

Massmart Global Reporting Initiative 2020: Questions and Answers

Strategy and Analysis

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

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

Massmart continues to implement a comprehensive Corporate Accountability programme and we are proud, to be identified in the FTSE- JSE Responsible Investment Top 30 (RI) Index in the December 2019 period. Our accountability initiatives are driven by an understanding that advocating more sustainable practices and product choices is fundamental to our commitment to enable sustainable supply and consumerism. In this context we recognise that minimising our own environmental footprint is the nucleus around which we develop credibility for our advocacy with our suppliers and customers.

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

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

Enabling sustainable supply and consumerism

- To partner with willing suppliers in identifying and implementing opportunities to optimise the sustainability of primary packaging material;
- To share knowledge with willing local suppliers to facilitate achievement of higher environmental and human rights standards in the retail supply chain;
- To continue growing our post-consumer e-waste recycling schemes in major metropolitan areas;
- To prevent mislabelling of seafood, and prohibit the sale of red- listed seafood species and endangered timber species;
- To promote sustainable supply of timber, pulp and paper based and palm oil products through sustainable certification bodies;
- To promote circular economy principles in our private label packaging;
- To empower consumers to make responsible consumer choice more frequently through improved labelling standards;
- To partner with private label, direct import and non-branded merchandise suppliers to ensure adherence to Walmart Supplier Standards.

Reducing the Group environmental footprint

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

Championing social equality initiatives

- To invest a minimum of 1% profit after tax (PAT) in education-focused social development initiatives that benefit the poorest of the poor;
- To increase permanent employees access to affordable subsidised private medical benefits;
- To prioritise BBEE as a key performance area.

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

Packaging Rationalisation

In light of the media attention, pressure from government, NGOs and customers around plastic waste and pollution, particularly from packaging, Massmart, via Walmart, have committed to reduce packaging pollution by designing all private brand packaging to be 100% recyclable or reusable by 2025. This commitment is facilitated by Walmart and the Ellen MacArthur Foundation. As part of this commitment, we will continue to reduce unnecessary packaging in our private brand products and where possible, include more recycled material into packaging on an ongoing basis.

Since 2012 we have embarked, under Walmart's guidance, on initiatives to identify opportunities to rationalise and improve private label packaging. Since then we have:

1. Conducted packaging rationalisation workshops and training sessions with key suppliers and the Massmart private label buying teams on designing packaging that reduces unnecessary waste, and instead enhances recycling and sustainability;
2. Implemented On-Pack Recycling Logos on all new private label products that assist consumers to appropriately separate and sort their packaging waste;
3. Conducted our first private label packaging survey in 2019 with our leading suppliers to develop a baseline in the recyclability of our existing packaging.

We continue to focus on ensuring high impact product lines are designed as sustainably as possible. In 2018, we worked closely with the Makro buying team in the re-design of the M detergents line. As part of this re-design, detergent packaging included 50% post-consumer recycled material in the floor and tile cleaner, thick bleach, bathroom cleaner and dishwashing liquid containers. We also transitioned our all-purpose cleaner container from white polyethylene terephthalate (PET) to white high density polyethylene (HDPE) to enhance its recyclability in the South African market. In 2020, we have transitioned the Clean Day detergent line to more sustainable and recyclable packaging, and incorporated recycled material in the bottles.

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 and multi-use 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. Working closely with our Procurement and Operations teams, we will be implementing these sustainable shopping bags at all stores by June 2021.

We continue to actively participate in workshops hosted by the Sustainable Retailers Forum, Plastics Pact and WWF to discuss the environmental impacts of unsustainable packaging and single-use plastics within the supply chain.

Supplier Advocacy

For the last ten years, Massmart has facilitated an environmental supplier advocacy programme which includes supplier environmental profiling, screening of high risk products (such as timber and seafood) and environmental assessments. Since the project's inception, we have reviewed the sustainability practices of over 1,500 suppliers, many of which relate to sustainable seafood, timber, poultry and environmental practices during the year. As part of this engagement, participating suppliers receive individualised feedback on their progress within the key operational sustainability areas of energy efficiency, water conservation and waste management along with areas that affect production and distribution such as packaging recyclability, climate change and reputational risk. Feedback also benchmarks suppliers against peers within their supply category to incentivise improvement throughout the supply chain. We further engage with suppliers in specifically high risk industries to encourage voluntary reporting and disclosure of environmental indicators such as energy and emissions, waste disposal and water usage. For suppliers identified as non-compliant in terms of Massmart's sustainability requirements, discussions are held with the supplier and associated buyer on assisting the supplier to transition to our standards.

To recognise suppliers who have made an exceptional commitment to environmentally sustainable business practices, we hosted our fifth Annual Supplier Environmental Awards ceremony in April 2019. Nestle South Africa were the overall winners for 2018 having, amongst other projects, invested in the development of Africa's first Coca-Cola approved rPET recycling plant capable of recycling approximately 21,000 tonnes of PET per annum.

Due to the Covid-19 pandemic, we were unable to run our environmental supplier advocacy programme or hold site visits in 2020, however this project is expected to resume in 2021.

Environmentally Responsible Merchandise

In 2008, Makro launched its first electronic waste (e-waste) recycling project with Fujitsu-Siemens and electronic recycling specialists DESCO. Initially piloted at Makro's Woodmead store, it was rolled out to ten Makro stores in South Africa. In 2013 Makro and DESCO, together with new partners Samsung Electronics expanded the e-waste project to 20 Makro stores across the country, making it the longest running retail led e-waste take back programme in the country. After a short break in 2020, the project has since been re-launched in partnership with 54 electronic brands at 19 Makro stores nationwide and plays an integral role as an Extended Producer Responsibility scheme for the electronics industry.

In line with our commitment to increase the penetration of energy rating labels on major appliances sold in our stores, we have, through engagement with the Department of Energy (DOE) and our suppliers, formalised a group wide approach to energy efficient appliance labeling. Key to this is an undertaking to enforce a discipline that requires major appliance manufacturers to apply energy efficiency ratings labels on their products in accordance with the standards set

out by the DOE. Through a partnership with the United Nations Development Programme (UNDP), in 2019 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.

We are committed to offering products that are both environmentally responsible and help save our customers money. To achieve this, we stock a wide range of over 1300 environmentally responsible products including LEDs, solar panels, low-flow showerheads, dual flush toilet systems, rainwater harvesting tanks and water meters. The sale of these items has saved our customers an estimated 18 million kWh in electricity consumption and 435 000 kL of water in 2020.

In relation to environmentally responsible merchandise, and in alignment to animal welfare considerations, Massmart has committed to prohibiting the use of animal fur in the products that we sell. To do this, we monitor the products supplied to our business annually to ensure that no fur is used.

Operational Energy Efficiency

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

In 2020, we continued to install energy-efficient lighting, smart building management systems (BMS) and efficient refrigeration and HVAC systems across the Group. In total we now have BMSs in 114 stores and DCs, with 30 stores and DCs scheduled for LED retrofits in 2021. To drive further savings and ensure optimal energy management we have initiated a process to centralise our energy monitoring network. As part of this process, we have installed energy meters at 350 stores.

The majority of our carbon emissions are driven primarily by emissions from grid electricity. As a consequence, our greenhouse gas emissions targets relate mainly to electricity consumption. The purpose of these targets is to reduce costs from operational energy usage and to reduce greenhouse gas emissions. In 2020, group store energy intensity decreased by 14.5% to 181.0 kWh/ m². As previously reported, in 2013 we developed an energy efficiency roadmap that required a 10% improvement in energy efficiency based on our 2010 store footprint. As we approached our 2020 energy efficiency goal we have exceeded our objective by achieving a 20% reduction in electricity intensity over the period, resulting in approximately R100 million avoided costs and 100 million kWh avoided.

