

ENVIRONMENTAL SOCIO-ECONOMIC AND GOVERNANCE REPORT

2023



THE SPAR GROUP LTD

Welcome to the 2023 environmental, socio-economic and governance (ESG) report of
The SPAR Group Ltd (SPAR or the Group).

WHO IS SPAR?

SPAR, a JSE-listed Group, is a wholesale warehousing and distribution business, supplying goods and services to **independently and corporate-owned stores**, trading predominantly under the SPAR retail brand. The Group is the registered licensee of the SPAR brand in parts of Southern Africa including South Africa, as well as Ireland, South West England, Switzerland and Poland. The Group also has a joint venture arrangement in Sri Lanka.

SPAR operates under a **voluntary trading model**, allowing retailers to source goods from local traders, thereby supporting their local communities. The relationship between SPAR and independently owned stores is collaborative and aims to create joint value.

SPAR's primary revenue stream is derived from providing goods and services to its retailers, also known as member stores. The financial performance of independent retailers does not form part of the group's financial results. We report on ESG initiatives with independent retailers, but the results are excluded from Group numbers.

Independent retailers

Most SPAR stores are owned and operated by independent retailers. They manage their own stores, are members of the SPAR Guild and are required to adhere to SPAR's quality and brand standards.

Corporate stores

We acquire stores at strategically important sites. SPAR manages corporate stores until they are sold to independent retailers. This is the Group strategy other than for South West England, where most stores are corporate stores.

Voluntary trading model

In South Africa, retailers can only use the SPAR brand once they sign a membership agreement with the **SPAR Guild of Southern Africa**. This gives them access to the group's procurement and distribution expertise and associated support services.

SPAR Guilds

In South Africa, the relationship between SPAR (the wholesaler and distributor of goods and services) and independent retailers of our SPAR and Build it stores are managed through regional Guilds. It is overseen by national Guilds representing both wholesale and retail members. Other territories do not operate under the Guild structure.



OUR PURPOSE

To inspire people to do and be more



OUR VISION

First-choice brand in the communities we serve

OUR VALUES



Entrepreneurship

At the very core of the SPAR model are entrepreneurs, our independent SPAR retailers, innovative and agile, with the ability to embrace change and capitalise on the opportunities that present themselves.



Family values

Encompass that sense of community and belonging, personal connection, caring for one another and working together towards common goals. This includes embracing changes in the SPAR family and supporting those changes to ensure the health of the SPAR brand and our SPAR family at large.



Passion

Represents the authentic, positive energy, attitude and enthusiasm that permeate our organisation, helping to drive the organisation forward in line with our purpose to inspire people to do and be more. We believe that passion is contagious, creating a virtuous circle and, in doing so, protecting our SPAR family.



Our values in practice

The way we operate is informed by our values, which are integrated into employee onboarding, training interventions and recruitment, as well as employee recognition campaigns. We have a Values Committee at each distribution centre. The members of the committees act as catalysts to drive values-based behaviour. For example, shop steward training emphasises understanding our values and the importance of maintaining a positive culture.

Our values are aligned with global principles aimed at promoting and protecting human rights. These include the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

Our values are central to our thinking in developing the ESG strategy and executing related projects.



“My SPAR, Our Tomorrow” remains our public commitment to the future of our brand and our planet.

OUR INTENDED ESG OUTCOMES ALIGN WITH OUR STRATEGIC OUTCOMES



Sustainable stakeholder value

Supply chain efficiency to compete effectively

- Stakeholder interests are balanced to ensure the entire system is sustainable in the long term
- Value includes the broad range of benefits we deliver to all our stakeholders due to our business activities and the actions we have taken to produce positive outcomes using the six capital inputs



Loved and respected as a brand

Respected for the difference we make in communities

- Entrepreneurial retailers at the heart of their communities
- The SPAR brand has a strong emotional connection with all stakeholders



Nutritious and affordable food

Buy better for our consumers and focus on ethical sourcing and food safety standards to ensure a sustainable supply chain

- Provide access to nutritious food at affordable and competitive prices
- Make a positive impact on the health of consumers

Read more about our new ESG strategy on page 21.



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THE IMPORTANCE OF ESG

SPAR acknowledges that it operates within a system that includes communities and the environment that sustains us. Any imbalances in the system impact all those that comprise the system. ESG thinking provides us with a framework to create positive change and make meaningful impacts within the systems in which we operate.

At SPAR South Africa, which celebrated 60 years in 2023, our ESG journey started with a focus on philanthropy and efficiency improvements. Today, our ESG efforts emphasise that impactful changes are made through upstream and downstream partnerships with role players who are part of the system in which we operate.

In this report, we hold ourselves accountable and reflect on how we "walk the talk". We report on progress and challenges that are material to all stakeholders for the past year. We publish a climate change report to track our climate risks, opportunities and performance every two years. We invite you to read the integrated annual report and visit our website for a full picture of SPAR's performance in the past year.

I am grateful to the ESG team for guiding SPAR down the path of becoming a more purpose-driven business, and I look forward to supporting their work during my tenure as Group CEO.

Angelo Swartz
Group Chief Executive Officer





This report presents environmental, socio-economic development and governance-related information for the financial year 1 October 2022 to 30 September 2023. It should be read in conjunction with SPAR's full reporting suite.

FIX IT WITH A CHEESE BOARD

OUR ESG REPORTING APPROACH



A COMPREHENSIVE REPORTING SUITE

The 2023 reporting suite consists of the following elements, aimed as primary communication for all stakeholders, including providers of financial capital. It is available on SPAR's corporate website www.thespargroup.com



ENVIRONMENTAL, SOCIO-ECONOMIC AND GOVERNANCE (ESG) REPORT

This report sets out SPAR's ESG approach, strategy and performance. It also includes supplementary governance information such as the group's approach to taxation and the application of the King IV™ Code on Corporate Governance, 2016 (King IV)¹.



INTEGRATED ANNUAL REPORT

SPAR's integrated annual report sets out how the Group creates value for all its stakeholders. The integrated report includes the full remuneration report and governance report.



CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

SPAR's audited consolidated annual financial statements set out the Group's performance and financial position.



CLIMATE CHANGE REPORT

Our climate change report considers the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We publish this report every second year, with the first report issued in 2022. The ESG report for 2023 includes a summary of these disclosures.

A CLEAR REPORTING BOUNDARY

The group's financial reporting boundary includes the operating financial results of the SPAR wholesale and distribution business. This includes operations in Southern Africa, Ireland and South West England, Switzerland and Poland (referred to as territories in this report). Southern Africa includes wholesale distribution to certain African countries outside of South Africa. SPAR has a presence in Sri Lanka through a joint venture agreement with Ceylon Biscuits Ltd, a Sri Lankan food manufacturer.

The operations of our independent retailers, who own stores, do not fall within SPAR's financial reporting boundary.

This report reflects an early "impact materiality" perspective, and we aim to expand the boundary of this report in future to encompass more of our global supply and value chains.

Environmental data is limited to our South African operations unless otherwise indicated. Social and governance data relate to the Group. Reporting is weighted towards South Africa as the region contributes 62% towards total revenue. 44% of our 10 512 employees work in South Africa.

The greenhouse gas (GHG) emissions boundary for 2023 includes the SPAR head office, Encore and eight distribution centres (including Build it and S Buys) with their associated distribution fleets, and our 40 corporate stores. It also includes SPAR's operations outside South Africa. South Africa constitutes 74% of total warehousing space, excluding corporate stores. Our international territories, which account for 26% of total floor space, were excluded from our previous reports. They are included in this report.

In addition, SPAR has participated in the CDP since 2009. Our CDP submissions on water, climate change and forests are available on the CDP website: <https://www.cdp.net/en/responses>

¹ King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.





Summary of SPAR's distribution centres (DCs)

Territories	Total number	Size (m ²)
 Southern Africa (including Build it and S Buys)	8	307 530
 Ireland and South West England	3	33 114
 Switzerland	1	33 000
 Poland	2	34 130
Total warehousing space	14	407 774

CONSIDERING MATERIALITY AND STAKEHOLDERS

This report includes potential sustainability-related risks and opportunities that could significantly impact SPAR's long-term sustainability and shape our impact on the environment and society.

SPAR performed an informal materiality assessment based on desktop research and an internal workshop and review process.

The desktop research included assessing:

- Prior year SPAR and selected peers' external reporting
- Stakeholder feedback
- International Financial Reporting Standards (IFRS) S2: General Requirements for Disclosure of Sustainability-related Financial Information
- Sustainability Accounting Standards Board (SASB) Standards for Food Retailers and Distributors, and Building Products and Furnishings
- European Sustainability Reporting Standards: ERS 1 General Requirements

The outcome of this assessment was accepted by the Board of directors (Board) in August 2023 and informed the information included in the integrated annual and ESG reports. Refer to page 28 for more information on this first step towards a robust material impact assessment.

We are committed to understanding and responding to the needs of our stakeholders and strive for a considered, responsible and ethical approach to stakeholder activities. To create shared value from an ESG perspective, we consider matters that could impact our five material ESG stakeholders: our employees, retailers, consumers, communities and suppliers.



We welcome stakeholder feedback on our report and input on what you believe should be material for SPAR. Contact us at intcontact@spar.co.za

BOARD RESPONSIBILITY AND APPROVAL

The board, supported by the Social, Ethics and Sustainability Committee, has overall accountability for this report. The committee reviewed the integrity of this report and recommended it to the Board for approval. The Board is satisfied that this report provides a fair account of the sustainability-related risks and opportunities facing the Group and the ESG performance for 2023.

The report was approved on 14 December 2023.

Mike Bosman
Independent non-executive Chairman



UNDERSTANDING SPAR'S OPERATIONS

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THE GROUP'S STRUCTURE AND ACTIVITIES

OUR VALUE CHAIN

SPAR is a wholesale warehousing and distribution business. Through its voluntary trading model (see next page), it services a variety of independently owned store formats. It also services corporate stores.

SPAR INTERNATIONAL

Custodian of SPAR brand
Licences to 48 member countries globally
Headquartered in Amsterdam, Netherlands

The SPAR brand is an internationally recognised brand, owned by SPAR International. It is the world's leading voluntary trade food retail chain and the largest independent supermarket retail network in the world. For more information about SPAR International, visit <https://spar-international.com/>

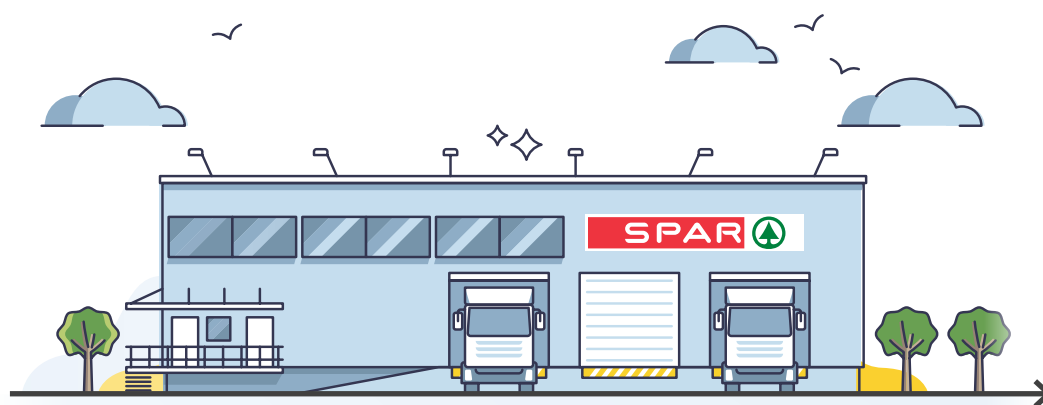
SPAR held nine country licences during 2023:

- Southern Africa (Botswana, Mozambique, Namibia, South Africa)
- Republic of Ireland
- South West England (one of six SPAR licences trading in the UK)
- Switzerland
- Poland
- Sri Lanka (Joint venture)



Farms and suppliers

We rely on farmers, producers and suppliers to supply the products we distribute to the retail network of stores, which are delivered to our warehouses or supplied directly to stores on a dropshipment basis.



Wholesale distribution centres and central offices

SPAR provides logistics and distribution services to its network of retail stores. SPAR also develops products (SPAR private label) and concepts as part of its independent retailer support offering.



Independent retailers

Most SPAR stores are owned and operated by independent retailers. They manage their stores and must adhere to SPAR's quality and brand standards.

Voluntary trading model

In South Africa, retailers can only use the SPAR brand once they sign a membership agreement with the **SPAR Guild of Southern Africa**. This gives them access to the Group's procurement and distribution expertise and associated support services.

Corporate stores

We acquire stores at strategically important sites. SPAR manages corporate stores until they are sold to independent retailers. This isn't part of the Group strategy other than in South West England, where we strategically own a portfolio of corporate stores.

The SPAR Guild – unique to South Africa

Wholesale and retail members belong to the SPAR Guild of Southern Africa, a non-profit-making company that co-ordinates and develops SPAR in Southern Africa. The members pay subscriptions to the Guild, which uses these funds towards SPAR advertising and promotions.

South Africa is divided into six geographic areas to facilitate retail operations support, each with its regional guild. The centre of control is the local distribution centre. This formula works effectively to unite the wholesaler and retailer as one collaborative body.



Retail network of stores

SPAR's customers are **independent retail stores** owned and run by entrepreneurs.

SPAR also services **corporate retail stores** either strategically owned and run by SPAR or held by SPAR until their disposal to independent retailers.



Consumers and communities

Consumers can access affordable, high-quality products (groceries, liquor, building materials and pharmaceutical products).

Through SPAR's **voluntary trading model**, SPAR stores can support local suppliers and provide community support through sponsorships and job creation.



UNPACKING THE FOUR TERRITORIES

We serve our independent and corporate stores through our warehouses, distribution centres, logistics excellence and relationships. We are the local custodian of the SPAR brand and a range of SPAR affiliated brands, promoted through our various store formats. In Ireland, we support several well-known convenience brands in addition to the SPAR brand.



SOUTHERN AFRICA

Our retailers' stores are located where people live and are designed around community needs and convenience. They cater to all income groups and offer parking and access to public transport where possible.

Distribution centres serve regions from a centralised location, consisting of warehousing, cold storage and packing stations.

SPAR Southern Africa has six major regional distribution centres, one Build it (building material imports) and one S Buys (pharmaceutical) distribution centre. Satellite warehousing hubs reduce transport costs on specific distribution routes.

	Warehouse space (m ²)	Cases dispatched (Million)	Number of stores serviced	Divisional Managing Director for FY2023
South Rand	66 500	56.7	543	Desmond Borrageiro
North Rand	53 317	40.6	430	Jerome Jacobs
KwaZulu-Natal	69 112	39.4	518	Angelo Swartz ³
Eastern Cape	44 485	36.3	323	Siyolo Dick
Western Cape	40 405	35.2	477	Martin Webber
Lowveld	21 416	14.6	232	Wilma Mahne
Build it (imports) ¹	10 000	5.5	400	Hawie du Preez
S Buys ²	2 295	n/a	125	Jeremy Nicol

¹ Build it stores are also included in-store numbers within each region, as these stores receive services from their regional distribution centre.

² Nature of pharmaceutical deliveries not comparable.

³ Angelo Swartz was appointed Group CEO effective 1 October 2023 and Damon Harry was appointed as Divisional Managing Director of the KZN division shortly thereafter.



The table below outlines the South African store formats.

 SOUTHERN AFRICA	Store format overview	Number of stores
	• ≥ 1 300 m² selling area • Large metropolitan focus • Full range of groceries and general merchandise • Extensive service departments, such as fresh produce, in-store bakery, butchery, deli, ready-to-eat meals and home-meal replacements • In-store Beantree cafe	
	• ≥ 700 m² selling area • Neighbourhood and rural supermarket focus • Competitively priced • Comprehensive range of groceries and general merchandise • Fresh produce and in-store bakery, butchery, deli, ready-to-eat meals and home-meal replacement • In-store Beantree cafe	2023: 926 2022: 921 2021: 908 2020: 918
	• 300 m² to 700 m² selling area • Neighbourhood and rural focus • Range of prices offering good value • Core groceries and general merchandise • Fresh produce, baked foods, meat and ready-to-eat meals	
	• Garage forecourt convenience stores • Open 24 hours • Core products in groceries, fresh produce and baked goods • Comprehensive offering of snacking and ready-to-eat meals	2023: 82 2022: 75 2021: 71 2020: 57
	• Average of 175 m² selling area • Standalone liquor stores • Full range of liquor products • Located near existing SPAR stores	2023: 896 2022: 879 2021: 852 2020: 842
	• 400 m² to 1 000 m² selling area • Value focus • Neighbourhood and rural • Essential groceries and general merchandise • Fresh produce, baked goods, meat and ready-to-eat meals	2023: 94 2022: 85 2021: 88 2020: 73
	• Standalone building material stores • Building and hardware products – materials required to build a basic house • Aimed at home builders and renovators in lower and middle-income sectors	2023: 400 2022: 404 2021: 384 2020: 392
	• In-store and standalone family pharmacies • Comprehensive range of dispensary and health-related products • In-store family care clinics • Mostly located near existing SPAR stores	2023: 125* 2022: 145 2021: 137 2020: 132

* During 2023, the Pharmacy management team made the necessary decision to withdraw the membership of some pharmacies with low levels of loyalty, reducing the store network to 125 stores.



