

MASSMART / WALMART MERGER



Statement by Labour Research Service

Following the initial offer by Wal-Mart to purchase Massmart in September 2010, the Labour Research Service was commissioned to complete research on the structure and operations of Massmart and the conditions of the workers at the company in order to understand the position of workers in the context of the proposed deal.

The research found evidence that workers at Massmart currently experience a high level of victimisation and a hardening of management attitudes which they attribute to the desire by Massmart management to make the company “globally competitive” or order to attract a global retailer as a buyer, and specifically Wal-Mart. There is confirmation of this in terms of Massmart’s disclosed strategy to attract a buyer, particularly Wal-Mart, with whom they have had a long relationship.

It is recommended therefore that the Tribunal be wary of approving a deal that would accept the well-being of workers across the retail and related sectors as the price of being “globally competitive” and put clear positive conditions and monitoring processes in place to protect workers should the deal be passed.

Positioning for take-over, relationship with Wal-Mart

In a presentation in November 2010 to investors, analysts and media, Mark Lamberti, founder, one-time CEO , now chairperson of Massmart states on behalf of the board that “The relationship (with Wal-Mart) which commenced in 1990 has resulted in: exposure of many Massmart executives to aspects of Wal-Mart’s operations & training, many shared retail principles & business values, mutual respect¹”. We do not know the nature of the relationship, it is not specified, but the statement made shows a formal rather than a casual relationship at an operational and strategic level, with shared values over an extended (20 year) period, ever since the formation of Massmart.

This is a far longer period than the date of introduction that current Massmart CEO Grant Pattison gave at a presentation at the Gordon Institute of Business Science (GIBS) in February 2011 stating the relationship began in 2004². After a causal meeting in 2004, Pattison states Massmart executives began meeting with retired Wal-Mart executives from 2007.

Pattison further confirmed that rumours of Wal-Mart’s interest in Africa began to surface in 2008 and that, given Massmart’s long-term strategy of being bought by a global retailer – Massmart took action³. An Economist article notes in the current issue:

“Ten years ago Massmart, which is South Africa’s leading wholesale warehouse business, decided that it needed a global partner. Wal-Mart began sniffing around South Africa three years ago, seeking a toehold on a continent where consumer spending power has risen sharply in the past decade. The obvious partner was Shoprite, Africa’s biggest grocer. But Massmart increased its allure by rushing into the food-retailing business, and the gamble paid off.”⁴

¹ Massmart presentation “Wal-Mart confirms intention to make a firm offer to acquire a controlling interest in Massmart: Presentation to Investors,

² Moorad, Zeenat, ‘Wal-Mart/Massmart - the makings of marriage’, BusinessLIVE , 17 February 2011

³ Ibid. “It was our strategy to be bought by a global retailer; we didn’t have to wonder about how we were going to deal with it, or whether our shareholders would like it, or whether management would come along. We sent them [Wal-Mart] a very clear message - if you want to chat to us we’re ready and we had some good ideas,” he added.

⁴ (http://www.economist.com/node/18185732?story_id=18185732&fsrc=rss)

The long-stated intention of Massmart to be acquired by a global retailer was further confirmed by Pattison at the GIBS where he stated that Massmart positioned itself to be bought by a global retailer in order to participate in the globalisation of retail."...the first time they [Wal-Mart] were here, I made it absolutely clear that we were available for sale," Pattison told a forum at the (GIBS)⁵.

While we still await an answer as to why the CEO and the chairman of Massmart have different ideas of when the relationship between Massmart and with Wal-Mart commenced even the shorter timeline sets the context of the actions of Massmart in the years from at least 2008 including the retrenchments and the acquisitions and sell-offs, high dividend payouts and general strategy that was described by the competition tribunal in 2009 as 'sinister'⁶. Certainly the statements by Massmart chairman Mark Lamberti to "take out competitors" and "force them into a position where they make no money. We cannot allow our competitors to flourish. Our margins may have to drop to fend off competitors" do not sound like one of healthy competition, they sound much like Wal-Mart's strategy of selling products below cost price and taking a loss on them in order to undermine the business of competitors.

How Massmart management understood and strategised over what it means to be "globally competitive" and an attractive target for a global retailer influenced its actions not over a matter of months but rather of years, at least since 2008. It must be questioned whether this is a healthy attitude to being competitive that should be supported in South Africa.

These actions include but are not necessarily limited to:

1. Dividends being poured out of the country to shareholders while workers are at pains to improve their wages and conditions
2. Relationship with Massmart workers that have been deteriorating in particular over since 2008 and send a worrying signal of how Massmart/Wal-Mart may envision future relationships with regards to:
 - a. Retrenchments which began in 2008 when the serious "sniffing around" by Wal-Mart began
 - b. The deteriorating relationship with the union and workers
 - c. The changing down of conditions of employment for workers, victimisation

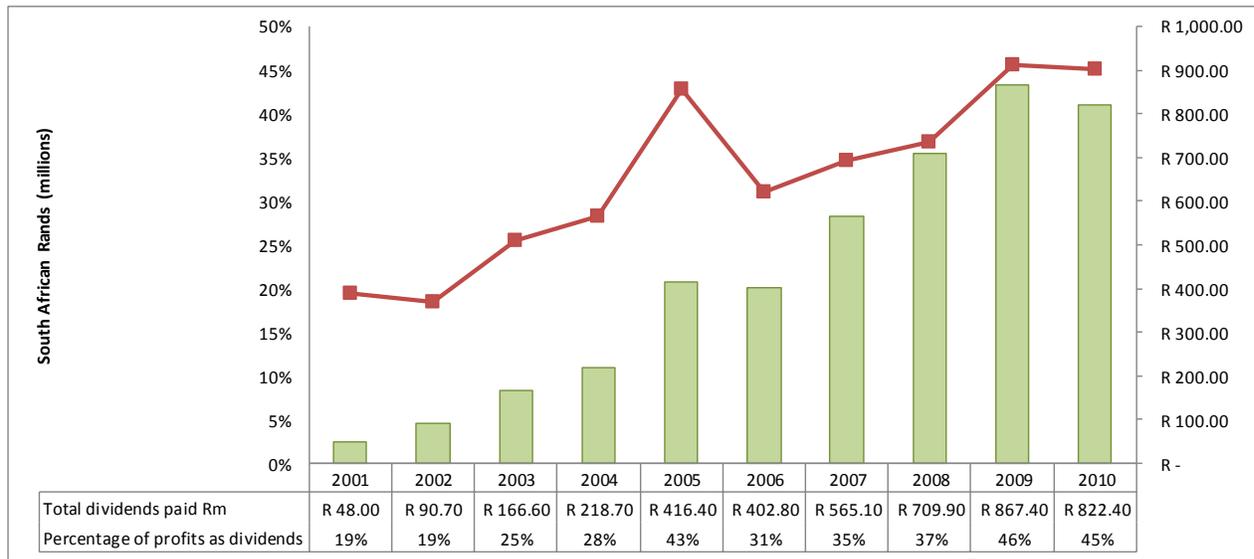
1. Value to shareholders not workers

Over the years Massmart pays a higher and higher percentage of profits to shareholders as dividends while workers are at pains to improve their pay and working conditions. It is noteworthy too is that in the year that Massmart workers went on strike for a R460 increase in wages, Massmart paid a record R867 million in dividends to its shareholders.

⁵ Moorad, Zeenat, 'Wal-Mart/Massmart - the makings of marriage', BusinessLIVE, 17 February 2011

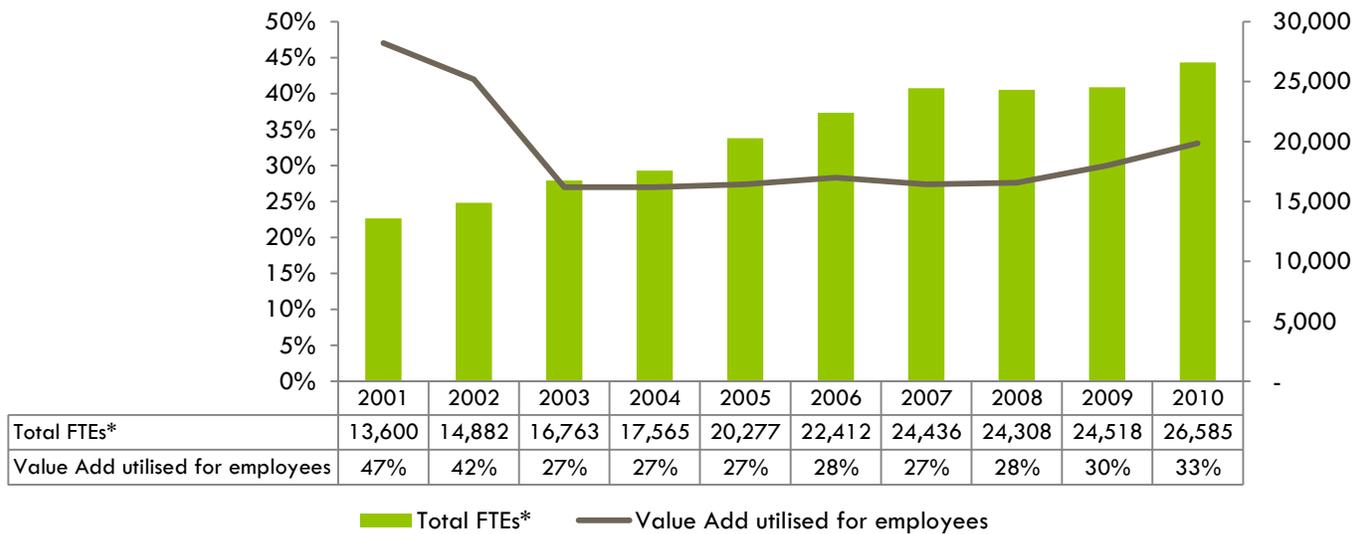
⁶ Crotty, Ann, 'Massmart plan for a fund to take out rivals 'sinister' – tribunal', Business Report on December 2, 2009

Massmart total dividend payout as a percentage of profit before tax for the year



The value added statement of a company shows the total wealth created, how it was distributed to meet certain obligations and reward those responsible for its creation, and the portion retained for the continued operation and expansion of the company. The proportion of the wealth created applied to employee wages and salaries dropped dramatically in 2003 and has not recovered. When compared to its competitors, Massmart distributes far less of its wealth to employees. In the same year Shoprite distributed 58% and Pick 'n Pay 65% of wealth to employees as salaries, wages and other benefits.