Massmart GHG emissions reduction targets:

Division	Scope	Percentage of emissions covered by target (%)	Base year	Base year emissions (metric tons CO ₂ e)	Year in which target was set	Target year	Percentage reduction targeted (%)
Massdiscounters	2	47%	2010	0.343	2012	2020	8%

Masswarehouse	2	27	2010	0.373	2012	2020	13%
Masscash	2	11	2010	0.11	2013	2020	10%
Massbuild	2	14	2010	0.09	2013	2020	11%

As we work towards the goal of reaching 100% renewable energy by 2035, since 2016, we have installed nine solar plants with an annual generating capacity of 6.2 million kWh/ pa and have since produced 13 million kWh of solar energy. Our most recent plant, a 420kW peak solar plant at Makro Cornubia was completed in October 2020. It is the first of our solar plants to be back-up generator integrated, which will assist in reducing generator wear and tear and diesel consumption during grid outages. We have also completed similar generator integration retrofits at six of our existing solar sites. Based on historic load shedding information we estimate that Massmart will realise diesel cost savings of approximately R1 million a year from this retrofit.

Rainwater Harvesting

We continue to make use of rainwater and refrigerant condensate to supplement our water needs for non-potable water applications. During 2020, our rainwater and refrigerant condensate harvesting projects at Makro and Builders stores captured an estimated 25 million litres of water.

B-BBEE

Massmart achieved a score of 85.44, verified by Honeycomb BEE Ratings for the B-BBEE measurement period from October 2020- October 2021, up from 82.06 for the preceding period. This allowed Massmart to maintain its Level 4 status, which is the highest score Massmart has achieved to date and the highest score achieved by a JSE-listed retailer.

Our areas of improvement were: employment equity, preferential procurement and our investment in skills development. We also achieved full points for our enterprise and supplier development and our corporate social investment. Our BBBEE score makes it possible for customers to claim 100% of their spend with Massmart as going towards BBBEE.

Corporate Social Investment

Our Corporate Social Investment (CSI) programme is primarily focused on school nutrition, early childhood development (ECD) and emergency response projects, however in response to the Covid- 19 pandemic we have decided to change our focus to address increasing food insecurity in the communities in which we operate. To achieve this, we pivoted our programmes with Hope Worldwide and formed a partnership with Food Forward to increase access to food. During 2020, with the support of our Board, Executive Committee and the Walmart Foundation, we donated approximately 500 tonnes of food countrywide. The support we received from and the contributions from the Massmart Executive Team and our Board made this donation possible. We estimate that our donation provided approximately 2 million meals. We also worked closely with HOPE Worldwide to provide supplemental nutritional assistance to at risk communities in which we support early childhood developmental centres. This included the donation of a further 20 tonnes of food across South Africa and Botswana.

To reduce the health risk South Africa faced from Covid-19 we provided personal protective equipment for frontline medical workers in public healthcare facilities. These included a Massmart donation of 1,300 protective face visors, Walmart International's donation of 5,000 hazmat suits

and the Walmart Foundation's donation of 100,000 N95 masks. In addition, we donated nonmedical support equipment to the Gift of the Givers for use in Covid-19 testing sites and pre-triage treatment facilities at key state run hospitals. We also supplied 25 tents to Uganda's Covid-19 Task Force to assist with establishing Covid-19 screening stations at Uganda's border crossings.

We also funded a poster campaign to educate parents and teachers on how to mitigate the transmission of Covid-19 and provided 20,000 cloth masks and hygiene products to enable the safe reopening of early childhood development (ECD) centres. Notwithstanding the disruptions to education curriculums as a result of Covid-19, a total of 205 ECD centres and 11,000 children were supported by the HOPE Worldwide and Massmart Succeed programme in 2020.

In 2020, we invested R9.3 million in CSI, representing 1% of profit after tax.

Women's Economic Empowerment

Walmart has a world-wide goal to empower women in employment and in the supply chain. We aim to achieve this through initiatives such as the Massmart Women's Leadership Council, a programme aimed at promoting gender equality, taking down barriers to women in retail, and encourages woman- to- woman mentoring in the business, as well as the Red Shoe Campaign. This campaign, launched in 2019, is an initiative to show your support of women's career development to move towards an inclusive and diverse culture at Massmart. In 2020 we also ran Next Generation Grow, Empower, Move and Soar (GEMS)- a programme that provides middle management women with a springboard for succession, progression and mobility with the aim of accelerating our transformation agenda.

Additionally, our Supplier Development Programme, established in 2012, continues to give preference to black owned and black women owned enterprises.

At Massmart, women represent 39.1% of management and 36.8% of top management, with women making up 50% of our Board (remaining constant at 50% in 2019).

Employee Healthcare

We have, since 2008, implemented a choice of four additional affordable private health benefit packages. Our flagship employee wellness programme, Impilo, a fully-funded wellness programme for employees with no medical cover, continues to offer a 24-hour medical advisory and support service to permanent employees and their spouses, including: a fully funded HIV programme inclusive of medication; and testing for and early diagnosis of chronic diseases such as high blood pressure, raised cholesterol, diabetes and asthma. Our programme has now been further expanded with the launch of truCARE in January 2016. truCare is our occupation health and wellness offering for all new qualifying permanent employees who are not on one of the Company-approved and subsidised medical aid options. truCare was designed to ensure access for those employees who typically cannot afford to be on Massmart's cheapest medical aid option and is available to any permanent employee earning a salary below a certain threshold who has been employed by Massmart for longer than three months. Approximately 35 000 employees have registered for Massmart's truCare offering since its launch. There has been a steady increase in the use of the truCARE service with the total claims by Massmart employees at the end of December 2020 of R34 million, up from R25 million in 2019.

Additionally, as a result of the Covid- 19 pandemic, all associates who are on either the Massmart Health Plan or truCare programme, will be able to access the Covid- 19 vaccination when eligible.

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

Organizational Profile

G4-2. Name and organisation

Massmart is a managed portfolio of two business units, each focused on high-volume and low-margin distribution of mainly branded consumer goods, through 423 stores in 12 countries across sub-Saharan Africa. We are a South African retailer and wholesale distributor, with 373 stores in South Africa and 50 stores in other countries in sub-Saharan Africa.

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

Massmart's primary brands are;

- Massmart Retail (General merchandise, DIY and food retail) – brands include Game, Builders Warehouse, Builders Express, Builders Trade Depot, Builders Superstore, Cambridge Food and Rhino
- Massmart Wholesale (General merchandise, liquor and wholesale food) – brands include Makro, Fruitspot, Massfresh, Shield and Jumbo

G4-5. Location headquarters

Massmart's headquarters are in Johannesburg, 16 Peltier Drive Sunninghill, Sandton, 2157.

G4-6. Countries in which the organisation operates

Massmart currently operates in South Africa and 12 other countries including; Ghana, Nigeria, Uganda, Kenya, Tanzania, Malawi, Zambia, Mozambique, Namibia, Botswana Swaziland, Lesotho.

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

Massmart has 6 921 shareholders in South Africa and abroad from major institutions to individuals. Further information on our shareholders can be viewed [here](#).

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

JSE share code: MSM

ISIN code: ZAE000152617

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

Massmart employs 37 533 permanent employees across its operations. The Group operates under the brands of mentioned in G4.3, which service customers in the Living Standards of Measure (LSM) of between 2—10. Product categories include general merchandise, DIY, food and liquor.

The Group achieved sales of R86.5 billion with headline loss of R0.9 billion and R0.5 billion before reorganisation and restructure costs and foreign exchange loss (taxed). Market capitalization as of 31 December 2020 was R9.48 billion.

