial year. Refer to note 2 for detail on the impact of the new accounting standard using the modified retrospective approach.

### Summary consolidated income statement

<table>
<thead>
<tr>
<th>Description</th>
<th>52 weeks December 2019 (Audited)</th>
<th>IFRS 16 adjustment*</th>
<th>52 weeks December 2018 (Audited)</th>
<th>Period change</th>
<th>Adjusted*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>93,843.1</td>
<td>-</td>
<td>93,843.1</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Sales</td>
<td>93,660.0</td>
<td>-</td>
<td>93,660.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(75,946.8)</td>
<td>-</td>
<td>(75,946.8)</td>
<td>(2.7)</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>17,713.2</td>
<td>-</td>
<td>17,713.2</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Other income</td>
<td>179.7</td>
<td>-</td>
<td>179.7</td>
<td>(22.3)</td>
<td>(22.3)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(3,067.1)</td>
<td>-</td>
<td>(3,130.8)</td>
<td>(23.2)</td>
<td>(23.2)</td>
</tr>
<tr>
<td>Employment costs</td>
<td>(8,188.0)</td>
<td>-</td>
<td>(8,188.0)</td>
<td>(8.0)</td>
<td>(8.0)</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>(2,419.2)</td>
<td>-</td>
<td>(3,785.0)</td>
<td>(26.4)</td>
<td>(26.4)</td>
</tr>
<tr>
<td>Operating costs</td>
<td>(4,160.8)</td>
<td>-</td>
<td>(6,464.5)</td>
<td>(21.2)</td>
<td>(21.2)</td>
</tr>
<tr>
<td>Trading profit before interest and taxation</td>
<td>1,111.2</td>
<td>(682.9)</td>
<td>428.3</td>
<td>(263.5)</td>
<td>(263.5)</td>
</tr>
<tr>
<td>Reorganisation and restructuring costs</td>
<td>(33.1)</td>
<td>-</td>
<td>(33.1)</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>(229.5)</td>
<td>60.0</td>
<td>(169.5)</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>Insurance proceeds on items in PP&amp;E</td>
<td>3.4</td>
<td>-</td>
<td>3.4</td>
<td>(57.5)</td>
<td>(57.5)</td>
</tr>
<tr>
<td>Operating profit before foreign exchange movements and interest</td>
<td>852.0</td>
<td>(622.9)</td>
<td>229.1</td>
<td>(73.3)</td>
<td>(73.3)</td>
</tr>
<tr>
<td>Foreign exchange loss (note 4)</td>
<td>(143.0)</td>
<td>89.7</td>
<td>(53.3)</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>Operating profit before interest and taxation</td>
<td>709.0</td>
<td>(533.2)</td>
<td>175.8</td>
<td>(72.5)</td>
<td>(72.5)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(1,860.4)</td>
<td>130.9</td>
<td>(751.0)</td>
<td>(150.8)</td>
<td>(150.8)</td>
</tr>
<tr>
<td>Finance income</td>
<td>51.3</td>
<td>-</td>
<td>51.3</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(1,799.1)</td>
<td>139.0</td>
<td>(689.8)</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>(Loss)/Profit before taxation</td>
<td>(1,090.1)</td>
<td>576.1</td>
<td>(514.0)</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>Taxation (note 9)</td>
<td>(206.3)</td>
<td>(140.7)</td>
<td>(347.0)</td>
<td>(57.5)</td>
<td>(57.5)</td>
</tr>
<tr>
<td>(Loss)/Profit for the period</td>
<td>(1,296.4)</td>
<td>(435.4)</td>
<td>(861.0)</td>
<td>(249.2)</td>
<td>(249.2)</td>
</tr>
<tr>
<td>(Loss)/Profit attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Owners of the parent</td>
<td>(1,307.5)</td>
<td>434.9</td>
<td>(872.6)</td>
<td>(198.2)</td>
<td>(198.2)</td>
</tr>
<tr>
<td>– Non-controlling interests</td>
<td>11.1</td>
<td>0.5</td>
<td>11.6</td>
<td>(57.5)</td>
<td>(57.5)</td>
</tr>
<tr>
<td>(Loss)/Profit for the period</td>
<td>(1,296.4)</td>
<td>(435.4)</td>
<td>(861.0)</td>
<td>(249.2)</td>
<td>(249.2)</td>
</tr>
<tr>
<td>Basic EPS (cents)</td>
<td>(600.6)</td>
<td>199.8</td>
<td>(400.8)</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>Diluted basic EPS (cents)</td>
<td>(594.9)</td>
<td>197.9</td>
<td>(397.0)</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>Dividend (cents):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Interim</td>
<td>–</td>
<td>–</td>
<td>68.0</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>– Final</td>
<td>–</td>
<td>–</td>
<td>140.0</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>–</td>
<td>208.0</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
</tbody>
</table>

### Headline earnings

<table>
<thead>
<tr>
<th>Description</th>
<th>52 weeks December 2019 (Audited)</th>
<th>IFRS 16 adjustment*</th>
<th>52 weeks December 2018 (Audited)</th>
<th>Period change</th>
<th>Adjusted*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of (loss)/profit for the period to headline earnings</td>
<td>(1,307.5)</td>
<td>434.9</td>
<td>(872.6)</td>
<td>(247.1)</td>
<td>(247.1)</td>
</tr>
<tr>
<td>Write-off of tangible and intangible assets</td>
<td>245.3</td>
<td>(60.0)</td>
<td>185.3</td>
<td>24.0</td>
<td>24.0</td>
</tr>
<tr>
<td>Net (profit)/loss on disposal of tangible and intangible assets</td>
<td>(2.5)</td>
<td>–</td>
<td>9.5</td>
<td>(126.3)</td>
<td>(126.3)</td>
</tr>
<tr>
<td>Profit on sale of non-current assets classified as held for sale</td>
<td>(276)</td>
<td>–</td>
<td>(15.9)</td>
<td>(73.6)</td>
<td>(73.6)</td>
</tr>
<tr>
<td>Insurance proceeds on items of PP&amp;E</td>
<td>(3.4)</td>
<td>–</td>
<td>(3.4)</td>
<td>(57.5)</td>
<td>(57.5)</td>
</tr>
<tr>
<td>Net loss arising from partial or full termination of lease</td>
<td>5.7</td>
<td>–</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total tax effects of adjustments</td>
<td>(57.4)</td>
<td>25.2</td>
<td>(32.2)</td>
<td>3.0</td>
<td>(203.3)</td>
</tr>
<tr>
<td>Headline (loss)/earnings before reorganisation and restructuring costs and foreign exchange loss</td>
<td>(1,147.4)</td>
<td>–</td>
<td>(141.3)</td>
<td>901.2</td>
<td>(1227.3)</td>
</tr>
<tr>
<td>Reorganisation and restructuring costs after taxation</td>
<td>23.8</td>
<td>–</td>
<td>119.5</td>
<td>(79.5)</td>
<td>(79.5)</td>
</tr>
<tr>
<td>Headline (loss)/earnings before reorganisation and restructuring costs and foreign exchange costs</td>
<td>(1,123.6)</td>
<td>–</td>
<td>(122.2)</td>
<td>888.6</td>
<td>(1281.7)</td>
</tr>
<tr>
<td>Foreign exchange after taxation</td>
<td>146.5</td>
<td>(89.6)</td>
<td>56.9</td>
<td>2.7</td>
<td>5,325.9</td>
</tr>
<tr>
<td>Headline (loss)/earnings before reorganisation and restructuring costs and foreign exchange loss</td>
<td>(977.1)</td>
<td>310.5</td>
<td>(666.6)</td>
<td>1,019.8</td>
<td>(195.8)</td>
</tr>
<tr>
<td>Headline EPS (cents)</td>
<td>(527.1)</td>
<td>183.8</td>
<td>(343.3)</td>
<td>416.5</td>
<td>(226.6)</td>
</tr>
<tr>
<td>Headline EPS before reorganisation and restructuring costs and foreign exchange loss (taxed)</td>
<td>(448.9)</td>
<td>142.6</td>
<td>(306.3)</td>
<td>471.3</td>
<td>(195.2)</td>
</tr>
<tr>
<td>Diluted headline EPS (cents)</td>
<td>(522.0)</td>
<td>182.0</td>
<td>(342.0)</td>
<td>407.6</td>
<td>(228.1)</td>
</tr>
<tr>
<td>Diluted headline EPS before reorganisation and restructuring costs and foreign exchange loss (taxed) (cents)</td>
<td>(444.6)</td>
<td>141.3</td>
<td>(303.3)</td>
<td>461.3</td>
<td>(196.4)</td>
</tr>
</tbody>
</table>

* Refer to note 2. The external auditor has issued a separate reporting accountants’ report on the pro forma 52-week information above and as such is not included in the Independent Auditor’s Report on page 69. A copy of the reporting accountants’ report is available at the Group’s registered office.
Summary consolidated statement of comprehensive income

<table>
<thead>
<tr>
<th>Period</th>
<th>(Loss)/Profit for the period</th>
<th>Total comprehensive (loss)/income for the period</th>
<th>Non-controlling interests</th>
<th>Owners of the parent attributable to:</th>
<th>Income tax relating to components</th>
<th>Fair value movement on OCI financial assets</th>
<th>Fair value movement on OCI financial assets</th>
<th>Items that will subsequently be re-classified to the Income Statement:</th>
<th>Net post retirement medical aid actuarial profit</th>
<th>Non-current assets</th>
<th>Total comprehensive (loss)/income for the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period</td>
<td>(1,296.4)</td>
<td>11.1</td>
<td>(1,376.3)</td>
<td>(861.0)</td>
<td>(0.3)</td>
<td>(0.2)</td>
<td>(0.2)</td>
<td>8.1</td>
<td>13.3</td>
<td>21,747.2</td>
<td>8,585.9</td>
</tr>
<tr>
<td></td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
</tr>
</tbody>
</table>

Summary consolidated statement of financial position

<table>
<thead>
<tr>
<th>Period</th>
<th>December 2019 (Audited)</th>
<th>December 2018 (Audited)</th>
<th>IFRS 16 at adoption adjustment*</th>
<th>2019 Opening balance (Adjusted)</th>
<th>Period change</th>
<th>Adjusted*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period</td>
<td>(861.0)</td>
<td>(868.7)</td>
<td>(249.2)</td>
<td>(199.1)</td>
<td>% change</td>
<td>% change</td>
</tr>
</tbody>
</table>

* Refer to note 2. The external auditor has issued a separate reporting accountant's report on the pro forma 52-week information above and as such is not included in the Independent Auditor's Report on page 69. A copy of the reporting accountant's report is available at the Group's registered office.
### Summary consolidated statement of cash flows

<table>
<thead>
<tr>
<th>Rm</th>
<th>December 2019 (Audited)</th>
<th>IFRS 16 adjustment*</th>
<th>December 2019 (Adjusted)</th>
<th>December 2018 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash before working capital movements</td>
<td>4,296.8</td>
<td>(2,385.3)</td>
<td>1,911.5</td>
<td>3,411.3</td>
</tr>
<tr>
<td>Working capital movements</td>
<td>(82.0)</td>
<td>(106.8)</td>
<td>(188.8)</td>
<td>(545.8)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>4,214.8</td>
<td>(2,492.1)</td>
<td>1,722.7</td>
<td>2,865.5</td>
</tr>
<tr>
<td>Taxation paid</td>
<td>(191.1)</td>
<td>(191.1)</td>
<td>(324.6)</td>
<td></td>
</tr>
<tr>
<td>Net interest paid</td>
<td>1,743.7</td>
<td>1,003.0</td>
<td>(482.9)</td>
<td></td>
</tr>
<tr>
<td>Dividends received</td>
<td>20.0</td>
<td>20.0</td>
<td>34.0</td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(162.4)</td>
<td>(162.4)</td>
<td>(750.0)</td>
<td></td>
</tr>
<tr>
<td>Cash inflow from operating activities</td>
<td>2,166.6</td>
<td>(1,489.1)</td>
<td>677.5</td>
<td>1,342.0</td>
</tr>
<tr>
<td>Investment to maintain operations</td>
<td>(580.3)</td>
<td>(580.3)</td>
<td>(772.4)</td>
<td></td>
</tr>
<tr>
<td>Investment to expand operations</td>
<td>(791.5)</td>
<td>(791.5)</td>
<td>(833.6)</td>
<td></td>
</tr>
<tr>
<td>Proceeds on disposal of property, plant and equipment</td>
<td>7.9</td>
<td>7.9</td>
<td>20.4</td>
<td></td>
</tr>
<tr>
<td>Proceeds on disposal of assets classified as held for sale</td>
<td>41.3</td>
<td>41.3</td>
<td>32.8</td>
<td></td>
</tr>
<tr>
<td>Other net investing activities</td>
<td>11.3</td>
<td>11.3</td>
<td>5.9</td>
<td></td>
</tr>
<tr>
<td>Cash outflow from investing activities</td>
<td>(1,313.1)</td>
<td>(1,313.1)</td>
<td>(1,546.9)</td>
<td></td>
</tr>
<tr>
<td>Increase/(Decrease) in non-current liabilities</td>
<td>600.0</td>
<td>600.0</td>
<td>(583.7)</td>
<td></td>
</tr>
<tr>
<td>(Decrease)/Increase in current liabilities</td>
<td>(2,613.4)</td>
<td>1,489.1</td>
<td>(1,043.5)</td>
<td></td>
</tr>
<tr>
<td>Net acquisition of treasury shares</td>
<td>(48.4)</td>
<td>(48.4)</td>
<td>(221)</td>
<td></td>
</tr>
<tr>
<td>Cash (outflow)/inflow from financing activities</td>
<td>(2,061.8)</td>
<td>1,489.1</td>
<td>(572.7)</td>
<td>238.7</td>
</tr>
<tr>
<td>Net (decrease)/increase in cash and cash equivalents</td>
<td>(1,206.5)</td>
<td>(1,206.5)</td>
<td>33.8</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange movements on cash and cash equivalents</td>
<td>(12.7)</td>
<td>(12.7)</td>
<td>29.9</td>
<td></td>
</tr>
<tr>
<td>Opening cash and cash equivalents</td>
<td>2,369.8</td>
<td>2,369.8</td>
<td>2,306.1</td>
<td></td>
</tr>
<tr>
<td>Closing cash and cash equivalents</td>
<td>1,150.6</td>
<td>1,150.6</td>
<td>2,369.8</td>
<td></td>
</tr>
</tbody>
</table>

* Refer to note 2.

Refer to note 3.k. The external auditor has issued a separate reporting accountants’ report on the pro forma 52-week information above and as such is not included in the Independent Auditor’s Report on page 69. A copy of the reporting accountants’ report is available at the Group’s registered office.

### Summary consolidated statement of changes in equity

<table>
<thead>
<tr>
<th></th>
<th>Share capital</th>
<th>Share premium</th>
<th>Other reserves</th>
<th>Retained profit</th>
<th>Equity attributable to owners of the parent</th>
<th>Non-controlling interests</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at December 2017 (Audited)</td>
<td>2.2</td>
<td>401.2</td>
<td>452.7</td>
<td>5,478.1</td>
<td>6,334.2</td>
<td>43.2</td>
<td>6,377.4</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(735.6)</td>
<td>(735.6)</td>
<td>(8.4)</td>
<td>(744.0)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>103.9</td>
<td>888.6</td>
<td>992.5</td>
<td>(19.9)</td>
<td>972.6</td>
</tr>
<tr>
<td>Changes in non-controlling interests</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.3</td>
<td>0.3</td>
<td>–</td>
<td>0.3</td>
</tr>
<tr>
<td>IFRS 2 charge and treasury shares acquired</td>
<td>–</td>
<td>(262.1)</td>
<td>173.0</td>
<td>11.7</td>
<td>(77.4)</td>
<td>–</td>
<td>(77.4)</td>
</tr>
<tr>
<td>Balance as at December 2018 (Audited)</td>
<td>2.2</td>
<td>139.1</td>
<td>729.6</td>
<td>5,643.1</td>
<td>6,514.0</td>
<td>14.6</td>
<td>6,528.6</td>
</tr>
<tr>
<td>Effect of adoption of new accounting standard (IFRS 16)*</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(227.1)</td>
<td>(227.1)</td>
<td>–</td>
<td>(227.1)</td>
</tr>
<tr>
<td>Balance as at December 2018 (Audited) Re-presented</td>
<td>2.2</td>
<td>139.1</td>
<td>729.6</td>
<td>5,416.0</td>
<td>6,286.9</td>
<td>14.6</td>
<td>6,301.5</td>
</tr>
<tr>
<td>Issue of share capital</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>–</td>
<td>174.3</td>
<td>–</td>
<td>(302.6)</td>
<td>(128.3)</td>
<td>(32.6)</td>
<td>(160.9)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>(68.8)</td>
<td>(1,307.5)</td>
<td>(1,376.3)</td>
<td>11.1</td>
<td>(1,365.2)</td>
</tr>
<tr>
<td>Changes in non-controlling interests</td>
<td>–</td>
<td>–</td>
<td>0.5</td>
<td>–</td>
<td>0.5</td>
<td>22.2</td>
<td>22.7</td>
</tr>
<tr>
<td>IFRS 2 charge and treasury shares acquired</td>
<td>–</td>
<td>(103.6)</td>
<td>102.4</td>
<td>3.9</td>
<td>–</td>
<td>–</td>
<td>2.7</td>
</tr>
<tr>
<td>Balance as at December 2019 (Audited)</td>
<td>2.2</td>
<td>209.8</td>
<td>763.7</td>
<td>3,809.8</td>
<td>4,785.5</td>
<td>15.3</td>
<td>4,800.8</td>
</tr>
</tbody>
</table>

* Refer to note 2.

Refer to note 3.k. The external auditor has issued a separate reporting accountants’ report on the pro forma 52-week information above and as such is not included in the Independent Auditor’s Report on page 69. A copy of the reporting accountants’ report is available at the Group’s registered office.
Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments identified below. The table below reflects Financial instruments’ and ‘Non-current assets classified as held for sale’ carried at fair value, and those ‘Financial instruments’ and ‘Non-current assets classified as held for sale’ that have carrying amounts that differ from their fair values, in the Statement of Financial Position:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The Group’s unlisted investments in insurance cell-captives were previously categorised within Level 2 of the fair value hierarchy. Due to the unobservability of the lowest level input that is significant to the entire valuation, the financial assets were re-categorised to Level 3 at the end of the period. Other than this transfer, there were no further transfers between Level 1, Level 2 and Level 3 fair-value categories during the year.

The financial assets and financial liabilities have been presented based on an analysis of their respective natures, characteristics and risks. Refer to the valuation techniques applied in the latest Annual Financial Statements.

<table>
<thead>
<tr>
<th>Rm</th>
<th>December 2018 (Audited)</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>December 2019</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>154.5</td>
<td>-</td>
<td>28.5</td>
<td>125.9</td>
<td>124.3</td>
<td>-</td>
<td>124.3</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets at amortised cost</td>
<td>7.3</td>
<td>-</td>
<td>7.3</td>
<td>-</td>
<td>9.6</td>
<td>-</td>
<td>9.6</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets measured at fair value through (DC)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11</td>
<td>11</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-current assets classified as held for sale</td>
<td>159.5</td>
<td>-</td>
<td>159.5</td>
<td>11.6</td>
<td>11.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at amortised cost</td>
<td>2,326.3</td>
<td>-</td>
<td>2,326.3</td>
<td>-</td>
<td>2,342.2</td>
<td>-</td>
<td>2,342.2</td>
<td>-</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>37.4</td>
<td>-</td>
<td>37.4</td>
<td>-</td>
<td>24.8</td>
<td>-</td>
<td>24.8</td>
<td>-</td>
</tr>
<tr>
<td>2,363.7</td>
<td>-</td>
<td>2,363.7</td>
<td>-</td>
<td>2,367.0</td>
<td>-</td>
<td>2,367.0</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Notes

1. These summary consolidated Group Financial Statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, presentation and disclosure as required by International Accounting Standard (IAS) 34 Interim financial reporting, the JSE Limited Listings Requirements and the requirements of the Companies Act 71 of 2008 of South Africa. The accounting policies and methods of computation used in the preparation of the summary consolidated Group Financial Statements are in terms of IFRS and are consistent in all material respects with those applied in the most recent Annual Financial Statements, except for the changes listed below in note 2.

