



Massmart powered by Walmart ✨

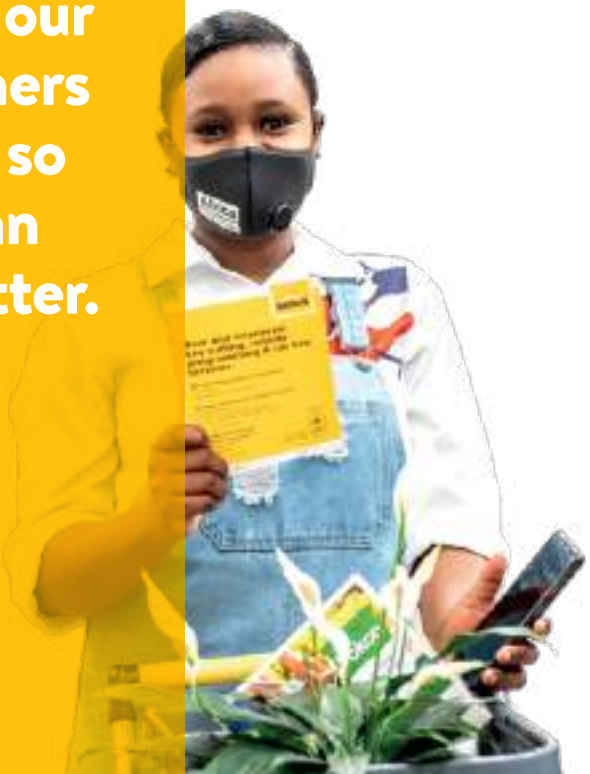
**Saving our customers money  
so they can live better.**



# About Massmart

Massmart is an African retail group, with total Group annual sales of R84.9 billion. Through our widely recognised and differentiated retail and wholesale formats, represented in 408 Retail and Wholesale stores in 13 sub-Saharan countries, we have leading market shares in the general merchandise, liquor, home improvement and wholesale food markets. The Group's key foundations of high volume, low cost, responsible business and operational excellence enable consistent price leadership.

**Saving our  
customers  
money so  
they can  
live better.**



## Our reporting suite

Our reporting suite comprises the following reports, which can be found on our website, [www.massmart.co.za](http://www.massmart.co.za), or requested from our Investor Relations team by emailing [investor.relations@massmart.co.za](mailto:investor.relations@massmart.co.za)



### Integrated Annual Report

*Our primary report to investors provides balanced information about how Massmart creates value over the short, medium and long term. It also contains relevant extracts of the annual financial performance for the period, environmental, social and governance disclosures, the remuneration report and AGM notice.*

[www.massmart.co.za/iar2021](http://www.massmart.co.za/iar2021)



### Group and Company Annual Financial Statements

*Our audited consolidated Group and Company Annual Financial Statements, Independent Auditor's Report, detailed Audit Committee Report and Directors' Report.*

[www.massmart.co.za/iar2021/groupafs](http://www.massmart.co.za/iar2021/groupafs)

[www.massmart.co.za/iar2021/companyafs](http://www.massmart.co.za/iar2021/companyafs)



### King IV application register

*A summary of how we have applied the King IV principles.*

[www.massmart.co.za/iar2021/KingIV](http://www.massmart.co.za/iar2021/KingIV)

[Further information](#) [Definitions](#)

# Contents

## **Forward looking statements**

*This report may contain forward-looking statements which may relate to future performance and prospects. While these statements represent our judgements and future expectations, a number of known and unknown risks, uncertainties and other important factors may cause actual results to differ materially from our expectations. These include factors that could adversely affect our business and financial performance. Investors are cautioned not to place undue reliance on any forward-looking statements contained herein, as they have not been reviewed or reported on by our external auditor.*

*We do not undertake to update publicly or to release any revisions to these forward-looking statements, to reflect events or circumstances after the date of the publication of this report or to reflect the occurrence of unanticipated events.*

# About this report

The aim of our Integrated Annual Report is to provide our stakeholders with a concise and transparent assessment of Massmart's ability to deliver value to its stakeholders over the short (one year), medium (two to three years) and long term (three to five years).

## Reporting scope and boundaries

This report covers the primary activities of Massmart's Wholesale and Retail operations in 13 sub-Saharan countries and the key functions over which we exercise control. Published annually, it provides material information relating to our strategy, future prospects, business model, operating context, stakeholder engagement, risks, governance and operational performance for the period 28 December 2020 to 26 December 2021. Both financial and non-financial data are aligned to the same financial reporting period allowing for comparison of performance data.

During the period, the Board made the decision to divest the Group's Cambridge, Rhino and Massfresh (comprising The Fruitspot and a meat processing facility) assets. Following this, the Cambridge, Rhino and Massfresh businesses have been classified as one disposal group and reported as discontinued operations in terms of IFRS 5. As such, the information contained in this report relate to continuing operations only, unless stated otherwise.

Information on anything material that took place after 26 December 2021 and up to the date our Board approved this report has also been included.

### REPORTING BOUNDARY FOR OUR INTEGRATED ANNUAL REPORT RISKS, OPPORTUNITIES AND OUTCOMES ARISING FROM:



Associates and organised labour, shareholders and providers of debt, customers, Governments and regulators, communities, non-Governmental organisations (NGOs), suppliers, media and industry bodies.

## Reporting frameworks

This report is prepared in accordance with:

- The International Integrated Reporting Council's (IIRC) International <IR> Framework
- International Financial Reporting Standards (IFRS)
- King IV™ Report on Corporate Governance for South Africa 2016 (King IV)
- JSE Limited (JSE) Listings Requirements
- Companies Act No 71 of 2008, as amended (Companies Act)
- United Nations (UN) Sustainable Development Goals (SDGs)

## Strategy and outlook

This report covers the progress we have made against our strategy during 2021 and provides insights into our strategy going forward.

Outlook information can be found throughout this report; however, the majority of this information can be found in the following sections of the report: delivering a best-in-class Supply Chain network, building a world-class omnichannel offering, message from our Chairman, Board Committee feedback, strategic review and our performance.

## Our approach to materiality

We apply the principle of materiality in assessing what information should be included in our Integrated Annual Report, as it has the potential to influence the decisions of our stakeholders.

Our materiality identification process involves the identification of matters that have the potential to affect our ability to create value over the short, medium and long term. Material matters considered are based on a combination of [our stakeholder engagement processes \(page 20\)](#), [risk management \(page 24\)](#) and the [Group's strategy \(page 50\)](#). These matters are considered and critically reviewed by key members of our Executive Committee and ultimately signed off by the Board.

## UN SDGs

Through our responsible approach to business we are able to contribute to the UN SDGs. We have identified 12 of the SDGs to which we believe we can make the most meaningful contribution.



## Combined assurance

Our combined assurance model has been established to enable an effective control environment, support the credibility and integrity of information used for internal decision-making and support the credibility and integrity of our external reports. While the Board is ultimately responsible for our internal control processes, our combined assurance model incorporates five lines of defence, each with their own assurance role:

1. Corporate and local management
2. Specialist departments
3. Massmart Internal Audit Services
4. External audit and other independent assurance providers
5. The Board, supported by sub-Committees

### Type of assurance Assurance and monitoring

<b>Auditing of our Group and Company Annual Financial Statements</b>	External auditors: Ernst & Young (EY)
<b>Material sustainability information</b>	External assurance providers: GCX Africa – Emissions and renewable energy data  External assurance providers: Honeycomb BEE Ratings – Broad-Based Black Economic Empowerment (B-BBEE) scorecard
<b>Corporate social investment, sustainability and human capital performance indicators</b>	Massmart Internal Audit Services
<b>Execution of our combined assurance plan and reporting</b>	Execution monitored by the Audit Committee, which reports to the Board quarterly and to shareholders annually ( <a href="#">Page 5 of the audited consolidated Group Annual Financial Statements</a> )

## Board approval

Our Board acknowledges its responsibility for ensuring the integrity of this Integrated Annual Report. It has applied its collective mind to the preparation and presentation of this report and is of the opinion that the report is in accordance with the International Integrated Reporting Council (IIRC)'s International <IR> Framework. The Board has critically assessed the assurance obtained from Massmart's combined assurance model. It is satisfied that the model enables an effective internal control environment that supports the integrity of information used for internal decision-making by management, the Board and its Committees, and the integrity of the Integrated Annual Report. The Board also considered materiality for the purposes of the Integrated Annual Report and the effect that the presence or absence of an item of information might have on the accuracy or validity of a statement in the Integrated Annual Report, or a decision by a stakeholder. Our overall objective with this Integrated Annual Report is to provide information that could materially impact Massmart's ability to create value over the short, medium and long term. The Board is of the view that, to the best of its knowledge and belief, our integrated reporting addresses matters material to our stakeholders' decision-making by explaining the impact of Massmart's value creation process over time. It also takes into consideration the Group's impact on its stakeholders and the environment in which it operates. The Board unanimously approved our integrated reporting for 2021 on 8 April 2022.

 <b>Kuseni Dlamini</b> Chairman of the Board	 <b>Lindiwe Mthimunye</b>
 <b>Mitchell Slape</b> Chief Executive Officer	 <b>Charles Redfield</b>
 <b>Mohammed Abdool-Samad</b> Chief Financial Officer	 <b>JP Suarez</b>
 <b>Daria Beckom</b>	 <b>Sindiswa Zilwa</b>
 <b>Olufunke Ighodaro</b>	



**Massmart's state-of-the-art distribution centre (DC) in Riversands, launched in 2021**

Read about how our reliable and agile end-to-end network provides competitive advantage for Massmart and delivers service to our customers at the lowest cost.



# 2

## Our business



# Who we are

**We are a value-driven Company deeply grounded by our core values: Respect for the Individual, Service to the Customer, Strive for Excellence and Act with Integrity.**

Acting consistently with our purpose and our values demands that a culture of integrity guides all our decisions. We are dedicated to doing business the right way.

## OUR VALUES



### Respect for the Individual

We treat people with dignity, lead by example, and listen to each other. We seek and embrace differences in people, ideas, and experiences.



### Service to the Customer

We put our customers first, anticipate their wants and needs, and exceed their expectations.



### Strive for Excellence

We are a high-performance team and expect the best from ourselves. We own our work and results.



### Act with Integrity

We are honest, fair, and objective. We speak up about concerns and comply with all laws and our policies.

## OUR BUSINESS

**34,255**  
ASSOCIATES

**1,372,449**  
M<sup>2</sup> TRADING SPACE  
2020: 1,399,133M<sup>2</sup>

**352**  
STORES  
2020: 360

**13**  
SUB-SAHARAN COUNTRIES  
2020: 13

**86**  
PRIVATE BRAND PRODUCTS  
2020: 88

**R77.6**  
BILLION SALES  
2020: R77.6 BILLION

## OUR BUSINESS UNITS

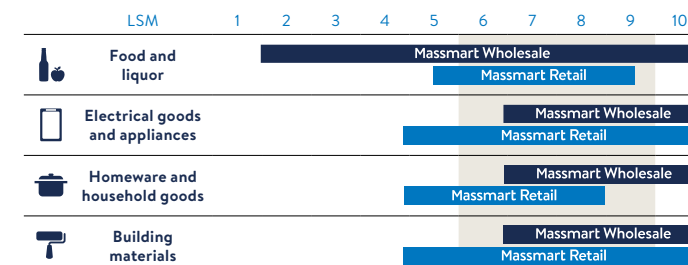
**Massmart Retail**  
powered by Walmart\*



**Massmart Wholesale**  
powered by Walmart\*

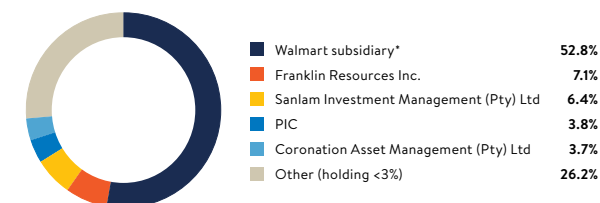


## OUR FORMATS COVER ALMOST ALL LSM GROUPS



We are strongly represented in LSMs 6-8

## OWNERSHIP

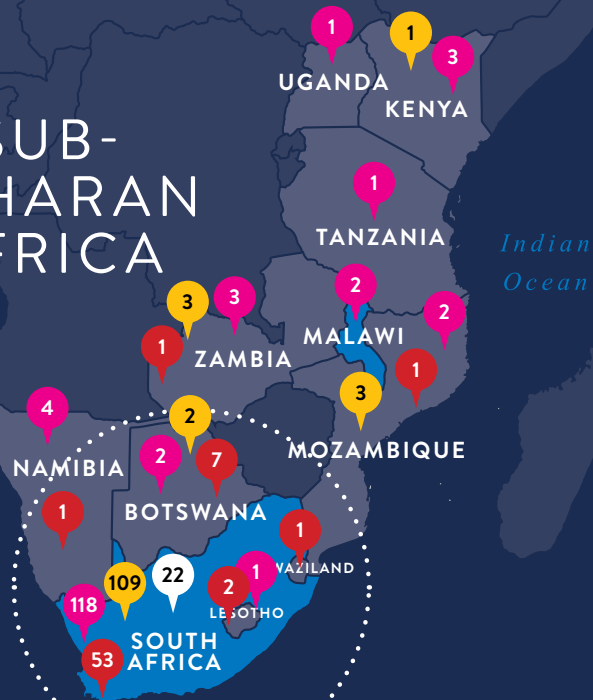


\* Walmart subsidiary: Main Street 830 Proprietary Limited

# Our footprint



## SUB-SAHARAN AFRICA



### QUICK FACTS

#### PICKUP POINTS

**6** REST OF AFRICA  
**379** SOUTH AFRICA

#### STORES

**50** REST OF AFRICA  
**302** SOUTH AFRICA

#### RETAIL SPACE (M<sup>2</sup>)

**183,707** REST OF AFRICA  
**1,188,742** SOUTH AFRICA

#### % OF TOTAL SPACE

**13** REST OF AFRICA  
**87** SOUTH AFRICA

#### % OF TOTAL GROUP SALES

**9** REST OF AFRICA  
**91** SOUTH AFRICA

#### AVERAGE ANNUAL SALES PER STORE

**R146.8m** REST OF AFRICA  
**R232.7m** SOUTH AFRICA

### STORE PORTFOLIO

**352**  
Group stores  
Down from 360 in Dec 2020

**146** GAME  
Down from 149 in Dec 2020  
**118** BUILDERS  
Down from 120 in Dec 2020

**22** MAKRO  
22 in Dec 2020  
**66\*** CASH & CARRY  
Down from 69 in Dec 2020

**↓ 8**  
SA stores  
7 closed  
2 sold  
1 opened

**↓ 3** GAME  
3 closed in South Africa  
**↓ 2** BUILDERS  
3 closed in South Africa  
1 opened in South Africa

**0** MAKRO  
No stores opened or closed  
**↓ 3** CASH & CARRY  
1 closed in South Africa  
2 sold in South Africa

\* Includes 12 Cash & Carry stores that form part of the disposal of Cambridge, Rhino and Massfresh businesses.

# 2021: A year of unique challenges

## The ongoing impact of Covid-19

### Impact

- In accordance with Government regulations, Liquor sales were prohibited for approximately 110 days of the trading year
- An estimated R1.8 billion in lost Liquor sales and an estimated R193.0 million in lost sales margin during the reporting period for the total Group
- Additional costs associated with ensuring a safe shopping and workplace environment for customers and associates amounted to R77.7 million
- Government-supported Temporary Employment Relief Scheme (TERS) benefits and negotiated rental relief of R62.2 million were received during the reporting period

### Our response

- Strict adherence to our Covid-19 protocols and safety measures for all associates and customers
- Implemented a hybrid work-from-home/office model for head office-based associates
- Implementing mandatory vaccination protocols at our head office
- Continued store-based education and enablement programmes
- Allocated special paid leave to associates to receive their vaccinations
- Assisted pensioners in rural areas to register on the electronic vaccination data system, and rolled out vaccination sites at selected stores for pensioners to get vaccinated
- Rolled out mobile vaccine sites to our associates at selected stores in high density urban areas
- Offered emotional and psychological support to all associates through Massmart's wellness programme

### Capitals:

 Financial capital ↓

 Social and relationship capital ↑



## Civil unrest

In July 2021, KwaZulu-Natal (KZN) and parts of Gauteng in South Africa experienced civil unrest, which directly impacted 43 of our stores and two of our DCs. Of these, 34 stores had re-opened by the end of this financial year, while some of the remaining facilities will only re-open in 2022, due to the extensive damage they sustained (including the Makro Pietermaritzburg store which was destroyed by arson). The severe impact of the loss of our Riverhorse DC in KZN, which was also destroyed by arson, was offset by a shift of replenishment capabilities into other distribution facilities. As part of the reconfiguration of our logistics network, a new distribution facility in Gauteng was also brought online in September, months earlier than originally planned.

### Impact

- Lost sales due to store closures estimated at R2.7 billion, with an estimated lost sales margin impact of R473.1 million for the total Group
- Damages incurred from the civil unrest for inventory written-off, assets impaired and other related damages amounted to R1.5 billion
- Insurance proceeds of R1.0 billion received/receivable (R171.2 million related to third-party liabilities) and an additional R100.0 million related to business interruption
- During and following the unrest vulnerable communities experienced food insecurity

### Our response


- Together with Walmart, we contributed R13 million to mitigate food insecurity in vulnerable communities
- Supplied in excess of 200 tonnes of food to FoodForward SA and the Gift of the Givers Foundation
- We distributed 8,373 care packages to all our associates based in KZN. Each care package contained 29 basic household items
- Our Logistics team packed and transported these care packages over the weekend of the civil unrest
- WumDrop delivered these packages to worksites
- Where it was safe to do so, we opened stores early to assist associates to shop and then opened to the public
- We provided special paid leave to our associates who could not get to work and we allocated associates to other sites who worked in stores that needed to be rebuilt after the unrest

### Capitals:

 Financial capital ↓

 Social and relationship capital ↑

 Human capital ↑

 Manufactured capital ↓

## Strike action

The South African Commercial, Catering and Allied Workers Union (SACCAWU) declared a dispute with regard to some of the initiatives of our Turnaround plan. This resulted in two strikes: one lasting three days in May 2021, which ended even though no resolution was achieved; and an 18-day strike during November and December 2021. The 18-day strike concluded with the parties reaching an agreement on several issues and, more importantly, committing to engage in a relationship building process during 2022.

### Impact

- Negative social media
- 29% of all our unionised associates participated in the 18-day strike
- Additional costs incurred associated with increased security and contractors

### Our response

- Continued focus on restoring our relationship with SACCAWU
- Continued dedication to creating a better world of work for our associates through our people policies and practices, which resulted in us being accredited a Top Employer in South Africa for 2022
- Continued associate engagement and learnings implementing of learnings from these engagements and our BUA associate engagement survey

### Capitals:

 Financial capital ↓

 Social and relationship capital ↓



# Our business model

**Our business model relies on high-sales density formats, procurement scale and cost-efficient routes to market. It helps us drive sustainable economic value for our stakeholders and deliver on our purpose to our customers.**

## CAPITAL INPUTS FROM 2020

### FINANCIAL CAPITAL

- R2,951.5 million in equity
- R11.2 billion in funding facilities
- R2,288.8 million in free cash inflow

### MANUFACTURED CAPITAL

- 360 Retail and Wholesale stores
- 1,399,133m² total trading space
- 14 DCs and four large item depots (LIDs)
- 413 Pickup points
- 88 Private Brand products

### HUMAN CAPITAL

- Experienced leadership driving our values throughout the business delivering on our purpose
- Our skilled associates who are aligned with our values and strategy
- Investment in skills training and leadership development
- Robust health and safety programmes in place to keep our associates and customers safe

### INTELLECTUAL CAPITAL

- Values-driven Company underpinned by strong compliance and governance culture
- Customer data and feedback to inform business decisions
- Ability to innovate and develop an effective business strategy
- Robust governance structures, which support ethical and effective leadership
- Effective risk management and risk governance
- Systems, processes and software that make up our organisational capital
- Three e-commerce sites
- Integrated Supply Chain solution

### SOCIAL AND RELATIONSHIP CAPITAL

- Customer loyalty based on our ability to deliver on our purpose of saving our customers money so they can live better
- Engagement with regulators
- Our commitment to responsible business and responsible sourcing
- Strong relationships with our key suppliers and service providers
- Good community relationships
- CSI contributing to increased food security, early childhood development (ECD) and reduced inequalities
- Level 4 contributor B-BBEE status
- Trusted brands and reputation
- Our contribution to the UN SDGs

### NATURAL CAPITAL

- Skills and resources established to reduce our impact, and that of our customers, on the environment through increased recycling, reduction of waste to landfill, water use efficiency, climate change mitigation and adaptation, sustainable sourcing and product screening

## BUSINESS ACTIVITIES

### CENTRES OF EXCELLENCE

We support our business units with human resource management, technology developments, Goods Not For Resale (GNFR), supply chain optimisation, e-commerce, real estate, financial management and control and through outsourced functions: financial transactional support and SAP application development.

### STRATEGIC RELATIONSHIP WITH OUR SUPPLIERS

We leverage our exceptional partnerships and bargaining power with our suppliers through Group collaboration, to responsibly source an assortment of low-cost products, including Private Brand products.

### EFFECTIVE MARKETING AND SALES

We have various communication channels, shopping options, competitive pricing, promotional activity and an assortment of quality products.

### EFFICIENT GROUP SUPPLY CHAIN

Our integrated Supply Chain optimises storage, planning, logistics and Group-wide transport to deliver reliable, cost effective on-shelf availability.

### OMNICHANNEL OFFERING

Reaching a wider range of customers by providing a variety of shopping methods, adapting to customer preferences and shopping environments, delivering cost savings and an improved customer experience.

### SKILLED ASSOCIATES

Whose commitment and skills ensure we have the resilient teams and empowered leaders that are core to achieving our strategy.

### A RESPONSIBLE APPROACH TO BUSINESS

Ethically sourcing safe products for our customers. Providing information on these products to keep customers safe and helping to reduce their impact on climate change.

## OUTCOMES

### FINANCIAL CAPITAL

- ✓ Sales up 0.1%
- ✓ Comparable sales up 3.0%
- ✓ R2,545.2 million in equity
- ✓ R10.1 billion in funding facilities
- ✗ R2,030.8 million in free cash outflow
- ✓ 0.1% increase in Group expenses
- ✗ Delivered R830.6 million in trading profit before interest and taxation (48.5% decline from 2020)

### MANUFACTURED CAPITAL

- ✗ 43 stores significantly impacted during the civil unrest in South Africa
- ✓ 34 of these stores re-opened as at year end
- ✓ 352 stores in 2021 (down from 360 in 2020)
- ✓ Net decrease of 8 stores: 1 store opened, 7 closed, 2 sold
- ✓ 1.9% decrease in trading space
- ✓ 86 Private Brand products
- ✗ 385 Pickup points
- ✓ Increased online sales 47%
- ✓ Increased online sales participation 2.2% (2020: 1.8%)
- ✓ Increased Gross Merchandise Value (GMV) 56% and online orders 113%
- ✓ Distribution capacity in 13 nodes
- ✓ Relayed 114 South African Game stores
- ✓ Finalising divestment of discontinued operations: Cambridge, Rhino and Massfresh
- ✓ Commenced divestment of Game East and West African stores, and 15 South African Game stores

### HUMAN CAPITAL

- ✓ R7.3 billion employment costs, increased by 0.6%
- ✓ Delivered 8,373 care packages containing basic household items to associates in KZN, when it was challenging to secure essential household items
- ✓ 78.6% of permanent associates are historically disadvantaged
- ✗ 38.4% of permanent associates are female (Target: 50% female associates by 2023)
- ✗ 36.5% associate turnover rate
- ✗ 1.4% associates living with disabilities (Target: 1.5% by 2022)
- ✓ Moved to a hybrid work-from-home/office model at head offices
- ✓ Implementing mandatory Covid-19 vaccination protocols at head offices, continued store based vaccine education and enablement programmes
- ✓ Special paid leave for associates to receive Covid-19 vaccination
- ✓ Mobile Covid-19 vaccination sites at stores in high density urban areas
- ✓ Incurred R77.7 million additional Covid-19-related costs to ensure a safe shopping and workplace environment for customers and associates
- ✓ Awarded Top Employer in South Africa for 2022

### INTELLECTUAL CAPITAL

- ✓ Established a Group-wide e-commerce function serving all banners
- ✓ Consolidating our Supply Chain network
- ✓ Enhanced ability to leverage Walmart skills and expertise
- ✓ Implementing our Turnaround plan with pace and focus
- ✓ Implemented a targeted behavioural energy management programme in Makro, Game and Builders to reduce electricity consumption
- ✓ Established the Food Share programme through partnerships with FoodForward SA

### SOCIAL AND RELATIONSHIP CAPITAL

- ✓ Massmart and Walmart contributed R13 million to hunger relief organisations
- ✓ Over 200 tonnes of food donated to local communities to help alleviate heightened food insecurity following the civil unrest
- ✓ Assisted pensioners in rural areas to successfully register for and receive their vaccines at our stores when they collected their SASSA grant payments
- ✓ Through partnership with the National Department of Health, assisted with administering approximately 36,372 vaccines to Massmart customers
- ✓ Through partnership with HOPE Worldwide, supported a total of 272 ECD centres catering to 12,586 children to enable better education outcomes for vulnerable children between the ages of 0-6 years
- ✓ Maintained Level 4 contributor B-BBEE status and highest score achieved by a JSE-listed retailer: customers can claim 100% of their spend with Massmart going towards B-BBEE
- ✓ Identified 14 immediate product localisation opportunities through our SDP

### NATURAL CAPITAL

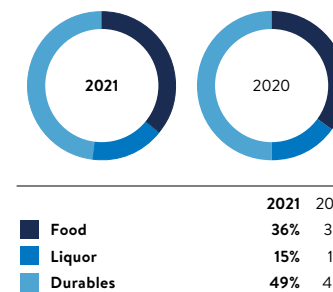
- ✓ Reduced water consumption from potable sources by 121 million litres over the last five years
- ✓ Commissioned two new solar plants during the year, increasing the Group's electricity production by an estimated 800,000 kWh per annum
- ✓ Diverted 54% (approximately 14,600 tonnes) of our waste from landfill in 2021
- ✓ Collected over 40,000 kilograms of e-waste during the year through our Makro Electronic Waste Recycling Programme
- ✓ 20.8% reduction in estimated water consumption intensity
- ✓ 20.2% reduction in our South African store energy intensity year-on-year
- ✓ 14 canned, fresh and frozen seafood samples submitted for DNA analysis to ensure responsible sourcing

✓ favourable    = no change    ✗ unfavourable

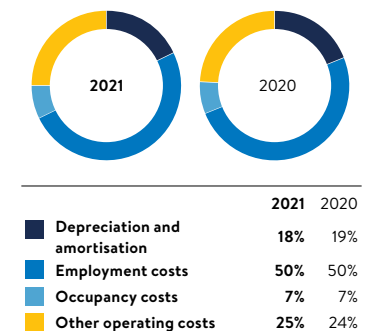
## OUTPUT

Our capital outputs include the assortment of good quality products and services, including value-added services (VAS), to our customers at affordable prices. These products and services are available both online, through our multiple e-commerce platforms, and in-store, at our 352 stores in 13 countries. Waste and other by-products are produced by carrying out our business activities, this includes emissions and waste.

### Our revenues



### Our costs



### Our revenue differentiators

- Maintaining a good relationship with our suppliers to ensure a competitive product assortment
- Providing good quality products at everyday low prices (EDLP) to our customers through our Private Brand offering
- Improving customer convenience by driving VAS customer offerings
- Leveraging Walmart's expertise and relationships
- Accelerating growth in e-commerce, key categories and geographies
- Relayed Game stores

### Our cost differentiators

- Fundamentally reset our cost base, driving lower operating costs
- Leveraging Group collaboration to source the best quality products at the lowest cost
- Centralised support functions enabling a customer-centric organisation
- Outsourced SAP support to Walmart's Indian Development Centre and financial transactions to Genpact
- Established a cost effective integrated Supply Chain solution
- Responsibly managing capital expenditure
- Investing in growing through e-commerce, key categories and geographies



# Delivering a best-in-class Supply Chain network

## Our mission

Enable a reliable and agile end-to-end omnichannel Supply Chain that is a competitive advantage for Massmart and delivers the customer promise at the lowest cost to the value chain.



Our goals are to:

Drive the best cost-effective availability

Reduce operating costs

Optimise our working capital

Increase Supply Chain centralisation

Run a completely funded network

Transform our Supply Chain to support our omnichannel strategy

## Our strengths

### 340,000m<sup>2</sup> distribution capacity

A substantial footprint in South Africa with over 340,000m<sup>2</sup> of distribution capacity in 13 nodes.

### Servicing leading banners

Servicing a combination of leading banners in both the Retail and Wholesale space from the same nodes.

### 3 state-of-the-art omni DCs

Consolidating our network to cater for our customers' needs by building three state-of-the-art fully omni DCs.

### Walmart-backed technology

By leveraging our Demand Forecasting engine, based on Machine Learning algorithms from Walmart, we will significantly improve how we interpret demand and execute our ordering and fulfilment.

## Overcoming challenges during the year

### Global supply chain challenges and the Covid-19 pandemic

During 2021, the world saw significant impacts to supply chains across industries from the pandemic as well as container shortages and rate increases. Through the work and focus of our Massmart International Commerce Team, we were able to limit shipment delays at the port of origin such that only 17% of our indent volume was affected. We also managed to maintain fixed ocean rates during 2021, thus avoiding significant landed costs. Despite shipping delays, Supply Chain was able to source all indent articles on-time for our peak trading season and achieved record in-stock numbers for products imported directly by the Company. We were however, negatively affected by delayed stock deliveries in the electronics and appliance categories.

### Impact of the civil unrest

The civil unrest that took place in South Africa in July 2021 resulted in significant damage to our two DCs in KZN: Cato Ridge and Riverhorse. To address the impact of this damage we responded swiftly by re-opening our operations in Surprise Road (a facility we had vacated in May 2021 as part of our Network consolidation programme) in just three

weeks in August of 2021; and we brought forward the opening of two of our three new DCs in both Gauteng and KZN by an average of five months from their original opening date.

### Leveraging Walmart expertise

Our ability to leverage Walmart's Supply Chain expertise has allowed us to focus on improvements in our upstream processes for flowing products. We also established new ways of working, a best-in-class Walmart International market structure and achieved over 230bps of improved product availability to support sales. Global partners of Walmart's network assisted us with our Vendor Fill Rates and on-time in-full performance, which was a key focus area of ours during 2021.

### Supporting our omnichannel growth strategy

The progress we made with our transition to a digitally enabled, cross functional end-to-end omni Network during the year under review included developing the functionality to expand customer pickup areas in two of our three DCs and transitioning our network into a full omni Network with our first Fulfilment Centre expected to go live in Gauteng in the second half of 2022.

The progress we have made with our journey thus far will allow us to extend our online offering, expand our footprint into all our Regional DCs and commence the repurposing of our LIDs into full omni nodes capable of serving all banners and all customers directly.

### Portfolio optimisation

Part of our optimisation project is to consolidate our DCs to provide more efficient cost-effective services to our customers. Since we began this journey we have seen a significant reduction in rental expenses and an overall decrease in total square meters operated following the shutdown of the following DCs:

- Airport DC serving both Makro and Game
- Cambridge Denver DC
- Cambridge and Builders Surprise Road DCs (had to be re-opened to accommodate for the losses in KZN).

### The future of Massmart's Supply Chain

Leveraging Walmart's SMART Forecasting tools (with Machine Learning capabilities) should allow us to better serve demand (both online and offline) by having the right product, at the right time, in the right place. SMART allows for more than 500bps of increased forecasting accuracy, which drives product availability up, and also allows for the reduction of safety stocks.

The information used by SMART is derived from a set of data feeds which includes historical sales, on-shelf availability, product seasonality, local festivities, pricing, weather events, sporting events and other data sources we think might be relevant to demand calculations.



# Building a world-class omnichannel offering

## Our objective

**To build omnichannel capabilities through a portfolio of digital assets and a fulfilment infrastructure that enhances customer experiences**

### Our competitive advantages:

- Our diverse portfolio of well-known and well-respected brands
- We can deliver products to our customers faster and cheaper from stores based throughout the geographies in which we operate
- The strong relationships we have with our suppliers allow us to buy in bulk and negotiate lower prices
- Access to Walmart's international experience, expertise, resources and technology
- The recent investments we've made in expanding our omnichannel capabilities that allow us to deliver speedy and convenient online shopping

### Key achievements during 2021:

- Reorganised a Group-wide e-commerce function serving all banners
- Strengthened the Massmart support team at the Bangalore-based Indian Development Centre, making meaningful site enhancements which resulted in improved conversion rates
- Established a new Pickup and Delivery operations fulfilment structure driving improved service performance
- Launched mobile apps for Makro and Builders with enhanced user experience
- Completed acquisitions of OneCart and WumDrop

### Agile and responsive ways of working

#### Covid-19

The Covid-19 pandemic and ensuing regulations resulted in lost sales and lower footfall in our stores. Customers began utilising online shopping more, which offered increased safety and convenience. To address this, we began accelerating our omnichannel strategy in 2020.

In 2021, maintaining our focus on enhancing our customer experience, we were able to further accelerate delivery of our omnichannel strategy by taking an innovative, agile and responsive approach to applying our 2020 learnings.

The momentum of customers shifting to online shopping has continued as restrictions were eased.

#### Civil unrest

The significant damage to our two DCs and 43 stores during the civil unrest in July 2021 temporarily impacted our online fulfilment capabilities in the affected areas. However, swift action ensured that this impact was very short lived as we redirected orders from impacted stores to unaffected stores, re-opened stores that could be re-opened and adjusted delivery times with customers where required.

### Leveraging Walmart expertise

Both our Senior Vice President and head of e-commerce Technology at Massmart come from Walmart, bringing with them first-hand Walmart knowledge and expertise. We have also moved our technology to Walmart's global technology centre, based in India, where a dedicated team is responsible for the development of Massmart's technology. This move allows Massmart to benefit from Walmart's advanced technology expertise and experience. Through our inclusion in Walmart's internal forums and existing networks, we can learn from global best practice in the markets where Walmart operates. We are also able to benchmark, leverage, learn from and share best practice with its e-commerce experts.

### Strategic acquisitions during the year

#### WumDrop

Massmart acquired 100% of WumDrop and has focused on building the business as a key pillar of our last-mile delivery capability.

WumDrop has expanded its services from delivering a small portion of Makro's deliveries to delivering almost half of Makro's online orders (and growing) and also supporting Game and Builders.

WumDrop has the delivery capabilities to rapidly grow the deliveries it undertakes on behalf of third-party clients, which will allow it to further reduce its cost base, benefitting both the customer and Massmart. Massmart can also strategically leverage WumDrop for opportunities and synergies within the Group. One example is for WumDrop, whose delivery processes are more advanced, to provide delivery services to OneCart.

#### OneCart

Acquired in October 2021, OneCart, an end-to-end customer fulfilment solution, allows Massmart to fulfil customers' on demand online orders, which is an increasing trend in South Africa. For categories that are not our areas of strength, such as fresh food, we use OneCart's marketplace and the stores that are strong in this category to meet customers' requirements. Through the synergies created between Massmart and OneCart we can be more robust, increase GMV and reach. We are also able to diversify our income streams through other aspects of the OneCart business such as advertising, technology services and other types of fulfilment services.

### VodaPay Super App

Our relationship with Vodacom allows us to play a key role within the Super App. We currently provide mobile applications within the VodaPay Super App with Builders and Makro. VodaPay allows customers a single sign-on, by inputting their transactional details only once they get exposure to multiple mobile apps, such as food and grocery, general merchandise deliveries as well as utility payments.

### The future of omnichannel at Massmart

#### Massmart wants to be:

#### Leading websites and apps in South Africa,

catering to brand loyal customers. To achieve this, we plan to enhance our websites and launch mobile applications to deliver the most trusted omnichannel experience to our brand loyal customers

#### Leading on-demand/last mile platforms,

delivering speed and convenient online shopping to customers who need their orders fulfilled quickly

#### Leading B2C and B2B marketplace

delivering the broadest assortment available to product-focused, non-brand loyal customers and businesses





# Engaging with our stakeholders

We have always recognised the key role relationships play in our ability to deliver on our purpose. Maintaining transparent, trust-based relationships with our stakeholders is an integral part of our value creation process.

## How we define our relationships

Depending on the quality of our relationships they can either contribute, maintain, or erode our stock of relationship capital and they are key to Massmart retaining its licence to operate.

1

**WE IDENTIFY**  
our key stakeholders.

2

**WE IDENTIFY WHAT MATTERS**  
to Massmart  
and what matters to our stakeholders and the risks and opportunities arising from these matters, through independent surveys and our assessment of relationships based on the outcome of our engagements. We address any areas where our assessments indicate that there is room for improvement in a relationship.

3

**WE ANALYSE**  
the impact, influence and value of a relationship to our stakeholders and to our business as a whole and our ability to deliver on our strategy.

4

**WE DESIGN AND IMPLEMENT**  
engagement strategies and plans that will assist us in adding value to our business and our stakeholders through our engagement.