	2014	2015	2016	2017	2018	2019	2020
Market Capitalisation (bn)	17.5	22.4	26.6	30.3	22.28	11.09	9.48
Headline Earnings (Rm)	1441,4	1,118.8	1,293.3	1,494.3	901.2	(700)	(900)

G4-10. Employment

We currently employ 45 776 people (permanent and non- permanent) across our South African and African operations in 2020, down from 47 577 in 2019, of which 5.14% are temporary staff. Our turnover rate of associates is 15%, down from 17% in 2019. Currently 47.8% of staff are unionised.

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

We have 47.8% of employees in collective bargaining agreements.

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

Massmart has a global supply chain, with an estimated 5000 suppliers ranging from food to general merchandise. We monitor our suppliers' practices through three main channels:

1. Massmart Responsible Sourcing and Compliance: These teams are focused on monitoring illegal labour practices such as child- labour and forced labour, unethical behavior and unsafe working conditions of suppliers. The Compliance component covers anti- corruption policies, anti- money laundering rules, health and safety, food safety, licences and permits, environmental compliance and product safety policies.
2. Massmart Sustainability: This team is focused on ensuring the environmental impact of suppliers is minimized, as well as tracking and monitoring of environmentally sensitive commodities such as seafood, timber, primary packaging, palm oil and pulp and paper products.
3. Massmart Stakeholder Engagement: This team is responsible for monitoring relationships and engaging with key suppliers in the Group on updates around our goals, targets and compliance requirements.

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

As part of a Group Turnaround plan, Massmart has re- structured the Massbuild, Massdiscounters, Masswarehouse and Masscash divisions into two business units: Massmart Retail and Massmart Wholesale. These two units are underpinned by Massmart Centres of Excellence.

Additionally, we have since sold DionWired and selected Masscash stores.

Commitments to External Initiatives

G4-14. Application of the precautionary approach or principle

As a listed company, Massmart has an obligation to and complies with the criteria defined in the JSE LTD's FTSE/ JSE Responsible Investment Index Series.

Our Food Safety team are responsible for ensuring that all food sold at our stores meets the required food safety standards. This is monitored through 3rd party audits, requirements on suppliers and manufacturers to adhere to food safety standards, product testing and environmental testing. Additionally, the Food Safety team are involved in a number of stakeholder engagements with organisations like the Consumer Goods Council of South Africa (CGCSA) and other industry body initiatives.

The Massmart Sustainability team fully supports the precautionary principle through the monitoring, tracking and assessments of potentially high risk commodities, such as private label pulp and paper, timber, seafood and palm oil, in order to ensure that we are sourcing products sustainably and to play our role in minimising the effects of climate change. Due to this, we engage closely with the CGCSA, WWF, Sustainable Retailers Forum, Forest Stewardship Council, National Business Initiative and the RSPO on a variety of environmental issues.

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

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

- Department of Trade and Industry's Codes of Good Practice on Broad-based Black Economic Empowerment;
- Carbon Disclosure Project (CDP) through the Global Walmart submission;
- King IV Report on Governance for South Africa;
- Global Reporting Initiative guidelines;
- South African Sustainable Seafood Initiative (SASSI)
- Business Unity South Africa (BUSA);
- Consumer Goods Council of South Africa (CGCSA);
- Ethics Institute of South Africa;
- National African Federated Chamber of Commerce (Nafcoc);
- National Economic Development & Labour Council (Nedlac);
- South African Institute of Race Relations; and
- Institute for Democracy in Africa (IDASA);
- Aware.Org
- Sustainable Retailers Forum

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

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

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

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

Below are a few examples of issues/concerns raised by stakeholders that we followed up on in 2019 and 2020;

- Due to the attention from media, NGOs, customers and government around non-recyclable packaging waste, and in particular single-use plastics, Massmart have developed a packaging review process for all new Private Label packaging and a sustainability specification guide for single and multi-use plastic and paper bags to ensure recyclability. We have also hosted workshops with our private label buying team and top suppliers on designing packaging for sustainability and to encourage progress towards our global Walmart commitment of 100% recyclable private label packaging by 2025.
- Members of a local community had approached Massmart with concerns regarding insufficient engagement of local employment when constructing new stores. As a result, we have developed internal frameworks to ensure sufficient engagement occurs with local communities prior to construction of new stores or facilities. We also aim to identify potential employment opportunities for local community members where possible.
- When evaluating the results from the BUA survey, employees had indicated that they would like more communication regarding business priorities. Due to this recommendation, we have since introduced "town hall" meetings with all employees, regularly upload key messages from leadership, created a WhatsApp group and distribute SMS's to staff to ensure ongoing communication on business priorities.

Materials Aspects & Boundaries

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

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

- Massmart Holdings:
 - Massmart International Holdings
 - Masstores

- Massmart Business Units:
 1. Massmart Retail
 2. Massmart Wholesale
 3. Massmart Logistics Services

G4-19 Process for defining report content and Aspect Boundaries

We attempt to select information that is perceived to be socially material to our key stakeholder groups, placing particular emphasis on government, employees, customers, suppliers, the communities within which we operate and civil society. The information reported is based on input provided during stakeholder meetings, outcome of Massmart's internal risk management process, advice of independent subject matter experts, local and global industry trends, content of public discourse and standards defined by initiatives such as the JSE Ltd. FTSE/ JSE Responsible Investment Index Series and Global Reporting Initiative (GRI).

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

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

No information has been restated.

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

There have been no significant changes to reporting periods.

Stakeholder Engagement

G4-24. List of stakeholder groups engaged

Non- Governmental Stakeholder Groups

- Black Management Forum
- Business Unity South Africa
- Business Women's Association of South Africa
- Conservation South Africa
- Endangered Wildlife Trust
- FoodForward South Africa
- Forest Stewardship Council
- Gift of the Givers
- Greenpeace
- National African Federated Chamber of Commerce
- National Business Initiative
- South African Human Rights Commission
- South African National NGO Coalition
- South African Sustainable Seafood Initiative

- Sustainable Fisheries Partnership
- The Consumer Goods Council of South Africa
- United Nations Development Programme
- WWF
- NSPCA
- South African Faith Communities Environment Institute

Governmental Stakeholders

- Department of Education
- Department of Energy
- Department of Environment, Forestry and Fisheries
- Department of Health
- Department of Trade and Industry
- South African National Defense Force (SANDF)
- South African Police Service (SAPS)

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

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

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

G4-26. Approach to stakeholder engagement

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

Some recent examples of stakeholder engagement:

- **Customers:** Price competitiveness, product quality and safety, product availability, online shopping, compliance with the Consumer Protection Act and Covid- 19 safety precautions
- **Employees:** Growth and development, equal opportunity, recognition, trust in leadership, clear link between work and Company objectives, Covid- 19 safety precautions and competitive and fair remuneration
- **Shareholders:** Business performance and strategy, return on investment, margin outlook and managing costs, economic, social and environmental risks, and executive remuneration aligning with shareholders' objectives.

- **Suppliers:** Responsible sourcing, fair pricing, brand custodianship, distribution channel efficiency, and operational practices.
- **Government, communities and civil society:** Broad-based black economic empowerment, economic development, food security, energy efficiency, sustainable seafood and timber sourcing, public policy issues, retail sector related issues and assistance with protecting the healthcare system from collapse during the Covid-19 pandemic.

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

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

Employee Feedback: Employees had indicated insufficient communication regarding business practices. As a result, we have introduced town hall meetings, upload videos with key messages from leadership and distribute SMS's to staff to ensure ongoing communication of business priorities.

Community: Local community members raised their frustration regarding insufficient engagement and local employment during the construction of new stores. To alleviate this, we have developed an internal framework to assist us in ensuring sufficient engagement with local communities prior to the construction or development of new stores. Furthermore, we seek to identify potential employment opportunities for local community members in areas where we develop new stores.