2. Adoption of IFRS 16 ‘Leases’

- The Group has adopted IFRS 16 ‘Leases’ using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 31 December 2018. To provide a more meaningful comparison of the current year’s financial performance with 2018, December 2019 has been presented on a like-on-like basis with prior periods, excluding the impact of IFRS 16. Therefore, with the exception of the Statement of Financial Position on page 63, the current year’s information was reported on a pro forma basis under IAS 17 ‘Leases’.

- IFRS 16 has had a significant impact for the Group, given the number of stores that are leased. IFRS 16 had no impact on the accounting of previously existing finance leases. It has however impacted most leases that were previously recorded as operating leases under IAS 17, where only the occupancy charge was recorded in the Income Statement. IFRS 16 now requires leases to be recognised in the Statement of Financial Position in the form of a capitalised right-of-use asset and corresponding liability. Changes to the Income Statement result in occupancy costs being replaced by an amortisation of the right-of-use asset and lease finance costs on the liability.

- In applying IFRS 16 for the first time, the Group has used the following expedients permitted by the standard:
  a. Modified retrospective adoption – no comparatives required to be disclosed
  b. Combinable lease and non-lease components
  c. Exemption of short-term leases and leases for low value assets
  d. Portfolio approach applied to classes of leases that have similar characteristics
  e. Interest rate based on remaining lease term for existing leases at transition date
  f. All 29 December 2019 Massmart had 443 stores, 87% of which were leased
  g. The weighted average lease’s incremental borrowing rate applied to the lease liabilities on adoption date was 11.9%. Finance costs for the Group was an additional R1.1 billion for the year
  h. The average remaining life of real estate leases is four years, with the exception of the Woodmead land lease which has 73 years remaining

- Further information around the adoption can be found in the detailed presentation ‘IFRS 16 – Accounting for Leases’ on www.massmart.co.za.

3. The pro forma financial effects for the current financial period, for which the Directors of Massmart are responsible, are provided for illustrative purposes only to show the effect of IFRS 16, allowing for a like-on-like comparison of the 52-week periods in 2019 to reflect the accounting under IAS 17, had the standard still been in effect to 29 December 2019. These pro forma financial effects are not expected to have a continuing impact and have only been disclosed to assist in understanding the impact of IFRS 16 in the first year of adoption.

- a. Due to its nature, the pro forma financial effects may not fairly present the Group’s results of operations or cash flows.
- b. The accounting policies adopted by the Group in the 2019 summary consolidated Group Financial Statements, which have been prepared in accordance with IFRS, have been used in preparing the unaudited pro forma 52-weeks summary consolidated income statement and statement of cash flows.
- c. The amounts in the ‘IFRS 16 adjustment’ column in the summary consolidated income statement, that relate to interest and depreciation, was extracted from the accounting records.
- d. The occupancy cost in the ‘IFRS 16 adjustment’ column in the summary consolidated income statement, represents the actual rental payments made during the period and was extracted from the accounting records.
- e. The taxation balance represents the calculated tax effect on the above adjustments, taking into consideration the statutory tax payment position of the respective entities.
- f. The non-controlling interest adjustment relates to the net impact of interest and depreciation as well as the actual rental payments made during the period relating to the non-controlling shareholders of Group entities and was extracted from the accounting records of the Group.
- g. The amounts in the ‘IFRS 16 adjustment’ column in the summary consolidated statement of cash flows, represents the rental payments split into interest and capital payments extracted from the accounting records.
- h. The pro forma financial effects columns as described above, in the opinion of the Directors, fairly reflects the results for the 52-week period to 29 December 2019.
- i. The calculation of EPS and Headline EPS for the pro forma 52 weeks December 2019 (adjusted) column in the Income Statement is the adjusted reviewed results for the 52-week period ended 29 December 2019.
- j. The calculation of Diluted EPS and Diluted Headline EPS for the pro forma 52-week period is based on the diluted weighted average number of shares over the full 52-week period.
- k. The Group’s external auditor has issued a reporting accountant’s report on the pro forma 52-week information. A copy of their report is available at the Group’s registered office.
- l. The pro forma financial effects is presented in accordance with the JSE Listing Requirements. These require that pro forma financial information be compiled in terms of the JSE Listing Requirements, the SAICA Guide on Pro Forma Financial Information and any relevant guidance issued by IBA.
The Directors are responsible for the preparation of the summary consolidated Group Financial Statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the ‘Board Approval’ on page 1, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor’s responsibility
Our responsibility is to express an opinion on whether the summary consolidated Group Financial Statements are consistent, in all material respects, with the audited consolidated Group Annual Financial Statements of Massmart Holdings Limited for the year ended 29 December 2019, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the ‘Board Approval’ on page 1, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The summary consolidated Group Financial Statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated Group Financial Statements and the auditor’s report thereon, therefore, is not a substitute for reading the audited consolidated Group Annual Financial Statements of Massmart Holdings Limited and the auditor’s report thereon. The summary consolidated Group Financial Statements and the audited consolidated Group Annual Financial Statements do not reflect the effect of events that occurred subsequent to the date of our report on the audited consolidated Group Annual Financial Statements.

To the shareholders of Massmart Holdings Limited

Opinion
The summarised consolidated Group Financial Statements of Massmart Holdings Limited, incorporated in the ‘Our Performance’ section of this Integrated Annual Report, which comprise the summary consolidated income statement, the summary consolidated statement of comprehensive income, summary consolidated statement of financial position as at 29 December 2019, summary consolidated statement of cash flow, and summary consolidated statement of changes in equity for the year then ended on pages 60, 62 to 65, related notes to the summarised consolidated Group Financial Statements on pages 59, 61, 66 to 68, excluding the columns related to the IFRS 16 adjustment, 52 week December 2019 (Adjusted) and Adjusted % change information on page 59 to 62, are derived from the audited consolidated Group Annual Financial Statements of Massmart Holdings Limited for the period ended 29 December 2019.

In our opinion, the accompanying summary consolidated Group Financial Statements are consistent, in all material respects, with the audited consolidated Group Annual Financial Statements of Massmart Holdings Limited for the year ended 29 December 2019, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the ‘Board Approval’ on page 1, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Financial Statements
The summary consolidated Group Financial Statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated Group Financial Statements and the auditor’s report thereon, therefore, is not a substitute for reading the audited consolidated Group Annual Financial Statements of Massmart Holdings Limited and the auditor’s report thereon. The summary consolidated Group Financial Statements and the audited consolidated Group Annual Financial Statements do not reflect the effect of events that occurred subsequent to the date of our report on the audited consolidated Group Annual Financial Statements.

The audited consolidated Group Annual Financial Statements and our report thereon
We expressed an unmodified audit opinion on the audited consolidated Group Annual Financial Statements of Massmart Holdings Limited in our report dated 2 April 2020. That report included the communication of other key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Directors’ responsibility for the summary consolidated Group Financial Statements
The Directors are responsible for the preparation of the summary consolidated Group Financial Statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the ‘Board Approval’ on page 1, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Ernst & Young Inc.
Director: Roger Hillen
Chartered Accountant (SA)
Regional Auditor
2 April 2020
Through Group collaborations, we’re UNBEATABLE TOGETHER

BLACK FRIDAY

We saved our customers more than R300 million

- R145.7 million saved by our GM merchants
- R53 million saved by our hi-tech merchants
- R29.9 million saved by our appliance merchants
- R28.5 million saved by our outdoor merchants
- R21.4 million saved by our Food merchants
- R17.7 million saved by our liquor merchants
- R14.2 million saved by our sports and health merchants
- R11.3 million saved by our DIY merchants
- R6.1 million saved by our houseware merchants

GROUP COLLABORATION

Our Makro, Game and Builders power tool buyers saved our customers:

- Over R8 million saved through Group buying
- R4 million saved in Group cost savings
Massdiscounters operates through two Retail formats: Game and DionWired. Game is a discount multi-category retailer of General Merchandise, Groceries, Fresh Food and Liquor, operating throughout South Africa and in 21 cities in sub-Saharan Africa. DionWired sells technology and technological solutions in multimedia and hi-tech in South Africa.

2019 strategy
- Restore sales growth by revitalising the customer value proposition (CVP), improving assortment relevance and increasing stock availability
- Recover and expand margins by lifting promotional and every day margins, reducing cost of goods sold and introducing high margin categories and services
- Drive efficiencies to reduce operating costs and improve supply chain effectiveness
- Rebuild a strong and healthy organisation driven by leveraging the benefits of Massmart’s evolved customer-centric operating model and upgrade to the latest SAP ERP system
- Reimagine retail with data-driven commercial decision-making and customer-centric digital innovation

Our progress during the year
- Held the highest market share in laptops, and maintained dominant market shares in televisions and large appliances
- Began the alignment of the assortment to the CVP by exiting underperforming categories (e.g. music) and piloting high-margin strong performers (e.g. clothing basics) during the second half of the year
- Collaborated on sourcing with other Massmart divisions during Black Friday promotional period and achieved double digit sales, margin growth and saved costs
- Focused on relieving the impact of high occupancy costs throughout the portfolio and reducing marketing spend
- Grew online transaction volumes by 25% and conversion rate by 18%, driven by higher product listings and fulfilment expansion to 19 donor stores
- Revived the implementation of SAP S/4HANA, which will go live in the first half of 2020
- Achieved 46% improvement in trading densities of seven resized stores
- Opened four new Game stores, two in South Africa and two in rest of Africa (Nairobi and Walvis Bay); and closed two DionWired stores
- Filled critical leadership roles and created permanent jobs for 436 temporary staff

The challenges we faced
- The middle class South African consumer had less disposable income due to job losses, salary freezes and increases in taxes, petrol and electricity prices
- In the rest of Africa, US dollar-denominated leases continue to place upward pressure on occupancy costs, while volatile customs regimes resulted in supply chain unpredictability and high cost of goods sold
- Social unrest resulted in temporary store closures in outlying stores in South Africa and the rest of Africa
- Loss of relevance of the premium-electronics retail model resulted in declining sales in DionWired, while premium rentals and a relatively high-skilled workforce kept costs high

Our strategic focus going forward
- Ensure the successful integration to the Massmart Retail business unit
- Continue to rebuild Game’s brand identity to what it used to be and to win with key growth segments such as millennials and young families
- Continue to improve range relevance by reinvigorating the groceries proposition, strengthening ownership categories (e.g. multimedia), and introducing new solution offerings with high margin potential
- Improve stock availability through improved planning and accelerated replenishment
- Improve margins by launching the Every Day Low Price (EDLP) proposition in select categories, reducing promotion participation and introducing high-margin extended services
- Deliver on the EDLP proposition and operate as an Every Day Low Cost discounter, including introducing digital innovations in supply chain and store operations and instituting lean store practices
- Successfully transition to SAP S/4HANA to significantly improve our stock availability, ecommerce order execution, pricing and promotions execution and inventory and Goods Not For Resale spend management, amongst others
- Review our Africa portfolio strategy
- Reimagine Game’s future stores through format renewals

Future outlook
Our aim is to return Game to profitability by restoring sales growth, recovering margins and operating as a low-cost discounter. This requires that we go back to basics with a focused range, reliable stock availability and disciplined margin management. Concurrently, we are reimagining Game’s future stores through revised future store formats.
Masswarehouse comprises Makro, The Fruitspot and Wumdrop. Makro sells Food, Liquor and General Merchandise, catering for retail, commercial and wholesale customers. The Fruitspot is a Wholesaler and distributor of fresh and cut fruit and vegetables in Gauteng, KwaZulu-Natal and the Western Cape. Wumdrop is a South African company that provides crowd-sourced final mile delivery services to individuals and corporates.

2019 strategy

- Grow our market share in General Merchandise among retail and commercial customers and in Food and Liquor among retail and hospitality customers.
- Further develop and stabilise our SAP Hybris ecommerce and fulfilment platforms, to accelerate growth in ecommerce.
- Retain our focus on our customer value proposition (CVP) by improving our product assortment, delivering our Every Day Low Price (EDLP) proposition and improving customer experience across our channels.
- Leverage Massmart and Walmart procurement scale and supply chain efficiencies.

Our progress during the year

- Successfully opened our 22nd store in Cornubia (north of Durban) in March 2019.
- Launched our new ecommerce website, running off the SAP Hybris platform, resulting in robust sales performance over Black Friday.
- Launched Check Out With Me mobile point of sale devices and dedicated checkout lanes to reduce wait times and improve in-store customer experience.
- Implemented the use of industry-leading analytics on customer shopping behaviour and launched customer growth strategies leveraging our strong customer dataset.

The challenges we faced

- Constrained consumer demand, particularly for Durable Goods, driven by economic and political uncertainty in South Africa.
- Continued deflation in key categories, including General Merchandise, which negatively affected turnover.
- Increased load-shedding, impacting both our operations and the ability of our customers to operate their businesses.
- The incomplete national road infrastructure in the vicinity of our Riversands store (north of Johannesburg) continued to impact this store’s performance.
- Challenges experienced with stabilising our new ecommerce website negatively impacting customers’ online fulfilment.

Our strategic focus going forward

- Successfully implement our integration programme to merge with Shield and Masscash Cash & Carry to form the Massmart Wholesale business unit.
- Leverage our assets to position ourselves as the most attractive route to market for our suppliers, as we drive a compelling offer for Wholesale and Business-to-Business (B2B) customers.
- Continue to grow our market share by offering a clear CVP comprising a combination of great value with EDLP proposition, excellent customer service, a compelling range and high product availability.
- With our continued focus on SAP Hybris ecommerce and fulfilment platforms; we will enhance our CVP for Retail and B2B customers by making it possible to shop with us in a true omnichannel manner. This will be supported by maturing fulfilment capabilities.
- Leverage Group procurement scale and supply chain efficiencies as we further protect our low-cost operating model.

Future outlook

We anticipate a difficult sales environment in 2020, driven by low consumer confidence and uncertain economic conditions. However, we remain focused on our mission of saving busy families and small businesses time and money so that they can live better lives and run better businesses. We will achieve this by offering our customers unique value on a curated assortment of exciting products that they can trust.
Massbuild

Massbuild is the southern African leader in Home Improvement, DIY and Building Materials. The four Builders’ store formats – Builders Warehouse, Builders Express, Trade Depot and Superstore – cater to different markets with their own personalised feel and service offering and are complimented by our online platform. Builders’ stores offer exceptional value, a comprehensive range of competitively priced products, supported by helpful service.

2019 strategy
Open our first store in Nairobi, Kenya
Continue to grow our Private Label sales contribution
Expand our service offering in Value-Added Services (VAS), design, estimation and installations
Continue to digitise the in-store retail experience as part of our effort to be the most remarkable and reliable DIY Retailer
Improve omnichannel fulfilment to be reliable with on-time collections and deliveries
Aggressively grow ecommerce and extend the range to cover everything available in store and more

Our progress during the year
• Grew our Private Label sales participation to 20.8% and added 1,000 more products to our Private Label range
• Expanded and grew our service offerings. We introduced RCS credit solutions in Botswana and rolled out VAS in Botswana and Zambia. We expanded our offerings in travel, Lotto and money transfers in South Africa
• Introduced the Love Your Home card and a gift registry service as part of our digitisation drive in order to be the most remarkable and reliable DIY Retailer
• Launched our first Builders store of the future in Boksburg showcasing its digital capabilities
• Commenced development and implementation of a new omnichannel point of sale solution
• Continued our journey to improve omnichannel fulfilment, reliability with on-time collections and deliveries
• Extended our online range to exceed the range available in store
• Grew online traffic by 36% to 31.8 million visits during this year
• Launched click-and-collect in the rest of Africa, with three collection points in Zambia and two in Botswana.

Our strategic focus going forward
• Ensure the successful integration to the Massmart Retail business unit
• Continue to grow our Private Label sales participation, service offerings and omnichannel fulfilment
• Continue to drive non-cyclical new revenue in the commercial space
• Implement our omnichannel point of sale solution
• Roll out more Builders stores of the future
• Continue to invest in ecommerce by expanding the product range available
• Cost containment through continued focus in key areas
• Opening of our first store in Kenya.

Future outlook
Massbuild will invest in building a leading interconnected Retail business. We remain committed to growth through optimising our current footprint, extending our store footprint where possible, and growing sales online. Our objective is to increase our market penetration by focusing on local relevance to ensure we establish stores that benefit communities. We aim to be the market leader in Home Improvement, DIY and building products and services, with the best long-term prospects on the continent.

The challenges we faced
• Slowing building sector led by lower government spending and lower consumer confidence
• Reduced sales from trade customers who experienced credit pressure from insurers
• Due to delays experienced, the opening of the first store in Kenya was moved to 2020.
Masscash consists of Wholesale with Cash & Carry Food, cosmetics and Buying Association businesses; and Retail, which comprises Food outlets targeting lower LSM groups. Our Wholesale business includes the brands CBW, Jumbo Cash & Carry, Sunshine, Trident, Eureka, Saverite and Shield (a voluntary buying association); while the Retail business consists of the Cambridge Food and the Rhino Cash & Carry brands.

2019 strategy
Define and develop a hybrid store format for rest of Africa supported by site acquisitions
Continue our focus on the Wholesale stores by driving profitable sales, maintaining in-stock service levels and restoring credibility with customers and suppliers
Continue with the conversion of Rhino stores to Cambridge Food stores
Continue the VAS rollout in both Retail and Wholesale stores
Expand our Private Label sales penetration to improve competitiveness
Ensure our Fresh departments remain a strategic differentiator in our Retail stores

Our progress during the year
• Appointed experienced leaders into key vacancies with a focus on driving strategic clarity, alignment and a sense of urgency to deliver results
• Strong Wholesale performance through increased focus on known value items, in-stocks and alignment between merchants and operations
• Strong rest of Africa performance
• Improved working capital through an active reduction of aged/obsolete and secondary inventory and improved collection of debtors.

The challenges we faced
• The challenging South African economy continued to result in poor consumer confidence, negatively impacting sales performance
• Social unrest across South Africa had a significant impact on our customer base resulting in declining sales
• Municipal service delivery protests (amongst others) resulted in lost trading hours in many stores
• Increased inventory shrink and waste resulted in material write-offs during the year
• The lack of systems integration following the organisational restructure in 2018 continued to pose significant operating and financial reporting challenges.

Our strategic focus going forward
• Ensure the successful integration of the Masscash division into the Massmart Wholesale and Retail business units under the evolved operating model
• Ensure sales growth is supported with sustainable margin growth
• Drive profitable sales through increased volumes, basket mix and better margin management
• Deepen the clarity of the retail strategy and ensure our Fresh departments remain a strategic differentiator
• Continue our focus on the Wholesale stores by driving profitable sales, maintaining in-stock service levels and restoring credibility with customers and relevance with suppliers
• Portfolio assessment with robust reviews of loss-making stores across both the Wholesale and Retail businesses
• Delivery of an ERP system and improved IT infrastructure
• Maintain an unwavering culture of risk and compliance, ethical conduct and good corporate governance.