For customers

Product assortment, quality and availability

## Our stakeholders

### CUSTOMERS

**We drive value by helping people save money and live better by making our cost effective assortment of products widely available**

#### What matters to them

- Brand custodianship
- Price competitiveness
- Product assortment, quality and availability
- Safe shopping environment with Covid-19 safety precautions
- Access and ease of shopping
- Support during the civil unrest

#### Our response to them

- ✓ Acquired WumDrop and OneCart, launched the VodaPay Super App and enhanced our websites to improve omnichannel capabilities
- ✓ Enhanced online platforms resulting in a 47.0% increase in online sales
- ✓ Re-opened previously closed DCs and shifted stock ensuring product availability to customers following the civil unrest
- = Continued practice and enhancement of our Covid-19 safety protocols
- ✓ Re-opened stores that were not damaged during the civil unrest as soon as it was safe to do so, and working hard to re-open the remaining stores
- ✓ Established a pop-up store for customers to shop at while rebuilding the Makro stores that were destroyed by arson during the civil unrest

### SUPPLIERS

**We drive value by building fair and transparent relationships and building Supply Chain efficiencies**

#### What matters to them

- Brand custodianship
- Fair pricing and transparent negotiation
- Transformation and supplier development
- Transparent information of product packaging

#### Our response to them

- ✓ Engaged 136 suppliers for product packaging information. Completed the Private Brand packaging, pulp and paper and timber assessments for products sold in 2020, and determined that 88% of current Private Brand packaging is recyclable
- ✓ Ensure fair wages and safe working conditions through our Responsible sourcing programme
- ✗ Global supply chain challenges, exacerbated by the civil unrest in South Africa, resulted in delayed stock deliveries in electronics and appliances categories

- ✓ value created
- ✗ value eroded
- = value preserved



**For associates** Strengthening our diversity, equity and inclusion

## ASSOCIATES

**We drive value by striving to create a diverse and inclusive workplace, equip associates with skills and training and remunerate fairly and responsibly**

### What matters to them

- Diversity, equity and inclusion
- Competitive remuneration and benefits
- Career development and growth opportunities
- Assistance to those in need during the civil unrest
- Change management associated with repositioning the business through our Turnaround plan

### Our response to them

- ✓ Participated in the Workplace Equality Index for the second year in succession
- ✓ Realigned associates benefits and incentivisation to our new operating model
- ✓ Strengthening our diversity, equity and inclusion commitments within the Group
  - = Action plans in place to grow and develop associates
- ✓ Over 99,000 learning initiatives delivered across the Group
- ✓ Spent R79.9 million on training and upskilling our associates
- ✗ 1% decrease in overall associate engagement score to 70%
- ✗ 36.5% associate turnover rate
- ✓ Delivered 8,373 care packages containing basic essentials to all associates based in KZN, and opened stores earlier for affected associates to shop exclusively
  - = Learnings from continued associate engagement, including those from our BUA survey, implemented
  - = Continued focus on restoring our relationship with SACCAWU
- ✓ Awarded Top Employer in South Africa for 2022

## INVESTORS

**We drive value by endeavouring to provide our investors with sustainable long-term returns**

### What matters to them

- An improved and sustainable return on their investment
- Our response to the challenging operating environment

### Our response to them

- ✗ Delivered R830.6 million in trading profit before interest and taxation, 48.5% lower than 2020
- ✗ Loss for the year increased by 53.5% to R1,577.7 million
- ✓ Turnaround plan continues with pace and focus despite the challenges experienced during this year
- ✓ Continued focus on sustainable cost-saving and Smart Spend initiatives resulted in only a 0.1% increase in costs

## GOVERNMENT

**We drive value by abiding by laws, policies and regulations set out by Government and contributing towards the betterment in the countries we operate in**

### Our response to them

- ✓ Through our partnership with the National Department of Health, established and rolled out mobile vaccinations sites which administered over 36,000 vaccines to Massmart customers
- ✓ Paid R425.3 million in corporate income tax across the Group
- = Maintained our Level 4 contributor B-BBEE status with the highest score achieved by a JSE-listed retailer

### What matters to them

- Assistance with providing Covid-19 vaccines through outreach sites at selected stores
- Contribution to economic development
- B-BBEE
- Change associated with repositioning the business through our Turnaround plan

## SOCIETY

**We drive value by advocating for and applying responsible business practices; investing in CSI and environmental programmes; and committing to ethical business and good governance**

### Our response to them

- ✓ Following industry engagement transitioned to 100% recycled and recyclable shopping bags across all stores
- ✓ Engaged with numerous stakeholders (including, Capricorn Marine Environmental, World Wide Fund for Nature and the MSC Foundation) and reinforced our commitment to sustainable seafood sourcing and the need to continue to implement science-led fishery improvement plans
  - = Initiated engagement with key commercial fisheries to identify potential improvement opportunity areas Massmart can assist with
- ✓ Reduce our impact on the environment through the use of solar power, water saving and waste to landfill reduction initiatives
- ✓ Together with Walmart and the Walmart Foundation, contributed R13 million worth of food to mitigate food insecurity in vulnerable communities

### What matters to them

- The sustainability of our shopping bags
- Sustainable seafood sourcing
- Wildlife conservation
- Good corporate citizenship
- Assisting those in need during the civil unrest



**For society** R13 million worth of food to victims of unrest



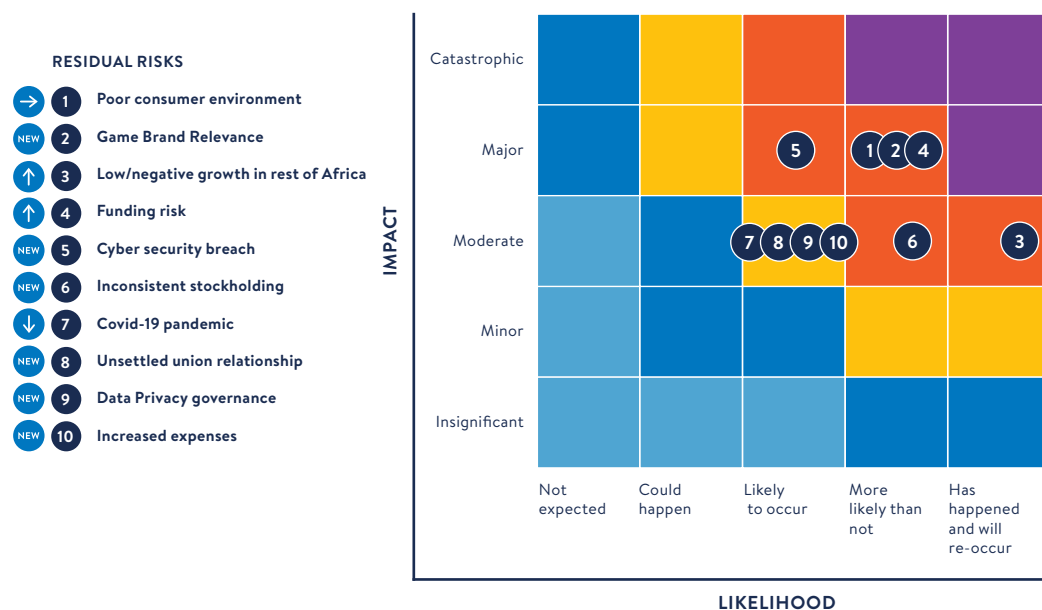
# Managing our risks

**The Board assumes responsibility for the governance of risk, sets the direction for how we approach and address risk, and exercises ongoing oversight of enterprise risk management through the Risk Committee. Risk management is an integral part of our Board's decision-making process.**

















When determining the key risks and opportunities facing Massmart, consideration is given to the Group's strategy, its operating context and environment, the interests of key stakeholders, media coverage and/or public concern. As part of the risk reporting process, risk incidents are determined in the context of identified material matters and events, which have the potential to significantly affect the Group's ability to achieve its strategic objectives.

The Risk Committee assesses Massmart's risk appetite and tolerance three times a year. The Board, through the Risk Committee, defines risk appetite as the nature and extent of risk that Massmart is willing to accept to meet its strategic objectives. When reviewing Massmart's risk appetite and tolerance, the severity of the potential impact of key risks and the controls or management actions in place to mitigate such impacts within appropriate tolerance levels is considered.

Massmart's Executive Committee and business unit Executives are responsible for day-to-day risk management, including maintaining an appropriate loss prevention and internal control framework. Each business unit has developed a risk and loss prevention process. The Risk Committee tables a Group risk register with the Board, in February, August and November every year, which is aggregated from those prepared by the business units and the Massmart Executive Committee.



## Top 10 key risks facing the Group

Residual risks 2021	Potential impact on value	Our mitigating actions
<b>1</b>   <b>Poor consumer environment, exacerbated by the impact of Covid-19, limiting growth potential in the geographies we operate in</b> 2020: 1 <b>OPERATIONAL</b>	<ul style="list-style-type: none"> <li>Reduced customer spend resulting in lower sales</li> <li>Higher food inflation and increased operating costs (utilities, etc.) impacting pricing and margins</li> <li>Closure/sale of operations with prolonged negative socio-economic impacts</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining a low-cost business model</li> <li>Expanding trading channels through e-commerce</li> <li>All direct foreign exchange import liabilities are covered forward as is the loan from Walmart</li> <li>Close monitoring and adjustment of borrowing portfolio to maintain sustainable financial position</li> </ul>
<b>2</b>   <b>Game Brand Relevance (Customer Value Proposition – CVP)</b> <b>OPERATIONAL</b>	<ul style="list-style-type: none"> <li>Loss of sales and customers</li> <li>Reputational damage and brand devaluation</li> <li>Reduced supplier relevance and ability to deliver value to customers</li> </ul>	<ul style="list-style-type: none"> <li>Execute Game Reset strategy, including rollout of Stores of Excellence</li> <li>Execute omnichannel strategy</li> <li>Continued dedicated resources in technology, supply chain and finance monitoring stock flows</li> </ul>
<b>3</b>   <b>Low or negative growth in rest of African operations</b> 2020: 9 <b>STRATEGIC</b>	<ul style="list-style-type: none"> <li>Under-performing stores in rest of African operations</li> <li>Currency weaknesses and higher effective tax rates decreases the Group's overall profitability</li> </ul>	<ul style="list-style-type: none"> <li>Strategic decisions regarding the divesture of 14 under-performing/non-core Game stores under way</li> <li>Active and regular communication with stakeholders (regulators, officials and landlords)</li> <li>Country risk reviews – with ensuing action plans</li> <li>Treasury function is fully operational and in-country funds are efficiently managed across business units to ensure maximum amounts are frequently repatriated to settle cross-border liabilities</li> </ul>
<b>4</b>    <b>Funding risk (Elevated due to the impact of the civil unrest)</b> 2020: 10 <b>FINANCIAL</b>	<ul style="list-style-type: none"> <li>Securing sufficient funding at affordable rates</li> <li>Sufficient cash-flow headroom to service debt and expenses</li> </ul>	<ul style="list-style-type: none"> <li>Roll-over of the Walmart USD-denominated loan as well as the issue of the ZAR-denominated perpetual bond to Walmart</li> <li>Maintain focus on various strategies to improve cash generation</li> <li>Smart Spend initiatives targeted to unlock R1.8 billion of value still in progress</li> </ul>
<div>  No change   Increased risk exposure   Decreased risk exposure   New risk           </div> <div>             Link to strategy   Stabilise   Focus   Invest           </div>		

Residual risks 2021	Potential impact on value	Our mitigating actions
<b>5</b> NEW ★ <b>Infrastructure that is vulnerable to external attacks, system breaches, corruption of records and theft of information (Risk of cyber security breach)</b> OPERATIONAL	<ul style="list-style-type: none"> <li>Disruptions to our systems impacting our ability to trade or serve our customers effectively</li> <li>Cyber attacks and the impact on the security of confidential information</li> </ul>	<ul style="list-style-type: none"> <li>Implemented intrusion detection, prevention and monitoring systems which utilises the Walmart Security Operations Centre</li> <li>Conduct regular penetration tests</li> <li>Conduct regular Payment Card Industry (PCI) audits to maintain our PCI certification</li> <li>Conduct annual cyber security assessments in line with the National Institute of Standards and Technology framework</li> <li>A Group-wide security awareness programme has been implemented</li> <li>Scenario planning conducted with the Executive Committee in August 2021, with frequent review sessions planned</li> </ul>
<b>6</b> NEW ★ <b>Inbound sourcing, manufacturing and Supply Chain constraints resulting in inconsistent stockholding</b> OPERATIONAL	<ul style="list-style-type: none"> <li>Insufficient in-stocks resulting in lost sales and customer dissatisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing communication with agents, factories, suppliers and shipping lines</li> <li>Sourcing alternate products where possible</li> <li>Sourcing products via alternate ports where possible</li> <li>Engagement with Supply Chain to prioritise deliveries and distribution</li> </ul>
<b>7</b> ↓ ★ <b>Covid-19 pandemic: impact to operations 2020: 2</b> OPERATIONAL	<ul style="list-style-type: none"> <li>Restricted or reduced trading resulting in lost sales</li> <li>Store closures to execute safety protocols resulting in lost sales</li> <li>Increased costs due to implementing Covid-19 protocols and best practice</li> </ul>	<ul style="list-style-type: none"> <li>Maintain the focus on trading challenges and respond rapidly</li> <li>Constructive engagement with Government</li> <li>Striving to be best-in-class in creating a safe working environment for our associates and created various support materials, including posters and videos, to reinforce our high standards</li> <li>Create the safest shopping environment we can for our customers. This includes sanitising surfaces, ensuring sufficient sanitisation stations throughout stores and reinforcing social distancing, including limiting the number of customers in our stores</li> <li>Continue efforts to support (and educate) the national vaccination programme (mobile stations at stores, access to digital tools and associate support)</li> </ul>

Residual risks 2021	Potential impact on value	Our mitigating actions
<b>8</b> NEW ★ <b>Unsettled union relationship arising from Turnaround plan activities</b> OPERATIONAL	<ul style="list-style-type: none"> <li>Strike action affecting normal business trading</li> <li>Boycotts resulting in lost sales</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Launched a revised strategy to engage with organised labour from 2022</li> <li>Work with National Union Leadership to setup a national consultation forum with regional representation to resolve any stalemates</li> <li>Line leaders trained on people leadership competencies</li> <li>Continuous assessment of operational decisions regarding labour relation triggers</li> </ul>
<b>9</b> NEW ★ <b>Ensuring a high standard of Data Privacy governance compliance against expected standards</b> REGULATORY AND COMPLIANCE	<ul style="list-style-type: none"> <li>Penalties/fines relating to non-compliance with the Protection of Personal Information Act (POPIA)</li> <li>Breaches resulting in tampered data</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Completed POPIA specific store level training</li> <li>Updating Agreements with third parties – includes safeguarding of information, use information for collected purpose only and reporting breaches as well as right to audit</li> <li>Enhancing processes to inform compliance on new third parties in order for a Privacy Risk Assessment to be conducted as part of the on-boarding process</li> <li>Cross Border agreement in place with Data Privacy Clauses</li> </ul>
<b>10</b> NEW ★ <b>Increase in cost of goods and operating expenses, undermining the low-cost foundation of the business</b> OPERATIONAL	<ul style="list-style-type: none"> <li>Increased costs to customers</li> <li>Reduced profits and returns to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Drive our EDLP objective by launching our cost analytics tool to negotiate better pricing and terms with suppliers across all brands which will assist in driving down our cost of sales and regaining market share</li> <li>GNFR – Identify new approaches and new ways of working to reduce the existing cost structure and move towards ensuring that expense growth does not outpace sales growth. Through our Smart Spend initiative, we have delivered total savings of R1.6 billion against our R1.8 billion three-year objective</li> <li>Implemented e-auctions to support pricing processes with vendors</li> </ul>



# 3

## Governance



## Message from our Chairman

*To our shareholders*

I'm pleased to advise our stakeholders that despite the significant impact on our business of unexpected external events, including the Covid-19 pandemic and the civil unrest in July 2021, our business has proved to be resilient.

Kuseni Dlamini, Group Chairman







I'm pleased to advise our stakeholders that despite the significant impact on our business of unexpected external events, including the Covid-19 pandemic and the civil unrest in July 2021, our business has proved to be resilient. We have made significant progress with the execution of our Board-approved Turnaround plan announced in January 2020, which we believe will reposition the business for sustainable growth and profitability.

By year-end 2020 we were delivering on our goal of stabilising the business and driving renewed financial health. During 2021 our focus on simplifying the business, which included divesting the business of non-core assets to drive sustainable profitable growth, achieving an excellent performance from Builders and Makro, making good progress with the turnaround of the Game business, investing in our e-commerce offering and improving our e-commerce service levels, positioned us well to pivot towards accelerated growth in 2022 ([see page 54](#) of the message from the CEO for details).

Our ongoing ability to leverage the experience and talent of Walmart is adding exceptional value to our business. The areas that have benefitted from this during the year under review are the consolidation of our Supply Chain network and the acceleration of our omnichannel offering ([see pages 16-19](#)).

The civil unrest that occurred in the KZN and Gauteng provinces of South Africa not only had a significant physical and financial impact on our business in KZN, it also had a traumatic impact on our associates and the communities in which we operate

([see page 10](#) for more information). I would like to pay tribute to the Massmart Executive team and our associates across the business whose positive spirit, resilience, ability to rally together and work as a team, and preparedness to innovate and adapt to a crisis, allowed our business to bounce back quickly and, where possible, re-open damaged stores and start trading and providing goods to our customers.

At this juncture I would like to confirm that Massmart is a strong believer in South Africa, and we are here to stay. As we said when the unrest occurred, we believe we are coming back stronger and will continue to invest in KZN and other parts of the country.

## ESG

### Environmental stewardship

Becoming a regenerative Company is very much part of Massmart's overall ESG strategy. We set ourselves ambitious stretch goals in terms of ESG to make sure our performance continually improves. These include: Private Brand packaging being 100% recyclable, reusable, or industrially compostable by 2025; net zero waste by 2030; and net zero emissions by 2040. We are mindful that our stakeholders are increasingly concerned about ESG, and we share their concern ([see page 20](#)).

### Our role in society

Massmart believes that if the communities in which it operates prosper, we will also prosper. We therefore aim to be a first responder to social need. We saw

combatting the Covid-19 pandemic as a key part of our social responsibility with our aim to help people live better and have made every effort to help our associates and members of the communities in which we operate to become vaccinated against Covid-19. We believe that the more private sector organisations cooperate in a public-private sector partnership with Government and assist its efforts to fight Covid-19, the better the prospects will be for our economy to recover faster and more sustainably.

A lot of good work has been done in the area of transformation in Massmart ([see our people performance for more detail on page 100](#)), which also includes developing a diverse and inclusive Supply Chain, and increasing the number of beneficiaries from our business activities.

As part of our commitment to supporting the achievement of the UN SDGs, and in particular UN SDG 2: Zero hunger, we focus on increasing access to food on an ongoing basis. We also invested over R13 million to assist communities unable to access food and other essential items during the unrest in July 2021.

### Governance

I am proud of the commitment and determination of our Board and Executive team members to lead ethically and contribute to the establishment of an ethical culture in Massmart, to act in good faith and in the best interests of our business ([see page 38](#)).

We have made good progress with regard to the racial and gender diversity of our Board and our Exco. With the changes made to the Board's composition during the year, we have maintained the achievement of our racial and gender diversity targets ([see page 34](#)).

We have also made good progress with regard to ensuring that we have a Board and Exco that are equipped with the skills and experience they need to take the business forward.

A pleasing result of our commitment to ongoing engagement with our shareholders and listening to and addressing their views, was the 85.2% vote of approval for the implementation of our Remuneration policy at our Annual General Meeting on 20 May 2021. We will continue to maintain this engagement with the aim of addressing any outstanding issues.

### Future outlook

2021 saw global supply chain challenges, exacerbated locally by the civil unrest, affecting the availability of goods. We expected that our innovative and agile approach to our Supply Chain would reduce the impact of these challenges, however, the impact of

the Russia/Ukraine war is likely to further exacerbate global supply chain challenges. We need to brace ourselves for these challenges and be agile and innovative to ensure we can weather any storms the situation creates. Hopefully, a positive and constructive diplomatic solution can be reached, because the longer the war continues the greater its impact will be on the recovery of the global economy.

I'm very optimistic that if we can all act together, South Africa can emerge from the pandemic stronger and more resilient and ready to confront the triple pandemics of unemployment, poverty and inequality, which we need to prioritise, as the levels of unemployment and poverty we have in South Africa are not sustainable. If we do not address them, they will remain a ticking time bomb. Our focus needs to be on driving economic growth and job creation and creating an enabling environment for business to prosper and do what it does best, which is drive growth, employ people, pay taxes and contribute to the modernisation of the economy and infrastructure.

Massmart will continue to focus on repositioning the business for sustainable growth to drive solid financial performance, and thereby contributing to the South African economy.

### Appreciation

While there's still a lot of work to be done before the final phase of our Turnaround plan is achieved, I would like to recognise the excellent job our Executive team has already done on driving our Turnaround plan. My thanks go to my colleagues on the Board for their commitment to Massmart, including the Non-Executive Director's who have left, their contribution to its turnaround and their wise counsel. I would also like to thank all our associates who help our customers save money so they can live better. We want to be a customer-centric business that puts the customer at the forefront of everything that we do and our associates are crucial to our ability to achieve this. My thanks also go to our customers for their support, without which we would not have a business. On behalf of the Board, I would also like to thank our colleagues at Walmart for their ongoing support of Massmart, your increasing collaboration and partnership, and the opportunities you provide for Massmart to leverage what Walmart has to offer.



## To fellow Chairs of companies listed on the JSE

**While the civil unrest that occurred in the KZN and Gauteng provinces of South Africa had a significant physical and financial impact I would, however, like to highlight the damage the unrest has wrought on our country's investment standing, which will take time to repair. I would call on all of you to join hands and stand shoulder-to-shoulder to work hard towards regaining the trust and confidence in South Africa's impaired image with both local and foreign investors.**

I would also encourage all South African Corporates to increase their investment in decarbonising their business and production processes. Climate change is a reality that requires collective and coordinated action across all sectors of society so that we can move towards a greener economy as a country and indeed as a region.

Gender-based violence (GBV), which has impacts throughout our society, is a matter of concern. In businesses like Massmart, employees impacted by GBV struggle to be productive. I believe business needs to create supportive environments for our employees to speak out. Mental illness, which is the next pandemic we are likely to experience, has been exacerbated by the Covid-19 pandemic, the high unemployment rate and poverty. Even those who are employed are impacted by poverty and unemployment as they have unemployed relatives for whom they need to provide. Further, safety becomes a greater concern as crime increases when there is high unemployment. We need an inclusive economy that will address the root causes of GBV, unemployment, poverty and inequality in our society and ensure we have functional schools. The current environment in our schools is particularly concerning. I feel we need a back-to-basics campaign to build a society based on morals and ethics where the values of respect and discipline are fundamental to every aspect of our lives and society. Business needs to play a role and as Massmart where we find an opportunity to contribute to a reduction in GBV, unemployment poverty and inequality, we are ready to do so.

## To Government

We were pleased to note the significant development the Government announced with regard to liberalising the energy market by allowing private sector organisations to be able to produce up to 100MW of power. We have also noted the progress that has been made in the auctioning of spectrum, which is key to positioning South Africa in a digitalised global economy.

These are encouraging signs, however, there is still more work to be done, in particular in unlocking the full potential of our tourism market by making it easier for tourists wishing to visit South Africa to access visas. We are located some distance from the centres of global economic activity, and we therefore need to make every effort to make it easy for people to visit our country. If South Africa is to grow and prosper and our companies are to be globally competitive, we need access to scarce talent. We therefore also need to make the visa process for people wishing to work in South Africa easier and more user friendly.

Addressing bureaucracy and red tape is key to private sector growth, particularly of small businesses, and in this regard, I would commend President Cyril Ramaphosa for appointing a dedicated person in the Presidency to assist with this. I look forward to seeing progress in this area.

We still face challenges with our state-owned entities (SOEs) such as Eskom and Transnet, which are a drag on the economy. We need serious and urgent action from Government to fix our SOEs. They play a key role in South Africa's ability to be globally competitive. When they are not operating optimally it negatively impacts job creation, economic growth, our GDP and foreign exchange earnings. Fixing them is the key to South Africa's economic growth. The water crisis and the ineffectiveness of our Water Boards is another issue that urgently needs to be addressed by Government as does infrastructure. Now is the time for action, not nice words. We need tangible progress.

South Africa is falling behind in terms of service delivery at local Government level. We need to build more capacity at a local Government level because business operations are impacted by the performance of local Government. We need to ensure that the councils, mayors, municipalities and the metros are all fit for purpose and the future, that they run efficiently, there is no corruption and that we have qualified, competent, capable and willing people who can run world-class municipalities, which is ultimately where economic activity takes place. From a national perspective, we need to reprioritise the need to build capacity at local Government level.

South Africa is a country of such incredible potential, but this potential will only be realised if all of us work together to create the conditions that allow for our mutual success.

**Government plays a critical role in embracing the clear opportunities for structural reform and improvement in the conditions that will allow businesses to be successful. At the same time, businesses must embrace the important role they play as creators of opportunity and catalysts for economic change. Massmart stands ready to fulfil its role in this important mission.**



**Kuseni Dlamini**  
Group Chairman  
8 April 2022

# Our Board

The Board is responsible for directing the Group towards achieving high standards of corporate governance based on local and international corporate practice and is ultimately accountable for achieving the Group's strategy and performance.

## Our Board Committees

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

## EXECUTIVE DIRECTORS



### Mitchell Slake (54)

Chief Executive Officer  
Bachelor of Finance and Master of International Finance  
Appointed 1 Sep 2019

**Value added to the Board:** Over 25 years of Walmart-international retail experience, strategic leadership, governance, e-commerce, finance acumen



### Mohammed Abdool-Samad (51)

Chief Financial Officer  
BCom CA (SA)  
Appointed 1 Aug 2019

**Value added to the Board:** Strategic leadership, governance, finance acumen



## NON-INDEPENDENT NON-EXECUTIVE DIRECTORS



### Daria Beckom (70)

Retired  
BA in American Studies/Pre-Law  
Appointed 27 Aug 2021

**Value added to the Board:** 40 years seasoned retail experience including extensive international retail, e-commerce and legal expertise



### Charles Redfield (55)

Executive Vice President, Food, Walmart U.S.  
Bachelor of Administrative Management  
Appointed 25 Feb 2020

**Value added to the Board:** Strategic leadership, 33 years at Walmart, extensive US food retail expertise

**Significant Directorships:** Global Walmart Foundation, Arkansas Children's Hospital Northwest, the Razorback Foundation at the University of Arkansas and Bentonville-based Arvest Bank



### JP Suarez (58)

Executive Vice President and Chief Administration Officer, Walmart International  
BA, Juris Doctorate  
Appointed 27 Feb 2019

**Value added to the Board:** Extensive international retail experience, international technology and supply chain experience



## INDEPENDENT NON-EXECUTIVE DIRECTORS



### Kuseni Dlamini (54)

Chairman of the Board and Nominations Committee  
BA Hons Social Science, MPhil (Oxford)  
Appointed 10 Apr 2014

**Value added to the Board:** Strategic leadership, governance best practice, economic and business acumen

**Significant Directorships:** Chairman of Aspen Pharmacare Holdings Limited, co-Chairman of Gordon Institute of Business Science (GIBS), American Chamber of Commerce in SA



### Olufunke Ighodaro (59)

Deputy Chair and Lead Independent Director  
Chairperson of the Audit and Risk Committees  
BSc Honours, fellow of the Institute of Chartered Accountants in England and Wales, CA (SA)  
Appointed 25 May 2018

**Value added to the Board:** Strategic leadership, finance acumen, risk management

**Significant Directorships:** Old Mutual, Sabvest Limited, Telkom and Ascential Plc



### Lindiwe Mthimunya (48)

Chairperson of the Social and Ethics Committee  
BCom, CA(SA), H Dip Tax Law, MCom  
Appointed 27 February 2019

**Value added to the Board:** FMCG, retail and commercial real estate experience, finance acumen, tax expertise, environmental, social and governance best practice

**Significant Directorships:** Cell C Limited, Metrofile Holdings Limited, Old Mutual Investments and Sabvest Capital Limited



### Sindiswa Zilwa (54)

Chairperson of the Remuneration Committee  
CA(SA), CD(SA), Advanced Taxation Certificate (UNISA), Advanced Diploma in Financial Planning (UOFS) and Advanced Diploma in Banking (RAU)  
Appointed 27 Aug 2021

**Value added to the Board:** Business management, finance acumen, tax expertise

**Significant Directorships:** Discovery Holdings Limited, Sibanye Stillwater, Metrofile Limited, Mercedes Benz SA Limited and Cell C Limited



## Our Board at a glance

### Composition

Independent non-Executive Directors	44%	
Non-Independent non-Executive Directors	33%	
Executive Directors	23%	

### Nationality

South Africa	44%	
Foreign nationals	56%	

### Diversity

% that are female (Target: 40%)	44%
% that are African, Coloured and Indian (Target: 50%)	67%

### Tenure

0-3 years	56%	
3-6 years	33%	
6-9 years	11%	
Average tenure	3 years	
Average age	55 years	
Average attendance at Board meetings in 2021	97%	
Average attendance at Committee meetings in 2021	98%	

### Board Experience

Leadership skills	100%
Strategy	100%
Corporate governance	100%
Ethical governance	100%
Finance and accounting	78%
FMCG and retail	67%
Digital, e-commerce and technology	56%
Operational management	56%
Emerging markets	44%
Responsible business	44%
Real estate strategy	44%
Internal control environment	33%
Marketing and merchandising	33%
Investor relations and corporate affairs	33%
Supply chain	22%

Our Board of Directors as at 8 April 2022



# Our Executive Committee

The Massmart Executive Committee, is a diverse and experienced management team, which is chaired by our Chief Executive Officer and comprises our Chief Financial Officer and ten other members of senior management.



## Mitchell Slape (54)

Chief Executive Officer  
Bachelor of Finance and Master of International Finance  
Appointed to Massmart and Committee Sep 2019

**Value added to the Committee:** Over 25 years of Walmart-international retail experience, strategic leadership, governance, e-commerce, finance acumen



## Mohammed Abdool-Samad (51)

Chief Financial Officer  
BCom CA (SA)  
Appointed to Massmart and Committee Aug 2019

**Value added to the Committee:** Strategic leadership, governance, finance acumen



## Chwayita Mareka (49)

Senior Vice President: Chief People Officer  
National Diploma in Public Management and Administration, Management Development Programme, MBA (UNISA), MSc Organisational Psychology (London)  
Appointed to Massmart and Committee Jan 2022

**Value added to the Committee:** Over 20 years of extensive human resource and talent development experience



## Varsha Dayaram (45)

Senior Vice President: Group Financial Services  
BCom CA (SA)  
Appointed to Massmart Mar 2018  
Appointed to Committee Aug 2019

**Value added to the Committee:** Over 18 years of extensive financial services experience



## Louise Lackay-Walters (39)

Chief Ethics and Compliance Officer  
BCom (Law), LLB (Stellenbosch)  
Appointed to Massmart Jan 2019  
Appointed to Committee Jun 2019

**Value added to the Committee:** Legal and regulatory competence and governance, extensive experience in ethics and compliance programmes in South Africa and sub-Saharan countries



## Brian Leroni (57)

Senior Vice President: Corporate Affairs  
BA (Wits), MPhil (Stellenbosch)  
Appointed to Massmart Sep 2004  
Appointed to Committee Jul 2007

**Value added to the Committee:** Prior marketing Director, consulting experience and key Executive roles at Massmart since appointment



## Sandile Lukhele (47)

Senior Vice President: General Counsel and Company Secretary  
Bachelor of Juris (Western Cape), LLB (Wits)  
Appointed to Massmart and Committee Oct 2020

**Value added to the Committee:** Over 22 years of corporate and commercial legal experience



## Llewellyn Walters (58)

Chief Executive Senior Vice President: Massmart Retail  
BA, LLB (Wits)  
Appointed to Massmart and Committee Nov 2008

**Value added to the Committee:** Over 13 years at Massmart, from Chief Executive of Builders to Massmart Retail, and most recently Massmart Wholesale. Extensive finance, supply chain and logistics expertise prior to joining Massmart



## Herman Venter (40)

Vice President: Builders  
BCom Honors Financial Management (UP), BCom Economics (UP), MBA (Wits), CGMA  
Appointed to Massmart May 2013  
Appointed to Committee Jan 2022

**Value added to Committee:** Over 18 years Retail experience including IT, Operations, Finance, Rebates, Marketing and Merchandise



## Andrew Stein (41)

Vice President: Game  
Bachelor of Business Science, Actuarial Science and Statistics (UCT) MBA (New York)  
Appointed to Massmart Jul 2010  
Appointed to Committee Jan 2022

**Value added to the Committee:** Strategic analysis and leadership experience. Over 11 years at Massmart, from marketing and strategy Director of Cambridge to marketing and e-commerce Director at Makro, and most recently the Vice President of Game



## Sylvester John (45)

Senior Vice President: Group e-commerce  
Bachelor of Business Administration: marketing and management (North Florida)  
Appointed to Massmart Feb 2021  
Appointed to Committee Jan 2022

**Value added to the Committee:** Strategic initiatives, marketing and human resources. Previous experience as an Executive in Massmart West Africa and in fresh grocery management at Walmart US. More recently founded and led last mile delivery in Walmart US prior to re-joining Massmart



## Jonathan Molapo (53)

Chief Operating Officer  
Bachelor of Economics (Laurentian University)  
Appointed to Massmart and Committee Jan 2022

**Value added to the Committee:** Over 25 years of local and international leadership experience, including a strong understanding of retail and operations

## Our Exco at a glance

### Diversity

% that are female	25%
% that are African, Coloured and Indian	58%

### Average

Tenure at Massmart	5.6
Tenure on Exco	3.5
Age	48.3

### Exco Experience

Leadership skills	100%
Corporate governance	100%
Ethical governance	100%
Internal control environment	67%
FMCG and retail	67%
Strategy	58%
Finance and accounting	58%
Digital, e-commerce and technology	58%
Operational management	50%
Marketing and merchandising	50%
Responsible business	42%
Real estate strategy	42%
Investor relations and corporate affairs	42%
Emerging markets	33%
Supply chain	33%

# Protecting value through good governance

It has become increasingly important to understand the impact of governance and risk management on the financial results that are achieved. By applying the King IV Code on Corporate Governance for South Africa, 2016 (King IV) we aim to achieve good corporate governance that protects and creates value, and ensures ethical, effective and responsible leadership both at Board and Executive level and throughout our Group. It also promotes strategic decision-making that balances short, medium and long-term outcomes, integrity, transparency and robust risk and performance management; and supports the embedment of an ethical culture and a response to our role as a responsible business that goes well beyond compliance.

## The Board's collectively responsibility for its primary governance role



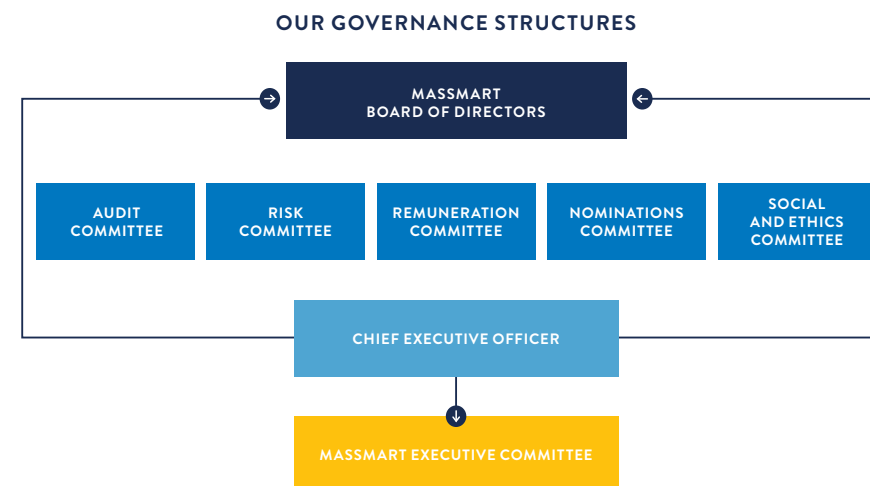
## Our governance structures

The Massmart Group Corporate Governance Framework embeds and codifies Massmart's application of corporate governance standards and principles, which originate from its application of legislative requirements, King IV and global standards. The Framework is also intended to ensure that Massmart embraces continuous performance improvement throughout the organisation, while striving to meet its governance obligations and, simultaneously, adhering to legislative requirements.

Massmart's governance and delegation structures position our Board as the custodian of corporate governance and provide a solid foundation for our application of King IV with a focus on achieving the four corporate governance outcomes of an ethical culture, good performance, effective control and legitimacy.

They facilitate independent judgement, the leveraging of Directors' specialist skills and experience, and the sustainable execution of our Board-approved strategy. They also facilitate the delegation of authority to the Board Committees, the Chief Executive Officer, the Executive Committee and operational management, who all have clearly defined mandates. Our application of King IV is a commitment on Massmart's part to stakeholder inclusivity, responsible corporate citizenship and protecting value.

Our Board retains specific powers with regard to strategic planning, risk and opportunity management (including the setting of our risk appetite and risk tolerances), financial controls, compliance, oversight and compensation of Executive management, talent management and succession planning, social responsibility, environmental and climate change.



Our governance structures and operational forums support a transparent organisational structure and clear lines of responsibility. Our operational forums include the: Liquor Forum, Marketing Forum, Africa Forum, Real Estate Forum, Supply Chain Forum, Food Forum, General Merchandise Forum, CIO Forum, IT Governance Committee, IT Investment Committee, Senior Legal Forum, Finance Leadership, HR Forum and Ethics and Compliance Committee Forum.



### Committee independence

The members of the Audit Committee are all independent Non-Executive Directors. The Risk Committee consists of two independent Non-Executive Directors and two Executive Directors. The membership of both the Nominations and Remuneration Committees consists of two independent Non-Executive Directors and one non-Independent Non-Executive Director. The membership of the Social and Ethics Committee is made up of one independent Non-Executive Director, one non-Independent Non-Executive Director and one Executive Director.

The Board of Massmart and its Executive team work together to create economic value for all our stakeholders in the short, medium and long term by delivering on our purpose of saving our customers money so they can live better by stabilising, focusing, optimising and ultimately growing. The Board uses its meetings to discharge its duties in terms of the Companies Act, the JSE Listings Requirements, King IV and legislation relating to our business. The Board meets quarterly to consider reports on operating and financial performance; risks and opportunities and compliance; the results of our efforts to embed an ethical culture in Massmart, safety and health performance, environmental performance and climate change mitigation and our social performance. Through our sub-Committees, we also monitor the macro environment and its potential impact on our business.

### Oversight rooted in the King IV principles

The Board's governance oversight, which is guided by its commitment to its responsibilities and governance objectives, supports good governance practices.

#### Leadership, ethics and corporate citizenship

The Board sets the tone and leads the Group ethically, effectively and responsibly. When making decisions, individual Board members will ensure they are well-informed, they will act independently, with courage, awareness and insight, and will manage conflicts of interest if any arise. The Board will ensure the Group plays a key role in society as a major employer, tax payer, contributor to transformation and economic growth, and as a responsible corporate citizen. We strive to embed an ethical culture in the Group.

The balance of knowledge, skills, experience, diversity and independence, that the Board requires in order to discharge its governance role and responsibilities objectively and effectively are set out on [pages 34 to 35](#) of this report. Our Nominations Committee monitors and provides oversight of our Board diversity policy, which includes gender and racial targets.

The Board oversees the process of nominations and appointments of new Directors, as required, to ensure leadership aligns with the demands of the business.

Several Board and Committee changes took place in 2021. On 14 April 2021, the appointment of Peter John Suarez as an alternate Director to Susan Muigai was announced, effective 6 April 2021. Susan Muigai notified the Board of her intention to take a leave of absence.

The following changes to the composition of the Board and its Committees were announced, all effective 27 August 2021:

- Sindiswa Zilwa was appointed as an Independent Non-Executive Director and a member and the Chairman of the Remuneration Committee, and a member of the Audit and Nominations Committees
- Daria Beckom was appointed as a Non-Independent Non-Executive Director and a member of the Social and Ethics Committee
- Phumzile Langeni resigned as the Deputy Chairman and Lead Independent Non-Executive Director, Chairman of the Remuneration Committee and a member of the Nominations Committee
- Nolulamo (Lulu) Gwagwa resigned as an Independent Non-Executive Director and Chairman of the Social and Ethics Committee, and a member of the Audit and Risk Committees
- Following Susan Muigai's leave of absence, she resigned as a Non-Independent Non-Executive Director and member of the Social and Ethics Committee
- Olufunke (Funke) Ighodaro was appointed the Lead Independent Non-Executive Director and Deputy Chairman
- Lindiwe Mthimunya was appointed as a member and the Chairman of the Social and Ethics Committee.

Our Code of Ethical Conduct, a revised version of which was launched as the Code of Conduct on 1 February 2021, applies to the Board of Directors and all our associates. It ensures that all conflicts of interest are declared, disclosed and managed, where required. The Company Secretary maintains a register of directorships and shareholdings, as well as a conflict of interest register. No conflicts of interest were noted in the current year at a Board level.

### Strategy, performance and reporting

The Board is accountable for Massmart's performance. It takes into account all the elements of the value creation process when steering and setting Massmart's strategic direction. It approves short, medium and long-term strategies and business plans. It maintains oversight of the Group's performance against its strategy and business plans, measuring its performance against agreed targets.

The Board also assumes responsibility for Massmart's Integrated Annual Report and audited consolidated Group Annual Financial Statements and makes every effort to ensure that our reporting meets the needs of our stakeholders and complies with any legal requirements.