IRELAND AND SOUTH WEST ENGLAND

Our store format offering comprises mostly convenience stores, with EUROSPAR representing the supermarket format.

BWG Foods owns Ireland's largest Cash and Carry chain, Value Centre. Value Centre cash and carry provides a direct general wholesale supply service to the wider, independent retail grocery market. Wholesale brands include BWG Foodservice (servicing the Irish catering industry from three depots), and BWG Wines and Spirits (operating from BWG Foods' national distribution centre).

BWG Foods supplies the SPAR, EUROSPAR, MACE, Londis and XL brands nationwide through the national distribution centre in Kilcarbery. It is the largest retailer in the Irish convenience retail market by market share. It also supplies 58 Gala and Fresh stores (2022: 56 stores) in Ireland.

BWG Group owns the Appleby Westward Group in the South West of England. It operates a SPAR distribution centre in Saltash, Cornwall, and a multi-temperature depot in Cullompton, Devon.

	Warehouse space (m ²)	Cases dispatched (Million)	Number of stores serviced	Divisional Managing Director for FY2023
IRELAND				
Kilcarbery	24 000	24.7	1 147	Leo Crawford*
SOUTH WEST ENGLAND				
Appleby Westward				
Saltash	7 210	8.2	338	
Cullompton	1 904	6.0	338	Mike Boardman

* Leo Crawford is the CEO of BWG Group.

**IRELAND AND SOUTH WEST ENGLAND**

	Store format overview	Number of stores
	• Comprises SPAR and SPAR forecourt stores • Neighbourhood and forecourt convenience • Groceries, fresh produce, baked goods, coffee and liquor • Comprehensive offering of snacking and ready-to-eat meals	2023: 748 2022: 754 2021: 718 2020: 706
	• <700 m² on average selling area • Comprehensive range of groceries and general merchandise • Fresh produce, in-store bakery, butchery, deli, ready-to-eat products and home-meal replacement	2023: 51 2022: 51 2021: 51 2020: 51
	• Average of 145 m² selling area • Neighbourhood and forecourt convenience • Groceries, fresh produce, baked goods, coffee and liquor • Comprehensive offering of snacking, ready-to-eat and on-the-go products	2023: 216 2022: 216 2021: 218 2020: 219
	• Average of 95 m² total selling area • Smaller-scale convenience and neighbourhood store • Comprehensive offering of snacking, ready-to-eat and on-the-go products	2023: 231 2022: 236 2021: 237 2020: 235
	• 230 m² average selling area • Range of formats according to selling area and range: – Londis Plus – Supermarket – Food market – Convenience	2023: 125 2022: 126 2021: 137 2020: 136
	• 1 200 m² to 6 000 m² selling area, varying according to location • Direct wholesale and cash and carry • Product listing of over 15 000 lines across liquor, confectionery, health and beauty, fresh produce, frozen foods, general merchandise and catering products • Goods and services to the retail grocery trade, and licensed and catering outlets • Primary supplier of XL stores	2023: 22 OUTLETS



SWITZERLAND

SPAR Switzerland comprises local neighbourhood stores with a wide product range, including the on-the-go convenience format, SPAR Express.

The distribution and logistics centre in St Gallen services a range of independent retailers operating under the SPAR, MAXI and other brands. It also services 64 independent convenience retail brands not owned by SPAR.

The Divisional Managing Director for FY2023 was Rob Philipson.

	Warehouse space (m ²)	Cases dispatched (Million)	Number of stores serviced
St Gallen	33 000	26.0	363





SWITZERLAND

	Store format overview	Number of stores
	• 1 050 m² selling area • In-store Beantree cafe • Comprehensive range of groceries and fresh services departments • In-store butchery, deli and ready-to-eat products	2023: 5 2022: 4 2021: 1
	• 220 m² to 430 m² average selling area • Neighbourhood stores • Includes a broad product range with a focus on Fresh • Provides a wide selection of quality meats and wines • Smaller SPAR stores focus on fresh and regional products as well as convenience food for immediate consumption	2023: 147 2022: 147 2021: 153 2020: 161
	• 125 m² total selling area • Forecourt convenience stores • Comprehensive offering of snacking, ready-to-eat and on-the-go products	2023: 106 2022: 100 2021: 65 2020: 31
	• Neighbourhood stores providing a limited convenience range of dry and fresh products	2023: 54 2022: 57 2021: 63 2020: 67
	• Gastro, trade and business customers • 3 300 m² – 5 500 m² direct wholesale and cash and carry • Product listing of over 18 000 lines across liquor, confectionery, health and beauty, fresh produce, frozen goods, general merchandise, catering products and non-food items • Direct general wholesale supply service to the wider, independent, culinary-focused retail grocery market	2023: 11 CASH AND CARRY OUTLETS



POLAND

In September 2023, the Board decided that it was in the best interests of all stakeholders to sell its interests in SPAR Poland. Refer to page 72 of the integrated annual report for more information.

SPAR Poland serves consumers in all income groups through SPAR formats.

The distribution centres in Poznań and Czeladź service independent SPAR retailers in the northern and southern regions of the country, respectively. The Czeladź distribution centre expansion was finalised early in the year.

The Country Head for FY2023 was Rob Philipson.

	Warehouse space (m ²)	Cases dispatched (Million)	Number of stores serviced
Poznań	15 030	8.3	94
Czeladź	19 100	3.5	114

Store format overview

Number of stores



- 350 m² average selling area
- Neighbourhood convenience
- Groceries, fresh produce, baked goods, coffee and liquor
- Comprehensive offering of snacking and ready-to-eat meals

2023: 110

2022: 71 | 2021: 124 | 2020: 107



- 1 300 m² average selling area
- Comprehensive range of groceries and general merchandise
- Fresh produce, in-store bakery, butchery, deli, ready-to-eat products and home-meal replacements

2023: 34

2022: 35 | 2021: 39 | 2020: 26



- 125 m² average selling area
- Generally rural and small city stores
- Forecourt convenience

2023: 64

2022: 74 | 2021: 63 | 2020: 61





AN INTERVIEW WITH KEVIN O'BRIEN

SPAR is a key element of the community, and is striving to grow people and communities so nobody is left behind. Every human being has a right to dignity and independence, yet in South Africa many people constantly struggle for these rights. We need to work with and alongside communities to address their specific needs and empower people to attain dignity and independence.



This year, SPAR South Africa celebrated its 60th birthday. What are your reflections on SPAR's journey over this period?

The biggest shift for SPAR over this time was an invisible but very important one. We transformed from a South African wholesaler with a store and operational focus to an international Group with a strategic ESG focus. Not all our plans have worked out, and not all decisions delivered the desired outcomes. Looking back over 60 years, these were all chapters in a success story shaped by our purpose and values.



How has the SPAR culture evolved over the years?

The people who worked for and with SPAR 60 years ago would not recognise today's business. We are proud to be much bigger and truly diverse in terms of our people and offerings. We are also much more attuned to our stakeholders and their needs. This is evident from our material ESG matters and the use of the United Nations' Sustainable Development Goals (SDGs) to prioritise what is good for communities, the environment and our business. We are proud of our inclusive culture where people are respected and inspired to do and be more.



What were the ESG milestones for the past year?

Again, our progress this year has been invisible but significant. We had a turbulent year regarding reputational issues relating to our leadership, SAP implementation and the Polish business performance. Under these conditions, we did the hard and honest work of revisiting our ESG and

environmental strategies and updating several related policies, such as our Code of Ethics, corporate social investment (CSI) policy, sustainability policy and sustainable seafood procurement policy. We looked at roles, responsibilities and where we need to allocate resources. We unpack these in the chapters that follow.

We recognise that our world needs systemic changes, which are by their nature large and complex. Making system-level changes is not something we can drive by ourselves. For that reason, you will see a lot of emphasis on partnerships throughout our report.



Are there any particular initiatives to highlight for 2023?

We use case studies in this report to provide evidence of progress and to highlight some of our achievements. Even small shifts can result in life-changing moments for people who rely on SPAR for training, funding, technical assistance or services. These include small businesses, start-up suppliers, farmers wanting to scale their produce or women suffering under gender-based violence.

Our support initiatives often create a bridge between ESG thought leadership and operations, bringing our people in touch with the tangible effects of mitigating risks and seizing opportunities that can change our future.



You have started disclosing targets, especially for environmental indicators. Can we expect more of these?

There is much to do to start decarbonising our value chain. We want to do the right things in the right way, which means going slowly and thoroughly. Setting targets will keep the momentum going, even under circumstances where we need to shift common perceptions, such

as consumers' belief that sustainable products are always more expensive.

Setting science-based targets is a priority for SPAR. However, one of our challenges is developing these targets on a Group level. We currently do not have sufficient data from our territories to complete this work, but we remain committed to this in the future. A further challenge for us in setting science-based targets is the inclusion of just transition considerations in the timelines for achieving those targets.

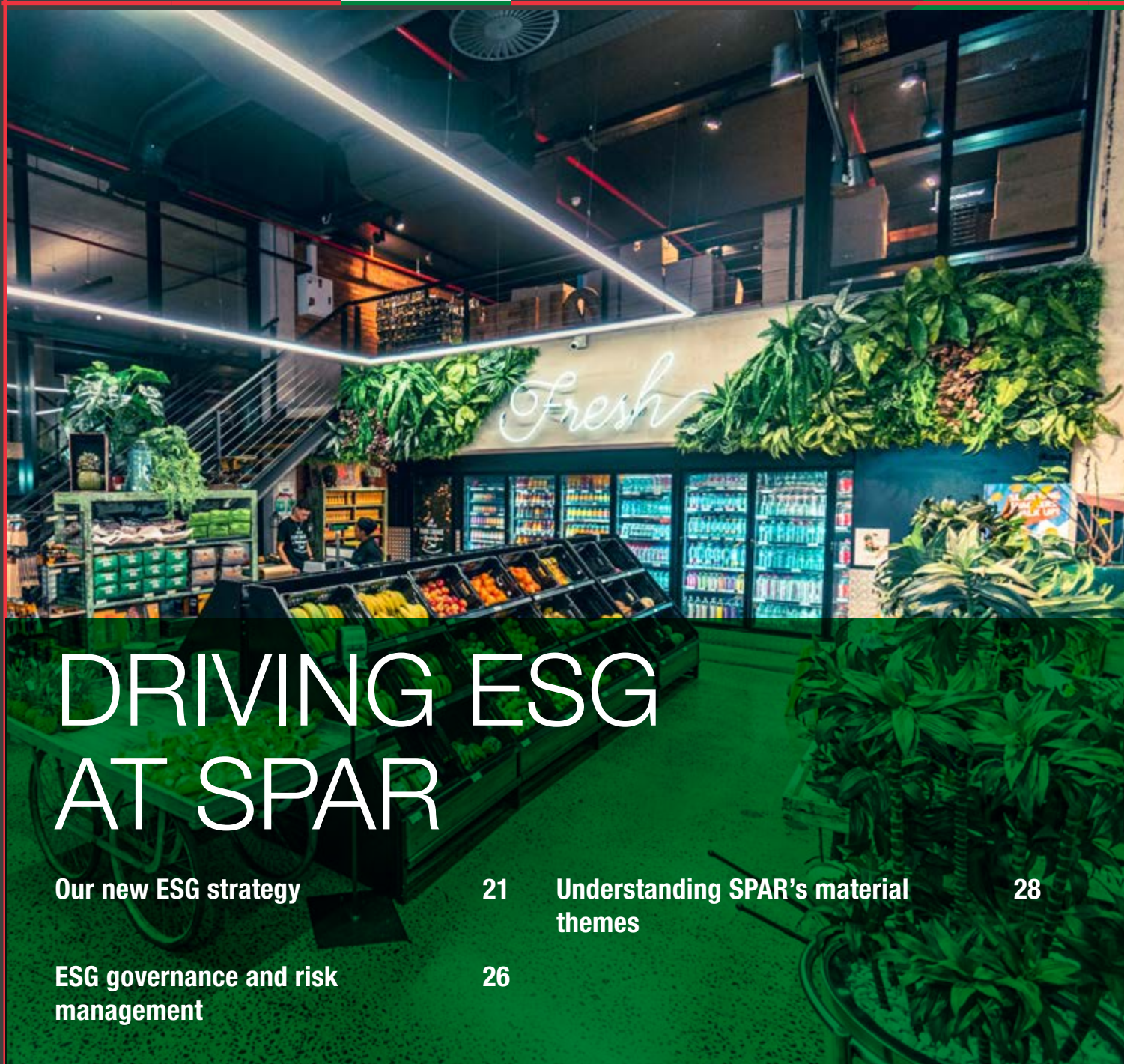
As we expand our engagement on ESG throughout the value chain, we are also mindful of the impact this might have on suppliers. While the targets we would like to set might be attainable for our large suppliers with extensive capital reserves, they might not be attainable for younger, micro or small suppliers – or worse still, might result in them going out of business. It is important to bring social justice thinking into all our work, including our decarbonisation journey.



What are the ESG team's priorities for the coming year?

The development of ESG strategies and policies this year laid a strong foundation for the Group. We now need to adapt these for our different territories and develop plans to enable our team to achieve the strategic outcomes in their areas. We are working on key indicators, baselines and targets that align with new reporting standards, and which will improve our disclosure to stakeholders. This will require appropriate group-wide systems to support data capturing.

Kevin O'Brien
Group ESG Executive



DRIVING ESG AT SPAR

Our new ESG strategy

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Understanding SPAR's material themes

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ESG governance and risk management

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OUR NEW ESG STRATEGY

This was a year of reflection and repositioning for the ESG team. We followed a robust, inclusive process to develop a new ESG strategy that is more closely aligned to the SPAR purpose and business strategy while being responsive to current risks and ESG trends. We also considered global developments in terms of reporting frameworks and standards.

Through a series of workshops, we defined the ESG outcomes SPAR would like to achieve in the short, medium and long term. We assessed current roles and functions and ensured we have the resources to drive these outcomes over time. The core ESG team will provide thought leadership and specialist direction, while implementation plans will be the responsibility of the different business units. For this reason, key ESG indicators will be linked to remuneration and integrated into our performance management process.

Our new ESG strategy was approved by the Social, Ethics and Sustainability Committee and shared with the rest of the business, including the territories outside of Southern Africa.





SPAR'S ESG PURPOSE

Building a better future for all – by creating a considered, sustainable, responsible and ethical culture throughout our value system

STRATEGIC OUTCOMES

Sustainable stakeholder value

Loved and respected as a brand

Nutritious and affordable food

ESG FOCUS AREAS



Thought leadership



Awareness and culture change



Training and development



Performance monitoring and reporting



Communication and storytelling

ESG THEMES



E

Environmental

Energy
Water
Circular economy
Responsible sourcing and production
Responsible offerings

G

Governance

"Rules of the game"
"The game plan"
Culture of ethical and responsible behaviour
Holistic business performance tracking
Food and product safety

S

Socio-economic

People development
Wellness
End gender-based violence (GBV)
Transformation and diversity
Social compliance
Government engagement

We unpack our strategy in terms of short-, medium- and long-term priorities in the following chapters.



THE OUTCOMES WE WISH TO ACHIEVE

Our strategic ESG outcomes align with SPAR's strategic outcomes. Read more about these in the integrated annual report.

Overarching strategic outcomes	Intended ESG outcomes
Sustainable stakeholder value	• The ecosystem in which we operate is environmentally, socially and economically resilient and sustainable as a result of a responsible and ethical culture shared by all players in our value chain • Decisions taken by SPAR actively seek to create and preserve value for all six capitals¹ in our ecosystem – interests of our stakeholders are considered and well-balanced to ensure that the entire system is sustainable in the long term • Our reporting and disclosures are authentic and make our impact on the ecosystem in which we operate visible to relevant stakeholders
Loved and respected as a brand	• Stakeholders, including consumers, are aware of and inspired by SPAR's work in the ESG space – this is a key driver behind the SPAR brand having a strong emotional connection with stakeholders • We are respected for the difference we make in the territories and communities we operate in • We are respected for our strong ethics and responsible culture • We have made a positive impact on the wellness of our customers, their families and our people, especially in the areas related to healthier eating habits
Nutritious and affordable food	• The operating model enables access to and supply of affordable, nutritious and safe food • We develop and support local, inclusive and diverse supply chains wherever possible

Our focus areas and implementation plan are designed to help us achieve these outcomes. Over the next 12 months, our focus is on establishing a strong ESG foundation. After that, we will focus on driving systemic culture change across the Group.