Industry: Upon discussions with the Consumer Goods Council of South Africa, retailers and manufacturers, it was determined that there were inconsistent standards regarding health and safety, human rights and minimum wage in the supply chain. Coming out of this discussion, we had coordinated a survey across the retail and manufacturing industry as a first step towards adopting consistent responsible sourcing practices.

Environment: Due to increased volumes of non-recyclable packaging waste, particularly single use plastics, which are contributing to pollution, we have developed a position on single use plastics and packaging, established a packaging review process for private label packaging, hosted a packaging design workshop for our private label team and committed to 100% recyclable private label packaging by 2025.

Reporting Parameters

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

This is Massmart's 17 report covering sustainability performance for the financial year ending 31 December 2020. The last report was published for the financial year ending 31 December 2019.

G4-29. Reporting cycle

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

G4-30. Contact point for questions

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

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

Massmart's Internal Audit Department was again responsible for the verification of the statistical sustainability information contained in our 2020 Integrated Annual Report due to their intimate knowledge of the Group and our information systems and given their independence. The objective of the review was to provide an opinion, based on the Institute of Internal Auditors Standard covering the:

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

Furthermore, our scope 1 and 2 emissions data are subjected to third party verification by GCX Africa in accordance with ISO 14064 standards and specifications.

Audit Opinion:

The Massmart Internal Audit department (MIAS) conducted a review of the data reported in the preliminary and final sustainability sections published in the Massmart Integrated Annual Report 2020. The review was conducted in terms of assurance standards and entailed the verification of the authenticity of data presented against internal and external sources. All significant reported internal audit findings have been satisfactorily addressed prior to publication. On this basis we are satisfied to report that the data presented in the reported Scorecards fairly represents the position of Massmart's Sustainability performance for the financial year ending 31 December 2020.

King IV requires an external verification on the accuracy of sustainability information. Massmart has been ahead of this requirement with sustainability information being independently assured by MIAS for the past nine years and disclosure has been integrated with the company's financial reporting, as well as externally via GCX Africa.

In 2020, Group and Company Annual Financial Statements are audited by Ernst & Young Inc. in which total fees incurred to Ernst & Young amounted to R44.2 million (2019: R36 .2million). The nature and extent of any future non-audit services have been defined and pre-approved, and the total fee associated with those non-audit services may not exceed 50% of the total audit fee without approval of the Committee.

During the year ended December 2020, the non-audit services made up R1.3 million, 2.9% of the audit fee. If it appears that this guideline will be exceeded on a consistent basis, non-audit services will be outsourced to alternative auditors.

Governance

Governance Structure and Composition

G4-34. Governance structure, including Board and Board Committees

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

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

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

Executive Committee

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

Social and Ethics Committee

The Social and Ethics Committee assists the Group with its responsibility towards sustainability with respect to practices that are consistent with good corporate citizenship. The Committee is governed by a charter and monitors Group performance in terms of defined Social and Ethics performance indicators that have been formulated with reference to Regulation 43(5) of the Companies Act. These indicators, which include but are not limited to, OECD anti-corruption guidelines, United Nations Global Compact principles, the Employment Equity Act, Johannesburg Stock Exchange Responsible Investment Index criteria, Broad-based Black Economic Empowerment elements, health and safety and sustainability initiatives are reviewed by the Committee. Furthermore, the Social and Ethics Committee, which meets bi-annually, are presented with a risk register for discussion that identifies the top 15 sustainability risks that have the potential to impact on one or more reputational, commercial, social or environmental dimensions. These risks typically relate to: climate change; energy use; water security; waste generation; social development; transformation; high risk product categories and human rights and welfare.

Audit and Risk Committee

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

Remunerations and Nominations Committee

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

Ethics and Integrity

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

The role of the Social and Ethics Committee broadly is to assist the Group with its responsibility towards sustainability with respect to practices that are consistent with good corporate citizenship. The Companies Act includes specific responsibilities including: the company's standing in terms of the United Nations Global Compact Principles, the OECD recommendations concerning corruption, the contribution to development within our communities, labour and employment, and the environment and health and public safety. Furthermore the Committee reviews Massmart's Socially Responsible Investment Index. The Committee met twice during the financial year. Broad-based black economic performance in each of these areas is measured with reference to the Johannesburg Stock Exchange's (JSE) Socially Responsible Investment Index criteria, the Department of Trade and Industry's (DTI) Broad-based Black Economic Empowerment (B-BBEE) scorecard and the Global Reporting Initiative IV guidelines. The Committee is satisfied with Massmart's sustainability performance and is particularly encouraged that the Group continues to maintain its B-BBEE target by being a Level 4 contributor.

During the year under review our Code of Ethical Conduct was reviewed and a revised version renamed Code of Conduct was launched on 1 February 2021.

Management Approach

G4-DMA. Management approach to Material Sustainability Aspects

At Group level the Risk Committee is responsible to the Board for overseeing the Group's risk management programme. The day-to-day responsibility for risk management, including maintaining an appropriate loss prevention and internal control framework, remains with the executives of the Group and of each Business Unit. The Committee's primary role is one of oversight and therefore it reviews and assesses the dynamic interventions, within the Group's available resources and skills, required in response to business-specific, industry-wide and general risks. The Committee tables a Group risk register, aggregated from those prepared by

the Business Units and the Group Executive Committee, to the Board annually. The Committee considers there to be two categories of Group risk which can broadly be described as Operational risks and Strategic/Environmental risks.

The Social and Ethics Committee assist the Group with its responsibility towards social and environmental sustainability with respect to practices that are consistent with good corporate citizenship. For example, when it comes to environmental risk we consider among other issues; where we source our products, our emissions, and progress made towards the Group's energy efficiency reduction targets and water usage.

At asset level Massmart has multiple product and operations forums that meet on a monthly or bi-monthly basis to discuss relevant risks and opportunities. For example, the Operations Forum meets bi-monthly to discuss, among other things, risks and opportunities related to improving the Group's environmental footprint. All information that is addressed at forums is circulated to the relevant divisional functional units.

Over and above Risk Committee Massmart employs three full-time resources who are responsible for identifying key environmental risks and draw them to the attention of the various Group Forums and the Social and Ethics Committee. Risks are prioritised based on the probability of the risk and the potential impact to the company's operations and current business structure and the consequences of taking action versus taking no action.

Performance Indicators

Economic

Economic Performance

G4-EC1. Direct economic value generated

Total sales: R86.5 billion

Operating profit (before forex): R242.9 million

	2016	2017	2018	2019	2020
Value Added (Rm)	10,919.6	11,277.8	10,659.8	11 891.6	11 865.4

In addition, as part of our ongoing Corporate Social Investment, Massmart invested R9.3 million. Our CSI spend amounted to 1% of profit after tax for 2020.

	2016	2017	2018	2019	2020
Total Group CSI spend including supplier and staff contributions (Rm)	27.8	29.5	25.4	13.2	9.3

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

The Massmart Board considers risk management to be a key business discipline designed to balance risk and reward, and to protect the Group against risks and uncertainties that could threaten the achievement of our business objectives. Massmart currently applies ISO 31000 as its risk management standard.

Climate change risks are typically identified and quantified by the Group Corporate Affairs Executive through interventions that include desktop research, consultation with external subject matter experts (for example, environmental lawyers), facilitating workshops with appropriate internal managers (such as Risk Managers) and consultation with Business Unit Senior Managers. These risks are formally debated and prioritised by the Massmart Executive Committee on an annual basis and response options are identified. Climate change is also discussed at various external work groups that Massmart are aligned to such as the Consumer Goods Council for South Africa, the National Business Institute and the Sustainable Retailers Forum.