Information on required disclosures are to be found in this Integrated Annual Report, our audited consolidated Group Annual Financial Statements and the summary of our financial performance ([see pages 60 to 77](#) of this report).

### Governance designed to establish an ethical culture

In the current environment the governing of ethics in a manner that supports the establishment of an ethical culture in Massmart remains a challenge. The Audit, Risk and Social and Ethics Committees are mandated to monitor and manage ethics, fraud and corruption in the Group. In addition, Massmart has a Risk and Compliance Committee which comprises of certain Massmart's Executive Committee members and senior management and they are responsible for embedding compliance within the Group as delegated by the Board. This Committee reports back to the Risk and Social and Ethics sub-Committees of the Board.

Massmart continues to ensure that its ethics and compliance programme is well known through associate induction programmes, information booklets, training and continuous communication on the programme initiatives to all associates. To this effect, Massmart achieved its target of a 90% employee completion rate on the ethics and anti-corruption compliance training. The Massmart ethics programme further leverages the global practices applied by Walmart under its Global Ethics and Compliance programme, a process that has been effective in Massmart. In order to further drive greater awareness, the Code of Conduct is published on Massmart's website and is incorporated by reference in supplier and associate contracts.

Massmart maintains an Ethics Reporting Line that is independently run by KPMG. KPMG follows the External Whistle-blowing Hotline Services Provider Standard E01.1.1.

### Board delegation and independence

The Board ensures that its arrangements for delegation within its own structures promote independent, judgement and assist with the balance of power and the effective discharge of its duties.

Through the appointment of strong, independent Directors and the separation and clear definition of the roles and responsibilities of the Chair and Chief Executive Officer, Massmart has established a clear balance of power and authority at Board level. Our Chief Executive Officer in turn delegates responsibilities in accordance with the Company's delegation of authority framework. The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercising of authority and responsibility.

We have ensured that the interests of our shareholders are protected by the majority of our Board members being Non-Executive Directors with 44% being Independent Non-Executive Directors.

Our Board performs its duties within a framework of policies and controls that provide for effective risk assessment and management of our economic, environmental and social performance. The Massmart Board Charter, which is closely aligned with the recommendations of King IV, details the responsibilities of the Board, while our Memorandum of Incorporation (MOI) also addresses certain of the Directors' responsibilities and powers. Our MOI also requires that one third of our Directors retire from office at every Annual General Meeting based on their tenure since they were previously elected or re-elected to the Board see [page 139](#) of the notice of the Annual General Meeting. The Board Charter is regularly reviewed to assess whether or not it needs amending.

### Evaluating performance

In October of each year the Nominations Committee facilitates a comprehensive self-assessment of the Board and its Committees. The assessment covers their composition, duties, responsibilities, processes and effectiveness. It includes an appraisal of the Chair, individual Board members, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary. It also includes an assessment of the independence of Non-Executive Directors.

In 2020 an external Board evaluation was conducted following which action plans were put in place to enhance the performance of the Board and its Committees. This was followed by a self-evaluation in 2021. The evaluation was completed by each Director.

The Company Secretary also facilitates an annual evaluation of the performance and effectiveness of the Chair, the Board and its Committees and individual members by means of an internal evaluation process.

Evaluating the Board's performance and the performance of its members in terms of the application of the King IV principles provides our Board with a mechanism with which to assess its governance performance. The results of this assessment are used to address any gaps in performance identified and to enhance the Board's effectiveness. The results of these assessments were found to be adequate.

### Compliance governance

Our Board is committed to fully complying with all applicable laws and regulations, and it supports the application of certain non-binding codes and standards. Our combined assurance framework and our regulatory risk management process ensure that the effectiveness of the key internal controls to mitigate our compliance risks are continually monitored and that risk management plans are in place to ensure compliance with new legislation or amendments to current legislation. Massmart complied with the JSE Listings Requirements, MOI and Companies Act during the year under review.

### Remuneration that is fair and promotes the achievement of our strategic objectives

Massmart understands that it is essential that our strategy, risks, performance and rewards are aligned if we are to create shareholder value. The Remuneration Committee is charged with ensuring that Executive Directors and senior management are fairly rewarded for their individual contributions to the Group's overall performance, and for ensuring that our remuneration policies and practices are designed to align performance with reward and to attract and retain the right talent, while having regard to the interests of stakeholders and the financial conditions of Massmart. See [page 110](#) of this report for our remuneration review, which sets out our remuneration report, policy and structure, our efforts to achieve fair and responsible remuneration, our engagement with shareholders on our remuneration reporting, and the implementation report which sets out the implementation of our Remuneration Policy.

### Enabling an effective control environment

To ensure Massmart has adequate structures in place to provide assurance across the Group and to prevent gaps or duplication in assurance efforts, we have adopted a combined assurance approach.

The Audit Committee obtained assurance on the financial statements and internal financial controls and carried out its statutory duties as set out in section 94 of the Companies Act. It satisfied itself as to the expertise and experience of Massmart's Chief Financial Officer and the finance function, and assessed the independence and performance of the internal and external audit functions ([see page 5](#) of the audited consolidated Group Annual Financial Statements).

#### External audit quality and independence

In accordance with paragraph 3.84 (g) (iii) and 22.15(h) of the JSE Listings Requirements, the Audit Committee requested and received information from Ernst & Young Inc. (EY) that allowed it to assess the credentials as a registered audit firm in good standing, including the appointed audit partner, Roger Hillen. The information also supported and demonstrated its claim of independence; the findings by the Independent Regulatory Board of Auditors with regard to its monitoring of the firm in respect of its independence, quality control and any corrective action by the firm; as well as any legal claim against the firm. Similarly, information was obtained and discussed in respect of the designated auditor. The Committee concluded that it was satisfied with the independence and audit quality of EY and the designated auditor, Roger Hillen.

External audit fees are disclosed within [note 6](#) to the audited consolidated Group Annual Financial Statements. Non-audit services (disclosed in the Audit Committee report included as part of the audited consolidated Group Annual Financial Statements) provided by EY were approved by the Committee in accordance with the policy for the provision of non-audit services.

The Risk Committee evaluates the effectiveness of internal controls and control processes and determines what independent assurance is required to manage and mitigate risk across the Group, including in relation to compliance, tax, information technology, ESG, financial controls and addressing statutory and regulatory issues.

The Social and Ethics Committee advises and provides guidance to the Board on the effectiveness of management effort in respect of social, ethics, sustainable development-related matters and transformation. It also carries out its duties in terms of the Companies Act and reports on the fulfilment of its mandate in this regard to the Board and stakeholders.

### Stakeholder inclusivity

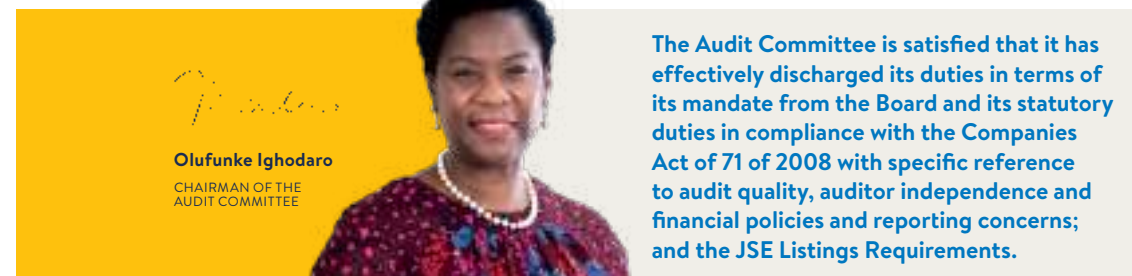
By identifying the Group's stakeholders through engagement and taking into consideration our stakeholders' interests, needs and expectations, our Board and management achieve stakeholder inclusivity and contribute value to both the business and its stakeholders ([see page 20](#) of this report for more information). By effectively governing Massmart through its oversight and monitoring of performance, and taking into consideration our stakeholders' interests, our Board and management contribute value to both Massmart and its stakeholders.

### Company Secretary

(JSE 3.84 (h))

The Company Secretary is appointed in accordance with the Companies Act. The Board considered the Company Secretary's competence, qualifications and experience and is satisfied that he is competent and has appropriate qualifications and experience to serve as the Company Secretary.

# Audit Committee



**The Audit Committee is satisfied that it has effectively discharged its duties in terms of its mandate from the Board and its statutory duties in compliance with the Companies Act of 71 of 2008 with specific reference to audit quality, auditor independence and financial policies and reporting concerns; and the JSE Listings Requirements.**

COMMITTEE MEMBERS	BOARD STATUS	MEMBER SINCE	ATTENDANCE
O Ighodaro (Chairman)	Independent Non-Executive Director	25 May 2018	3/3
NN Gwagwa*	Independent Non-Executive Director	1 November 2006	2/2
L Mthimunye	Independent Non-Executive Director	27 February 2019	3/3
JP Suarez (Permanent invitee)	Non-Independent Non-Executive Director	27 February 2019	3/3
S Zilwa**	Independent Non-Executive Director	27 August 2021	1/1

The Audit Committee also discharged its governance role and responsibilities by applying the principles relevant to our Committee as set out in King IV by continuing to provide oversight and input into the Group's governance and internal controls to ensure the quality and integrity of its external reporting. The Committee's Charter was reviewed during 2021 and found to be compliant. The Committee also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources within the Company's finance function and that of the Chief Financial Officer.

All our Committee members are independent Non-Executive Directors.

#### The focus of the Committee in 2021

- The impact of the Covid-19 pandemic and civil unrest on the business were key focus areas in 2021
- Monitored the effectiveness of the Group and business unit internal financial control environment, financial reporting procedures, tax strategy and policy, combined assurance and compliance; and found these to be adequate
- Monitored the performance against strategy including the divestiture of the non-performing businesses
- JSE Listings Requirements regarding CEO and CFO Controls Certification

- Concluded on the mandatory audit firm rotation and recommended new external auditors from the Group's 2023 financial year end to the Board, subject to shareholders approval
- Monitored insurance and Business Interruption claims following the civil unrest and reviewed the Group's re-prioritised capex

#### Our focus in 2022 and beyond

- The ongoing impacts of Covid-19 trading restrictions and the civil unrest on the business
- Trading performance and cash flow generation
- Liquidity and solvency of the Group
- Monitor performance against strategy, including the divestiture of non-performing businesses
- Information technology, security risks, cyber security and e-commerce
- Monitor the divestment of Cambridge, Rhino and Massfresh

\* Resigned as a member of the Audit Committee effective 27 August 2021.  
\*\* Appointed as a member of the Audit Committee effective 27 August 2021.



# Risk Committee R



Our role is to assist the Board by providing oversight of the Group's risk governance and risk management processes in place to meet its strategic objectives. We are satisfied that we fulfilled our responsibilities in accordance with our Charter.

COMMITTEE MEMBERS	BOARD STATUS	MEMBER SINCE	ATTENDANCE
O Ighodaro (Chairman)	Independent Non-Executive Director	25 May 2018	3/3
NN Gwagwa*	Independent Non-Executive Director	1 November 2006	2/2
L Mthimunya	Independent Non-Executive Director	27 February 2019	3/3
MW Sape	Executive Director	1 September 2019	3/3
M Abdool-Samad	Executive Director	1 August 2019	3/3

## The focus of the Committee in 2021

- Monitored and reviewed the Group's management of the risks associated with Covid-19 trading restrictions and the civil unrest on the business; and monitored compliance with the health and safety environment
- Assessed the adequacy of Massmart's Group Insurance Programme
- Monitored the possible impact on Massmart's strategy of an increasing and evolving regulatory environment
- Reviewed the Group's information and technology governance and controls framework (including cyber security measures) and its responsiveness to the Group's IT strategy
- Reviewed planned and current investment in information technology
- Assessed and reviewed Massmart's risk appetite and risk tolerance and the determination of what constitutes excessive risk to Massmart
- Monitored and reviewed the Group's enterprise and IT risks

- Monitored the implementation of the Group's POPIA policy
- Reviewed the Risk Committee Charter and found this to be compliant

## Our focus in 2022 and beyond

- Review the Group's developing Enterprise Risk Management framework
- Improve alignment of key risks and management thereof
- Ongoing monitoring and review of risks associated with the Covid-19 pandemic and impacts of the civil unrest
- Monitor and review Group compliance, ethics and anti-corruption risks
- Monitor and review the Group's POPIA policy
- Aligning of business unit risk assessment processes and reporting with the corporate risk assessment process
- Continue to monitor and review the Group's enterprise and IT risks

\* Resigned as a member of the Risk Committee effective 27 August 2021.

^ Appointed as member and Chairman of the Social and Ethics Committee effective 27 August 2021.

\*\* Appointed as a member of the Social and Ethics Committee effective 27 August 2021.

\*\*\* Resigned as Chairman and member of the Social and Ethics Committee effective 27 August 2021.

\*\*\*\* Resigned as member of the Social and Ethics Committee effective 27 August 2021.

# Social and Ethics Committee SEC



Our role is to assist the Board by providing oversight of, and reporting on, the Group's ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. We are satisfied that we fulfilled our responsibilities in accordance with our Charter and regulatory responsibilities.

COMMITTEE MEMBERS	BOARD STATUS	MEMBER SINCE	ATTENDANCE
L Mthimunya (Chairman)^	Independent Non-Executive Director	27 August 2021	1/1
DE Beckom**	Non-Independent Non-Executive Director	27 August 2021	1/1
NN Gwagwa***	Independent Non-Executive Director	1 November 2006	1/1
S Muigai****	Non-Independent Non-Executive Director	26 May 2017	-
MW Sape	Executive Director	1 September 2019	2/2
Prof D de Jongh	Independent permanent invitee	20 November 2011	2/2

## The focus of the Committee in 2021

- Monitored the re-organisation of the business and the formation of Centres of Excellence
- Monitored the enhancement of the value-based organisational culture and compliance with the Company's Code of Conduct
- Monitored the forums Massmart participates in and its contribution to these forums, examples include: WWF Seafood Sustainability forum, National Society for the Prevention of Cruelty to Animals and UN in South Africa
- Monitored the development of the recyclability of packaging of products
- Monitored responsible Private Brand sourcing
- Monitored the Group's pay parity response strategies and compliance
- Monitored the Group's employment equity plans and progress
- Reviewed and assessed Massmart's response to the social impact of the Covid-19 pandemic and civil unrest
- Reviewed the Group's sustainability risk matrix
- Assessed the Group's policy and educational and enablement programmes regarding Covid-19 vaccines
- Monitored the Group's response to partnering with the Department of Health in administering Covid-19 vaccines
- Ensured Massmart maintains its responsible corporate citizen status
- Reviewed Massmart's relationship with key stakeholders and industry bodies to gain an understanding of Massmart's impact on these stakeholders and their impact on Massmart

- Monitored and assessed the Group's progress with regard to its transformation agenda and related targets
- Oversight of the Group's focus on renewable energy including the installation of two new solar plants during the year
- Considered South Africa's regulatory, political, environmental and social landscape and its implications for Massmart and the retail sector
- Ensured Massmart's continued participation in various internationally accredited governance, social and environmental indices
- Reviewed the Social and Ethics Committee Charter and found this to be compliant

## Our focus in 2022 and beyond

- Review the possible impact on Massmart and the retail sector of South Africa's regulatory, political, environmental and social landscape
- Monitor Massmart's performance as a responsible corporate citizen
- Monitor and assess the Group's progress with regard to transformation and review the work of the Transformation Committee
- Oversight of responsible sourcing
- Monitor Massmart's B-BBEE performance
- Monitor plans to achieve sustainability goals
- Track the Group's performance against set targets
- Continue to monitor the embedment of the value-based organisational culture and compliance with the Company's Code of Conduct

# Nominations Committee



**Kuseni Dlamini**  
CHAIRMAN OF THE  
NOMINATIONS  
COMMITTEE

Our role is to assist the Board by nominating, electing and appointing Board members while ensuring the Board comprises of the right balance and skills, ensuring succession plans are in place and evaluating the Board and its Committees regularly. We are satisfied that we fulfilled our responsibilities in accordance with our Charter.

COMMITTEE MEMBERS	BOARD STATUS	MEMBER SINCE	ATTENDANCE
KD Dlamini (Chairman)	Independent Non-Executive Director	10 April 2014	4/4
P Langeni*	Independent Non-Executive Director	25 August 2004	3/3
JP Suarez	Non-Independent Non-Executive Director	25 February 2020	4/4
S Zilwa**	Independent Non-Executive Director	27 August 2021	1/1

## The focus of the Committee in 2021

- Reviewed policies and procedures in place to ensure the Board leads ethically and effectively
- Identified suitably qualified Non-Executive Directors for election to the Board to replace outgoing members, aligned with Board race and gender diversity policies
- Ensured that the induction and ongoing training and development of Directors took place
- Monitored the application of the revised conflicts of interest policy, Directors' dealing in Company securities, related-party transactions, declarations of interest as well as an annual review and assessment of the independence of Independent Non-Executive Directors
- Assessed the independence and self-assessment results conducted during the year and found these to be adequate
- Reviewed the Committee composition, skills and succession planning and found this to be adequate
- Reviewed the Nominations Committee Charter and found this to be compliant

## Our focus in 2022 and beyond

- Continue to review the Board and sub-Committee composition in line with Board race and gender diversity policies
- Review policies and procedures are in place to ensure the Board leads ethically and effectively
- Assess, review and enhance Committee compositions and skills, the effectiveness of succession planning for senior Executives, the CEO, the CFO and Non-Executive Board Directors
- Monitoring of conflicts of interest, Directors dealing in Company securities, related-party transactions, declarations of interest and regular review and assessment of the independence of Independent Non-Executive Directors
- Ensuring that the Committee has the relevant skills, expertise and capabilities to add value to the business

\* Resigned as a member of the Nominations Committee effective 27 August 2021.  
\*\* Appointed as a member of the Nominations Committee effective 27 August 2021.

# 4 Strategic review





# Our strategy:

## Stabilise and Focus

1

### Stabilise

Through strong execution  
of our Turnaround plan

2

### Focus

Divest non-core assets to drive  
sustainable profitable growth

### Invest

Accelerated growth in  
e-commerce, key categories  
and geographies

#### Group operating model

Completed the reorganisation of the business to establish a low-cost, customer-first structure with two business units served by centralised support areas. This has set us up to sustainably leverage scale to minimise costs and optimise growth opportunities

#### Portfolio optimisation

Creating a portfolio geared for sustainable future growth through exiting non-core businesses, markets and stores

- Divested the DionWired banner in 2020 (23 stores)
- Divested 11 under-performing Cambridge and Cash & Carry stores
- Completing the divestiture of the Cambridge, Rhino and Massfresh businesses and assets (discontinued operations)
- Completing the divestiture of 12 Cash & Carry stores

#### Reinvigorating Game

Executing greatly enhanced CVP combined with structural interventions to fortify the core business

- CVP interventions demonstrating solid performance uplift:
  - Removed Fresh and introduced basic apparel in Game South African stores
  - Relayed all 114 South African Game stores
- Nearing execution of sale of 14 East and West African stores
- Divestment process underway of 15 non-core South African stores
- Structural interventions underway to further reduce overhead costs to build on expense reduction of 5.8% in 2020
- Reinforcing focus on key customer destination categories
- Accelerated omnichannel offerings
  - Increased online shoppable range to 78.5% (up from 52.5% in January 2021)
  - 72.0% increase in online sales growth
  - Gross Merchandise Value increased by 56%: orders increased by 113% and revenue increased by 47%

#### Wholesale integration

Integrating our Wholesale business to build on our market leading position

- Progressed IT unification project, on track for full implementation in 2023
- Successfully implemented organisation restructure to gain greater productivity and efficiencies from a single Wholesale team across merchandise, marketing, finance and operational excellence
- Successfully completed the CEO leadership transition of the business unit

#### Supply Chain optimisation

Delivering an integrated Supply Chain to unlock Group leverage benefits to achieve cost-effective on shelf availability and enable omni-fulfilment

- Consolidating our network into three state-of-the-art omni DCs
- Implementing a “one best way” approach, leveraging Walmart supply chain expertise and capabilities
- Centralising volume through our DC network

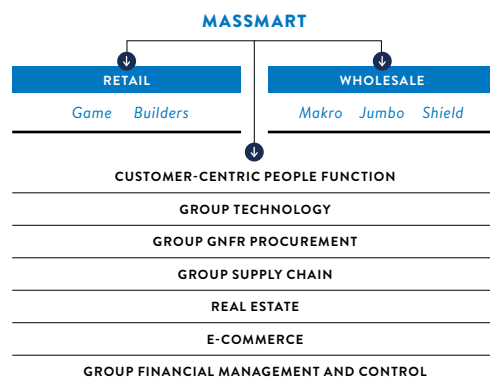
#### Cost reset

Fundamentally changed the cost base, embedding sustainable cost management practices and delivering on our R1.8 billion saving ambition

- R1.6 billion in total SG&A savings unlocked against R1.8 billion three-year ambition – leading to reduction of addressable spend from R10.4 billion to R8.6 billion
- Cost of goods sold savings of R185 million secured through data-driven negotiations
- Identified additional cost savings through our Group GNFR Procurement team

#### SOURCES OF EXPENSE SAVINGS:

- 27%** Site services & supply costs
- 21%** Other (e.g. travel, marketing, professional services)
- 20%** Rent (real estate)
- 13%** Utilities
- 11%** Transport
- 8%** Technology infrastructure



*Outsourced:*

SAP applications and development to Walmart's India Development Centre and financial transaction processing to Genpact



# Our strategy:

## Invest

### Focus

Divest non-core assets to drive sustainable profitable growth

### Stabilise

Through strong execution of our Turnaround plan

3

### Invest

Accelerated growth in e-commerce, key categories and geographies

## Pursuing growth opportunities in General Merchandise, Home Improvement and Wholesale Food and Liquor market leadership



FOCUSING OUR INVESTMENT IN:



Enriched end-to-end customer value proposition



### Accelerating e-commerce

Investing to become a leading B2C & B2B e-commerce destination

**5-YEAR TARGET** 50-65% GMV growth potential (compound annual growth rate)

- Leading websites and applications: 15% e-commerce participation rate\*
- Leading on-demand/last mile platform: 65% of deliveries within 1 day\*
- Leading marketplace: 65x growth in shoppable range\*

\*Five-year target

### Capitalise on our Home Improvement leadership

Refresh our stores and expand into untapped markets with our proven multi-format offering

**5-YEAR TARGET** R1.9 billion – R2.9 billion sales growth potential\*

- Refresh our in-store experience by remodelling >55% of our stores: sales uplift potential of ~5% per store (format dependent)
- Expand our reach by growing our footprint by ~50%: growth potential R1.6 billion – R2.5 billion
- Win in trade by disrupting building material retailing: 10% growth potential

\*Remodels and new stores

### Elevate our winning Wholesale Food and Liquor Position

Leverage our cost advantage to capture untapped informal and formal market opportunities and strengthen our reach

**5-YEAR TARGET** R11 billion – R14 billion sales growth potential

- Refresh our in-store experience by remodelling >50% of our stores: growth potential R1 billion – R2 billion\*
- Expand our reach by growing our Makro footprint by ~25%: growth potential R5 billion – R7 billion\*
- Empower the informal and B2B market by driving penetration through Wholesale integration and an engaged customer relationship (Makro Card and customer analytics): growth potential ~R5 billion

\*Over five years





## Message from our CEO

**Mitch Slape, Group CEO**

**2021 was a year of unique challenges – not only for our business, but for retailers around the world. Massmart associates remained resilient throughout and maintained a strong focus on serving our customers and communities.**

It was a year like no other. In addition to facing the challenge and disruption of successive waves of Covid-19 infections and the resulting lockdown restrictions on businesses, the South African market also suffered from the impacts of significant civil unrest during the month of July. Global supply chain impacts, exacerbated in South Africa by the loss of stock and production capacity by many of our vendors due to the unrest, created in-stock challenges through the balance of the year in product categories such as electronics and appliances. Additionally, the impact of load shedding and growing inflationary pressures on raw materials and product costing were also significant headwinds.

**In spite of the many challenges that 2021 presented, I am extremely proud of the way that Massmart associates stepped up and responded.**

Our Covid-19 protocols and safety measures continue to be among the very best in the industry and are continually reviewed and monitored by our outstanding Compliance and Operations teams.

The Massmart business was affected by decreased sales from the hotel, restaurant and catering (HORECA) industry, as well as from prohibitions on the sale of alcohol for approximately 110 days of the year. Lost sales due to trading restrictions on alcohol, which account for about 15% of total Group sales, are estimated to be R1.8 billion for the year under review.

During the civil unrest in July in the KZN and Gauteng provinces of South Africa, 43 of our stores and two DCs were directly impacted, some of which were severely damaged by arson. Nine of these stores remain closed, as do the impacted DCs. We were able to quickly reconfigure our logistics network and move products to other facilities, and are now in the process of commissioning a new state-of-the-art DC facility in Northfields in Durban, which will replace the two facilities that were looted, one of which was destroyed during the unrest. Bringing this facility on line will improve product flow, both imported and locally sourced, to all our formats. Notwithstanding this rapid adaptation, our supply chain was also disrupted by stock losses at our DCs, disruption at the Durban Port and impacts on suppliers' logistics networks. This undermined our stock availability, particularly in Game.

Our reaction to the civil unrest was world-class in my opinion. Our immediate priority was to ensure the safety and security of our associates and customers. This resulted in the temporary closure of vulnerable stores and facilities during the civil unrest. Total Group damages incurred from these events was R1.5 billion, R1.2 billion of which relates to inventory write-offs, and insurance proceeds recouped thus far amounted to R1.0 billion.

In the days following the civil unrest, Massmart provided care packages, containing basic essentials that were difficult to source, to all 8,373 Massmart associates in KZN. We also initiated early opening hours at stores that were not impacted, so that our associates could shop exclusively before opening to the public. Together with Walmart and the Walmart Foundation, we contributed R13 million worth of food and equipment to mitigate food insecurity in vulnerable communities immediately following the civil unrest. This support included supplying more than 200 tonnes of food to FoodForward South Africa and the Gift of the Givers Foundation. Based on our research, this constitutes the single largest response by any retailer in South Africa.

What's important is that we did not become distracted by lamenting the impact of the unrest. I was pleased with the way that our Operators and Merchants focused on re-establishing the business under the rallying cry, 'We will come back stronger'. A good example was the response of the Makro team, which secured warehouse space and established a 'pop-up store' to serve wholesale and retail customers within approximately 73 days of the unrest. We emerged from the unrest with stronger Government, civil society and community relationships, and with greater confidence in our ability to respond to crises.

In November, a maximum of 29% of our unionised associates participated in an 18-day strike. This followed strike action that occurred in May 2021. Both of these actions were primarily a response to the change associated with the re-positioning of our business. This was an eventuality for which we had planned. We were well prepared and able to effectively implement strike contingency plans that contained the impact on trading, including during the busy November period. We have redoubled our engagement with SACCAWU toward better understanding their concerns and avoiding future strike action.



Notwithstanding the strike, we made excellent progress on our journey to become an employer of choice. This effort was rewarded when we were accredited by the Top Employers Institute as a Top Employer for 2022. This certification is in recognition of the organisation's dedication to a better world of work demonstrated through excellent people policies and practices. At the conclusion of a rigorous assessment and audit process, Massmart was placed in the Top 25% of approximately 1,800 employers who participated globally. Massmart scored particularly well in the category that evaluates values, ethics, sustainability and diversity and inclusion initiatives. We achieve this through continuous engagement with our associates and an ongoing focus on strengthening our relationship while aligning to best market practice.

### Progress on our Turnaround strategy

In the face of the aforementioned significant headwinds, I am happy to report that Massmart's Turnaround plan continues at pace and with focus. The structure and clarity of the Turnaround plan has helped guide the organisation and provide clear direction to our associates. I am particularly pleased by the extent to which the Management team has grown in confidence, displaying a remarkable 'can do' attitude that is evidenced by reliable delivery of our Turnaround objectives. The organisation's ability to drive change that will better position Massmart for the future is impressive.

**Group operating model:** We have bedded down our new Group operating model with the two customer-focused business units, supported by more efficient centralised support functions, which have eliminated unnecessary duplication and optimised Group-wide access to scarce expertise. We have also successfully completed the transfer of our back-office finance support and transaction processing services to Genpact, a Walmart strategic partner.

**Portfolio optimisation:** We remain focused on exiting non-core businesses and geographies through the divestiture of the stores in Game East and West Africa as well as the Cambridge, Rhino and Massfresh businesses. We are satisfied with the progress made to date and look forward to completing those transactions in due course.

**Reinvigorating Game:** While we are not happy with Game's 2021 performance, we are optimistic about the promising impact of initiatives implemented, including the impact of a more efficient associate resourcing model and the relay of our 114 Game South Africa stores. This optimistic perspective is further supported by the initiative to divest of Game East and West African stores, together with the 15 non-core South African stores announced in December 2021. We will continue to closely evaluate the Game turnaround and fully expect to see improved performance in 2022.

**Wholesale integration:** We have progressed the IT unification pilot project, and are still on track for full implementation in 2023. We have also introduced our first Cash & Carry 'Powered by Makro' Liquor store format in Witbank. This store has yielded encouraging results. Importantly, we have also completed the CEO leadership transition to Llewellyn Walters following the decision of Doug Jones to pursue opportunities outside of the country.

**Supply Chain optimisation:** We've established our integrated Group Supply Chain team, headed by 25-year Walmart logistics veteran Martin Halle. During this period, we have closed six DCs and one LID and opened three DCs and one LID. This is a significant step forward in the consolidation and regionalisation strategy for our Supply Chain network. Currently, 32% of our volumes now flows through our centralised Supply Chain DC network.

**Cost reset:** Our cost-saving initiatives continue to be ahead of our three-year target of R1.8 billion. By the end of this financial period, cost-saving initiatives delivered R1.6 billion in savings, which represents 89% of our total Smart Spend target. Through this journey, we have embedded sustainable cost management practices in the business.



### Our commitment to being a regenerative Company

We are on a journey to becoming a regenerative Company, one that contributes to leaving the environment and communities in which we operate in a better position than we found them. To achieve this, we have aligned ourselves with Walmart's global sustainability goals, which include:

- Transitioning to 100% recyclable or reusable Private Brand packaging by 2025
- Producing net zero waste by 2030
- Achieving net zero emissions by 2040
- Advocating for the adoption of regenerative practices in our supply chains and prioritising vulnerable ecosystems including forests and fisheries.

We recognise that to meet our objectives we need to accelerate our efforts with a focus on reducing emissions and waste. Some highlights from the year include 130 million kWh saved through stricter energy efficiency measures at stores, a 90% increase in onsite solar generating capacity approved for installation, and a 642 tonne reduction in virgin plastic use annually, through the introduction of more sustainable shopping bags. These initiatives, while good for the environment, have also contributed to improved costs in the business, resulting in R156.0 million in savings during 2021.

### Our contribution to combatting Covid-19

The safety of our associates and customers is always a key priority for us. We continue to practice and enhance our Covid-19 safety protocols implemented since the onset of the pandemic. This includes ensuring regular hand sanitising, wearing a mask and daily disclosure and monitoring of associates' health.

Where appropriate, such as in our Head Offices, Massmart has largely moved to a hybrid work model that aims to optimise productivity without losing the necessary networking and organisation identity benefits from regular contact with workplace associates. We have a strong preference for mandatory vaccination protocols, which we are implementing in our Head Offices, while we continue with our store-based vaccine education and enablement programme. This includes providing associates with paid leave to have vaccines and the use of mobile vaccination clinics at stores located in high density urban areas.

As part of our wider efforts, Massmart has assisted pensioners in rural areas to register on the Electronic Vaccination Data System (EVDS) to receive their vaccinations. Following this, Massmart, in collaboration with the Department of Health, rolled out Covid-19 vaccination sites at selected stores where pensioners continued to be assisted to register on the EVDS and get their vaccination on the days they collected their SASSA grants.





**During the past 24 months, we have simplified and focused our business. We are now poised for accelerated growth.**

A significant outcome of the Turnaround plan to date has been re-organising and introducing new ways of working towards unlocking the strength of the Group and deriving the resultant benefit to the business. This has mostly involved leveraging Massmart scale, and Walmart networks and expertise, to lower the cost base and implement better ways of working to create a significantly more competitive platform for future growth.

Our approach is to accelerate omni-focused growth that is responsive to shifting consumer behaviour centred on the Southern African Development Community (SADC) and focusing on the categories in which we are market leaders, namely Home Improvement, General Merchandise and Wholesale Food and Liquor. This approach is underpinned by the following principles:

- **Value:** Strong prices balanced with quality. Customers seek consistent and reliable pricing for quality products
- **Customer convenience:** Through the delivery of assortment, access and ease:
  - **Assortment choice** is about customers having access to the most extended range possible. Customers expect variety and optimisation, from both in stores and through omnichannel execution
  - **Access** is about having seamless engagement with our customers anytime, anyhow and anywhere, with a selection of delivery speed, timing and location
  - **Ease** is about leveraging our capability, our capacity, and our expertise to ensure we truly are the most friction-free Retailer/Wholesaler with whom a customer can possibly shop
- **Purpose:** ensuring our customers can believe in and count on us in ways that go well beyond just the goods we sell them

Our omnichannel focus has led to prioritised investment in e-commerce where we are fortunate to be able to draw from Walmart's capabilities and expertise, including the ability to leverage the talent of experienced e-commerce professionals in leadership roles in our e-commerce business and in technology support.

As a result, we have approved a multi-year e-commerce investment plan that leverages our store network and DC assets, underpinned by a mobile first approach. I am pleased by the progress we have made in a relatively short period of time that includes the following strategic and tactical highlights:

- Re-organised the banner teams into an expanded central e-commerce organisation resulting in better ways of working and much improved performance
- Established a dedicated team at Walmart's Global Technology hub in Bangalore, India that is delivering improved, customer-centric technology
- Acquired OneCart and WumDrop to enable on-demand and last mile delivery capabilities
- Launched mobile applications for Makro and Builders within the VodaPay Super App that is extending our reach to new customers
- Made numerous enhancements to our websites resulting in significant improvement in conversion rates

With this solid foundation, we are now focused on improving the customer proposition and end-to-end journey, while leveraging all the new and enhanced digital assets to drive accelerated growth.

I would like to conclude with a big thank you to all of our great Massmart associates, whose tireless work in serving our customers is really at the heart of Massmart. I appreciate all that they do as we work together to position Massmart for the future!



**Mitch Slape**  
Group Chief Executive Officer  
8 April 2022



# 5

## Our performance



# Chief Financial Officer's review

**Mohammed Abdool-Samad,**  
Chief Financial Officer

While we remain uncertain of the future in terms of potential Covid-19 trading restrictions and global and local supply chain challenges on our business, we are confident in our ability to successfully navigate through these challenges and serve our customers.

## Total Group performance

Massmart's total Group sales for the 52-weeks ended 26 December 2021 of R84.9 billion represented a 1.9% decrease compared to the same period in 2020, while comparable store sales grew by 1.7% over the same period. Gross margin decreased by 191bps to 18.5%. Excluding inventory write-downs as a result of the civil unrest, gross margin decreased by 45bps to 19.9%. Through our sustainable cost-saving initiatives, expenses decreased by 1.2%. Other income increased by 280.9% to R1.1 billion and primarily related to insurance proceeds received from material damage and business interruption claims related to the civil unrest. This resulted in a trading profit of R195.4 million, a decrease of 83.3% from the prior year. The Group recognised an impairment expense of R1,066.3 million, the majority of which related to assets impacted by the civil unrest of R230.7 million, and Game's corporate assets of R507.2 million, the most significant of which is the SAP S/4 HANA ERP system software asset. Weaknesses in African currencies, together with hedging costs associated with the USD denominated Walmart loan, resulted in foreign exchange losses of R178.5 million which represents a 53.2% decrease from 2020. Net interest expenses increased by 2.3% to R1,778.4 million. As a result of the above, the Group incurred a net loss of R2,203.9 million, which represents an increase of 25.7% from the prior year loss of R1,753.4 million. The headline loss amounted to R1,524.8 million, and increased by 65.0% from the prior year headline loss of R924.3 million.

## Operating environment

2021 was a year of significant challenges in the external environment – not only for South Africa, but globally. In spite of the headwinds, Massmart has again proven to be a resilient business, and has effectively navigated through significant challenges while executing significant components of the Group's Turnaround strategy. We have been able to innovate and adapt to address challenges, and this has made us a fundamentally stronger business and better prepared for the future.

*\* The Covid-19 lost sales impact was estimated at a store specific level. To estimate the impact, we applied the expected sales trend of that store, in comparison to underlying performance in periods where trading was permitted and to store level plans. Where it was noted that there was a pent-up demand impact, this was also taken into account, effectively reducing the loss in sales estimate. Lost trading profit was calculated by applying the achieved margin for the period immediately preceding the restriction to the estimated lost sales value.*

*This information is provided only to allow for a more meaningful comparison of performance based on Management's best estimate. This information on which our assumptions are based has not been reviewed and reported on by the Company's external auditors. The estimated information is the responsibility of the Directors of Massmart.*

During the year, we were impacted by the ongoing effects of the global Covid-19 pandemic, while the South African market also experienced the civil unrest during July 2021. Global supply chain challenges, which were exacerbated in South Africa by the civil unrest, resulted in insufficient in-stock service levels of certain home electronics and appliances categories. We were further impacted by load shedding and growing inflationary pressures on raw materials and product costing. In addition to the above, labour disputes resulted in a Group-wide strike during November and December this year.

## Covid-19

We continue to experience the impact of the Covid-19 pandemic, its successive waves and infection rates, and related trading restrictions. In our efforts to combat Covid-19, we assisted pensioners in rural areas to successfully register for and receive their vaccines at our stores when they collected their SASSA grant payments. We also encouraged our associates to get their vaccines through educational and enablement programmes, rolled out mobile clinics at stores located in high density urban areas and provided paid leave for associates to get vaccinated. We continue to practise and enhance our Covid-19 safety protocols implemented since the onset of the pandemic.

Under Government regulations, liquor sales were prohibited for approximately 110 days of our trading year. The ban and restrictions on Liquor trading impacted the Total Group by an estimated R1.8 billion\* in lost Liquor sales, which translated into an estimated R193.0 million\* in lost sales margin during 2021. Liquor sales contributed 15% of total sales during the year (2020: 13%).

Additional Covid-19-related costs associated with ensuring a safe shopping and workplace environment for customers and associates amounted to R77.7 million (2020: R132.4 million). Government-supported Temporary Employment Relief Scheme (TERS) benefits and negotiated rental relief of R62.2 million (2020: R288.0 million) were received by the Group during the year.

### Civil unrest

During July 2021, the KZN and Gauteng provinces of South Africa experienced civil unrest, which directly impacted 43 of our stores and two distribution centres (DCs). Of these, only nine stores and both DCs still remain closed due to significant damage. Damages incurred from the civil unrest from inventory written-off and assets impaired amounted to R1,469.6 million. Including directly related costs this amounted to R1,534.7 million for the Total Group. Insurance proceeds recouped for damaged inventory and assets was R1 billion of which R171.2 million relates to third party liabilities. Of this, R434.8 million was received and R565.2 million was accrued during 2021. The accrued amount was received in January 2022, post our financial year-end. In addition to this, an interim amount of R100 million was received in relation to our business interruptions claims. This resulted in a Total Group net accounting loss of R605.9 million. The majority of business interruption claims are still in the processing phase and will be received during 2022. As previously announced, the Group is comfortable that it is adequately covered for the full extent of the business interruption losses through a non-SASRIA policy.