Employment figures and Value Added employed compared



*Full-time equivalents: includes all permanent employees and the permanent equivalent of temporary employees and contracted workers (Massmart Annual Report 2010, 47)

2. Management relationship with workers

a. Retrenchments

The company states that the retrenchments at Massdiscouters in 2009 had nothing to do with a possible take-over. The Competition Commission concurred in their report that because there was no note of the retrenchments being influenced by the possible take-over in the board minutes of 2010 when they entered into discussions with SACCAWU, there was no connection between the two.⁷ However, given that (1) Massmart and Wal-Mart have been in a relationship for at least six, or up to sixteen, years where Massmart executives had been exposed to Wal-Mart operations & training, (2) Massmart had a stated aim of being purchased by a global retailer (3) Wal-Mart had already been sniffing around in 2008 and in 2009 (not 2010 as is stated by the Commission) Massmart noted that “we clearly moved from a speculative environment to Wal-Mart is deciding whether it's coming into Africa...It was our strategy to be bought by a global retailer; we didn't have to wonder about how we were going to deal with it, or whether our shareholders would like it, or whether management would come along. We sent them [Wal-Mart] a very clear message - if you want to chat to us we're ready and we had some good ideas⁸. The retrenchments, which began in October 2009 were therefore right within the timeframe of increasing Massmart's appeal to Wal-Mart at a time that would have been critical and cannot therefore be separated from the offer which followed without firm evidence of which there is none. Why evidence of a connection was only sought in board minutes – let alone board minutes of 2010 when the retrenchments began in 2009 - and not in the stated company strategy should be questioned.

b. The deteriorating relationship between management and the union

At the same GIBs presentation Pattison makes several unsubstantiated statements concerning workers at Massmart, their feelings concerning the deal with Wal-Mart and their relationship to the union to which 38% of them⁹, according to Massmart's own figures, belong. In the presentation he states that “It really is an exciting time for employees. And just so you are absolutely clear, our employees aren't driving any protest: you'll see there has been no strikes, no protests; in fact I would suggest that they have gone as far as to tell the union not to get in the way. All good for our employees”¹⁰. To make an uncorroborated comment concerning the relationship, not just between management and the workers but between unions and their own members, should be challenged and the commitment (though not condition) that Massmart/Wal-Mart have made to maintain existing relationships with organised labour might therefore be seen to have a negative outcome for workers as the relationship as it currently stands is antagonistic.

Pattison's statement is seen in the context of deteriorating relationship between Massmart and the unions, in particular since 2008.

⁷ Competition Commission Report - 2010Nov5445 Wal-Mart and Massmart Non confidential for unions, p. 41 – 43

... retrenchments took place at various Game Stores and they commenced retrenchments during October 2009. ... Although from the merger record in particular the Wal-Mart board minutes it's clear that Massmart representatives (CEO and CFO) visited Wal-Mart in the USA and UK during May 2010 in anticipation of a potential buy-out no correlation between the retrenchments and the potential sale to Wal-Mart could be found in the Massmart board minutes of 2010.

2010Nov5445 Wal-Mart and Massmart Non confidential for unions p. 42 of 52

⁸ GIBS presentation, BusinessLIVE, ibid.

⁹ Massmart Annual Report 2010 – again, this figure is different from the Commission's report which “the majority of Massmart's employees are unionized” - 38% is not a majority and it would be important to know where the Commission got its figures.

¹⁰ GIBS presentation, BusinessLIVE, ibid.

Looking at the annual reports over the past decade, there is very little mention of the relationship between Massmart and the trade unions. However, over the past two years, there has been discussion of it and it has not been positive.

2009 Annual Report "... increased the stridency of populist rhetoric and the vigour of socio-economic demands, both indicative of a more open democracy. Service delivery rioters, striking workers, obstructive taxi owners, and officious youth leaders all contributed to an environment conducive to the first ever protracted dispute between certain Massmart divisions and organised labour"¹¹.

2010 Annual Report "Labour relations were unfortunately strained in Massdiscounters as management sought more labour flexibility from the labour union, SACCAWU, in order to extract productivity improvements from our three-year investment in the supply chain. Unfortunately, we were unable to reach resolution and had to resort to retrenchment, which was devastating for those employees. ..."¹²

The dispute between the workers and Massmart are recorded by SACCAWU as centring on the following as of June 2010¹³:

CURRENT DISPUTES WITH WORKERS (SACCAWU PRESS RELEASE, JUNE 2010)

- Retrenchment of 1500 workers, 700 permanent and 800 flexi-time employees
- The imposition of ultra-flexi time contracts
- 40 hour rolling week with Sundays as normal time
- Compressed working week without overtime
- Sunday and Public holidays compulsory work
- All those not faced with retrenchment to reapply for their positions under new terms of employment
- All re-applications to be considered after interviews to include psychometric testing, failing workers will be demoted
- All those that will remain in employment will be given new job titles, job descriptions and for many new salary rates
- The introduction of new Green Light technology that requires tertiary vocational training and the refusal by the company to offer any training to staff except for management.

c. The changing down of conditions of employment for workers, victimisation

Pattison does not substantiate his statement that workers would like the union out of the way, and that they are excited about the deal. The Labour Research Service¹⁴, held a workshop with Massmart workers in February 2011 where three key points became apparent. (1) These workers do want the union to be involved because (3) they are being increasingly victimised by Massmart in what they understand to be a long-term strategy of Massmart to drive the culture of repression (3) in preparation for the deal.

While there have not, at the date of writing, been protests and strikes in relation to the proposed deal, there have, as noted in the appendix, been strikes and protests in relation to the conditions under which Massmart workers already work.

¹¹ Massmart Annual Report 2009, p. 25

¹² Massmart Annual Report 2010, p. 27

¹³ SACCAWU Press Release, June 2010

¹⁴ Report available from Labour Research Service

Key issues highlighted by the Massmart workers is that far from sticking to “existing agreements” Massmart has, over the past period been changing working conditions arbitrarily. They noted in particular that in their work environment:

1. Instructions are given for workers to work in departments that they do not work in and when this is pointed out to the manager then they are put before a disciplinary hearing for not carrying out instructions.
2. Disciplinary hearings don't follow procedures and dismissals or final warnings are dished out at the hearing.
3. Workers have also been given warnings and dismissed for not packing goods in the manner that it was set out for this, even though goods have never been packed in the set out manner before.
4. Workers have been dismissed for making simple errors when workers were not even given a warning before for the same kinds of mistakes.
5. At Makro it has been customary for workers who work two Saturdays a month to get a “day-off”. However, management has introduced a rule that if a worker takes leave in that month then the worker loses the day off. This is clearly an attempt to get rid of the “benefit” which has not been negotiated but was customary in the company for many years.
6. Jobs that become vacant either through resignation or dismissal are not filled again and duties are allocated to existing workers
7. Conditions of employment are settled with employees individually and are often worse than what has existed before – especially making working time on a Sunday, that was considered as over time, normalise time.
8. There has been an introduction of performance management where all employees are continuously assessed according to performances standards that were not agreed and often arbitrary.

The general sentiment of the participants was that due to the possible, now probable, take-over by Wal-Mart, workers, including the shop stewards, feel intimidated in the workplace by the fact that they can lose their job and livelihood in an instant.

From their experience the participants believe that this situation has been created so that by the time Wal-Mart takes over, workers are already used to working in an intimidating environment in which they remain for the reasons given by the CEO of MassMart:

“Also I suppose it would be fair to say that an employee of Massmart can say well, at least it is us that got bought by Wal-Mart so if it's true and I certainly don't agree that it's true that competitors are going to suffer and suppliers are going to suffer, the employees of Massmart should be fine”.¹⁵

The statement itself makes no sense – either competitors and suppliers are going to suffer, and therefore Wal-Mart/Massmart employees should feel lucky to even have a job, or they are not, in which case Wal-Mart/Massmart workers are not going to have anything in particular to be grateful for on this count.

The precarious current relationship between Massmart workers and management, the union and management is what will carry over into the new company if the commitment by the merging parties is allowed to stand as the only assurance workers have. And since Massmart itself is not sticking to the current agreements, there is little to no reason to believe that Wal-Mart unless conditions of the buy-out force them to.

¹⁵ Ibid

It is hoped that the Tribunal sees South Africa's global competitiveness as something other than the race to the bottom for workers in terms of both wages and conditions in order to achieve lowest prices. A ruling against the merger, or a ruling with strict conditions and monitoring placed on the merging parties, would therefore not be, as the Commission stated, an 'adverse' ruling, but a positive ruling, positive for the workers not just in Massmart but in all sectors of the national economy. Further, given, as economist Dr Azar Jamine stated in January 2011, that "Wal-Mart only wants to use South Africa as a gateway to Africa and they can afford to comply with our strict labour laws because in other African countries the laws are much more relaxed.", it is perhaps South Africa's duty as the regional head office of Wal-Mart/ Massmart and certainly the regional power, to impose conditions on any deal that would protect workers wherever this company operates in the region.

The issues noted are relevant because they highlight what Massmart management understands global competitiveness and how this differs from how South African workers and government should view the same concept. Looking at the strategies of the company over the past years in the light of this statement reveals that to Massmart management global competitiveness implies – high dividends to foreign shareholders, turning over smaller competition in takeovers and sell-offs, an attitude to competitors that earned the censure of the Competition Tribunal, and victimisation of workers who, despite Pattison's statements, are not in support of the merger and should be aggressively protected should one be permitted.

It is also noted that any promises made by the current Massmart management should be understood as being made prior to a new owner, Wal-Mart, taking control of the company should the deal be permitted. Therefore, a commitment from them is not sufficient; conditions must be set on the new entity that would arise after any proposed deal.

Recommendation:

Recommendations arising out of our research are focused on the fact that the downgrading of working conditions is contrary to South Africa's economic development through decent work. Development cannot be achieved when workers are increasingly pressurized to be flexible, and to accept lower conditions and a general uncertainty concerning their livelihoods; it must be concerned with advancing the social and economic welfare of South Africans:

- We would therefore oppose the proposed deal and seek its prohibition by the Tribunal.