¹ Financial, manufactured, human, intellectual, social and relationship, and natural capitals.



UNPACKING OUR ESG FOCUS AREAS

Thought leadership

Key themes for this focus area

- Follow trends and determine their implications for SPAR
- Establish and run proofs of concept
- Prepare materials to share with internal and external stakeholders
- Participate in collaborative forums to gain and share knowledge

Longer-term priorities

- Provide ongoing thought leadership on key ESG matters such as:
 - Responsible diets/affordable and nutritious food solutions
 - Decarbonisation, circularity, and sustainability of value system
 - Water and climate change resilience of the value system
 - Diversity, equity and inclusion across the value system
- Develop materials, information and tools to support stakeholder engagements on driving a more responsible behaviour and culture
- Ensure an up-to-date library of all relevant governance and compliance requirements
- Establish collaborative governance structures in support of a modern voluntary trading model

Awareness and culture change

Key themes for this focus area

- Engaging with various SPAR leadership structures to share knowledge and gain buy-in
- Dedicated change programme to drive more considered, responsible and ethical behaviour
- Business partnering

Longer-term priorities

- Review and refine what SPAR's values mean considering ethical and responsible behaviour, and determine how SPAR wants people (leaders, employees and retailers) to behave, with an associated rollout plan
- Increase awareness of key ethics and whistleblowing processes
- Ongoing engagement and business partnering with functional areas to enable integration of ESG considerations into day-to-day activities

Training and development

Key themes for this focus area

- Address all levels from operations to Board through general and topic-specific training

Longer-term priorities

- Drive ethics training
- Develop and deliver masterclasses around sustainability and ESG concepts and how to integrate them into decision-making
- Develop and deliver topic-specific training, for example, food safety, energy, water, packaging, etc.
- Drive a standardised approach to responsible production/sourcing within SPAR

Performance monitoring and reporting

Key themes for this focus area

- KPIs:
 - Business dashboards
 - Individual performance agreements and KPIs
- Internal and external reporting

Longer-term priorities

- Ensure holistic performance monitoring and reporting, including setting clear goals, developing a holistic business performance framework and integrating this into individual KPIs
- Incorporate additional metrics and disclosures against outcomes and goals in external reporting
- Implement systems and processes to support the collection, management and reporting of holistic performance data

Communication and storytelling

Key themes for this focus area

- Internal communication includes employees and retailers
- External communication includes investors and suppliers
- Brand building

Longer-term priorities

- Ensure the ESG agenda and impact are integral to SPAR brand communication and storytelling
- Enhance internal communications channels to play a key role in driving the culture change required for ESG success



TERRITORIES' STRATEGY AND RESOURCES



Ireland and South West England

The territory revised its sustainability commitments after appointing an ESG Manager. The revision included new guidelines for impact measurement and targets as well as a governance system to support ESG:

An **ESG working group** consisting of the ESG Manager and external consultants to ensure we follow best-practice approaches, including key technical/expert platforms, assessment tools and reporting structures.

An **operational committee** consisting of key leads and representatives from across all areas of our operations to implement the strategy.

A **steering committee** consisting of members of the BWG Foods Board to provide oversight.

In South West England, Appleby Westward is experiencing increasing sustainability demands from customers to reduce the financial and environmental impacts of its operations. The territory captures key performance indicators (KPIs) in a five-year corporate plan. At this stage, there is limited interaction with the Group ESG function given the differing nature of the market.



Switzerland

SPAR Switzerland's ESG priorities are guided by Swiss legislation and informed by the Group ESG focus areas and themes. The Swiss team is working with the South African team to establish a reporting structure that meets the needs of the Group.



Poland

SPAR Poland established an ESG strategic framework in 2022 and started incorporating this into day-to-day operations in the past year. The business has an Environmental, Health and Safety Manager who guides strategy and direction. Poland's ESG strategy is closely linked to the group's ESG priorities.

CREATING A ROBUST SET OF ESG POLICIES

Solid ESG execution relies on a robust set of policies. Existing SPAR policies have a strong South African foundation on which the other territories can build. We intend to eventually develop a set of Group policies that will enable us to standardise approaches, plans and processes across all territories.

We developed a new Group SPAR sustainability policy as part of the ESG strategy process. The Board approved the new policy in August 2023. It acknowledges that our group's future success is intertwined with the health of the societies and ecosystems we operate in. It recognises that as a global retail brand, we are part of the problem, and details how we intend to be part of the solution. It contains specific actions, KPIs and approaches to deliver sustainability outcomes for each of our focus areas. The policy also shows the alignment with the National Development Plan (NDP), GRI, SDGs, and the group's strategic focus areas.

Our policies are reviewed by the Social, Ethics and Sustainability Committee annually or triennially. A list of our policies is available in the appendix on page 100.



ESG GOVERNANCE AND RISK MANAGEMENT

SPAR's risk management process is integral to achieving our strategic ESG outcomes. Our enterprise risk management (ERM) policy and practices support the identification and response to sustainability-related risks and opportunities.

BOARD

The Board provides oversight on all aspects of the group's governance processes. It plays a prominent role in the group's strategic development, risk management and sustainability processes. The Board provides strategic direction and leadership in line with the group's values to ensure profitability and sustainability.

The Board has delegated primary responsibility on sustainability matters to the Social, Ethics and Sustainability Committee, which is a subcommittee of the Board. The Board meets quarterly and receives regular reports from all Board subcommittees. The Board and all its subcommittees recognise the inseparability of value creation and sustainable development per the King IV.

Social, Ethics and Sustainability Committee

The committee oversees and reports on organisational ethics, responsible corporate citizenship, environmental and climate change risks, sustainable development and stakeholder relationships.

The committee oversees the group's social and organisational activities relating to the environment and its stakeholders. It monitors the group's sustainability performance and ensures that the group's ethics support its culture, that it is seen as a responsible citizen, and that there is a balance between the Group and the needs, interests and expectations of all stakeholders.

Risk Committee

The Risk Committee oversees risk governance, technology and information governance, and compliance governance. It oversees the group's risk management processes to ensure that management identifies potential risks that could affect the Group or its operations. ESG matters, such as climate change, are included in the scope of the ERM framework and encompassed within the top strategic risks of the Group.

Executive management

The Group ESG Executive is responsible for ESG at SPAR, is a Group Executive Committee member, and reports directly to the Group CEO on sustainability-related matters. The Group CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the link between executive management and the Board.

The Group risk and ESG teams form the core unit that leads the planning, implementation and management of ESG-related initiatives. They lend support and guidance in managing ESG-related impacts and risks at operational level. The Group ESG Executive is a member of the Risk and Social, Ethics and Sustainability committees.

Divisional and operational

Strategic risk identification and monitoring are done at each territory and within SPAR's Southern African distribution centres.

Refer to the integrated annual report for more insight into SPAR's governance structures and outcomes.



HOW WE MANAGE ESG RISKS AND OPPORTUNITIES

The Group Strategic Risk register encompasses strategic risks and opportunities affecting the Group. These risks are ranked according to the SPAR Group enterprise risk rating methodology, which includes an assessment of the impact to the Group as well as the likelihood of the risk materialising. An analysis is then conducted to determine the root causes of the risks, and mitigations are then implemented to address the same.

SPAR also engages with suppliers through an annual questionnaire to collect information about suppliers' sustainability practices, climate risk identification and mitigation actions. The information helps us to understand suppliers' preparedness for natural disasters and assess where gaps need to be addressed.

See pages 58 and 117 in the integrated annual report for more information on risks and mitigations.

Rank	Description
1	Negative financial impact as a result of having to fund losses relating to the Group's exit from Poland.
2	Unsuccessful SAP rollout to the remaining business leading to business disruption and negative impact on financial performance.
3	Declining financial performance resulting in decreased stakeholder confidence and negative media coverage.
4	Inability to sustain revenue and profit growth due to the downturn in the global economy, geo-political issues, socio-economic conditions and country infrastructure challenges (water and electricity) resulting in decreased shareholder returns.
5	Unwillingness by financial institutions to extend banking facilities due to poor financial results and negative market sentiment.
6	Damage to the SPAR brand as a result of independent retailer model and negative retailer actions such as compromised food safety standards leading to loss of consumers.
7	Loss of market share due to lack of innovation and non-timeous digital transformation and e-commerce initiatives resulting in decreased revenue.
8	Resistance to changing business processes to enable tangible contribution to environmental, sustainability and socio-economic development initiatives resulting in the failure of the Group ESG strategy.
9	Negative impact of foreign exchange fluctuations on the Group's performance resulting in significant forex losses.
10	Business disruption due to a cyber security breach resulting in lost revenue.



UNDERSTANDING SPAR'S MATERIAL THEMES

This year, the SPAR reporting and ESG teams performed a collaborative, informal materiality assessment. For this report, we focus on material themes that have an ESG aspect.¹

Theme	Context	Further reading in this report
Distribution and logistics are the cornerstone of SPAR's operations, requiring careful consideration of its environmental and other impacts.	Continuous efficiency improvements in transport and cold chain systems can reduce financial and natural resource use. It is an important consideration for working capital management, emissions, water usage, food quality and safety, and waste.	Page 36
Growing awareness about nutrition, healthy living and sustainability places increased demands on retailers.	These consumer trends, including the expectation to enhance environmentally sustainable practices, place increasing demand on retailers to provide healthy and fresh produce sustainably and at affordable prices. Meeting this demand can bolster SPAR's reputation as a responsible retailer, improve sales, and help SPAR achieve its goal of positively impacting the communities it serves.	Page 21 Page 72
Diversity, transformation and inclusion foster a positive work environment.	In addition to being required in South Africa, transformation of the workforce and the independent retailer base has the potential to drive business success and align the Group with societal expectations and values.	Page 66
SPAR and its independent retailers must maintain food safety and quality.	Food safety and quality ensure the health and safety of consumers and compliance with food safety regulations. Issues with quality and/or retailer non-compliance with SPAR's food quality and safety standards can lead to product recalls, legal costs and lost sales. This can have a significant financial and reputational impact on SPAR.	Page 84



Theme	Context	Further reading in this report
The talent needed for SPAR to remain competitive is in short supply.	SPAR and its independent retailers need to attract specialist skills from a small pool of talent. It also requires fair, equitable and competitive remuneration policies. This is especially the case in Europe, where retention is challenging.	Page 66
Packaging and waste, including food waste, have a material impact on the environment.	Management of fresh produce and food also requires preventing it from becoming waste. Single-use packaging is important to maintain health and safety standards. However it, is a major source of pollution and contributes to a buy-use-dispose culture.	Page 45
Responsible procurement is becoming a non-negotiable.	Sourcing from local suppliers and suppliers that incorporate sustainability practices, can enhance SPAR's resilience and its socio-economic contributions. It can reduce the likelihood of undesirable practices (e.g., child labour, unsafe working conditions, that could have reputational impacts.	Page 53
Local infrastructure challenges such as loadshedding and water shortages impact operations, costs, retailers and environmental capital.	The electricity shortage in South Africa has numerous impacts on SPAR's operations. These include lost trading hours, increased inventory levels, operational and capital expenditure required to run generators and install solar infrastructure, and increased emissions related to using generators. Water supply in parts of South Africa is intermittent due to changing weather patterns and degraded municipal and government infrastructure. This impacts SPAR's value chain and increases costs related to alternative water sources.	Page 32 Page 41 Page 86
Labelling and marketing have to be accurate and transparent.	Labelling and marketing directly impact sales, customer satisfaction, regulatory compliance, and brand reputation. Labels can provide transparency about product sourcing, ethical standards, and environmental impact, building customer trust and aligning with increasing customer demand for sustainable and ethical products.	Page 72 Page 86
Extreme weather events influence supply chains and the way SPAR operates.	Extreme weather events such as floods, drought, hail and gale-force winds driven by climate change are becoming less predictable. These events can cause delays, reduce the availability of produce and raw materials, damage infrastructure, etc. It also requires SPAR to be deliberate in its actions to combat climate change.	Page 32 Page 41

¹ The full list of material themes is set out on page 23 of the integrated annual report.



PERFORMANCE 2023 | ENVIRONMENTAL

The outcomes we wish to achieve	31	Circular economy packaging	45
Energy	32	Responsible sourcing and production	53
Water	41		



THE OUTCOMES WE WISH TO ACHIEVE

We intend to become a more climate-resilient Group by reducing our carbon and ecological footprint and ensuring that our procurement practices support the protection of natural resources. SPAR is committed to achieving a just transition to net zero emissions across our value chain by 2050, while understanding that this cannot be achieved on our own, collaboration with all stakeholders is key.

		Focus areas
Core environmental topics	Energy	- Planning the transition to net zero greenhouse gas (GHG) emissions - Energy mix and efficiency across our value system
	Water	Water efficiency and resilience across our value system
	Circular economy (waste reduction)	- Circular economy for food - Circular solutions for packaging and problematic waste products
Key outcome areas	Responsible sourcing and production	- Regenerative agriculture and biodiversity - Responsible sourcing - Sustainable and inclusive SPAR branded supplier base (Rural Hub model)
	Responsible offerings	- Responsible and sustainable diets for all consumer groups - Environmentally responsible product offerings
	Measurement, reporting and communication	- Performance measurement and reporting from Board level down - Storytelling to build an emotional connection

OUR ENVIRONMENTAL PURPOSE

Our environmental purpose is to inspire and influence stakeholders to make authentic and notable environmental contributions. The purpose defines the ESG team's role as the business's environmental conscience. The Social, Ethics and Sustainability Committee approved SPAR's new environmental purpose in June 2023.

Implementation of the environmental purpose relies on clear roles at national and regional level. Over the next 12 months, our focus areas are:

- Energy mix and efficiency
- Water risk assessment
- Food waste assessment across value system
- Proofs of concept for packaging circular economy solutions

- Research to underpin responsible sourcing and production
- Research to inform "responsible diets"
- Authentic environmental messaging on SPAR products

SPAR's most recent climate, water and forests disclosure will be available on the SPAR website: <https://thespargroup.com/sustainability/#CDP-disclosure-insight-action>



ENERGY

MEASURING OUR PROGRESS

SPAR is committed to achieving a just transition to net zero emissions across our value chain by 2050. Our approach is to lessen our emissions as far as possible before permanently removing residual emissions through carbon removals.

In 2017, we developed a set of science-based targets to reduce our absolute direct (Scope 1) and indirect (Scope 2) emissions, aligned with a 2°C pathway. In 2022, the initial results of our climate change scenario analysis showed that it is critical that we achieve net zero under a 1.5°C pathway. This is in line with the Paris Agreement. The Paris Agreement's long-term temperature goal is to keep the rise in mean global temperature to well below 2°C above pre-industrial levels, and preferably limit the increase to 1.5°C. According to the Paris Agreement, to achieve this, emissions should be reduced by half by 2030 and reach net zero by 2050.

We are updating our science-based emissions reduction targets per the Science Based Targets initiative (SBTi) Corporate Net-Zero Standards to align with a 1.5°C pathway. This will include carbon footprint data for the international territories, and we plan to have these targets verified by the SBTi in the next two years.

A key challenge is facilitating decarbonisation in our value chain, and we are developing a retailer decarbonisation offering in response. We aim to leverage innovative financing with clean and smart technologies and easy-to-implement interventions to create a cost-effective package with a strong value proposition for retailers.

We are also exploring programmes to facilitate decarbonisation in our supply chains, where collaboration will be critical to effecting change outside of our direct operational control.

South Africa continues to face loadshedding that negatively impacts businesses, the economy and society. The most cost-effective solution has been diesel-powered generators, also implemented by our independent retailers. The use of diesel-powered generators is an immediate-term coping mechanism for businesses and society that can afford it. However, we are working on deploying renewable energy sources at retail level to reduce our demand on the national grid. However, many parts of society cannot afford generators, let alone sources of energy that are considered good for the environment. These are some of the real challenges we face and must consider when planning our transition to low-carbon forms of energy.

We are drafting a climate change roadmap with objectives and dates while working towards a full understanding of our physical and transitional risks and opportunities. The first and second phases of SPAR's climate work focused on Scope 1 and 2 emissions. However, a significant portion of our emissions are in our value chain and outside of SPAR's direct control. While we have been driving efficiencies within our distribution centres and logistics, the most significant role we can play is at sector and value chain level where collective action is needed.