Lost sales directly related to store closures as a result of the civil unrest is estimated to be R2.7 billion\*, with lost sales margin estimated to be R473.1 million\* for the Total Group.

### Discontinued operations

As previously announced, the Board made the decision to dispose of the Group's Cambridge, Rhino and Massfresh (comprising The Fruitspot and a meat processing facility) assets. Following this, the Cambridge, Rhino and Massfresh businesses have been classified as one disposal group and reported as discontinued operations in terms of IFRS 5. As such, the following results and commentary relate to continuing operations only, unless stated otherwise. Refer to note 3.

\* The civil unrest lost sales impact was estimated at a store specific level. To estimate the impact, the year-to-date sales trends, prior to the civil unrest, of these stores were assessed; including the expected sales trend of that store, in comparison to underlying performance in 2020 and store level plans. Where it was noted that there were specific deflection of sales to neighbouring stores, the impact of deflected sales was also taken into account, effectively reducing the loss in sales estimate. Lost trading profit was calculated by applying the year-to-date average achieved margin for each store, up to the point of the civil unrest, to the estimated lost sales.

This information is provided only to allow for a more meaningful comparison of performance based on Management's best estimate. This information on which our assumptions are based has not been reviewed and reported on by the Company's external auditors. The estimated information is the responsibility of the Directors of Massmart.

### Continuing operations performance

#### Financial review

Massmart's total sales from continuing operations for the 52 weeks to 26 December 2021 of R77.6 billion represents an increase of 0.1%, and an increase of 3.0% on a comparable store sales basis, with year-to-date internal sales inflation of 4.7%. Sales from our South African stores increased by 0.9% and by 4.3% on a comparable store sales basis. Total sales from our rest of African stores decreased by 7.5% in Rands, and increased by 0.3% in constant currencies. On a comparable store sales basis, our rest of African store sales decreased by 7.7% in Rands and by 0.4% in constant currencies. Sales performance in the rest of Africa, in Rands, have been impacted by significant currency fluctuations.

Food and Liquor sales of R39.9 billion decreased by 1.0% (2020: R40.3 billion), Home Improvement sales of R14.9 billion increased by 7.1% (2020: R13.9 billion) and General Merchandise sales of R22.8 billion decreased by 2.2% (2020: R23.4 billion).

Gross margin decreased by 187bps to 18.7% and was impacted by promotional and sales mix and inventory write-offs as a result of the civil unrest. Excluding inventory write-offs as a result of the civil unrest, gross margin decreased by 62bps to 19.9%.

Included in other income relating to civil unrest are insurance proceeds received from SASRIA for inventory write-offs and an interim business interruption claim, both for damages incurred during the civil unrest.

Our continued focus on sustainable cost-saving and Smart Spend initiatives resulted in only a 0.1% increase in costs, and an increase of 1.4% on a comparable store basis.

Employment costs, the Group's biggest cost category, increased by 0.6% (with a comparable decrease of 1.6%), and was impacted by the differential in receipt of the South African Government TERS and skills development levy relief in the current year compared to the prior year.



Occupancy costs decreased by 0.4% (with a comparable increase of 4.1%). Included in the 2020 comparative is the once-off rental relief received from landlords in light of the Covid-19 pandemic. Offsetting this year-on-year increase were rental re-negotiations and reduced utility costs achieved through our sustainability initiatives.

Depreciation and amortisation decreased by 5.5% (and by 7.2% on a comparable store basis) due to a reduced footprint and a lower asset base as a consequence of previous asset impairments recognised. A net of 15 stores were either closed or sold during the year.

Contributing to the 3.5% increase in other operating costs are software maintenance costs, repairs and maintenance, an increase in credit card costs and costs associated with our financial transaction processing function, Genpact.

The above resulted in a trading profit of R830.6 million compared to a trading profit of R1,613.0 million in 2020.

During the year, the Group incurred retrenchment and business transformation costs of R80.7 million, compared to R107.8 million in the prior year. This mainly related to the turnaround initiative which involved moving certain corporate support functions into centralised Centres of Excellence, as previously announced, as well as professional fees incurred as part of the Group's disposal programmes.

Impairment losses of R960.3 million were recognised during the year and primarily related to the impact of the civil unrest of R210.7 million, Game's corporate assets of R507.2 million, the most significant of which is the SAP S/4 HANA ERP system software asset, as well as the property, plant and equipment and lease assets of certain underperforming Game stores in South Africa and Kenya. Insurance proceeds received in relation to asset impairments resulting from the civil unrest amounted to R118.4 million.



We have benefitted from the strengthening of certain currencies against the South African Rand. This, together with hedging costs associated with the USD denominated Walmart loan resulted in a foreign exchange loss of R178.5 million, compared to a loss of R381.1 million in the prior year.

Net finance costs of R1,695.4 million represents an increase of only 2.8% compared to R1,649.4 million in the prior year. Total net interest expenses in relation to the Group's financiers, excluding those related to lease liabilities, decreased by R38.0 million compared to the prior year. This was partially offset by an increase in finance costs related to lease liabilities.

The Group's effective tax rate of 19.6% (2020: -47.4%) was impacted by the limitation of the recognition of deferred tax assets relating to certain loss-making entities and disallowed expenditure.

A net loss of R1,577.7 million was reported for this year (2020: R1,027.9 million), with a headline loss of R980.2 million (2020: R831.0 million).

### Financial position

During the course of 2020 capital expenditure on projects was deferred, where possible, to preserve cash in an attempt to mitigate the impacts of Covid-19 on the business. As economic activity increased in 2021, there was a commensurate increase in capital expenditure. The Group continues to invest cash responsibly with expenditure being re-prioritised to re-open stores impacted by the civil unrest.

Total capital expenditure for the year amounted to R1,378.0 million, and increased by 33.2% compared to 2020. Expansionary capital expenditure amounted to R902.5 million, of which leasehold improvements and fixtures, fittings plant and equipment amounted to R733.0 million, and was mostly associated with the refurbishment of selected existing stores. Capital expenditure relating to maintenance amounted to R247.5 million. An investment related to the acquisition of OneCart amounted to R228.0 million. Overall property, plant and equipment decreased by 4.3% which was driven primarily by the impairments recognised as well as the classification of the balances related to the discontinued operations as held-for-sale.

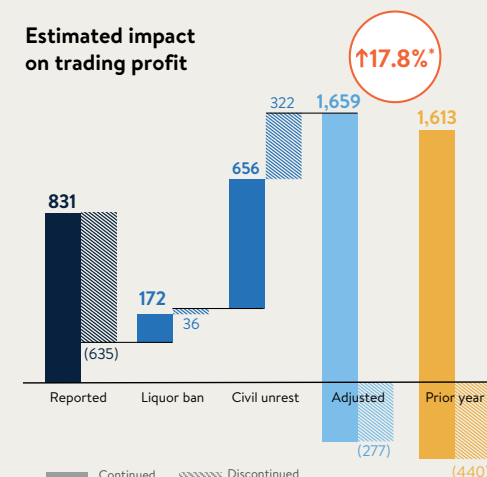
Working capital continues to be a focus area. The Group's inventory balance increased by 0.4%, while inventory days remained at 70 days. Trade receivable days remained static since 2020 at nine days. Trade creditor days decreased by seven days to 70 days, while the trade creditors balance decreased by 7.7% since 2020. This is largely due to the renegotiated terms with our suppliers in 2020, which assisted in mitigating the impacts of Covid-19 trading restrictions on the business, coming to an end in 2021.

Operating cash inflows before working capital movements of R1,822.0 million decreased by 60.0% over 2020 and were negatively impacted by the second and third waves of Covid-19 infections that

### Financial impact of the civil unrest and Covid-19 liquor trading restrictions

#### Focused effort on re-opening stores and finalising SASRIA insurance claim

#### Estimated impact on trading profit



Rm	Liquor ban	Civil unrest
Estimated lost sales margin**	193.0	473.1
Inventory write-off	-	1,238.9
Expenses	15.5	65.1
Insurance proceeds (SASRIA and BI)	-	(799.2)
<b>Estimated lost trading profit</b>	<b>208.5</b>	<b>977.9</b>
Asset impairments	-	230.7
Insurance proceeds on PPE (SASRIA)	-	(129.6)
<b>Estimated lost operating profit</b>	<b>208.5</b>	<b>1,079.0</b>

\* Total Group estimated growth

\*\* Refer to pages 61 and 62 for Management assumptions used

resulted in subdued trading, liquor trading restrictions during the year, as well as the period of civil unrest in July. Consequently, gross debt increased by 13.3% to R6.7 billion, while average net debt increased by 15.8% to R8.7 billion. The Group has sufficient headroom to meet all its obligations.

### Appreciation

We are thankful to all our associates who continue to contribute to our Group's performance and put our customers first, especially during the challenging times we have experienced during this year. We are grateful to our customers for their ongoing support and loyalty. We also thank our Board and Management teams for their continued guidance and leadership.

### Dividend

Our current dividend policy is to declare and pay an interim and final cash dividend representing a 2.0 times dividend cover, unless circumstances dictate otherwise. Due to the headline loss reported, the need to preserve cash and the ongoing impact of the civil unrest and Covid-19 pandemic on our operating environment, no final dividend has been declared during this financial year (2020: nil).

**Mohammed Abdool-Samad**  
Group Chief Financial Officer  
8 April 2022





## Summary consolidated income statement

Rm	52 weeks December 2021 (Audited)	52 weeks December 2020 (Restated)*	Period % change
<b>Revenue</b>	<b>77,715.3</b>	77,808.7	(0.1)
Sales	77,621.6	77,568.5	0.1
Cost of sales	(62,168.0)	(61,644.8)	(0.8)
Cost of sales relating to civil unrest	(970.9)	-	(100.0)
<b>Gross profit</b>	<b>14,482.7</b>	15,923.7	(9.0)
Other income	245.2	239.2	2.5
Other income relating to civil unrest	667.3	-	100.0
Depreciation and amortisation	(2,569.4)	(2,717.6)	5.5
Employment costs	(7,258.3)	(7,217.0)	(0.6)
Occupancy costs	(1,024.5)	(1,028.9)	0.4
Other operating costs	(3,712.4)	(3,586.4)	(3.5)
<b>Trading profit before interest and taxation</b>	<b>830.6</b>	1,613.0	(48.5)
Retrenchment and business transformation costs	(80.7)	(107.8)	25.1
Impairment of assets	(749.6)	(173.0)	(333.3)
Impairment of assets relating to civil unrest	(210.7)	-	(100.0)
Insurance proceeds on items in PP&E	2.9	1.0	190.0
Insurance proceeds on items in PP&E relating to civil unrest	118.4	-	100.0
<b>Operating (loss)/profit before foreign exchange movements and interest</b>	<b>(89.1)</b>	1,333.2	(106.7)
Foreign exchange loss (note 7)	(178.5)	(381.1)	53.2
<b>Operating (loss)/profit before interest</b>	<b>(267.6)</b>	952.1	(128.1)
- Finance costs	(1,704.0)	(1,690.5)	(0.8)
- Finance income	8.6	41.1	(79.1)
Net finance costs	(1,695.4)	(1,649.4)	(2.8)
<b>Loss before taxation</b>	<b>(1,963.0)</b>	(697.3)	(181.5)
Taxation (note 15)	385.3	(330.6)	216.5
<b>Loss for the year from continuing operations</b>	<b>(1,577.7)</b>	(1,027.9)	(53.5)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	(626.2)	(725.5)	13.7
<b>Loss for the year</b>	<b>(2,203.9)</b>	(1,753.4)	(25.7)
Loss attributable to:			
- Owners of the parent	(2,225.9)	(1,737.7)	(28.1)
Continuing operations	(1,602.9)	(1,033.6)	(55.1)
Discontinued operations	(623.0)	(704.1)	11.5
- Perpetual bondholder	9.5	-	100.0
Continuing operations	9.5	-	100.0
Discontinued operations	-	-	-
- Non-controlling interests	12.5	(15.7)	179.6
Continuing operations	15.7	5.7	175.4
Discontinued operations	(3.2)	(21.4)	85.0
<b>Loss for the year</b>	<b>(2,203.9)</b>	(1,753.4)	(25.7)
Basic EPS (cents)	(1,029.9)	(802.3)	(28.4)
Continuing operations	(741.6)	(477.2)	(55.4)
Discontinued operations	(288.3)	(325.1)	11.3
Diluted basic EPS (cents)	(1,029.9)	(802.3)	(28.4)
Continuing operations	(741.6)	(477.2)	(55.4)
Discontinued operations	(288.3)	(325.1)	11.3
Dividend (cents):			
- Interim	-	-	-
- Final	-	-	-
- Total	-	-	-

The sales performance has been impacted by Covid-19 trading restrictions and the civil unrest: estimated lost sales R3.4 billion. Comparable store sales increased by 3.0%.

Gross margin was impacted by promotional, sales mix and inventory write-offs as a result of the civil unrest. Excluding civil unrest-related inventory write-offs, gross margin decreased by 62bps to 19.9%.

Insurance proceeds received and receivable related to inventory write-off and business interruption claims.

Our continued focus on sustainable cost-saving initiatives resulted in only a 0.1% increase in costs.

Mainly relate to initiatives from the Group's Turnaround plan involving establishing centralised Centres of Excellence and professional fees incurred as part of the Group's disposal programmes.

Impairments primarily relate to Game's corporate assets of R507.2 million, the most significant of which is the SAP S/4 HANA ERP system software asset, as well as the PP&E and lease assets of certain underperforming Game stores in South Africa and Kenya.

The Group's effective tax rate of 19.6% was impacted by the limitation of the recognition of deferred tax assets relating to certain loss-making entities and disallowed expenditure.

\* The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.

## Summary consolidated statement of comprehensive income

Rm	52 weeks December 2021 (Audited)	52 weeks December 2020 (Restated)*	Period % change
<b>Loss for the year</b>	<b>(2,203.9)</b>	(1,753.4)	(25.7)
<b>Items that will not subsequently be re-classified to the Income Statement:</b>	<b>(3.1)</b>	11.9	(126.1)
Post retirement medical aid actuarial profit, net of tax	(3.1)	11.9	(126.1)
<b>Items that will subsequently be re-classified to the Income Statement:</b>	<b>93.9</b>	8.9	955.1
Foreign currency translation reserve, net of tax	82.0	9.0	811.1
Fair value movement on OCI financial assets, net of tax	11.9	(0.1)	12,000.0
<b>Total other comprehensive income for the year, net of tax</b>	<b>90.8</b>	20.8	336.5
<b>Total comprehensive loss for the year</b>	<b>(2,113.1)</b>	(1,732.6)	(22.0)
Total comprehensive (loss)/income attributable to:			
- Owners of the parent	(2,135.1)	(1,716.9)	(24.4)
Continuing operations	(1,512.1)	(1,012.8)	(49.3)
Discontinued operations	(623.0)	(704.1)	11.5
- Perpetual bondholder	9.5	-	100.0
Continuing operations	9.5	-	100.0
Discontinued operations	-	-	-
- Non-controlling interests	12.5	(15.7)	179.6
Continuing operations	15.7	5.7	175.4
Discontinued operations	(3.2)	(21.4)	85.0
<b>Total comprehensive loss for the year</b>	<b>(2,113.1)</b>	(1,732.6)	(22.0)

\* The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge and Rhino and Massfresh businesses. Refer to Note 3.

## Summary consolidated statement of financial position

Rm	52 weeks December 2021 (Audited)	52 weeks December 2020 (Audited)	Period % change
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>21,014.7</b>	21,804.4	(3.6)
Property, plant and equipment, including investment property	7,856.3	8,206.9	(4.3)
Lease assets	8,034.1	8,590.0	(6.5)
Goodwill and other intangible assets	2,632.2	3,272.6	(19.6)
Investments and other financial assets	220.7	176.1	25.3
Deferred taxation	2,271.4	1,558.8	45.7
<b>Current assets</b>	<b>16,914.2</b>	18,446.9	(8.3)
Inventories	11,925.9	11,880.6	0.4
Trade, other receivables and prepayments	3,952.5	3,126.3	26.4
Taxation	101.0	90.8	11.2
Cash on hand and bank balances	934.8	3,349.2	(72.1)
<b>Non-current assets classified as held for sale</b>	<b>2,215.8</b>	488.3	353.8
<b>Total assets</b>	<b>40,144.7</b>	40,739.6	(1.5)
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>2,545.2</b>	2,951.5	(13.8)
Equity attributable to owners of the parent	479.8	2,991.3	(84.0)
Equity attributable to perpetual bondholder	2,009.5	-	100.0
Non-controlling interests (note 16)	55.9	(39.8)	240.5
<b>Non-current liabilities</b>	<b>11,630.6</b>	10,188.4	14.2
Interest-bearing borrowings	2,000.0	277.8	619.9
Lease liability	9,234.1	9,659.9	(4.4)
Deferred taxation	158.3	153.0	3.5
Other non-current liabilities and provisions	238.2	97.7	143.8
<b>Current liabilities</b>	<b>25,222.3</b>	27,599.7	(8.6)
Trade, other payables and provisions	19,164.4	20,252.0	(5.4)
Taxation	46.3	394.1	(88.3)
Bank overdrafts and debt facilities (note 14)	245.5	95.3	157.6
Interest-bearing borrowings	4,467.4	5,550.9	(19.5)
Lease liability	1,298.7	1,307.4	(0.7)
<b>Non-current liabilities directly associated with assets held for sale</b>	<b>746.6</b>	-	100.0
<b>Total equity and liabilities</b>	<b>40,144.7</b>	40,739.6	(1.5)

Goodwill of R258.5 million was recognised with the acquisition of OneCart with R363.7 million being reclassified to held for sale as a result of the sale of the Cambridge and Rhino businesses. The decline in other intangible assets was mainly impacted by the Game SAP S/4 HANA ERP system software asset impairment.

Mainly relates to the sale of the businesses of Cambridge, Rhino and Massfresh businesses.

Walmart replaced US\$125 million of its loan to Massmart by subscribing for a perpetual fixed rate unsecured ZAR-denominated note which is classified as equity.

During the year, the Group acquired the remaining 49.8% non-controlling interest in Sunshine Powersave Proprietary Limited, the remaining 25% shareholding in Cambridge Food Gauteng Proprietary Limited, the 38.5% shareholding in HB Unlimited Overs Cricket Proprietary Limited trading as WumDrop and the 40% shareholding in Croge Investments Proprietary Limited it did not already own.

The Statement of Financial Position has not been restated in terms of IFRS 5. IFRS 5 requires the discontinued operations of the Cambridge, Rhino and Massfresh businesses to be restated only in the Income Statement. [Refer to note 3.](#)

## Summary consolidated statement of cash flows

Rm	December 2021 (Audited)	December 2020 (Audited)
Operating cash before working capital movements	1,822.0	4,559.5
Working capital movements	(1,304.9)	(187.9)
<b>Cash generated from operations</b>	<b>517.1</b>	4,371.6
Taxation paid	(425.3)	(105.9)
Net interest paid	(1,875.1)	(1,707.0)
Dividends received	45.0	-
Dividends paid	(15.0)	(39.9)
<b>Cash (outflow)/inflow from operating activities</b>	<b>(1,753.3)</b>	2,518.8
Investment to maintain operations	(247.5)	(269.9)
Investment to expand operations	(902.5)	(764.2)
Investment in subsidiaries	(228.0)	(0.2)
Proceeds on disposal of property, plant and equipment	10.3	19.4
Proceeds on disposal of assets classified as held for sale	107.2	-
Proceeds on disposal of intangible assets	7.3	2.0
Insurance proceeds on property, plant and equipment	56.4	-
Other investing activities	-	7.5
<b>Cash outflow from investing activities</b>	<b>(1,196.8)</b>	(1,005.4)
Issue of perpetual bond	2,000.0	-
Interest-bearing borrowings and debt facilities raised	2,340.0	7,544.2
Interest-bearing borrowings and debt facilities repaid	(2,308.0)	(5,288.3)
Lease liabilities repaid	(1,388.9)	(1,537.9)
Non-controlling interests acquired (note 16)	(310.3)	-
Acquisition of treasury shares	-	(66.2)
Cash inflow arising from other non-current liabilities	-	26.3
<b>Cash inflow from financing activities</b>	<b>332.8</b>	678.1
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,617.3)</b>	2,191.5
Foreign exchange movements on cash and cash equivalents	52.7	(88.2)
Opening cash and cash equivalents	3,253.9	1,150.6
<b>Closing cash and cash equivalents</b>	<b>689.3</b>	3,253.9

Cash flow generation was negatively impacted by the second and third waves of Covid-19 infections that resulted in subdued trading. Liquor trading restrictions during the year and the period of civil unrest in July.

Comprises a R378.5 million outflow related to inventory movements, a R231.3 million outflow related to trade, other receivables and prepayment movements as well as a R695.1 million outflow related to trade, other payables and provision movements.

Relates mainly to maintenance capital expenditure on freehold land and buildings and leasehold improvements of R101.4 million as well as fixtures, fittings, plant and equipment of R101.2 million.

Relates predominately to the refurbishment of selected stores on freehold land and buildings and leasehold improvements of R307.8 million as well as fixtures, fittings, plant and equipment of R425.2 million.

Relates to the acquisition of OneCart.

Relates to the issue of the unsecured note to Walmart.

Reduced cash generation resulted in gross debt increasing by 13.3% to R6.7 billion, while average net debt increased by 15.8% to R8.7 billion. This was partly offset in January 2022 with the receipt of R565.0 million insurance proceeds relating to the Group's material damage claim arising from the civil unrest.

## Summary consolidated statement of changes in equity

Rm	Share capital	Share premium	Other reserves	Retained profit	Equity attributable to owners of the parent	Equity attributable to perpetual bondholder	Non-controlling interests	Total
<b>Balance as at December 2019 (Audited)</b>	2.2	209.8	763.7	3,809.8	4,785.5	–	15.3	4,800.8
Dividends declared	–	–	–	–	–	–	(39.9)	(39.9)
Total comprehensive income/(loss)	–	–	20.8	(1,737.7)	(1,716.9)	–	(15.7)	(1,732.6)
Changes in non-controlling interests	–	–	–	–	–	–	0.5	0.5
IFRS 2 charge and treasury shares acquired	–	(86.9)	6.9	2.7	(77.3)	–	–	(77.3)
<b>Balance as at December 2020 (Audited)</b>	2.2	122.9	791.4	2,074.8	2,991.3	–	(39.8)	2,951.5
Dividends declared	–	–	–	–	–	–	(15.0)	(15.0)
Total comprehensive income/(loss)	–	–	90.8	(2,225.9)	(2,135.1)	9.5	12.5	(2,113.1)
Issue of perpetual bond*	–	–	–	–	–	2,000.0	–	2,000.0
Changes in non-controlling interests (note 16)	–	–	(366.6)	–	(366.6)	–	98.2	(268.4)
IFRS 2 charge and treasury shares acquired	–	(36.0)	28.4	(2.2)	(9.8)	–	–	(9.8)
<b>Balance as at December 2021 (Audited)</b>	2.2	86.9	544.0	(153.3)	479.8	2,009.5	55.9	2,545.2

523,974 treasury shares at an average price of R56.44 were sold during the year in terms of the Group's employee share incentive plan.

The Group's equity-settled share based payment expense was R3.8 million for the year compared to R10.5 million in the previous financial year.

\* On 02 December 2021 a R2 billion perpetual fixed rate unsecured bond was issued to Main Street 830 Proprietary Limited, a subsidiary of Walmart, by Massmart Holdings Limited. The salient features of the bond are:

- The principal amount is R2 billion with a perpetual tenure
- Massmart Holdings Limited may, at its sole discretion, repay the Capital Loan (in whole or in part), on the First Optional Repayment Date (2 September 2022) or any Interest Payment Day (set to occur on 2 June and 2 December of each year) thereafter
- The initial interest rate is 7.25% with an interest step-up on 31 December 2023 of 225bps
- Interest may be deferred at the sole discretion of Massmart Holdings Limited
- Massmart Holdings Limited shall not declare, nor pay, any distribution or dividend, nor make any other payment on its ordinary share capital (except if required by law or in respect of the share scheme) as long as the deferred interest remains outstanding
- There are no events of default or cross default.

In terms of the requirements of IFRS, the perpetual bond is classified as an equity instrument because Massmart Holdings Limited has no contractual obligation to deliver cash or any other financial asset(s) in any circumstances outside its control.

## Headline earnings

Rm	52 weeks December 2021 (Audited)	52 weeks December 2020 (Restated)*	Period % change
<b>Reconciliation of loss for the year to headline loss</b>			
Loss for the year attributable to owners of the parent (IAS 33 earnings)	(2,225.9)	(1,737.7)	(28.1)
Write-off of tangible and intangible assets	1,084.7	814.6	33.2
Continuing operations	976.5	188.9	416.9
Discontinued operations	108.2	625.7	(82.7)
Net (profit)/loss on disposal of tangible and intangible assets	(8.3)	30.4	(127.3)
Continuing operations	(10.3)	30.5	(133.8)
Discontinued operations	2.0	(0.1)	2,100.0
Insurance proceeds on items of PP&E	(132.5)	(1.4)	(9,364.3)
Continuing operations	(121.3)	(1.0)	(12,030.0)
Discontinued operations	(11.2)	(0.4)	(2,700.0)
Total tax effects of adjustments	(242.8)	(30.2)	(704.0)
Continuing operations	(222.2)	(15.8)	(1,306.3)
Discontinued operations	(20.6)	(14.4)	(43.1)
<b>Headline loss</b>	<b>(1,524.8)</b>	<b>(924.3)</b>	<b>(65.0)</b>
Continuing operations	(980.2)	(831.0)	(18.0)
Discontinued operations	(544.6)	(93.3)	(483.7)
Civil unrest related costs after taxation from continuing operations	246.8	–	100.0
<b>Headline loss before civil unrest related costs (taxed) from continuing operations</b>	<b>(733.4)</b>	<b>(831.0)</b>	<b>11.7</b>
Retrenchment and business transformation costs after taxation from continuing operations	68.1	77.6	(12.2)
<b>Headline loss before civil unrest, retrenchment and business transformation costs (taxed) from continuing operations</b>	<b>(665.3)</b>	<b>(753.4)</b>	<b>11.7</b>
Foreign exchange after taxation from continuing operations	127.0	333.9	(62.0)
<b>Headline loss before civil unrest, retrenchment, business transformation and foreign exchange costs (taxed) from continuing operations</b>	<b>(538.3)</b>	<b>(419.5)</b>	<b>(28.3)</b>
<b>Headline EPS (cents)</b>	<b>(705.5)</b>	<b>(426.8)</b>	<b>(65.3)</b>
Continuing operations	(453.5)	(383.7)	(18.2)
Discontinued operations	(252.0)	(43.1)	(484.7)
<b>Headline EPS before civil unrest, retrenchment, business transformation and foreign exchange costs (taxed) from continuing operations (cents)</b>	<b>(249.1)</b>	<b>(193.7)</b>	<b>(28.6)</b>
<b>Diluted headline EPS (cents)</b>	<b>(705.5)</b>	<b>(426.8)</b>	<b>(65.3)</b>
Continuing operations	(453.5)	(383.7)	(18.2)
Discontinued operations	(252.0)	(43.1)	(484.7)
<b>Diluted headline EPS before civil unrest, retrenchment, business transformation and foreign exchange costs (taxed) from continuing operations (cents)</b>	<b>(249.1)</b>	<b>(193.7)</b>	<b>(28.6)</b>

\* The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.



## Fair value hierarchy

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

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

Rm	December 2021 (Audited)					December 2020 (Audited)				
	Total carrying amount	Total Fair Value	Level 1	Level 2	Level 3	Total carrying amount	Total Fair Value	Level 1	Level 2	Level 3
<b>Financial assets</b>										
Financial assets at fair value through profit or loss	238.7	238.7	–	18.9	219.8	227.7	227.7	–	52.5	175.2
Financial assets at fair value through OCI	0.9	0.9	0.9	–	–	0.7	0.7	0.7	–	–
Non-current assets classified as held for sale	2,215.8	2,215.8	–	–	2,215.8	488.3	488.3	–	–	488.3
	2,455.4	2,455.4	0.9	18.9	2,435.6	716.7	716.7	0.7	52.5	663.5
<b>Financial liabilities</b>										
Financial liabilities at amortised cost	2,295.5	2,366.5	–	2,366.5	–	2,277.8	2,348.9	–	2,348.9	–
Financial liabilities at fair value through profit or loss	104.3	104.3	–	104.3	–	500.3	500.3	–	500.3	–
Non-current liability classified as held for sale	746.6	746.6	–	–	746.6	–	–	–	–	–
	3,146.4	3,217.4	–	2,470.8	746.6	2,778.1	2,849.2	–	2,849.2	–

There were no transfers between Level 1, Level 2 and Level 3 fair value categories during the current or previous financial periods.

The financial assets and financial liabilities have been presented based on an analysis of their respective natures, characteristics and risks.

The valuation techniques and significant inputs driving the fair value determination have remained unchanged since the Group's December 2020 year-end. For more detail in this regard, refer to the 2020 audited consolidated Group Annual Financial Statements available on the Group's website, as well as the 2021 audited consolidated Group Annual Financial Statements when these become available.

The Group has considered the significant unobservable inputs, the sensitivities attached to them, as well as any possible interrelationship between significant unobservable inputs. Currently it is assessed that no such material inputs exist and that no reasonable movement in such an input would result in a material impact for the Group.

## Fair value measurements categorised within Level 3 reconciliation

Rm	Financial assets at fair value through profit or loss		Non-current assets and liabilities classified as held for sale	
	December 2021 (Audited)	December 2020 (Audited)	December 2021 (Audited)	December 2020 (Audited)
Opening balance	175.2	126.2	488.3	159.5
Fair value adjustments recognised in the Income Statement	44.6	49.0	–	–
Held for sale assets sold during the year	–	–	(107.3)	–
Assets and liabilities transferred as held for sale during the year	–	–	1,102.3	468.8
Held for sale assets transferred to property, plant and equipment during the period	–	–	(14.1)	(140.0)
Closing balance	219.8	175.2	1,469.2	488.3

## Discontinued operations

In an effort to optimise the Group's store portfolio, in line with the revised strategy, and to take a focused approach to deliver sustainable, profitable growth and best serve our customers, the Board made the decision to dispose of the Group's Cambridge, Rhino and Massfresh (comprising The Fruitspot and a meat processing facility) assets. Refer to note 3. The results of the Cambridge, Rhino and Massfresh discontinued operations, excluding the impact of Corporate allocations as well as the impact of intercompany transactions, are as follows:

Rm	52 weeks December 2021 (Reviewed)	52 weeks December 2020 (Restated)
<b>Revenue</b>	<b>7,245.7</b>	8,955.2
Sales	7,245.7	8,917.0
Cost of sales	(5,783.3)	(7,212.6)
Cost of sales relating to civil unrest	(268.0)	–
<b>Gross profit</b>	<b>1,194.4</b>	1,704.4
Other income	11.1	37.9
Other income relating to civil unrest	131.9	–
Depreciation and amortisation	(163.9)	(313.3)
Employment costs	(749.6)	(893.8)
Occupancy costs	(191.9)	(204.1)
Other operating costs	(867.2)	(771.4)
<b>Trading loss before interest and taxation</b>	<b>(635.2)</b>	(440.3)
Retrenchment and business transformation costs	21.0	(24.7)
Impairment of assets	(86.0)	(625.7)
Impairment of assets relating to civil unrest	(20.0)	–
Insurance proceeds on items in PP&E	–	0.4
Insurance proceeds on items in PP&E relating to civil unrest	11.2	–
<b>Operating loss before interest</b>	<b>(709.0)</b>	(1,090.3)
– Finance costs	(83.5)	(89.3)
– Finance income	0.5	0.7
Net finance costs	(83.0)	(88.6)
<b>Loss before taxation</b>	<b>(792.0)</b>	(1,178.9)
Taxation	165.8	453.4
<b>Loss for the year from discontinued operations</b>	<b>(626.2)</b>	(725.5)
<b>Total loss for the year attributable to:</b>		
– Owners of the parent	(623.0)	(704.1)
– Perpetual bondholder	–	–
– Non-controlling interests	(3.2)	(21.4)
<b>Loss for the year from discontinued operations</b>	<b>(626.2)</b>	(725.5)
<b>Net cash inflows/(outflows) from discontinued operations</b>		
Operating activities	529.4	296.4
Investing activities	(303.4)	(108.6)
Financing activities	(220.7)	(163.4)
<b>Net increase in cash and cash equivalents</b>	<b>5.3</b>	24.4

## Assets and liabilities classified as held for sale

### Assets classified as held for sale

Property, plant and equipment	473.7	70.0
Lease assets	561.5	–
Goodwill and other intangible assets	367.9	–
Inventories	812.7	418.3
<b>Total assets classified as held for sale</b>	<b>2,215.8</b>	488.3

### Liabilities directly associated with assets held for sale

Lease liability	665.5	–
Trade, other payables and provisions	81.1	–
<b>Total liabilities directly associated with assets held for sale</b>	<b>746.6</b>	–

The balances classified as held for sale include assets and liabilities related to the Cash & Carry business unit, in addition to those of the discontinued operations.

The lease related balances of the discontinued operations are in Management's view directly associated to the proposed disposal and would therefore form part of any disposal. These balances are therefore included as assets and liabilities classified as held for sale.

## Business unit operational review

Rm	52 weeks December 2021 (Audited)	% of sales	52 weeks December 2020 (Restated)*	% of sales	Period % growth	Comparable % sales growth	Estimated % sales inflation*
<b>Total sales**</b>	<b>84,867.3</b>		86,485.5		(1.9)	1.7	4.9
<b>Sales from continuing operations**</b>	<b>77,621.6</b>		77,568.5		0.1	3.0	4.7
Game	15,272.5		16,721.1		(8.7)	(5.6)	3.4
Builders	14,917.1		13,926.0		7.1	5.2	6.4
Massmart Wholesale^+	47,432.0		46,921.4		1.1	5.5	4.7
<b>Sales from discontinued operations**</b>	<b>7,245.7</b>		8,917.0		(18.7)	(10.6)	7.2
<b>Sales Disaggregation</b>	<b>84,867.3</b>		86,485.5		(1.9)		
South Africa continuing operations	70,280.8		69,634.0		0.9		
Food and Liquor	36,157.4		36,245.5		(0.2)		
Durables	34,123.4		33,388.5		2.2		
South Africa discontinued operations	7,245.7		8,917.0		(18.7)		
Food and Liquor	7,148.4		8,783.5		(18.6)		
Durables	97.3		133.5		(27.1)		
Rest of Africa	7,340.8		7,934.5		(7.5)		
Food and Liquor	3,770.5		4,097.9		(8.0)		
Durables	3,570.3		3,836.6		(6.9)		
<b>Trading profit/(loss) before interest and taxation***</b>	<b>195.6</b>	<b>0.2</b>	1,172.7	1.4	(83.3)		
<b>Trading profit/(loss) before interest and taxation from continuing operations***</b>	<b>902.2</b>	<b>1.2</b>	1,672.2	2.2	(46.0)		
Game	(1,031.1)	(6.8)	(532.5)	(3.2)	93.6		
Builders	1,179.6	7.9	1,032.6	7.4	14.2		
Massmart Wholesale+	753.7	1.6	1,172.1	2.5	(35.7)		
<b>Trading loss before interest and taxation from discontinued operations***</b>	<b>(706.6)</b>	<b>(9.8)</b>	(499.5)	(5.6)	41.5		

\* Massfresh was previously disclosed as part of the Massmart Wholesale operating segment but has been included as part of the discontinued operations for presentation purposes due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.

\*\* At an individual business unit level intercompany sales do reflect and are included in the measure of business unit profit or loss. In the above table and at a consolidated level all intercompany sales are eliminated. Only the Massmart Wholesale business unit and the Massfresh business made material intercompany sales during the current year. The Massmart Wholesale intercompany sales amounted to R353.6 million (December 2020: R313.4 million) while the Massfresh intercompany sales amounted to R429.5 million (December 2020: R508 million).

\*\*\* Business unit trading profit/(loss) includes Corporate allocations.

# Group sales inflation is a weighted inflation.

^ Included in the sales number is R311.9 million commission income (December 2020: R321.1 million) earned by acting as an agent through the Shield arrangement (a voluntary buying association). In cases where the Group acts as an agent in a transaction and where sales are recognised on a net basis, the contractual terms of such arrangements do not meet the requirements that allow offsetting financial instruments resulting in the related receivable and payable balances being disclosed on a gross basis.

+ Massmart Wholesale comprises one operating segment due to their underlying brands sharing similar economic characteristics per the IFRS 8 criteria.

## Business unit assets and liabilities

Rm	Total	Game	Builders	Massmart Wholesale+	Other*	Sale Businesses**
<b>December 2021 (Audited)</b>						
<b>Total Assets</b>	<b>40,144.7</b>	9,612.4	7,178.9	12,269.7	8,124.5	2,959.2
South Africa	35,568.5					
Rest of Africa	4,576.2					
<b>Total Liabilities</b>	<b>37,599.5</b>	7,172.0	5,736.9	13,509.6	9,427.1	1,753.9
South Africa	34,914.7					
Rest of Africa	2,684.8					
<b>December 2020 (Restated)**</b>						
<b>Total Assets</b>	<b>40,739.6</b>	9,352.0	7,584.7	11,568.1	9,173.9	3,060.9
South Africa	37,266.0					
Rest of Africa	3,473.6					
<b>Total Liabilities</b>	<b>37,788.1</b>	7,632.1	6,270.8	13,295.5	8,746.6	1,843.1
South Africa	35,222.3					
Rest of Africa	2,565.8					

+ Massmart Wholesale comprises one operating segment due to their underlying brands sharing similar economic characteristics per the IFRS 8 criteria.

\* Includes consolidation entries as well as the assets and liabilities of the Corporate and e-commerce operations.

\*\* Subsequent to the announcement that the Cambridge, Rhino and Massfresh businesses would be sold, the composition of the Group's reportable segments changed and have therefore been restated in terms of the requirements of IFRS 8. The Fruitspot, as well as the Massfresh Meat businesses were previously disclosed as part of the Massmart Wholesale operating segment, but have been combined with the previously disclosed Cambridge operating segment results to form the Sale Businesses operating segment. Refer to notes 2 and 3.

## Notes

- These summary consolidated results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, presentation and disclosure as required by International Accounting Standard (IAS) 34 'Interim financial reporting', the JSE Limited Listings Requirements and the requirements of the Companies Act 71 of 2008 of South Africa. The accounting policies and methods of computation used in the preparation of the summary consolidated results are in terms of IFRS and are consistent in all material respects with those applied in the most recent audited consolidated Group Annual Financial Statements.
- The Group operating model comprises Massmart Retail (incorporating Game, Builders, Cambridge and Rhino) and Massmart Wholesale (incorporating Makro, The Fruitspot and Wholesale Cash & Carry); and is supported by our Group e-commerce function which also comprises OneCart and WumDrop. The Group's reportable segments comprise Game; Builders (incorporating the Builders Warehouse, Builders Express, Builders Trade Depot and Builders Superstore brands); Massmart Wholesale (incorporating the Makro, Jumbo, Trident, Jumbo Shield and Saverite brands); and the Sale Businesses (incorporating the Cambridge Food and Rhino brands, as well as The Fruitspot). Given its relative size, Group e-commerce is not disclosed as a separate operating segment and is included with the corporate operations.
- As previously reported, a sale of business agreement has been concluded with K2019389785 (South Africa) Proprietary Limited, a subsidiary of Shoprite Checkers Proprietary Limited, in terms of which the Group sells, as a going concern, the businesses of Cambridge, Rhino and Massfresh as well as 12 Cash & Carry stores for a maximum consideration of R1,360.0 million. Consequently these businesses and stores are now classified as held-for-sale with the income statement results of the Group's Cambridge, Rhino and Massfresh businesses being presented as discontinued operations in terms

of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. The conditions precedent to this agreement are in the process of being fulfilled, including the Competition Commission review, which are all anticipated to be completed during the first half of 2022.