Future outlook
We anticipate a further difficult sales environment in 2020, with South African retail and wholesale consumer confidence remaining low. We are, however, confident that Massmart’s evolved operating model and improved execution capability will manifest in improved financial results.
**Responsible business**

Our aim is to build the strongest and healthiest diversified retail group with the best long-term prospects on the continent of Africa. We believe that being socially and environmentally responsible and committed to practising good governance is fundamental to fulfilling this aim and creating long-term stakeholder value.

The United Nations Sustainable Development Goals (SDGs), adopted by all UN member states in 2016, are an urgent call to action by all countries and all stakeholders to contribute to the achievement of these 17 goals by 2030.

We have focused our efforts on 14 goals that cover areas to which we believe we can make the most meaningful contribution. Our contribution towards the 14 goals below is covered in the remainder of this section.

**Food security**

SDG 2 target: By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.

Research by the United Nations shows that undernourishment continues to rise and now affects 20% of the population in Africa.

We continue to facilitate the hygienic preparation of approximately 40 million meals for 190,000 vulnerable learners annually. These meals are supplied by the Department of Basic Education and are prepared in our network of 370 mobile kitchens. In 2020, we will undertake an assessment of 30 mobile kitchens towards ensuring that they are fit for purpose.

The safe re-distribution of good quality unsold food presents a good opportunity to alleviate food insecurity and is therefore an area of increased focus for Massmart. During 2019, we partnered with FoodForward South Africa and Gift of the Givers to redistribute 41 tonnes of food to approximately 268 beneficiary organisations across South Africa.

We recognise that our extensive store and DC network positions Massmart as a fast and effective first responder to crisis events. Through our partnership with Gift of the Givers we donated approximately 36 tonnes of food and 8,000 litres of water to crisis affected communities in Mozambique, Sutherland, Alexandra and Makanda in 2019.

*Our 2018 Integrated Annual Report indicated that 400 million Department of Education meals had been prepared and served through our mobile kitchens during the preceding four years – this is restated to reflect that 200 million meals were served.*
Education

SDG 4 target: By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.

During the period, we invested R6 million in the Makro Early Childhood Development (ECD) partnership with HOPE worldwide. This project involves assisting ECD centres to meet the required standards to be eligible for Government subsidies. Currently, our programme supports 173 ECD centres across seven provinces, and reaches 13,300 children annually. In 2019, 45 of the centres we support were registered with government, and an additional 23 centres are now receiving subsidies from the Department of Social Development.

Clean water and sanitation

SDG 6 target: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

Water insecurity represents a significant and growing risk across southern Africa, particularly in urbanised areas where demand is high. Conserving water in our operations, through the installation of water saving technologies, plays a critical role in responsibly managing this shared resource.

Our first step towards actively monitoring water usage in real time was the deployment of a centralised, remote water meter and monitoring system across Makro stores in 2019. Although the system was only fully operational during the second half of 2019, an annualised water-use avoidance of 2.5 million litres was realised through the early identification of leaks and reduced irrigation at these stores. The success of this project supports our existing goal of installing remote water monitoring capabilities at all standalone facilities by the end of 2020.

With real-time data becoming increasingly available, our intention is to establish long-term water-use targets for stores and facilities to drive efficiencies and minimise water usage across the Group during 2020.

We also continue to rely on alternative water supplies to supplement our water needs for non-potable water applications. Our rainwater and refrigerant condensate harvesting projects captured an estimated 23 million litres of water in 2019 across 89 Makro and Builders stores. As part of our potable water supply redundancy measures we maintain 17 atmospheric water-generating plants at sites in the Western Cape to ensure business continuity in the event of water supply interruptions.
**Affordable and clean energy**

**SDG 7 target: By 2030, double the global rate of improvement in energy efficiency.**

**Reducing our carbon footprint**

Energy management remains a significant opportunity to reduce our carbon emissions and operational costs. We continue to prioritise energy efficiency improvements in our stores and DCs. In 2019, we continued to install energy-efficient lighting, smart building management systems, efficient refrigeration and HVAC systems across the Group. In total we now have these systems in 95 stores and DCs. Massmart’s store energy intensity increased by 3.3% to 271.6 kWh/m². To drive further savings and ensure optimal energy management we will be initiating a process to centralise our energy monitoring network. As part of this process we anticipate that an additional 120 stores will be centrally monitored during the course of 2020.

As reported in 2013, in collaboration with Walmart, we developed an energy roadmap that, set against a business as usual model, required a 10% improvement in energy efficiency by 2020. As we come to the end of this goal, we are pleased to report that we have achieved a 12% efficiency improvement against our target. We estimate this represents an 100 million kWh energy use avoidance since 2013.

**Helping our customers use less energy and save**

In addition to managing our operational energy use, we also worked hard to empower our customers to save on energy and expenses. Through a partnership with the United Nations Development Programme (UNDP), we ran an energy-efficient large appliance promotion to create awareness about energy labelling and appliance efficiency. The promotion, which was sponsored by the UNDP, ran for two weeks providing customers with discounts on selected energy efficient washing machines and refrigerators. This resulted in unit sales growing by 100%, and by 72.1% in Rand terms.

**SDG 7 target: By 2030, increase substantially the share of renewable energy in the global energy mix.**

Since 2016 our solar photovoltaic (PV) installations generated over 10.9 million kWh of renewable energy as at the end of the reporting period. In 2019 two new solar plants were commissioned at our Builders Warehouse Boksburg and Gosforth Park DC. These plants will produce an additional one million kWh of solar energy per annum, increasing our total renewable energy generating capacity to five million kWh annually. A further two plants are scheduled to be brought online in the first half of 2020 at our Makro Cornubia and Silverlakes stores. Given the success of our solar programme, we will be developing a Group-wide solar energy roadmap during 2020 as the basis for rapidly scaling our renewable energy programmes over the next five years.

**Decent work and economic growth**

**SDG 8 target: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.**

**Supplier Development Programme**

To provide better access to our supply chain for small businesses, we launched the Massmart Supplier Development Programme (SDP) in 2012, which gives preference, but not exclusivity, to black- and black woman-owned enterprises. The aim of the SDP is to provide opportunities for small and medium manufacturing enterprises.

Our SDP involves assisting suppliers to increase overall competitiveness by meeting product quality standards, investing in bespoke manufacturing equipment to build capacity and providing retail and business management training. The programme currently has a portfolio of 23 small businesses, which manufacture a variety of products ranging from chef wear, toilet seats and detergents to adhesives, cooler boxes, charcoal and paint.
RESPONSIBLE BUSINESS

Of the 23 suppliers enrolled in the programme, 13 provide Private Label products to the Group, eight are import substitution projects and six export products to various countries including Botswana, Zambia, Mozambique, Australia and Chile.

Total procurement from the SDP since inception passed the R1 billion mark mid-2019. In total the programme invested over R200 million into more than 200 local manufacturers.

At the request of the Minister of Trade and Industry, the SDP has expanded our involvement to provide export development assistance to South African-based manufacturers and producers.

Following an initial international sourcing team visit in the fourth quarter of 2019, a follow-up visit with Global sourcing buyers from Japan, China and Walmart US was conducted in January 2020. The purpose of which was to visit the facilities of nine producers and manufacturers of products such as seasonal fruit, seafood, wine, tea and nuts.


One order has already been placed with Glenart, a Massmart SDP participant and manufacturer of Christmas and Festive crackers. This is the first time that a South African General Merchandise manufacturer has been listed with Walmart.

 Reduced inequalities

SDG 10 target: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

We see the advancement of Broad-Based Black Economic Empowerment (BBBEE) as a key driver of economic and social inclusivity. In 2019, we achieved a verified score of 82.06 (2018: 80.81) and maintained our Level 4 contributor status; for the BBBEE measurement period from January to December 2018. Our BBBEE score remains the highest among listed retailers in South Africa.

Our improved score is attributable to a two point increase in preferential procurement recognition. In total, we procured a combined R10 billion from black- and 30% black woman-owned businesses, R1.4 billion of which was procured from more than 1,700 small and emerging businesses. Through our SDP, we continued to exceed the BBBEE investment targets for Supplier Development and corporate social investment.

SDP participant and chef wear supplier, CEO of Reapso Mahlatsi Mashile.

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SDG 12 target: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

We recognise that as a responsible retailer we have an important role to play in minimising waste from our operations and products. Our ultimate aim is to ensure that as our business continues to grow, this growth does not result in increased waste generation.

One of our key focus areas is tackling plastic waste by improving the sustainability of our Private Label packaging and addressing single use plastics. We have developed an optimised sustainability specification for single use, multi-use and paper customer shopping bags. The new specification includes transitioning from virgin to post-consumer recycled materials, ensuring complete recyclability of the bags, maintaining a specific micron size and limiting the quantity, types and colours of inks used.

As part of a Walmart Global commitment to achieving 100% recyclable Private Label packaging by 2025, we conducted our first packaging survey among our leading Private Label suppliers to baseline the recyclability of our existing Private Label product packaging. In addition, together with the South African Plastics Recycling Organisation (SAPRO), we hosted a Sustainable Packaging workshop for our Private Label buying teams. The objective of this workshop was to highlight opportunities to optimise our Private Label packaging to align with circular economy principles.

Working with the World Wildlife Fund (WWF) and other leading South African retailers, we have introduced standardised on pack recycling logos. The On Pack Recycling Logo (OPRL) is aimed at assisting consumers to appropriately sort, separate and dispose of product packaging. Currently, Massmart’s Private Label teams are working closely with the Sustainability team to ensure the correct logos are applied to new and revised Private Label packaging going forward.

In addition to addressing product packaging related waste, we continue to drive operational waste reductions through recycling, composting and food redistribution initiatives at our stores and DCs. During 2019, approximately 93% of our stores actively sort and separated paper, plastic and cardboard for recycling while 34 stores have composting initiatives underway. In total, we estimate that these initiatives enable us to divert approximately 17,091 tonnes of waste from landfills during the period.
SDG 12 target: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

We are committed to supporting animal welfare issues in product categories where we have a direct influence. In 2019, working with an independent specialist poultry veterinarian, we conducted animal welfare audits at both Private Label and National Brand egg supplier farms that collectively house approximately 1.5 million birds and produce in excess of 500 million eggs annually. In 2020 we aim to reach 100% of Massmart’s egg suppliers across South Africa. We will also continue to expand the rollout of our supplier environmental advocacy programme and supplier engagement efforts to our suppliers across categories.

It is important to us that the products we source are responsibly and sustainably manufactured and packaged. In 2019, we once again engaged with 250 suppliers through our environmental advocacy programme, which profiles suppliers against 14 environmental criteria including water conservation, waste management, emissions, energy efficiency and packaging recyclability.

Life below water

SDG 14 target: By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics.

Globally, overfishing and declining fish stocks represent a significant threat to ecosystem health and food security. We believe that to ensure the long-term sustainability of fisheries we need to engage closely with our suppliers to advocate for more sustainable fishing practices and greater supply transparency.

As part of our environmental advocacy programme, we have also committed not to source any threatened, endangered or WWF South Africa’s Sustainable Seafood Initiative red-listed seafood species.

In addition to advocacy surveys, site visits and face-to-face engagements, we regularly test the authenticity of seafood products on our shelves through DNA analysis. Through a partnership with the University of the Witwatersrand, we tested over 15 different seafood products in 2019; this work highlighted that mislabelling remains one of the foremost challenges to seafood supply chain transparency. We also detected two instances of red-listed species which, following engagement with our vendors, will no longer be supplied to us. We will continue monitoring seafood sustainability and working towards a greater level of disclosure and transparency in our seafood supply chain in 2020.
Life on land

SDG 15 target: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

As part of a global Walmart commitment to zero net deforestation by the end of 2020, we have concluded our annual source-of-origin sustainability review of our Private Label pulp and paper-based products.

In 2019, our Private Label pulp and paper products used approximately 2,978 tonnes of pulp and paper fibre, of which 92% was sustainably sourced. In the coming year we will be engaging with our suppliers regarding the remaining 8% to achieve our objective of 100% sustainably sourced fibre.

We also continue to track and monitor the volume of palm oil used in our Private Label products. In 2019, we used 190 tonnes of palm oil, the majority of which was used in our soap and confectionery ranges. While we offset 100% of our palm oil usage through the purchase of PalmTrace certificates, we have started engaging with leading Private Label palm oil suppliers to transition to Mass Balance or segregated sustainable sources.

As part of this process and due to the limited supply of sustainably sourced fibre, we have started engaging with our shared multi-palm oil suppliers to identify opportunities to increase access to local sustainable supply.

Peace, justice and strong institutions

SDG 17 target: Develop effective, accountable and transparent institutions at all levels.

Over the past four years, we have provided financial support to social justice organisations whose mandate is to advocate for stronger governance within public and private institutions. In this regard, we continue to support Section27, an organisation that focuses on healthcare services and basic education. Our support has taken the form of funding to assist with their legal advocacy efforts and of access to our in-house market research function to assist in providing civil society and brand positioning insights.

We also supported various other programmes during the period including the Department of Basic Education’s Matric Top Achievers awards, and coordinated and contributed towards the South African National Defence Force Goodwill Parcel project. Aligned to our Global Responsible Sourcing programme we engaged closely with the South African Consumer Goods Council to develop a responsible sourcing standard for its members.

Performance indicators

Environmental performance indicators

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<tbody>
<tr>
<td>Estimated water consumption intensity (kL/m²)</td>
<td>0.46</td>
<td>0.56</td>
<td>0.55</td>
<td>0.5</td>
</tr>
<tr>
<td>SA store energy intensity (kWh/m²)</td>
<td>211.6</td>
<td>204.9</td>
<td>213.1</td>
<td>194.6</td>
</tr>
<tr>
<td>Scope 1 emissions intensity (tCO₂e/Rm total sales)</td>
<td>0.70</td>
<td>0.59</td>
<td>0.81</td>
<td>0.6</td>
</tr>
<tr>
<td>Scope 1 emissions intensity (tCO₂e/m²)</td>
<td>0.02</td>
<td>0.02</td>
<td>0.03</td>
<td>0.02</td>
</tr>
<tr>
<td>Scope 2 emissions intensity (tCO₂e/Rm total sales)</td>
<td>5.67</td>
<td>5.01</td>
<td>5.18</td>
<td>5.2</td>
</tr>
<tr>
<td>Scope 2 emissions intensity (tCO₂e/m²)</td>
<td>0.19</td>
<td>0.17</td>
<td>0.18</td>
<td>0.18</td>
</tr>
</tbody>
</table>

- Water has been calculated from the cost of water consumed divided by regional commercial tariff averages, giving this we expect a margin of error of between 10-15%.
- Scope 1 and 2 emissions are externally verified by GCX Africa.
- Scope 1 and 2 emissions relate to direct emissions resulting from Group-owned vehicles, generators and fugitive emissions across the Group (SA and the rest of Africa).
- Scope 2 emissions are derived from divisional electricity consumption from grid-tied sources. Energy consumption data is annualised and normalised. Expected margin of error is 10-15%. Emission factors updated to 1.04
- Some Scope 1 and 2 data are estimates based on historical known values. This is due to a lack of accurate data logging capacity and functionality in Makro and Massdiscounters in 2019. Massmart is currently restoring lost utility logging and reporting functionality across the Group.
- Total Group sales are used to calculate Scope 1 and 2 emissions intensity per Rand million (Rm).
- The square metre (m²) is reported as a function of gross lettable area.

BBBEE performance indicators

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<tbody>
<tr>
<td>Management control</td>
<td>11.35</td>
<td>11.51</td>
<td>9.62</td>
<td>8.8</td>
</tr>
<tr>
<td>Skills development</td>
<td>14.52</td>
<td>21.25</td>
<td>12.75</td>
<td>11.1</td>
</tr>
<tr>
<td>Enterprise development</td>
<td>29.57</td>
<td>28.89</td>
<td>27.4</td>
<td>24.4</td>
</tr>
<tr>
<td>Socio-economic development</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>BBBEE score*</td>
<td>82.06</td>
<td>80.81</td>
<td>66.63</td>
<td>58.3</td>
</tr>
<tr>
<td>BBBEE Level</td>
<td>4</td>
<td>4</td>
<td>7</td>
<td>8</td>
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* Improved overall scorecard performance as a result of ongoing efforts to improve transformation.

CSI performance indicators

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<tbody>
<tr>
<td>Total Massmart Group CSI spend</td>
<td>1.5%</td>
<td>2.9%</td>
<td>1.5%</td>
<td>1.8%</td>
</tr>
<tr>
<td>as a % of loss/profit after tax</td>
<td></td>
<td></td>
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<tr>
<td>Total Massmart Group contribution (Rm)</td>
<td>13.2</td>
<td>25.4</td>
<td>23.4</td>
<td>24.1</td>
</tr>
<tr>
<td>Total investment in nutrition programmes (Rm)</td>
<td>2.2</td>
<td>10.2</td>
<td>8.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Total investment in infrastructure and school maintenance (Rm)</td>
<td>–</td>
<td>4.3</td>
<td>3.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Total investment in early childhood development (Rm)</td>
<td>6.0</td>
<td>5.0</td>
<td>6.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Total investment in divisional discretionary projects (Rm)</td>
<td>–</td>
<td>5.0</td>
<td>4.7</td>
<td>9.8</td>
</tr>
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</table>

2019 ACHIEVEMENT: Included in the FTSE/JSE Responsible Investment Top 30 Index
Food safety and hygiene

An effective Food Safety programme results in customer loyalty, improved customer service and a reduced chance of customer incidences, regulatory findings and product recalls. Our Food Safety programme includes food safety audits (external and internal) at stores, manufacturing plants and at suppliers. It also includes product and environmental testing, food fraud testing, product recalls, regulatory inspection management and food safety training and monitoring programmes.

During 2019, we focused on improving food safety standards in our stores and Group-owned manufacturing sites; all of these sites received full food safety certification. In addition, we rolled out a Global Walmart Hazard Analysis and Critical Control Points audit at these facilities. To improve on food safety standards at our DCs, all were audited against a Global Food Safety Audit this year. Our stores were audited against the highest global and local food safety standards by an independent third party, which revealed a significant improvement in our overall food safety results compared to the previous year.

We continue to work closely with our Private Label suppliers to implement the Global Food Safety Initiative (GFSI) standards and we have seen good progress with overall compliance. In 2019 product testing was conducted by a SANAS accredited laboratory at both product and store levels to ensure compliance with food safety standards.

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<tbody>
<tr>
<td>In-store food safety audits</td>
<td>920</td>
<td>881</td>
<td>825</td>
<td>1,503</td>
</tr>
<tr>
<td>Distribution centre food safety audits</td>
<td>19</td>
<td>16</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Private label products tested</td>
<td>1,979</td>
<td>1,971</td>
<td>1,522</td>
<td>1,132</td>
</tr>
<tr>
<td>In-store environmental tests (surface swabs, hand swabs, product tests, water tests, drain swabs)</td>
<td>16,276</td>
<td>16,508</td>
<td>16,221</td>
<td>12,982</td>
</tr>
<tr>
<td>Products recalled</td>
<td>22</td>
<td>55</td>
<td>38</td>
<td>34</td>
</tr>
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Consumer Protection and Product Safety Compliance

Our Massmart Consumer Protection and Product Safety Compliance programmes continue to evolve to support our overall compliance strategy and commitment to being a responsible corporate citizen. Our turnaround plan necessitates the continuous enhancement of our programmes to ensure that the customer is at the centre of everything we do. The major focus areas, which we successfully accomplished during 2019 included:

- Design of new standards and controls for product safety on e-commerce product listing/team setup, and consumer protection with an emphasis on online price error management and restricted and prohibited goods.
- In-class training of all new merchants and the introduction of computer-based-learning module to train operational consumer facing staff.
- The training by Walmart Global Sourcing team was also undertaken to better support local merchants in product safety compliance verification pre-supplier/product selection.
- Design of a proactive testing programme for direct imports and Private Label products.
- Regular engagement with our regulatory authorities regarding future international and national policy and products.