Should the deal be approved by the Tribunal the following recommendations are put forward for conditions being placed on the merged entity:

- The arbitrary introduction of the new performance management system is part of a strategy of bringing Wal-Mart management systems into Massmart prior to the proposed deal and has led to the unfair and ungrounded disciplining and dismissal of workers. It is recommended that should the merger be passed, a condition of it be that this system is suspended until an agreement with the workers and their representatives can be reached as to the nature, aims, outcomes and monitoring of the system.
- While Wal-Mart claims that it "respects and honours pre-existing union relationships", it must commit to going further as, given its stated aim of growing the company both within and outside of South Africa, new unions and operations will also require recognition that does not currently exist. It is not just existing union relationships that should be honoured, but the right to new relationships.

In all respects it is essential (1) that there is a monitoring system in place (2) the rights exercised by workers under South African law, are extended throughout Wal-Mart /Massmart operations and that the company is held to these standards wherever it operates. Further that it respects not just the existing contracts and agreements but the processes of reaching those agreements. External monitoring of this

commitment is essential given Wal-Mart's history of transgression and the deteriorating relationship between worker representatives and management.

The 2010 Massmart annual report notes that "Massmart views % unionised staff as an indicator of commitment to freedom of association". This is not the view of the new entity that would be dominated by Wal-Mart. The new entity must therefore commit to the four core conventions of the ILO including the prohibition of child labour (ILO 138 and 192), the prohibition of forced labour (ILO 29 and 105), non-discrimination (ILO 100 and 111) and freedom of association and the right to collective bargaining (ILO 87, 98 and 135) in all operations.

- While, as noted in statements by the company, Massmart is committed to local procurement, this does not protect local producers and manufacturers as imported goods can and are procured locally resulting in very little benefit to the local and national economy. A condition of the deal should therefore be a commitment from Wal-Mart/Massmart not only to procure locally but to procure locally produced and manufactured products. Without this commitment, as the CEO of Shoprite has stated as recently as the 25th of February, where Wal-Mart/Massmart goes, the other retailers will follow. While Massmart management might deny now that more imports are part of the plan, it is again the merged entity, not the current entity that must be held to conditions of supporting local producers and manufacturers.

APPENDIX: Massmart, overview of the company

who are they

Massmart is the third largest retailer in South Africa. Its model is one of low-margin, low-cost distribution of mainly branded consumer goods for cash. Its sales comprise 53% food and liquor, 42% general merchandise and 13% home improvement. It operates under four divisions and nine brands - Game, DionWired, Makro, Builders Warehouse, Builders Trade Depot, Builders Express, CBW and Jumbo.

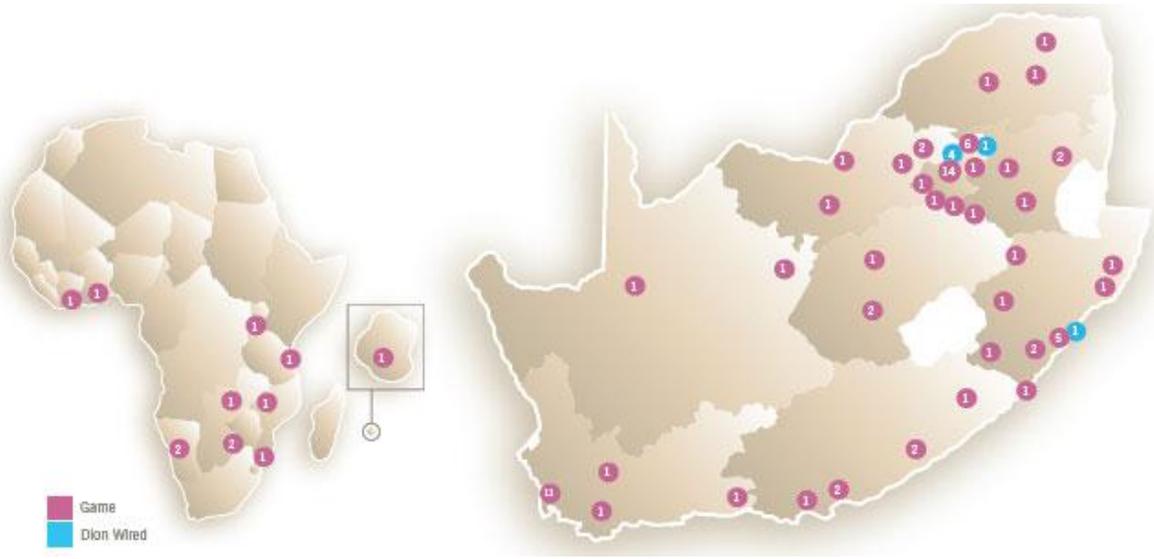
divisions and brands 2010

Massdiscounters¹⁶

- New 70 000m² Gauteng Regional Distribution Centre operational
- Merchandise proposition: wide range of general merchandise, electrical appliances and non-perishable groceries
- Massdiscounters Brands: Game and DionWired
- Number of stores: DionWired increased to 11 stores, Game has 91 stores
- Original Dion format now closed
- Target Market: Game: General merchandise and FMCG (LSM 5 -10) and General Merchandise: (LSM 8 – 10)
- Total 52 week sales: R12 164,9 bn
- 2010 Trading profit (before tax): R690,3 bn
- 2010 Trading Area (m²): 355,423m²; Average Trading Area per store: 3 674m²
- Game Geographic presence: South Africa, Botswana, Ghana, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Tanzania, Uganda and Zambia
- DionWired Geographic presence: South Africa

¹⁶ <http://www.massmart.co.za/operational/massdiscounters.asp>

- Number of employees: 8 876



Sustainability Performance (June 2010)

- Value added (Rm): R3,434.5m
- Customer satisfaction (%): 85.5%
- Tested HIV/Aids prevalence (%): No testing conducted
- Black professionals as a % of management professionals: 88.5%
- B-BBEE score (%): 68.8%
- Corporate social investment (Rm): R7.0m

Masswarehouse¹⁷

- New Vaal Store
- Merchandise proposition: an extensive range of food, liquor and general merchandise including appliances, sports, outdoor, DIY, and home entertainment.
- Masswarehouse Brand: Makro
- Number of stores: 13 stores
- Target Market: Liquor and general merchandise (LSM 6-10) and food (LSM 2 – 6)
- Total 52 week sales: R11 501,2
- 2010 Trading profit (before tax): R758,6 bn
- 2010 Trading Area: 118,208m²; Average Trading Area per store: 9,093m²
- Geographic presence: South Africa and Zimbabwe
- Number of employees: 2 644

¹⁷ <http://www.massmart.co.za/operational/masswarehouse.asp>



Sustainability Performance (June 2010)

- Value added (Rm): R1,446.9m
- Customer satisfaction (%): 90.2%
- Tested HIV/Aids prevalence (%): 2.8%
- Black professionals as a % of management professionals: 69.2%
- B-BBEE score (%): 65.6%
- Corporate social investment (Rm): R6.1m

Massbuild¹⁸

- Merchandise proposition: comprehensive range of home improvement and gardening supplies, tools and building materials
- Massbuild Brands: Builders Warehouse, Builders Express and Builders Trade Depot
- Number of stores: 25 Builders Warehouse stores, 23 Builders Express stores and 31 Builders Trade Depot stores
- Target Market: LSM 4 - 10
- Total 52 week sales: R6 366,9 bn
- 2010 Trading profit (before tax): R308,5 bn
- 2010 Trading Area: 384,625m²; Average Trading Area per store: 5 036m²
- Geographic presence: South Africa
- Number of employees: 6 409

¹⁸ Massbuild Fast Facts <http://www.massmart.co.za/operational/massbuild.asp>



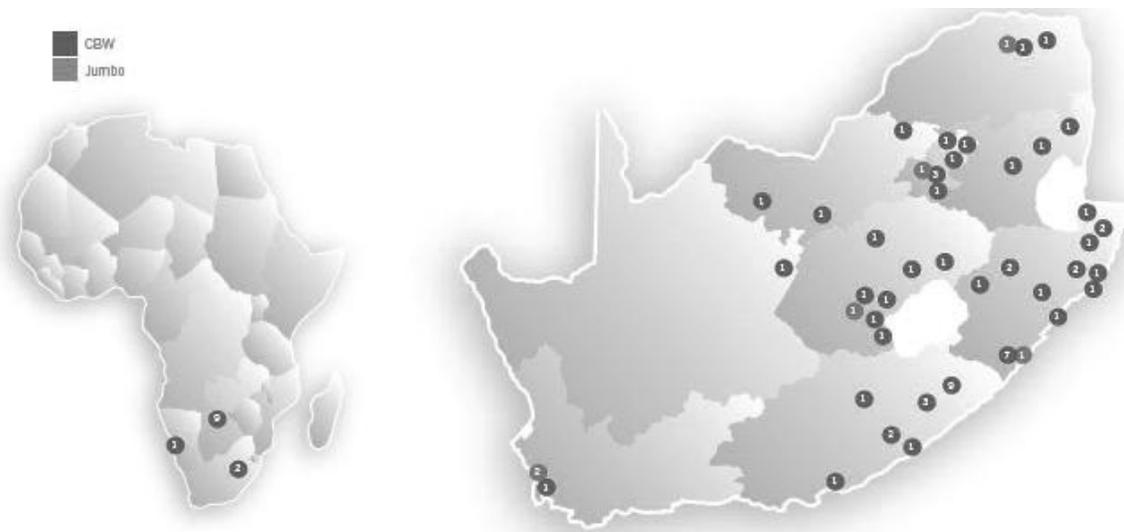
Sustainability Performance (June 2010)

- Value added (Rm): R2,055.3m
- Customer satisfaction (%): 89.2%
- Tested HIV/Aids prevalence (%): 3.5%
- Black professionals as a % of management professionals: 57.5%
- B-BBEE score (%): 50.7%
- Corporate social investment (Rm): R1.6m

Masscash¹⁹

- Merchandise proposition: comprehensive range of food, ethnic cosmetics, liquor and groceries
- Masscash Brands: CBW, Jumbo and Shield
- Number of stores: 81 CBW stores and 6 Jumbo stores. Shield has 470 members and 533 outlets
- Target Market: LSM 2 -6
- Total 52 week sales: R17 418,0 bn
- 2010 Trading profit (before tax): R510,1 bn
- 2010 Trading Area: 321,210m²; Average Trading Area per store: 3 422m²
- CBW Geographic presence: South Africa, Botswana, Lesotho, Namibia
- Jumbo Geographic presence: South Africa
- Shield Geographic presence: South Africa, Botswana, Lesotho, Namibia, Swaziland
- Number of employees: 8 395