Upstream

We are engaging with suppliers in several ways. While we seek to make meaningful progress, we navigate cautiously as not all suppliers have the financial capacity to align with our net zero ambitions. As such, we are cautious about being too prescriptive in procurement terms, thus unintentionally excluding micro and small suppliers.

Downstream

Our retailers are exposed to various risks and opportunities, such as the flood damage that occurred in 2022. We held workshops with retailers from which several practical focus areas emerged. One of our retailers' most significant difficulties is balancing short-term crises (the need for energy security) with longer-term challenges (including climate change).

SPAR also has a role in helping consumers transition to a more plant-based diet with a reduced carbon footprint (see page 34 for findings that emerged from our scenario analysis).



A PHASED APPROACH TO OUR CLIMATE WORK

We want to do the right things in the right way, which means being systematic and detailed in our approach. As such, we have been following a phased approach, summarised below. More details about phase 1 and phase 2 of our climate change work can be found in our 2022 climate change report, available here: <https://thespargroup.com/sustainability/#Reports>

PHASE 1

completed

- **We did qualitative scenario work** to understand how physical and transition impacts will likely affect the SPAR value chain – specifically the offices, distribution centres and retail outlets. A high-level summary of likely business impacts was also included with a case study considering the implications of climate change on pome fruit in the Western Cape and small and commercial tomato growers in Limpopo.
- **Developed SPAR climate change strategic roadmap:** Our roadmap forms part of our efforts to mitigate climate risk and supports SPAR's commitment to become net zero by 2050. It seeks to generate short-, medium- and long-term value for the business by mitigating global warming and adapting to the risks of rising temperatures and reduced water availability. The roadmap establishes a pathway and plan to achieve our emission reduction targets and guide our emissions reduction activities.

PHASE 2

completed

- **Extended the South African scenario analysis to include Build it more explicitly:** We completed a scenario process for Build it which indicated that climate change represents less of a material risk or opportunity for this business. A case study analysis was undertaken on the impact of, and response to, climate change on Build it's primary timber products supplier, based primarily in Mpumalanga. As such, there is no Build it-specific response, but Build it continues to monitor climate change through the SPAR process.
- **Started to develop the SPAR retailer climate strategy and guidance pack:** We held two workshops with retailers in FY2023 to create a strategy and associated guidance pack to support them. This will most likely be a dynamic process. We are unlikely to be prescriptive about focus areas so that our retailers continue to enjoy a degree of autonomy in the spirit of our voluntary retailer model and core values (particularly entrepreneurship).
- **Furthered the power-risk-climate analysis tool:** Aligned with SPAR's goal of driving a just transition, this tool helps ensure that diversity and transformation are factored into strategic climate plans. The tool confirmed that significant risks and opportunities lie beyond SPAR's direct area of control. This emphasised the importance of robust relationship building and two-way engagement with stakeholders – especially vulnerable stakeholders – to manage any tensions or contradictions that might arise from regulatory changes.
- **Delivered Board training:** Climate change training session held with the Board in November 2022.
- **Produced a standalone climate change report:** The 2022 report was published in December 2022.

PHASE 2

extended

largely completed

This year, we focused on understanding practical climate implications for SPAR through two studies and an integration project.

- **Conducted financial impact scenarios:** The studies explored two areas of likely impact on SPAR. Detailed findings are discussed below regarding:
 - The climate-related impacts on GDP and the likely effects on SPAR's revenue in South Africa
 - The effect that carbon tax will have on the lifecycle of seven of SPAR's products
- **Integrate climate change risk into SPAR's internal processes:** We continue to make progress in integrating climate change risk into SPAR's ERM processes.

PHASE 3

future priorities

Our climate work plan for next year includes:

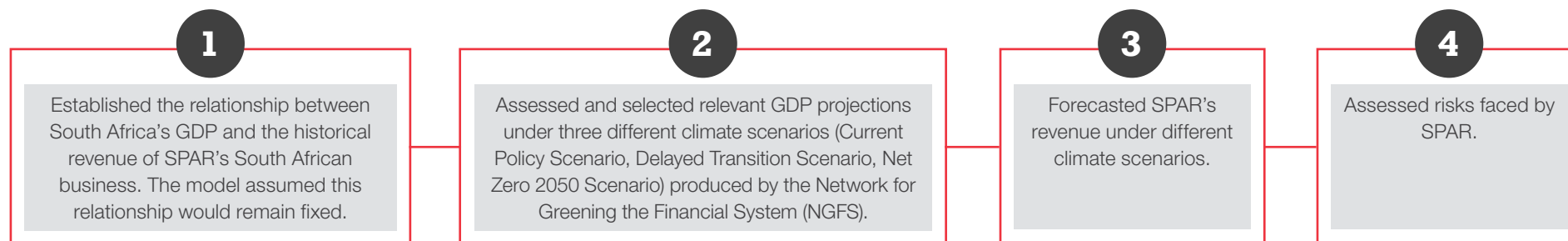
- Further developing the retailer climate change mitigation and resilience strategy
- Developing a decarbonised, climate-resilient food supply chain
- Further integrating climate risk management
- Expanding the climate work to our international territories
- Climate mainstreaming within SPAR



Climate change scenarios

This year we engaged Deloitte to quantify the impact of carbon tax on key SPAR products up until 2030, and to quantify the impact of climate change on current and projected GDP on SPAR's revenue across various climate change scenarios. Actions coming out of both these studies need to be integrated into SPAR's climate action and budget cycle for the coming financial years.

The first study quantified the projected impact on GDP and SPAR's revenue across various climate-related scenarios. A four-step approach was taken to forecast SPAR's revenue under the various scenarios:



Due to the uncertainty associated with climate modelling, the results are intended for risk management and awareness, not to predict financial performance. The projections are also only based on expected South African population growth. Other fluctuations were not considered, such as change in market share, revenue growth or strategy, etc. The model also assumes no short-term climate change policy changes will be made.

In all three scenarios modelled, South Africa's GDP is forecast to decline over the modelled period (2030, 2050 and 2070) due to climate-related risks. Businesses in general are predicted to face growth challenges if they do not consider relevant climate change scenarios and appropriate actions to address climate change impacts in the future. All scenarios suggest around a 4% reduction in revenue by 2030 due to physical and transition climate risks. Impacts by 2050 range from 8 to 11% and by 2070 from 9 to 18%. The cost of "no action" to SPAR becomes increasingly significant for the longer time horizon considered.

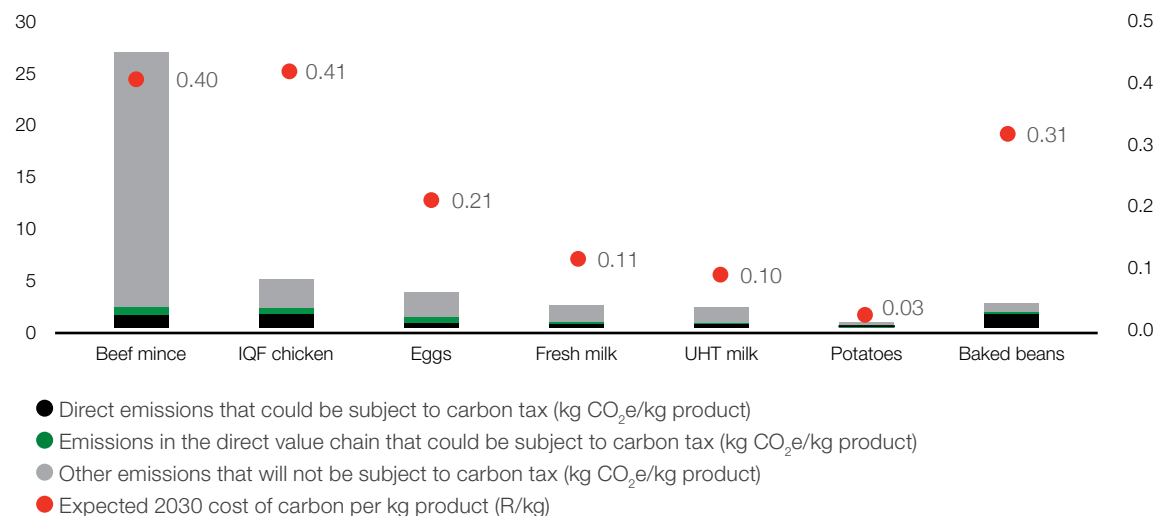
The following specific risks and opportunities were identified as part of the climate scenario analysis. These findings build on those disclosed in the SPAR Climate Change Report 2022:

Risks and opportunities	Risk	Opportunity	
Changing customer demand patterns for SPAR products			These operational, economic or behavioural risks/opportunities could have several implications for SPAR, including: - Negative changes in future profits because of lower revenue (reduced demand for products) or increased costs - Fewer supply chain disruptions due to SPAR proactively supporting suppliers with climate adaptation measures or diversifying its supply chain - Increased market share and easier access to finance due to a positive brand reputation - The inability to meet stakeholder expectations to reduce SPAR's GHG emissions
Changes in customer purchasing power			
Changing market share (reputation)			
Pressure from stakeholders to decarbonise (own operations, food systems and value chain)			
Increasing costs associated with carbon prices and zero-carbon energy			
Changing access to capital			
Increased weather-related disruptions to the business			

These results will be used in future engagements as SPAR looks to embed and mainstream climate change into other parts of the organisation and as we drive the strategic roadmap areas related to the upstream and downstream parts of the business.



Anticipated carbon tax lifecycle impacts



We quantified the impact of the anticipated carbon tax on the lifecycle of seven products up to 2030 (as listed on the graph) by assessing their emissions.

Beef has the highest emissions associated with its lifecycle due to the high agricultural emissions from fertiliser use and animals (biogenic emissions). However, these emissions are not taxable at present. This means that SPAR only incurs taxes for electricity and processing-related emissions, but not at farm level where the majority of the total emissions occur. Therefore, the final cost of beef per kilogram is similar to that of chicken, indicating that agriculture emissions are not reflected in the final cost.

Potatoes have the lowest emissions and cost of carbon per kilogram. This is primarily due to the lack of processing, and thus electricity, required for this product. Ultimately, the study reiterates the importance of plant-rich diets to reduce emissions.

The impact of loadshedding was also factored into the study. Using backup generators effectively shifts Scope 2 emissions (Eskom) to Scope 1 emissions (direct emissions resulting from diesel combustion) for SPAR. The results show that the expected genset emissions are lower compared to Eskom (diesel is more energy-dense). However, electricity generated using diesel is expected to be more expensive. As such, the greatest overall financial impact will be linked to the increased cost of electricity. This emphasises the need to explore solar and other renewable systems that could help lower the cost of electricity, reduce emissions and provide consistent electricity.

This study will form part of an ongoing process that seeks to understand the impact of carbon pricing on SPAR's business.



CARBON EMISSIONS

Although we implemented efficiency measures, loadshedding demanded additional generator use. Scope 1 emissions amounted to 58 155 tCO₂e and Scope 2 emissions from purchased electricity amounted to 78 406 tCO₂e. The FY2023 emissions include Encore, S Buys and the international territories (Ireland, South West England, Switzerland and Poland), hence the significant increase in these emissions.

GHG emissions (TCO ₂ e)	2023	2022	2021
Scope 1 (direct) ¹	58 155	46 225	45 689
Scope 2 (indirect) ²	78 406	66 835	69 019
Total GHG³	136 561	113 060	114 708

¹ Scope 1 (direct) emissions include GHG emissions from vehicles, warehousing, cooling and air conditioning facilities.

² Scope 2 (indirect) emissions include GHG emissions from electricity consumption.

³ All emissions figures are calculated according to the International Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard, and rounded off to the nearest whole number. Total GHG emissions figures include all Scope 1 and 2 emissions and exclude Scope 3 emissions. Data provided pertains to 1 October 2022 to 30 September 2023. Scope 1 and 2 emissions were independently verified.

Long-term efficiency improvements at distribution centres

During 2017 SPAR identified GHG reduction options for Scope 1 and 2 emissions within each of the six regional distribution centres (DCs). The project developed an opportunities database comprising energy efficiency projects and some renewable energy opportunities, most demonstrating good economic potential and short- to medium-term simple payback periods. Some of these opportunities have since been implemented, some expanded upon and some mothballed.

Changes were made throughout the DCs, which typically included optimising temperature settings in perishable goods areas; installing rapid roller doors (to reduce warm air ingress) and high-efficiency fans in cold stores and frozen rooms; installing variable speed drive controls on compressors and in the ammonia plants; improving heating, ventilation and air conditioning controls in office areas; and converting lights to LEDs.

SPAR has solar PV installations at all DCs in South Africa, excluding Build it. During 2023 these installations generated 8 612 MWh of renewable energy. This helps reduce SPAR's reliance on electricity service providers and the costs associated with generators during loadshedding (planned power outages). These solar installations started in 2017 in our South Rand DC and were completed in 2020 with our Eastern Cape DC.

SPAR is implementing various energy-efficiency initiatives to reduce the GHG emissions from our transport operations. We improved outbound efficiencies through routing design improvements, and piloting various battery-electric truck refrigeration systems and a live fuel probe technology to monitor fuel efficiency and theft.



In South Africa, SPAR has installed solar panels in six distribution centres in five provinces. Collectively, these produced 8 612 MWh of electricity in 2023.

**Progress in Southern African DCs including Build it**

	2023	2022	2021	2020	2019
Grid electricity (kWh) used	34 284 570	33 442 544	34 395 148	37 288 124	42 371 441
Renewable electricity (kWh) generated	8 612 123	9 133 103	9 469 295	8 423 020	5 308 326
Diesel used by the fleet (L)	14 939 117	15 746 741	14 922 390	14 621 545	13 309 238
Diesel used by generators (L)	457 304	174 420	133 913	76 953	53 281

Electricity generated from solar PV reduced by 6% compared to FY2022 mainly due to the KwaZulu-Natal, Lowveld, North Rand, South Rand and Western Cape DCs generating fewer kilowatt hours of renewable energy. Grid electricity consumption increased by 2.5%. Due to loadshedding diesel usage for stationary combustion (generators) increased drastically.

Our distribution centres will continue to improve further by reviewing the opportunities database identified during the 2017 audits and any new opportunities.

Green fleet for SPAR2U online deliveries

SPAR2U is our rapidly growing on-demand e-commerce shopping solution. To reduce SPAR2U's carbon footprint, we introduced 65 electric vehicles to replace our petrol-powered bikes. This fleet was introduced after a successful pilot period which started in March 2023, during which we validated the viability and efficiency of our electric vehicle solution. The fleet consists of:

- 52 two-wheel motorcycles
- 12 three-wheel motorcycles
- Tests are being conducted on an electric four-wheeler bakkie in the North Rand region

These are being deployed across Gauteng, KwaZulu-Natal, Western Cape, Eastern Cape and Lowveld. We expect to save more than 212 tonnes of tailpipe carbon emissions per year by making this change. This supports our goal of achieving a 50% SPAR2U green fleet by 2025. We power the vehicles with renewable energy including solar to ensure we reduce environmental harm.

Solar plant installation power purchase agreement

In 2023 SPAR South Africa entered into a power purchase agreement (PPA) with Terra Firma, where we only pay for usage and the capex was expended by Terra Firma. Progress made with the PPA solar plant installations is as follows:

South Rand

- Additional 600 kilowatt plant added
- Additional solar plant installation completed and is currently operational
- Handover packs are being completed

KwaZulu-Natal

- Additional 300 kilowatt plant added
- Additional solar plant installation is progressing well and still on track for completion by the end of November 2023

Western Cape

- Additional 2 megawatt plant added
- Additional solar plant is still under construction and part of it will be live before the builders' holiday break

Terra Firma, an external service provider, will investigate extending the PPA to Lowveld, North Rand, KwaZulu-Natal Perishables and Eastern Cape, based on roof capacity. This will be done in early 2024.



Building Ireland's most sustainable delivery fleet

We achieved our carbon saving goal of 520 tonnes for FY2023, which we set in 2015. This followed close engagement with truck manufacturers and energy providers at local, national, and regional level to leverage the latest in biodiesel, biogas, green hydrogen, compressed natural gas (CNG) electric vehicles and hydro-treated vegetable oil (HVO).