Health and Safety

Health and Safety throughout our operations remains one of our key priorities. We strive to ensure that we create an environment that is safe for our associates and stakeholders. To enable this environment we have adopted a Health and Safety management system that follows a risk-based approach.

In order to continually improve the performance of our Health and Safety programme, we focus on the following three pillars:

- **People:** Safety is everyone’s responsibility. Our Executive team leads, by way of positive example, in providing a safe environment for our associates to work in and an enhanced customer shopping experience for our consumers.
- **Processes:** We constantly evaluate and develop our processes to mitigate existing and potential hazards in our facilities. By investigating every incident and accident thoroughly, we are able to establish and analyse the root causes in order to implement effective counter measures.
- **Systems:** We drive consistency in our Health and Safety programme through the alignment and standardisation of our health and safety activities in our business. This includes our Health and Safety management systems, digital and technological solutions, safety training and awareness and safety toolkits.

One of our key performance indicators to evaluate our Health and Safety programme performance is the Lost Time Case Rate (LTCR). Massmart tracks the number of incidents which occur for every 200,000 hours worked, based on our Global Reporting Requirements.

Our LTCR of 0.62 in 2019 represents an improvement from 2018 of 0.66.

During 2019, we regretfully had one work-related fatality when our associates fell victim to an armed robbery in a Masscash store in the Eastern Cape. Given the Group’s focus on workplace safety, we also work closely with contractors to ensure compliance to safe work practices. We were deeply saddened by third-party contractor fatalities, of which there were six during the reporting period. This has caused the Group to intensify its focus on safety standards, not only for our associates, but also for our third-party contractors. The Group extends its sincere condolences to the families for their loss.

Demarcated aisles when working with forklifts in our stores ensures the safety of our customers.
Empowering our people

Massmart People

Digitally enabled talented teams with a breadth of experience in a diverse and inclusive environment

Our world is being transformed by a digital revolution that will require us to undergo radical change in order to ensure that our customers remain at the centre of everything we do. Our associates need to be optimally empowered not only to respond to this change but also to drive it. Our focus remains on ensuring that our associates are change ready and digitally empowered.

We aim to become the strongest, healthiest retail group with the best long-term prospects on the continent. Strong teams and empowered leaders are core to this aim. Talent management is viewed as a strategic pillar, critical to our ability to execute our turnaround plan, which requires highly engaged people empowered to meet the demands of omnichannel retail, fill our key roles. These leaders strive to create a culture where all associates feel valued and respected not only for the work they do, but also for their diversity of thinking and culture they bring to the Group.

During the difficult trading year, we have continued to rigorously drive Massmart’s people agenda to heighten engagement and retention while presenting a compelling proposition for new entrants to the Group.

Digital mindset, technology enablement

Provide training, tools and systems that enable ‘digital first’ ways of thinking

Building on the successful foundation laid in 2018, we continue to drive this critical dimension of our strategy and are making good progress.

A multidisciplinary Digital Steering Committee was established to drive an integrated approach in our digital journey towards making every day easier for busy families and transforming the associate experience. In 2018, we reviewed the content and delivery methods within our School of Leadership to ensure its relevance and support for digital first ways of thinking and working. We concluded this project in 2019 with the launch of the Massmart Talent Development Zone, offering a range of journeys using blended learning methods. This supports customised learning journeys for 4,600 associates managing their careers through our online talent portal, TalentPrint.

A key milestone in driving digital awareness was the Massmart Digital Boot camp, which was attended by 160 key influencers from across the Group in 2019. Held over two days, the agenda included topics such as agile ways of working, design thinking, hackathon simulations and lectures from renowned retail digital specialists. This culminated in the launch of a Digital School within the Massmart Talent Development Zone to ensure digital awareness and capacity is disseminated throughout the Group.

Our Human Resources (HR) Analytics team continues to provide supportive and predictive stories to leadership, while ensuring data integrity and providing support in measuring and evaluating the effectiveness of many of our initiatives.

We concluded the preparatory phase for the implementation of a HR Information System with the go-live scheduled for the first quarter of 2020.

Transform our talent

Equip leaders to transform our business and prepare associates for future roles

The Group prides itself on its investment in learning in all functional areas. Learnerships and skills based programmes, focusing on our customers, continue to be the backbone of store based learning. In building the core competencies, which will deliver on our turnaround plan, we rely on all elements of our integrated talent management system. Each element is designed to enhance the capabilities of associates in critical roles, both now and for the future. The insights that we continue to obtain from the TalentPrint system enable decision-making around succession, development, engagement and aspirations of key talent. As we understand the potential of our associates, we are better placed to empower them to achieve their aspirations with relevant exposure and personalised learning interventions, including mentoring.

Our Learning and Development operating model accelerates learning and future readiness for associates through customised, integrated, agile, digitally enabled learning options and journeys thus growing our people balance sheet, improving bench-strength for succession and improving retention.

Our Strategic Talent Reviews have evidenced the impact of this and highlighted critical gaps. Revised assessments have been introduced for recruitment, selection, promotion and development purposes reducing subjectivity in appointments and enabling people to constructively address development gaps. Our graduate programme is foundational to our talent pipeline and has evolved to include digital and finance specialists, while still focusing on our Retail operations and supply chain learners. Now in its twelfth year, it is exciting to observe the number of senior managers who are alumni of this NQF level six programme, proving the wisdom of this key investment. We look forward to the continued growth of our graduates.

We are excited to have senior women participate in Walmart’s International Women in Leadership and Real Estate development programmes with other senior associates nominated for Walmart International Development programmes.

Through the Massmart Talent Development Zone, we have successfully launched unique learning opportunities in response to our goals. Our blended approach involves digital, face-to-face, virtual classrooms and networking sessions allowing associates and their leaders to tailor learning in response to their needs and aspirations. Through platforms such as Udemy and Bookboon, we have curated learning offerings in support of our drive to improving digital awareness throughout the organisation.

This approach, together with relevant content, has been positively received by participants and managers. We are working to encourage and scale usage to ensure that more associates benefit from the experiences. We will also digitise the merchant development programmes.
Sharpen culture, embed diversity and inclusion

Elevate performance across the business through rewards, environment and ways of working. Embed diversity and inclusion in everything we do, enabling competitive advantage

Creating a high performance culture is dependent on leadership leveraging all elements of the associate experience. Associates with career path clarity and an understanding of their development needs are highly engaged. With each iteration of our talent process, we are building trust in the system thus heightening engagement. Our ‘Learning to Lead’ sprint, a short digital intervention for managers equips them to support associates on their development paths.

Sharpening our selection process, enhancing our on-boarding programme and a renewed performance management system supports the drive to build a culture of excellence and mutual respect.

Both internal and external appointments to the Executive Committee have driven shifts in culture resulting in new ways of working and ensuring cultural and thought diversity.

To ensure that leadership communicates a clear direction and vision for the Group a variety of communication forums and tools have been introduced. These include town hall meetings, Officer feedback sessions and regular digital communication from the CEO.

The Committee has driven and supported the following initiatives:
- Driving awareness of women’s empowerment through the #redshoe movement
- Allocation of quiet space for prayer
- Allocation of facilities for nursing mothers
- Women’s Leadership Council
- Participation in SAWEI survey
- Back-to-work intervention for associates returning to work after illness

Our commitment to the principle of diversity and inclusion does not aim to elevate or exclusively applaud specific groups of people, but rather seeks to remove biases and preconceptions, which inhibit constructive conversations. We aim to recognise the skills and ideas that every person has the potential to contribute. The principle of diversity and inclusion is also not exclusively an HR imperative but forms part of our overall Group strategy.

Both internal and external appointments to the Executive Committee have driven shifts in culture resulting in new ways of working and ensuring cultural and thought diversity.

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- Participation in SAWEI survey
- Back-to-work intervention for associates returning to work after illness

Our performance indicators 2019 2018 2017

<table>
<thead>
<tr>
<th>Associate performance indicators</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of permanent associates</td>
<td>40,001</td>
<td>32,008</td>
<td>28,650</td>
</tr>
<tr>
<td>Percentage of permanent ACI associates</td>
<td>94.6%</td>
<td>92.8%</td>
<td>91.5%</td>
</tr>
<tr>
<td>ACI management as a % of all management*</td>
<td>64.4%</td>
<td>61.6%</td>
<td>n/a</td>
</tr>
<tr>
<td>Percentage of permanent associates who are women</td>
<td>45.4%</td>
<td>47.0%</td>
<td>45.4%</td>
</tr>
<tr>
<td>Percentage of total associates operating in South Africa</td>
<td>91.7%</td>
<td>90.3%</td>
<td>89.4%</td>
</tr>
<tr>
<td>Unions staff</td>
<td>42.5%</td>
<td>44.4%</td>
<td>40.9%</td>
</tr>
<tr>
<td>Percentage of permanent associates with medical benefits</td>
<td>84.6%</td>
<td>83.3%</td>
<td>97.0%</td>
</tr>
<tr>
<td>Associate turnover</td>
<td>17.0%</td>
<td>20.0%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Associate training spend</td>
<td>R250.4m</td>
<td>R230.2m</td>
<td>R112.5m</td>
</tr>
<tr>
<td>Number of work-related accidents that occurred in the current year</td>
<td>666</td>
<td>538</td>
<td>554</td>
</tr>
<tr>
<td>Paid to associates as salaries, wages and other benefits</td>
<td>R8,042.1m</td>
<td>R7,528.9m</td>
<td>R7,402.9m</td>
</tr>
</tbody>
</table>

* During the period an error was identified regarding the calculation of ACI management as a % of all management. The 2018 comparative has been restated and data relating to 2017 is not available.
ACCOUNTABILITY AND SHAREHOLDER INFORMATION

What kept our Audit Committee busy in 2019 and what will keep it busy in 2020 and beyond

Focus in 2019
- Performance against Group strategy
- Assessment of the adequacy of the finance function
- Assessment of the management charges made during the year
- Approval of management’s proposal not to declare a dividend due to the headline loss reported during the period, and recommended this to the Board
- Review of the scope, quality, effectiveness, independence and objectivity of the external auditor with reference to the audit quality indicators included in inspection reports issued by external audit regulators and are satisfied with all of these areas
- Effectiveness of the Group and divisional internal financial control environment, tax strategy and policy, combined assurance and compliance
- Review of the Group financial covenants in relation to its borrowings and debt position and concluded that the business will be a going concern in the year ahead

Focus in 2020 and beyond
- Performance against Group strategy and implementation of the turnaround plan
- Ongoing monitoring of the effectiveness of the Group and business unit internal financial control environment, tax strategy and policy, combined assurance and compliance
- Assess and respond to aspects arising from the Mandatory Audit Firm Rotation relevant regulatory developments
- Monitor the effectiveness of cyber security risk management

Significant matters in relation to the Annual Financial Statements
- Ensured appropriate accounting disclosure of the new IFRS 16 ‘Leases’ standard
- Aspects arising from the Mandatory Audit Firm Rotation relevant regulatory developments
- Competence and effectiveness of the Chief Audit Executive and arrangements for internal audit
- Assess and apply Findings arising from the JSE Proactive Monitoring Progress report as well as Massmart-specific thematic reviews to ensure continued improved to our Financial and Integrated Reporting.

COMMITTEE MEMBERS

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Board Status</th>
<th>Member Since</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>O Ighodaro</td>
<td>Independent Non-Executive Director</td>
<td>24 May 2018</td>
<td>3/3</td>
</tr>
<tr>
<td>NN Gwagwa</td>
<td>Independent Non-Executive Director</td>
<td>1 November 2006</td>
<td>3/3</td>
</tr>
<tr>
<td>P Langeni</td>
<td>Independent Non-Executive Director</td>
<td>25 August 2004</td>
<td>2/3</td>
</tr>
<tr>
<td>M Mthimunye**</td>
<td>Independent Non-Executive Director</td>
<td>27 February 2019</td>
<td>3/3</td>
</tr>
</tbody>
</table>

* Resigned as a member of the Audit Committee effective 21 May 2020.
** Appointed as a member of the Audit Committee effective 27 February 2019. Attended the 25 February 2019 meeting as an invitee.

We continue to provide oversight and input into the Group’s governance and internal controls to ensure the quality and integrity of its external reporting. We evaluated the independence and effectiveness of external audit. We are satisfied that we effectively discharged our statutory duties as well as other duties in accordance with our Charter.
We consider 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 business objectives. The Committee continued to review and assess the dynamic interventions required, within the Group’s available resources and skills, in response to business-specific, industry-wide and general risks and opportunities.

**What kept our Risk Committee busy in 2019 and what will keep it busy in 2020 and beyond**

**Focus in 2019**
- Review and monitoring of the significant risks and opportunities facing the organisation taking into consideration the Group’s long-term strategy, its operating context, the interests of key stakeholders, media coverage and/or public concern
- Provision of independent and objective oversight of risk management across the Group and its divisions by directing the way risk management should be approached and addressed in the Group
- Considering the Group’s IT strategy and the adequacy of the cyber security, information management and data security interventions in place
- Review of events and risks that occurred or were emerging and expected to have a direct or indirect impact on the Group’s risk profile
- Monitoring of Massmart’s effectiveness in the application of the King IV principles and recommended practices
- Reviewed the appropriateness of the combined assurance model
- Ensuring that the Group maintained an effective and independent ethics and compliance function.

**Focus in 2020 and beyond**
- Continue to monitor management’s risk assessments and their response to significant risks
- Ensure that consideration is given to the upside presented by such risks to ensure that possible opportunities are captured
- Conduct a review of global, domestic, industry and the competitor risk environment
- Review of the Group’s information and technology governance and controls framework and its responsiveness to the Group’s IT strategy, including the adequacy of cyber security measures
- Review Massmart’s level of risk appetite and tolerance and its determination of what constitutes excessive risk
- Monitor increasing and evolving regulatory developments and their consequential impact on the Group’s growth agenda.

**What kept our Social and Ethics Committee busy in 2019 and what will keep it busy in 2020 and beyond**

**Focus in 2019**
- Considering, analysing, reviewing and deliberating on management reports on ethics, health and public safety, food and other products safety, supporting small local manufacturers and socio-economic development
- Reviewing and assessing Massmart’s response to the listeriosis outbreak in South Africa, and ensuring the effectiveness of Massmart’s testing protocols
- Reviewing and assessing Massmart’s response to the global outbreak of the coronavirus, COVID-19, and ensuring the effectiveness of Massmart’s testing protocols
- Reviewing and considering the Group’s human capital and related talent management and retention strategies
- Considering the Group’s response strategies to address equal pay for work issues and government policy on minimum wage
- Reviewing and assessing the effectiveness of the Group’s transformation initiatives, including gender rights, monitoring the Group’s progress against BBBEE and employment equity targets
- Considering Massmart’s interaction with key stakeholders and industry bodies to understand the perspectives of those impacted by Massmart and those who in turn have an impact on Massmart.

**Focus in 2020 and beyond**
- Consider South Africa’s regulatory, political, environmental and social landscape and its implications for Massmart and the retail sector
- Monitor and assess Massmart’s responses to the global outbreak of the coronavirus, COVID-19, and ensuring practical measures are in place
- Monitor and track the Group’s employment equity plans and related progress
- Monitor the Group’s pay parity response strategies and compliance
- Monitor Group compliance with minimum wage legislation and applicable wage sectoral determinations
- Monitor the Group’s progress against its transformation agenda
- Ensure that systems, procedures and policies are in place to enable Massmart to maintain its responsible corporate citizenship status
- Ensure Massmart’s continued participation in various internationally accredited governance, social and environmental indices
- Monitor Group structures, particularly in relation to responsible Private Label sourcing.
We assist the Board in identifying and nominating candidates, making recommendations on its composition with respect to race, gender and the balance between Executive, Non-Executive and Independent Non-Executive members appointed to the Board. We assist the Board in formulating succession plans for both Executive and Non-Executive Directors and assessing the effectiveness of the Board and its sub-Committees.

Nominations Committee

Focus in 2019

• Assessed and recommended the appointment of the Chief Executive and Chief Financial Officers to the Board.
• Reviewed the composition of Board Committees and, where required, recommended to the Board the reconstitution of Board Committees to ensure that the Committees comprised members with the relevant knowledge and skills.
• Reviewed the appropriateness of the Board’s race and gender diversity policies and ensured that Board appointments were made with due consideration thereof. Pleasingly targets set in both the race and gender policies were met again this year.
• Assessed the independence of the Independent Non-Executive Directors and conclude that no relationships or circumstances are likely to affect, or appear to affect, the judgement of Lulu Gwagwa and Phumzile Langeni as Independent Non-Executive Directors. These Directors have served on the Board in excess of nine years.

• Ensured that the induction and ongoing training and development of Directors took place.
• Continued to search for suitably qualified Non-Executive Directors to broaden the Board’s pool of Independent Non-Executive Directors and strengthened succession planning. Five female Independent Non-Executive Directors were appointed as at the date of this report.

Focus in 2020 and beyond

• Continue to review the Board and sub-Committee composition in line with Board race and gender diversity policies.
• Ensure that policies and procedures are in place to ensure the Board leads ethically and effectively.
• Assess and enhance the effectiveness of succession planning for senior Executives, the CEO, the CFO and Non-Executive Board Directors.
• Seek independent advice and external assurance in respect of the Board’s self-assessment.
• Monitoring of conflicts of interest, Directors dealing in Company securities, declarations of interest and regular review and assessment of the independence of Independent Non-Executive Directors.

What kept our Nominations Committee busy in 2019 and what will keep it busy in 2020 and beyond

Committee Members

<table>
<thead>
<tr>
<th>COMMITTEE MEMBERS</th>
<th>BOARD STATUS</th>
<th>MEMBER SINCE</th>
<th>ATTENDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>K Dlamini (Chairman)</td>
<td>Independent Non-Executive Director</td>
<td>10 April 2014</td>
<td>4/4</td>
</tr>
<tr>
<td>E Ostalé*</td>
<td>Independent Non-Executive Director</td>
<td>24 February 2016</td>
<td>3/4</td>
</tr>
<tr>
<td>P Langeni</td>
<td>Independent Non-Executive Director</td>
<td>25 August 2004</td>
<td>3/4</td>
</tr>
</tbody>
</table>

E Ostalé* Resigned as a member of the Nominations Committee effective 25 February 2020.
Per our remuneration policy, the Group’s Executives, including the Executive Directors, are incentivised based on the achievement of each year’s actual financial performance compared to the annual business plan for that year as approved by the Board in the previous year as well as non-financial metrics specific to the 2019 financial year. As detailed in the remuneration policy, performance is measured against four dimensions namely: profit before tax (PBT); non-financial metrics; total sales; and return on investment (ROI).

The Group experienced another challenging trading year. This resulted in softer than expected sales, particularly over the crucial festive period, and lower gross margins, which adversely impacted profitability.

Our performance

2019 saw a detailed review of the Group strategic direction and focus by a revitalised Executive team under the guidance and facilitation of external consultants. As we implement our turnaround plan, the Board considered multiple factors including a review of our operating model, prevailing and forecast economic conditions in all countries in which we operate, key business objectives, the pursuit of growth, cost containment, capital investment programmes and the appropriate degree of improvement in business performance. As can be seen from the historical targets noted in the implementation report, our previous annual business plans have incorporated real growth in total sales, improved operating performance and improved returns on invested capital. We do not disclose these forecast figures within this report, as this would reveal confidential and commercially sensitive information.