A further division specific step involves each divisional Executive Committee discussing that division's exposure to the identified group risks and, where appropriate, re-prioritising the risks to reflect specific divisional concerns. In most instances risks are assessed with reference to the impact that they could have on each division's commercial and reputational proposition. Massmart has identified potential climate change risks, none of which is regarded, in the medium term, as significant. Some identified risks include climate change impacting on food security, causing water shortages and disrupting supply chains. These risks are tracked and updated by the Group Corporate Affairs Executive on an on-going basis and are reported on in more detail in our global Walmart CDP 2020 submission, together with greenhouse gas data that is reported to Walmart to aid them in developing climate change planning strategies.

In an effort to address the impacts of climate change, and ensure that we are building a business that is resilient to climate change impacts, we have implemented a number of measures in mitigating environmental impacts of our operations both at our facilities and to support our customers. We estimate that these initiatives, which includes, *inter alia*, LED retrofitting, BMSs, the installation of solar plants, rainwater and condensate harvesting, energy and water monitoring meters has so far cost us approximately R60 million. In addition, we calculate and verify our carbon footprint annually to track the impact of our interventions and identify further opportunities for improvement.

G4-EC3. Defined benefit plan obligations

All permanent Massmart employees are members of either a pension or provident fund which funds are managed externally by Sanlam, a leading provider of financial, risk and insurance and multi-manager investment solutions internationally and a licensed financial services provider. In 2020, we have 87.8% of permanent staff with medical benefits.

G4-EC4. Significant financial assistance from government

Massmart receives no financial assistance from government.

Market presence

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

Entry level wages are determined by each division with reference to minimum wage legislation, internal wage equity, sectoral standards and local market expectations. The average minimum wage at Massmart for 2020 is R6 516.80, which is 60.9% higher than the minimum wage of R4 047.89 as prescribed by the Sectoral Determination for the Wholesale and Retail Sector.

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

The Massmart Executive Committee and Board is comprised of 10 senior employees, of which 9 EXCO members and 5 Board members are South African.

Massmart has a strong preference for hiring staff from local communities. We are however sometimes constrained in our efforts by the unavailability of individuals with the requisite skill and experience.

Indirect Economic Impacts

G4-EC7. Development and impact of infrastructure

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

G4-EC8. Indirect economic impacts

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

Procurement Practices

G4-EC9. Spending on local suppliers

Massmart defines local procurement as being procured from sources within the country in which we operate. We apply every effort to first procure merchandise from local manufacturers insofar as they satisfy our customer expectations of style, quality and price. In addition, the Massmart Supplier Development Programme (SDP), which currently has a portfolio of 23 small businesses, launched in 2012, provides small and emerging suppliers with access to the Group's supply chain. The Massmart SDP gives preference, but not exclusivity, to black and black woman owned-enterprises. The SDP typically involves assisting suppliers to meet product quality standards, investing in bespoke manufacturing equipment to build capacity and providing retail and business management training and has, since its inception, invested more than R200 million in over 200 local manufacturers, with procurement from suppliers in the programme exceeding R1 billion.

In response to the Covid- 19 pandemic, the SDP team have disbursed R1.8 million in the first half of 2020 to Reapso SA, a 100% black, female owned business to enable supply to Massmart for Protective Personal Equipment (PPE).

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.

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.

Environmental

Materials

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

As a retail/wholesale organisation, Massmart is not directly involved in the manufacturing process and as such, does not measure raw materials or the production intensity (CO₂e/ tonne product). However, initiatives are in place to encourage our private label suppliers to reduce packaging, design products and packaging sustainably, use more recycled content, and reduce the use of unnecessary inks and materials. One example of this is the transition of our point of sale shopping bags towards a more sustainable, fully recyclable single and multi- use bag that is made from recycled content. As part of this re- design to be rolled out in 2021, we will be reducing the colours of our bags to off- white, and reducing the number and volume of inks used on our artwork. We are also ensuring that all store formats offer customers the same type of bag, allowing our manufacturer to reduce wastage and increase production efficiencies. An additional example is the re- design of the M detergents line. As part of this re- design, detergent packaging included 50% post- consumer recycled material in the floor and tile cleaner, thick bleach, bathroom cleaner and dishwashing liquid containers. We also transitioned our all-purpose cleaner container from white polyethylene terephthalate (PET) to white high density polyethylene (HDPE) to enhance its recyclability in the South African market. In 2020, we conducted a similar exercise with the Clean Day detergents range to ensure the packaging is designed with sustainability in mind.

Furthermore, Massmart participates in a global Walmart private label packaging survey. The purpose of this survey is to identify materials used by private label suppliers and the percentage of those materials that can be recycled, composted, re- used or are made from recycled content. The results of the 2020 survey indicated that, based on responses received, approximately 92% of our private label packaging is recyclable.

Energy

G4-EN3. Energy consumption (internal)

Massmart reports on its energy consumption as part of its annual greenhouse gas emissions reporting processes, which are externally verified by CGX Africa who align to the ISO14065 standard. Nearly all energy is procured from the national grid which had an emissions factor of 1.02 t CO₂e/MWh in 2020. CO₂ emissions resulting from purchased electricity (scope 2, location based) amounted to 436 265 tCO₂e. This represents 90% of Massmart’s total reported emissions for 2020.

Massmart Group Emissions Intensities

Massmart Group Emissions Intensities	FY2016	FY2017	FY2018	FY2019	2020

tCO₂e/m²	Scope 1	0.02	0.03	0.02	0.02	0.02
	Scope 2	0.18	0.18	0.17	0.19	0.16
tCO₂e/Rm	Scope 1	0.6	0.81	0.59	0.70	0.58
	Scope 2	5.2	5.18	5.01	5.67	5.04

Definitions:

“tCO₂e” refers to tonnes of carbon dioxide equivalent as calculated using DEFRA emissions factors for the reporting year

“m²” refers to gross lettable area under roof in square metres (GLA)

“Rm” refers to total Group turnover in Rand millions

Scope 1 (2020) – GHG Scope 1 Disaggregation (within and outside of scopes)

Source	tCO₂e							TOTAL
	CO₂	CH₄	N₂O	HFC	PFC	SF₆	HCFC	
Fuels	28 195.00	0.56	1.10	NA	NA	NA	NA	28 538.00
Refrigerants	9.97	NA	NA	4.26	0.00	0.00	12.71	38 100.00
Other								
TOTAL	28 204.97	0.56	1.10	4.26	0.00	0.00	12.71	66 638.00

G4-EN4. Energy consumption (external)

The Group consumed a reported 430 918 MWh of electricity across its South African and African operations.

G4-EN6. Energy consumption reductions

We continue to prioritise energy efficiency improvements in our stores and DCs. In 2020, we continued to install energy-efficient lighting, smart building management systems, and efficient refrigeration and HVAC systems across the Group. Massmart’s store energy intensity decreased by 14.5% to 181 kWh/m². To drive further savings and ensure optimal energy management have initiated a process to centralise our energy monitoring network. As part of this process have installed energy monitoring meters at 350 stores.

As reported in previously, 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 20% efficiency improvement against our target. We estimate this represents a 100 million kWh energy use avoidance since 2013. In order to continue our efforts in addressing the growing crisis due to climate change, Massmart, together with all global Walmart markets, have committed to working towards zero emissions by 2040.

In addition to managing our operational energy use, we also worked hard to empower our customers to save energy and reduce household costs. 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 in 2019. The promotion (which was sponsored by the UNDP), ran for two weeks providing customers with discounts on selected energy efficient washing machines and refrigerators.

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

We continue to offer a range of over 1 300 products that help our customers reduce their environmental footprint, such as LED and solar lights, water storage tanks and low- flow fixtures. Through the sale of these products, we estimate that customers have saved over 18 million kWh and 435 000 kL of water.

To drive further savings and ensure optimal energy management we have initiated a process to centralise our energy monitoring network, which has so far enabled us to save approximately R10 million in electricity costs. As part of this process we have rolled out energy monitoring meters at 350 stores. Additionally, as stated in section G4-1, we have worked closely with the Department of Energy and United Nations Development Programme in running promotions on energy efficient large appliances aimed at encouraging consumers to select low- energy appliances and create awareness on energy labelling and appliance efficiency. The promotion resulted in unit sales growing by 100% and by 72.1% in Rand terms in 2019.