We have a three-pronged approach:

- Using low-carbon technologies in our fleet
- Improving the efficiency of refrigeration
- Optimising our routes

Fleet profile

Number of heavy goods vehicles (HGVs)	Type	Reduction in tailpipe emissions (compared to the equivalent Euro VI diesel vehicle)
25 trucks	CNG fuelled by BIO-CNG	90%
3 trucks	Electric	Zero emissions
1 van	Electric	Zero emissions
2 trucks	Diesel (using hydro-treated vegetable oil)	90%

We partnered with Coca-Cola and Dixon International Transport to use fully electric HGVs (e-HGVs) for selected deliveries to our DC in Dublin. The introduction of e-HGVs is expected to reduce carbon emissions by 229 tonnes annually.

Our fleet continually incorporates new refrigeration technology such as EcoGen trailer units and air curtains. These innovations were paired with expert training in vehicle telemetry and eco-driver training for drivers.

We also combined and streamlined siloed delivery networks to further optimise our fleet. This small change had big implications, removing trucks on approximately 2.3 million kilometres of Irish roads (since 2015).

We have a five-year fleet renewal programme in South West England. We plan to stagger implementation, for example, using more fuel-efficient non-diesel fridges and deploying software that will assist with improved dynamic route scheduling. Our objective is to reduce fleet mileage by 10%, and we hope to make significant progress towards this goal in the coming year.



The hydrogen challenge in Switzerland

SPAR Switzerland is committed to reducing its CO₂ emissions in transport and logistics. Its fleet has electric and hydrogen vehicles to enable emissions-free and almost silent transport from the central warehouse to SPAR stores.

Hydrogen logistics are developing rapidly in Eastern Switzerland. However, our testing revealed that the cost of operating hydrogen trucks is very high. As a result, our supplier has moved away from a cost-per-kilometre model. This has not allowed us to extend the hydrogen fleet, but we will continue considering options.

Besides fleet management, we invested time in optimising our delivery model and service to optimise our fleet.



Solar solutions in Switzerland

We installed solar panels at our Swiss distribution centre, Winterthur TopCC and Diessenhofen TopCC in FY2023. The system generates 200 kWh in 12 months, equating to 50 households' worth of energy, saving 10 tonnes of CO₂ per year.

Winterthur produces 350 kWh in 12 months and, on a cloudless sunny day, can generate enough power to run the store for a day. This helps alleviate the continued strain Switzerland faces on fuel and energy costs. Excess power is placed on the grid and can be sold back to local councils.



New forests for Poland

SPAR Poland launched the "Let's plant trees together" campaign in April 2023. For 10 days, SPAR Poland donated one penny from every transaction in its stores to a fund for the autumn planting of trees in the Poznan district of Poland. The campaign collected over PLN 12 000, allowing us to plant trees in two stages.

In the first stage in late autumn 2023, we planted almost 9 000 trees (mainly pine and oak) that will provide 10 000 m² of new forest. During the second phase, in spring 2024, we will plant about 3 000 more seedlings.

The campaign helps us offset our carbon footprint in Poland and is used as an educational experience for our stakeholders, including SPAR employees.



Extending efficiency efforts to suppliers

To further our reach in South Africa, we are involving our suppliers. We conducted a voluntary survey in FY2023 to establish a baseline of where suppliers are at present. We see this as a first information collection step that will better equip SPAR to plot a way to create meaningful impact together.

Of the 72 suppliers that responded, the majority were in groceries (31%), fresh produce (22%) and packaging (17%). The following are the efficiency initiatives that they are engaged in:

CARBON FOOTPRINT TRACKING

29 (40%)

FUEL-SAVING INITIATIVES

30 (42%)

WATER-SAVING INITIATIVES

45 (63%)

ENERGY-SAVING INITIATIVES

71 (99%)

TCFD REFERENCE TABLE

SPAR produces a separate climate change report every second year. See below for a summary of where relevant information can be found in the 2022 climate change report. The summary should be read in conjunction with the 2022 report.

Governance Disclose the organisation's governance around climate-related risks and opportunities.	Describe the board's oversight of climate-related risks and opportunities.	Page 7
	Describe management's role in assessing and managing climate-related risks and opportunities.	Page 8
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Page 13
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Page 15
	Describe the resilience of the organisation's strategy, considering different climate-related scenarios, including a 2°C or lower scenario.	Page 11
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	Describe the organisation's processes for identifying and assessing climate-related risks.	Page 9
	Describe the organisation's processes for managing climate-related risks.	Page 10
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 9
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose the metrics the organisation uses to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 27
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	Page 27
	Describe the targets the organisation uses to manage climate-related risks and opportunities and performance against targets.	Page 27



WATER

We want our operations to be more water-efficient and ensure we act as responsible water stewards.

OUR RELIANCE ON WATER

Freshwater quality and supply are vital to SPAR's direct operations in stores and distribution centres. SPAR is a food retailer, managing large volumes of fresh produce and prepared food. The Group must comply with food safety and hygiene requirements and standards for storing and selling food. In addition, SPAR must ensure clean water usage in refrigeration systems. Therefore, current and future water supply and quality must be of potable standards. Disruptions to water supply and quality are potential operational and financial risks and could result in significant costs.

SPAR also uses recycled/produced water in ablution facilities, for washing trucks and watering gardens at five out of the eight SPAR distribution centres. The supply and quality of recycled/produced water is important as it reduces operating costs and reliance on municipal water sources.

Examples of SPAR's water-efficient technologies include the adiabatic cooling system, which uses recycled water until water quality becomes too poor, resulting in water reductions of up to 98% per condenser in the system.

WATER IN THE VALUE CHAIN

SPAR's suppliers need sufficient water to grow and supply produce for SPAR's stores. Insufficient water supply could impact SPAR by increasing the price of products, which SPAR would either absorb or pass onto consumers. The Group has started prioritising suppliers with good water management practices. SPAR suppliers are required to test water quality where necessary to ensure that products meet food safety

requirements. The group's suppliers are encouraged to uptake recycled/produced water technologies and are assisted with loans from SPAR.

SPAR identified four facilities out of the eight in South Africa that are exposed to water risks with the potential to have a substantive financial or strategic impact on the business. These include the DCs for the Eastern Cape, Western Cape, KwaZulu-Natal and Build it.



We are driving the development of policies at warehouse level to demonstrate water stewardship.

The World Wide Fund (WWF) water risk filter was applied, using the country dataset. A risk threshold of above 3.4 was applied (high risk and very high risk) for basin physical risk. The Western Cape, KwaZulu-Natal and Gauteng provinces were identified as areas at high risk of flooding. The Eastern Cape, Western Cape and Gauteng provinces were identified as high-risk areas for water scarcity and drought. The Eastern Cape region was severely impacted in FY2022 due to drought conditions. Therefore, water efficiency and alternative water source solutions were prioritised for these distribution centres.

SPAR anticipates that future dependency on freshwater for direct and indirect operations will likely decrease as SPAR has started investing in water-efficient technologies and alternative water solutions. As a result, SPAR anticipates that future dependency on the supply of recycled/produced water will increase.

Examples of water efficiency measures we have taken:

- All SPAR distribution centres are working to increase resilience to reduced water availability by assessing and implementing options for supplemental water supply. SPAR has water efficiency systems that allow us to reduce water usage and increase water supply from alternative sources. Additionally, the Group has rainwater collection/recycling systems in five of its DCs, namely the Western Cape, Eastern Cape, South Rand, KwaZulu-Natal and Lowveld. SPAR has already completed water assessments for two DCs in the Western Cape and KwaZulu-Natal.
- The Group is installing smart water meters for distribution centres and SPAR corporate stores, prioritising DCs first. This process started in FY2021 when a water monitoring system and sub-water meter were installed at the KwaZulu-Natal DC.



- The Western Cape DC has a borehole to draw water from groundwater sources, and uses this together with rainwater in ablution blocks and to wash trucks and floors. SPAR's Western Cape DC implemented water harvesting from the freezer defrost cycle, diverting water from the defrosting drain to rainwater collection tanks as part of a centralised water collection system. The water is then put through a water filtration system and used to clean trucks and in ablution facilities.
- The Western Cape DC's adiabatic cooling system reduces the amount of water required for cooling by up to 98%. The centre has also installed a water monitoring tool to detect any leaks on site so water wastages can be resolved quickly.
- SPAR's Eastern Cape DC has a system that collects water from the ozone system in the ammonia plant. It also installed more efficient water condensers, previously used in the Western Cape DC. SPAR stores in the Eastern Cape installed boreholes and rainwater tanks and are installing additional water meters to better understand water usage and identify leaks.
- The South Rand DC has a water harvesting capacity of 40 000 litres which are collected from the ammonia plant and rainwater.



Water solutions in South West England

At Appleby Westward our direct water use is small, consisting mostly of water for vehicle washing. Vehicles based at Cullompton use an overhead gantry vehicle wash that recycles the grey water generated. Saltash vehicles use rainwater harvested from the roof drainage system. Both sites have interceptors to maximise the amount of contaminants captured before waste water enters the foul drainage system.

WATER WITHDRAWAL AND DISCHARGE

In FY2023, total consumption was 22.23 MI, 5.6% higher than in FY2021 which was 21.06 MI. The Group discharges water directly to municipal sewerage systems, where discharged water is treated.

For all SPAR's distribution centres water discharges are estimated at 90% of combined municipal, recycled/reused, rainwater and borehole water withdrawals.



* The FY2023 water data excludes new additions (S Buys, Stores, Encore and international territories) so that it is comparable to FY2022 and FY2021.



WATER RESILIENCE

SPAR has water reuse/recycling systems at five distribution centres: Western Cape, Eastern Cape, South Rand, KwaZulu-Natal and Lowveld. Recycled/reused water is measured separately in the South Rand and KwaZulu-Natal DCs. For the Western Cape DC, recycled/reused water is measured with borehole withdrawals. In other SPAR DCs, reused/recycled water is measured with municipal water withdrawals.

To improve water data accuracy and completeness, SPAR is installing meters to measure recycled water separately in all remaining distribution centres where water recycling systems are installed. Measurements typically occur monthly.



Zwartkops River restoration

SPAR's Eastern Cape DC is a major stakeholder in the Bluewater Bay catchment that uses water resources. The Zwartkops River is polluted with sewage from an ineffective sewage depot upstream from the Kwanagxabi River and pollutes the wetland downstream. The Zwartkops River is also polluted with plastics.

The Eastern Cape DC assists with removing plastics and other rubbish from the river through awareness campaigns and donations. Since the inception of this ecosystem restoration project in 2012, SPAR Eastern Cape has removed over 62 952 bags of plastics and contributed R20 000 a month towards the project's costs.

SPAR recognises that ecosystems within catchment areas affect the quantity and quality of water available to communities and can impact SPAR's operations. Therefore, SPAR engages with local community partners to contribute to maintaining and rehabilitating ecosystems.





Engaging with suppliers

We recognise the importance of collective responsibility for a sustainable supply chain. Our fresh produce suppliers are important stakeholders when considering water use. As suppliers for our Freshline house brand, we engage with them on water-saving practices and sustainable farming methods and provide training and assistance.

To be accredited, SPAR Freshline suppliers must meet the GLOBALG.A.P Standard. The standard contains stipulations around potable water quality, blood water and effluent from fish farming and slaughter activities, as well as broader themes of water quality testing, food safety and legal water licensing requirements.

Some of our SPAR private label suppliers already report to CDP and have the information requested by SPAR available.

SPAR provides training on sustainable farming methods to help suppliers work towards more sustainable farming and collect data on progress. This includes promoting water efficiency and increasing water retention through better soil management practices, resulting in reduced water usage compared to conventional farming practices. 75% of our Freshline suppliers have been trained in sustainable farming methods.



Resilience in the face of water damage

Flood events are becoming more pervasive in South Africa as weather events intensify. The catastrophic flooding in the Eastern Cape and KwaZulu-Natal in 2022 and the western and southern Cape coastal areas in 2023 damaged infrastructure and disrupted food supply chains. Some communities went without water or food for days.

These events have a major impact on SPAR operations. This includes infrastructure and inventory damage and the inability to transport goods or people to distribution centres and stores. We update our business continuity and disaster plans as we adapt after each event. This includes supporting stores badly affected by floods and making arrangements for extended payments or Guild fee relief.



CIRCULAR ECONOMY PACKAGING

We want to ensure that our packaging is reusable, recyclable or compostable.

OUR PACKAGING POLICY AND APPROACH

We design our packaging with a circular economy in mind. Our packaging policy sets out the commitments and principles that SPAR adheres to, including clear communication on recycling labels, choosing mono-materials over composite whenever possible, and ensuring easy extraction of contents for recycling. We also minimise the number of materials used and prioritise using pre- and post-consumer recycled content.

Six core principles guide SPAR's packaging decisions

1. Driven by circular economy thinking
2. Strong focus on communication and education
3. Traceability and responsible sourcing
4. Invest in research and development to enable changes
5. SPAR brand remains sacrosanct
6. Seek systemic solutions

Six standards guide our packaging design

1. Clear communication on labels regarding recycling and the materials used
2. Choosing mono-materials over composite, if applicable
3. The contents must be easy to extract
4. Separation must be simple to allow for recycling
5. Minimising the number of materials used in any given pack
6. Using pre- and post-consumer recycled content (cardboard and plastic) as much as possible

Nine design rules inform our thinking

1. Increase value in polyethylene terephthalate (PET) recycling
2. Remove problematic elements from packaging²
3. Eliminate excess headspace¹
4. Reduce plastic overwraps
5. Increase recycling value for PET thermoformed trays and other PET thermoformed packaging
6. Increase recycling value in flexible consumer packaging
7. Reduce virgin plastic use in business-to-business packaging
8. Increase recycling value in rigid high-density polyethylene (HDPE) and polypropylene (PP) packaging
9. Use on-pack recycling instructions

Three packaging targets align with the SA Plastics Pact and Packaging EPR² targets

1. 100% of plastic packaging to be reusable or recyclable or compostable by 2025
2. 70% of plastic packaging effectively recycled by 2025
3. 30% average recycled content across all plastic packaging by 2025

¹ Headspace is excess space in a pack, e.g., the space in a bag of chips when only half the bag is used to hold the product.

² Extended Producer Responsibility.



PACKAGING WASTE REDUCTION

Partnerships through the South African Plastics Pact

We support the South African Plastics Pact (Pact) as a platform for collaboration between retailers, suppliers, recyclers, government agencies and others. It offers a non-competitive space with the sole focus of creating a circular economy for plastics packaging. Pact also enables best practice sharing between regions.

Many of the innovations we have implemented for plastic packaging have emerged directly from or have been inspired by work done within Pact and the targets we adopted. A recent Pact achievement was the standardisation of recycling logos on packaging to remove confusion between consumers and users in the plastics value chain.



Authenticated plastic carrier bags for South Africa

The SPAR branded 100% recycled plastic carrier bag contains 100% recycled content, with a minimum of 70% post-consumer waste, and is sold through the SPAR distribution centres and approved SPAR brand packaging distributors. These bags meet all South African legislative requirements and SPAR's sustainability commitments. They are the only plastic carrier bags authenticated by SPAR and may carry the "My SPAR, Our Tomorrow" logo.

The SPAR environmental team monitors adherence to SPAR specifications through external South African Technical Auditing Services (SATAS) audits and supplier visits. Plastic carrier bags are subject to an environmental levy, earmarked to establish recycling facilities in South Africa.



Less plastic in Ireland

We completely replaced branded plastic vest carrier bags with paper bags at the EUROSPAR, SPAR and MACE estates in Ireland this year. We continued promoting the sale of loose fruit and vegetables, which increased by 20%. We further reduce the use of single plastic by rolling out compostable punnets.

In partnership with Coca-Cola Hellenic, we reduced shrink-wrap plastic used in multipacks used for four or six-pack cans to a combination of recycled cardboard packaging and new "KeelClip™" cardboard packaging. We plan to roll out the new packs in the foods business based on positive feedback.



Partnering with suppliers

SPAR engages with all our packaging suppliers to drive Forest Stewardship Council (FSC)/Programme for the Endorsement of Forest Certification (PEFC) certifications. However, not all suppliers are FSC/PEFC-certified yet. Our short-term focus is on the 10 categories that deliver 80% of SPAR's private label volumes. We are also addressing in-store packaging, which includes carrier bags, PET thermoform, polystyrene trays, clamshells and films.

We are also increasing our direct engagement with the manufacturers of packaging material. This enables us to share information while offering on-site training and technical assistance to achieve more sustainable packaging.

Umhlaba Bags' rPET reusable shopping bags

rPET stands for recycled polyethylene terephthalate, a form of plastic woven into a polyester fabric to craft sustainable shopping bags. This yarn is cleverly extracted from problematic waste such as the SPAR brand's brown ginger beer bottles. Recyclers commonly prefer lightly tinted plastics that can be dyed (or left as is) for a broader range of applications. In contrast, brown and darker-coloured plastics are more challenging to recycle. The problematic brown ginger beer bottles are diverted from landfills and converted into valuable materials.