¹⁹ <http://www.massmart.co.za/operational/masscash.asp>



Sustainability Performance (June 2010)

- Value added (Rm): R3,226.4m
- Customer satisfaction (%): 88.2%
- Tested HIV/Aids prevalence (%): 16.7%
- Black professionals as a % of management professionals: 67.4%
- B-BBEE score (%): 59.1%
- Corporate social investment (Rm): R3.9m

history

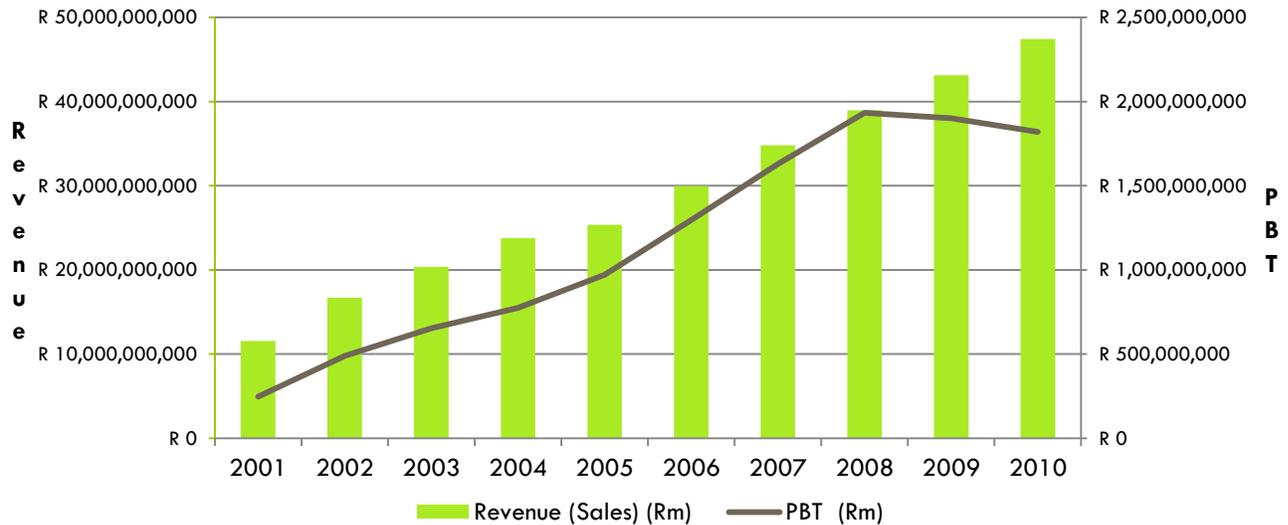
Founded in 1990 and listed on the JSE Limited on 4 July 2000 at R12.50 per share, the Group is currently a top 40 listed company (by turnover) and is a participant in the JSE Limited's Socially Responsible Investment Index. Massmart employs over 28 000 permanent and flexi-time staff, and achieved annual sales of R47.451 billion for the year ending 27 June 2010.

revenue, profit and annual growth

	Revenue (Sales) (Rm)	PBT	Annual growth in sales (%)	Annual growth in PBT (%)
2001	11 568.4	246.7	11.70%	82.60%
2002	16 709.2	490.2	44.40%	98.70%
2003	20 369.5	654.5	21.90%	33.50%
2004	23 787.7	774	16.80%	18.30%
2005	25 381.5	972.1	6.70%	25.60%
2006	29 963.6	1 295.9	18.10%	33.30%
2007	34 807.6	1 628.9	16.20%	25.70%
2008	38 958.3	1 933.4	11.90%	18.70%
2009	43 128.7	1 902	10.70%	-1.60%
2010	47 451	1 820	10.00%	-4.30%

Source: Massmart Annual Report 2010, p. 50 – 51

revenue and profit 2001 - 2010



While sales figures continue to grow in double digits, the profitability of the group has shrunk over the past two financial years.

growth

While the group does maintain some greenfield, organic growth, the founding and history of its growth suggests a far more acquisitive growth path including the acquisition of 13 businesses in the 2010 financial year alone at a cost of R369.9 million. Likewise, in a recent Competition Tribunal report it is noted that Massmart's rapid growth as a national retailer is to large extent due to a number of acquisitions it has made over the last 18 years.²⁰

Growth is heavily focused on buying going concerns both in South Africa and SADC.

where are they

Massmart has a total of 288 stores in 14 countries in sub-Saharan Africa. 232 stores are in South Africa, 11 in Botswana, one in Ghana, Malawi, Mauritius, Mozambique, Nigeria, Tanzania, Uganda and Zambia, two in Lesotho and Zimbabwe and three in Namibia. The stores in Zimbabwe are currently being sold to OK Zimbabwe.

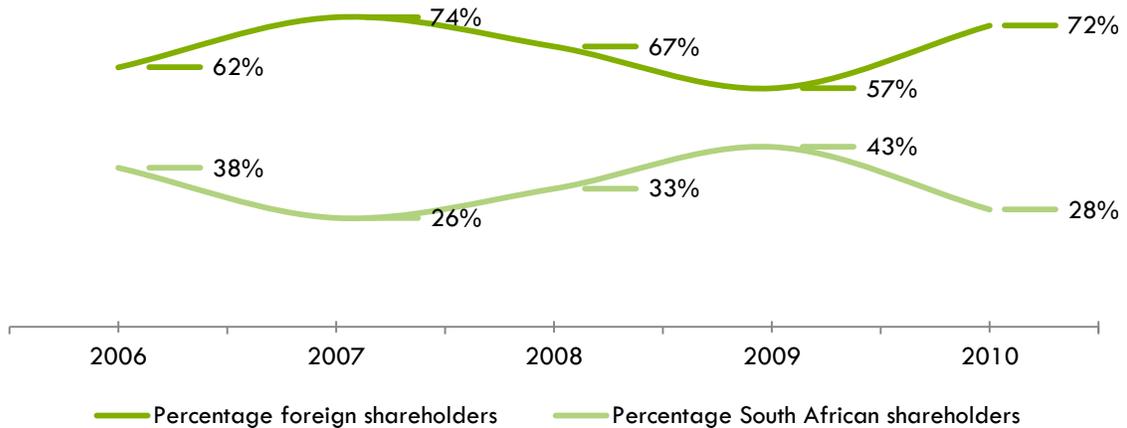
top five shareholders

Shareholder	Percentage shares June 2010	October 2010
Aberdeen Asset Management Group	16.6 (2009 – 9.66%)	25.2%
Public Investment Corporation	13.8 (2009 – 10.50%)	14.0%
JP Morgan Asset Management	7.5 (2009 – 5.25%)	8.2%
Lazard Asset Management LLC Group	6.9 (2009 – 4.32%)	6.7%
Baillie Gifford & Co Ltd	5.4%	5.5%

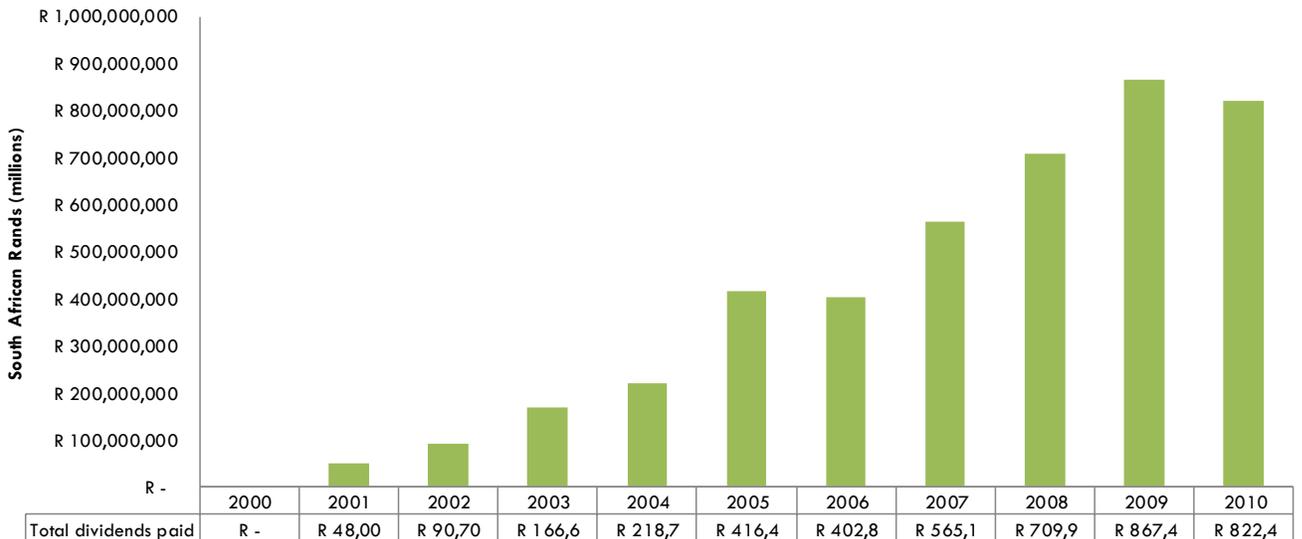
²⁰ Competition Tribunal report, COMPETITION TRIBUNAL REPUBLIC OF SOUTH AFRICA Case No: 62/LM/Jul05 2006 p. 3

Union funds are invested in Massmart through the Government Employee Pension Fund for which the PIC is the service provider. The unions included in this fund are: NEHAWU, POPCRU, PSA, SADTU and NAPTOSA.

percentage foreign shareholders



total dividend payouts since 2000



executive remuneration

POSITION	Chief Executive Officer	Chief Financial Officer
SALARY 2008*	R 2,250,000	R 2,036,000
SALARY 2009*	R 2,875,000	R 2,240,000
SALARY 2010*	R 3,019,000	R 2,419,000
TOTAL PAY 2008**	R 13,000,000	R 10,110,000
TOTAL PAY 2009**	R 14,152,000	R 7,517,000
TOTAL PAY 2010**	R 9,172,000	R 7,510,000

*Salary disclosed in Annual Report includes allowances

**Total Pay includes salary, allowances, benefits, bonuses and long-term incentive payments

potential executive payouts on the buy-out by walmart

Grant Pattison is set to secure a pretax profit of around R207m on his shares or options if Wal-Mart's bid for the company goes through. Guy Hayward, the group's CFO, could make a pre-tax profit of just over R100m on the transaction. Pattison is currently holding almost 2m shares and share options, including 400 000 shares in the Pattison Family Trust. In addition to the windfall profits set to be earned by the executive directors, each of the five black non-executive directors is in line to pick up a profit of R3m. Each of these directors was awarded 20 000 Massmart shares at a price of 1c/share. (Ann Crotty, *Business Report*, 28 September 2010)

Following the change in the offer to a 51 percent deal, the pretax profit will be just over half of that stated above.

wages at massmart operations

In 2009, a general worker at Massmart's Massdiscounters earned R2,700 per month, R32,400 per annum. In order to earn what the CEO took home in the same year, R14,152,000, the general worker would have to work for 437 years.