Water

G4-EN8. Water withdrawal by source

The majority of the Group's water comes from municipal water supply. In 2020 this amounted to approximately 1.3 million kilolitres (0.48 kL/m²). The remainder of water consumption comes from rainwater sources and accounts for 2% of overall water consumption. Our rainwater and condensate harvesting initiatives implemented at 84 Builders and Makro stores has allowed us to reduce our municipal water consumption by approximately 25 million litres a year.

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

Massmart does not extract water directly from the environment.

G4-EN9. Water sources significantly impacted

As a retailer, Massmart is not considered to be a significant consumer of water resources, however 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, coupled with accurate real-time water monitoring systems, plays a critical role in responsibly managing this shared resource. Our response to tracking and monitoring water usage is targeted at higher consumption facilities, both in water scarce and water rich regions in which we operate. The most common tools that we adopt are rainwater and condensate harvesting, water saving devices in stores and planting of water- wise indigenous plants in gardens. We currently have rainwater harvesting systems at 84 of our Builders and Makro stores, at an average cost of R60 000 each, as well as water monitoring meters at 20 stores which cost between R15 000- R18 000 each.

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 has led to us now installing remote water monitoring systems at additional standalone stores. 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 2021.

In response to the water shortages previously experienced in the Western and Eastern Cape we independently track water resources in these catchments and have taken the decision to initiate added water saving measures, including investing in atmospheric water generating units, capable of producing up to 5000l of water a day, at high priority sites and transitioning to waterless cleaning and sanitation alternatives where appropriate. So far we have invested approximately R9 million in water reducing technologies for water stressed areas.

Massmart participated in the Western Cape Drought Task Force established by the National Business Initiative to coordinate response to droughts in the Western Cape. The task force included local and national government, industry, other retailers and environmental and social NGOs including the WWF. We continue to work closely with industry bodies, such as the CGCSA and Sustainable Retailers Forum, to discuss opportunities to reduce water consumption. Additionally, we also closely work with leading NGOs, such as the Gift of the Givers, to assist in providing water to communities in areas of chronic water stress. This includes the provision of bottled water, equipment to drill boreholes and testing of groundwater quality levels to reduce the reliance on municipal supply during water shortages. We continue to monitor water availability in the water scarce regions that we operate in, with initiatives being implemented as and when water risks are identified.

We make use of the Water Risk Filter provided by the WWF in determining which of our stores nationwide are experiencing severe water scarcity. Based on the data provided through the Water Risk Filter, we currently have zero stores based in a water scarce region marked as High Risk to Very High Risk for overall water risk based on water basin assessments.

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

Massmart does not recycle or reuse water, however, the Group has a number of water harvesting initiatives (rainwater and refrigerate condensate) which generated approximately 25 million litres of water in 2020. This water is used to supplement our non- potable water applications in Makro and Builders stores.

Biodiversity

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

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

In order to reduce the risks associated with key commodities, Massmart focuses on the responsible sourcing, traceability and certification of private label timber, pulp and paper, seafood and palm oil product procurement. Currently, 100% of Massmart's private label palm oil usage is covered through RSPO PalmTrace certificates as we work towards transitioning suppliers to

sourcing Mass Balance or Segregated Supply palm oil. We also achieved our target of 100% of private label pulp and paper products being sustainably sourced by 2020. 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 conduct sustainability reviews and test the authenticity of seafood products on our shelves through genetic identity testing. Through a partnership with the University of the Witwatersrand, we tested over 22 canned, fresh and frozen seafood products in 2020 to ensure accuracy and promote seafood supply chain transparency. This work highlighted that mislabelling remains one of the foremost challenges to seafood supply chain transparency. Based on our most recent seafood sourcing assessment, 100% of seafood sourced have been confirmed to not be Sassi red-listed.

Emissions

G4-EN15. Direct emissions (Scope 1)

Massmart's Scope 1 emissions, excluding non-Kyoto gases, for 2020 were 43 999 tonnes CO₂e.

G4-EN16. Energy indirect emissions (Scope 2)

Massmart's Scope 2 emissions for 2020 were 436 265 tonnes CO₂e.

G4-EN17. Other indirect emissions (Scope 3)

Massmart's Scope 3 emissions for 2019 were 128 480.17 tonnes CO₂e. Data for Scope 3 emissions for 2020 are in the process of being verified.

G4-EN18. Reduction of emissions

As reported above, several projects are currently being implemented to reduce energy consumption across the divisions. As a result of more accurate energy usage data and a division-wide benchmarking exercise, the divisions have committed to the following targets: Massmart Group has committed to a 10% energy reduction per m²; Game has committed to a 9% and 6% reduction in energy consumption per m² respectively; Builders Warehouse and Builders Express have committed to a 12% and 11% reduction in energy consumption per m² respectively and Makro has committed to a 13% reduction in energy consumption per m². The targets have been derived using 2010 intensity as a baseline and with reference to the roll out of new stores and expected changes in store format design. In 2020, we achieved a 20% comparable reduction in our energy intensity for the Massmart Group set against our business as usual model, exceeding our initial target of 10%.

Emissions according to scope: Scope 1 = 0.02 tonnes CO₂e/m²; Scope 2 = 0.16; Scope 3 [2019] = 0.03 tonnes CO₂e/m².

G4-EN20. Emissions of ozone-depleting substances

A total of 38 100 tonnes of CO₂e emissions can be attributed to fugitive emissions from a variety of different gases used in refrigeration and air-conditioning plants at Massmart facilities, with 22 640 tonnes of CO₂e of these emissions be attributed to non-Kyoto gases. New standalone stores make use of natural gas refrigeration which have lower global warming potential.

Effluents and Waste

G4-EN22. Total water discharge by quality and destination

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

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

Our objective remains to reduce waste to landfill by prioritising the separation and recycling of paper, plastic and board at our stores and distribution facilities. We have made considerable effort to improve our recycling rates by circulating online waste assessments, working closely with waste service providers and monitoring waste generation across our facilities. Currently, 93% of all stores are actively engaged in separating and recycling their waste, resulting in an estimated 13 500 tonnes of waste being diverted from landfill in 2020. Our current waste diversion rate is 55%, decreased from 59% in 2019. Part of this decrease is attributed to building rubble no longer being used as backfill at landfill sites, and is instead considered as purely landfilled waste. Our waste diversion target for 2021 is 60%.

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

Year	Total volume of waste recycled (t)
2015	20178 t
2016	25000 t
2017	16500 t
2018	15354 t
2019	17091 t
2020	13587 t

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

Year	Total volume of non-recyclables generated
2015	23828 t
2016	20000 t
2017	12600 t
2018	11794 t
2019	11696 t
2020	10991 t

For total volumes of hazardous waste generated, please see table below:

Year	Total volume of hazardous waste generated
2018	7.52 t
2019	11.17 t
2020	6.8 t

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

Year	Total volume of e-waste collected (t)
2015	143 t
2016	106 t
2017	103 t
2018	169 t
2019	N/A
2020	N/A

Electronic waste (E-Waste) is one of the world’s fastest growing waste streams. Towards the end of 2020, we relaunched the Makro Electronic Waste Recycling Programme at 19 Makro stores in partnership with 53 electronics brands. The E-Waste recycling bins will be available for customers to dispose of their unwanted electronic appliances with the assurance that they will be safely recycled.

G4-EN24. Number and volume of significant spills

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

Products and Services

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

The impacts of products sold through Massmart stores during the production cycle, use phase and at the end of their useful life are not currently measured however, we are working with private label brand managers on ensuring that packaging is designed for sustainability and recyclability to ensure a more environmentally friendly re-use or end of life.