Director changes

The following Director changes took place during the year:

In February 2019, CFO Hans van Lierop indicated that he was not available to extend his tenure with Massmart for personal reasons after the formal conclusion of his South African work visa in February 2020. On 30 April 2019, shareholders were informed that Mohammed Abdool-Samad would succeed Hans as Chief Financial Officer and Executive Director effective 1 August 2019.

On 6 May 2019, the Board announced that after almost twenty years in the business, the past five of which have been as Chief Executive Officer, Guy Hayward had informed the Board of his decision to step down from his role before the end of 2019.

On 23 May 2019, Mitch Slape’s appointment as Chief Executive Officer was announced, effective 1 September 2020.

On 27 May 2019 the appointment of Phumzile Langeni as Lead Independent Director was announced, with effect from 23 May 2019.

On 5 September 2019 it was announced that Mohammed Abdool-Samad was appointed a member of the Risk Committee, effective 1 August 2019, and Mitch Slape a member of the Risk and Social and Ethics Committees, effective 1 September 2019. The Board further announced the resignation of the Group’s General Counsel and Company secretary Joseph Ralebeka, effective 31 December 2019.

On 30 December 2019, the appointment of Nicole Morgan as the Interim Company Secretary, effective 1 January 2020, was announced.

On 25 February 2020, the following changes were announced: Enrique Ostalé resigned from the Board, Remuneration and Nominations Committee; JP Suarez was appointed to the Remuneration and Nominations Committees; and Charles Redfield was nominated for appointment as a Non-Executive Director of the Board, effective 25 February 2020.

On 6 March 2020, Phumzile Langeni’s resignation from the Risk and Audit Committees to focus on her other Massmart Board and Committee duties was announced, with effect from 21 May 2020.

The year in review

• The Massmart Group remuneration policy remained a key focus area
• Continued focus on ensuring that remuneration is managed and implemented in accordance with the remuneration policy
• Extensive stakeholder engagement
• Continued focus on our commitment to remunerate associates fairly, responsibly and transparently. In order to achieve this, the Remuneration Committee has committed to the ongoing review of remuneration
• The Remuneration Committee has also undertaken to support the Group in enhancing its Employee Value Proposition to retain key talent as well as to attract critical skills as may be required to meet strategic objectives.

Remuneration in 2020

2020 will see the launch of a revised operating model and strategic intent. In line with this change, we expect that components of the remuneration policy may change to support the realigned business focus.

In 2020, the Remuneration Committee’s main focus areas and priorities will include:

• Full review of the remuneration policy to ensure alignment with the business approach in the management of reward and to ensure relevance and continued alignment with good corporate governance
• Review and potential re-alignment of short- and long-term incentive targets and metrics to support revised business objectives
• Implementation of a malus and clawback clause within the remuneration policy
• Increased focus on non-financial metrics within a robust governance process to support our turnaround plan
• Agreed non-financial metrics:
  • BBBEE – Retain Level 4 BBBEE score
  • Employment Equity – Set annual targets to deliver against Employment Equity goals over a three-year period
  • Diversity and Inclusion – Drive diversity and inclusion through active sponsorship of associates from diverse backgrounds
  • Sustainability – Increase our total on-site renewable energy generating capacity by 50% in 2020
• Ensure that remuneration is implemented in accordance with the remuneration policy
• Ensure that associates continue to be remunerated fairly, responsibly and transparently
• The Remuneration Committee undertakes to support the Group in enhancing its Employee Value Proposition to retain key talent as well as to attract critical skills as may be required to meet new strategic objectives.
**Stakeholder engagement**

At the Annual General Meeting (AGM) held on 23 May 2019, in accordance with King IV, the Group remuneration policy and implementation report were put to a separate non-binding advisory vote, allowing shareholders to express their views on the policy adopted. We received a 93.2% (2018: 92.4%) vote in favour of the policy and 93.3% supported the implementation report.

We value the opinion of our stakeholders and believe that strong stakeholder engagement strengthens the relationship between our stakeholders and our Board, helping to ensure the effectiveness of our Board and its alignment to all stakeholder interests. Prior to our AGM, Massmart’s Executives engage with shareholders and institutional investors to ensure there is clarity regarding components of the remuneration policy.

The Remuneration Committee is confident that the revised remuneration policy promotes the achievement of strategic objectives within good corporate governance guidelines and is aligned to the principles of King IV. We further confirm that the levels of remuneration are fair and equitable and support the attraction, motivation, reward and retention of our associates. We confirm that both the remuneration policy and its implementation will be subject to ongoing review and will be a standing item on the Remuneration Committee agenda going forward.

In line with the principles set out in King IV, Massmart will table its remuneration policy and implementation report for two separate non-binding advisory votes at its 2020 AGM. Should 25% or more of the shareholders vote against either resolution at the AGM, the Board will invite dissenting shareholders to engage with the Remuneration Committee on their concerns.

**Executive Directors’ single total figure remuneration overview**

King IV prescribes that companies must provide a single total figure of remuneration, received and receivable, for the reporting period and all the remuneration elements that it comprises, each disclosed at fair value.

The following table provides an overview of the Executive Directors’ remuneration for 2019, explained in detail in Section 03 of this report.

<table>
<thead>
<tr>
<th>R’000</th>
<th>Mitchell Slape</th>
<th>Mohammed Abdosi-Samad</th>
<th>Gary Hayward</th>
<th>Johannes van Lierop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed Package</td>
<td>744</td>
<td>3,231</td>
<td>19,514</td>
<td>18,769</td>
</tr>
<tr>
<td>Other Benefits</td>
<td>3,080</td>
<td>321</td>
<td>476</td>
<td>1,047</td>
</tr>
<tr>
<td>Short-term incentive: Actual paid (target not achieved)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other bonuses</td>
<td>2,679</td>
<td>10,097</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Value of Performance Shares which recognised an accelerated vesting</td>
<td>–</td>
<td>–</td>
<td>945</td>
<td>–</td>
</tr>
<tr>
<td>Value of Restricted Shares granted September 2019</td>
<td>–</td>
<td>7,257</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total 2019</td>
<td>6,503</td>
<td>19,996</td>
<td>20,953</td>
<td>20,761</td>
</tr>
<tr>
<td>Total 2018</td>
<td>n/a</td>
<td>n/a</td>
<td>16,865</td>
<td>15,855</td>
</tr>
<tr>
<td>% Increase (excluding long-term incentive vestings)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>% Increase (including long-term incentive vestings)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>% of earnings performance based: short-term</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>% of earnings performance based: long-term</td>
<td>0.0%</td>
<td>36.3%</td>
<td>4.6%</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

- The guaranteed package and other benefits reflect actual payments made in the reporting period
- In order to match incentive awards with the performance to which they relate, the short-term incentives and the long-term incentive performance shares vested reflect the amounts accrued in respect of the year and not amounts paid in that year
- As per guidance received in terms of the single total figure remuneration definition, the long-term incentive restricted shares number represents restricted shares granted in the financial year, valued at the closing share price for the financial year

The information provided in this report has been approved by the Board on the recommendation of the Remuneration Committee.

I would like to take this opportunity to express my appreciation to the members of the Committee for their support and efforts during the past year.

Phumzile Langeni
Chairman of the Remuneration Committee
2 April 2020

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* Appointed with effect from 31 August 2019
** Appointed with effect from 1 September 2019
*** Resigned as an Executive Director with effect from 31 August 2019 and as such was not eligible for this share grant
**** Resigned with effect from 31 July 2019
***** Based on share price at year-end
### Remuneration philosophy

The purpose of Massmart’s remuneration philosophy is to establish sustainable, fair and equitable reward levels that will attract, motivate and retain high calibre associates. This is in line with the Group’s culture and values, whilst ensuring continued alignment of remuneration with legislation, stakeholder interests and best practice in the retail environment.

We strive to ensure that our remuneration policy supports the development and retention of top talent and critical skills. Its purpose is to ensure a workforce that is motivated to successfully develop, implement and support the Group’s business strategy. The focus is on ensuring the long term growth and success of the Group and the enhancement of stakeholder value.

The desired outcome of our remuneration programmes are to:

- Provide competitive, equitable and responsible remuneration based on an associate’s skills, performance and contributions to the Group, among other factors
- Attract and retain the talent necessary to achieve the Group’s business objectives
- Ensure good corporate governance, ethical practice and risk mitigation in the application and measurement of reward programmes
- Oversee the delivery of processes for the consistent management and implementation of remuneration elements
- Develop a sense of Group ownership and align the interests of associates with those of its stakeholders
- Recognise Massmart division-specific goals and reward associates appropriately for their contribution towards achieving those goals
- Provide opportunities for greater financial rewards to those who perform well within their job responsibilities

### Massmart’s total reward offering

<table>
<thead>
<tr>
<th>TGP TOTAL GUARANTEED PACKAGE</th>
<th>AIP ANNUAL INCENTIVE PLAN</th>
<th>SIP SHARE INCENTIVE PLAN</th>
<th>REMUNERATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is TGP?</td>
<td>What is AIP?</td>
<td>What is SIP?</td>
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<tr>
<td>• Basic salary</td>
<td>• One year Annual</td>
<td>• Performance and</td>
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<tr>
<td>• Car/travel benefits</td>
<td>Incentive Plan</td>
<td>Restricted shares</td>
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<tr>
<td>• Retirement and insurance</td>
<td>• Bonus is expressed as</td>
<td>• Award is expressed as</td>
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<tr>
<td>benefits</td>
<td>a multiple of monthly</td>
<td>a percentage of TGP</td>
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<tr>
<td>• Medical aid benefits</td>
<td>pensionable salary</td>
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<tr>
<td>• Other expatriate benefits</td>
<td>Alignment to strategy</td>
<td>Alignment to strategy</td>
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<td>• To achieve the Group</td>
<td>• To recognise individual</td>
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<td>strategic priorities it</td>
<td>and Company achievement</td>
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<td>of financial and non-</td>
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<td>associates are fairly</td>
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<td>rewarded for their</td>
<td>aligned to Group</td>
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<td></td>
<td>contribution to</td>
<td>strategy</td>
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<td></td>
<td>achieving operational</td>
<td>• Halves and clawback</td>
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<td></td>
<td>and strategic</td>
<td>provisions applicable</td>
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<td>objectives</td>
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<td>• Retirement benefits</td>
<td>and payment of AIP</td>
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<td>provide our associates</td>
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<td>with an opportunity</td>
<td>remuneration policy</td>
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<td>to save for</td>
<td>• Financial objective:</td>
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<td>profit before tax</td>
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<td>promote responsible</td>
<td>• Non-financial objectives:</td>
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<td>corporation citizenship</td>
<td>alignment to Group</td>
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<td>is important that our</td>
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<td>associates are fairly</td>
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<td>• Associates who are</td>
<td>contribution to Group</td>
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<td>not eligible to</td>
<td>strategic priorities it</td>
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<td>is important that our</td>
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<td>rewarded for their</td>
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<td>annual bonus</td>
<td>contribution to Group</td>
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<td>support the business</td>
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<td></td>
<td>strategy</td>
<td>associates are fairly</td>
<td></td>
</tr>
</tbody>
</table>

**Annual Bonus**

Associates who are not eligible to participate in the short-term incentive plan may receive an annual bonus depending on Group and individual performance.

**Alignment to strategy**
This drives an individual’s performance to support the business strategy.

---

**Due to the highly competitive nature of the retail industry the following payments may be considered:**

- **Restraints of trade**
  - May be paid to individuals in certain identified key roles
  - Alignment to strategy
    - The business has included a restraint clause that may be enforced at the sole discretion of Massmart, whereby Massmart will compensate certain identified key individuals. For up to 12 months, at the time of the enforcement of the restraint.

- **Retention**
  - May be paid to individuals in certain identified key roles
  - Alignment to strategy
    - The business may award retention bonus payments to the identified individuals to retain key skills required to achieve strategic objectives.
    - All retention payments are subject to clawbacks.
Massmart’s total reward offering

Guaranteed remuneration

Massmart remains committed to ensuring competitive remuneration packages whilst managing costs. The guaranteed remuneration of Executive Directors is set according to annual benchmarking using data from the PwC Remchannel, Mercer and the Korn Ferry Hay Group salary surveys, as well as specific benchmarking to other similar sized JSE-listed companies to ensure market relatedness. The TGP is benchmarked to the third quartile. Annual TGP increases for Executive Directors are determined by the Remuneration Committee and are aligned to individual performance and the annual salary increase percentage range as set for the Group.

The TGP provides a fixed remuneration package, as determined to be appropriate and market-aligned, for each particular level and/or role. TGPs are reviewed annually against market data and increases are awarded on TGP in July each year. The actual percentage increases awarded are determined by taking CPI, performance, market trends and individual merit into account, whilst also considering salary positioning against the Massmart salary structure and market data.

Basic salary

The basic salary is calculated from the TGP and is used as a basis for the pensionable salary and AIP. Any expatriate associates working for Massmart in South Africa receive a basic salary denominated in US Dollars or Euros, as well as additional non-cash benefits e.g. housing, schooling and home leave.

Retirement benefits

All permanent associates are required to belong to a Group-approved retirement fund. The current Group-approved funds are all defined contribution schemes. The funds provide the associate with an opportunity to save for retirement. Life, disability and funeral cover are also provided to all permanent associates. Alexander Forbes administered the Massmart funds for a number of years and was replaced by Sanlam as administrators in October 2018, as we believed Sanlam could offer technology, efficiencies and an overall employer/member experience more aligned to our requirements. A formal service level agreement is in place that regulates this relationship. The trustees of the funds monitor fund performance on a quarterly basis. The Company contributes 10.5% of pensionable salary to the retirement fund and related insurances. Associates contribute at least 7%. Expatriate associates are paid a cash allowance in lieu of retirement benefits.

Medical aid benefits

It is compulsory for all new permanent Massmart Group associates to join a Company-approved medical plan. The Group has the responsibility of ensuring that the Massmart Health Plan offers appropriate plans and that contribution levels are sustainable and affordable for all levels of associates. Expatriate associates are covered by a separate international medical insurance. The Company contributes a portion of the medical aid fund contribution and the associate contributes the difference.

Car/travel benefits

Travel allowances, or Company cars, are provided to nominated associates to enable them to perform their duties, as required. The quantum of the allowance or Company car value is determined based on the requirements of each specific level and/or role.

Incentives

Massmart believes in the recognition and rewarding of associates who demonstrate superior performance that drives the achievement of business goals and delivers sustained value to shareholders.

Annual incentives are aimed at driving performance against pre-agreed financial and non-financial targets. Long-term incentive structures have been subject to review to align to business objectives.

In prior years, various share schemes were established to recognise and reward different levels of associates. In May 2013, the Massmart Share Incentive Plan, which is more closely aligned to the Walmart approach, was approved and replaced all other previous share schemes. No further share options are issued from either the Massmart Holdings Limited Employee Share Trust or the Massmart Black Scarce Skills Trust. Those options which have not yet vested through the above-mentioned Trusts will still vest according to the relevant rules and plans. Massmart offers both short- and long-term incentives as detailed below. The performance measures are set and approved by the Remuneration Committee annually.

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The AIP aims to incentivise and reward the achievement of the approved financial and non-financial goals and targets.

Eligibility

Executives and associates of a certain level are eligible to participate in the AIP, subject to Remuneration Committee approval.

Formula

Participating associates can earn an increasing multiple of their monthly basic salary dependent upon achievement of agreed targets.

Performance

Financial performance:

The financial performance metric comprises 80% of the total metric and is measured against PBT. The financial metric is calculated as follows:

Group Executives are 100% incentivised on Group performance, divisional CEOs are incentivised on 50% of Group performance and 50% on divisional performance, while divisional Executives are incentivised on 25% of Group performance and 75% of divisional performance.

Non-financial performance:

20% of the Executive AIP is based on four non-financial metrics; the highest of which supports the business objective of improvement against the BBBEE score. Other metrics in this category are set according to specific business requirements, are specific to each Executive’s accountabilities and focus and are designed to drive specific business results according to business requirements at the time. Examples of these metrics could include: improved customer satisfaction, diversity and inclusion, addressing team or business unit management succession, food safety, completing specific significant projects or interventions, new product category or geographic market developments, market share growth, etc. These metrics are set and measured annually and are aligned to business strategic initiatives at the time.

At the lower levels of the AIP, an individual metric based on associate performance is included.

Massmart Integrated Annual Report 2019
**AIP CONTINUED**

**Bonus pay-outs**
The bonus pay-out is determined separately for financial and non-financial performance to target. The two incentive portions earned together equal the total bonus payable. Any pay-out is triggered by the achievement of at least financial performance at 90% of planned PBT.

**Financial performance:**
For business performance below 90% of planned PBT, no incentives are earned. Incentives are capped at performance levels of 107% of planned PBT, unless the Remuneration Committee has approved a super-maximum target for a specific year.

**Non-financial performance:**
For performance below target, no incentives are earned. There is no additional payment for performance above target. In terms of the Plan rules, non-financial incentives are only paid if financial performance results achieve at least 90% of planned PBT.

**Discretion of the Remuneration Committee**
Outside of the AIP, the Remuneration Committee also has the option to provide discretionary awards to reward individual performance. The discretionary awards are capped at not more than 25% of target AIP. If awarded, these incentives are paid annually.

**Malus and clawback**
Malus and clawback provisions have been incorporated into the remuneration policy to mitigate against risk and manage the payment of annual incentives in the event of trigger events as defined in the remuneration policy.

---

**At Executive Director level the bonus pay-outs per achievement level are:**

**PROFIT BEFORE TAX**

<table>
<thead>
<tr>
<th>Threshold</th>
<th>Target</th>
<th>Above target</th>
<th>Target Payout</th>
</tr>
</thead>
<tbody>
<tr>
<td>payout</td>
<td>+ 4.6 months</td>
<td>+ 9.6 months</td>
<td>+ 14.4 months</td>
</tr>
</tbody>
</table>

**NON-FINANCIAL**

<table>
<thead>
<tr>
<th>Target</th>
<th>Target Payout</th>
</tr>
</thead>
<tbody>
<tr>
<td>payout</td>
<td>+ 2.4 months</td>
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</table>

(Notes: 90% achievement of target, 100% achievement of target, 107% achievement of target; a super-maximum level may be agreed and approved by the Remuneration Committee.)

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**SIP SHARE INCENTIVE PLAN**

The SIP is a long-term equity-based incentive plan. A combination of Performance shares and Restricted shares are awarded and granted to qualifying associates.

**Eligibility**
Full-value share rights are awarded bi-annually to qualifying permanent associates taking into account SARB exchange control regulations.

Initial qualification is based on motivation by the Executive Committees of each of the divisions. Final approval for participation is provided by the Remuneration Committee.

**Operation and instruments**

- **Performance shares:**
  - The performance share plan has specific performance metrics that have been designed to align with Walmart’s metrics and are measured individually against approved Group-level annual nominal sales and ROI targets, over three separate years, with an equal weighting (50% nominal sales and 50% ROI).
  - Each target has a range and the final awards are calculated based on a sliding scale in the range of 50% to a maximum of 150%.
  - If achieved, the awards are equity-settled at the end of the third year. If performance against either of the targets falls below the minimum of the range, no performance share awards will be earned against that target.

- **Restricted shares:**
  - Restricted share grants are specifically utilised for retention purposes and vest on a time basis, being one third each at the end of years three, four and five. There are no performance conditions applicable to the restricted shares. Restricted shares are aimed at the retention of associates with the long-term reward linked to share price growth.

**Mix of awards**
The plan provides for a mix of Performance shares which are awarded annually in April, and Restricted shares which are granted annually in September, based on the level of the associate. At Executive levels, the mix is 75% Performance shares/25% Restricted shares and at other levels, 50%/50%.