The bags are locally sourced from Umhlaba Bags, a local Pinetown-based company that empowers over 20 women. The long-term goal is to keep these bags away from landfill sites at the end of their lifecycles by returning them to a recycling station in-store and transforming them into blankets. We sold 990 495 units of rPET bags in 2023.



We encourage our suppliers to adopt more sustainable packaging practices. We are also committed to transparent and fair pricing across the value chain.



Small changes creating big impact

SPAR received the inaugural South African Plastic Recycling Organisation (SAPRO) Platinum Design Principles Award for our all-white, all-HDPE milk bottle in September 2023. The award was made as part of the SAPRO 9th biennial Best Recycled Plastic Product Awards.

The award-winning design resulted from a small change to the milk bottle lid. Our 2L milk bottle lids previously had a blue lid to indicate the type of milk they contained. By changing the bottle cap colour, we shifted to a different type of plastic called HDPE. Now, the entire bottle is made of HDPE – the most valuable plastic for recyclers, and also cheaper than blue-coloured plastic. This increased the recycling rate from 65% to 98% because the recyclers no longer had to remove the lid and the ring during sorting. Since this change, other retailers have followed suit, making recycling easier for consumers and recyclers.

The inspiration for this change emerged from a PACT collaboration and by working closely with recyclers to understand their needs and processes.



Upcycled trolley

Shopping trollies made out of recycled plastic milk bottles (240 milk bottles per trolley) were phased in in 2023 and are now the only option for sale to retailers. Over their use thus far we have found them to be sufficiently durable and robust, mitigating the need for alternatives. We sold 5 206 recycled trollies in 2023 versus zero in 2022, and 3 196 virgin material trollies.



Reverse vending machine

As SPAR continues to implement ways to reduce its carbon emissions and to develop more sustainable products and packaging, we're increasingly looking towards innovations to help us develop more circular economies.

The RVM is a deposit return system designed to automate the process of collecting and recycling waste, such as used plastic bottles, glass bottles, and aluminium cans. The RVM provides a convenient deposit return system that delivers incentives to consumers in the form of redeemable coupons, thereby helping to prevent glass, metal, and plastic waste from landing up in landfill and the environment. The RVM project was shelved in 2023, due to high costs and limited returns. We are exploring other types of deposit return systems that create value for our retailers, while also helping SPAR in achieving its sustainability commitments.



Recycling at our distribution centres

Being in the retail business comes with large volumes of packaging moving through our facilities. To reduce our impact on the environment, we inculcate a culture of recycling at our distribution centres.

Recycled waste material (tonnes) from DCs	2023	2022
Cardboard	17 388	15 995
Plastic	2 101	1 994
Total	19 489	17 989



Implementing a new deposit scheme in Ireland

The Irish government signed a new Deposit Return Scheme into legislation, which will go live from February 2024. Retailers have a legal obligation to support the scheme by facilitating the return of eligible containers and providing deposits to customers when they bring empty containers back to the store.

We have been preparing for this transition by participating in industry workshops, working with producers, suppliers and IT vendors, re-listing all in-scope products and managing the cutover of old to new stock through the transition period. New stock will contain a Re-turn logo. In addition, we needed to ensure employees and retailers were well-informed of the initiative, encourage retailers to register for the scheme and procure reverse vending machines where applicable.



Our WRAP partnership

In South West England, five stores are trialling food waste collection as part of our engagement with the Waste and Resources Action Programme (WRAP). We are also exploring removing plastic packaging and submitting plastic packaging usage data to WRAP every year.

In addition, we decided to remove certain single-use plastic items from stores from October 2023.



Active waste management in Poland

SPAR Poland monitors the amount of packaging and general waste per the requirements of Polish law and internal procedures. Our internal waste monitoring system does not allow the transfer of waste without a special card, which is effectively a passport for waste. This means that we have full traceability of the waste we produce and full monitoring of all types of waste.

In addition, we do not pass on waste to recipients with whom we do not have the relevant contracts or who do not have permits for collecting and storing waste. None of our waste goes directly into the environment or landfills. All waste (plastic, paper, glass, metal) goes directly to recyclers or to local waste sorting plants for sorting into different waste fractions, including recycling.

Based on FY2023 data from these waste systems, SPAR Poland distribution centres in Koninko and Czeladź generated waste in their operations in the following proportions:

- 67% recyclable waste (paper, plastic, glass, metal)
- 24% food and food waste, including out-of-date products
- 9% mixed waste, including municipal waste

We recorded a positive trend in reducing food waste at SPAR Poland warehouses in the past few years.

In FY2024 we aim to further reduce food waste by at least 5% and reduce mixed waste at distribution centres and head office by 5%.



FOOD WASTE REDUCTION

We want no food that is safe for human consumption to be wasted in our operations. SPAR is a signatory to the South African Food Loss and Waste Voluntary Agreement facilitated by the CGCSA. Through this agreement, we commit to achieving SDG target 12.3 to halve food waste by 2030 and to report annually on our quantities of food waste and food surplus.



At our retailers

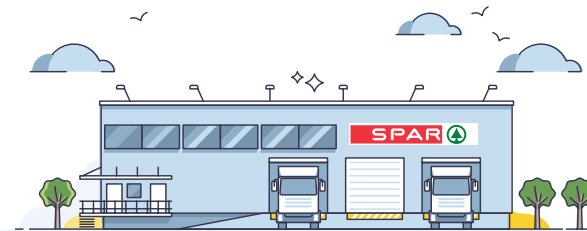
This year we engaged with two companies offering retailers food waste solutions. Their mark-down solutions enable food nearing its best-before date to be discounted and sold before it becomes waste. We took inspiration from SPAR Europe and the UK, which have already incorporated these solutions.



At farm level

Around 78% of food loss and waste occurs before distribution and retail, during primary production, post-harvest handling, processing and packing¹. This is partly due to consumer and retailer expectations for perfect fruit and vegetables.

The opportunity for SPAR to explore here relates to providing perfectly edible but “ugly” produce that can be sold at reduced prices to support affordable nutrition.



At our distribution centres

To ensure food safety is maintained across the supply chain, SPAR has selected Food Forward as the national partner to redistribute edible surplus food and thus reduce the amount of food going to waste.

Total tonnes of food discarded reported in FY2023 was 1 023 tonnes versus 2 315 tonnes reported to CGCSA in FY2022. This was largely due to a significant reduction in food redistributed for human consumption, sent to animal feed and biochemical processing. Total food lost and wasted was similar for both years, as shown below (904 tonnes in 2021 and 937 tonnes in 2022)

Food waste data is tracked by the warehouse teams using a third-party data portal, and food donation data is tracked by human resource teams at the distribution centres. As we advance, we want to improve the data from our corporate or independent stores.

¹ South African Department Forestry, Fisheries and the Environment: Draft Strategy for Reducing Food Losses and Waste Prior to Retail: March 2022 Version 2.2.



FOOD WASTE IN OUR OTHER TERRITORIES



Ireland

We manage inventory through a live warehouse management system that enables daily stock rotation. We work with FoodCloud Hubs to redistribute excess food to those in need through local charities such as Meals on Wheels, After Schools Clubs and homeless shelters. In 2023 we have donated 24.8 tonnes of food equivalent to 59 166 meals and 79.5 tonnes of carbon equivalent was avoided. Our food waste management programme contains a further step in ensuring that food that is not consumed can be turned into green energy.

Our partnership with FoodCloud was extended to include collaborating with the Value Centre branches to manage and track food waste. The successful trial at Value Centre Dublin was extended to three additional Value Centre branches. We also established water management facilities at all Value Centre branches to segregate and manage food waste.

Impacts achieved with our food waste partners since 2015:

FoodCloud

FOOD DONATED

313.7 TONNES

MEALS

747 023

CARBON EQUIVALENT AVOIDED

1 003.8 TONNES

In South West England we engaged with the Too Good To Go app to manage the redistribution of food nearing the end of its shelf life. By using this app, waste optimisation increased to 10% and the number of “lucky” bags offered went up by 8% to 1 005 bags. We also collaborate with FareShare to assist with the logistics of redistributing short-dated food and work with the responsible retailing working group to create food waste plans.

The existing store operating practice is to include food waste within the general waste bins. We are busy consolidating our waste collection services to one provider who will provide food waste bins. The food waste will be converted into energy and other by-products. This will be completed in March 2024. In parallel, we have collated general waste weight data to monitor the reduction as we introduce the food bins.



Switzerland

Our Supply Chain for Stores project helped simplify the ordering process and shortened the time from supplier to shelf at the retailer. This provided additional shelf life across the fresh categories. We also launched our Fresh Hub which centralises all ultra-fresh products (all with less than three days' shelf life). By streamlining the flow of fresh produce from suppliers, we maximised on-shelf availability and shelf life, thereby reducing waste. We continue to provide the Too Good To Go opportunity for retail stores. Where retailers have used the service, we have seen reductions in in-store waste.

The fresh team continually works with our food safety and packaging teams to maximise shelf life within the parameters set by Swiss legislation. This initiative has the added benefit of substantially reducing the kilometres travelled to service our stores.



Poland

SPAR stores in Poland ran daily promotions on perishable products and featured special stands with a selection of short-dated products. We also have an agreement with food banks to which we donate edible but unsaleable food.

SPAR International launched a project with Too Good To Go to collect recipes from different countries and create a cookbook. The premise was to promote not wasting food and using leftovers in everyday cooking. As a result of an internal competition among SPAR employees in Poland, four recipes were selected for publication in the book. The book also contains recipes from the UK and numerous European countries.

We engaged in in-depth discussions at retail stores to establish whether food waste was a material issue. The purpose was to establish whether joining the Too Good To Go programme was viable. Based on September 2022 to February 2023 data, we found that known losses in the form of discarded products accounted for only 0.96% of total sales. At our two distribution centres, losses accounted for only 0.22% of total sales for the same period. The conclusion was that current solutions at retail stores, including promotion zones, are effective. Additional measures are unlikely to be financially viable for stores.



RESPONSIBLE SOURCING AND PRODUCTION

We want to be responsible for sourcing raw materials and supporting our procurement teams in sustainable buying. We are promoting transparency to report accurately on the entire value chain.

RESPONSIBLE SOURCING

We use an annual questionnaire to obtain information from SPAR private label and Freshline suppliers on their sustainability practices, risks identified and mitigation actions. Based on this, we engage with selected suppliers to support them on their sustainability journey.

Seafood

We are committed to ensuring that our seafood is responsibly procured. We support sustainable and well-managed fisheries and aquaculture operations that provide evidence of traceability, transparency and safety. We continue to work closely with WWF-Southern African Sustainable Seafood Initiative (SASSI) and stakeholders across our supply chain to protect our marine ecosystems and provide our consumers with affordable and nutritious food.

This year we expanded our sustainable seafood policy to include freshwater fish. This change occurred when SPAR began importing tilapia fish from China, typically grown in aquaculture systems. Through the policy, SPAR commits to procure seafood and freshwater products that are:

- Certified by the Marine Stewardship Council (MSC) for wild-caught seafood products
- Certified by the Aquaculture Council (ASC) or equivalent standards for farmed seafood and freshwater products

Where there are no products available that meet these criteria, at a minimum all seafood and freshwater products from SPAR distribution centres including SPAR private label will meet one of the following criteria:

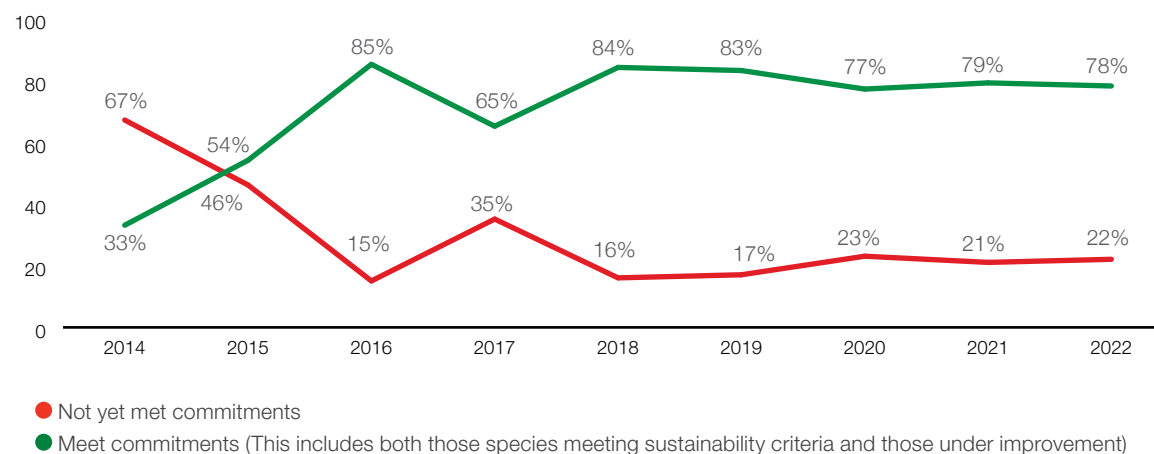
- Characterised as green by SASSI
- Sourced from a fishery or farm which is engaged in a credible time-bound project to improve the fishery/farm to MSC or ASC standards or SASSI green list status
- Sourced from a fishery or farm that is GLOBALG.A.P.-certified

We participate in the WWF-SASSI Retailer/Supplier Participation Scheme. The latest report shows that 78% of all the fish species from SPAR distribution centres including SPAR private label meet our sustainability criteria or are under improvement (green) and 22% do not yet meet commitments (red).

99% of all SPAR private label fish species meet commitments and only 1% do not.

We will continue to engage with all our suppliers to ensure alignment with our sustainable seafood procurement policy.

SPAR's progress through the years (species)





A just transition to cage-free eggs

Our approach to cage-free eggs is guided by local government policy, industry guidance on sustainable and safe production processes, and supplier production systems that ensure food security for all South Africans, as eggs form a critical part of the daily protein intake across all consumers.

We support a sector-wide cage-free transition process. The transition is complex and must consider the broader impact of this system change, including its effects on the livelihoods of communities integrated into the existing system, especially small-scale farmers. A just transition, taking into account the entire system, is crucial.

According to the South African Poultry Association (SAPA), 98.5% of all eggs produced in South Africa in 2022 were produced in cages (up from 98.3% in 2021). According to SPAR egg sales for 2023, 94.2% of eggs sold were from caged systems and 5.8% were from cage-free systems (largely free range). 101 brands make up the cage eggs segment and 40 brands make up the free range segment. SPAR private label egg sales contributes 26% annually.



As a responsible retailer, it is imperative that we consider the animal welfare of the products that we sell. SPAR fully supports animal welfare and sustainable production processes and is dedicated to sourcing products that align with these principles.

In SPAR South Africa, high pathogenicity avian influenza was one of the big obstacles we faced with egg supplies this year, causing a shortage in supply. According to the South African Poultry Association, 8.5 million chickens had to be culled during 2023, representing 20-30% of South Africa's total chicken stock¹.

Dealing with the crises put enormous pressure on our suppliers and they were not in a position to consider investing in new systems. In 2024 we will finalise our targets and timelines to transition to cage-free systems. Aligned with our vision of a just transition to a cage-free system, small-scale farmers will be integrated into our delivery model.

In our international territories SPAR Switzerland, Poland and UK have all committed to cage-free production. The SPAR Group Ltd's European businesses are on track, with European legislation being a significant driver behind the transition.

¹ Source: <https://www.sapoultry.co.za/hpai-and-the-poultry-industrys-recovery-status/>



Ireland

We prioritise Irish Food Board-approved sourcing. The Irish Food Board (Bord Bia) is the Irish state agency charged with promoting Irish food, drink, and horticulture suppliers around the world and within Ireland, and is responsible for granting a robust set of certifications and quality checks for small to medium providers across the country. Working within these approved sourcing guidelines guarantees that we are partnering with the right suppliers, and that supplier practices and codes of conduct are up to scratch across all levels of their operations.

We have been accredited under the Bord Bia sustainability programme, Origin Green, since 2018. This is Ireland's national sustainability programme encompassing the full supply chain. It assesses sustainability impact on farmers, producers, manufacturers, retail, and food service operators. By partnering with producers and manufacturers with Origin Green accreditation, we align in terms of sustainability commitments while working towards common targets.