4. The Group also previously announced that it had identified 14 Game stores in East and West Africa and 15 Game stores in South Africa it intends to dispose of. This decision represents an intensification of the Group's initiative to optimise the Game store portfolio as we move beyond our turnaround imperative, to prioritise investment in core and high returning trading assets. Service providers have been appointed to assist the Group with these disposals and a further update will be provided in due course.
5. The Group announced, on 06 October 2021, that it had entered into an agreement to acquire a controlling interest in OneCart Proprietary Limited. OneCart is a fast moving consumer goods market place and logistics platform that partners with leading retailers in South Africa to enable fast, flexible and efficient online sales and home delivery to consumers across the country. The platform provides access to products across the dry grocery, frozen and fresh foods, liquor, baby, health and beauty, household and pet supplies categories; all made available to consumers via a single shopping interface. After the fulfilment of all suspensive conditions, the transaction became effective on 29 October 2021 with Massmart acquiring an effective shareholding of 87.5%. The breakdown of the assets and liabilities acquired, as well as the purchase consideration are:

	Rm
Property, plant and equipment	0.2
Other intangible assets	58.8
Goodwill	258.5
Trade, other receivables and prepayments	4.4
Trade and other payables	(41.0)
Deferred taxation	(11.8)
Non-controlling interests	(41.1)
<b>Assets and liabilities acquired</b>	<b>228.0</b>
Cash acquired	4.8
<b>Net assets and liabilities acquired</b>	<b>232.8</b>

	Rm
Cash acquired	4.8
Consideration paid	(232.8)
<b>Net purchase consideration</b>	<b>(228.0)</b>

From the acquisition date until the financial year-end, OneCart has contributed R23.2 million to sales and generated a loss of R11.8 million. Had OneCart been acquired on 28 December 2020 the Group's sales for the 52-weeks ended 26 December 2021 relating to continuing operations would have been R73.2 million higher at R77,694.8 million, and the loss for the year from continuing operations would have been R9.2 million higher at R1,586.9 million.

6. In May 2020, the International Accounting Standards Board issued an amendment to IFRS 16 'Leases', dealing specifically with Covid-19 related rent concessions. In line with the practical expedient provided in the amendment, the Group recognised approximately R1 million (2020: R102 million) rental relief in the occupancy costs line of the summary consolidated income statement relating to rent concessions meeting the conditions specified and occurring as a direct consequence of the Covid-19 pandemic.
7. The majority of Massmart's realised and unrealised foreign exchange loss was primarily a result of currency weakness in Malawi, Kenya and Uganda, as well as the impact of hedging costs associated with the USD denominated Walmart loan.
8. As previously announced, during March 2021 the managed services agreement involving Genpact (a strategic partner of Walmart Enterprise Services) managing Massmart's financial transaction processing activities became effective (MSA). The MSA covers a period of eight years and will incur a total of USD16.2 million in transformational costs, of this USD13.4 million is payable within the first two years of the contract. Walmart, through its wholly owned Irish subsidiary, Newgrange Platinum Services, LTD. ("NGPS"), entered into a contract to assist Massmart to manage the resultant cash outflow by entering into an agreement with Genpact to pay the upfront transformational costs and charging these to Massmart in eight equal instalments, interest-free. Consequently, Massmart entered into back-to-back agreement with NGPS reflecting these terms. The net effect of this agreement will provide cash flow relief to Massmart of USD11.3 million over the first two years of the MSA. As at December 2021, an amount of R22.4 million was paid to NGPS in terms of this agreement.
9. Massmart and its business units enter into certain transactions with related parties in the normal course of business. As a 52.8% shareholder, Main Street 830 Proprietary Limited, a subsidiary of Walmart, is entitled to a dividend based on their number of shares held. The balances outstanding by/(to) Walmart and its subsidiaries as at December 2021 as disclosed on the balance sheet are:

	Rm
Trade, other receivables and prepayments	9.8
Perpetual bond (classified as equity)	(2,009.5)
Trade, other payables and provisions	(4.2)
Interest-bearing borrowings	(1,826.2)

10. Excluding the impact of the civil unrest, impairment losses of R749.6 million were recognised during the year and related primarily to Game's corporate assets (R507.2 million), the most significant of which is the SAP S/4 HANA ERP system software asset.

The corporate assets impairment was assessed on a consistent basis to the fair-value-less-cost-to-dispose methodology as articulated in the 2020 audited consolidated Group Annual Financial Statements available on the Group's website. The most significant driver of the impairment was Game's revenue growth, which was much lower than Management's forecast as at December 2020, and the resultant impact this had on trading profit. The remaining key inputs, being the average margin (between 27% and 29%) and expense growth (between 1% and 5%) over the 5-year forecast period as well as the discount rate (16.4%), were within Management's sensitivity ranges. Included in the corporate assets impairment is goodwill amounting to R9.0 million. Further impairment losses amounting to R182.8 million were also recognised and related to a number of underperforming Game stores, primarily in South Africa and Kenya.

11. Massmart offers a diverse range of retail offerings to the market consisting of Food and Liquor, General Merchandise and Home Improvement (DIY). Due to the cyclical nature of this industry, higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period October to December are mainly attributed to the increased demand for our non-Food categories where we see an increase in discretionary spend leading up to the Black Friday and Christmas holiday periods. This information is provided to allow for a better understanding of the results.
12. The constant currency information included in these summary consolidated results has been presented to illustrate the Group's underlying rest of Africa business performance excluding the effect of foreign currency fluctuations. In determining the application of constant currency, sales for the prior comparable financial reporting period have been adjusted to take into account the average monthly exchange rate for the current period. The table below depicts the percentage change in sales in both reported currency and constant currency for the given material currencies. The constant currency information incorporated in these summary consolidated results has not been audited or reviewed or otherwise reported on by our external auditors. The constant currency information is the responsibility of the Directors of Massmart. It has been prepared for illustrative purposes only and due to its nature, may not present Massmart's financial position, changes in equity, results of operations or cash flows.

Sales growth in:	Reported currency	Constant currency
Botswana Pula	(6.2%)	0.9%
Nigerian Naira	(11.0%)	5.6%
Tanzanian Shilling	(29.1%)	(21.3%)
Zambian Kwacha	(4.5%)	17.3%
Kenyan Shilling	(12.8%)	(0.3%)
<b>Rest of Africa</b>	<b>(7.4%)</b>	<b>(4.3%)</b>

13. As per the announcement on 21 December 2021, Walmart continued to demonstrate strong levels of support for Massmart, by agreeing to optimise the Group's balance sheet in the short to medium term, by extending the term of a portion of the previously advanced R4 billion USD-denominated loan. This involved replacing R2 billion (approximately US\$125 million) of this loan by subscribing for a perpetual fixed rate unsecured bond. This bond was issued by Massmart Holdings Limited, has a perpetual tenure and is treated as equity in terms of IFRS. The bond bears interest at 7.25% initially, and includes an interest step up of 225bps on 31 December 2023. The remaining Walmart loan has a 6-month tenure, which can be extended at the end of each tenure period. All other terms remain materially unchanged.
14. Total interest-bearing borrowings and debt facilities, including bank overdrafts and lease liabilities, increased by R354.4 million compared to December 2020. Average net debt increased by R1.2 billion compared to the prior year.
15. The Group's effective tax rate of 19.6% (2020: -47.4%) was impacted by the limitation of the recognition of deferred tax assets relating to certain loss-making entities and disallowed expenditure.
16. During the current year, the Group acquired the remaining 49.8% non-controlling interest in Sunshine Powersave Proprietary Limited that the Group did not own from the minority shareholders. All conditions precedent were met and the purchase became effective on 2 July 2021, for a purchase consideration of R200.0 million. Furthermore, in three separate transactions, the Group also acquired the remaining 25% shareholding in Cambridge Food Gauteng Proprietary Limited, the 38.5% shareholding in HB Unlimited Overs Cricket Proprietary Limited trading as WumDrop and the 40% shareholding in Croge Investments Proprietary Limited it did not already own for a combined purchase consideration of R110.3 million.
17. These summary consolidated results have been reviewed by independent external auditors, Ernst & Young Inc. and their unmodified review report is available for inspection at the Company's registered office. The review was performed in accordance with ISRE 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's external auditors. The auditor's report does not necessarily report on all of the information contained in this announcement/ financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Group's registered office. The Chief Financial Officer, Mohammed Abdool-Samad CA (SA), supervised the preparation of the Group's summary consolidated results.



# Massmart Retail powered by Walmart\*



## TRADING GENERAL MERCHANDISE AND FOOD RETAILER

Game is a leading sub-Saharan Africa omnichannel discounter offering middle-income families a curated assortment of appliances, electronics, lifestyle merchandise, groceries, liquor and value-added services at everyday low prices.

### 8.7%

#### R15.3bn

DECREASED SALES  
2020: R16.7bn

### 90bps

#### 26.5%

DECREASED GP MARGIN\*  
2020: 27.4%

### 93.6%

#### (R1,031.1m)

INCREASED TRADING LOSS\*\*  
2020: (R532.5m)

#### 146 stores

in South Africa, Botswana,  
Ghana, Kenya, Lesotho,  
Malawi, Mozambique,  
Namibia, Nigeria, Tanzania,  
Uganda, Zambia

DEC 2020: 149

\* Excludes inventory write-offs as a result of the civil unrest.

\*\* Business unit trading profit/(loss) includes Corporate allocations.

## 2021 Highlights

10% discount offered to:

- pensioners every day of the week
- students on Mondays
- vaccinated customers on Wednesdays

We maintained our Clean/Fast/Friendly score at 4.5/5 since the report's inception in July 2020

Grew online sales by 72.0%

Relayed 114 South African stores

Our top 10 products by Sales Units were Essentials

Nine of our top 10 products by Sales Rands were Electronics

While our average foot count per week was down 9.9%, on average basket sizes were up 7.4% per week

Re-opened seven of the ten stores impacted by the civil unrest during the year

## Our Customer Value Proposition (CVP)

- Unbeatable prices:** We use our EDLP pricing model to offer our customers unbeatable value-for-money products
- Convenience:** Our wide in-store and online footprint and in-stock consistency make shopping at Game convenient
- Simplicity:** Our efficient self-service, knowledgeable and friendly associates, modern and relevant store formats and reliable after-sales service make it simple to shop at Game
- Curated assortment:** Through our broad range of trusted brands targeted at meeting our customers' personal preferences we deliver unbeatable value

## 2021 Strategy

- Implement new South African Game store operating model and embed new processes and ways of working post our Section 189 process
- Successfully integrate our business into the Massmart Retail business unit
- Continue to rebuild Game's rebel brand identity to win with key growth segments, including millennials and young families
- Complete the exit of Fresh and the introduction of Clothing
- Expand Private Brand offerings
- Increase online sales participation by extending our sellable online range, launching Pickup points and building a distinctive final mile delivery capability
- Resolve remaining SAP S/4 HANA challenges to fully leverage the system and significantly improve stock availability
- Extend EDLP pricing model across additional categories and improve price perception, particularly in our Essential categories
- Review our Africa portfolio strategy

## The challenges we faced

- SAP S/4 HANA ERP integration, which resulted in prolonged and significantly reduced in-stocks
- Constrained supply, such as gym equipment and bicycles not meeting customers increased demand for work-from-home and stay-at-home merchandise
- Reduced footfall in Super-Regional and Regional Malls in favour of Convenience Malls and Value Centres for majority of the year
- The reduced disposable income of customers resulting in intense competition for consumer spend
- Tightening of credit approvals resulting in reduced credit spend
- Global supply challenges in Cellular, Laptop and TV markets, e.g. panels and microchip processors
- The loss of imported stock when two DCs were significantly damaged during the civil unrest
- Ten stores were impacted during the civil unrest
- Estimated lost sales of R349.5 million, with an estimated lost trading profit of R246.6 million due to the civil unrest and Covid-19 trading restrictions

### Our progress during the year

- Game was successfully integrated into the Massmart Retail business unit, we implemented the new South African Game store operating model and embedded new processes and ways of working
- We completed the exit of Fresh and the roll out of basic apparel in all Game South African stores
- Successfully relayed 114 South African Game stores to Stores of Excellence
- Rolled out signage packages to 37 stores
- Enhanced our online capabilities and widened online assortment levels by:
  - Incorporating approximately 10,000 articles
  - Increasing our online sellable range to 79% from 48% in 2020
  - Improving delivery lead times from 7-10 days to 5-7 days
  - Increasing online sales by 72.0%
- Resolved most challenges experienced with the SAP S/4 HANA implementation
- Excellent expense management and cost-saving initiatives in place resulted in a 5.8% decrease in expenses
- We implemented the EDLP pricing model in four categories
- The divestment of 14 East and West Africa stores and 15 South African stores is in progress

### Our strategic focus in 2022

- Drive sales volumes and gain market share
- Complete the divestment of our 14 East and West African stores, and 15 South African stores
- Significantly improve stock availability in-store and online
- Complete the roll out of new signage packs to all South African Game stores as part of our store renewal programme
- Launch our new website and Pickup fulfilment offerings
- Extend sales channels and service offerings, including online
- Strengthen store execution and improve omnichannel customer experience

### Future outlook

Our goal is for the Game core business to return to solid financial performance.. We plan to do this through concluding the divestment of the 14 Game East and West Africa stores and 15 South African Game stores, which will create further overhead cost reduction opportunities and a stronger and healthier core business positioned for growth. We will continue with our CVP interventions, focusing on restoring sales growth through the completion of our store renewal programme, revitalisation of our merchandise proposition, acceleration of our omnichannel offering and further improvements in customer experience.

## Massmart Retail powered by Walmart



### TRADING DIY, HOME IMPROVEMENT AND BUILDING MATERIALS

Builders is a sub-Saharan Africa leader in Home Improvement, DIY and Building Materials. Our stores with their own personalised feel and service offering, which is complimented by our online platform, cater to different markets. Builders' stores offer exceptional value, a comprehensive range of competitively-priced products with helpful service.

**7.1%**

**R14.9bn**

INCREASED SALES  
2020: R13.9bn

**110bps**

**34.8%**

DECREASED GP MARGIN\*  
2020: 35.9%

**14.2%**

**R1,179.6m**

INCREASED TRADING PROFIT\*\*  
2020: R1,032.6m

**118 stores**

in South Africa, Botswana,  
Kenya, Mozambique and  
Zambia

DEC 2020: 120

\* Excludes inventory write-offs as a result of the civil unrest.

\*\* Business unit trading profit/(loss) includes Corporate allocations.



## 2021 Highlights

Increased our new known customers by 20.4% year-on-year

Increased our total number of transactions by 4.8% compared to 2020

Increased our customer satisfaction with an NPS up 8.5% to 64.9% and a 9/10 rating for Voice Of the Customer





Pickup fulfilment capabilities made available at 113 stores

Improved and enhanced online capabilities and the Builders website

Launched the Builders mini-app within the VodaPay Super App

Re-opened six of the eight stores impacted by the civil unrest during the year

## Our Customer Value Proposition (CVP)

-  **Lead on range:** with relevant project complete solutions, quality products and materials solutions
-  **Differentiate on experience:** with remarkable, reliable and innovative project complete solutions that are intuitive and personalised
-  **Compete on price:** enabled by a price that makes this possible, resulting in a positive price perception
-  **Invest in seamless channels:** to create an easy interconnected way for our customers to engage and shop with us in a way they want to

## 2021 Strategy

- Greater omnichannel reinforcement through improved fulfilment and customer service
- Continued expansion of Builders Private Brand sales participation
- Drive for non-cyclical new revenue and expand services offerings in the commercial space
- Roll out of GK OmniPoS, the point of sale solution to underpin our omnichannel strategy
- Strengthen the retail experience and offerings through our extensive store revamp programme and continued new product and merchandise roll out
- Open new Builders' stores in pursuit of market share and relevancy in current markets
- E-commerce platform expansion through product range extension and mobile app design and implementation
- Cost containment through focus in key areas
- Greater supplier engagement with a keen focus on service levels for improved in-stocks levels



## The challenges we faced

- Yard sales have performed below our expectations during the year. While there has been recovery with larger customers, there was a significant decline with the 'bakkie builder' type customers
- The performance of the Builders Warehouse Kenya store was disappointing. The challenges faced by this store continued into its first year of trade, with the pandemic playing a significant role in the formation and implementation of improvement interventions
- As expected, our margins contracted due to the normalisation of yard and retail trade mix post the impact Covid-19 had on our trading mix
- The Covid-19 pandemic continued to have an impact on all facets of life. While the intensity of lockdowns eased compared to 2020, the economy recovery was slow and stagnant. While the vaccine roll out has been challenging, it is key to the attempted recovery. Store operations have been under the most pressure throughout the pandemic, as front-line associates navigate the additional safety requirements (and the threat to their own safety) in addition to keeping the store ready for our customers
- Eight stores were impacted during the civil unrest
- Estimated lost sales of R76.7 million, with an estimated lost trading profit of R37.7 million due to the civil unrest

## Our progress during the year

- Our on-time and in-full customer order fulfilment was 90.2% for 2021, a significant improvement on 2020 performance (79.4%)
- Builders grew Private Brand sales participation to 22.3% (2020: 21.2%) through continued innovation in range
- The sales earned from non-cyclical new revenue streams was R306.0 million for 2021; our expanded service offering included an additional 17 service counters in stores, the development and testing of the new Board Shop and My Order service counters
- All our South African stores are now equipped with the new GK OmniPoS system, despite the challenges experienced during the roll out
- The revamp programme for 2021 was below expectations as only one-third of store revamps were completed. In addition to the re-prioritisation of capital expenditure due to the civil unrest, challenges were also experienced with the availability of steel and price increases, significant council delays and developer-related headwinds
- New products comprised 2.5% of total sales. The travel restrictions experienced by our merchandise teams and vendors were significant and while there has been innovation it was far less than in previous years

- Our ongoing improvement in the online capabilities on the Builders website resulted in 34,885 products being made available to our customers. The Builders mini-app, which was also successfully launched in September 2021 (within the VodaPay Super App), generated R1.1 million of sales for 2021. This contributed to a 48.3% increase in online sales
- Good expense management resulted in expense growth being lower than sales growth
- Overall stock service levels improved by 3.0% in 2021 compared to 2020

## Our strategic focus in 2022

- Revitalise and restore the fleet; expand the Builders' footprint; serve a broader customer base; and remodel stores to refresh our in-store experience
- Enhanced customer relationships, strengthen our relationship with our customers and ensure store locations are optimally leveraged to provide the maximum possible return on our assets. This will be achieved through the known customer strategy, and yard and trade sales focus
- Best in market direct and bespoke 'made for you' offering: Enable greater scale and customer significance, and supporting an improved trade-customer relationship. This will be attained by establishing a central capability to drive direct-to-site bulk loads and special orders, and the establishment of Builders as the preferred channel for specialised products
- An enriched CVP to maximise our footprint and our customer relationships over the total customer lifecycle, fostering loyalty. This will be realised through enriched merchandise assortment, provision of relevant installation offerings, improved customer service, advice and 'counter' experience

## Future outlook

In the short to medium term Builders will focus on yard trade and regaining market share in the contractor customer segment. Builders will, however, continue to invest in building a leading interconnected Retail business. We remain committed to growth through optimising our current footprint, extending our store footprint where possible and growing digitally enabled sales. Our objective is to increase our market penetration by focusing on local relevance to ensure we establish stores that benefit communities. We aim to be the market leader in Home Improvement, DIY and building products and services, with the best long-term prospects on the continent.

We will achieve this through focused discipline with a positive mindset, being the most extraordinary Builders we can be, with the customer truly at the centre of everything we do.



# Massmart Wholesale powered by Walmart\*



## TRADING GENERAL MERCHANDISE, FOOD (INCLUDING WHOLESALE) AND LIQUOR; AND BUYING ASSOCIATION

Massmart Wholesale comprises Makro, Wholesale Cash & Carry and Shield. Makro sells Food, Liquor and General Merchandise categories, catering for retail, commercial and wholesale customers. Cash & Carry sells Food, Liquor and General Merchandise categories and includes the brands CBW, Jumbo Cash & Carry, Sunshine, Trident, Eureka and Saverite. It caters for commercial and wholesale customers. Shield (a voluntary buying association) services wholesale and independent trader customers.

**1.1%**  
**R47.4bn**  
INCREASED SALES  
2020: R46.9bn

**50bps**  
**15.1%**  
DECREASED GP MARGIN\*\*  
2020: 15.6%

**35.7%**  
**R753.7m**  
DECREASED TRADING PROFIT\*\*\*  
2020: R1,172.1m

**22 Makro stores**  
in South Africa  
DEC 2020: 22

**66^ Jumbo and Shield stores**  
in South Africa, Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zambia; and Shield, a voluntary buying association.  
DEC 2020: 69

### 2021 Highlights

Achieved a 2.6% growth in Makro's retail customers

Increased Makro's in-store customer satisfaction rate by 8.9% year-on-year to an average of 71.2% for the year

Achieved a 32.4% increase in our online customer satisfaction rate which, however, is still below its in-store average

Increased the number of Pickup fulfilment points Makro has conveniently located in most metropolitan areas across South Africa to 272

Launched the Makro mini-app within the VodaPay Super App

Grew online sales by 18.6%

Re-opened five of the seven stores impacted by the civil unrest during the year

### Our Customer Value Proposition (CVP)

- Multi-channel business:** serving B2B and B2C customers across commercial, retail and wholesale customer segments
- Curated range of products:** offering high value branded and Private Brand products at low prices
- Range of categories:** across Food, Liquor and General Merchandise
- Customer solutions:** providing customers with an effective route to market solution that is unique in its reach, capability and versatility

### 2021 Strategy

- Complete the integration of our businesses by creating merged teams across all functions, extending the Makro point of sale and ERP systems and infrastructure to all Massmart Wholesale stores
- Accelerate e-commerce through a clear focus on the customer journeys that we seek to win in, including General Merchandise, where we have category leading shares
- Roll out Makro Express app which is an in-store scan-and-pay app, which was successfully trialled in Makro Woodmead
- Pilot a standalone 'Powered by Makro' Liquor store format
- Complete the divestiture of non-core and non-strategic Masscash store assets

### The challenges we faced

- The ERP system conversion of Cash & Carry stores to SAP is an 18-month long store-by-store conversion programme. It is designed to keep risks and potential faults to a minimum due to the size and nature of the business. It does, however, impact efficient operations while we manage two separate systems until all Cash & Carry stores have been converted
- Load shedding reduced our sales as our customers were not able to operate as they normally do, which resulted in a reduction in purchasing frequency and basket sizes as they managed their stock risk (particularly with fresh produce). In addition, the demand for load shedding related products we saw in 2020 was not repeated in 2021
- The loss of our two DCs during the civil unrest, together with local and global supply chain challenges, resulted in insufficient in-stocks during our busy trading period. The civil unrest also severely impacted KZN sugar suppliers and affected stock availability in a significant Wholesale trading category
- Covid-19-related trading restrictions, stock shortages due to raw material shortages (glass and aluminium) and disruptions to supply chain resulted in reduced Liquor sales
- The reduction in Government Covid-19 grants resulted in reduced spend within this customer group

\* Massfresh was previously disclosed as part of the Massmart Wholesale operating segment but has been included as part of the discontinued operations for presentation purposes due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3

\*\* Excludes inventory write-offs as a result of the civil unrest.

\*\*\* Business unit trading profit/(loss) includes Corporate allocations.

^ Includes 12 Cash & Carry stores that form part of the disposal of Cambridge, Rhino and Massfresh businesses.



- Seven stores were impacted during the civil unrest
- Lost estimated sales of R2,947.1 million, with an estimated lost trading profit of R544.0 million due to the civil unrest and Covid-19 trading restrictions

### Our progress during the year

- Massmart Wholesale converted 13 of 44 South African Cash & Carry stores to the SAP ERP system. This is part of our ongoing initiative to integrate our business by merging the Makro point of sale and ERP systems and infrastructure within Cash & Carry
- We implemented organisational restructures to gain greater productivity and efficiencies from a single Wholesale team across merchandise, marketing, finance and operational excellence
- Our online capabilities were enhanced by launching the Makro mini-app within the VodaPay Super App, improving our user experience journey on the Makro website and tailored it to users shopping behaviour. Online sales grew by 18.6% year-on-year
- Strong growth in Makro's mBrand (10.6%) due to innovation in the frozen convenience category, bottled water and canned tuna, however, penetration for Private Brand products for Massmart Wholesale remained flat

- We introduced Cash & Carry's successful trader brand, Econo, in Makro, in the pilchards, biscuits, pasta and peanut butter categories
- We grew the Trojan fitness brand by 5% due to a shift in working consumers' habits, which resulted in more "work-out-at-home" products being purchased
- We began our store refresh and maintenance programme to improve in-store experience across our entire fleet of stores

### Our strategic focus in 2022

- Re-open Makro Pietermaritzburg, following significant damage caused by the civil unrest
- Actively find opportunities to open new Makro stores in under-represented markets
- Complete the SAP ERP integration of Cash & Carry Wholesale stores
- Implement a simplified and optimised Cash & Carry operating model to reduce costs and increase efficiencies
- Introduce Walmart's Global Integrated Fulfilment (GIF), a fulfilment system for on-demand purchases as we accelerate growth online, including through OneCart
- Digitise B2B trading operations via a unified selling platform



- Introduce a limited range of General Merchandise products in Cash & Carry to increase retail traffic and improve profitability
- Expand Shield operations by serving and recruiting DIY and building supply customers, introducing and growing the Liquor offering, enhancing the offer to Shield members to purchase from Massmart stores and digitising trading operations
- Resume our store refresher programme for certain identified stores, which will include remodelling stores with new fittings, change in-store layouts and relaunch of butchery and fresh fruit and vegetables

### Future outlook

We have made good progress in unifying our business thus far, and will maintain this momentum. We are focused on completing the conversion of Cash & Carry's ERP systems to SAP. We will build on and leverage the momentum gained in 2021 in e-commerce and recapture feet in our stores to expedite the execution of our planned initiatives for 2022. Massmart Wholesale remains focused on our mission of saving families and small businesses time and money so that they can live better lives and run better businesses.



# Responsible business



## KEY FOCUS AREAS

### Responsible water use

- Water use efficiency

### Climate change mitigation and adaptation

- Renewable energy and operational energy efficiency
- Net zero emissions by 2040 roadmap
- Energy-saving and alternative energy products

### Reducing waste and pollution

- 100% recyclable Private Brand packaging by 2025
- Net zero waste by 2030
- Consumer electronic recycling

### Environmental advocacy and product screening

- Seafood screening and poultry welfare programmes
- Sustainable Private Brand pulp and paper sourcing

### Economic inclusivity and opportunity

- Supplier Development
- Focus on using local businesses as suppliers
- Identification of localisation opportunities
- Broad-Based Black Economic Empowerment

### CSI

- Combatting hunger
- Reducing the Covid-19 health risk
- Contributing to better education (Early childhood development and support of promising female academics)

**As part of our approach to being a responsible business, we focus on identifying opportunities to minimise our footprint and make a meaningful contribution to the achievement of significant global and local sustainability objectives.**

In recognition of the increasing pressure that our planet is under to sustain us, we understand that we need to increase our aspiration and accelerate our efforts. To do this, we have, together with Walmart, embarked on a journey to become a regenerative Company. One that contributes to leaving the environment and communities in which we operate, in a better position than we found them.

Aligned with this we have identified 12 SDGs where we believe we can make a meaningful contribution and against which we assess and report our progress. Our contribution to these SDGs is addressed in our responsible business (SDGs 2, 3, 4, 6, 7, 8, 12, 14, 15 and 17) and our people (SDGs 5 and 8) sections of this report.



The content included in responsible business is based on Total Group.



Responsible water use



Water use efficiency

Although we are modest water users, given the water security challenges faced in many of the areas in which we operate, including large parts of the Eastern and Northern Cape, we continue to implement a suite of water conservation initiatives to minimise our usage.

Having started with Makro stores in 2019, we are expanding our real-time water metering coverage and are in the process of installing independent water meters at all DCs and garden centre stores. This project will be completed in the first quarter of 2022. In addition to helping reduce day-to-day consumption, our experience in Makro has taught us that real time water meters enable us to more rapidly identify water leaks before we incur significant water costs and wastage. One example of this was the detection of a leak caused by an overflowing pressure valve at our Sunninghill head office, which we estimate will save 3.5 million litres of water per annum.

We also continue to offset potable water use by using rainwater and condensate harvesting systems at 91 Makro and Builders stores and DCs. Additionally, all new standalone stores and DCs incorporate rainwater harvesting capabilities, while both new and retrofitted Makro stores feature refrigeration plants with integrated condensate capture and reuse systems. In 2021, we harvested an estimated 30 million litres of water across our South African operations, cumulatively reducing water consumption from potable sources by 121 million litres over the last five years.

Another area of focus is helping our customers reduce their consumption through the cost-effective water-saving devices we sell in our stores. The purchase of these devices has reduced our customers' water consumption by approximately 2.5 billion litres per annum.



	2021	2020	2019	2018	2017
Estimated water consumption intensity kL/m <sup>2</sup>	0.38	0.48	0.46	0.56	0.55

• Water has been calculated from the cost of water consumed divided by regional commercial tariff averages, given this we expect a margin of error of between 10-15%.  
• Based on Total Group trading space.



Climate change mitigation and adaptation



Net zero emissions by 2040

We have aligned to Walmart's goal of achieving net zero emissions by 2040. To achieve this, we have prioritised three focus areas:

- minimising our carbon emissions
- increasing the use of commercially viable renewable energy alternatives
- introducing low emissions equipment and technology into our operations

Operational energy efficiency

Grid electricity accounts for 80% of our Group emissions and is a significant contributor to business operating costs, which is why optimising energy efficiency in our operations continues to be an area of focus. During 2021, we increased centrally managed real-time energy monitoring to 99% of all South African operations while retrofitting a further 45 Game stores with building management systems. This centralised utilities monitoring platform enabled us to implement a targeted behavioural energy management programme in Makro, Game and Builders, which together with the installation of energy efficient equipment saved R156 million in electricity costs in 2021.

During the period we also commenced a fridge cabinet door retrofit at 16 Wholesale sites, which we estimate will reduce refrigerator-related energy costs by approximately 40%, and retrofitted 18 stores with energy-efficient LED lighting, achieving an average

electricity-use reduction of 37%. Overall, we saw a 20% improvement in South African energy efficiency per square metre and an 18% reduction in overall global scope 1 and 2 emissions.

To assist our customers to save energy and reduce their household expenses, we offer a wide range of energy efficient and alternative energy product options. In 2021, our customers purchased over five million energy-saving products which we estimate helped save customers 30 million kWh and R54 million in electricity costs. One example of this is the sale of rechargeable batteries at Game, which replaced the sale of approximately 52 million single-use batteries, equating to the reduction of 1,000 tonnes of raw material and over 5,500 tonnes of CO<sub>2</sub> emissions.

Our renewable energy programme

We are accelerating our adoption of renewable energy to reduce our reliance on fossil fuels and lower our emissions. In 2021, we commissioned two new solar plants, one at our new Builders Warehouse Midrand store and the other at our relocated Makro Gqeberha store, increasing the Group's annual electricity production by an estimated 800,000 kWh. During optimum conditions, our plants can provide up to 100% of the sites electricity needs. This is the case with our Builders Midrand store which obtains 70% of its total daily power requirements from the solar plant and runs almost entirely on solar power during the middle part of the day.

Additionally, a further seven plants with an estimated annual production capability of 6.6 million kWh were approved for installation during 2022.

Solar energy not only reduces our grid-related emissions and directly reduces our energy costs but, because our plants are generator-integrated, also assists as a supplementary electricity source during power interruptions, which further reduces emissions and saves on diesel and generator maintenance costs. During the course of 2021, 4.2 million kWh of renewable energy was generated at 11 solar-equipped sites across the Massmart Group. This brings our total renewable energy generation to 19 million kWh since 2016, making us one of the largest producers of onsite renewable energy in the South African retail sector.

Notwithstanding our immediate focus on deploying onsite solar plants at our largest sites, we appreciate that to scale our efforts we need to incorporate wheeled renewable energy and energy storage technologies, where viable. We will be investigating opportunities to pilot these in the coming year.

Our emissions footprint

Our goal to achieve net zero emissions is supported by a zero emissions roadmap that plots a pathway towards reducing reliance on hydrocarbons and synthetic refrigerants, while lowering costs and boosting efficiencies and reliance on newer, cleaner technologies.

To ensure that we make progress towards achieving our goal we track our emissions annually, with 2021 being the tenth year we have done so. We remain committed to transparency and disclosure of our verified emissions publicly, as well as reporting them as part of Walmart International's annual CDP submission.



	2021	2020	2019	2018	2017
South African store energy intensity kWh/m <sup>2</sup>	144.5	181.0	211.6	204.9	213.1
Scope 1 emissions intensity (tCO <sub>2</sub> e/Rm total sales)	0.72	0.58	0.70	0.59	0.81
Scope 1 emissions intensity (tCO <sub>2</sub> e)	0.02	0.02	0.02	0.02	0.03
Scope 2 emissions intensity (tCO <sub>2</sub> e/Rm total sales)	4.11	5.04	5.67	5.01	5.18
Scope 2 emissions intensity (tCO <sub>2</sub> e)	0.13	0.16	0.19	0.17	0.18

- Scope 1 and 2 emissions are externally verified by GCX Africa
- Scope 1 emissions relate to direct emissions resulting from Group-owned vehicles, generators and fugitive emissions across the Group (SA and the rest of Africa)
- Scope 2 emissions are derived from electricity consumption from grid-tied sources. Energy consumption data is annualised and normalised. Expected margin of error is 10-15%. Eskom emissions factor updated to 1.06
- Some Scope 1 and 2 data are estimates based on historical known values. This is due to a lack of accurate data logging capacity and functionality in some parts of the Business. Massmart is currently restoring lost utilities-logging and refrigerants reporting functionality across the Group with energy monitoring to be completed by end-2021
- Total Group sales are used to calculate Scope 1 and 2 emissions' intensity per Rand million (Rm)
- The square metre (m<sup>2</sup>) is reported as a function of Total Group gross lettable area

Reducing waste and pollution



Reducing waste

Supporting a shift to a more circular economy and minimising waste generated in our value chain is critical if we wish to reduce pollution and improve resource utilisation.

Our objective for our operations is to achieve net zero waste by 2030. Through initiatives including paper, plastic and board recycling, organics composting and donations of non-saleable food to Gift of the Givers and FoodForward SA, we diverted 54% (approximately 14,600 tonnes) of our waste from landfill in 2021.

In particular, we have made good progress in organics composting, which we have grown from 20 tonnes to 1,000 tonnes per annum and overall, we have seen a 10% decline in our total estimated waste generation since 2017. However, diversion options for building waste remain a challenge and we continue to look for commercially viable alternatives to address this waste stream.

In 2021, in partnership with 54 electronic brands, we completed the re-launch of Makro's Electronic Waste Recycling Programme at 19 Makro stores around the country. We have seen great support from our customers and collected over 40,000 kilograms of e-waste during the year, making this South Africa's largest voluntary e-waste take back programme.

During 2021 we also transitioned to more sustainable shopping bags across all South African stores. Our new bags are made from 100% recycled material and are themselves fully recyclable. Additionally, we have changed the design of the bags to reduce inks and colours, allowing us to increase production efficiencies and reduce resource use during manufacture. We estimate that the transition from virgin to recycled material plastic bags has achieved a 642 tonne decrease in virgin plastic usage.





## Environmental advocacy and product screening



### Seafood screening

To ensure that we do not source any Southern African Sustainable Seafood Initiative (SASSI) or International Union for Conservation of Nature (IUCN) red-listed species, we conduct sustainability screening of all the fresh, frozen and canned seafood that we sell.

As part of this process, we make use of genetic identity testing to verify the species and origin of the seafood products we are supplied. In partnership with the University of the Witwatersrand, with whom we have been working since 2019, we completed DNA analysis of 14 seafood lines in 2021, which included sampling all Private Brand lines and multiple national brand products. Species identified through this process are reviewed against the World Wide Fund for Nature (WWF) SASSI list. Results are additionally

referenced against the inventory maintained by the IUCN-Red List of Threatened Species. Despite no red-listed species being detected across all samples, three previously undisclosed species were identified during testing, which we are investigating in consultation with the relevant suppliers.

Given the continued pressure that fisheries are under, we recognise that we need to work more closely with suppliers to improve fishery and broader ecosystem health. Although this is a highly complex issue, in 2021 we prioritised deeper engagement with leading suppliers, to identify opportunities to drive more sustainable practices in our local supply chain. Following this, we will be working with NGOs and suppliers to address concerns raised regarding the health of the west coast sardine fishery and the marine bird populations that rely on this fishery.



### Private Brand products

#### Review of Private Brand pulp and paper-based products

In order to address deforestation and better protect forest ecosystems, we have committed to using 100% third-party certified sustainable pulp and paper-based products in our Private Brand offering.

Following a detailed assessment of our current Private Brand product range, we used approximately 5,200 tonnes of pulp and paper based fibre in 2021, of which 99.8% comprised recycled or certified sustainably sourced virgin material. Notably, 100% of the timber used in our two largest fibre based Private Brand products, office paper and toilet tissue, is sourced from Forest Stewardship Council (FSC) certified plantations.

#### Sustainable Private Brand packaging

We require that our Private Brand packaging is 100% recyclable, reusable or industrially compostable by 2025. In 2021, we conducted our second Private Brand packaging assessment. As part of this assessment, we achieved a 16% increase in supplier participation and collected and reviewed packaging information for over 6,900 products, accounting for 71% of total Private Brand sales. The assessment indicated that approximately:

- 92% of Private Brand packaging is regarded as locally recyclable
- 22% of packaging is compostable
- 13% of packaging contained recycled content
- 9% of packaging is bio-based

Additionally, we conducted an in-depth cost and sustainability review of over 300 products covering among other aspects: rationalisation opportunities, recycling optimisation, cost reduction and product protection.

As a result of this, we have identified 65 products where opportunities exist to transition to more sustainable material and lower costs. Among these, one of the most immediate opportunities is the removal of blister packaging from selected Grip hand tool product lines. We will work with our Private Brand team, merchants and suppliers to implement the identified changes during the course of 2022.

### Poultry welfare

In 2018 we introduced a poultry welfare programme to assist in improving welfare conditions on the egg production facilities from which we source. Using the services of a specialist poultry vet we have thus far completed welfare assessments covering 21 farms, housing over 4.5 million birds. The purpose of this programme is to drive immediate improvements in bird welfare, prioritising issues such as access to adequate, good quality food and water; overcrowding; ventilation; and lighting.

In 2021, we completed poultry welfare audits at six layer farms, representing 45% of our egg procurement. As part of the audit process, and as referenced in last year's report, in 2021 we placed additional focus on the treatment of birds in cull depots and on end-of-lay bird handling.

In 2022, we plan to maintain the programme while diversifying the suite of farms in the audit scope, focusing on smaller, more rural-located production facilities.