**Value of awards**
Currently, at Executive Director level, the value of the award is 100% of guaranteed package.

**Limits**
Individually, one participant may not exceed four million shares.

**Settlement**
The settlement of grants and awards are done primarily through on-market share purchases.

**Discretion of the Remuneration Committee**
The Remuneration Committee may approve special restricted share grants to associates whom the Company wishes to recognise for extraordinary achievements.

**Malus and clawback**
Malus and clawback provisions have been incorporated into the remuneration policy to mitigate against risk and manage the settlement of grants and awards in the event of trigger events as defined in the remuneration policy.
Executive service contracts

All Executives with the exception of the CEO, have permanent employment contracts with notice periods of up to 12 months, dependent on level in the business. Executives with key trade knowledge are also subject to Restraint of Trade agreements, which is enforceable at the Company’s sole discretion. The CEO is permanently employed by Walmart and is employed at Massmart through an expatriate assignment contract which is subject to an approved South African work visa.

Retention and sign-on payments

Sign on payments may be used to attract candidates with scarce or key skills, mostly at senior levels. Retention payments may be used to retain high value associates for a period of time. All retention and sign-on payments are subject to clawback of up to two years.

Malus and clawback

Malus and clawback processes, as defined in the remuneration policy, may be instituted by the Board on recommendation by the Remuneration Committee in instances that demonstrate a deviation from good corporate governance or expose the business to undue risk or financial exposure. Examples of trigger events for malus and clawback would include material misstatement of financial statements, gross misconduct on the part of associates leading to dismissal or a miscalculation of incentive targets or results.

Termination of office

The Remuneration Committee has the authority to approve termination benefits to Executive Directors when required. The maximum termination benefit payable would be limited to the notice period as contractually agreed and an ex-gratia value of no more than six months. Payment of these benefits would only apply in the case of termination due to operational requirements and would be limited to good leavers.

Massmart’s approach to fair and responsible pay

Massmart remains cognisant of the high levels of disparity in South African remuneration and as such remains focused on the consistent application of fair, responsible and transparent remuneration of all associates. Similarly, attraction and retention of key talent and scarce skills remains challenging in a difficult economic environment. In this context, ensuring internal equity and market competitiveness across all levels remains a key focus area. The Remuneration Committee is committed to the ongoing review of remuneration at all levels, as well as comparing remuneration between levels, to ensure that progress is made in addressing any inequality identified in the Group, whilst at the same time ensuring that key associates and Executives are remunerated competitively.

In line with the principles of our approach to the management of fair and responsible pay and within the context of the achievement of business strategic objectives, Massmart has developed remuneration governance frameworks and remuneration guidelines to ensure the consistent application of standard remuneration principles that promote pay parity at all levels. The management of fair and responsible pay is guided by the application of a standard grading structure and market-referenced pay scales across all divisions.

These frameworks and guidelines form the foundation for all pay decisions and have been established to support and promote the management of pay and benefit elements that are consistent, fair, follow recognised global methodologies and reference both external and internal pay data. They have been implemented throughout the Group and will be consistently reviewed and improved over time to ensure continued good governance, alignment with the principles of Massmart’s remuneration policy and best practice guidelines.

Remuneration governance frameworks ensure:

- Remuneration Committee review and approval of changes to all Executive remuneration and benefits
- Remuneration Committee approval and Board oversight of any exceptions
- An annual review of the remuneration policy, remuneration structures and incentive plans and the management thereof
- Correlation of incentive structures to business objectives, value creation and sustainability
- Ensuring incentive structures and goals that mitigate against risk in the achievement of goals
- Legislative compliance.

Remuneration guidelines ensure:

- A consistent approach to the management of pay with specific regard to pay placement, pay movement, peer review and market relatedness
- Fairness in pay levels of associates performing the same or similar work with differentiation that can be attributed to, for example, tenure, qualifications, high performance, experience and scarce skills
- The assurance of pay levels within legislated guidelines and good corporate governance
- Flexibility and adaptability to business and market requirements within prescribed parameters.

Executive pay mix

Anticipated contribution to total annual packages

The Committee believes that over an extended period and subject to business performance, Executives’ total annual remuneration should comprise approximately equal amounts from TGP, AIP and SIP. The amounts received annually under AIP will vary depending on the achievement of the set targets, and those received under the SIP will also vary depending on the business achievement targets and the growth of the Massmart share price.

It is anticipated that about two thirds of Executives’ remuneration should be variable and conditional upon sustainably improving business performance.

Potential award mix:

The following chart shows the potential mix of total annual remuneration for Executive Directors:

<table>
<thead>
<tr>
<th>Group CEO and CFO</th>
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<tbody>
<tr>
<td>Below threshold</td>
</tr>
<tr>
<td>Threshold</td>
</tr>
<tr>
<td>Target performance</td>
</tr>
<tr>
<td>Maximum performance</td>
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<tr>
<td>TGP</td>
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<tr>
<td>0%</td>
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<tr>
<td>10%</td>
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<td>25%</td>
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</table>

Non-Executive Director fees

These fees remunerate the Non-Executive Directors for their time, responsibilities and commitment to Massmart.

All Committee members complete detailed self-assessments covering the composition, duties, responsibilities, process and effectiveness of the relevant Committees. The results of these assessments are collated by the Company Secretary and sent in summarised form to the Chairman for a formal written response. The summarised results, together with the Chairman’s written response, are included in the Board papers at the November Board meeting.

Based on their Board membership and membership of the Board sub-Committees, each Independent Non-Executive Director receives a fixed fee for their services.

The Board has elected to pay a fixed fee only, without the payment of additional attendance fees. This decision was taken on the basis that many Directors provide expertise that extends beyond the boardroom.

The remuneration of Independent Non-Executive Directors is reviewed annually by the Remuneration Committee and the Board after a benchmarking exercise against market. Fees are required to be competitive but not necessarily in the top quartile of the market. Recommendations for increases are made to shareholders at the AGM for consideration and approval.

The Walmart-appointed Non-Executive Directors do not receive fees from Massmart.

Non-Executive Directors do not qualify for participation in any share plan or incentive scheme.

Proposed fees 2020

Despite a recent benchmarking exercise of the upper-quartile of the South African market, the Board has proposed that for a second year, fees for Non-Executive Directors and the various Committee roles remain unchanged. Confirmation of the fees are recorded in the table that follows.
Proposed fees

<table>
<thead>
<tr>
<th>Role</th>
<th>2020 Fee</th>
<th>2019 Fee</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>1,575.0</td>
<td>1,575.0</td>
<td>0%</td>
</tr>
<tr>
<td>Deputy Chairman of the Board and Lead Independent Director</td>
<td>840.0</td>
<td>840.0</td>
<td>0%</td>
</tr>
<tr>
<td>Independent Non-Executive Directors</td>
<td>420.0</td>
<td>420.0</td>
<td>0%</td>
</tr>
<tr>
<td>Audit Committee Chairman</td>
<td>368.0</td>
<td>368.0</td>
<td>0%</td>
</tr>
<tr>
<td>Risk Committee Chairman</td>
<td>289.0</td>
<td>289.0</td>
<td>0%</td>
</tr>
<tr>
<td>Remuneration Committee Chairman</td>
<td>289.0</td>
<td>289.0</td>
<td>0%</td>
</tr>
<tr>
<td>Nominations and Social Ethics Committee Chairman</td>
<td>289.0</td>
<td>289.0</td>
<td>0%</td>
</tr>
<tr>
<td>Audit Committee member</td>
<td>184.0</td>
<td>184.0</td>
<td>0%</td>
</tr>
<tr>
<td>Other Board Committee members</td>
<td>147.0</td>
<td>147.0</td>
<td>0%</td>
</tr>
</tbody>
</table>

The Remuneration Committee and its role

Composition
The Remuneration Committee consists of three Non-Executive Directors, of whom the majority are independent. Meetings are held four times per year and more often if deemed necessary. The CEO is a permanent invitee to all Committee meetings. Other nominated Executives attend meetings by invitation. Neither the CEO nor nominated invitees are present when matters relating to their own remuneration are discussed. The Group General Counsel acts as a secretary for the Committee.

Responsibilities
With a view of making remuneration recommendations for approval by the Board, the Committee shall assist the Board with the following:

- The development and maintenance of a remuneration policy which sets out:
- Arrangements for ensuring that the remuneration of Executive Management is fair and responsive to the context of overall associate remuneration in the Group;
- The use of performance measures that support positive outcomes across the economic, social and environmental context in which the Group operates;
- The voting by shareholders on the remuneration policy and implementation report, and the implementation of related measures to address various outcomes of such votes, which policy shall be put to the shareholders at the AGM for endorsement by way of a non-binding advisory vote.

A full account of the role and responsibilities of the Remuneration Committee is described in the Remuneration Committee Charter and is available online.

Fair and responsible remuneration
Massmart is committed to the execution and management of fair and responsible Executive remuneration in the context of overall associate remuneration and continues to view wage gap disparity as an ongoing priority. In 2019 increases awarded to Massmart’s Executive Directors, the Executive Committee and divisional management teams averaged 4.66% (2018: 5.81%) lower than the average percentage increases to salaries and wages across the Group.

The management of remuneration remains an ongoing priority with specific focus on ensuring that pay progression is applied consistently and fairly and aligns with the principles as noted in our remuneration policy. Remuneration management and pay progression is consistently monitored to ensure that no intentional discrimination occurs and any disparity should be justified by qualification, years of experience, performance and tenure differences. The process of managing outliers remains a priority and is tracked on a regular basis.

The pay equity analysis, as noted in the 2018 report, is fully embedded in the business and is subject to ongoing review and refinement. As noted, the remuneration of every associate across the Group is tracked bi-annually. Any perceived disparity is highlighted and reported and each division is expected to provide reasons for disparities and plans to correct where applicable.

Associate benefit improvements
Massmart’s strategic drive to offer an appropriate retirement, medical and risk benefit mix of benefits across Africa has continued in 2019. In all cases and across all countries; country context, compliant solutions and credible service providers are primary objectives of our benefit choices to ensure the welfare of our associates and their dependants.

South Africa
In 2019, membership of the Massmart benefit funds grew significantly as we on-boarded flexi-contractors into permanent employment. The Employee Benefits team introduced revamped member on-boarding and exiting processes to assist associates to better understand their retirement fund options and insured benefits.

Massmart Health and Wellness offerings are strategically integrated by having the existing basket administered through a single service provider. This enables Massmart, as an employer, to be able to identify and support our associates’ needs, thereby assisting them to have access to appropriate health and wellness care and to promote a healthier, happier and a more productive workforce.

In January 2016, Massmart introduced truCARE, an Occupational Health and Safety offering for associates earning salaries below a specific monthly cap, providing free access to primary private health care. truCARE membership rose from 13,937 in 2018 to 22,343 in 2019, an increase of just over 60%.
The illustration below shows previous performance against approved annual nominal sales and ROI targets. The next vesting of Performance share awards will take place in April 2020 (for performance in years 2018/19/20).

Performance measure = achievement of approved Group ROI and sales targets

Approved Group sales targets* = 2017: R100.7 billion, 2018: R94.1 billion

Approved Group ROI targets* = 2017: 18.2%, 2018: 18.2%

* The Board believe that the sales and ROI targets, which form the basis for the SIP achievement and pay-out calculation, are commercially sensitive information and therefore not all targets have been disclosed.

The SIP was established in September 2013 and is linked to approved ROI and sales targets (refer to Section 02 for more information).
### 2016 Performance shares awarded assuming 100% target achieved

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Shares</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>37,199</td>
<td>12,398</td>
<td>12,398</td>
<td>12,403</td>
<td></td>
</tr>
</tbody>
</table>

% of target achieved: 92.3% of original award

Fully vested March 2018: actual shares vested 26,783

- Value at vesting 2,397,346

### 2017 Restricted shares granted

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Shares</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>10,072</td>
<td>9,089</td>
<td>8,964</td>
</tr>
</tbody>
</table>

Value at vesting 710,888

### 2018 Restricted shares granted

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Shares</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>8,941</td>
<td>4,872</td>
</tr>
</tbody>
</table>

Value at vesting 944,539

### Total value of award and grants at vesting date

- 7,625,460

### 2019 performance share vesting:

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Shares</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>8,941</td>
<td>4,872</td>
</tr>
</tbody>
</table>

Value at vesting 3,572,686

### J O H N A N N E S  V A N  L I E R O P

### 2019 Performance share vesting:

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Shares</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>8,941</td>
<td>4,872</td>
</tr>
</tbody>
</table>

Value at vesting 3,041,012

### Definition of SIP performance measures:

- **Nominal sales:** total sales of the Massmart Group for a financial year.
- **Return on investment (ROI):** adjusted operating profit/average invested capital.

Adjusted operating profit includes finance income and adds back depreciation, amortisation and rentals. Average invested capital is average total assets of continuing operations plus average accumulated depreciation and amortisation less average accounts payable less average accrued liabilities plus occupancy costs x8.
Guy did not receive an increase in annual guaranteed package in July 2019 and no AIP was payable. Through the Employee Share Trust, Guy holds 375,977 Massmart shares and options. The average length of time that he has held these is 8.7 years and the average strike price is R134.74 per share. Guy also owns 124,941 Massmart shares directly. In 2019, Guy informed the Board of his decision to step down from his role before the end of 2019. Whilst Guy does not have a fixed-term contract, he is contractually bound by a notice period of twelve months, which he is currently serving, terminating in May 2020. In terms of the Massmart Share Plan rules, Guy was not eligible for any share issues in 2019.

Composition of remuneration (R’000)

<table>
<thead>
<tr>
<th>Year</th>
<th>TGP</th>
<th>AIP</th>
<th>SIP</th>
<th>OTHER*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>3,624</td>
<td>2,679</td>
<td>8,231</td>
<td>5,471</td>
</tr>
</tbody>
</table>

*Termination benefits

Employee Share option scheme

<table>
<thead>
<tr>
<th>Grant/Grant Date</th>
<th>Subscription Price (R)</th>
<th>Number of Shares/Options</th>
<th>Gain on Sale Exercise (R 000’s)</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 2018</td>
<td></td>
<td>375,977</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Options/exercised/shares sold</td>
<td></td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Balance at December 2019</td>
<td></td>
<td>375,977</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprising: Shares</td>
<td></td>
<td>27-May-09</td>
<td>77.56</td>
<td>105,448</td>
</tr>
<tr>
<td>Options</td>
<td></td>
<td>1-Sep-11</td>
<td>153.84</td>
<td>120,987</td>
</tr>
<tr>
<td>Options</td>
<td></td>
<td>16-May-12</td>
<td>159.62</td>
<td>149,542</td>
</tr>
</tbody>
</table>

Employee Share Incentive Plan

<table>
<thead>
<tr>
<th>Award/Grant Date</th>
<th>Number of Shares</th>
<th>Vesting Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 2018</td>
<td>169,458</td>
<td></td>
</tr>
<tr>
<td>Performance shares vested</td>
<td>18-Mar-16</td>
<td>18-Mar-19</td>
</tr>
<tr>
<td>Performance share award forfeitures*</td>
<td>18-Mar-16</td>
<td>18-Mar-19</td>
</tr>
<tr>
<td>Performance share award forfeitures*</td>
<td>18-Apr-17</td>
<td>18-Apr-20</td>
</tr>
<tr>
<td>Performance share award forfeitures*</td>
<td>13-Apr-18</td>
<td>13-Apr-21</td>
</tr>
<tr>
<td>Restricted shares vested</td>
<td>15-Sep-14</td>
<td>15-Sep-19</td>
</tr>
<tr>
<td>Restricted shares vested</td>
<td>15-Sep-15</td>
<td>15-Sep-19</td>
</tr>
<tr>
<td>Restricted shares vested</td>
<td>16-Sep-16</td>
<td>16-Sep-19</td>
</tr>
<tr>
<td>Balance at December 2019</td>
<td>106,147</td>
<td></td>
</tr>
<tr>
<td>Comprising: Performance share awards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance share awards</td>
<td></td>
<td>18-Apr-17</td>
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<tr>
<td>Restricted share grants</td>
<td></td>
<td>13-Apr-18</td>
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<tr>
<td>Restricted share grants</td>
<td></td>
<td>15-Sep-15</td>
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<td></td>
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</tr>
</tbody>
</table>

* Due to unmet performance conditions

Details of shares and share options:

<table>
<thead>
<tr>
<th>Employee Share Incentive Plan</th>
<th>Grant Date</th>
<th>Number of Shares</th>
<th>Vesting Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted share grants</td>
<td>13-Sep-19</td>
<td>47,474</td>
<td>13-Sep-22</td>
</tr>
<tr>
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<td>47,474</td>
<td>13-Sep-23</td>
</tr>
<tr>
<td>Restricted share grants</td>
<td>13-Sep-19</td>
<td>47,479</td>
<td>13-Sep-24</td>
</tr>
<tr>
<td>Balance at December 2019</td>
<td>142,440</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Sign-on bonuses

Mohammed Abdool-Samad joined Massmart as Chief Financial Officer effective 1 August 2019. The Committee determined his package by reviewing his guaranteed pay against peers in the South African retail market, market benchmarking using PwC Remchannel and Hay Group data points. The guaranteed package was approved within the Massmart pay scale. Mohammed does not have a fixed-term contract, and is contractually bound by a notice period of six months. Mohammed’s appointment to the Board will be tabled for a vote at the May 2020 AGM.

Composition of remuneration (R’000)

<table>
<thead>
<tr>
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<tr>
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<td>14-Sep-18</td>
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* Due to unmet performance conditions

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<td></td>
<td></td>
</tr>
</tbody>
</table>

*Sign-on bonuses

**MITCHELL SLAPE**

Amounts are stated in Rands even though Mitch, as a US citizen on expatriate assignment in South Africa, earns his salary in US Dollars.

Mitch joined Massmart as Chief Executive Officer effective 1 September 2019. Mitch is not eligible for a Massmart AIP in 2019 as his start date in the Company was deemed to be too late in the year to impact results. His short-term incentive for 2019 will be measured against Walmart metrics. For the 2020 financial year, Mitch will be measured against Massmart performance.

Mitch’s employment at Massmart will be subject to a valid work authorisation in South Africa. Mitch’s appointment to the Board will be tabled for a vote at the May 2020 AGM.