We sell 1,318 products which assist our customers’ to reduce their environmental footprint. We estimate that these products which include, led and solar lights, water storage tanks and low flow fixtures assisted in reducing their electricity consumption by 18 million kWh and water consumption by 435 000 kL in 2020.

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

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

A significant percentage of supplier packaging is currently recycled prior to selling products to the end consumer, although exact percentages are not measured. We can confirm that approximately 93% of stores are currently separating all secondary packaging, the bulk of which comprises paper, board and plastic. In addition to prioritising operational waste recycling Massmart is intent on engaging with suppliers to reduce overall packaging. To this end, Massmart

has hosted a series of packaging rationalization workshops with our private label buyers to highlight packaging reduction and rationalisation opportunities.

We have recently re- launched the Makro E- Waste Recycling Programme in partnership with over 50 electronic brands at 19 Makro stores nationwide. This initiative allows all members of the public to drop off any unwanted electronic appliance with the assurance that it will be safely managed and recycled.

To aid our transition towards a circular economy, we initiated a recyclability review of our Private Label packaging. As part of this process, we assessed approximately 4,000 products, which account for over 50% of our total Private Label procurement. This assessment highlighted that, based on responses, approximately 2855 tonnes of packaging has been generated, of which we estimate that:

- 92% of our Private Label packaging is recyclable
- 7% of Private Label packaging is made from recycled content
- 17% of our Private Label packaging is compostable
- 8% of our Private Label packaging is bio-based

Our aim for 2021 is to expand this assessment to include all Private Label suppliers, in pursuit of 100% recyclable Private Label packaging by 2025. Although voluntary recycling by customers is encouraged, no accurate measure is in place as to the extent thereof.

Compliance

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

Massmart did not make provisions or accruals for any potential ESG fines in audited accounts for 2020. For the year 2020, Massmart has not received any fines or non-monetary sanctions with respect to non- compliance with environmental laws and/ or regulations.

Transport

G4-EN30. Environmental impact of logistics

For 2019*, emissions due to supply-side freight as a result of imports of products by sea, land and air totalled 8 152.92 tonnes of CO₂e. Company owned vehicles used by staff members and for the delivery of products to and from facilities and for customer deliveries resulted in 27 511.89 tonnes of CO₂e. Delivery vehicles owned and operated by contractors accounted for 105 503.80 tonnes of CO₂e, which represents a significant increase from last year and can be attributed more accurate data collection. Massmart does not measure emissions resulting from staff members commuting to and from the work place. Business air and road travel emissions account for 0.76% of our total emissions.

*Data for 2020 is in the process of being verified.

Overall

G4-EN31. Environmental protection expenses type

None currently.

Labour Practices and Decent Work

Employment

G4-LA1 Staff turn over

In 2020, we had a staff turnover of 15%.

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

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

- Life insurance
- Disability insurance
- Private medical benefits (87.8% of staff)
- Free HIV/AIDS treatment
- Access to primary health awareness education
- Access to EAP counselling programmes
- Retirement or Provident fund membership
- Bursary programme
- Share ownership
- Staff discounts
- Incentive and bonuses
- Funeral, death and bereavement benefits
- Spousal support benefit

Labour-Management and Relations

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

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

Training and Education

G4-LA9-LA11. Employee training and development

At Massmart, we believe that each of our people bring a unique set of skills, experiences, perspectives and ideas that give us the competitive edge. We believe people drive their own development, but it is our duty to provide an environment that is conducive for nurturing talent and creating opportunities for them. In 2019 the average days of training per employee totaled 14, and even though we experienced numerous challenges due to Covid- 19, we had trained over 40 000 associates in 2020.

At all levels, our people are encouraged to develop themselves. Divisional learning and development teams provide skills development for both existing employees and unemployed people through learnerships and skills programmes. One such programme is the Massmart Talent Development Zone (MTDZ) (previously Massmart Corporate University), which is now entering its 13th year. The purpose of the MTDZ is to enable leaders to be change ready and shift from an aspirational and exclusive unit to a scalable and inclusive development service. We have invested R10 426 805.34 in leadership development in 2019 ensuring that the employees who serve our customers have the best leaders possible. In order to ensure that our customers get the best service from our employees, we have invested R170.1 million in upgrading skills and developing our people in 2020.

Diversity

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

1. Percentage of permanent historically disadvantaged employees: 94.7%
2. ACI management as a % of all management: 41.5%
3. Percentage of permanent employees who are women: 46.5%
4. Percentage of staff with a disability: 0.43%

While our active Employment Equity Committees have ensured the achievement of employment equity targets, we have also focused on establishing a diverse and inclusive workplace and company culture. Our need to retain and attract talented people has also led to the formation of our Diversity and Inclusion Committee.

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. 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

Equal Remuneration for Women and Men

Remuneration is not impacted or determined by race or gender. All associates are treated equally and remuneration levels are driven primarily by performance, tenure, scarce skills and talent.

Human Rights

Investment

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

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

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

Non-Discrimination

G4-HR3. Incidents of discrimination and actions taken

Massmart is committed to achieving the highest standards of ethical behaviour and continued its strong emphasis on promoting awareness of, and compliance with, Massmart's Code of Conduct. This document is reviewed periodically in conjunction with Walmart with the latest Code of Conduct released in early 2021.

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

Massmart continued to operate an independently run Ethics Line by Deloitte Tip Offs Anonymous to which any third party, member of staff or supplier may report a suspected unethical practice. Contacting the Massmart Ethics Line is made easy by either a FreeCall number 0800 203 246, emailing Ethics.helpline@wal-mart.com or visiting www.walmartethics.com.

Freedom of Association and Collective Bargaining

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

Massmart views the percentage of unionized staff as one of the indicators of commitment to freedom of association with 47.8% of the permanent workforce union members. No incidents of a threat to exercise freedom of association were reported for the period.

Child Labour

G4-HR5. Elimination of child labour

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

Forced or Compulsory Labour

G4-HR6. Elimination of child labour

No forced or compulsory labour is one of the standards required as part of the Responsible Sourcing program. No incidents of forced or compulsory labour were reported for Massmart for 2020.

Security Practices

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

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

Indigenous Rights

G4-HR8. Violations indigenous rights and actions taken

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

Supplier Human Rights Assessment

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

The Massmart Responsible Sourcing team lead annual audits of all factories in our private label supply chain to ensure adherence to social and human rights issues.

With Walmart's assistance, Massmart initiated a responsible sourcing programme for our private label, direct import and exclusive brand products in 2013. As part of the programme, suppliers

are assessed by independent auditors on a broad range of dimensions that include fair labour practices and compliance with health, safety and environmental standards and regulations. Suppliers, as part of their audit, are required to implement water and waste management practices and targets at all factories. Post implementation of the responsible sourcing programme, all direct import facilities have the required audits in place and supplier audit status is verified prior to the placement of orders. In 2016, additional focus was placed on engaging domestic import and manufacturing facilities and piloting a programme whereby recognised third-party audits (rather than only Walmart-specific ones) were accepted as part of the responsible sourcing programme.

At year-end 2020 Massmart had over 500 Private Label and direct import suppliers participating in our Responsible Sourcing Compliance programme, with over 800 facilities required to undergo regular social compliance audits. 94% of the audits conducted in 2020 showed a good level of compliance.

In 2020, the Responsible Sourcing team had participated in a number of initiatives and workshops related to labour standards, including:

- Stronger Together South Africa: a programme initially established in 2017 to support South African agri- businesses to address the risk of forced labour within their business and supply chain;
- CGCSA Social Sustainability Initiative: the aim of this initiative was to create a platform for collaboration on labour standards in the supply chain, as well as its own operations;
- Supplier Workshops: the aim of the workshop was to provide an overview of our Standards for Suppliers and Responsible Sourcing programme requirements. This workshop was directed at both existing and new suppliers ready to be onboarded;
- Merchant Training: Training of merchants and other related associates were held regarding the overview of the Responsible Sourcing programme and the vital role merchants play in ensuring suppliers meet their requirements.