The table below charts national agreements for the bargaining period for general workers. They are ranked according to the 2010 monthly wage, Massmart employees highlighted.

Bargaining Unit	Monthly Wage 2008 (R)	Monthly Wage 2009 (R)	Monthly Wage 2010 (R)
Makro	3,500	3,960	4,430
Truworths		3,500	3,825
Edcon Stores	2,617	2,800	3,605
Lewis Stores	2,680	3,070	3,490
Ellerines Furnishers t/a Town Talk, Furn City)	2,800	3,000	3,375
Truworths	2,688	3,000	3,200
Pep Stores	2,636	2,900	3,161
New Clicks South Africa	2,698	3,000	3,145
Pick 'n Pay Retailers Including the Butchery's Division	2,700	2,800	3,000
Boxer Superstores Minimum Wage For Existing Employees	2,155	2,500	2,855
Jumbo Cash & Carry	2,175	2,500	2,835
Mass Discounters	2,468	2,700	2,760
JDG Trading Pty Ltd	1,638	1,950	2,085
Foschini Group Full-Time Employees	2,450	2,695	
Ackermans	1,944	2,100	
Final Investments t/a Browns/Weirs Cash & Carry Area A	1,737	1,926	
Shoprite Checkers Supermarkets/Meat Markets/Rainbow Finance	2,000	2,000	
Thumb Trading	2,700	3,020	
Metcash Trading Africa	2,650	3,000	
Wholesale Housing Supplies	2,754	2,930	
JD Group	2,188	2,500	

Median	2,627	2,800	3,161
Average	2,459	2,755	3,213

Source: LRS

Conditions of employment information is not available in company documents at this time and we are seeking access to these.

total employment in SA

The total employment figure for South Africa is not disclosed. Given that over 95% of Massmart operations are in South Africa, it can be assumed that most of the figures relate to South African workers.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total FTEs*	13,600	14,882	16,763	17,565	20,277**	22,412	24,436	24,308	24,518	26,585
Total Employees	ND	ND	ND	ND	ND	24,754	26,744	27,521	28,162	ND
%permanent employees	ND	ND	ND	68%	70%	64.3%	61%	63.7%	64.99%	ND

Source: Annual Report 2010, 50 – 51 and Annual Reports 2004 – 2010, Human Capital Report.

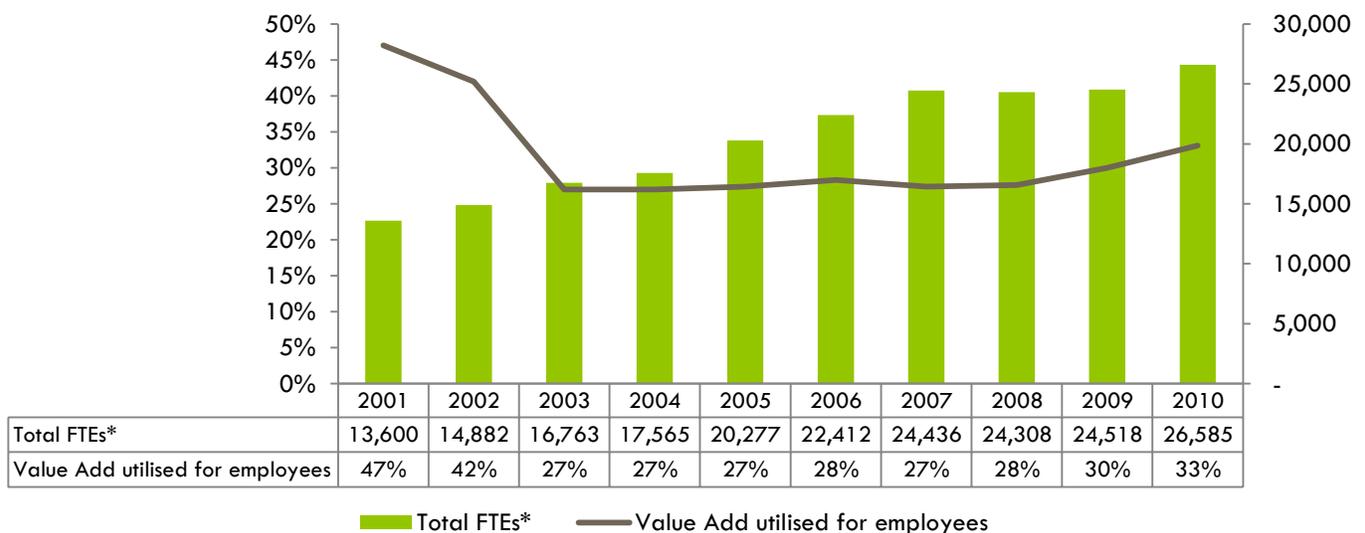
*Full-time equivalents: includes all permanent employees and the permanent equivalent of temporary employees and contracted workers (Annual Report 2010, 47)

**Annual report 2010, the figure in the 2005 report is 21, 859

*** Annual report 2005

The value added statement of a company shows the total wealth created, how it was distributed to meet certain obligations and reward those responsible for its creation, and the portion retained for the continued operation and expansion of the company. The proportion of the wealth created applied to employee wages and salaries dropped dramatically in 2003 and have not recovered. When compared to its competitors, Massmart distributes far less of its wealth to employees. In the same year Shoprite distributed 58% and Pick 'n Pay 65% of wealth to employees as salaries, wages and other benefits.

Employment figures and Value Added employed compared

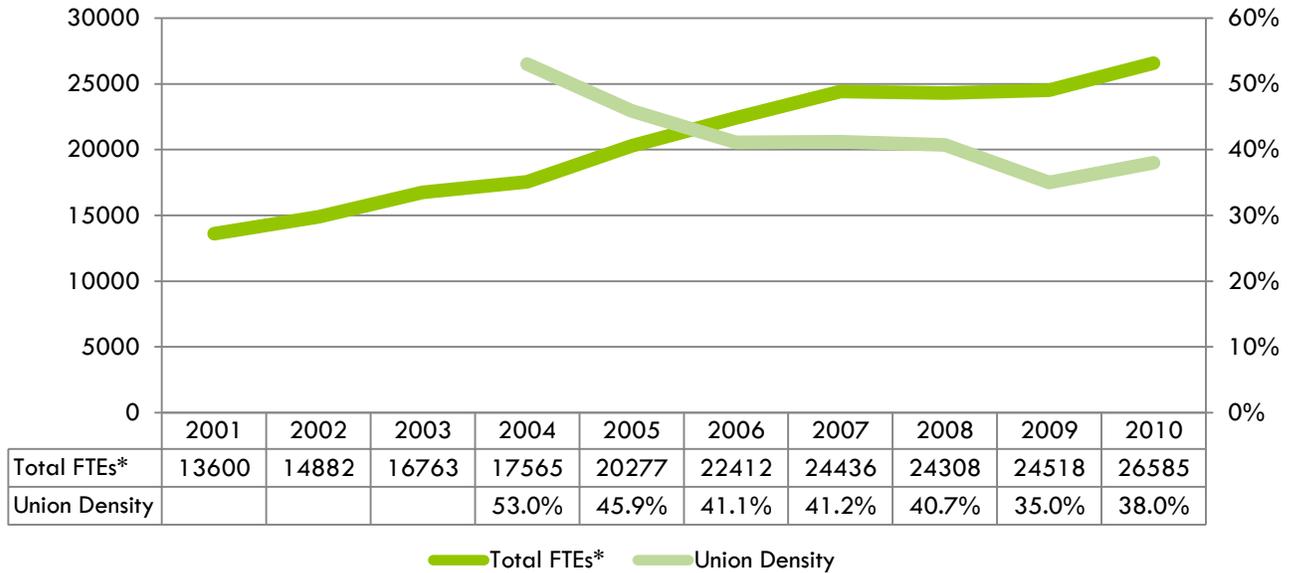


*Full-time equivalents: includes all permanent employees and the permanent equivalent of temporary employees and contracted workers (Annual Report 2010, 47)

union density – group-wide

Massmart has not disclosed union density on a divisional basis since 2001 when it was noted that SACCAWU had 30% membership at Massdiscounters and 61% membership at Masswarehouse.