**MOHAMMED ABDOOLO-SAMAD**

Mohammed Abdool-Samad joined Massmart as Chief Financial Officer effective 1 August 2019. The Committee determined his package by reviewing his guaranteed pay against peers in the South African retail market, market benchmarking using PwC Remchannel and Hay Group data points. The guaranteed package was approved within the Massmart pay scale. Mohammed does not have a fixed-term contract, and is contractually bound by a notice period of six months. Mohammed’s appointment to the Board will be tabled for a vote at the May 2020 AGM.
As approved by the shareholders at Massmart’s May 2019 AGM, the following fees were paid to Non-Executive Directors in the financial year ending December 2019:

### Non-Executive Directors’ remuneration summary

As approved by the shareholders at Massmart’s May 2019 AGM, the following fees were paid to Non-Executive Directors in the financial year ending December 2019:

<table>
<thead>
<tr>
<th>Role</th>
<th>2019 FEE (R’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>1,575.0</td>
</tr>
<tr>
<td>Deputy Chairman of the Board and Lead Independent Director</td>
<td>840.0</td>
</tr>
<tr>
<td>Independent Non-Executive Directors</td>
<td>420.0</td>
</tr>
<tr>
<td>Audit Committee Chairman</td>
<td>368.0</td>
</tr>
<tr>
<td>Risk Committee Chairman</td>
<td>289.0</td>
</tr>
<tr>
<td>Remuneration Committee Chairman</td>
<td>289.0</td>
</tr>
<tr>
<td>Nominations and Social and Ethics Committee Chairmen</td>
<td>289.0</td>
</tr>
<tr>
<td>Audit Committee member</td>
<td>184.0</td>
</tr>
<tr>
<td>Other Board Committee members</td>
<td>147.0</td>
</tr>
</tbody>
</table>

*Walmart-appointed Directors are not remunerated for their services*

### Composition of remuneration (R’000)

<table>
<thead>
<tr>
<th>Year</th>
<th>TGP*</th>
<th>AIP</th>
<th>SIP</th>
<th>OTHER**</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>4,530</td>
<td>3,070</td>
<td>8,169</td>
<td>1,055</td>
<td>15,286</td>
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<tr>
<td>2018</td>
<td>8,169</td>
<td>1,055</td>
<td></td>
<td></td>
<td>9,224</td>
</tr>
</tbody>
</table>

* TGP includes expatriate benefits
** Termination benefits

### Details of shares:

<table>
<thead>
<tr>
<th>Employee Share Incentive Plan</th>
<th>Award/Grant Date</th>
<th>Number of Shares</th>
<th>Vesting Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 2018</td>
<td>150,706</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance shares vested</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance share award forfeitures*</td>
<td>18-Mar-16</td>
<td>(26,782)</td>
<td>18-Mar-19</td>
</tr>
<tr>
<td>Performance shares vested</td>
<td>18-Mar-16</td>
<td>(7,532)</td>
<td>18-Mar-19</td>
</tr>
<tr>
<td>Performance share award forfeitures*</td>
<td>18-Apr-17</td>
<td>(11,439)</td>
<td>18-Apr-20</td>
</tr>
<tr>
<td>Performance shares vested</td>
<td>18-Apr-17</td>
<td>(16,482)</td>
<td>18-Apr-20</td>
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<tr>
<td>Performance share award forfeitures*</td>
<td>13-Apr-18</td>
<td>(3,262)</td>
<td>13-Apr-21</td>
</tr>
<tr>
<td>Performance shares vested</td>
<td>13-Apr-18</td>
<td>(21,660)</td>
<td>13-Apr-21</td>
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<tr>
<td>Performance share award forfeitures*</td>
<td>16-Mar-15</td>
<td>(15,889)</td>
<td>16-Mar-18</td>
</tr>
<tr>
<td>Restricted shares vested</td>
<td>16-Mar-15</td>
<td>(8,235)</td>
<td>15-Sep-18</td>
</tr>
<tr>
<td>Restricted shares vested</td>
<td>15-Sep-15</td>
<td>(11,578)</td>
<td>16-Sep-19</td>
</tr>
<tr>
<td>Restricted shares vested</td>
<td>15-Sep-17</td>
<td>(12,086)</td>
<td>15-Sep-20</td>
</tr>
<tr>
<td>Restricted shares vested</td>
<td>14-Sep-18</td>
<td>(15,761)</td>
<td>14-Sep-21</td>
</tr>
</tbody>
</table>

*Due to unmet performance conditions and leaving the business prior to vesting date

### Executive Committee members

<table>
<thead>
<tr>
<th>Role</th>
<th>2019 FEE (R’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive manager A*</td>
<td>5,919</td>
</tr>
<tr>
<td>Executive manager B</td>
<td>10,369</td>
</tr>
<tr>
<td>Executive manager C**</td>
<td>9,990</td>
</tr>
<tr>
<td>Executive manager D</td>
<td>14,163</td>
</tr>
<tr>
<td>Executive manager E</td>
<td>3,958</td>
</tr>
<tr>
<td>Executive manager F</td>
<td>5,113</td>
</tr>
<tr>
<td>Executive manager G</td>
<td>22,780</td>
</tr>
<tr>
<td>Executive manager H</td>
<td>4,159</td>
</tr>
<tr>
<td>Executive manager I</td>
<td>15,347</td>
</tr>
<tr>
<td>Executive manager J</td>
<td>14,982</td>
</tr>
<tr>
<td>Executive manager K</td>
<td>21,084</td>
</tr>
<tr>
<td>Executive manager L</td>
<td>13,017</td>
</tr>
<tr>
<td>Executive manager M</td>
<td>1,055</td>
</tr>
</tbody>
</table>

# Accountability and shareholder information

Hans terminated his service effective 1 August 2019. Hans agreed to serve three months of his 12-month notice period as part of the agreed handover process but was not required to remain in service for the balance of his notice period. Hans was not awarded an increase in annual guaranteed package in July 2019 and no AIP was payable. In terms of the Massmart Share Plan rules, Hans was not eligible for share issues in 2019.

On termination, Hans received notice pay, expatriate benefits, an ex-gratia payment, an accelerated vesting of his SIP shares and repatriation to the Netherlands, as contractually agreed.

### Executive Committee members

**for the year ended December 2019**

<table>
<thead>
<tr>
<th>Role</th>
<th>DEC 18</th>
<th>DEC 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive manager A*</td>
<td>11,025</td>
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</tr>
<tr>
<td>Executive manager B</td>
<td>5,604</td>
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<tr>
<td>Executive manager C**</td>
<td>4,432</td>
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</tr>
<tr>
<td>Executive manager D</td>
<td>8,740</td>
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<tr>
<td>Executive manager E</td>
<td>14,868</td>
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<tr>
<td>Executive manager F</td>
<td>4,002</td>
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<tr>
<td>Executive manager G</td>
<td>5,445</td>
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<tr>
<td>Executive manager H</td>
<td>12,532</td>
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<tr>
<td>Executive manager I</td>
<td>5,412</td>
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<tr>
<td>Executive manager J</td>
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<tr>
<td>Executive manager K</td>
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<tr>
<td>Executive manager L</td>
<td>1,340</td>
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<tr>
<td>Executive manager M</td>
<td>90,568</td>
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</tr>
</tbody>
</table>

* Resigned effective 30 Sep 2019
** Resigned effective 31 Jul 2019
* Resigned effective 30 May 2019
* Resigned effective 31 Dec 2019
* Resigned effective 31 Aug 2019
* Resigned effective 30 Nov 2019
* Appointed effective 1 Jun 2019
* Appointed effective 1 Jul 2019
### Directors’ emoluments

#### December 2019

<table>
<thead>
<tr>
<th>R’000</th>
<th>Services as Directors of Massmart Holdings Limited</th>
<th>Salary and allowances</th>
<th>Bonuses and performance related payments</th>
<th>Other benefits</th>
<th>Retirement and related benefits</th>
<th>Fringe benefit of interest-free loans used to finance shares</th>
<th>Gains on exercise of share options and on shares purchased by Directors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td><strong>Executive Directors</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>MW Slope &amp;</td>
<td>–</td>
<td>744</td>
<td>2,679</td>
<td>3,080</td>
<td>–</td>
<td>6,503</td>
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<td>6,503</td>
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<td>M Abdool - Samad &amp;</td>
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<td>10,097</td>
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<td>221</td>
<td>12,739</td>
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<td>12,739</td>
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<td>–</td>
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<td>686</td>
<td>19,772</td>
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<td>1,047</td>
<td>–</td>
<td>19,816</td>
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<td>40,441</td>
<td>12,776</td>
<td>4,706</td>
<td>907</td>
<td>58,830</td>
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<td>63,487</td>
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<tr>
<td><strong>Non-Executive Directors</strong></td>
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<tr>
<td>KD Dlamini &amp;</td>
<td>2,313</td>
<td>–</td>
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<td>–</td>
<td>–</td>
<td>2,313</td>
<td>–</td>
<td>2,313</td>
</tr>
<tr>
<td>CS Seabrooke &amp;</td>
<td>403</td>
<td>–</td>
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<td>–</td>
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<td>403</td>
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<td>403</td>
</tr>
<tr>
<td>NN Gwagwa &amp;</td>
<td>1,141</td>
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<td>1,141</td>
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<td>1,141</td>
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<tr>
<td>R Burnley &amp;</td>
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<tr>
<td>O Ighodaro &amp;</td>
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<td>L Mthimunye &amp;</td>
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<td>–</td>
<td>–</td>
<td>720</td>
<td>–</td>
<td>720</td>
</tr>
<tr>
<td>S Muigai &amp;</td>
<td>–</td>
<td>–</td>
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<td>–</td>
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<tr>
<td>E Ostalé &amp;</td>
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<tr>
<td>JP Suarez &amp;</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td>7,365</td>
<td>40,441</td>
<td>12,776</td>
<td>4,706</td>
<td>907</td>
<td>66,195</td>
<td>70,852</td>
</tr>
</tbody>
</table>

1. In order to match incentive awards with the performance to which they relate, bonuses above reflect the amounts accrued in respect of each year and not amounts paid in that year.
2. Held in terms of the rules of the Company’s share scheme.
3. Appointed with effect from 1 September 2019
4. Appointed with effect from 1 August 2019
5. Resigned with effect from 31 August 2019
6. Resigned with effect from 31 July 2019
7. Resigned with effect from 23 May 2019
8. Resigned with effect from 27 February 2019
9. Appointed with effect from May 2018

#### December 2018

<table>
<thead>
<tr>
<th>R’000</th>
<th>Services as Directors of Massmart Holdings Limited</th>
<th>Salary and allowances</th>
<th>Bonuses and performance related payments</th>
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<th>Retirement and related benefits</th>
<th>Fringe benefit of interest-free loans used to finance shares</th>
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</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
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<tr>
<td>GRC Hayward &amp;</td>
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<td>1,055</td>
<td>2,603</td>
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<td>9,224</td>
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<td>13,017</td>
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<tr>
<td></td>
<td></td>
<td>11,911</td>
<td>2,361</td>
<td>2,831</td>
<td>666</td>
<td>17,769</td>
<td>332</td>
<td>22,241</td>
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<tr>
<td><strong>Non-Executive Directors</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>KD Dlamini &amp;</td>
<td>2,262</td>
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<td>2,262</td>
<td>–</td>
<td>2,262</td>
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<tr>
<td>CS Seabrooke &amp;</td>
<td>1,965</td>
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<td>1,965</td>
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<td>1,965</td>
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<tr>
<td>NN Gwagwa &amp;</td>
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<td>845</td>
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<td>845</td>
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<tr>
<td>O Ighodaro &amp;</td>
<td>533</td>
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<td>533</td>
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<tr>
<td>P Langeni &amp;</td>
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<tr>
<td>E Ostalé &amp;</td>
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<tr>
<td>JP Suarez &amp;</td>
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<td>7,146</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td>7,146</td>
<td>11,911</td>
<td>2,361</td>
<td>2,831</td>
<td>666</td>
<td>17,769</td>
<td>42,185</td>
</tr>
</tbody>
</table>

1. In order to match incentive awards with the performance to which they relate, bonuses above reflect the amounts accrued in respect of each year and not amounts paid in that year.
2. Held in terms of the rules of the Company’s share scheme.
3. Appointed with effect from 1 September 2019
4. Appointed with effect from 1 August 2019
5. Resigned with effect from 31 August 2019
6. Resigned with effect from 31 July 2019
7. Resigned with effect from 23 May 2019
8. Resigned with effect from 27 February 2019
9. Appointed with effect from May 2018
Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of holders of all classes of shares of the Company will be held on Thursday, 21 May 2020 at 09h00 at Massmart House, 16 Peltier Drive, Sunninghill Ext 6, Sandton, for purposes of:

1. Transacting the following business:
   i. presenting the audited consolidated Group Annual Financial Statements of the Company and its subsidiaries (Group) for the year ended December 2019, and the associated Directors’ report and Independent Auditors report, the Audit Committee report and the Social and Ethics Committee report
   ii. electing Directors in the place of those resigning and/or retiring in accordance with the Company’s Memorandum of Incorporation
   iii. the election and appointment of Ernst & Young Inc. (with Roger Hillen) as the Company’s external auditor for the ensuing financial year
   iv. such other business as may be transacted at an AGM.

2. Considering and, if deemed fit, passing, with or without modification, the below mentioned ordinary and special resolutions.

The Board of Directors of the Company has determined, in accordance with section 59 of the Companies Act 71 of 2008, as amended (Act), that the respective record dates for shareholders to be recorded as shareholders in the securities register of the Company in order to: (i) be entitled to receive this notice of AGM is Friday, 3 April 2020; and (ii) be entitled to attend, participate and vote at the AGM is Friday, 15 May 2020. The last date to trade to be entitled to attend, participate and vote at the AGM is Tuesday, 12 May 2020.

Ordinary business

The summary consolidated Group Financial Statements of the Company and the Group (as approved by the Directors of the Company), including the Directors’ report and Independent Auditor’s report, the Audit Committee report and the Social and Ethics Committee report are presented to the shareholders for their consideration.

Ordinary resolutions

Ordinary resolution number 1

“Resolved that Mitchell Slape, who was appointed during the reporting period and has offered himself for election, be and is hereby elected to the Board of Directors of the Company as an Executive Director in the capacity of Chief Executive Officer.”

Ordinary resolution number 2

“Resolved that Mohammed Abdool-Samad, who was appointed during the reporting period and has offered himself for election, be and is hereby elected to the Board of Directors of the Company as an Executive Director in the capacity of Chief Financial Officer.”

Ordinary resolution number 3

“Resolved that Charles Redfield, who was appointed during the reporting period and has offered himself for election, be and is hereby elected to the Board of Directors of the Company as a Non-Executive Director (Walmart nominee).”

Ordinary resolution number 4

“Resolved that Dr Nolulamo (Lulu) Gwagwa, who was appointed during the reporting period and has offered herself for re-election, be and is hereby re-elected to the Board of Directors of the Company in her capacity as a Non-Executive Director.”

Ordinary resolution number 5

“Resolved that Phumzile Langeni, who retires by rotation and has offered herself for re-election, be and is hereby re-elected to the Board of Directors of the Company in her capacity as a Non-Executive Director.”

Ordinary resolution number 6

“Resolved that Mitchell Slape, who was appointed during the reporting period and has offered himself for election, be and is hereby elected to the Board of Directors of the Company as an Executive Director in the capacity of Chief Executive Officer.”

Ordinary resolution number 7

“Resolved that the following persons be and are hereby appointed, each by way of a separate vote, as members of the Audit Committee:

1. Olufunke Ighodaro (Chairman)
2. Lindwe Athimunye
3. Nolulamo (Lulu) Gwagwa”

Ordinary resolution number 8

“Resolved that, subject to the JSE Limited (JSE) Listings Requirements (JSE Listings Requirements), the Directors be and are hereby authorised to issue ordinary shares in the authorised but unissued shares of the Company (or to issue options or convertible securities convertible into ordinary shares) for cash to such person or persons on such terms and conditions as they may deem fit, subject to the following:

1. the securities shall be of a class already in issue, or convertible into a class already in issue
2. the securities shall be issued to public shareholders (as defined in the JSE Listings Requirements) and not to related parties (as defined in the JSE Listings Requirements)
8.3 The issues of securities in the aggregate under the authority of this resolution during the period in 8.5 below shall not exceed 5% of the number of securities of that class already in issue as at the date of this notice of AGM, excluding treasury shares, being 217,654,833 ordinary shares, determined in accordance with the relevant provisions of the JSE Listings Requirements, provided that:

8.3.1 all ordinary securities issued under the authority during the period contemplated in 8.5 below must be deducted from such number in 8.3 above

8.3.2 in the event of a sub-division or consolidation of the issued equity securities during the period contemplated in 8.5 below, the existing authority must be adjusted accordingly to represent the same allocation ratio

8.4 the maximum discount at which the shares may be issued shall be 10% of the weighted average traded price of the shares of the Company measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares (or, if no shares of the Company have been traded in that period, subject to a ruling by the JSE)

8.5 the authority hereby granted will be valid until the Company’s next AGM, provided that it will not extend beyond 15 months from the date on which this resolution is passed

8.6 once shares representing, on a cumulative basis within the period contemplated in 8.5 above, 5% or more of the Company’s issued ordinary and/or preference shares prior to that issue, have been issued, the Company shall publish an announcement in accordance with the JSE Listings Requirements.

Pursuant to the JSE Listings Requirements, the Company will only be entitled to implement this general authority to allot and issue ordinary shares for cash if this ordinary resolution number 8 is passed by a majority of 75% or more of the votes cast by all shareholders present or represented by proxy at the AGM, excluding any votes cast by the Massmart Holdings Limited Employee Share Trust.

Ordinary resolution number 9

“Resolved that, by way of a non-binding advisory vote, the remuneration policy of the Company, as outlined in the Remuneration Report, is endorsed.”

As this is a non-binding advisory vote, no minimum voting threshold is required. Nevertheless, for record purposes, in terms of the King IV Report on Governance for South Africa, 2016 more than 75% of the voting rights exercised on this resolution must be cast in favour of ordinary resolution number 9 for it to be adopted. This non-binding advisory vote allows shareholders to express their views on the remuneration policies adopted by the Company. In the event that 25% or more of the voting rights exercised are cast against this resolution, the Board of Directors will invite dissenting shareholders to engage with the Remuneration Committee on their concerns in line with the provisions of the JSE Listings Requirements.

Ordinary resolution number 10

“Resolved that, by way of a non-binding advisory vote, the remuneration implementation report of the Company, as outlined in the Integrated Annual Report, is endorsed.”

As this is a non-binding advisory vote, no minimum voting threshold is required. Nevertheless, for record purposes, in terms of the King IV Report on Governance for South Africa, 2016 more than 75% of the voting rights exercised on this resolution must be cast in favour of ordinary resolution number 10 for it to be adopted. This non-binding advisory vote allows shareholders to express their views on the remuneration implementation report adopted by the Company. As set out in the JSE Listings Requirements, if 25% or more of the voting rights exercised are cast against this resolution, the Board of Directors will invite dissenting shareholders to engage with the Remuneration Committee on their concerns.

Special resolutions

Special resolution number 1

“Resolved, as a special resolution, that the Company and/or its subsidiaries be and are hereby authorised to generally repurchase the ordinary and/or preference shares in the issued shares of the Company from such shareholder(s), at such price, in such manner and subject to such terms and conditions as the Directors may deem fit, but subject to the Memorandum of Incorporation of the Company, the Act and the JSE Listings Requirements, and provided that:

1.1 the authority hereby granted will be valid until the Company’s next AGM or 15 months from the date of this special resolution, whichever period is shorter.

1.2 repurchases may not be made at a price greater than 10% above the weighted average of the market value for the shares determined over the five business days immediately preceding the date that the repurchase is effected (or, if no shares of the Company have been traded in that period, subject to a ruling by the JSE)

1.3 repurchases in the aggregate in any one financial year shall not exceed 15% of that class of the Company’s issued shares

1.4 the repurchase of shares will be effected through the order book operated by the JSE trading system and will be done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited)

1.5 the Company may appoint only one agent, at any point in time, to effect the repurchases on the Company’s behalf

1.6 neither the Company nor its subsidiaries may repurchase shares during a prohibited period (as defined in the JSE Listings Requirements) unless a repurchase programme is in place where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company’s securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE

1.7 an announcement complying with paragraph 11.27 of the JSE Listings Requirements will be published by the Company when the Company and/or its subsidiaries have cumulatively repurchased 3% of the Company’s initial number of issued ordinary and/or preference shares at the time that the general authority from shareholders is granted and for each 3% in aggregate of the initial number of that class acquired thereafter

1.8 a resolution by the Board of Directors that it authorises such repurchase, that the Company and its subsidiaries have passed the solvency and liquidity test as set out in section 4 of the Act and that since the application by the Board of Directors of the solvency and liquidity test, there have been no material changes to the financial position of the Group, has been passed.”

Statement by the Board of Directors

In accordance with the JSE Listings Requirements, the Directors state that:

(a) the intention of the Directors is to utilise the authority given under special resolution number 1 at a future date, provided that the cash resources of the Company are in excess of its requirements.