Our 2024 targets include:

- 80% of suppliers need to hold sustainability/environmental certifications by end 2024 (2020: 45%)
- BWG Foods will source 100% of private label fresh meat ranges from Bord Bia-approved suppliers who have signed up to Origin Green and/or the Meat Processor Quality Assurance Scheme
- BWG Foods will source 80% of its private label milk from suppliers who are Origin Green members
- A domestic or international sustainable sourcing accreditation will become a prerequisite for all tendered fruit and vegetable businesses from all suppliers in the trade going forward
- To continue with the Julienne code system on our Fresh Choice fruit and vegetable range to minimise unnecessary waste

We aim to institutionalise a broader set of supplier identification and selection guidelines. An example of this commitment is the development of a BWG Little Green Book, which sets robust guidelines against which all suppliers and providers are assessed through key environmental and social metrics. This has enabled us to build a network of partners and potential partners across Ireland who, like ourselves, hold ESG values at the core of their business.



South West England

SEDEX assesses our suppliers against ethical sourcing practices and modern-day slavery requirements. Smaller producers can register with Safe and Local Supplier Approval (SALSA).

Local egg suppliers must supply free range eggs – no caged eggs are accepted from any supplier. In addition, they must be a member of either “Laid in Britain” or “Lion Assured”. Lion Assured eggs feature a code showing the type of farming system, country of origin and farm production unit. A Lion symbol indicates that eggs are from hens vaccinated against Salmonella and produced according to a strict Code of Practice.



Switzerland

Swiss authorities are prescriptive about sustainable procurement. Approximately 90% of all goods we buy are sourced within Switzerland. This is largely due to Swiss legislation which applies import tariffs, levies and taxes on the import of fresh produce such as dairy, fruit, vegetables and fresh meat.

We procure via FairSwiss and continue to source natural products locally from suppliers and farmers who follow stringent steps ensuring fair pay and that no harmful pesticides, hormones, etc. are used in the growth of the product. We also have accreditation from IP Swiss and use their logo on our fresh meat products.



A RESPONSIBLE SUPPLY CHAIN

Through our CDP Forests work, we conducted numerous supply chain investigations at raw material supplier level for timber, coffee, palm oil and cattle products. Using the findings from these studies, we calculate the magnitude of potential risks, likelihood, timeframes and potential, estimated financial impacts and response mechanisms across numerous products, as summarised below. For more detailed information, see our CDP Forests submission on our website.

SPAR's biennial market research and analysis highlighted that SPAR's high-income consumers expect to see our involvement in environmental initiatives, including carbon, water and waste management programmes. SPAR's market research analysis on consumer perceptions has also demonstrated that most of SPAR's consumers are increasingly aware of where their products are sourced from. The analysis has provided further evidence that consumers' choice to shop at a retail store is influenced by the perceptions of the retailer's actions to reduce environmental impacts.

Timber

All timber sold through the Build it distribution centre is sourced from South Africa and is FSC-certified. The FSC certification includes a traceability system, allowing SPAR to trace timber products down to a certified plantation level in South Africa.

SPAR embarked on a scenario planning analysis per the TCFD recommendations in 2021. As part of this project, we explored the climate change awareness, impacts and response to climate change of one of our key timber suppliers. Our supplier demonstrated a strong level of climate change awareness, having experienced climate

impacts and made efforts to understand future climate impacts, and developed a response strategy. The supplier partnered with academic institutions and invested in specific responses, including silviculture¹ practices to enhance the resilience and sustainability of timber forestry.

Going forward, taking lessons learned and insights gained, this analysis will allow us to work more collaboratively with our other timber suppliers through awareness-raising campaigns to develop their capacity and resilience to climate-related extreme events. Another response has been to diversify our supply base so that increased chronic events linked to climate change will not affect the broad basis of timber supply to SPAR and Build it.

Coffee

The quality and quantity of coffee beans are at risk from global temperature increases caused by climate change. It is projected that by 2050, the world could lose half of its best coffee-growing land under a moderate climate change scenario. We are already witnessing these effects: in 2021, Brazil experienced its worst drought in 90 years, resulting in a nine-year price high which was ultimately pushed on to consumers.

SPAR coffee products include ground coffee and coffee beans as well as espresso capsules sold at SPAR's Beantree Café. Some SPAR coffee products, such as SPAR Beantree coffee, have internationally recognised certifications such as the Rainforest Alliance Certification and the Fairtrade Certification, which signal to our customers that their product has met specific sustainability and ethical standards. Sustainable coffee farming drives resource efficiency around water, energy, fertilisers and pesticides, which aligns with SPAR's sustainability commitment to responsible living and resource stewardship.

Palm oil

Palm oil has a long and complex supply chain, posing challenges for tracing palm oil products back to their origin. We need to better understand how this commodity is used in our products, which means engaging with second-tier (agents) and even third-tier (farmers) suppliers. We are expanding our capacity to ensure that SPAR can improve the traceability of its branded products that contain palm oil. In FY2022, SPAR became a Roundtable on Sustainable Palm Oil (RSPO) member. The RSPO requires each member to track their progress.

SPAR consumed 1 972 tonnes of palm oil in FY2021 and 2 566 tonnes in FY2022². Of this, 173.68 tonnes was certified crude palm oil and 161.82 tonnes had certified sustainable ingredients for 2023. The total certified palm oil for FY2022 was 12.25%, under the mass balance certification.

Through our RSPO membership, we anticipate transitioning toward procuring exclusively RSPO-certified palm oil, starting with our SPAR private label products. This would give SPAR access to comprehensive information on the traceability of palm oil.

Our supply chain mapping extends only to SPAR private label products procured from our first-tier supplier. Palm oil is used in 55 SPAR private label products such as SPAR margarine brick, oven-baked chips, crumbed chicken portions, mini cheese and custard puffs. Of these, eight products are RSPO-certified. We are working with suppliers to transition to sustainably sourced and/or RSPO-certified palm oil. SPAR is also driving actions to promote sustainable procurement of palm oil at local level among other South African retailers through discussions in the Sustainable Retailers Forum, of which SPAR is a member.

¹ Silviculture is the art and science of controlling the establishment, growth, composition, health, and quality of forests and woodlands to meet the diverse needs and values of landowners and society, such as wildlife habitat, timber, water resources, restoration, and recreation on a sustainable basis.

² For all commodities (palm oil, coffee, timber and seafood), we report the previous year's data in the present year. This means the data published this year is based on FY2022 consumption data.



Cattle

SPAR procures 100% of beef from South Africa, mainly from inland regions in the Free State, Northern Cape and North West provinces. These three provinces are classified as either high or medium risk according to the WWF Water Risk Filter water scarcity indicator. Therefore, we expect more frequent and intense droughts to recur. Drought conditions can significantly affect beef suppliers in the country by reducing feed availability, because the supply of beef feed in South Africa depends on the previous year's harvest. This, in turn, can lead to an increase in the price of feed, ultimately resulting in higher prices for calves. The agriculture industry operates as price takers, making it vulnerable to external factors that influence the cost of its products.

We source all our beef from a single supplier who is a member of the Red Meat Abattoir Association and is working on international resource efficiency benchmarking, which focuses on energy and water. We have a close and transparent relationship with this supplier and regularly visit their facilities to assess environmental impact and overall operational practices.

Summary of potential risks in our supply chain

	Primary potential impact and risk driver	Time-frame (years)	Magnitude	Likelihood	Primary responses	Risk (if no action is taken by SPAR)
Timber products	Supply chain disruption caused by increased severity of extreme weather events	1-3	Medium-high	More likely than not	Engage with suppliers and diversify supplier base	5-10% loss of timber supply equating to R101 to R202 million
Palm oil	Brand damage due to uncertainty around product origin	>6	Medium-high	Very likely	Greater traceability of forest-risk commodities	1-2% decrease in SPAR SA revenue equating to R85.4 to R85.5 million
Cattle products	Supply chain disruption due to drought	4-6	Medium-high	Very likely	Engagement with suppliers	Beef makes up 11% of SPAR branded sales. 5-10% loss in SPAR branded sales equates to R28 to 56 million
Coffee	Increased production costs due to increased severity of extreme weather events	1-3	Medium-high	Very likely	We were forced to pass increases on to customers in the immediate term. In the short term we will engage with our suppliers to improve transparency and traceability across the supply chain	New risk: not quantified yet



THE SPAR RURAL HUB

Traditionally, smaller producers have encountered many obstacles when trying to enter formal value chains. These include food safety compliance, funding, technical and business support, poor farm infrastructure and inconsistent crop yields and quality.

In 2017, SPAR embarked on a journey to develop and invest in small-scale farmers, by establishing the SPAR Mopani Rural Hub in the Mopani District of Limpopo. The Rural Hub model is focused on developing and supporting farmers who are not currently able, yet have the potential, to supply commercial markets. The model achieves this by providing relevant technical and food safety training, facilitating access to input and infrastructure funding, and providing a guaranteed market for their produce.

The Rural Hub technical team provides relevant technical support, enabling participating farmers to supply commercial volumes of crops at a quality level that complies with SPAR quality and food safety standards. The aim is to graduate participating farmers from the Rural Hub after a three-to-five-year period once they can sustain themselves. This ensures that they do not become dependent on external resources, and enables other emerging farmers to benefit from the support that the Rural Hub offers. By using this model, SPAR creates a diverse and equitable supply system inclusive of small-scale entrepreneurs.

The Mopani district is largely a winter vegetable producing area. This past year all the farmers participating in the Rural Hub made a profit. This was a breakthrough, as the model is designed to support farmers to become independent. Success was due to a good winter season and continuous



Significant investments have been made in the Rural Hub. We, and all the farmers, are grateful to the organisations that have contributed both grant funding and loans. We view this work as imperative to transforming the farming sector in our country, which is dominated by large-scale commercial farmers.

fine-tuning of the overall system. We also consolidated the number of crops farmers planted from 12 to three crops this year for most farmers. These included speciality tomatoes (cocktail and mini plum), baby corn and green beans. One of the farmers diversified into fruit crops and planted 2 hectares of guava trees.

The Rural Hub's technical team ensured that the planting programme went according to plan. The result was that the yields far exceeded expectations and orders from participating distribution centres. The fresh produce supplied by our farmers is consolidated and packed at the SPAR-owned packing facility in Limpopo under the Freshline and Country Value labels and then distributed nationally to four of our distribution centres: South Rand, North Rand, Lowveld and KwaZulu-Natal.

Farmers received training in sustainable farming methods and have implemented water-saving irrigation technology and integrated pest management technology on their farms. Five farms also have net houses for growing crops under cover to help mitigate adverse climatic events.

This year we introduced regenerative farming practices such as growing cover crops and improved crop rotation practices. This improves soil health and reduces crop diseases. SPAR also purchased several tractors and farming implements which our farmers use to optimise soil preparation, planting, and pest and disease control. This equipment enables sustainable farming practices to be adopted and helps to maximise crop yield and quality.



The Rural Hub purpose

The Rural Hub supports marginal farmers who do not have the scale to supply commercial markets. By doing so, we create sustainable and inclusive agricultural networks in South Africa, a sector with low representation from young and black farmers.

A sustainable and inclusive agricultural system requires four key elements:

Key elements of a sustainable agri-system

Consistent profitable production

The Rural Hub support farmers through robust crop selection, focusing on high-value crops, adequate technical support and access to packing facilities to enable effective delivery to market.

Sustainable production methods

Over generations, conventional farming degrades the soil by continuously extracting nutrients and not returning organic matter to the soil. The Hub encourages regenerative farming methods that improve soil health and require less chemical inputs than conventional methods. Farming is also labour-intensive, and fair labour practices must be adopted at farm level.

Affordable financial support

Farmers incur significant input costs (for seed, fertiliser, wages, etc.) at the beginning and during the growing seasons and only earn an income when they start to harvest. The Rural Hub helps farmers gain access to affordable financial support from commercial institutions for inputs and infrastructure, a vital element to enable farmer development.

Commercial markets

Multiple commercial markets are required to provide consistent demand to farmers and to mitigate dependence on single businesses, making farmers more resilient. Farmers need to consistently meet the needs of retail and other commercial markets by supplying crops of commercial quantity and quality that comply with food safety requirements. The Hub assists farmers achieve these standards.

Our long-term aim is to make the Rural Hub the primary supplier for certain signature lines in the SPAR Freshline offering. Our progress this year confirmed that it is possible and that the programme's success depends on several key factors, as depicted on the following page.



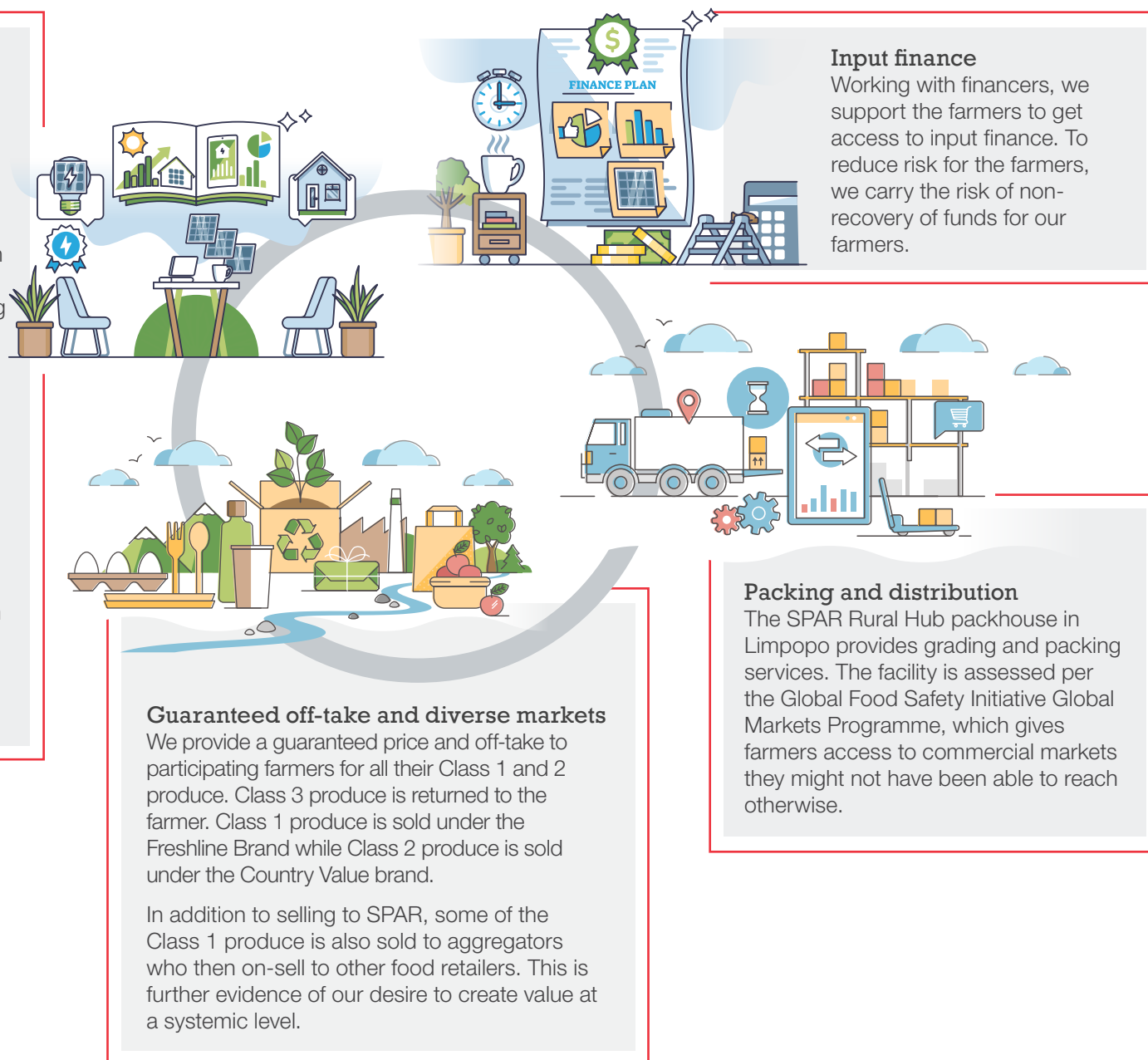
How the Rural Hub supports farmers

Technical support

We have an in-house technical team of five agronomists who provide support and transfer skills to our farmers. With their support, the farmers can produce consistently high volumes of Freshline quality crops.

The technical team supports farmers with training on food safety, commercial market requirements, sustainable growing practices, financial training, etc. The technical team also tests new crops, varieties, and production methods before implementing them on farms. Because farmers' experience and land sizes vary (from 5 to 80 ha), they require bespoke support from the technical team which assists, for example, in determining the optimal crop mix.

The Rural Hub also offers agricultural equipment, including tractors, other farm implements and refrigerated trucks. The team also arranges financing for capital-related expenses such as greenhouses and net houses.



Input finance

Working with financiers, we support the farmers to get access to input finance. To reduce risk for the farmers, we carry the risk of non-recovery of funds for our farmers.