Union density and employee numbers at Massmart Group

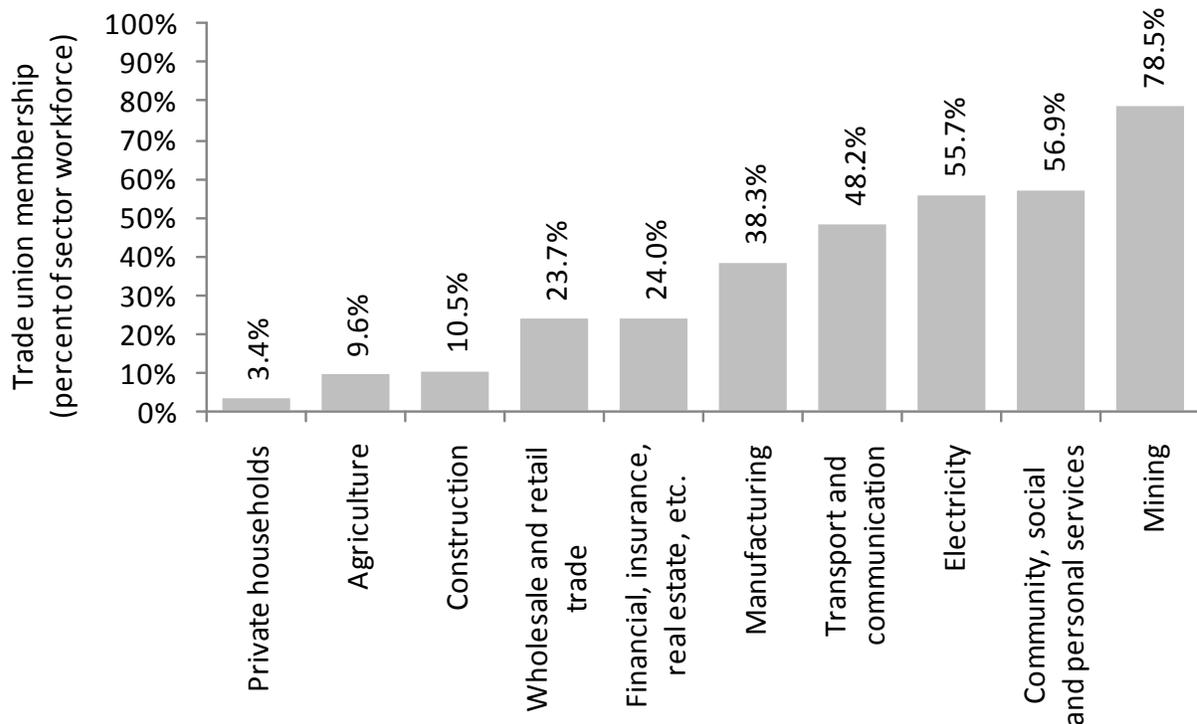


Source: 2004: RA 2004 - 40; 2005: RA2005: 50; 2006 - 2007: RA2007, 80; 2008-2010: RA2010, 107

No figures available for group union density prior to 2004

*FTE: Includes all permanent employees and the permanent equivalent of temporary employees and contracted workers (Massmart Annual report 2010)

Union membership in South Africa 2010 by sector



Source: Adcorp presentation: cgca_conference_-_labour_broking_10.2010.pptx from website:
http://www.cgcsa.co.za/index.php?option=com_jdownloads&Itemid=88&view=summary

permanent/casual/contract, part-time/full-time

Employee numbers and forms of employment at Massmart as disclosed in Massmart Annual Reports

	Total FTEs*	Total Employees	Permanent Employees	%permanent employees	% flexi-time employees
2001	13,600	13,600	ND	ND	ND
2002	14,882	14,882	ND	ND	ND
2003	16,763	16,763	ND	ND	ND
2004	17,565	17,565	11,997	68%	ND
2005	20,277	20,277	15,297	70%	30%
2006	22,412	24,754	ND	64.30%	35.70%
2007	24,436	26,744	ND	61%	39%
2008	24,308	27,521	ND	63.69%	36.31%
2009	24,518	28,162	18,302	64.99%	33%
2010	26,585	ND	ND	ND	33%

*Full-time equivalents: includes all permanent employees and the permanent equivalent of temporary employees and contracted workers (Annual Report 2010, 47)

Source: Annual Report 2010, 54 – 55; Annual Report 2007, 80; It is unclear from the reports whether all employees were FTEs in 2001 – 2005, this seems unlikely. However no distinction is made in the reports and so the numbers are reported here as being the same.

The 2004 Annual Report makes the following statement concerning labour brokers:

In recent years our Group has made more extensive use of external contractors and flexi-timers, employed via labour brokers, to staff certain sections of our stores, e.g. the front-end cashiers. While it is preferable to engage our own permanent employees, external contractors give us greater flexibility in terms of staff scheduling for seasonality and the long, irregular trading hours of retail. By carefully framing and managing the contract with our external labour brokers, our experience has been that many workers engaged through them are as committed to doing good work and providing service as that of our own permanent staff. (Annual report 2004, 39)

From the Media 2009: Retail BizCommunity.com, **29 December 2009**

...According to the Consumer Goods Council of SA, the retail and manufacturing sectors carry the biggest portion of employment in SA, with a total of 5-million people, or 33,7% of the total labour force. It is not known how many of these 5-million people were hired through labour brokers.

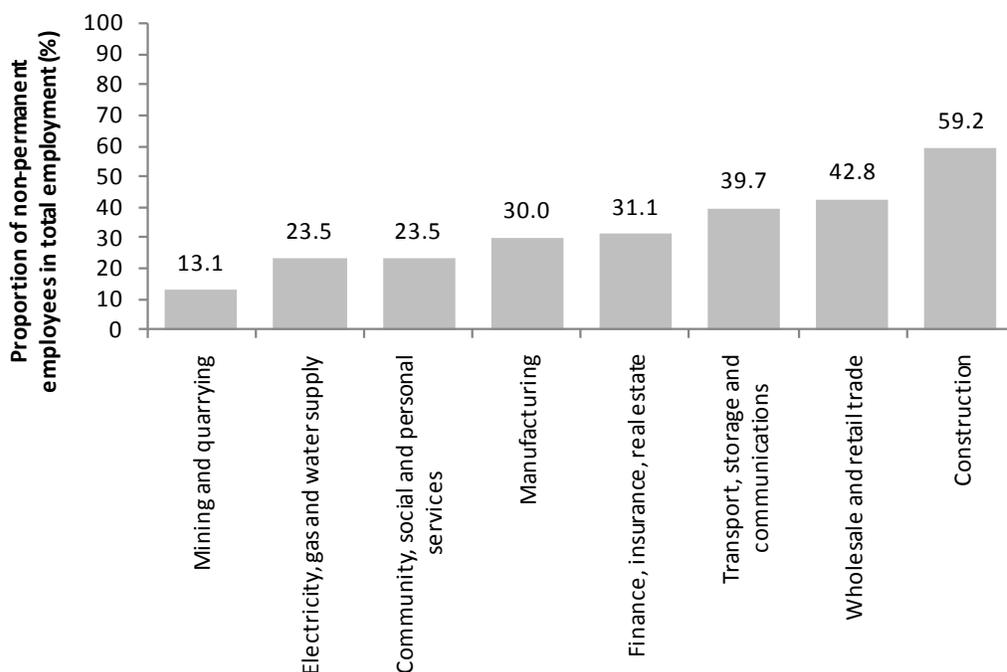
...

Massmart sources staff via labour brokers in different proportions across its operations.

In Masscash, which includes Jumbo Cash & Carry and Shield, the figure is 10%. In Massdiscounters, Game and Dion Wired, it is estimated at 2,79%; in Masswarehouse (Makro) 30%; and at Builders Warehouse 20%...²¹

²¹ <http://retail.bizcommunity.com/Article/196/182/43377.html>. It is not clear where they have sourced their figures.

Contract employment in South Africa by sector



Source: Adcorp presentation: cgca_conference_-_labour_broking_10.2010.pptx from website: http://www.cgcsa.co.za/index.php?option=com_jdownloads&Itemid=88&view=summary

employment profile

As it is in nature, diversity is also the key to long term sustainability in human enterprises. Massmart is a truly African business and reflects the diversity of our population. Of our nearly 30 thousand employees, 82% are black (African, Coloured or Indian). Likewise, 77% of all management and professional staff are black. Of our permanent employees, nearly 60% are males and 40% females. We have 3 857 female managers/professionals, of whom 80% are ACI African. (Massmart's **Empowerment through Transformation document**)

labour relations

quotes from the Annual Reports:

2005 We continue to maintain a healthy relationship with the representative bodies of organised labour in all of our Chains. These bodies collectively represent 45,9% of our workforce.

2009 ... increased the stridency of populist rhetoric and the vigour of socio-economic demands, both indicative of a more open democracy. Service delivery rioters, striking workers, obstructive taxi owners, and officious youth leaders all contributed to an environment conducive to the first ever protracted dispute between certain Massmart divisions and organised labour.

2010 - Labour relations were unfortunately strained in Massdiscounters as management sought more labour flexibility from the labour union, SACCAWU, in order to extract productivity improvements from our three-year investment in the supply chain. Unfortunately, we were unable to reach resolution and had to resort to retrenchment, which was devastating for those employees. We have provided, and continue to provide, those retrenched employees with as much support as possible. As a result of these labour disputes, there were some isolated labour-related disruptions to trading. More significantly however, the Game

Lakeside Mall store in Benoni was deliberately destroyed by fire. We continue to co-operate with the police as they progress their investigations and the store will re-open in November 2010.

disputes and industrial action

From the Press: Details of industrial action are not discussed in company documents. The following details have been noted in the press concerning disputes between SACCAWU and Massmart. No disputes prior to 2009 are recorded in the press. There have been three areas of dispute in the last 2 years: pay and conditions, retrenchments, national sectoral bargaining forum.

(1) July 2009: - pay and conditions – excerpts from the press:

- Makro, Game and Dion dispute over pay and working conditions. Workers demanded 8.5 percent increases with minimum raises of 460 rand a month, and improved job security and medical insurance. They also want the company to cease using temporary contract workers. Makro is offering workers across-the-board increases of 450 rand a month. South Africa's inflation rate is currently 8 percent.²²
- The average wage for a permanent Makro employee is R4797 while Mass Discounters, comprising both Dion and Game, is paying an average of R4169, according to the union. It said the workers were also demanding improved job security and medical insurance. The union said that it wanted to put an end to, or at least minimise, the use of labour brokers and the exploitation of workers, as well as negotiate for non-discriminatory medical-aid contributions. But the negotiations between the union and the relevant bargaining units had reached a deadlock because the bargaining units could not agree on a percentage increase, only a flat increase across the board, ... The union said it had been engaging with the company since last year and that there had not been any resolution of the disputes. ... the company had forced employees to join the company's initiated medical aid, which they felt was unfair. "There is a high level of discrimination on the benefits in the medical aid they are providing," said Ngubane. He said the only thing that could stop the workers from going on a strike was if the company agreed to come to the table, but it should ensure that it had the intention of meeting the demands of the workers. However, Brian Leroni, the group's corporate affairs executive, said the group was waiting for the union to come back to it regarding dates for Commission for Conciliation, Mediation and Arbitration (CCMA) hearings to hear the arguments concerning Game and Dion employees. Leroni said Mass Discounters had separate wage bargaining units and there was not one central negotiation process. "Makro and Mass Discounters (Game and Dion) have their own bargaining units and both have reached different stages in their negotiations," he said. "Game and Saccawu have deadlocked and the next logical step would be the CCMA, and we have identified July 21-24 as dates for the hearings, but they haven't come back to us. However, Makro has gone to the CCMA and a certificate to strike has been issued to the union." Leroni said the company believed the R460 pay increase across the board on average was equivalent to an 8,5% increase. Makro has offered to increase wages by R460, while Game and Dion have offered R300. Leroni said the union would still have to notify the company 48 hours before it embarked on the strike, and it had not done so yet.²³
- Massmart Holdings has been served with strike notices for protected protest action on Friday, the

²² Bloomberg, 7 July 2009

²³ Business Day: South Africa: Massmart Workers Threaten to Strike Over Pay, Kgomotso Mathe 9 July 2009

South African Commercial, Catering and Allied Workers' Union (Saccawu) said on Wednesday. The union said in a statement that the protest action would be centred around Massmart's Makro, Game and Dion stores.