## Economic inclusivity and opportunity



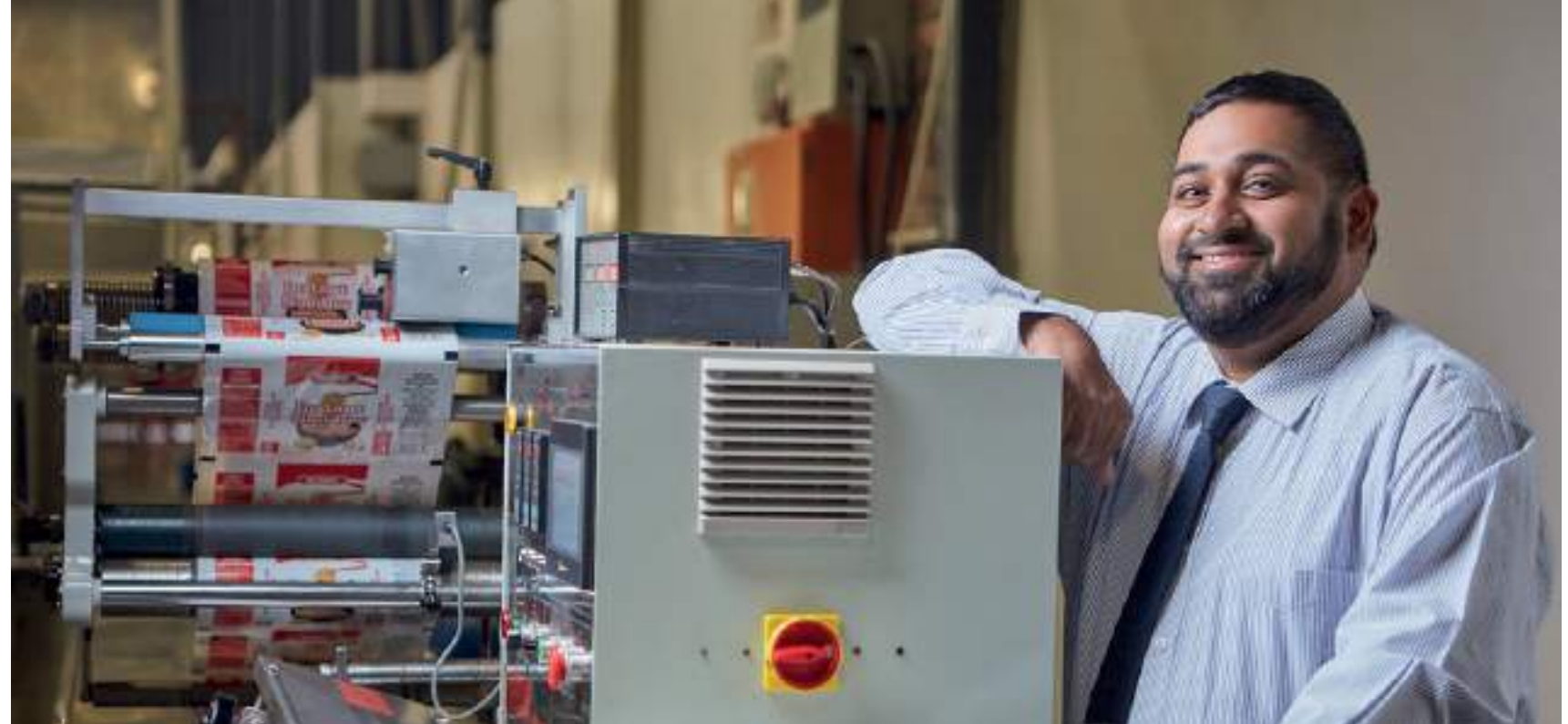
### Supplier Development

The aim of the Massmart Supplier Development Programme (SDP), which was established in 2012, is to provide opportunities to small and medium manufacturing enterprises. The programme's current portfolio of 21 businesses manufacture a variety of products including chef wear, toilet seats, detergents, adhesives, cooler boxes, charcoal and paint. We have purchased in excess of R1.5 billion since the inception of the programme.

The Massmart SDP gives preference to Black-owned and Black women-owned enterprises. The programme provides the participating businesses with a range of support including:

- Retail and business management training
- Assistance in meeting product quality standards to help increase overall competitiveness
- Investing in bespoke manufacturing equipment to build capacity
- Provision of upfront loans and early payment arrangements to address cash flow challenges
- Process engineering using specialist industrial engineers to increase efficiencies and competitiveness

A key focus of the SDP is supporting local business and finding localisation opportunities so we can increase the number of local products on our shelves. In 2021, we completed a detailed product localisation market assessment covering more than 2,500 SKUs, from which we have identified 14 immediate product localisation opportunities. These are: office and flat pack furniture, gym and fitness products, pool accessories, trailers and campers, and infant and pet beds. Of these, we have already transitioned to the localised supply of selected flat pack furniture products in Makro.



### Broad-Based Black Economic Empowerment (B-BBEE)

In 2021, we maintained our Level 4 contributor status with a B-BBEE score of 80.15, for the 2020 financial period. This remains the highest score achieved by a JSE-listed retailer. Consistent with our focus on providing opportunities to small and emerging businesses and supporting the communities in which we operate, we again achieved full points for enterprise and supplier development and corporate social investment. Our B-BBEE score makes it possible for customers to claim 100% of their spend with Massmart as going towards B-BBEE.

We have noted a decline in many of our suppliers B-BBEE scorecards following the introduction of the amended Codes of Good Practice. This is in turn impacting our ability to maintain our current scorecard performance. As a consequence, while our internal focus on transformation remains unchanged, we forecast a one level drop in score in our upcoming verification.



Corporate social investment



Combatting hunger

During 2021 we entered into a partnership with FoodForward SA, to increase food redistribution from stores through their Food Share programme. Through this programme, stores are partnered with local beneficiary organisations who collect good quality non-sellable food for redistribution. During 2022, these initiatives will be expanded to incorporate stores countrywide.

In response to the civil unrest in KZN, Walmart, the Walmart Foundation and Massmart contributed R13 million in cash and in-kind donations to hunger relief organisations supporting those that were impacted. As part of this contribution, Walmart and the Walmart Foundation donated R7.5 million to Gift of the Givers and FoodForward SA for the purchase of relief aid and to replace equipment that was lost and damaged. In addition, Massmart delivered 210 tonnes of food (comprising peanut butter, baby formula, pasta, rice and canned protein) to Gift of the Givers and FoodForward SA, to help alleviate heightened food insecurity following the civil unrest.



Supporting Government's efforts to reduce the Covid-19 health risk

At the start of 2021, when vaccine registrations opened, Massmart provided vaccine registration services across our facilities to assist customers with the registration process. When vaccines became available, we partnered with the National Department of Health across six provinces to set up temporary vaccination sites at stores to increase vaccine access in underserved communities. Through these sites approximately 36,372 vaccines were provided to Massmart customers. In addition, working with the Clicks Group Ltd, we established temporary vaccination sites at our larger stores to help increase vaccination uptake rates among our associates.



Contributing to better education

We have continued our long-standing partnership with HOPE Worldwide to enable better education outcomes for vulnerable children between the ages of 0-6 years. HOPE Worldwide works to support Early Childhood Development (ECD) centres in underserved communities and assist primary caregivers with young children who have limited access to education facilities.

During 2021, we, together with Hope Worldwide, supported a total of 272 ECD centres catering to 12,586 children. This support included: teacher training; infrastructure refurbishment and maintenance; and supplementary nutritional support for vulnerable learners. During the period, 48 ECD centres were fully refurbished and 14 centres were successfully registered to receive Government subsidies. In addition, 2,625 parents were enrolled in 145 parent support groups across seven provinces.

In addition to our focus on ECD, we wish to play a role in supporting promising female academics and assist in supporting greater gender and racial representation in South African academia. With this in mind, we have partnered with the University of the Witwatersrand to assist the Female Academic Leadership Fellowship. During 2021, we provided research funding for social interest research into GBV and alcohol abuse and dependency by emerging female academics.

CSI Performance Indicators	2021
Total Massmart Group CSI spend as a % of Total Group loss after tax	0.9%
Total Massmart Group contribution (Rm)	18.7
Total investment in nutrition programmes (Rm)	6.3
Total investment in (Non-food) emergency relief aid (Rm)	2.1
Total investment in education initiatives (Rm)	8.5
Total investment in discretionary projects (Rm)	1.8

Total Group.

# Our people

## Stronger together

During a year in which we faced many challenges, we have proven that Massmart people are resilient people, able to navigate the worst of situations and come back stronger. We are sincerely appreciative of our leaders who have helped us manage our business under very trying circumstances, our associates who have showed up every day regardless of what they faced, and our suppliers who have ensured that they provide us with the goods and services we need to deliver to our customers. We have proven that we are indeed stronger together.

### People vision and value proposition

**Our vision is to enable Massmart to be a leading retailer in Africa and the best place to work for, through building a future-fit, engaged and diverse workforce. Our vision is supported by a value proposition, defined through five critical value drivers and enabled through our focus on six priorities.**

#### VALUE DRIVER 1:

### Leadership and Culture

The right leadership driving an inclusive culture

#### VALUE DRIVER 2:

### Innovation and Digital Capability

Evolving our innovation, digital capability and ways of working

#### VALUE DRIVER 3:

### People and Teams

Enhancing performance and growing our people and teams to be future fit

#### VALUE DRIVER 4:

### Top Talent

Attracting and engaging top talent to grow a sustainable business

#### VALUE DRIVER 5:

### Stakeholder Engagement

Consistently communicating and growing engagement with our internal and external stakeholders

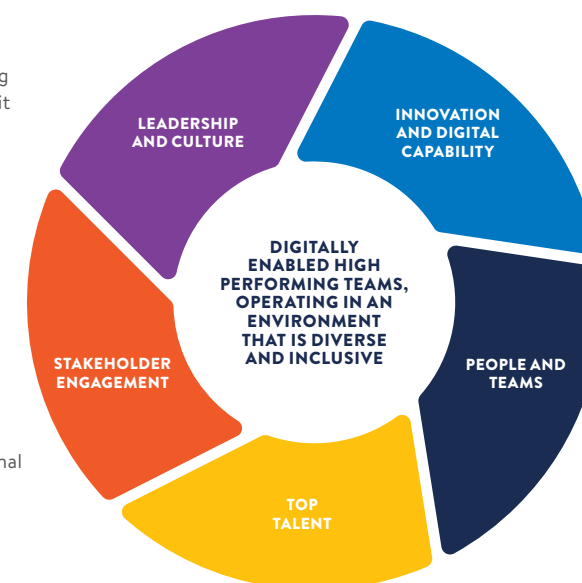


### Reorganising work structures

Following the establishment of our new operating model and the optimisation of our portfolio, our leadership teams focused on reorganising and entrenching our work structures to support our customer-centric efficient operating model, supported by Group-wide Centres of Excellence. This included the reorganisation of our head office functions, the outsourcing of non-core functions and our exit from non-performing stores.

#### Key highlights:

- Outsourcing SAP applications support and development to Walmart India's Development Centre
- Outsourcing financial transaction processing activities to Walmart Enterprise Business Services and Genpact
- Moving from a trading banner-based to a product-based Supply Chain structure
- Further consolidating IT Architecture, Information Security, Corporate Services, Wholesale and Retail IT structures into the existing Group-wide e-commerce support structure
- Concluding the sale of the Cambridge, Rhino and Massfresh businesses
- Reorganising Makro and Cash & Carry's head office merchandise, marketing, operations and e-commerce functions
- Reorganising the head office merchandise, marketing and operations functions of Game and Builders.





During our reorganisation, 36 business areas were transformed which impacted 1,663 associates. We were successful in placing 90% of these associates at Massmart, Genpact and Steelhill Studios, with only a 2% retrenchment rate.

During this process, we were able to ensure that we retained core skills and expertise, preserved jobs, and also saved R85 million which we reinvested in our business.

This journey was characterised by high levels of anxiety as can be expected and the recurring theme from our management was that associates should be kept informed at all times and every individual was to be treated with respect. The Executive Committee would like to thank all our associates for their dedication and support during the process. Our business is undoubtedly now more focused and better positioned to implement our future strategy for growth.

### Top Talent

During 2021 we continued to entrench the robust management of talent across the Group, ensuring a unified approach to talent management. Our strategic talent reviews focus on identifying and accelerating talent, in line with our diversity, equity and inclusion ambitions. This acceleration has also made it possible for us to improve our approach to managing emerging young talent and enable cross segment opportunities and talent mobility. Individuals, identified through talent reviews, will participate in a number of bespoke initiatives including leadership development

programmes such as sponsorship, executive coaching, mentoring and secondments.

During the year we also showcased some of our talent internally as well as externally, through various social media platforms and our participation in the Annual Accenture Rising Star Awards. The purpose of this event is to recognise, celebrate and connect talented young people below the age of 40, who have the capacity to achieve and be successful. Five of our associates who participated in the awards were included in the semi-finals. One of our associates won our category. Participation in this prestigious event highlighted the ability of our young talent while also creating opportunities for our talented individuals to develop, grow and connect across the industry.

We recognise that obtaining work experience can be challenging for young people. During the year under review, we were able to assist 196 SETA interns with workplace readiness experience. Interest in our online Graduate Management Development Campaign attracted 18,000 views. This translated into 2,522 applications being received, of which 312 candidates successfully joined Massmart. This campaign has positioned us well to build our future pipeline and positively impact youth development.

While skills within Data and Analytics, Group Technology and Group e-commerce are scarce in our market, we were able to attract talent and fill vacancies through taking a unique approach to recruitment. In these three categories, we filled 70% of 233 vacancies available. Of these placements, 79% were equity placements and 44% were female.



TOTAL ASSOCIATES

34,255

38.4%

OF OUR PERMANENT ASSOCIATES ARE FEMALE

78.6%

OF OUR PERMANENT ASSOCIATES ARE HISTORICALLY DISADVANTAGED

ASSOCIATE TURNOVER

36.5%

38.8%

OF OUR ASSOCIATES BELONG TO A TRADE UNION

R7.3bn

EMPLOYMENT COSTS INCURRED

R79.9m

INVESTED IN SKILLS DEVELOPMENT

>99,000

LEARNING INITIATIVES DELIVERED DURING THE YEAR

*Due to us reporting on a continuing operations basis only, statistics for 2020 have been omitted.*

WE ARE A  
**TOP**  
EMPLOYER



### Top Employer

Core to our People vision is to build a future-fit, engaged and diverse workforce by attracting and retaining talent through our leading Associate Value Proposition and Associate Experience. Part of this journey includes strengthening and being intentional with our employer brand strategy in relation to the market. One of the ways we have chosen to do this was to undergo the rigorous certification process of the Top Employer Institute, for the first time in the history of Massmart. This in essence allowed us to subject our people practices to public scrutiny. We were awarded this accreditation as a Top Employer in South Africa for 2022, based on our dedication to creating a better world of work for our associates through our policies and people practices. We are also very proud of having been placed in the top 25% of the 1,800 employers who participated in this rigorous accreditation process. Massmart performed particularly well in the pillars covering our values and ethics, our efforts in terms of sustainability and commitment to diversity, equity and inclusion. We aim to improve our ranking in the years to come.

## People and Teams

We have standardised performance management practices across the Group. Our line managers and associates are empowered to own their performance, development and careers by engaging in integrated conversations. These conversations advocate real time management of performance delivery against objectives and give associates an opportunity to continually obtain feedback, plan their careers and improve their skill sets. We continue to enhance our performance management practices through the rollout of our performance management system, while embedding a simplified performance approach.

Massmart aspires to develop agile, digitally enabled associates with the knowledge and skills to support the achievement of our business strategy and our sustainability. We aim to deliver workplace learning that enables a culture of continual learning across the Group by being:

- **Coordinated:** Efficiently building common knowledge, skill sets and behaviours through best practices in learning delivery
- **Proactive:** Customer centric, aligned to business needs in an agile and swift manner
- **Sustainable:** Maintained and scaled with accountability for transfer of learning to line managers
- **Future fit:** building capabilities for current and future organisational needs.

To achieve this the Massmart Academy was established, and as such we consolidated existing training programmes across banners and designed new programmes, which will be offered at scale. In addition, the Massmart digital learning strategy was boosted through the implementation of ULearn, a content deployment platform with a range of new programmes designed and delivered as a blended learning solution.

Over 99,000 learning initiatives were delivered across the Group this year, despite the impact of the Covid-19 pandemic and the civil unrest. While the major focus of our training during the year under review was on Anti-Corruption, Compliance and Ethics, we also provided training in other areas:

TRAINING FOCUS AREA	Total number of learning initiatives
Anti-Corruption, Compliance and Ethics	77,316
Developmental programmes	6,021
Employee Induction	240
Functional development	10,682
Mandatory training	1,160
Product training	449
Systems training	3,642
<b>Grand Total</b>	<b>99,510</b>

In addition, all pipeline programmes such as Learnerships, Internships and Graduate Development continued, with a new structured Graduate Buildout Programme developed for the 160 new SETA-funded pipeline learners recruited.

Massmart offers a range of programmes aimed at building leadership capabilities across our business, from Foundational/New Leader through to Executive Development. These programmes are delivered through our internal faculty, partnerships with local providers, as well as through our Walmart partners.

Our newly introduced Leadership Expectations initiative is core to all leadership development, and forms the foundation of our programmes. Other key initiatives rolled out this year include Personal Mastery, New Leader Experience and the Advantage Leadership Programme.

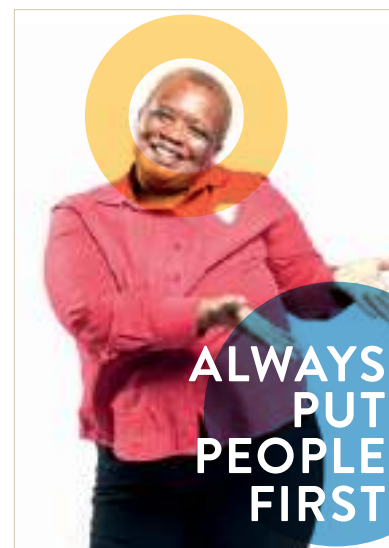
A core focus of ours is on providing upskilling opportunities for all our associates. Our digital and e-learning strategy has made this possible. Our digital learning platforms, which were successfully launched in November 2020, include our internal ULearn platform as well as our external partners, being LinkedIn Learning and BookBoon. These platforms have allowed us to scale learning across the business, and provide a wider variety of just-in-time learning opportunities through blended content, which includes short courses in video, audio and e-book format, as well as interactive theory-based content that make it possible for associates to learn remotely and at their own pace. The content on these platforms covers an array of focus areas including technical, functional, behavioural, leadership and wellness development offerings.

## Leadership and Culture

### BUA Survey

We take pride in driving a culture that creates an environment where all our associates feel like they belong and appreciate the commitment that both our leaders and associates have shown to continually improve our culture. Associates provide feedback to us through our annual BUA survey. BUA is a South Sotho word that means speak freely. We encourage our associates to do just that through our annual BUA associate engagement survey.

Amidst the continuing global pandemic that has impacted our ways of working, we also underwent a series of business transformations and civil unrest, all in an already challenging economy. Despite this, our associates' commitment to sharing their views persisted, with just a slight decrease in participation from 90% in 2020 to 88% in 2021. The overall associates' engagement score slightly decreased from 71% in 2020 to 70% in 2021, in an environment



where it would have been expected that engagement with our associates would show a greater decline. The decrease in participation and engagement has also been impacted by the exclusion of Cambridge, Rhino and Massfresh participation. Moreover, our overall eNPS has improved incrementally from -24% in 2020 to -20% in 2021, implying that our associates are more likely to recommend our Company to others as a place of work. We recognise that there is still room for improvement in this area, and we aim to improve on our 2021 results as the organisation settles into the new operating model.

The overall results of the BUA survey reflected the confidence associates have in our business and the strategy it is implementing. During the survey we have noted opportunities for us to improve on where responses were lowly rated. An example of this are the below statements from the survey:

1. I have seen action take place as a result of the last BUA survey
2. My Company responds to issues or concerns raised by associates
3. Someone at work takes a supportive role in my growth and development.

We will continue to prioritise all feedback received by associates. To ensure improvement areas are targeted holistically across the Group, we have implemented action plans, driven by functional and team levels and championed by our Executive Committee. We are able to track the implementation of these action plans as well as the success of the improvement areas. We have also implemented a communication programme which encourages the culture of taking action for BUA results.

The survey results regarding diversity and inclusion were pleasing overall, as we forge ahead on our diversity and inclusion journey.

## Our Associate Value Proposition (AVP)

Following the business reorganisation, it was imperative that we start shaping a distinct and all-encompassing associate experience and culture across the Group. The AVP framework was subsequently developed and socialised with senior leadership across the Group. The overall feedback on the framework has been favourable and we are now engaging with the broader associate network across corporate and stores for further contribution to the AVP design.

It is essential, post the launch of the AVP, that there is alignment between associate and customer experience throughout the Group. We have therefore been working closely with key leadership to ensure alignment and the feedback to date has been encouraging. To further support this alignment, we have planned engagement sessions, namely, Smart Spaces with leadership and management to ensure integration and sponsorship.

We are currently finalising the branding and planning for the AVP launch in 2022. We have ensured that business function initiatives align to AVP drivers and that the content is relatable, which can be showcased both internally and externally with ease and simplicity. We plan to include our AVP philosophy on all key communication platforms and additionally, we are organising AVP campaigns across the Group, to ensure broader participation and inclusion in the journey.







## Transformation

Transformation continues to be a key priority for our business. Our business is built on the essence of diversity as we operate in diverse geographical locations within Africa, with a diverse spread of customers and associates.

Our efforts towards achieving visible diversity in our business can be seen through our diverse Executive leadership team, which includes 25% female representation and 58% who are African, Coloured and Indian. The rigour of ensuring our business is well-balanced and diverse is also supported by the diversity targets we have put in place in all of our leaders' scorecards, which include a requirement to ensure equitable representation across all population groups and that appointments made support our efforts towards a representative workforce.

Our Massmart Transformation Committee, which includes our Executive Committee members and representatives from different areas of the business, continues to ensure that there are effective strategies to address transformation and reports progress on key transformation drivers to our Board on a quarterly basis.

Being a leader at Massmart comes with many responsibilities, which also includes embracing and supporting all diversity, equity and inclusion strategies and initiatives. This year we began by strengthening the capability of our leaders by launching diversity, equity and inclusion conversations which were geared towards empowering leaders in leading inclusively. Our aim was to ensure that this training was deployed to 80% of our senior leaders across the Massmart Group. We achieved a 97% participation rate and positive feedback from participants.

We are firmly committed to gender equality. This year we have seen the number of female appointments increasing due to our deliberate strategies and efforts put in place towards achieving gender equity. We have a 38.4% permanent associate female representation across the business and our ambition is to achieve 50% representation of females across all occupational levels by 2023.

This year we launched our disability strategy, which forms an integral part of our transformation journey to ensure the inclusion of people from under-represented groups across our business. Through this strategy we implemented our Disability Internship Programme, which is geared at building a Talent Pipeline of People living with disabilities within the Group. We also deployed several disability education and awareness campaigns to encourage our associates

to declare their disability status so they can be reasonably accommodated. Through these various campaigns, our representation of people living with disabilities increased to 1.4% with our target being 1.5% by 2022.

We will continue to focus on gender representation, disability inclusion, delivering diversity, equity and inclusion learning interventions and building an inclusive workforce where everyone feels like they truly belong in our business.



# Ethics and compliance

**Our Group-wide Code of Conduct (Code), that was revised and launched in February 2021, assists associates to make decisions that are consistent with our values which in turn earn and build trust.**

## OUR VALUES



### Respect for the Individual

We treat people with dignity, lead by example, and listen to each other. We seek and embrace differences in people, ideas, and experiences.



### Service to the Customer

We put our customers first, anticipate their wants and needs, and exceed their expectations.



### Strive for Excellence

We are a high-performance team and expect the best from ourselves. We own our work and results.



### Act with Integrity

We are honest, fair, and objective. We speak up about concerns and comply with all laws and our policies.

## Ethics landscape

Our Code, that was revised and launched in February 2021, assists associates to make decisions that are consistent with our values which in turn earn and build trust. It also informs associates about the behaviours we expect of them and where to get more information or support when dealing with daily situations. We expect our suppliers, vendors, service providers and other business partners to also act with integrity and honour our values. All stakeholders are invited to utilise our independently operated Ethics Line to report suspected breaches of our Code.

## Compliance landscape

As highlighted in our Code, Massmart is committed to a robust culture of integrity and ethics. To further solidify this commitment, we have designed and implemented 14 compliance programmes. This ensures that we not only comply with legal requirements of the countries we operate in, but also to leverage global best practices made available to us through our relationship with Walmart. This includes access to systems and practices such as our Global Food Safety Initiative (GFSI), comprehensive responsible sourcing programmes and Global Life Safety Initiative.

Massmart has focused on implementing substantive compliance programmes that are led by a diverse team of subject matter experts in the following fields:

- Anti-Corruption/The USA FCPA
- Food Safety
- Anti-Money Laundering
- Labour and Employment
- Antitrust
- Licences and Permits
- Consumer Protection
- Privacy/Data Protection
- Environmental Compliance
- Product Safety
- Ethics
- Trade (Import/Exports)
- Health and Safety
- Responsible Sourcing

Our compliance programmes are based on six fundamental building blocks ensuring that:

Strong focus is placed on Leadership Commitment throughout the value chain

We assess and respond to risks relevant to each programme and the business

Appropriate Standards and Controls are implemented

We regularly communicate and educate our organisation relative to these programmes

Each implementation includes a comprehensive Training Programme

We continuously monitor and respond to our programme risks enabling us to improve them

Some of our key areas of Compliance include:

Health and Safety

Food Safety

Responsible Sourcing

Data Privacy

Health and Safety

The health and safety of our associates and customers has always been a key priority for Massmart. This programme is designed using a behaviour-based safety framework which emphasises the importance of people, processes and systems which is further crafted around a risk-based approach.

During 2021 this programme and its relevance was tested as we navigated exceptional circumstances which included three waves of the Covid-19 pandemic, the civil unrest and various levels of strike actions. Throughout these events we focused on ensuring that our associates and customers had the safest working and shopping experience by adopting and maintaining, amongst others, robust Covid-19 protocols. Various levels of assurance and monitoring were introduced and sustained to ensure we continually improve our environment and address changes in risk and regulations.

During the year we also focused on ensuring the health and safety of our associates who were impacted by the civil unrest in the Gauteng and KZN provinces of South Africa. This included ensuring the safety of our customers and associates following the impacts the chemical fire from the civil unrest had on our Makro Cornubia store and its operations.

Food Safety

Massmart has a comprehensive Food Safety programme that is designed to mitigate risks throughout its complex food supply chain, from source to shelf. Our Food Safety programme also includes product and environmental testing, food fraud testing, product recalls, regulatory inspection management and food safety training and monitoring programmes.

We also work closely with all our Private Brand suppliers to implement a GFSI programme. Regular product testing is conducted by a SANAS-accredited laboratory at both product and store level to ensure compliance with our food safety standards. Our Group-owned manufacturing sites are all GFSI certified against the FCCS 22000 standard.

Additionally, our programme includes regular food safety audits conducted by an independent third-party throughout all of our facilities, which include stores, manufacturing sites and DCs. A new and more rigorous audit was introduced in 2021 to enhance our current programme and identify risks. Massmart has achieved an overall audit pass rate of 93% for the third and fourth quarters of 2021. Improvements made as a result of these new audits include automated Fridge Watch processes and the redesign of operational processes resulting in enhanced Food Safety practices.

Responsible Sourcing

We are thoughtful about the products we sell to our customers and recognise our responsibility in ensuring that they are sourced from ethically responsible suppliers and manufacturers. We want our customers to trust that we are selling responsibly sourced and sustainable products, from both an environmental and social perspective.

Our Standards for Suppliers (our Standards) sets our expectations to our suppliers. We promote responsible labour practices in our supply chain and help combat practices such as forced labour, under-age labour and unsafe working conditions. Our Standards require our manufacturers and suppliers to disclose their supply chains which enhances transparency and enables us to comprehensively evaluate their supply chains.

We actively monitor and audit our Private Brand and Direct Import suppliers' facilities for compliance with our Standards. Our programme supports the integration of responsible sourcing practices into our merchant strategies, processes, systems and buying decisions, which includes the selection of suppliers and development of new products. Merchants and sourcing associates receive training that helps them understand how their decisions can influence supply chain conditions and the role they can play in reinforcing appropriate working practices with suppliers.

Data Privacy

The responsibility to ensure we protect our stakeholders' personal information is a key focus area for Massmart. We have a comprehensive Data Privacy programme in place ensuring that we have systems and processes in place to adhere to the Protection of Personal Information Act. In addition, we actively monitor our environment for any vulnerabilities to new and emerging threats and regularly conduct breach preparedness simulations.

6 Other information



## PART ONE

# Remuneration review

## The background statement



**The Remuneration Committee is accountable for consistent and regular oversight of remuneration governance, which includes the development and implementation of remuneration policies and practices that ensures fair pay, enables the recruitment, retention and motivation of high calibre associates and the alignment of performance with reward. These accountabilities are performed within the confines of risk mitigation and alignment with stakeholders' interests. Through its oversight, the Committee supports the Board in driving the achievement of strategic objectives, aligned with positive reward outcomes.**

### Letter from the Chairman of the Remuneration Committee to shareholders

On behalf of the Remuneration Committee, I am pleased to present the Massmart Remuneration Report for the year ended December 2021, which complies with best reporting practice as recommended by the King IV report. This report highlights the key components of Massmart's remuneration philosophy and describes the way in which it underpins the business' strategic objectives.

The Remuneration Committee remains accountable for ensuring that remuneration policies and practices are fair, equitable and in line with market practice. The Group remains committed to the principles of fair and equitable pay. Executive remuneration is measured in the context of overall associate remuneration.

### Business performance and the impact on remuneration outcomes

2021 was a challenging year globally with the Covid-19 pandemic impacting our ability to trade. Continued liquor trading restrictions and lower activity levels in the corporate, hospitality, restaurant and catering sectors negatively impacted our bottom line.

We were also impacted by looting and arson during the civil unrest in July, particularly in our KZN operations. Through the efforts of our leadership team and associates, we were able to re-open most of our stores and get a new DC operational in record time, ensuring delivery to our customers.

Naturally our associates were deeply impacted by the unrest and we took immediate action to protect and assist our affected associates where we could.

Remuneration Committee			
COMMITTEE MEMBERS	BOARD STATUS	MEMBER SINCE	ATTENDANCE
S Zilwa (Chairman)*	Independent Non-Executive Director	27 August 2021	1/1
KD Dlamini	Independent Non-Executive Director	10 April 2014	5/6
P Langeni**	Independent Non-Executive Director	25 August 2004	5/5
JP Suarez	Non-Independent Non-Executive Director	25 February 2020	6/6

\* Appointed as member and Chairman of the Remuneration Committee effective 27 August 2021.

\*\* Resigned as member and Chairman of the Remuneration Committee effective 27 August 2021.

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Despite the challenges faced this year, we are making good progress with the implementation of our Turnaround plan. As we continue to embed the plan, the Board and management remains focused on driving profitability, controlling costs and increasing value for our investors. All associates received their full salaries and benefits during 2021, as well as scheduled salary increases. Associates who are not required to return to the office, have continued to work from home.

Despite the ongoing trading challenges experienced in 2021, our associates have responded by showing a deep commitment to our customers.

The Remuneration Committee fully supports the efforts of the Massmart leadership to turn the business around under very difficult circumstances.

### The year in review

Within the remuneration environment, we saw the Turnaround plan as an opportunity to reassess our structures and frameworks, which triggered a number of initiatives to better align the associate benefits and incentivisation to the new Group operating model. In 2021, we:

- Approved the Executive Committee Remuneration and the salary increase mandate
- Recommended Non-Executive Director fee increases to the Board
- Approved the Massmart benefits harmonisation project, which involved the review, standardisation and enhancement of benefits aligned to the Turnaround plan
- Approved the redesigned AIP and SIP structures, which were communicated and implemented across the Group, in support of the new Group operating model and aligned to shareholder requirements. Financial performance for 2021 for both the AIP and SIP was measured against five dimensions: earnings before interest and tax (EBIT), SG&A, Comp sales, ROIC and HEPS
- Approved the introduction of the Game modifier, a short term incentive mechanism designed to drive renewed focus on the Game turnaround
- Reviewed and enhanced the non-financial goals supportive of Massmart's strategic intent
- Monitored the progress made to address identified pay inequity
- Approved the revised Massmart Remuneration Policy
- Revised the Massmart Share Plan rules to cap the share usage limit for SIP to a maximum of 5%

## FUTURE FOCUS AREAS

### In 2022, the Remuneration Committee's main focus areas and priorities will include:

Continued focus on the alignment of benefits and assessment of progress on pay equity correction

Continued assessment of Executive pay practice and ensuring alignment to policy and the application of due diligence

Continuous review of progress to address identified pay inequity

Development and implementation of Massmart's Fair and Responsible Pay Policy

Supporting the Group in enhancing its Associate Value Proposition to retain key talent as well as to attract critical skills, as may be required to meet new strategic objectives

Investigate the business case for the inclusion of performance criteria in the issue of restricted shares

Reviewing and assessing non-financial metrics, aligned to business strategic focus



### Shareholder engagement and voting outcomes

At the Annual General Meeting (AGM) held on 20 May 2021, in accordance with King IV, the Group Remuneration Policy and implementation reports were put to separate non-binding advisory votes. We were pleased with the results of the vote on our Remuneration Policy of 90.86% (2020: 91.26%) and implementation report of 85.23% (2020: 74.97%). We believe the results reflect that our shareholders recognise the work we are doing to continually improve our Remuneration governance. We commit to continuing our focus on Remuneration matters and remain considerate of shareholders input.

We value the opinion of our shareholders and have addressed many of the points they raised in 2020. We believe that strong stakeholder engagement strengthens the relationship between our shareholders and our Board, helping to ensure the effectiveness of our Board and its alignment to all stakeholder interests.

Aligned with the governance principles as set out in King IV, Massmart will again table its Remuneration Policy and implementation reports for two separate non-binding advisory votes at its 2022 AGM. Should 25% or more of the shareholders vote against either resolution at the AGM, the Board will invite dissenting shareholders to engage with the Remuneration Committee on their concerns.



Engagement with external consultants

During 2021, Massmart continued its relationship with PwC, an external independent consulting organisation with relevant technical experience, and a listed Company with market knowledge, to partner with us on remuneration related matters. The scope of their work included providing guidance on the revision of the Massmart Share Plan rules and elements of the Remuneration Policy. PwC was also instrumental in providing a report and context on the management of restricted share plans in the market and our peer group. The Remuneration Committee is comfortable with the independence of the consultants and the expertise provided.

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

I am satisfied that the Remuneration Policy achieved its stated objectives in the year under review and its implementation is fully compliant with policy and business strategic goals.

I would like to recognise and show my appreciation for my predecessor, Phumzile Langeni, who has been instrumental in driving remuneration governance in Massmart. I would further like to express my appreciation to my fellow members of the Remuneration Committee for their support and commitment during the past year and look forward to working with them in 2022.



**Sindi Zilwa**  
Chairman of the Remuneration Committee  
8 April 2022

Concerns raised during our consultations with shareholders and our responses are noted below:

Stakeholder comment

Massmart should not have paid out bonuses last year in a loss-making year.

Remcom response

Under the rules of Massmart's AIP, if Massmart achieves financial threshold (90% of Plan), a full AIP payout triggers, inclusive of personal performance. In 2021, we introduced a second financial metric to measure performance from both profit and cost control perspectives. If either metric achieves financial threshold, payout will trigger against that metric only.

Concern on the tenure of long standing Non-Executive Directors.

Both Phumzile Langeni and Lulu Gwagwa have resigned from the Massmart Board. In terms of the Charter, Board members are required to resign after nine years.

The share usage limit resolves to approximately 18% of the Company's issued share capital, exceeding the recommended limit of 5%.

The limit of LTI shares has been revised to 12.5% from the original 18%. 7.5% of the limit has been ring-fenced for shares already issued under the previous option schemes. The remaining 5% will be utilised for the Massmart Share Plan per governance requirements. The Share Plan Rules have been revised accordingly and approved by the Johannesburg Stock Exchange, and have been tabled for approval at the AGM.

PART TWO

Remuneration Policy

Overview of the Remuneration Policy

Remuneration governance

Composition of Remuneration Committee

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

The role of the Committee

With a view of making remuneration recommendations for approval by the Board, the Committee carries out the following primary responsibilities:

- Ensures that the implementation and execution of the Group's Remuneration Policy achieves the policy's objectives and aligns with good corporate governance
- Ensures that the remuneration of Executive Management is fair and responsible in the context of overall associate remuneration in the Group
- Reviews the Group's retirement plans and medical schemes to ensure these are justified and correctly valued
- Recommends performance incentives that are consistent with the Group's overall objectives and reflective of market trends, for approval by the Board
- Reviews of non-financial performance measures that support positive outcomes across the economic, social and environmental context in which the Group operates
- Annually evaluates senior Executives' salary packages against the Massmart Remuneration Policy and market comparators and the extent to which Executives have met their performance targets, goals and objectives
- Recommends Non-Executive Directors' and Board Committee members' fees for approval.

### Remuneration philosophy

Massmart's Remuneration philosophy is aligned to the Massmart people strategy and the vision of enabling Massmart to be a leading retailer in Africa and the best place to work for, through building a diverse, future-fit and engaged workforce.

- **Leadership and Culture:** the right leadership driving an inclusive culture
- **Innovation and Digital Capability:** evolving our innovation, digital capability and ways of working
- **People and Teams:** enhancing performance and growing our diverse people and teams to be future fit
- **Top Talent:** attracting and engaging diverse top talent to grow a sustainable business
- **Stakeholder Engagement:** consistently communicating and growing engagement with our internal and external stakeholders

**The purpose of Massmart's remuneration philosophy is to ensure competitive, sustainable, fair and equitable reward levels that will attract, motivate and retain high calibre associates. This extends to ensuring that incentives are fair, market-related and support the achievement of the Group's broader strategic objectives, in the context of applicable legislation, shareholder interests and best practice. Strong governance practices underpin this philosophy and provide oversight to the implementation of the Remuneration Policy.**



### Our remuneration governance framework ensures:

- Remuneration Committee review and approval of all changes to Executive remuneration and benefits within our governance frameworks
- Remuneration Committee approval and Board oversight of any exceptions
- An annual review of the Remuneration Policy, remuneration structures and incentive plans, and the management thereof
- The direct correlation of incentive structures with business objectives, value creation and sustainability
- Incentive structures and goals mitigate against risk in the achievement of goals
- Legislative compliance

### Our remuneration programmes:

- Provide competitive, equitable and responsible remuneration based on an associate's skills, performance and contributions to the Group, among other factors
- Attract and retain the talent necessary to achieve the Group's business objectives
- Ensure good corporate governance, ethical practice and risk mitigation in the application and measurement of reward programmes

- Oversee the delivery of processes for the consistent management and implementation of remuneration elements
- Develop a sense of Group ownership and align the interests of associates with those of its stakeholders
- Recognise Massmart business unit specific goals and reward associates appropriately for their contribution towards achieving those goals
- Provide opportunities for the potential of greater financial rewards to those who perform well within their job responsibilities
- Ensure consistent application of reward programmes, regardless of seniority

### Remuneration guidelines ensure:

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

### Massmart's approach to fair and responsible pay

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

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

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

The management of remuneration remains an ongoing priority with specific focus on ensuring that pay progression is applied consistently and fairly across the Group, gender and race parity is diligently considered and pay aligns with the principles as noted in our Remuneration Policy.