Society

Local Communities

G4-SO1 and SO2. Percentage of operations with implemented local community engagement, impact assessment and development programs and operations with significant actual and potential negative impacts on local communities

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

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

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

In 2021, Massmart will be donating R1 million to the Female Academic Leaders Fellowship. The purpose of this donation is to provide support for research aimed at identifying and addressing alcohol related issues in our society, such as gender based violence and fetal alcohol syndrome.

A serious and growing need for community members, parents, caregivers and ECD Managers to be informed about the dangers of alcohol use and the prevention of FASD (Fetal alcohol spectrum disorder). The aim of HOPE worldwide`s Responsible Alcohol Programme is:

To coordinate and facilitate awareness programmes, roadshows and workshops towards educating, developing capacity and strengthening social cohesion, specifically related to the prevention and management of FASD:

The specific objectives of RAP are:

- To raise awareness on substance, abuse and its effects;
- To raise awareness about FASD;
- To build capacity of Parents, Caregivers, Communities and relevant stakeholders, to identify alcohol abuse risk and offer suitable interventions to prevent alcohol use during pregnancy, undertake appropriate referrals and assign appropriate support services.
- To build capacity pertaining to prevention, early identification and comprehensive management of individuals with FASD.

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

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

At Massmart, we recognise that we have the unique opportunity to contribute positively to the transformation of the local construction industry by driving the inclusion of small black-owned businesses in the development of some of our stores. Following engagement with local communities, we have developed a framework to employ members of local communities for new store openings. Our objective is to actively work with local communities in and around our store development projects to drive inclusivity in the construction of Massmart stores. We do this not only because it is the right thing to do, but this approach promotes an environment that is healthy, safe, efficient, productive, harmonious, and free of disruption. Our approach towards community engagement includes the following:

1. Understanding the Social Risk
2. Socio- Economic Landscape Assessment
3. Political Landscape Assessment
4. Understanding Public perceptions of Massmart and other Retailers
5. Local contractor landscape assessment

Anti-Corruption

G4-SO3. Number and percentage of operations assessed for risk related to corruption, and risks identified

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

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

A total of 2 240 permanent and non-permanent employees successfully completed comprehensive training this year in anti-corruption Foreign Corrupt Practices Act and bribery [Procedures and Policies] with 6 193 trained on anti- corruption and ethics.

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

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

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

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

For the year 2019 to date, no Massmart Holdings staff were disciplined or dismissed due to non-compliance with anti- corruption policies. There have been no fines, penalties or settlements made in relation to corruption in 2020.

Public Policy

G4-SO61. Value of political contributions by country and recipient

Government liaison is conducted primarily at Group level where responsibility is shared between the CEO and the Group Corporate Affairs Executive. The Group Corporate Affairs Executive is responsible for broad public policy issues. Public policy engagement efforts are made through written and verbal submissions to the appropriate parliamentary portfolio committee as well as participation in forums such as Business Unity South Africa. In 2020 Massmart sponsored the:

1. Goven Mbeki Parliamentary Office: The Kinross Homeless Shelter- Massmart donated television sets, boards and card games and hygiene products valued at R18 729.80 to a shelter that houses 106 people

2. Matric Top Achiever Awards 2019- Massmart sponsored university starter packs, including laptops, printers, hard drives and laptop bags to top achievers with the objective of enabling their tertiary academic studies valued at R51 525.27.
3. SAPS National Service Awards- As part of a community investment initiative, Massmart sponsored private label product hampers valued at R31 234.23 to the winners of 8 awarded categories
4. Department of Education: National Teaching Awards- Massmart sponsored 12 private label product hampers valued at R48 563.04 to the winners
5. The Government of Uganda: Covid- 19 Disaster Relief- Massmart donated 25 dome tents to Uganda's Task Force tasked with gathering resources and preparations in response to Covid 19 screening initiatives at border crossing points

Anti-Competitive Behaviour

G4-SO7. Number of legal actions of anti-competitive behaviour and their outcomes

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

Compliance

G4-SO8. Fines and sanctions for non-compliance with laws and regulations

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

Product Responsibility

Health and Safety

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

Massmart's formal trading agreements detail that suppliers are expected to abide by the laws and regulations of the country, and that all products and services must comply with legal and safety standards.

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

A broad range of products sold by Massmart are subjected to a variety of voluntary and compulsory standard testing procedures to ensure that a high level of health and safety is maintained. The Massmart Food Safety programme includes food safety audits (both external

and internal) at stores, manufacturing plants and suppliers, as well as product and environmental testing, food fraud testing, product recalls and training and monitoring. In 2020, Massmart conducted 14 855 in-store environmental tests (surface swabs, hand swabs, product tests, water tests, drain swabs), 867 Food Safety audits, tested 1 737 private label products and trained 4357 employees on a range of Food Safety modules. Additionally, the Food Safety team are responsible for monitoring the levels of sugar, salt and additives in private label food products. While the levels of sugar used in products is not currently regulated, the introduction of the sugar tax indicated that there was a concern around the amount of sugar used, particularly in soft drinks. As a result, we have reduced the amount of sugar in our own private brand soft drinks to support our customers in consuming less sugar when they choose our product. The team also monitor the amount of salt and additives used in private brand products to ensure that they meet the legal requirements.

Presently we do not conduct OHSAS 18001 certification reviews at our facilities. If an incident or injury occurs on site, it is recorded in an Incident Report which is then reviewed and, depending on the scope of the incident/ injury, escalated to senior management at Head Office level. An investigation will then be conducted at the site, witness statements will be taken and all supporting information reported to senior management for action and/ or remediation.

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 0.54 in 2020 represents an improvement from 2018 of 0.62. In 2020 we conducted various Health and Safety training sessions, covering, *inter alia*, safety in the workplace and fire safety 869 employees. We have reported 694 employee injuries for the year, and have regrettably had two customer fatalities. As a Group, we continue to focus on our safety standards for not just our associates, but also our customers and third party contractors.

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

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

Product and Service Labeling

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

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

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

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

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

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

A standard of merchandise labelling has been implemented to ensure future compliance, with the Massmart Product Safety team conducting training sessions with all private label teams on labelling guidelines. In 2020 there were 107 general merchandise product quarantines, and 27 recalls related to food safety.

We submitted 22 canned, fresh and frozen seafood samples to the University of Witwatersrand for genetic identity testing in 2020. These samples included all of our Private Label and a number of national brand products. The analysis revealed one instance of the inadvertent procurement of Sassi red-listed species by one of our suppliers. We have engaged with WWF: SASSI and the supplier to review their sourcing procedures and strengthen their chain of custody controls.

G4-PR5. Results of surveys measuring customer satisfaction

Divisions continue to conduct regular customer surveys including focus groups to research elements of the traditional value proposition to customers. As previously mentioned, customer intercept research introduced in 2009 at Group level also focused on customer satisfaction levels and included attitudes to responsible consumerism.

Marketing Communications

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

No significant incidences were reported for 2019.

Customer Privacy

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

Massmart follows the Direct Marketing Association (DMA) Code of Conduct, the Advertising Standards Authority (ASA) codes of practice. In addition, steps are in place to comply with the Access to Personal Information Act, Protection of Personal Information Act and the Consumer Protection Act. In 2019, there were 364 complaints filed with the Consumer Goods and Services Ombud (CGSO), none of which related to breaches of customer privacy or loss of customer data.

Compliance

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

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

For the year 2020, Massmart has not received any significant fines or non-monetary sanctions with respect to non-compliance with environmental laws and/or regulations.