Saccawu said its members were ready to embark on indefinite strikes "should the company fail to meet union demands after the July 24 protest action".

Saccawu intended to stage joint protest marches of members employed at Makro, Game and Dion stores in Johannesburg. A memorandum would be delivered to the Game City store in President Street, Johannesburg.

Saccawu members would also march in Cape Town, where a memorandum would be delivered to the Game Grand Central store.

In Bloemfontein archers would deliver a memorandum to the Game Mimmosa Mall store and in Durban a memorandum would be delivered to company representatives at the City Hall.

Saccawu said no marches would be staged in the Eastern Cape since stores were scattered.

Members in the Eastern Cape would, however, gather at the union's offices for a briefing.

"The union has been and is always willing to enter into discussions aimed at finding an amicable settlement to disputes.

"This, however, depends on whether management is willing to enter into genuine discussions over issues in dispute," Saccawu said.

The union said the protest action was a sequel to unresolved disputes against companies in the Massmart stable. There was an unresolved wage dispute with Makro and an unresolved dispute concerning unilateral change to terms and conditions of employment with Game and Dion, Saccawu said. -- Sapa²⁴

- Striking workers at Makro returned to work on Wednesday, following a wage agreement, the Massmart group said. "The union has accepted an increase of R460 across the board or 7.5 percent whichever is the greater," said Brian Leroni, Massmart group corporate affairs executive, in a statement.

Worker demands at Makro included an across-the-board increase of R460 or 8.5 percent -- whichever is bigger, conclusion of a job security agreement within three months that caters for child care facilities, and a ban on labour brokers and casualisation.

Leroni said although the strike action continued at Game, more than 51 percent of staff belonging to the bargaining unit had accepted the company's wage offer and were at work.

Game workers wanted an across-the-board increase of R500 a month, a minimum wage of R2800 a month, an R80 laundry allowance, a 15 percent staff discount, and Christmas vouchers.

"In a further development, the Labour Court has dismissed the action brought against Game, by the SA Commercial, Catering and Allied Workers' Union [Saccawu], regarding the replacement of the company's clock card time and attendance system with a thumbprint verification system. The court granted a cost order against the union."

He said in terms of the order all staff were required to use the system to access the workplace. He said constructive negotiations between Jumbo Cash and Carry and Saccawu were underway, with a further meeting scheduled to take place on August 27²⁵.

(2) June 2010 - retrenchments:

- Retail group Massmart is to lay off 261 workers in its Massdiscounters division, which includes Game and Dion Wired. In a statement released on Tuesday afternoon, Massmart said because of the group's investment in regional distribution centres, new technology and the consolidation of workflows, a number of positions have been made redundant. Letters of retrenchment have been issued to affected employees in Gauteng.

Massmart corporate affairs executive Brian Leroni said the move was the culmination of a process which began on January 7 this year, when management started talks on these initiatives with employees and

²⁴ Mail & Guardian - Union serves Massmart with strike notices , Mail & Guardian Online, Web Address: <http://www.mg.co.za/article/2009-07-22-union-serves-massmart-with-strike-notice>

²⁵ Supermarket.co.za - Makro workers back at work, 2009/08/19

labour union the South African Commercial Catering and Allied Workers Union (Saccawu).

He said the number of affected employees then was 1 500, but the actual number of workers faced with job cuts was around half that number.

The re-engineering and restructuring process was initiated in 2008. It includes the recent opening of a 19 500m² regional distribution centre in Cape Town to service 18 stores in the Western and Eastern Cape, and the current construction of a similar centre of 70 000 m² in Germiston.

Massmart said the new Cape Town distribution centre showed significant receiving improvement. This meant that Game and Dion Wired stores needed fewer receiving personnel.

Leroni said after disagreements between Massmart and Saccawu, the trade union informed the company that it planned strike action unless the re-engineering exercise was halted unconditionally.

According to Saccawu's correspondence, it plans a protest march for June 10.

Leroni said management approached discussions on the basis that retrenchment would be a last resort and that the company would attempt to find ways to minimise the impact of the re-engineering process, but Saccawu declined those propositions.

The company proposed a flexible model that would significantly reduce the number of contemplated retrenchments if the team agreed to flexible working hours, a flexible working week and flexible job functions²⁶.

- With the labour dispute unresolved, the South Africa Commercial, Catering and Allied Workers Union (SACCAWU) says it is considering taking one of the largest divisions of Massmart (MSM) to the Labour Court and the Commission for Conciliation, Mediation and Arbitration (CCMA) this week.

Massdiscounters finished its "re-engineering process" that involved retrenchment late in June 2010.

Lucas Ramatlhodi, coordinator secretarial office of SACCAWU, told I-Net Bridge that the union intends to go to the Labour Court today, Thursday 22 July, to challenge lock-outs and to the CCMA on Friday to challenge retrenchments.

According to Massmart's annual report for 2009, Massdiscounters accounts for 26% of Massmart's total sales of about R43.12 billion and 32% of the group's total trading profit before taxation of around R2.02 billion.

This division operates Game, the discount retailer with 87 stores, and DionWired, the electronics and appliances business that has six outlets. It employs 9 469 workers.

Ramatlhodi said retrenchments and lock-outs were "unprocedural, unfair and uncalled for".

He said Massdiscounters had locked out workers who refuse to apply for jobs that pay less.

"For us, forcing workers to reapply for jobs that are low-paying amounts to downgrading," Ramatlhodi said.

Possible takeover?

He said the union "strongly believes" that the retrenchments are linked to the possible takeover or buy-in of Massmart by the US-based retail giant Wal-Mart. Wal-Mart has shown interest in investing in Africa.

Ramatlhodi said Wal-Mart has specific labour policies that display "anti-union sentiment".

"Massmart wants to prove that it is capable of implementing such policies," he said.

Massdiscounters said the retrenchments were driven by a "re-engineering process" that was characterised by investment in regional distribution centres, new technology and the consolidation of workflows.

"Specifically the re-engineering process included the launch of a 70 000m distribution centre in Germiston and the implementation of 'green light receiving' resulting in a requirement for fewer receiving personnel in Massdicounters stores," it said.

Massdiscounters said it entered into consultations regarding the reorganisation of its business in "good faith" and endeavoured to reach consensus with SACCAWU long after the legally prescribed 60-day facilitation period, which ended in March 2010²⁷

Comment from Massmart management on the strike action and the impact on labour relations:

Labour relations were unfortunately strained in Massdiscounters as management sought more labour

²⁶ Massmart announces job cuts, Jun 01 2010, Andile Makholwa (Fin24.com)

²⁷ Bizcommunity.com, SACCAWU takes Massmart unit to court, CCMA, Artwell Dlamini, 22 July 2010, <http://retail.bizcommunity.com/Article/196/160/50298.html>

flexibility from the labour union, SACCAWU, in order to extract productivity improvements from our three-year investment in the supply chain. Unfortunately, we were unable to reach resolution and had to resort to retrenchment, which was devastating for those employees. We have provided, and continue to provide, those retrenched employees with as much support as possible. As a result of these labour disputes, there were some isolated labour-related disruptions to trading. More significantly however, the Game Lakeside Mall store in Benoni was deliberately destroyed by fire. We continue to co-operate with the police as they progress their investigations and the store will re-open in November 2010.²⁸

Comment from Massmart management on the strike action and the impact on labour relations:

... Pattison says Massmart has changed its position on labour relations.

"We worked really hard on good relations but it counted for nothing when we negotiated with SACCAWU for greater flexibility. We had to resort to retrenchment, which led to store disruptions and the Lakeside Mall store being set on fire. From now on, we understand the unions will make requests and we'll negotiate from there."²⁹

(3) September 2010 – national sectoral bargaining forum:

Several large retailers have failed to agree to the establishment of a national sectoral bargaining forum for the retail sector, a trade union said on Wednesday. A meeting held under the auspices of the Commission for Conciliation, Mediation and Arbitration (CCMA) earlier this week failed to resolve the impasse on the issue, the SA Commercial, Catering and Allied Workers' Union (Saccawu) said in a statement. The union wanted the forum to address developmental problems in the sector. The union's demand was also premised on the need to fulfil the objectives of the Labour Relations Act, which included encouraging collective bargaining. Saccawu believed a proposed bargaining forum should: -- negotiate and conclude collective agreements covering wages and other conditions of employment; -- develop proposals for submission to the National Economic Development and Labour Council on any policy and/or legislation that may impact on the sector; and -- establish and administer schemes that addressed the plight of workers within the sector, for example HIV/Aids.

Respondents in the dispute included Pick n Pay, Makro, Massdiscounters, Jumbo Cash and Carry, Builders Warehouse, Ellerines, JD Group, Lewis, Woolworths, Shoprite Checkers, PEP Stores, Ackermans, New Clicks, Foschini, Edcon, Spar and Truworths.