Remuneration management and pay progression is consistently monitored to ensure that no intentional discrimination occurs. Any pay differences require justification through defensible variations in qualification, years of experience, performance and tenure. The process of managing outliers remains a priority and is tracked on a regular basis, and variances in pay levels are identified for remedial action. In 2022, within the context of business affordability, further funds will be set aside to continue the process of ensuring pay alignment.



## Linking Massmart's total reward offering to strategy

## BASIC REMUNERATION

## TOTAL GUARANTEED PACKAGE

## TGP

## What is TGP?

- Basic salary
- Travel/Vehicle benefits
- Retirement and insurance benefits
- Medical aid benefits
- Other expatriate benefits

## Alignment to strategy

- To achieve the Group's strategic priorities it is important that our associates are fairly rewarded for their contribution to achieving both our operational and strategic objectives
- Retirement benefits provide our associates with an opportunity to save for retirement and promote responsible corporate citizenship, which align with the Group's value of creating opportunities for everyone to prosper

- The Group has the responsibility of ensuring that the appropriate medical plans it offers are sustainable and affordable for all levels of associates
- Some associates are expatriates from Walmart and receive expatriate benefits, e.g. housing, schooling (where applicable) which is aligned to the Walmart Expatriate policy

## SHORT-TERM INCENTIVES

## SHORT-TERM INCENTIVES

## STI

## What is AIP?

- One year Annual Incentive Plan
- AIP is expressed as a multiple of monthly pensionable salary

## Alignment to strategy

- To recognise individual and Company achievement of financial and non-financial objectives aligned to business strategy
- Financial objectives: EBIT and SG&A
- A strategic modifier for Game for the Massmart Executive Committee to provide specific focus on the Game turnaround strategy
- Non-financial objectives: B-BBEE level, driving diversity and sustainability
- Malus and claw back provisions applicable to the calculation and payment of AIP are included in the Remuneration Policy

## ANNUAL BONUS

## Non-management associates

- Non-management associates who are not eligible to participate in the short-term incentive plan may receive a bonus of up to one month's basic salary

## Alignment to strategy

- The bonus recognises the contribution of associates to business operations

## LONG-TERM INCENTIVES

## SHARE INCENTIVE PLAN

## SIP

## What is SIP?

- Performance and Restricted shares

## Alignment to strategy

- The performance share awards are aligned to the achievement of the financial objectives, directly linking this remuneration component to Company financial performance and the sustained creation of shareholder value
- Restricted share awards are specifically utilised for the retention of talent to ensuring the business has the required level of skills available over the longer term to deliver on business strategic outcomes

- Pre-vesting and post vesting forfeiture provisions have been defined in the Remuneration Policy
- Financial Objective: Comp sales, Group Return on Invested Capital and headline earnings per share (HEPS)
- Restricted shares are issued to levels below senior management level. All Senior Managers and Executives qualify for performance shares only

## OTHER OFFERINGS

TERMINATION/  
SEVERANCE PAYMENTS

## Summary

- Paid to associates who leave employment due to business restructure requirements and no fault terminations

## Alignment to strategy

- The payments to associates at termination of employment for no-fault reasons follow legislated requirements and would include payments aligned to policy

ROLE SPECIFIC COMMISSIONS  
AND ALLOWANCES

## Summary

- May be paid to associates in certain specific Non-Executive roles

## Alignment to strategy

- Drive behaviour and targets aligned to the achievement of Group strategic objectives

NON-FINANCIAL  
INCENTIVES

## Summary

- Leave
- Career Development
- Training
- Learning and Development
- Other associate benefits

## RESTRAINTS OF TRADE

## Summary

- May be paid to associates in certain identified key roles

## Alignment to strategy

- The business utilises a restraint clause in specific instances where associates are privy to proprietary trade knowledge that may place Massmart's operations at risk. In instances where Massmart elects to enforce the restraint, the associates under restraint may be compensated for up to 12 months

## RETENTION

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

## Summary

- May be paid to associates in certain identified key roles. Any retention contracts undertaken are subject to Remuneration Committee review and approval after due consideration of the scarcity of the skills provided and the requirements of the business. All retention payments are subject to a performance rating of a minimum of "satisfactory performance" for the retention period and are subject to claw back in the event of termination as a "bad leaver"

## Alignment to strategy

- The business may award retention bonus payments to identified associates to retain key skills required to achieve our strategic objectives
- All retention payments are subject to approval by the Remuneration Committee and are subject to clawback

## Massmart's total reward offering

### Guaranteed remuneration

Massmart remains committed to ensuring competitive remuneration packages while managing costs. The guaranteed remuneration of Executive Directors is set according to annual benchmarking using data from the Remchannel, Mercer and the Korn Ferry Hay Group salary surveys, as well as specific benchmarking to other similar sized JSE-listed companies, to ensure market-relatedness.

### TOTAL GUARANTEED PACKAGE

Massmart's TGP is benchmarked to the 50th percentile of the market. Annual TGP increases for the Massmart Executive Committee are determined by the Remuneration Committee and are awarded with reference to individual performance and aligned to the annual salary increase percentage ranges as set for the Group. The TGP provides a fixed remuneration package, as determined to be appropriate and market-aligned, for each particular level and/or role. The actual percentage increases awarded within the mandate are defined by taking CPI, business performance, market trends and individual merit into account, while also considering salary positioning against the Massmart salary structure and market data.

TGP

SHORT-TERM INCENTIVES

### Basic salary

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

### Retirement benefits

All permanent associates are required to belong to a Group-approved retirement fund. The current Group-approved funds are all defined contribution schemes. The funds provide the associate with an opportunity to save for retirement. Life, disability and funeral cover are also provided to all permanent associates. A formal service level agreement is in place that regulates the relationship with our administrators and the trustees of the funds monitor fund performance quarterly. The Company subsidises contributions to the retirement fund and related insurances. Expatriate associates are paid a cash allowance in lieu of retirement benefits.

### Medical aid benefits

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

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

In January 2016, Massmart introduced truCARE, an Occupational Health and Safety offering for associates earning salaries below a specific monthly cap, providing free access to private primary health care.

### Car/travel benefits

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

### Annual bonus (13th cheque)

Non-management associates who are not eligible for an annual incentive may be eligible for a 13th cheque equal to one month's basic salary, payable at the end of each calendar year.

### Total Guaranteed Package benchmarking and alignment to market

#### Grading system

Massmart utilises the Hay grading system as the basis for our remuneration and benefits framework and to measure internal and external equity. All roles are graded and calibrated across the Group.

#### Market alignment and benchmarking

Massmart participates in both Remchannel and Mercer surveys and at Executive Committee level, packages are also measured against our Retail peer group and other JSE-listed companies such as the Clicks Group Ltd, Mr Price Group Ltd, Pick 'n Pay Stores Ltd, The Spar Group, Woolworths Holdings Ltd, Shoprite Holdings Ltd.

The comparison of our remuneration framework against the relevant market allows us to maintain a competitive pay position in relation to the marketplace and to attract and retain the right calibre of talent.

#### Pay positioning

Massmart positions its Guaranteed Package at the 50th percentile of the national market for Head Office and Regions and against Retail market for Store roles. Pay scales across the business have been developed with reference to market and business affordability. All associate remuneration packages are measured against our internal framework using grade, performance, experience and to a lesser degree, tenure to track parity.

#### Pay progression

Pay progression is utilised to differentiate pay within our internal ranges based on performance, talent and scarce skills and ensure alignment to the market. All adjustments to package are implemented within Massmart's Remuneration governance process and framework. The business is working towards the equitable alignment of pay within the confines of our pay range and affordability.



ANNUAL INCENTIVE PLAN

The AIP aims to incentivise and reward the achievement of the approved financial and non-financial goals and targets. Each year, the Executive Committee, in consultation with the Board, reviews the business’ strategic direction and develops short-term goals aimed at measuring the execution of operating plans aligned to the business strategic focus.

The non-financial performance metric follows a balanced scorecard approach and assesses senior management’s achievement of both strategic and personal goals. The results are calibrated at the end of each year to ensure consistency across the Group and alignment to actual business results.

For business performance below 90% of business financial targets, no incentives are earned. Incentives are capped at performance levels of 107% of business financial targets, unless the Remuneration Committee has pre-approved a super-maximum target for a specific year. Payout of any element of the AIP will only trigger if financial outcomes reach threshold.



Pay for performance

Massmart subscribes to a pay for performance culture by ensuring that financial metrics have the right element of stretch to drive the desired results. Personal goals are specific, measurable and aligned to the business’ strategic direction, and achievement against these goals is measured consistently throughout the year.

The plans are designed to reward for performance with higher pay-outs linked to superior performance, which underpins our ethos of “pay for performance”.

The focus of our incentive framework is geared towards better supporting the revised business strategic focus and engaging a workforce motivated to deliver on our business plan. The revised structures reference alignment to both market practice and shareholder requirements.

Eligibility

Executives and associates from junior management level (from 275 Hay points and above) are eligible to participate in the AIP.

AIP structure and calculation

Participating associates can earn an increasing multiple of their monthly basic (pensionable) salary dependent upon achievement against the agreed financial and non-financial targets.

Any associate with a “below expectation” personal performance rating is not eligible for an incentive payout.

Participation tiers	Performance metrics		
	Total Company financial		
	Group	Group operations/ Business unit (BU)	Company Non-financial/ Personal
Group	80%		20%
Business units	40%	40%	20%

- Between threshold and target, the stepped scale calculates as follows:
  - Achievement <95% earns at 90%
  - Achievement <100% earns at 95%
- From target, the incentive earns on a sliding scale to super stretch

CEO and CFO targets

	On Target Percentage	Maximum Percentage
CEO	93%	140%
CFO	100%	150%

The CEO metric of 93% at target is aligned to Walmart frameworks. The CEO is measured on Massmart performance.

Key highlights:

- The financial metrics of EBIT at a 60% weighting and SG&A at a 20% weighting, drives focus on both the earnings element and disciplined expense management
- The non-financial metric of 20% drives non-financial performance, inclusive of transformation and sustainability measures

- The Remuneration Committee has reconsidered the Game modifier and has unanimously agreed that this modifier has not been the most effective method of driving the Game turnaround, particularly given the majority of the Executive Committee is not able to actively influence the Game recovery plan. It has been agreed that the Game modifier will not be utilised as a performance measure in 2022. The Board and management will be considering other methods of driving the Game turnaround

Financial performance:

Financial metric (80%)	Threshold (33% outcome)	Target (67% outcome)	Stretch (100% outcome)	Super-stretch (133% outcome)
EBIT	90% of Plan	100% of Plan	107% of Plan	115% of Plan
SG&A*	90% of Plan	100% of Plan	107% of Plan	115% of Plan

\* The SG&A metric supports our strategy to improve SG&A, which measures the ratio of selling, general and administrative expenses compared to target. To improve SG&A or leverage it, sales growth must be higher than expense growth. Major expenses classified as SG&A include (but are not limited to) payroll and related costs, physical building costs (i.e. rent, depreciation, utilities and maintenance), advertising and supplies etc.

Non-financial performance:

Non-financial performance: 20% of the AIP metric is linked to the performance scorecard. Targets are set at the beginning of each year and performance against these targets are measured at the end of each year. The non-financial targets have been specifically developed to drive key non-financial business goals over time. These goals are reviewed annually to align them with prevailing business requirements and are defined in such a way that the measurement of achievement against these goals is clear and measurable.

At Executive Committee level, the scores utilised are linked to both strategic goals and to specific non-financial goals incorporating B-BBEE, driving representation in race and gender as well as sustainability goals. These metrics are set and measured annually and are aligned to business strategic initiatives at the time.

AIP scorecard for Executive Directors and Prescribed Officers for 2022

Non-Financial metric (20%)	Weighting	Required Outcomes	Payout potential
B-BBEE	5%	Retain Level 4 B-BBEE score	Based on a sliding scale: Level 4: Supermax payout at 150% Level 5: 100% Level 6: 75%
Driving Diversity (Total of 10%)	5%	Population Group: At least 50% of external appointments must be African or Coloured	Sliding scale: Each metric will be measured on a sliding scale from minimum achievement to supermax. From 85% achievement, a stretch target has been introduced that scales up to a maximum of 120% Example: 50% achievement will earn at 50% 85% achievement will earn at 85% 100% achievement will earn at 120%
	5%	Gender: At least 35% of external appointments must be female	
Corporate Sustainability	5%	Bring seven solar plants, with a combined capacity of 2.3MW online	All or nothing

Given the changes to the B-BBEE requirements, we have introduced a sliding scale

Formula:

Group:

AIP = (Monthly basic salary x target no. of months) x  
(80% x Group financial performance result) x  
(20% x non-financial or personal performance rating)

Business unit:

AIP = (Monthly basic salary x target no. of months) x  
(40% x Group financial performance result) x  
(40% x business unit financial performance result) x

Game modifier

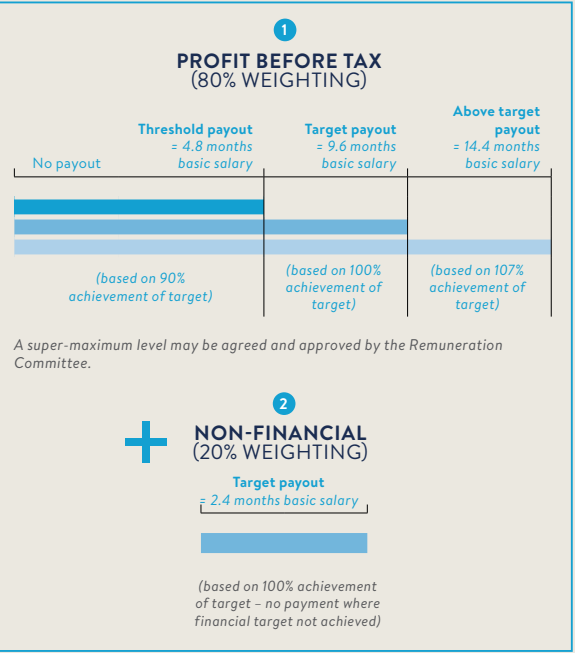
Game modifier = (Total AIP payout value x Game EBIT  
actual performance %)

The targets and modifications associated with the  
Game modifier are as follows:

Metric	Below threshold (-10% on calculated AIP)	Threshold (0% on calculated AIP)	Target (10% on calculated AIP)	Stretch (17% on calculated AIP)	Super- stretch (+25% on calculated AIP)
Game	< 90% of Plan	90% of Plan	100% of Plan	107% of Plan	115% of Plan
EBIT					

The Game modifier was utilised as a measure in 2021 but  
will not be renewed in 2022.

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



SHARE INCENTIVE PLAN

Massmart’s long-term incentive  
plan rewards participating  
associates with a wealth creation  
opportunity over the longer  
term that has a direct link to  
business performance and the  
creation of shareholder value.

SIP

LONG-TERM INCENTIVES

Eligibility

Selected senior level permanent associates, including  
Massmart Executives, are eligible to participate in the  
Massmart Share Plan. This plan is designed to achieve  
two objectives:

- Link associate performance to shareholder interests  
which drives sustained performance
- Retain key skills and motivate associates over the  
longer term

Initial qualification is based on motivation by the  
Executive Committees of each of the business  
units and the Massmart Executive Committee.  
Final approval for participation is provided by the  
Remuneration Committee. With effect from 2021, the  
following changes were applied to the mix of awards:

- Removal of the retention component for Executive  
Committee members and senior leaders. The  
removal of the retention component at this level  
effectively creates a 100% pay for performance link  
at senior level. Retention shares will remain as  
a retention tool at levels below these
- Change in performance measures with profitability  
as a key component of our business strategy, which  
has increased our long-term focus on profit and  
Company performance

Metric	Weighting	Threshold (33% outcome)	Target (67% outcome)	Stretch (100% outcome)
HEPS *	35%	90% of Plan	100% of Plan	107% of Plan
ROIC	45%	90% of Plan	100% of Plan	107% of Plan
Comp Sales**	20%	90% of Plan	100% of Plan	107% of Plan

HEPS, ROIC and Comp sales create a balanced  
performance-orientated approach which links  
remuneration outcomes to Massmart’s long-term  
strategy for sustainable growth.

\* HEPS will be measured on growth percentage e.g. target = CPI+ GDP+  
Turnaround spread. Massmart does not have a comparable group due  
to the diversity in the Group.

\*\* Comparable store sales and expenses are the sales and expenses  
for all stores/operations that existed for the full 12 months and is a  
measure of comparability year-on-year.

Operation and instruments

**Performance shares:** The performance share plan  
has specific performance metrics that are measured  
individually against approved Group-level targets,  
over three separate years. Each target has a  
performance range between 50% and 150% and the  
final awards are calculated based on a sliding scale  
in the range.

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

Value of awards

Currently, at Executive Committee level, only  
performance shares are awarded. The value of the  
award is 100% of guaranteed package for the CEO,  
CFO and business unit CEO’s. The balance of the  
Executive Committee receives an annual award of  
65% of annual guaranteed package.

Limits and settlement

The approved Company limit for shares under this  
Plan have been revised to 10,972 million shares, which  
is 5% of the shares in issue. An additional amount of  
7.5% of the shares purchased have been utilised and  
ring-fenced for the Massmart share option plans,  
which are no longer active. Massmart has purchased  
shares in the market since listing occurred.

The settlement of grants and awards are done  
primarily through on-market share purchases.  
Massmart remains committed to purchasing shares  
in the market to manage dilution. Individually, one  
participant may not exceed four million shares.



Executive service contracts

All Executives, with the exception of the CEO, have permanent employment contracts with notice periods of up to six months, dependent on their level in the business. Some legacy contracts remain for notice periods up to 12 months. Executives with key trade knowledge are also subject to Restraint of Trade agreements, which are enforceable at the Company’s sole discretion. No long-term restraint contracts have been implemented. The CEO is permanently employed by Walmart and is employed at Massmart through an expatriate assignment contract which is subject to an approved South African work visa.

Retention and sign-on payments

The Remuneration Committee has the authority to approve sign-on awards for the attraction of candidates with scarce or key skills and for specific business reasons. Sign-on and buy-out agreements are payable in cases of short- or long-term award forfeiture and generally only forfeitures within a 12-month window are considered. Payment would typically be in the form of delayed cash payments or share awards. Retention payments may be used to retain high value associates for a period of time. Any retention and sign-on payments for Executive Directors and Prescribed Officers are subject to the Remuneration Committee approval. Sign-on payments at management level can be approved by the Massmart Executive Committee, with Remuneration

Committee oversight. All retention and sign-on payments are subject to clawback of up to two years depending on the value. All retention awards are subject to Remuneration Committee approval.

Malus and clawback

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

Both malus and clawback are applicable three years prior and three years post-award.

Termination of office

The principle governing the payment of employment benefits on termination is dictated by the termination reason. Voluntary termination or dismissal will lead to forfeiture of all unvested awards. Associates who terminate by reason of death, disability, retirement, sale of business as a going concern or operational requirements, are termed as good leavers and will be eligible to receive a pro-rata portion of unvested awards. All payments on termination of office are aligned to policy.

	Voluntary termination	Involuntary termination (good leavers)
Guaranteed Package	Payable to last day of service	
Retirement funding	Benefit ceases on termination and members are entitled to termination benefits in terms of the rules	Benefits payable in terms of the rules
Medical aid	Benefit ceases on termination and members are entitled to termination benefits in terms of the rules	Benefit ceases on termination with the exception of retiring associates with Post-Retirement Medical Aid benefits (PRMA)
AIP	Benefit is only payable if AIP performance threshold is met, individual performance requirements are met and the associate is in service on date of payment	Benefit is only payable if AIP performance threshold is met, individual performance requirements are met and the associate is in service on date of payment. Retirements and deaths in-service will receive a pro-rata AIP payment
SIP	Unvested shares are forfeited on termination	Unvested shares are subject to accelerated vesting under the rules of the Plan
Severance pay	Not applicable	Operational requirements – two weeks for every completed year in service
Notice pay	Not applicable	Payable in terms of the employment contract on termination due to operational requirements

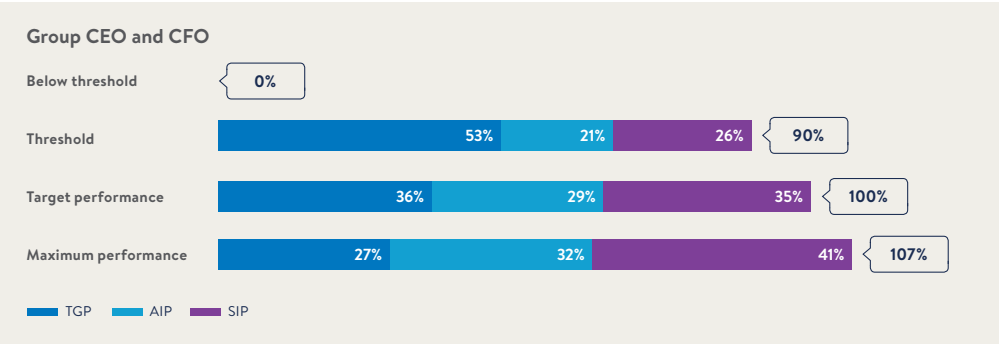
Executive Committee pay mix

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

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

Potential award mix:

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



Non-Executive Director fees

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

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

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

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

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

The Walmart-appointed Non-Independent Non-Executive Directors, employed by Walmart, do not receive fees from Massmart.

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

Non-Executive Directors fee review 2022

After due consideration of Non-Executive Directors current fees against market and the Massmart peer group, we have tabled a recommendation of a 4% average increase in fees at our AGM in May 2022, which is consistent with increase levels awarded to our associates in July 2021 and leaders in January 2022.

When we compared the fees of our Non-Executive Directors with those of our peers and other listed companies, we noted that the fees of our Chairman is not market-related and tracks lower than that of his peers. We have therefore proposed a larger increase for the Chairman and scaled increases for the rest of the Non-Executive Directors. As noted above, the average percentage increase remains at 4% overall and we are comfortable that our Non-Executive Director fees are market-related and aligned to our peer group. The Chairman was recused from the meeting when his fee increase was discussed and agreed.

Proposed fees

Role	2022 Fee (R'000)	2021 Fee (R'000)	% Change
Chairman of the Board	1,790.0	1,645.0	8.8%
Deputy Chairman of the Board	912.6	877.5	4.0%
Independent Non-Executive Directors	456.5	439.0	4.0%
Audit Committee Chairman	400.0	384.5	4.0%
Risk Committee Chairman	312.5	302.0	3.5%
Remuneration Committee Chairman	312.5	302.0	3.5%
Nominations and Social and Ethics Committee Chairmen	312.5	302.0	3.5%
Audit Committee members	199.0	192.3	3.5%
Other Board Committee members	159.0	153.6	3.5%

The full Massmart Remuneration Policy is available on the Group's website.

PART THREE

Remuneration  
review

Implementation of the Remuneration Policy  
during the year ended December 2021

This section provides information on the implementation of our Remuneration Policy in 2021 and confirms how Executive pay and performance against incentive plans is aligned to business performance. Details on payments made to Executive Directors, members of the Executive Committee and senior management are noted in this section.





## TOTAL GUARANTEED PACKAGE

The Committee remains alert to the concentrated and highly competitive nature of the South African retail market, as well as a shortage of retail-specific skills and sets remuneration levels accordingly.

TGP

Massmart's Executive Committee and senior leadership received an average annual increase of 4% in January 2021. These increases were aligned with increases received by the associate population in July 2020. Increases provided to associates in operations and non-management associates at head and regional offices were awarded in July 2021 at a mandated average of 4%. Massmart's Executive Committee and senior leadership receive their increases in January 2022, which will align to the mandated average of 4%.

The Remuneration Committee approved the following increases for the CEO and CFO as follows:

Executive Directors	2021	2020	% Increase	Currency
Mitch Slape	594,500	580,000	2.45%	USD
Mohammed Abdool-Samad	6,678,000	6,300,000	6%	ZAR

- Mitch's increase of 2.45% was awarded in April 2021
- Mohammed's increase of 6% was awarded in January 2021. As disclosed in the 2020 remuneration report, the increase was awarded based on Mohammed's significant contribution to financial control and expense management in the Group. Mohammed's earnings remain market-related.

## ANNUAL INCENTIVE PLAN

As disclosed on page 123, the AIP for 2021 was linked to the approved annual EBIT and SG&A results, as well as the achievement against non-financial targets. As has been noted in the Policy, if the business does not achieve 90% financial performance, participants will not be entitled to a personal performance payout.

PBIT performance makes up the majority of the AIP (60%) and is therefore a key determinant as to whether management receives any bonus for delivery of personal objectives.

In designing the STI structure in 2021, the Board felt strongly that foundational cost reduction (SG&A reduction) was of vital importance to the long-term success of Massmart as a Company. It is for this reason that it was included as a part of the AIP plan and weighted at 20%.

AIP

Three important considerations guided the Board's recommendation on the creation of this additional SG&A target:

- Given the weighting of the metric at 20%, the SG&A target will be self-funded – most particularly during the 3-year Turnaround journey
- Driving a low-cost mindset is fundamental to the Massmart Turnaround plan and supports the principles of everyday low cost (EDLC) and EDLP
- It is feasible that PBIT thresholds can be achieved whilst not achieving SG&A targets through driving other elements of the P&L, such as sales and margin, however, the Board considered such practices to be counter to the fundamental cost reset that management was expected to drive

One of the key benefits is the focus on cost management in the business is that it has resulted in a significantly improved cost conscious culture at Massmart, and in combination with the Smart Spend delivery, has resulted in SG&A being flat year-on-year, despite inflationary pressure, significant relief credits in 2020, and a changing environment from a labour, energy and operating cost point of view.

During 2021, Massmart outperformed on the SG&A metric by 50%, but there was an underperformance on PBIT. The 20% SG&A metric triggered a financial AIP payment of 30% of the 80% financial metric. However, as Massmart did not achieve a total financial threshold of 90%, no personal component was paid.

The Game modifier achieved below threshold so 10% was deducted from the final AIP payment for the Massmart Executive Committee.

The Board supports the transparent reporting of Executive remuneration but believes that disclosing the prospective PBIT target, which forms the basis for the AIP achievement and pay-out calculation, is commercially sensitive and has therefore not been disclosed.

### Financial achievement

The table below illustrates the Group financial achievement against target:

Metric	Weighting	Threshold	Target	Stretch	Achievement
	80%	90%	100%	107%	
EBIT (Rm)	60%	2,147	2,385.6	2,552	1,029
SG&A (Rm)	20%	19,113	18,874.5	18,707	17,737

### Non-financial goals and achievement

Executive Director	Target	Weighting	Achievement	Bonus outcome
Mitch Slape	Retain Level 4 B-BBEE	5%	Achieved	R0
	Diversity	10%	Not achieved	R0
	Sustainability	5%	Achieved	R0
Mohammed Abdool-Samad	Retain Level 4 B-BBEE	5%	Achieved	R0
	Diversity	10%	Not achieved	R0
	Sustainability	5%	Achieved	R0



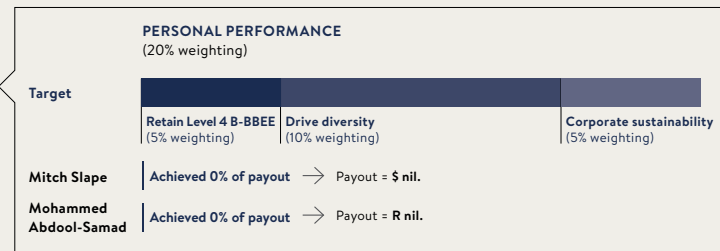
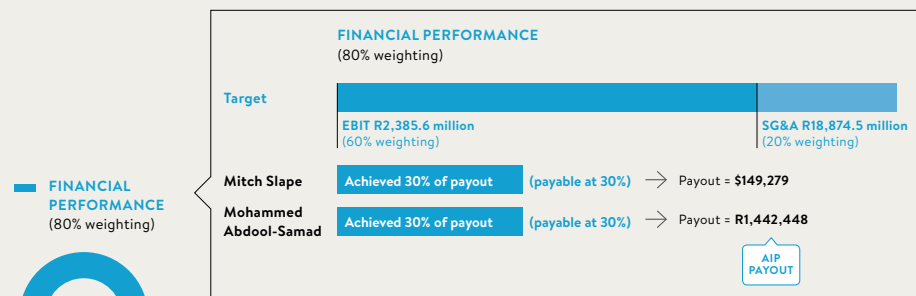
## Game Modifier

### FY21 Plan

Below Threshold	Threshold	Plan	Max	Supermax	Achievement (Rm)
(R27,069,028)	R0	R27,069,028	R54,138,055	R81,207,083	(R726.6)
(10%)	0%	10%	17.5%	25%	(10%)

### AIP financial performance history and Executive Director total payout

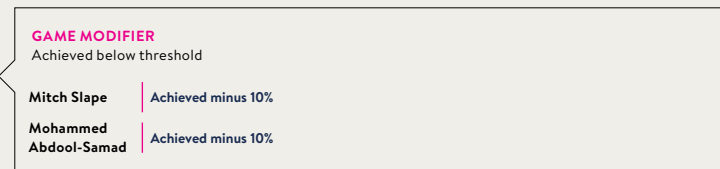
Financial year	AIP financial achievement	Payout percentage	Non-financial Achievement	Game Modifier	ED earnings	
					Mitch Slape	Mohammed Abdool-Samad
2021	30%	30%	0%	(10%)	\$149,279	R1,442,448
2020	94%	90%			\$289,928	R2,709,000
2019	38%	0%			R0	R0



## GAME MODIFIER



-10% or +25% depending on the financial performance of Game



## SHARE INCENTIVE PLAN

The SIP was established in September 2013 and up to and including 2020, was linked to approved ROI and sales targets. The first vesting of this plan took place in September 2016.

SIP

From 2021, the metrics were revised to Headline Earning Per Share (HEPS), weighted at 35%, comparable store sales weighted at 20% and Return on Invested Capital (ROIC), weighted at 45%. Senior management earn Performance Shares only.

The table below reflects SIP targets and achievements for 2021. The next vesting of Performance share awards will take place in April 2022 (for performance in years 2019/2020/2021).

The vesting of awards issued in 2019 will be as a result of the following performance achievements to target in the subsequent three years: 38.28% in 2019, 26.49% in 2020 and 0% in 2021.

The next vesting of restricted share grants will take place in September 2022.

### Share vesting

Metric	Weighting	Threshold	Target	Max	Achievement	Weighted payout
HEPS (cents)	35%	177	287.0	364	(179)	0.0%
ROIC (%)	45%	10.99%	12.11%	12.89%	5.28%	0.0%
Comp Sales (Rm)	20%	91,167	99,095.4	106,032	89,099	0.0%

The Board believes that the financial targets which form the basis of the SIP achievement and pay-out calculation, are commercially sensitive information and therefore have not been disclosed. Annual targets are set taking into account the required improvement of performance, taking into account the key elements of financial performance in light of our Turnaround plan, and shareholder and market expectations.

### Definition of SIP performance measures:

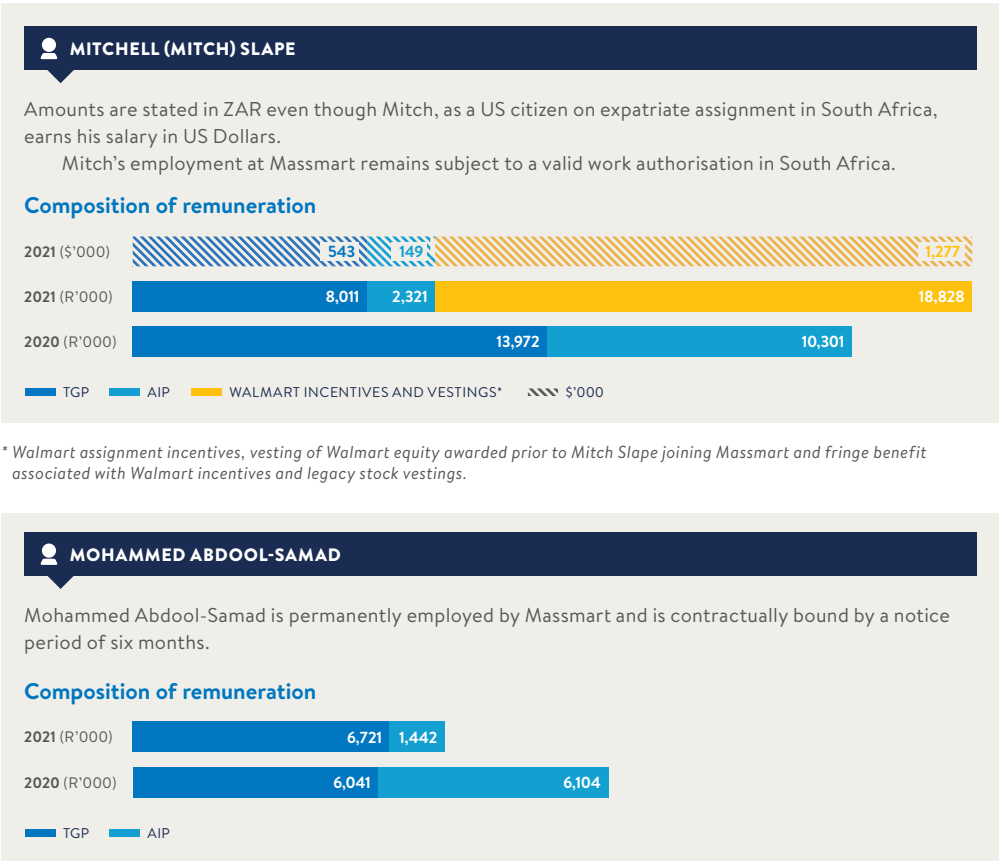
**Comp Sales:** Comparable store sales are the sales for all stores/ operations that existed for the full 12 months and is a measure of comparability year-on-year.

**Return on invested capital (%):** adjusted operating profit/average invested capital. Adjusted operating profit includes finance income and adds back depreciation, amortisation and rentals. Average invested capital is average total assets of continuing operations plus average accumulated depreciation and amortisation less average accounts payable less average accrued liabilities plus occupancy costs x8.

**Headline Earnings Per Share:** Calculated by dividing the Company's annual earnings from its ongoing normal business activities, excluding any exceptions as per the SAICA circular on Headline Earnings which are not part of its continuing business, by the weighted average number of shares which it had in issue during the year.



Executive Directors’ contracts and earnings



Executive Directors’ single total figure remuneration overview

R'000	Mitch Slape \$'000	Mitch Slape R'000	Mohammed Abdool-Samad R'000
Guaranteed package	468	6,903	5,903
Other benefits	75	1,108	818
Short-term incentive	149	2,321	1,442
Walmart Assignment Incentives	492	7,258	-
Legacy Walmart Restricted Stock Vesting *	561	8,273	-
Fringe benefit associated with Walmart incentives and legacy stock vesting**	224	3,297	-
<b>Total 2021 (USD average exchange rate: 14.75)</b>	<b>1,969</b>	<b>29,160</b>	<b>8,163</b>
Total 2020*** (USD average exchange rate: 16.36)	1,484	24,273	14,400
% increase/(decrease)	32.7%	20.1%	(43.3%)
% of earnings performance based: short-term	7.6%	8.0%	17.7%

\* Vesting of Walmart equity awarded prior to Mitch Slape joining Massmart.

\*\* Fringe benefits associated with the equalization of taxes as part of Mitch Slape's expat assignment.

\*\*\* Mohammed Abdool-Samad's prior year number included the final tranche of his sign-on bonus, being R3.4 million. Excluding that from his prior number reflects a like-on-like comparison, with the current year showing a 25.8% decrease on the prior year.

Interests of Directors in the Company's share scheme

Details of Directors' shares and share options per Director:

	Grant dates	Number of shares/share options	Vesting dates
<b>M Abdool-Samad</b>			
<b>Employee Share Incentive Plan</b>			
<b>Balance at December 2020</b>		359,818	
Performance share award	9-Apr-21	120,603	9-Apr-24
Performance share award forfeitures*	10-Apr-20	(40,678)	10-Apr-23
<b>Balance at December 2021</b>		439,743	
<b>Comprising:</b>			
Restricted share grant	13-Sep-19	47,474	13-Sep-22
Restricted share grant	13-Sep-19	47,474	13-Sep-23
Restricted share grant	13-Sep-19	47,492	13-Sep-24
Performance share award	10-Apr-20	125,338	10-Apr-23
Restricted share grant	11-Sep-20	17,121	11-Sep-23
Restricted share grant	11-Sep-20	17,121	11-Sep-24
Restricted share grant	11-Sep-20	17,120	11-Sep-25
Performance share award	9-Apr-21	120,603	9-Apr-24

\* Due to unmet performance conditions.

Payments made on termination of office

There were no termination payments made in the year under review.

Compliance and deviation from the Remuneration Policy

There were no deviations from the Remuneration Policy during the financial year.

Non-Executive Directors’ remuneration summary

As approved by the shareholders at Massmart’s May 2021 AGM, the following fees were paid to Non-Executive Directors in the financial year ending December 2021.

Role	2021 FEE (R'000)
<b>Non-Executive Directors</b>	
KD Dlamini	2,063.8
NN Gwagwa <sup>1</sup>	705.0
O Ighodaro	1,251.6
P Langeni <sup>1</sup>	865.0
L Mthimunye	871.4
D. Beckom <sup>2</sup>	197.5
C Redfield	-
S Muigai <sup>1</sup>	-
JP Suarez	-
S. Zilwa <sup>2</sup>	362.3
<b>Total</b>	<b>6,316.6</b>

<sup>1</sup> Resigned with effect from 27 August 2021.

<sup>2</sup> Appointed with effect from 27 August 2021.

## Executive Committee members

for the year ended 26 December 2021

R'000	Short-term benefits (salaries, benefits and short- term incentives)	Retirement benefits	Other long-term benefits	Gains on exercise of share options and shares vested	2021
Executive manager A	11,239	351	–	454	12,044
Executive manager B	13,888	449	–	511	14,848
Executive manager C <sup>1</sup>	3,330	301	–	–	3,631
Executive manager D	17,074	487	–	440	18,001
Executive manager E	5,419	279	–	–	5,698
Executive manager F	21,683	676	–	482	22,841
Executive manager G <sup>2</sup>	4,512	344	–	–	4,856
Executive manager H	3,285	260	–	35	3,580
	<b>80,430</b>	<b>3,147</b>	<b>–</b>	<b>1,922</b>	<b>85,499</b>

## Executive Committee members

for the year ended 27 December 2020

R'000	Short-term benefits (salaries, benefits and short- term incentives)	Retirement benefits	Other long-term benefits	Gains on exercise of share options and shares vested	2020
Executive manager A	4,982	320	–	249	5,551
Executive manager B	8,562	432	–	268	9,262
Executive manager C <sup>1</sup>	2,158	145	–	–	2,303
Executive manager D	8,075	441	–	284	8,800
Executive manager E	4,723	225	–	–	4,948
Executive manager F	10,236	655	–	680	11,571
Executive manager G <sup>2</sup>	1,242	84	–	–	1,326
Executive manager H	3,221	218	–	–	3,439
Executive manager I <sup>3</sup>	2,268	141	–	54	2,463
	<b>45,467</b>	<b>2,661</b>	<b>–</b>	<b>1,535</b>	<b>49,663</b>

<sup>1</sup> Appointed 1 June 2020.