In this regard, the Directors will take into account, an appropriate capitalisation structure for the Company and the long-term cash needs of the Company, and will ensure that any such utilisation is in the interests of the shareholders

(b) having considered the effect of the maximum number of ordinary and preference shares that may be acquired pursuant to the authority given under special resolution number 1:

• the Company and the Group will in the ordinary course of business be able to pay its debts for a period of 12 months after the date of this notice of AGM

• the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of this notice of AGM, such assets and liabilities being recognised and measured in accordance with the accounting policies used in the Annual Financial Statements of the Company and the Group for the year ended December 2019

• the issued share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of this notice of AGM

• the working capital available to the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of this notice of AGM.

The general authority to repurchase the ordinary and/or preference shares in the issued shares of the Company is limited to the authority granted 1.1 to 1.8 above.

The following additional information, which appears in the Integrated Annual Report of which this notice of AGM Forms part, is provided in terms of the JSE Listings Requirements for purposes of special resolution number 1:

• Major shareholders on page 22;

• Material changes on page 131;

• Share capital of the Company on page IBC

• Responsibility statement on page 131.
The Directors, whose names are set out on page 14 of the Integrated Annual Report, collectively and individually, accept responsibility for the accuracy of information contained in this statement and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard.

Other than the facts and developments reported in the Integrated Annual Report, to which this notice of AGM is attached, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the publication of the audited consolidated Group Annual Financial Statements for the year ended December 2019.

In terms of the Act, at least 75% of the voting rights exercised on this resolution must be cast in favour of special resolution number 1 for it to be adopted.

**Special resolution number 2**

Resolved, as a special resolution, that the following Directors’ remuneration (payable to the applicable Non-Executive Directors for services to be rendered by them in their capacities as such), be and is hereby approved, each by way of a separate vote, for the period commencing on 21 May 2020 to the date of the Company’s next AGM. In line with the current performance of the Company, the Remuneration Committee has recommended that there be no annual increment applied to the Non-Executive Director fees. The Board adopted the recommendation of the Remuneration Committee at its meeting held in February 2020.

In terms of the Act, at least 75% of the voting rights exercised on this resolution must be cast in favour of special resolution number 3 for it to be adopted. The following direct and/or indirect financial assistance was provided by the Company to related and/or interrelated companies and/or corporations of the Company as at the financial year ended December 2019.

<table>
<thead>
<tr>
<th>Rule</th>
<th>2020 FEE (R’000)</th>
<th>2019 FEE (R’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>1,575.0</td>
<td>1,575.0</td>
</tr>
<tr>
<td>2.2</td>
<td>840.0</td>
<td>840.0</td>
</tr>
<tr>
<td>2.3</td>
<td>420.0</td>
<td>420.0</td>
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<tr>
<td>2.4</td>
<td>368.0</td>
<td>368.0</td>
</tr>
<tr>
<td>2.5</td>
<td>289.0</td>
<td>289.0</td>
</tr>
<tr>
<td>2.6</td>
<td>289.0</td>
<td>289.0</td>
</tr>
<tr>
<td>2.7</td>
<td>289.0</td>
<td>289.0</td>
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<tr>
<td>2.8</td>
<td>184.0</td>
<td>184.0</td>
</tr>
<tr>
<td>2.9</td>
<td>147.0</td>
<td>147.0</td>
</tr>
</tbody>
</table>

It is anticipated that such financial assistance will increase during the period of two years commencing on the date of special resolution number 3, mainly as a result of the Group’s expansion plans but that the total financial assistance after such anticipated increase will not exceed R15 billion in any financial year. Before this limit may be exceeded shareholder approval under section 45 of the Act would again have to be sought.

In the event that the Company provides financial assistance to its subsidiary companies in the form of loans, the Company’s solvency and liquidity will not be impaired as the Company will raise an asset in its books for the equivalent amount then due by that subsidiary.

Notice to shareholders of the Company in terms of section 45(5) of the Act of a resolution adopted by the Board authorising the Company to provide direct or indirect financial assistance.

By the time this notice of AGM is delivered to shareholders, the Board of Directors will have adopted a resolution (section 45 Board Resolution) authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 3 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Act to any one or more related or inter-related companies or corporations of the Company and/or to any one or more persons related to any such company or corporation, provided that any such financial assistance shall not in the aggregate exceed an amount of R15 billion in any financial year. The provision of any such financial assistance after such anticipated increase will not exceed R15 billion in any financial year.

The section 45 Board Resolution will be effective only if and to the extent that special resolution number 3 is adopted by the shareholders, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board of Directors being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 453(3)(b)(ii) of the Act, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 453(3)(b)(ii) of the Act.

In as much as the section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one tenth of one percent of the Company’s net worth at the date of adoption of such resolution, the Company hereby provides notice of the section 45 Board Resolution to shareholders. Such notice will also be provided to any trade union representing any associates of the Company. At present there are no unionised associates of the Company.

**Special resolution number 4**

Resolved, as a special resolution, to the extent required in terms of, and subject to the provisions of, the Massmart Share Incentive Plan (SIP) and Massmart Annual Incentive Plan (AIP), that the shareholders hereby approve the proposed amendments to the SIP and AIP Rules insofar as they incorporate reference and inclusion of the malus and clawback provisions.

In line with developments around Executive remuneration practices within South Africa, amendments have been recently effected to remuneration policies to recoup benefits paid to Executives as part of Executive share schemes. This is often based on circumstances where there have been errors in financial accounts or, more controversially and untested, where there has been Executive misconduct. Additionally, the inclusion of these clauses in the AIP and SIP will ensure Executive accountability regarding variable pay and mitigates excessive risk taking. The Remuneration Committee and the Board propose that amendments be effected to Massmart’s existing Remuneration Policy insofar as it incorporates reference and application of malus and clawback provisions into the AIP and SIP Rules.

In terms of the Act, at least 75% of the voting rights exercised on this resolution must be cast in favour of special resolution number 4 for it to be adopted.

**General Identification, voting and proxies**

Shareholders are entitled to attend, speak and vote at the AGM.

In terms of section 63(1) of the Act, any person attending or participating in the AGM must present reasonably satisfactory identification and the person presiding at the AGM must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or a proxy for a shareholder) has been reasonably verified. Forms of identification include valid identity documents, driver’s licences or passports.
Shareholders holding dematerialised shares, but not in their own name, must furnish their Central Securities Depository Participant (CSDP) or broker with their instructions for voting at the AGM.

If your CSDP or broker, as the case may be, does not obtain instructions from you, it will be obliged to act in accordance with your mandate furnished to it, or if the mandate is silent in this regard, complete the form of proxy attached.

Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut-off time stipulated therein, that you wish to attend the AGM or send a proxy to represent you at the AGM, your CSDP or broker will assume that you do not wish to attend the AGM or send a proxy.

If you wish to attend the AGM or send a proxy, you must request your CSDP or broker to issue the necessary letter of authority to you. Shareholders holding dematerialised shares, and who are unable to attend the AGM and wish to be represented thereat, must complete the form of proxy attached in accordance with the instructions therein and lodge it with or mail it to the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare).

A form of proxy (which is attached) must be dated and signed by the shareholder appointing a proxy and be forwarded to reach Computershare no later than 09h00 on Tuesday, 19 May 2020 for administrative purposes, or thereafter to the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare). Before a proxy exercises any rights of a shareholder as of the later of: (i) the date stated in the revocation instrument, if any and (ii) the date on which the revocation instrument is delivered to Computershare as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to Computershare, as long as that appointment remains in effect, any notice that is required by the Act or the Company’s Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to: (i) the shareholder or (ii) the proxy or proxies, if the shareholder has: (a) directed the Company to do so in writing and (b) paid any reasonable fee charged by the Company for doing so.

Attention is also drawn to the Notes to the Form of proxy.

The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to Computershare. The revocation of a proxy appointment constitutes a complete and final cancellation of the shareholder’s proxy’s authority to act on behalf of the shareholder as of the later of: (i) the date stated in the revocation instrument, if any and (ii) the date on which the revocation instrument is delivered to Computershare as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to Computershare, as long as that appointment remains in effect, any notice that is required by the Act or the Company’s Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to: (i) the shareholder or (ii) the proxy or proxies, if the shareholder has: (a) directed the Company to do so in writing and (b) paid any reasonable fee charged by the Company for doing so.

Attention is also drawn to the Notes to the Form of proxy.

The completion of a form of proxy does not preclude any shareholder from attending the AGM.

Shareholders may participate (but not vote) electronically in the Annual General Meeting.

Shareholders wishing to participate in the Annual General Meeting electronically should contact the office of the Company Secretary on nicolette.morgan@massmart.co.za or +27 11 517 6347 not less than five business days prior to the Annual General Meeting and are required to provide identification reasonably satisfactory to the office of the Company Secretary for purposes of verifying that shareholders right to participate. Access to the Annual General Meeting by electronic participation will be at the shareholders expense. Only persons physically present at the Annual General Meeting or represented by a valid proxy shall be entitled to cast a vote on any matter put to a vote of shareholders.

By order of the Board

Nicole
Nicole Morgan
Interim Group Company Secretary
2 April 2020

Form of proxy

For use by certificated and dematerialised shareholders who have ‘own name’ registration of shares on Friday, 21 May 2020 at 09h00 at Massmart House, 16 Peltier Drive, Sunninghill Ext 6, Sandton.

<table>
<thead>
<tr>
<th>We(s) (Please PRINT full names)</th>
<th>being the holders of ordinary shares/B preference shares, hereby appoint (see note 3):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(i) or failing him/her,</td>
</tr>
<tr>
<td></td>
<td>(ii) or failing him/her.</td>
</tr>
<tr>
<td></td>
<td>(iii)</td>
</tr>
<tr>
<td></td>
<td>or failing him/her,</td>
</tr>
</tbody>
</table>

Interim Group Company Secretary
2 April 2020

Signed at on 2019

Note: A person in the exercise of any rights as a shareholder appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

Special resolutions
1. Authorisation for the Company and/or its subsidiaries to repurchase its own shares
2. Approval of Non-Executive Directors’ remuneration
3. Independent Non-Executive Directors
4. Appointment of the Audit Committee Chairman
5. Remuneration Committee Chairman
6. Nominations and Social and Ethics Committee Chairman
7. Audit Committee members
8. Other Board Committee members
9. Authorisation to provide financial assistance pursuant to section 45 of the Act
10. Approval of inclusion of malus of clawback provisions to SIP and AIP Rules

Indicate with an ‘X’ or the relevant number of ordinary or ‘B’ preference shares, in the applicable space, how you wish your votes to be cast (see note 4). If you return this form duly signed, without any specific directions, the proxy will vote as he/she thinks fit.
Notes to the form of proxy

1. A form of proxy is only to be completed by those shareholders who are:
   1.1. holding shares in certificated form; or
   1.2. recorded on the sub-register of the Company in dematerialised electronic form in ‘own name’ on the record date for attending, participating and voting at the AGM.
2. If you have already dematerialised your shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the AGM, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement between yourself and your CSDP or broker.
3. A shareholder may insert the name of a proxy or the names of alternative proxies of the shareholder’s choice in the space(s) provided, with or without deleting ‘the Chairman of the AGM’ but any such deletion must be initialed by the shareholder. The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
4. Please insert an ‘X’ in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholders’ votes exercisable at the AGM.
5. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which an abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
6. Forms of proxy must be received by the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare), Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa (PO Box 61051, Marshalltown 2107) by no later than 09h00 on Tuesday, 19 May 2020 for administrative purposes, or thereafter to the Company by hand no later than 08h00 on Thursday 21 May 2020.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person at such meeting to the exclusion of any proxy appointed in terms of this form of proxy.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy unless previously recorded by Computershare or waived by the Chairman of the AGM.
9. Any alterations or corrections made to this form of proxy must be initialed by the signatory/ies.
10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare.
11. The Chairman of the AGM may accept any form of proxy which is completed other than in accordance with these notes if the Chairman is satisfied as to the manner in which the shareholder wishes to vote.
12. If any shares are jointly held, the first name appearing in the register shall, in the event of a dispute, be taken as a shareholder.

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
PO Box 61051, Marshalltown 2107
Telephone: 011 370 5000
Call Centre: 086 110 09818

Massmart powered by Walmart

Definitions

<table>
<thead>
<tr>
<th>Description</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net finance costs</td>
<td>Interest paid less interest received</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings before interest, taxation, depreciation, amortisation and asset impairments.</td>
</tr>
<tr>
<td>EBITDAR</td>
<td>Earnings before interest, taxation, depreciation, amortisation, asset impairments and occupancy costs.</td>
</tr>
<tr>
<td>Trading profit before interest and taxation</td>
<td>Earnings before interest, taxation, asset impairments, the BBFEE IFRS 2 charge, foreign exchange movements, loss on disposal of businesses and assets classified as held for sale and Walmart-related costs.</td>
</tr>
<tr>
<td>Comparable sales</td>
<td>Sales figures quoted for stores that have traded, and will trade, for all 12 months of the current and prior year.</td>
</tr>
<tr>
<td>FTEs (Full-time equivalents)</td>
<td>Includes all permanent associates and the permanent equivalent of temporary associates and contracted workers.</td>
</tr>
<tr>
<td>Trading space (m²)</td>
<td>Includes parking, yard, warehouse space, office space and receiving areas.</td>
</tr>
<tr>
<td>Regional distribution centre space (m²)</td>
<td>Distribution centre space excludes parking and yard space.</td>
</tr>
</tbody>
</table>

Formulas

<table>
<thead>
<tr>
<th>Formula</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales per store (R000)</td>
<td>Number of stores</td>
</tr>
<tr>
<td>Sales per FTE (R000)</td>
<td>FTEs</td>
</tr>
<tr>
<td>Sales per trading m² (R000)</td>
<td>Trading m²</td>
</tr>
<tr>
<td>Net asset base</td>
<td>The Group defines net assets as total equity plus interest-bearing LT liabilities.</td>
</tr>
<tr>
<td>Gross margin (%)</td>
<td>Gross profit / Sales</td>
</tr>
<tr>
<td>Operating margin (%)</td>
<td>Operating profit / Sales</td>
</tr>
<tr>
<td>Trading profit before interest and taxation margin (%)</td>
<td>Trading profit before interest and taxation / Sales</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>EBITDA / Sales</td>
</tr>
<tr>
<td>Effective tax rate (%)</td>
<td>Taxation expense / Profit or loss before taxation</td>
</tr>
</tbody>
</table>

Notes to the form of proxy

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Formulas

<table>
<thead>
<tr>
<th>Current ratio</th>
<th>Current assets</th>
<th>Current liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick ratio</td>
<td>Current assets excluding inventory</td>
<td>Current liabilities</td>
</tr>
</tbody>
</table>

Inventory days

<table>
<thead>
<tr>
<th>Inventory</th>
<th>Total cost of sales</th>
<th>number of days traded in the financial year</th>
</tr>
</thead>
</table>

Inventory turn

<table>
<thead>
<tr>
<th>Total cost of sales</th>
<th>Inventory</th>
</tr>
</thead>
</table>

Debtor days

<table>
<thead>
<tr>
<th>Trade debtors excluding VAT</th>
<th>Total sales</th>
<th>number of days traded in the financial year</th>
</tr>
</thead>
</table>

Debtor turn

<table>
<thead>
<tr>
<th>Total cost of sales</th>
<th>Sales</th>
</tr>
</thead>
</table>

Current and non-current liabilities

<table>
<thead>
<tr>
<th>Current liabilities</th>
<th>Total assets</th>
</tr>
</thead>
</table>

Total liabilities to total equity

<table>
<thead>
<tr>
<th>Total liabilities</th>
<th>Current and non-current liabilities</th>
<th>Total equity</th>
</tr>
</thead>
</table>

Headline earnings per share

<table>
<thead>
<tr>
<th>Headline earnings</th>
<th>Weighted average number of shares in issue</th>
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</table>

Dividends

<table>
<thead>
<tr>
<th>Distribution per share</th>
<th>Total number of shares in issue</th>
</tr>
</thead>
</table>

Cash generated from operations before working capital movements per share

<table>
<thead>
<tr>
<th>Cash generated from operations before working capital movements</th>
<th>Weighted average number of shares in issue</th>
</tr>
</thead>
</table>

Operating cash flow per share

<table>
<thead>
<tr>
<th>Net cash flow from operating activities</th>
<th>Current liabilities</th>
</tr>
</thead>
</table>

Net asset value per share

<table>
<thead>
<tr>
<th>Closing equity attributable to equity holders of the parent</th>
<th>Weighted average number of shares in issue</th>
</tr>
</thead>
</table>

Net cash flow from operating activities, excludes dividends paid.

<table>
<thead>
<tr>
<th>Dividend cover</th>
<th>Headline earnings per share</th>
</tr>
</thead>
</table>

| Interim and final dividend per share |

Shareholders’ calendar

We strive to provide useful and frequent disclosure to our shareholders.

Massmart reports formally to shareholders twice a year (in February and August) when its full-year and half-year results, together with a thorough Executive overview, are announced and discussed with shareholders and the media. On both occasions the CEO, CFO and certain Group Executives give presentations to institutional investors, analysts and the media.

Early in January and July, shortly after the conclusion of the full-year and half-year trading periods, on release of the Integrated Annual Report and at the Group’s AGM in May, Massmart releases sales updates reporting on the Group’s year-to-date sales performance. In addition, annually in May, the CEO and CFO host a day-long visit by institutional analysts and investors to Massmart stores. A sales update is released along with this visit.

During the year, apart from closed periods, the CEO and CFO together meet regularly with institutional shareholders and, in addition, are available for meetings or conference calls with analysts and any existing or prospective Massmart shareholder.

Share data:

31 Dec 2018 - 29 Dec 2019

Closing price, 27 Dec 2019 R 50.95
Share price (52 week high) R 116.69
Share price (52 week low) R 38.25
Market Cap (billions) R 38.09
Shares in issue (millions) 217.7
Shares traded (millions) 186.2
Percentage of shares traded 85.6%
Bloomberg MSMJ.J
JSE share code MSM
ISIN ZAE0000S2S67

Additional information

Dec 2019 (Audited) Dec 2018 (Audited)

<table>
<thead>
<tr>
<th>Net asset value per share (cents)</th>
<th>2,183.8</th>
<th>2,999.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares (000's):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- In issue</td>
<td>219,138.8</td>
<td>217,179.1</td>
</tr>
<tr>
<td>- Weighted average (net of treasury shares)</td>
<td>217,686.4</td>
<td>216,390.6</td>
</tr>
<tr>
<td>- Diluted weighted-average</td>
<td>219,793.3</td>
<td>221,078.7</td>
</tr>
<tr>
<td>Preference shares (000's):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Black Scarce Skills Trust ‘B’ shares in issue</td>
<td>2,797.7</td>
<td>2,797.7</td>
</tr>
<tr>
<td>Capital expenditure (Rm):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Authorised and committed</td>
<td>1,018.4</td>
<td>958.8</td>
</tr>
<tr>
<td>- Authorised but not committed</td>
<td>1,047.3</td>
<td>1,413.9</td>
</tr>
<tr>
<td>US dollar exchange rates:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- period end (R/$)</td>
<td>14.03</td>
<td>14.47</td>
</tr>
<tr>
<td>- average (R/$)</td>
<td>14.42</td>
<td>13.18</td>
</tr>
</tbody>
</table>

Design partner and publisher

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First National Bank
A division of FirstRand Bank Limited
Investec Bank Limited
Nedbank Group Limited
The Standard Bank of South Africa Limited
Auditor

Ernst & Young Inc.

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Cliffe Dekker Hofmeyr

ENS Africa

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N Morgan

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