"The union has patiently explained its proposal through a series of meetings dating back to the October 14, 2009, but employers have not only rejected the proposal but have been trying to frustrate the process through various tricks," Saccawu claimed. It was now mobilising more than 120,000 members for protected industrial action and would disclose details in due course. Saccawu alleged the dispute arose in the context of "unprecedented attacks" on working conditions in the sector. "Such attacks include, but are not limited to, unilateral restructuring and attempts to impose unreasonably low increases on workers, whilst the sector is characterised by vast income inequalities between the lowest paid employee and senior management." In response to a request for comment from Sapa, Woolworths said it was currently reviewing the content of Saccawu's statement. Pick n Pay, Shoprite, Massmart and Clicks could not comment immediately.³⁰

November 2010 - More than 80 000 members of the SA Commercial, Catering and Allied Workers Union (Saccawu) would go on a one-day strike demanding that retail and wholesale companies set up a centralised bargaining forum, the union said yesterday. Saccawu members from 28 national retail chains,

²⁸Massmart Annual Report 2010, p 27

²⁹ Moneyweb - Massmart close to target, But the share droops in wake of 6% HEPS fall, David Carte Johannesburg, 26 Aug 2010

³⁰ http://www.supermarket.co.za/news_detail.asp?ID=2369

including Pick n Pay, Makro and Foschini, would strike today, it said. The union said members had experienced a range of problems with companies when it came to salaries, working hours, organisational rights, strikes and picketing rules. The forum was needed to resolve issues. "Through a centralised bargaining forum we will be able to establish a broad framework, understanding, commitments and minimum standards that will serve to protect and improve the position of workers."³¹

current disputes with Massmart (SACCAWU Press release, JUNE 2010)

- Retrenchment of 1500 workers, 700 permanent and 800 flexi-time employees
- The imposition of ultra-flexi time contracts
- 40 hour rolling week with Sundays as normal time
- Compressed working week without overtime
- Sunday and Public holidays compulsory work
- All those not faced with retrenchment to reapply for their positions under new terms of employment
- All re-applications to be considered after interviews to include psychometric testing, failing workers will be demoted
- All those that will remain in employment will be given new job titles, job descriptions and for many new salary rates
- The introduction of new Green Light technology that requires tertiary vocational training and the refusal by the company to offer any training to staff except for management.

BEE structure

... have aligned our efforts to the Department of Trade and Industry's BBBEE Code of Good Practice to ensure that we contribute to a sustainable and equitable society. The Massmart group's verified BBBEE score is 66.14%. This is substantially higher than our last year's score of 55.67%, when the group obtained Level Five status. There has been steady growth in Massmart's empowerment performance since its June 2007 score of 49.77%. We are now a Level Four contributor and we are very proud of this. (Massmart's Empowerment through Transformation document)

Massmart in worker-empowering BEE transaction

Massmart's objective has been to achieve a Broad-based Black Economic Empowerment (B-BBEE) score of 65%, equivalent to Level 4 B-BBEE contributor status, by June 2011. We are pleased that we surpassed this to achieve an Empowerdex-verified score of 66.1% in February 2010, 21 months earlier than anticipated. This led Massmart to be ranked the second most empowered listed retailer in the 2010 FM Top Empowerment Companies Survey, 3.5% lower than the most empowered retailer, which achieved a score of 69.6%. From a transformation perspective, Massmart achieved the highest Employment Equity score in the retail industry and the sixth highest score of the 100 listed companies who participated in the survey. The improvement in our scorecard performance is mainly the result of increased investment in skills development, improved black representation in management and professional positions and greater emphasis on gathering the preferential procurement credentials of our suppliers.

Meanwhile, our Thuthukani Staff Empowerment Trust continues to disburse financial benefits to staff participants, who have collectively received R114.2 million in dividend payments from inception of the trust to 30 June 2010. Capital growth of the shares in the trust had increased from R49.98 per share to R119.72 (by 30 June 2010), representing total growth of R69.74 per share. Thuthukani participants reach an important milestone on 1 October 2010 when they will be able to vest the first 33.3% of the units that they have been allocated in the trust. We are currently implementing a further awareness programme to

³¹ <http://www.iol.co.za/business/business-news/saccawu-strikes-in-retail-sector-1.877269> Saccawu strikes in retail sector
November 26 2010

advise Thuthukani participants on the vesting process and the alternatives available to them. Going forward our objective is to maintain Level 4 B-BBEE contributor status. (Annual Report 2010) The Thuthukani Empowerment Trust has nine trustees, of which four are elected by the beneficiaries, four are appointed by Massmart and one person is an independent previously disadvantaged professional who may be elected by the trustees to act as chairman of the trust. The majority of the trustees shall be previously disadvantaged individuals. (Annual report 2006)

News reportage of the BEE deal – Engineering News: 16th May 2006

...Under the terms of the transaction, which is fully company-funded, shares equivalent to some 10% of Massmart's current issued share capital will be issued to three trusts representing about 14 500 members of Massmart's permanent general staff, previously-disadvantaged managers and non executive directors in South Africa.

...Some 83% of the company's general staff are previously-disadvantaged persons. They will be allocated 85% of the newly-issued shares through the Thuthukani Empowerment Trust and, as a result, will participate in 8,6% – currently R1-billion – of Massmart's equity.

Previously-disadvantaged managers within Massmart, both current and future, will be allocated 10% of the newly-issued shares through the management trust; initially, 30 of Massmart's black executives and management will benefit from the scheme.

Previously-disadvantaged non-executive directors of Massmart, both current and future, will be allocated 5% of the newly-issued shares through the non-executive directors trust. Three existing black non-executive directors will initially benefit.³²

2009 report on BEE in the retail sector in general: July 19 2009

Analysts last week attacked the retail industry for dragging its feet on empowerment because they were not under direct pressure from the government as their main customer was the man on the street.

The comments followed Spar's announcement last week that it planned to sell 10 percent of its business to empowerment partners for R1 billion....

Retailers such as Clicks, Truworths, Foschini and Lewis have not done any deals to date, at least at ownership level.

Retail analyst Syd Vianello from Nedcor Securities warned that at some point the government would force companies to put black economic empowerment (BEE) schemes into place. Empowerment deals in the sector were an eventuality, but retailers did not consider it important enough, Vianello said.

Cadiz Asset Management's Mark Ansley said the history of the country necessitated empowerment. Ansley added that some retailers that lacked in this department, including furniture retailer JD Group, were probably working on deals.

Warwick Lucas from Imara SP Reid said most retailers had relatively voluntary BEE deals based on public spiritedness.

"This issue will be raised time and again, but there's an element of inevitability about the societal pressure that will leave retailers with little choice (but) to implement these schemes," he said.

Yasmine Ganief, a retail analyst from Old Mutual Asset Managers, commended Spar for being proactive. "Spar is being proactive by going this route before its main competitors. This deal is beneficial to employees and is also likely to encourage (franchise) members to buy more goods from Spar because they are now part owners of the company," she said.

She added that Spar had a loyalty ratio of approximately 78 percent (the percentage of goods sold by Spar stores that is purchased from the group itself). It was her view that Pick n Pay franchisees probably had less leeway in terms of what they could source from other companies.

Pick n Pay has opted to transform its low-budget chain, Score, into black-owned franchises, while Shoprite has invested heavily in the group's own skills development programme and is training future store and office personnel.

Massmart's BEE initiative, the Thuthukani Empowerment Trust, has to date paid out R59 million in dividends to staff since 2007.

³² <http://www.engineeringnews.co.za/article/massmart-in-workerempowering-bee-transaction-2006-05-16>

Ansley said the BEE scheme by SA Breweries (SAB) was probably the "cleverest" as it filtered down to customers, staff and retailers, including shebeen owners. It puts 10 percent under black ownership through the issue of new shares to about 60 000 new investors, including SAB employees, black-owned liquor retailers and consumers through an SAB foundation.

However, Empowerdex chief executive Vuyo Jack said the problem with BEE deals done by local retailers was that they relied heavily on the company's share price, and not its underlying cash flow, for value to accrue to shareholders.³³

property portfolio

This information is not disclosed in company documents. The following information has been sourced from internet research:

Nedbank Corporate Property Finance today announced that it funded the recently completed head office building for Massmart and Makro in the Tiber Group's Sunninghill Office Park in Johannesburg. The building was developed and is owned by the **Tiber Group**. Total gross lettable area is approximately 15 550m².³⁴ (3 August 2010)... Massmart have three other buildings on their 'campus', all belonging to Tiber.

The Lowveld economy is set to receive a major boost after local developer Halls Properties concluded a deal with the **Eris Property Group** that will see retailer Massmart open the region's first Makro store in November 2011...In terms of the Riverside Park deal, Halls Properties has sold the land to Johannesburg-based developers Eris Property Group, who will develop the site to Massmart specifications. The developed property will be retained in the Eris Property Fund as an investment. ³⁵ No other details disclosed but other major property/ mall developers and owners are Growthpoint, Zenprop and RED developments.

South African Retail Sector 2010 – comparison of key figures:

	Massmart	Shoprite	Pick 'n Pay	Woolworths
Revenue (R)	47,45,000,000	67,402,440,000	55,314,300,000	23,663,000,000
PBT (R)	1,820,000,000	3,399,088,000	1,827,700,000	1,759,000,000
Employees	26,585	86,318	49,000	23,656
Union density (SA)	38.0%	37.9%	ND	ND
Value Added utilised on employees	33.1%	58.9%	65.0%	55.0%
BBBEE certificate Level	4	6	8	5
Trading area m2	1,179,466	ND	1,212,000	566,621

³³ Business Report - <http://www.iol.co.za:80/business/business-news/retailers-rapped-for-slow-bee-deals-1.705703>

³⁴ <http://www.realestateweb.co.za/realestateweb/view/realestateweb/en/page197?oid=63170&sn=Detail>

³⁵ Published in "The Lowvelder" on Tuesday, 7 December 2010 - front page article

Number of outlets	288	Corporate - 1162, Franchise - 276	Corporate - 466, Franchise - 327	Corporate – 337, Franchise - 242
Stores in South Africa	263	Corporate - 552, Franchise - 216	ND	ND
Locations outside SA:	Botswana (11), Ghana, Lesotho (2), Malawi, Mauritius, Mozambique, Namibia (2), Nigeria, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe (2) (selling)	Angola (9), Botswana (25), Ghana (3), Lesotho (14), Madagascar (7), Malawi (5), Mauritius (1), Mozambique (7), Namibia (93), Nigeria (2), Swaziland (12), Tanzania (3), Uganda (2), Zambia (27), Zimbabwe (1)	Namibia, Botswana and Swaziland and a 25% stake in TM Supermarkets in Zimbabwe....have signed up franchise partners in Mozambique; and have identified sites for expansion into Mauritius. Also in Australia (Franklins - selling)	43 - Woolworths franchise only: Botswana (13), Kenya (5), Lesotho (2), Mauritius (1), Mozambique (1), Namibia (4), Nigeria (1), Swaziland (2), Tanzania (1), Uganda (2), Zambia (1), Zimbabwe (2), Middle East (8); Country Road - Australia, New Zealand

Source: Company Annual Reports

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