<sup>2</sup> Appointed 1 October 2020.

<sup>3</sup> Resigned 31 May 2020.

## Directors' emoluments

for the year ended 26 December 2021

R'000	Services as Directors of Massmart Holdings Limited	Salary and allowances	Bonuses and performance related payments <sup>1</sup>	Other benefits	Retirement and related benefits <sup>1</sup>	Subtotal	Gains on exercise of share options and on shares purchased by Directors	Total
<b>Executive Directors</b>								
M Sape	–	6,903	17,852	4,405	–	29,160	–	29,160
M Abdool-Samad	–	5,342	1,442	818	561	8,163	–	8,163
	–	12,245	19,294	5,223	561	37,323	–	37,323
<b>Non-Executive Directors</b>								
KD Dlamini	2,064	–	–	–	–	2,064	–	2,064
O Ighodaro	1,252	–	–	–	–	1,252	–	1,252
P Langeni <sup>2</sup>	865	–	–	–	–	865	–	865
L Mthimunye	871	–	–	–	–	871	–	871
NN Gwagwa <sup>2</sup>	705	–	–	–	–	705	–	705
S Zilwa <sup>3</sup>	362	–	–	–	–	362	–	362
D Beekom <sup>3</sup>	198	–	–	–	–	198	–	198
C Redfield	–	–	–	–	–	–	–	–
S Muigai <sup>2</sup>	–	–	–	–	–	–	–	–
JP Suarez	–	–	–	–	–	–	–	–
	6,317	–	–	–	–	6,317	–	6,317
<b>Total</b>	<b>6,317</b>	<b>12,245</b>	<b>19,294</b>	<b>5,223</b>	<b>561</b>	<b>43,640</b>	<b>–</b>	<b>43,640</b>

<sup>1</sup> In order to match incentive awards with the performance to which they relate, bonuses above reflect the amounts accrued in respect of each year and not the amounts paid in that year.

<sup>2</sup> Resigned with effect from 27 August 2021.

<sup>3</sup> Appointed with effect from 27 August 2021.



## Directors' emoluments

### December 2020

R'000	Services as Directors of Massmart Holdings Limited	Salary and allowances	Bonuses and performance related payments <sup>1</sup>	Other benefits	Retirement and related benefits	Subtotal	Gains on exercise of share options and on shares purchased by Directors	Total
<b>Executive Directors</b>								
M Slape	-	7,110	10,301	6,862	-	24,273	-	24,273
M Abdool-Samad	-	4,740	6,104	772	529	12,145	-	12,145
	-	11,850	16,405	7,634	529	36,418	-	36,418
<b>Non-Executive Directors</b>								
KD Dlamini	1,860	-	-	-	-	1,860	-	1,860
NN Gwagwa	962	-	-	-	-	962	-	962
O Ighodaro	996	-	-	-	-	996	-	996
P Langeni	1,302	-	-	-	-	1,302	-	1,302
L Mthimunye	695	-	-	-	-	695	-	695
S Muigai	-	-	-	-	-	-	-	-
E Ostalé <sup>2</sup>	-	-	-	-	-	-	-	-
C Redfield <sup>3</sup>	-	-	-	-	-	-	-	-
JP Suarez	-	-	-	-	-	-	-	-
	<b>5,815</b>					<b>5,815</b>	-	<b>5,815</b>
<b>Total</b>	<b>5,815</b>	<b>11,850</b>	<b>16,405</b>	<b>7,634</b>	<b>529</b>	<b>42,233</b>	-	<b>42,233</b>

<sup>1</sup> In order to match incentive awards with the performance to which they relate, bonuses above reflect the amounts accrued in respect of each year and not the amounts paid in that year.

<sup>2</sup> Resigned with effect from 25 February 2020.

<sup>3</sup> Appointed with effect from 25 February 2020.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of holders of all classes of shares of the Company will be held at The Protea Room, Massmart House, 16 Peltier Drive Sunninghill Ext 6 Sandton and also by way of electronic communication (in accordance with section 63(2) of the Companies Act) on Thursday, 19 May 2022 at 12h00, for purposes of:

- Transacting the following business:
  - presenting the Group audited consolidated Annual Financial Statements of the Company and its subsidiaries (Group) for the year ended December 2021, and the associated Directors' report and Independent Auditors report, the Audit Committee report and the Social and Ethics Committee report;
  - electing Directors in the place of those resigning and/or retiring in accordance with the Company's Memorandum of Incorporation;
  - the election and appointment of Ernst & Young Inc. (with Amelia Young) as the Company's external auditors for the 2022 financial year;
  - the election of KPMG as auditors for the 2023 financial year, pursuant to mandatory audit firm rotation effective 1 January 2023; and
  - such other business as may be transacted at an AGM.
- Considering and, if deemed fit, passing, with or without modification, the below mentioned ordinary and special resolutions.

The Board of Directors of the Company has determined, in accordance with section 59 of the Companies Act 71 of 2008, as amended (the Act), that the respective record dates for shareholders to be recorded as shareholders in the securities register of the Company in order to:

- be entitled to receive this notice of AGM is Friday, 8 April 2022;
- the last date to trade in order to be entitled to attend, participate and vote at the AGM is Tuesday, 10 May 2022;
- be entitled to attend, participate and vote at the AGM is Friday, 13 May 2022; and
- lodge forms of proxy by 12h00 on Tuesday, 17 May 2022.



Due to the Covid-19 pandemic, and the guidance in respect of the latest regulations, the AGM of Massmart Holdings Limited will be held at The Protea Room, Massmart House, 16 Peltier Drive Sunninghill Ext 6 Sandton and electronically. Accordingly, shareholders may either attend the AGM at the physical offices of the Company or by way of electronic participation. Ordinary shareholders holding dematerialised shares in their own name, or who hold shares that are not dematerialised (certificated shares), who are entitled to attend, participate in, and vote at the AGM may appoint one or more proxies to attend, participate and vote in their stead. Shareholders entitled to attend, participate in and vote at the AGM or proxies of such shareholders that wish to participate in and/or vote at the AGM by way of electronic participation must register online using the online registration portal at <https://www.lumiconnect.com/en/events>, prior to the commencement of the AGM. Shareholders will be required to provide identification reasonably satisfactory to the office of the Company Secretary for purposes of verifying the shareholders right to participate. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports. If you are a beneficial shareholder, but not a registered shareholder as at the record date, do not complete a proxy attached to this, but:

- i. if you wish to participate in the AGM, you must obtain the necessary letter of representation from your Central Securities Depository Participant (CSDP) or broker to represent the registered shareholder; or
- ii. if you do not wish to attend the AGM but would like your vote to be recorded at the AGM, you should contact your CSDP or broker and furnish them with your voting instructions.

### Ordinary business

The full consolidated Annual Financial Statements of the Company and the Group (as approved by the Directors of the Company), including the Directors' report, Independent Auditor's report and the Audit Committee report for the year ended December 2021, circulated together with this notice of AGM, are presented to the shareholders for their consideration.

### Ordinary resolutions

#### Ordinary resolution number 1

"Resolved that Daria Beckom, who was appointed during the reporting period and has offered herself for election, be and is hereby elected to the Board of Directors of the Company as a Non-Executive Director (Walmart-nominee)."

In terms of the Act, more than 50% of the voting rights exercised on this resolution must be cast in favour of ordinary resolution number 1 for it to be adopted.

The Director's profile can be viewed on [page 34](#).

#### Ordinary resolution number 2

"Resolved that Sindiswa Zilwa, who was appointed during the reporting period and has offered herself for election, be and is hereby elected to the Board of Directors of the Company as an Independent Non-Executive Director."

In terms of the Act, more than 50% of the voting rights exercised on this resolution must be cast in favour of ordinary resolution number 2 for it to be adopted.

The Director's profile can be viewed on [page 35](#).

#### Ordinary resolution number 3

"Resolved that Kuseni Dlamini, who retires by rotation has offered himself for re-election, be and is hereby re-elected to the Board of Directors of the Company in his capacity as Independent Non-Executive Director and Chairperson."

In terms of the Act, more than 50% of the voting rights exercised on this resolution must be cast in favour of ordinary resolution number 3 for it to be adopted.

The Director's profile can be viewed on [page 35](#).

#### Ordinary resolution number 4

"Resolved that Lindiwe Mthimunye, who retires by rotation has offered herself for re-election, be and is hereby re-elected to the Board of Directors of the Company in her capacity as Independent Non-Executive Director."

In terms of the Act, more than 50% of the voting rights exercised on this resolution must be cast in favour of ordinary resolution number 4 for it to be adopted.

The Director's profile can be viewed on [page 35](#).

#### Ordinary resolution number 5

"Resolved that Ernst & Young Inc. (with Amelia Young as the Audit Partner) be and are hereby elected as the Company's external auditors for the ensuing financial year until the Company's next AGM, as approved by the Audit Committee and recommended to shareholders."

In terms of the Act, more than 50% of the voting rights exercised on this resolution must be cast in favour of ordinary resolution number 5 for it to be adopted.

#### Ordinary resolution number 6

"Resolved that KPMG Inc. (Terence Cheadle as the Audit Partner) be and are hereby elected as the Company's external auditors, effective 1 January 2023, for the ensuing financial year until the Company's next AGM, as approved by the Audit Committee and recommended to shareholders."

In terms of the Act, more than 50% of the voting rights exercised on this resolution must be cast in favour of ordinary resolution number 6 for it to be adopted.

#### Ordinary resolution number 7

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

- 7.1 Olufunke Ighodaro (Chairman)
- 7.2 Lindiwe Mthimunye
- 7.3 Sindiswa Zilwa (subject to passing of ordinary resolution 2)."

In terms of the Act, more than 50% of the voting rights exercised on each of these resolutions must be cast in favour of each of ordinary resolution numbers 7.1, 7.2 and 7.3 for such resolutions to be adopted.

All the proposed members of the Audit Committee are Independent Non-Executive Directors. The Board of Directors have reviewed the proposed composition of the Audit Committee against the provisions of the Act (together with its Regulations) and in terms of the JSE Listings Requirements and has confirmed that, if all the individuals referred to above are elected, the Committee will comply with the relevant requirements and have the necessary knowledge, skills and experience to enable it to perform its duties in terms of the Act and the JSE Listings Requirements.

The Committee members' profile can be viewed on [page 35](#).

#### Ordinary resolution number 8

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

- 8.1 the securities shall be of a class already in issue, or convertible into a class already in issue;
- 8.2 the securities shall be issued to public shareholders (as defined in the JSE Listings Requirements) and not to related-parties (as defined in the JSE Listings Requirements);
- 8.3 the issues of securities in the aggregate under the authority of this resolution during the period in 8.5 below shall not exceed 5% (10,956,940) of the number of securities of that class already in issue as at the date of this notice of AGM, excluding treasury shares, being 219,138,809 ordinary shares, determined in accordance with the relevant provisions of the JSE Listings Requirements, provided that:
  - 8.3.1 any equity securities issued under the authority during the period contemplated in 8.5 below must be deducted from such number in 8.3 above; and
  - 8.3.2 in the event of a sub-division or consolidation of the issued equity securities during the period contemplated in 8.5 below, the existing authority must be adjusted accordingly to represent the same allocation ratio.
- 8.4 the maximum discount at which the shares may be issued shall be 10% of the weighted average traded price of the shares of the Company measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares (or, if no shares of the Company have been traded in that period, subject to a ruling by the JSE);
- 8.5 the authority hereby granted will be valid until the Company's next AGM, provided that it will not extend beyond 15 months from the date on which this resolution is passed; and
- 8.6 once shares representing, on a cumulative basis within the period contemplated in 8.5 above, 5% or more of the Company's issued ordinary and/or preference shares prior to that issue, have been issued, the Company shall publish an announcement in accordance with the JSE Listings Requirements."

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

The Directors have decided to seek annual renewal of this authority in accordance with best practice. The Directors have no current plans to make use of this authority but wish to ensure that, by having it in place, the Company has some flexibility to take advantage of any business opportunities that may arise in the future.

#### Ordinary resolution number 9

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

The resolution is proposed to shareholders to endorse the Company’s Remuneration Policy as set out on [page 115](#). Shareholders are reminded that, in terms of the King IV report on governance for South Africa (King IV), the passing of this non-binding resolution is by way of a non-binding advisory vote. In the event that at least 25% (twenty-five percent) of the voting rights exercised on this advisory vote are against the Remuneration Policy, the Board undertakes to implement the consultation process set out in the Remuneration Policy read together with King IV.

#### Ordinary resolution number 10

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

The resolution is proposed to shareholders to endorse the Company’s Remuneration Implementation Report as set out on [page 129](#). Shareholders are reminded that, in terms of King IV, the passing of this non-binding resolution is by way of a non-binding advisory vote. In the event that at least 25% (twenty-five percent) of the voting rights exercised on this advisory vote are against the Remuneration Implementation Report, the Board undertakes to implement the consultation process set out in the Remuneration Policy read together with King IV.

### Special resolutions

#### Special resolution number 1

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

- 1.1 the authority hereby granted will be valid until the Company’s next AGM or for 15 months from the date of this special resolution, whichever period is shorter;
- 1.2 repurchases may not be made at a price greater than 10% above the weighted average of the market value for the shares determined over the five business days immediately preceding the date that the repurchase is effected (or, if no shares of the Company have been traded in that period, subject to a ruling by the JSE);
- 1.3 repurchases in the aggregate in any one financial year shall not exceed 10% of that class of the Company’s issued shares;
- 1.4 the repurchase of shares will be effected through the order book operated by the JSE trading system and will be done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- 1.5 the Company may appoint only one agent, at any point in time, to effect the repurchases on the Company’s behalf;
- 1.6 neither the Company nor its subsidiaries may repurchase shares during a prohibited period (as defined in the JSE Listings Requirements) unless a repurchase programme is in place where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company will instruct an independent third-party, which makes its investment decisions in relation to the Company’s securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and

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

#### Statement by the Board of Directors

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

- (a) the intention of the Directors is to utilise the authority given under special resolution number 1 at a future date, provided that the cash resources of the Company are in excess of its requirements. In this regard, the Directors will take into account, inter alia, an appropriate capitalisation structure for the Company and the long-term cash needs of the Company, and will ensure that any such utilisation is in the interests of the shareholders;
  - (b) having considered the effect of the maximum number of ordinary and preference shares that may be acquired pursuant to the authority given under special resolution number 1: the Company and the Group will in the ordinary course of business be able to pay its debts for a period of 12 months after the date of this notice of AGM;
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of this notice of AGM, such assets and liabilities being recognised and measured in accordance with the accounting policies used in the Annual Financial Statements of the Company and the Group for the year ended December 2021;
  - the issued share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of this notice of AGM;

- the working capital available to the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of this notice of AGM; and
- the Company and its subsidiaries have passed the solvency and liquidity test as set out in section 4 of the Act and that since the application by the Board of Directors of the solvency and liquidity test, there have been no material changes to the financial position of the Group, has been passed.

The general authority to repurchase the ordinary and/or preference shares in the issued shares of the Company is limited to the authority granted 1.1 to 1.7 above.

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

- Major shareholders on [page 151](#);
- Share capital of the [Company on page 19 of the audited consolidated Group Annual Financial Statements](#)

The Directors, whose names are set out on [pages 34 to 35](#) of the Integrated Annual Report, collectively and individually, accept responsibility for the accuracy of information contained in this statement and certify that, to the best of their knowledge and belief, there are no other facts or omissions of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard.

Other than the facts and developments reported in the Integrated Annual Report, to which this notice of AGM forms part of, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the publication of the Group audited consolidated Annual Financial Statements for the year ended December 2021 to the date of this notice of AGM.

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

Role	2022 FEE (R'000)	2021 FEE (R'000)
2.1 Chairman of the Board	1,790.0	1,645.5
2.2 Deputy Chairman of the Board	912.6	877.5
2.3 Independent Non-Executive Directors	456.6	439.0
2.4 Audit Committee Chairman	400.0	384.5
2.5 Risk Committee Chairman	312.5	302.0
2.6 Remuneration Committee Chairman	312.5	302.0
2.7 Nominations and Social and Ethics Committee Chairmen	312.5	302.0
2.8 Audit Committee member	199.0	192.3
2.9 Other Board Committee members	159.0	153.6



### Special resolution number 2

Resolved, as a special resolution, that the following Directors' remuneration (payable to the applicable Non-Executive Directors for services to be rendered by them in their capacities as such), be and is hereby approved, each by way of a separate vote, for the period commencing on 19 May 2022 to the date of the Company's next AGM.

In terms of the Act, at least 75% of the voting rights exercised on each of these resolutions must be cast in favour of special resolution numbers 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8 and 2.9 for such resolutions to be adopted. The Remuneration review for the year ended December 2021 can be found on [pages 110 to 138](#) of the Integrated Annual Report.

### Special resolution number 3

Resolved, as a special resolution, to the extent required in terms of, and subject to the provisions of, section 45 of the Act, that the shareholders hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution, any direct or indirect financial assistance as contemplated in such section of the Act to any one or more related or interrelated companies or corporations (as defined in the Act) of the Company that are currently or in the future have become subsidiaries (whether local or foreign) of the Company on such terms and conditions as the Board of Directors of the Company, or by any one or more persons or Committees authorised by the Board of Directors of the Company from time to time for such purpose, deems fit, provided that any such financial assistance shall not in the aggregate exceed an amount of R17 billion in any financial year.

In terms of the Act, at least 75% of the voting rights exercised on this resolution must be cast in favour of special resolution number 3 for it to be adopted.

The following direct and/or indirect financial assistance was provided by the Company to related and/or interrelated companies and/or corporations of the Company as at the financial year ended December 2021:

	Rbn
Cross suretyships in respect of banking facilities	12.6
Loans to subsidiary companies	1.9
<b>Total</b>	<b>14.5</b>

Before the below-mentioned limit may be exceeded shareholder approval under section 45 of the Act would again have to be sought.

In the event that the Company provides financial assistance to its subsidiary companies in the form of loans, the Company's solvency and liquidity will not be impaired as the Company will raise an asset in its

books for the equivalent amount then due by that subsidiary. Notice to shareholders of the Company in terms of section 45(5) of the Act of a resolution adopted by the Board authorising the Company to provide direct or indirect financial assistance.

By the time this notice of AGM is delivered to shareholders, the Board of Directors will have adopted a resolution (section 45 Board Resolution). This resolution will also authorise authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 3 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Act to any one or more related or interrelated companies or corporations of the Company and/or to any one or more members of any such related or interrelated company or corporation and/or to any one or more persons related to any such company or corporation, provided that any such financial assistance shall not in the aggregate exceed an amount of R17 billion in any financial year.

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

In as much as the section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the section 45 Board Resolution to shareholders. Such notice will also be provided to any trade union representing any associates of the Company.

### Special resolution number 4

Resolved, to the extent required in terms of and subject to the provisions of the Massmart Share Incentive Plan 2013 ("SIP"), that the shareholders hereby approve the amended SIP rules as presented to the shareholders.

The amended SIP rules contain the following amendments:

- the SIP rules have been amended to include provisions relating to malus; and
- the maximum aggregate number of Shares at any one time which may be acquired by Participants under the SIP is hereby reduced to 10,972,222 (ten million nine hundred and seventy-two thousand two hundred and twenty-two) Shares.

#### Extracts from the amendment SIP:

##### 8. Maximum number of shares which may be acquired by participants and company limits

- 8.1 Subject to 8.2, the prior approval, if required, of any securities exchange on which Shares are listed, and the prior authority of shareholders granted by way of an ordinary resolution passed by a 75% majority of the votes cast by the shareholders present or represented at a general meeting (excluding all of the votes attached to Shares owned or controlled by existing Participants in the Plan) shall be required if the aggregate number of Shares which may be acquired by:
- 8.1.1 all Participants under the Plan, ~~and Any Other Plan is to exceed 39,500,000 (thirty-nine million five hundred thousand) Shares~~, is not to exceed 10,972,222 (ten million nine hundred and seventy-two thousand two hundred and twenty-two) Shares. The aggregate number of Shares acquired by all Participants under Any Other Plan is not included in the aforesaid limit and such limit shall be governed in terms of the relevant rules of Any Other Plan; [Sch 14.1(b)]
- 8.1.2 any one Participant in terms of the Plan and Any Other Plan is to exceed 4,000,000 (four million) Shares. [Sch 14.1(c)]
- 8.2 Shares may be acquired through the JSE, in order to satisfy obligations in terms of the Plan. In the determination of the number of Shares which may be acquired by Participants in terms of 8.1, Shares shall not be taken into account, which have been purchased through the JSE. For the sake of clarity and notwithstanding anything to the contrary contained in these Rules, the aggregate number of Shares set out in 8.1.1 and 8.1.2 shall not "roll over" as contemplated under the Listings Requirements. In other words, once a Share is settled it shall not again thereafter be counted in the number of Shares comprising the aggregate amounts set out in 8.1.1 and 8.1.2 above. [Sch 14.9(c)] [Sch 14.12)]

##### 17. Malus

- 17.1 Notwithstanding any other provision of these Rules, should a Trigger Event occur and be discovered at any time before the Vesting of an Award or Grant to which the Remuneration Committee has specified that Malus applies, the Remuneration Committee may in its discretion, reduce the Award or Grant (as the case may be) in whole or in part (including, for the avoidance of doubt, to nil) in accordance with the provisions of these Rules read in conjunction with the relevant Award Letter, the Grant Letter and the provisions of the remuneration policy of the Company.
- 17.2 Whenever a reduction is made, the relevant Award, Grant or portion thereof, as relevant, shall be treated as having immediately been forfeited. No consideration will be payable to the Participant.

#### Detail pertaining to Special resolution number 4

##### SIP limit

When the SIP was put in place during 2013, the Company aggregated the limits available under the old option scheme and the SIP. This resulted in an aggregate dilution limit of 18% across both plans. As the option scheme has one remaining tranche left, the dilution limits under each plan are now ring-fenced and the limit contained in the 2013 employee share option scheme will continue to apply. A new reduced limit has been set for the SIP amounting to 10,972,222 (ten million nine hundred and seventy-two thousand two hundred and twenty-two) shares (which represents approximately 5% of the number of issued shares as at the date of adoption of the SIP. The Company is satisfied that the reduced limit is now closer aligned to market expectations. The Company intends to continue to settle the SIP by purchasing shares off the market.

##### Malus provisions

Malus and clawback provisions were approved for inclusion in the Company's Remuneration Policy, SIP and Annual Incentive Plan rules as presented to shareholders at the Company's AGM held on 21 May 2020. Accordingly, the Company has amended the SIP to include the provisions relating to malus as presented herewith. The amendments to the SIP to incorporate malus are aligned to current developments in respect of Executive remuneration practices within South Africa. The aim of the amendments is to allow the Company the ability to recover unvested awards/grant under the SIP in the event that a trigger event is discovered before the vesting date.

Clawback will continue to be regulated in terms of the remuneration policy (full details are disclosed in the Integrated Report (remuneration section)).

## General

### Identification, voting and proxies

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

In terms of section 63(1) of the Act, any person attending or participating in the AGM must present reasonably satisfactory identification and the person presiding at the AGM must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or a proxy for a shareholder) has been reasonably verified. Forms of identification include valid identity documents, driver's licences or passports.

Shareholders holding dematerialised shares, but not in their own name, must furnish their Central Securities Depository Participant (CSDP) or broker with their instructions for voting at the AGM.

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

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

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

A form of proxy (which is attached) must be dated and signed by the shareholder appointing a proxy and should be forwarded to reach Computershare by no later than 12h00 on Tuesday, 17 May 2022. The proxy may also be handed to the Chairman at the meeting via company.secretarial@massmart.co.za. Before a proxy exercises any rights of a shareholder at the AGM, such form of proxy must be so delivered. In compliance with the provisions of section 58(8)(b) (i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Act, is set out immediately hereunder:

- A shareholder entitled to attend and vote at the AGM may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the AGM in the place of the shareholder. A proxy need not be a shareholder of the Company.

- A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the AGM.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
- The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to Computershare.

The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:

- the date stated in the revocation instrument, if any and
  - the date on which the revocation instrument is delivered to Computershare as required in the first sentence of this paragraph.
- If the instrument appointing the proxy or proxies has been delivered to Computershare, as long as that appointment remains in effect, any notice that is required by the Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to:
- the shareholder or
  - the proxy or proxies, if the shareholder has:
    - directed the Company to do so in writing and
    - paid any reasonable fee charged by the Company for doing so.
- Attention is also drawn to the Notes to the form of proxy.
  - The completion of a form of proxy does not preclude any shareholder from attending the AGM.

By order of the Board



**Sandile Lukhele**  
Group Company Secretary  
8 April 2022

Massmart Holdings Limited  
Incorporated in the Republic of South Africa  
Registration number 1940/014066/06  
JSE share code MSM  
ISIN ZAE000152617  
(‘Massmart’ or ‘the Company’)

# Form of proxy

For use by certificated and dematerialised shareholders who have ‘own name’ registration of shares on Friday, 13 May 2022 at the AGM to be held on Thursday, 19 May 2022 at 12h00 at Massmart House, 16 Peltier Drive, Sunninghill Ext 6, Sandton and by way of electronic communication (in accordance with Section 63(2) of the Companies Act) by registering online using the online registration portal at <https://www.lumiconnect.com/en/events>.

I/We (Please PRINT full names)		being the
of (address)		holders of
1.		ordinary shares/‘B’ preference shares, hereby appoint (see note 3), or failing him/her,
2.		or failing him/her,

the Chairman of the AGM as my/our proxy to participate in, speak and vote for me/us on my/our behalf at the AGM which will be held for the purpose of considering and, if deemed fit, passing the ordinary and special resolutions to be proposed and at each adjournment of the AGM and to vote for or against the ordinary and special resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the instructions as set out in note 4.

For	Against	Abstain
OS	PS	OS

### Ordinary resolutions

1. Election of Ms Daria Beckom to the Board of Directors					
2. Election of Ms Sindiswa Zilwa to the Board of Directors					
3. Re-election of Mr Kuseni Dlamini to the Board of Directors					
4. Re-election of Ms Lindiwe Mthimunye to the Board of Directors					
5. Election of Ernst & Young Inc. as the Company's auditors (with Ms Amelia Young as audit partner)					
6. Election of KPMG as the Company's auditors from 1 January 2023 (with Terence Cheadle as audit partner)					
7. Appointment of the Audit Committee members:					
7.1 Ms Olufunke Ighodaro (Chairman)					
7.2 Ms Lindiwe Mthimunye					
7.3 Ms Sindiswa Zilwa (subject to passing ordinary resolution 2)					
8. Authorisation for the Directors to issue ordinary shares for cash, not exceeding 5% of the shares in issue					

### Non-binding Advisory resolutions

9. Approval of the remuneration policy					
10. Approval of the remuneration implementation report					

### Special resolutions

1. Authorisation for the Company and/or its subsidiaries to repurchase its own shares					
2. Approval of Non-Executive Directors' remuneration					
2.1 Chairman of the Board					
2.2 Deputy Chairman of the Board					
2.3 Independent Non-Executive Directors					
2.4 Audit Committee Chairman					
2.5 Risk Committee Chairman					
2.6 Remuneration Committee Chairman					
2.7 Nominations and Social and Ethics Committee Chairmen					
2.8 Audit Committee members					
2.9 Other Board Committee members					
3. Authorisation to provide financial assistance pursuant to section 45 of the Act					
4. SIP Rules					

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

OS – Ordinary shares  
PS – ‘B’ Preference shares

Signed at	on	2022
Signature	Assisted by me (where applicable)	
Tel	Cell	
Email		

Completed forms of proxy must be lodged with Computershare Investor Services Proprietary Limited, not less than 48 (forty-eight) hours before the time for holding the AGM, i.e. by no later than 12h00 on Tuesday, 17 May 2022, for administrative purposes, or thereafter to the Company by hand no later than 08h00 on Thursday 19 May 2022.

Please read the notes on the reverse side of this form of proxy.

# Notes to the form of proxy

1. A form of proxy is only to be completed by those shareholders who are:
  - 1.1. holding shares in certificated form; or
  - 1.2. recorded on the sub-register of the Company in dematerialised electronic form in “own name” on the record date for attending, participating and voting at the AGM.
2. If you have already dematerialised your shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the AGM, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement between yourself and your CSDP or broker.
3. A shareholder may insert the name of a proxy or the names of alternative proxies of the shareholder’s choice in the space/s provided, with or without deleting “the Chairman of the AGM” but any such deletion must be initialised by the shareholder. The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
4. Please insert an ‘X’ in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholders’ votes exercisable at the AGM.
5. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which an abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
6. Forms of proxy must be received by the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare), Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa (PO Box 61051, Marshalltown 2107), proxy@computershare.co.za by no later than 12h00 on Tuesday, 17 May 2022 for administrative purposes, or thereafter to the Company (company.secretarial@massmart.co.za) by hand no later than 12h00 on Thursday, 19 May 2022.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person at such meeting to the exclusion of any proxy appointed in terms of this form of proxy.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy unless previously recorded by Computershare or waived by the Chairman of the AGM.
9. Any alterations or corrections made to this form of proxy must be initialised by the signatory/ies.
10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/ her legal capacity are produced or have been registered by Computershare.
11. The Chairman of the AGM may accept any form of proxy which is completed other than in accordance with these notes if the Chairman is satisfied as to the manner in which the shareholder wishes to vote.
12. If any shares are jointly held, the first name appearing in the register shall, in the event of a dispute, be taken as a shareholder.

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

# Definitions

Employment costs	Includes the IFRS 2 share-based payment expense
Net finance costs	Interest paid less interest received
EBITDA	Earnings before interest, taxation, depreciation, amortisation, asset impairments and occupancy costs
EBITDAR	Earnings before interest, taxation, depreciation, amortisation, asset impairments and occupancy costs
Trading profit before interest and taxation	Earnings before interest, taxation, foreign exchange movements, insurance proceeds on items in PP&E, impairment of assets and retrenchment and business transformation cost
Comparable sales	Sales figures quoted for stores that have traded, and will trade, for all 12 months of the current and prior year
Trading space (m²)	Trading space excludes parking, yard, warehouse space, office space and receiving areas
Regional distribution centre space (m²)	Distribution centre space excludes parking and yard space

# Formulas

Sales per store (R000)	$\frac{\text{Sales}}{\text{Number of stores}}$	Return on capital employed (%)	$\frac{\text{Operating profit before asset impairments}}{\text{Average of opening and closing capital employed balances}}$
Sales per trading m² (R000)	$\frac{\text{Sales}}{\text{Trading m}^2}$	The Group defines capital employed as the average of opening and closing equity	
Net asset turn	$\frac{\text{Sales}}{\text{Net assets}}$ The Group defines net assets as total equity and interest-bearing LT liabilities	Return on invested capital (%)	$\frac{\text{Adjusted operating profit}}{\text{Average invested capital}}$ Adjusted operating profit includes finance income and adds back depreciation, amortisation and rentals. Average invested capital is average total assets of continuing operations plus average accumulated depreciation and amortisation less average accounts payable less average accrued liabilities plus occupancy costs x8.
Gross margin (%)	$\frac{\text{Gross profit}}{\text{Sales}}$	Debt : Equity (%)	$\frac{\text{Average debt}}{\text{Average of opening and closing equity attributable to equity holders of the parent}}$ Debt comprises non-current interest-bearing liabilities
Operating margin (%)	$\frac{\text{Operating profit}}{\text{Sales}}$	Cash earnings cover	$\frac{\text{Operating cash flow per share}}{\text{Headline earnings per share}}$
Trading profit before interest and taxation margin (%)	$\frac{\text{Trading profit before interest and taxation}}{\text{Sales}}$	Net cash to total equity (%)	$\frac{\text{Cash and cash equivalents, net of borrowings}}{\text{Total equity at the end of the financial year}}$
EBITDA margin (%)	$\frac{\text{EBITDA}}{\text{Sales}}$		
Effective tax rate (%)	$\frac{\text{Taxation expense}}{\text{Profit or loss before taxation}}$		



Formulas

<b>Current ratio</b>	$\frac{\text{Current assets}}{\text{Current liabilities}}$		<b>Diluted headline earnings per share</b>	$\frac{\text{Headline earnings}}{\text{Diluted weighted average number of shares in issue}}$
<b>Quick ratio</b>	$\frac{\text{Current assets excluding inventory}}{\text{Current liabilities}}$		<b>Attributable earnings per share</b>	$\frac{\text{Earnings attributable to the equity holders of the parent}}{\text{Weighted average number of shares in issue}}$
<b>Inventory days</b>	$\frac{\text{Inventory}}{\text{Total cost of sales}}$	x	<b>Dividends/ distribution per share</b>	$\frac{\text{Distribution to shareholders}}{\text{Total number of shares in issue}}$
		number of days traded in the financial year		
<b>Inventory turn</b>	$\frac{\text{Total cost of sales}}{\text{Inventory}}$		<b>Cash generated from operations before working capital movements per share</b>	$\frac{\text{Cash generated from operations before working capital movements}}{\text{Weighted average number of shares in issue}}$
<b>Debtor days</b>	$\frac{\text{Trade debtors excluding VAT}}{\text{Total sales}}$	x	<b>Operating cash flow per share</b>	$\frac{\text{Net cash flow from operating activities}}{\text{Weighted average number of shares in issue}}$
		number of days traded in the financial year		
<b>Payable days</b>	$\frac{\text{Trade payables excluding VAT}}{\text{Total cost of sales}}$	x	<b>Net asset value per share</b>	$\frac{\text{Closing equity attributable to equity holders of the parent}}{\text{Weighted average number of shares in issue}}$
		number of days traded in the financial year		
<b>Asset turn</b>	$\frac{\text{Sales}}{\text{Total assets}}$		<b>Headline earnings per share</b>	$\frac{\text{Headline earnings}}{\text{Weighted average number of shares in issue}}$
<b>Total liabilities to total equity</b>	$\frac{\text{Current and non-current liabilities}}{\text{Total equity}}$			
<b>Headline earnings per share</b>	$\frac{\text{Headline earnings}}{\text{Weighted average number of shares in issue}}$		Net cash flow from operating activities, excludes dividends paid.	
			<b>Dividend cover</b>	$\frac{\text{Headline earnings per share}}{\text{Interim and final dividend per share}}$

Shareholders’ calendar

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Analyst presentation and preliminary announcement			●									
Final dividend announcement			●									
Cape Town institutional investor road show			●									
Johannesburg institutional investor road show			●									
Final dividend paid (if declared)				●								
Publication of Integrated Annual Report				●								
Annual General Meeting					●							
Analyst presentation and preliminary announcement								●				
Interim dividend announcement								●				
Cape Town institutional investor road show								●				
Johannesburg institutional investor road show								●				
Interim dividend paid (if declared)									●			
Financial year-end												●

Shareholder analysis

The following analysis of shareholders was extracted from the shareholders register as at 26 December 2021:

Shareholder spread

	Number of holders	%	Number of shares	%
1 – 1,000 shares	7,080	81.6	1,004,740	0.5
1,001 – 10,000 shares	1,174	13.5	3,721,373	1.6
10,001 – 100,000 shares	305	3.5	9,769,216	4.5
100,001 – 1,000,000 shares	96	1.1	25,633,307	11.7
1,000,001 shares and over	27	0.3	179,010,173	81.7
	8,682	100.0	219,138,809	100.0

Public/non-public shareholders

	Number of holders	%	Number of shares	%
Non-public shareholders:				
Walmart subsidiary:				
Main Street 830 Proprietary Limited	1	–	115,651,347	52.8
Directors and Group Executives of the Company	4	0.1	341,689	0.2
Share Trusts	1	–	2,677,733	1.2
Public shareholders	8,676	99.9	100,468,040	45.8
	8,682	100.0	219,138,809	100.0

Distribution of shareholders

	Number of holders	%	Number of shares	%
Walmart subsidiary:				
Main Street 830 Proprietary Limited	1	–	115,651,347	52.8
Unit Trusts/Mutual funds	106	1.2	34,717,474	15.8
Pension Funds	69	0.8	30,933,992	14.1
Other managed funds	8,425	97.1	10,565,127	4.8
Trading Position	17	0.2	1,358,022	0.6
Custodians	3	–	35,443	0.0
Private investors	30	0.4	8,901,142	4.1
Hedge Fund	9	0.1	4,503,098	2.1
Investment Trusts	1	–	5,191,361	2.4
Insurance Companies	12	0.1	6,404,899	2.9
Exchange-Traded Fund	6	0.1	724,238	0.3
University	3	–	152,666	0.1
	8,682	100.0	219,138,809	100.0

Custodians and managers holding 3% or more

The following custodians and managers held beneficially, directly or indirectly, equal to or in excess of 3% of the Company’s shares:

	Number of shares	%
Walmart subsidiary: Main Street 830 Proprietary Limited	115,651,347	52.8
Franklin Resources Inc.	15,592,963	7.1
Sanlam Investment Management (Pty) Ltd	14,075,278	6.4
PIC	8,382,430	3.8
Coronation Asset Management (Pty) Ltd	8,208,715	3.7

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

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

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

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

**Share Data: 28 Dec 2020 – 26 Dec 2021**

Closing price, 26 Dec 2021	R58.28
Share price (52 week high)	R74.32
Share price (52 week low)	R38.30
Market Cap (billions)	R12.77
Shares in issue (millions)	
(net of treasury shares)	216.5
Shares traded (millions)	103.5
Percentage of shares traded	47.8%
Reuters	MSMJ.J
Bloomberg	MSM SJ

**Additional information**

	Dec 2021 (Audited)	Dec 2020 (Audited)
Net asset value per share (cents)	218.9	1,365.0
Ordinary shares (000's):		
– In issue	219,138.8	219,138.8
– Weighted average (net of treasury shares)	216,127.4	216,580.3
– Diluted weighted average	225,775.5	222,666.0
Preference shares (000's):		
– Black Scarce Skills Trust 'B' shares in issue	2,797.7	2,797.7
Capital expenditure (Rm):		
– Authorised and committed	412.5	326.5
– Authorised not committed	1,957.4	1,312.7
US dollar exchange rates:		
– period end (R/\$)	15.55	14.62
– average (R/\$)	14.75	16.36

**Registered Name**

Massmart Holdings Limited

**Company Secretary**

S Lukhele

**Contact details**

**Registered office**

Massmart House  
16 Peltier Drive  
Sunninghill Ext 6, Sandton  
2157, South Africa

**Postal address**

Private Bag X4, Sunninghill  
2157, South Africa

**Telephone number**

+ 27 11 517 0000

**Facsimile number**

+ 27 11 517 0020

**Website**

www.massmart.co.za

**Company**

**registration number**

1940/014066/06  
(incorporated in South Africa)

**JSE share code** MSM

**ISIN** ZAE000152617

**Design partner and publisher**

Ninepoint

**Editor**

Anne Heath Communication

**Printer**

Law Print

**Photography**

Objektiv, Roger Jardine

**Transfer secretaries**

Computershare Investor Services  
Proprietary Limited  
15 Biermann Avenue, Rosebank, 2196

**Auditor**

Ernst & Young Inc.

**Lead sponsor**

JP Morgan Equities South Africa  
Proprietary Limited

Massmart powered by Walmart 

[www.massmart.co.za/iar2021](http://www.massmart.co.za/iar2021)

Massmart values your feedback.

Do you have any questions or suggestions regarding  
Massmart's 2021 Integrated Annual Report?

Email [investor.relations@massmart.co.za](mailto:investor.relations@massmart.co.za)