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WALMART & MASSMART MAINTAIN CONDITIONS ARE NOT NECESSARY, PROPOSE COMMITMENTS TO DEMONSTRATE GOODWILL IN SOUTH AFRICA

Merging companies announce R100 million local supplier development fund and also commit to respect and honour existing union contracts

In today's closing arguments before the Competition Tribunal, merging parties Massmart and Walmart maintained that no conditions were necessary but to demonstrate goodwill, they made commitments to the various stakeholders in this transaction. The merged parties indicated to the Tribunal that it may impose these commitments as conditions on the merger. Among these commitments, Walmart and Massmart proposed to establish a R100 million supplier development fund if the proposed merger between the two companies is approved by the Competition Tribunal.

Walmart International CEO Doug McMillon commented: "We continue to believe the proposed merger will increase competition and benefit the stakeholders related to this transaction. In an effort to increase the comfort of those involved, we feel that these proposed commitments demonstrate our good faith and will allow us to collectively serve customers in South Africa and help them save money and live a better life."

This supplier programme will be funded in a fixed amount of R100 million to be contributed by the merged entity and expended within three years from the effective date of the proposed transaction. It will be administered by the merged entity, advised by a committee established by it and on which representatives of the unions, business and the Government will be invited to serve, reporting back to the Competition Commission annually about its progress. The merged entity would also establish a programme to train local South African suppliers on how to do business with the merged entity and with Walmart globally.

Whilst specific details are not yet finalised, the programme is intended to develop the capabilities of emerging small- and medium-sized farmers and manufacturers to supply product to the merged entity. In this respect, envisaged initiatives will broadly be aligned to the Enterprise Development objectives of Black Economic Empowerment, focusing initially on the development of emerging black farmers and as part of Walmart's commitment to maintain Massmart's BEE leadership position among large retailers.

Doug McMillon added, "Our emphasis on localisation means that we work to be a contributing partner everywhere we operate. Around the world, our stores typically source a majority of products locally. By establishing this supplier development fund, we are creating a situation where we will grow our existing local supplier base, create jobs, and ultimately, benefit customers by offering better products at better prices".

Massmart CEO Grant Pattison said, "We anticipate that Walmart will enable Massmart to accelerate the implementation of our new fresh food offering which will require a network of reliable local suppliers, we are therefore likely to place priority on the development of local farmers. In this way the merger will assist in delivering the dual benefits of increasing competition amongst national food retailers whilst also growing the local producer base".

Pattison continued, "Walmart will also bring real improvements to South Africa's supply chain, to the benefit of the South African consumer and the broader community. These supply chain improvements, such as logistics expertise, inventory management, and better forecasting models will help South African suppliers, as they will be able to compete better in the global marketplace, and will also help lower the price of goods for South Africans. The proposed imposition of any conditions stipulating targets or quotas for local procurement will undermine these efficiency gains."

In further undertakings, the merged entity also proposed a commitment to ensure that there are no retrenchments, based on the merged entity's operational requirements in South Africa, resulting from the merger for a period of two years from the effective date of the proposed transaction. Finally, Massmart and Walmart have proposed to guarantee continued recognition of the South African Commercial Catering and Allied Workers Union (SACCAWU).

McMillon concluded, "We have become a company with a strong local focus in our operations, sourcing, hiring and community involvement. Walmart is known globally for growth in jobs and stores. We are a company that enjoys strong relationships with communities, governments and consumers. Being a responsible global citizen begins with being a responsible local citizen. Walmart looks forward to earning our credentials as a responsible and productive citizen of South Africa".

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***For further information about the proposed transaction please visit the Massmart website on* www.massmart.co.za or www.walmartinfo.co.za**