Packing and distribution

The SPAR Rural Hub packhouse in Limpopo provides grading and packing services. The facility is assessed per the Global Food Safety Initiative Global Markets Programme, which gives farmers access to commercial markets they might not have been able to reach otherwise.

Guaranteed off-take and diverse markets

We provide a guaranteed price and off-take to participating farmers for all their Class 1 and 2 produce. Class 3 produce is returned to the farmer. Class 1 produce is sold under the Freshline Brand while Class 2 produce is sold under the Country Value brand.

In addition to selling to SPAR, some of the Class 1 produce is also sold to aggregators who then on-sell to other food retailers. This is further evidence of our desire to create value at a systemic level.



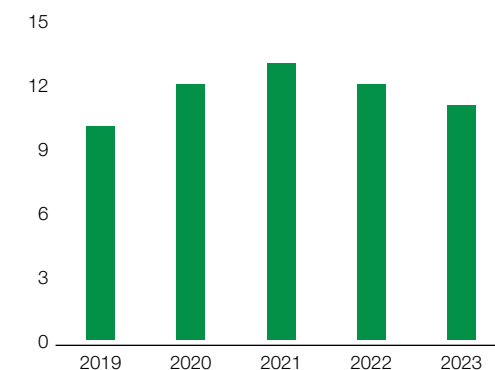
Farmer performance in 2023

The Rural Hub supports 11 dedicated small-scale farmers and employs 137 people living in rural communities. This team achieved an accumulated output for the season that started in January 2023 of R8.052 million. During the same period in the previous year, output was R4.924 million. The 11 participating farmers received a final profit distribution payout as follows:

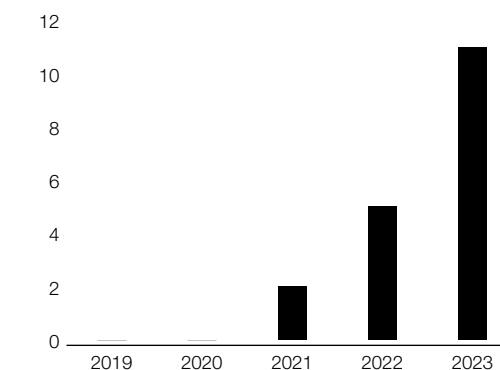
	Farm payout (R)	Farm output (R)
Farmer 1	420 231	808 815
Farmer 2	290 537	1 554 041
Farmer 3	165 710	563 291
Farmer 4	582 537	1963 518
Farmer 5	345 184	354 138
Farmer 6	260 690	1 150 078
Farmer 7	172 432	270 629
Farmer 8	54 000	231 893
Farmer 9	573 748	590 078
Farmer 10	35 159	34 167
Farmer 11	531 265	531 265
Total	3 431 492	8 051 913

Other indicators we track to measure progress

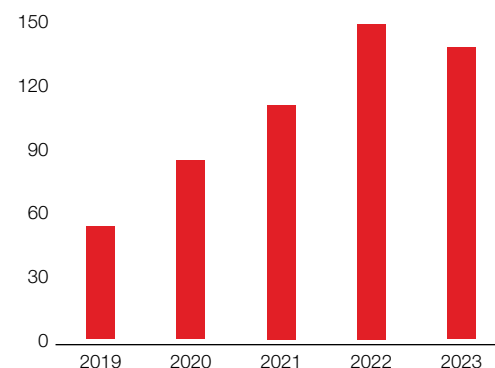
Total number of farmers



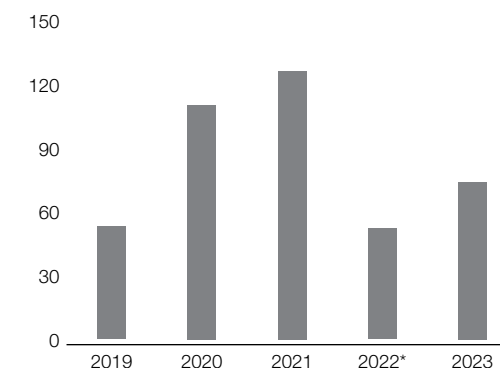
Number of profitable farmers



Jobs created



Hectares planted



* In 2022 net houses were established

Funders that have contributed to the success of the Rural Hub thus far:

Rmillion	2023	2022	2021	2020	2019	2018
SPAR	11.5	10.4	10.1	13.6	16.0	7.1
Dutch government	–	–	0.6	–	5.8	7.3
Tyala (6-year low-interest infrastructure loan to individual farmers)	–	–	3.4	–	–	–
Tyala farm input loan (loan to SPAR Rural Hub)	2.0	–	–	–	–	–
FNB Enterprise Development	1.6	2.8	3.1	–	–	–



Food safety and small-scale suppliers

Food safety is non-negotiable as we believe everyone has the right to safe food. However, small-scale suppliers often have difficulty meeting retailers' food safety compliance requirements. With the introduction of the SPAR customised localg.a.p capacity building programme in 2018, small-scale farmers have progressed through the three levels of this food safety programme to full GLOBALG.A.P certification.

Growth and scalability in 2024 and beyond

The SPAR Rural Hub addresses real South African challenges, such as food security, food safety, nutrition, job creation and transformation. Through a collaborative approach from various stakeholders, including farmers, rural communities, input suppliers, SPAR, other wholesalers, and co-funders, the initiative is beginning to enjoy measurable success, with tangible benefits to the farmers.

Evidence of our success is seen in some of the awards we have won:

- Overall winner of the Absa/Business Day Supplier Development Award 2020
- Winner of the Absa/Business Day Rural and Township Award 2020
- Winner of the Absa/Business Day Rural and Township Focus Award 2021

While farming was profitable in the 2023 winter season, the packing facility requires higher volumes to break even. To achieve this, we need to increase the output of Class 1 products and the number of participating farmers, and significantly increase the off-take volumes.

Initially, SPAR bought between 30 to 60% of the farmers' monthly output. During the 2023 growing season, this increased to 78%. We plan to increase this further in 2024. While SPAR remains the Rural Hub farmers' primary customer, some of the Class 1 produce is also sold to aggregators who then on-sell to other food retailers. Many farmers also continue to grow private crops for their communities.

Another way we are helping the Hub to scale is by forming a non-profit company for the initiative. This gives the programme access to grant funding.

The success of this initiative is dependent firstly on the ability of the Rural Hub farmers to maximise their output of Class 1 Freshline products, and secondly on the ability of our SPAR distribution centres to provide an off-take for these products. With the establishment of a highly proficient in-house technical team and commitment from the Rural Hub farmers, the farmers are in a better position to produce high volumes of Freshline quality crops consistently.

Our intention for next winter season, provided we secure additional grant funding, is to assist the farmers to double their present output and to increase the number of farmers. We expect this initiative to develop many more small-scale farmers, farming more hectares of crops and creating many more jobs.



PERFORMANCE 2023 | SOCIO-ECONOMIC DEVELOPMENT

The outcomes we wish to achieve	64	Transformation and diversity	75
People development	66	Social compliance	79
Wellness	71	Government engagement	79
Gender-based violence	73		



THE OUTCOMES WE WISH TO ACHIEVE

We are committed to finding long-term solutions for our country's challenges through collaboration with public benefit organisations, government and private businesses to build a more inclusive economy, starting within our Group, to ensure that our actions contribute to the betterment of society and our employees. We continue to train and upskill our employees and local communities with the skills required for the future of our country.

Key themes for this topic	Focus areas for the next 12 months	Longer-term priorities
• People development for youth, our people, retailers and retail staff • Wellness for our people, customers and communities • End GBV across our value chain • Transformation and diversity considering suppliers, retailers and our people • Social compliance in every part of our value chain • Government engagement on public policy, infrastructure and service delivery	• People development – youth and our people • End GBV • Social compliance across the value system • Diversity and inclusion focusing on local supplier development (including Rural Hub expansion) and our people • Wellness for our people and community programmes • End period poverty (reusable sanitary pads) • Supplier development for small-scale suppliers	• People development for retailers and retail staff • Diversity and inclusion, focusing on sustainable black retailer development and inclusion • Wellness relating to socially responsible products and new business innovation, especially affordable and nutritious food solutions

OUR SOCIO-ECONOMIC CONTEXT IN SOUTH AFRICA

SPAR operates in the fast-moving consumer goods environment and has a strong rural footprint, enabling us to play a major role in poverty alleviation. To this end, SPAR's CSI policy directs our involvement in feeding schemes, orphanages, and food production through income-generating projects and educational programmes aimed at minimising the impact of poverty on communities.

We want to grow people and communities so that no one is left behind. There is a symbiotic relationship between SPAR's continued growth and the sustainability of the communities that

support our stores. We are also aware that we are regarded as "part of the community" in many areas in which we operate.

Therefore, we see it as our duty as a responsible and responsive corporate citizen to assist in addressing the socio-economic issues facing our communities, especially where our business operates. Our socio-economic development, CSI strategy and sponsorship policy guide a consistent response to requests we receive.

A foundational principle embedded across our initiatives is that contributions should go beyond merely donating to organisations in need. We aim to introduce sustainable projects that provide long-term benefits, well beyond the scope of the immediate

project, with all partners. This means working with communities to find new ways to grow organisations by transferring skills or offering resources that can provide these long-term benefits. We intend to create this lasting value in the stakeholder system.

We view socio-economic development (SED), CSI and sponsorship as related but distinct. We emphasise effective monitoring and evaluation processes to ensure we achieve the impacts we set out to achieve. We also place emphasis on food, nutrition and rural areas due to our experience and footprint in these areas.



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SOCIO-ECONOMIC DEVELOPMENT (SED)

SED is our overarching framework, of which CSI and sponsorship are subsets. SED is project-based and focuses on providing skills and guidance alongside material benefits to organisations, with a view to these organisations becoming sustainable after a period.

Corporate social investment

CSI is the process of making donations to organisations in need, often on an ad hoc basis. An example is the annual donations made to organisations such as orphanages, who are often dependent on corporate support, as they have no way of creating funding in a legitimate fashion.

- **Food security:** feeding schemes, orphanages, food production through income-generating projects, educational programmes
- **Healthcare:** HIV/AIDS alleviation education, feeding schemes at hospices, orphanages and crèches
- **Crime prevention:** protection of our stores and communities

Sponsorship

Sponsorship is the practice of supporting organisations such as sporting teams to grow skills and promote our brand. There is a definite branding aspect to this aspect of our work.

- **Nutrition:** food security, affordable protein, feeding schemes, equitable distribution of food surplus
- **Education:** support national education, school feeding schemes, healthy food choices, bursaries, training
- **Gender equality:** end GBV, sport, supplier development

We support all stakeholders in our value chain – from suppliers to consumers and other community members. We encourage involvement, for example from employees beyond their jobs, from consumers in community-based initiatives, and from like-minded corporates. We emphasise collaboration and partnerships because we know we cannot fix everything alone.

We work with the SPAR retailers who are integral to their communities. Assistance provided by stores ranges from financial donations and undertaking projects to donating goods to projects in their areas. Every SPAR retailer is encouraged to have specific CSI projects and a reporting system to ensure that any aid given is recorded. Where practical, we encourage collaboration between the distribution centres and retailers.

We do not fund individuals, foreign enterprises, study or sports tours, exchange students, political parties, consultants or government, unless in a partnership role. We do not support projects that have any discriminatory elements, that result in damage to the environment or that promote or condone GBV in any form.



PEOPLE DEVELOPMENT

We want to increase skills so employees and other stakeholders can access career opportunities.

OUR HUMAN RESOURCE STRATEGY

The SPAR human resource strategy consists of four key areas:

- **Consistent and solid human resource foundation:** this includes having appropriate policies, processes, systems and toolkits in place for the Group and for retailers
- **Future-fit human resource capability** (structured for success): this is made up of the centre of excellence, shared services, and business partnering
- **Talent strategies for priority skill areas:** this includes fresh, buying and planning, retail and data literacy
- **Fostering a healthy work culture:** the behaviours we strive to embed include collaboration, performance-driven, consistency, ethical behaviour, innovation and creativity as well as diversity and inclusion



“Over my 24-year tenure at SPAR, I’m proud of what we have achieved within the HR team. The corporate HR function was typically viewed as a cost centre, and was often the first place where budget cuts happened.

At SPAR, we are well past this. The programmes we have implemented are highly respected, such as the investment in leadership development, and we have demonstrated the undeniable value we bring to the Group.”

– Dr Thuli Tabudi



Employment equity

Our employment equity policy was reviewed this year as an important guide for transformation. SPAR recognises that significant sections of the population were disadvantaged in the past and that we have a duty to address inequality and empowerment through initiatives that:

- Assist in meeting SPAR's future skills requirement
- Eliminate unfair discrimination based on race or gender
- Provide for the sustainable career growth of all employees
- Develop previously disadvantaged employees with potential into skilled and management positions so that the composition of our workforce is more reflective of regional demographics

	South Africa		Ireland		South West England		Switzerland		Poland	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Total number of permanent employees	4 622	4 531	1 644	1 525	2 037	2 152	1 491	1 464	718	713
Female employees as a % of total employees	26	26	31	32	63	65	52	53	67	66
Male employees as a % of total employees	74	74	69	68	37	35	47	47	33	34
Average age of employees	39	39	40	43	41	35	39	40	45	44

In South Africa, we track data related to our broad-based black economic empowerment (B-BBEE) employee profile*:

Occupational levels	SPAR categories	2023 %	2022 %
Board of directors	Executives and non-executives Paterson Grades EU and F	50	44
Top management	Group Exco (excluding executive directors)	26**	27
Senior management	Divisional executives and specialised Group functions E band	33	30
Professionally qualified and experienced specialists and mid-management	Middle management Paterson Grades DL and DU	58	55
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	Supervisory and technical positions Paterson Grades CL and CU	79	80
Semi-skilled and discretionary decision-making	Operators and clerical employees Defined decision-making positions	98	98
Unskilled and defined decision-making	Paterson Grade 1	99	99
Total permanent black employees as a percentage of total employees		89	88

* Black employees as defined in the Broad-based Black Economic Empowerment Act, No. 53 of 2003.

** The decline by 1% in top management may be misleading because a new IT Executive for South Africa was appointed earlier in the year. The Group IT Executive resigned with effect from 1 October 2023. However, this executive is still included in the calculation as at 30 September 2023.



Employee value proposition

We engaged with employees in all our regions to develop themes related to our employee value proposition (EVP). We want to ensure our EVP captures the essence of our business for our current and future employees. The themes were finalised in early 2023.

Current EVP strengths

- Vision and purpose
- Employee well-being
- Organisational culture (values)

Future EVP focus areas

- Work-life balance
- Digitalisation (digital presence, equipment and systems)
- Flexible work practices
- Equity, diversity and inclusion
- Career pathing and development

We want to support and challenge our employees across their lifecycles. This means creating and maintaining an organisational culture that values people and their well-being and simultaneously creates a high-performance culture.

We achieve this by enacting our policies and procedures, embedding SPAR's values into our culture, and through our well-being programmes. We dedicate time and resources to drive career development through various learning and mentorship programmes. We also strive to ensure our employees find their work rewarding through competitive compensation, benefits and rewards, including for long service.

SKILLS DEVELOPMENT

When thinking about development at SPAR, we refer to "whole human" development. This means supporting employees to develop their technical skills, work and life readiness, and mentorship. This thinking is embedded into all our programmes.

Youth and disabled people

We took in 454 YES learners in April 2023. We continue to expand our reach in upskilling the youth by participating in this government programme. Interest from retailers increased, with participating retailers commending the calibre of the learners and the value-add they receive from the programme.

For the first time this year, our divisions – including logistics, finance and the warehouses – also hosted YES learners. There are many opportunities to host learners throughout our business, and if we recruit them properly, they could form part of an important contingency plan for SPAR. An additional benefit for SPAR is that by deepening the talent pool for retailers and our group, we also gain B-BBEE points and positively contribute to employment in the country.

We supported people with disabilities in a renewed way this year. This included giving partial bursaries to students at tertiary institutions. We created opportunities within our divisions for those students to work at SPAR during their school holidays and provided them with a stipend for this work. This

process enables SPAR to get to know the students and for the students to experience the working culture at SPAR. After that, divisional heads can make offers of employment to the students that they feel are a good fit for their business.

Employees

We have the opportunity and responsibility to employ across the skills spectrum. Given the nature of our business, we need a substantial number of relatively low-skilled workers. We consider this an important employment contribution in a country with a stubbornly high unemployment rate.

Our development programmes take place across all skill levels, and this year we emphasised developing leaders. We continuously look at the positions we need to fill to create a pipeline of skills. Fortunately, the alumni from our development programmes are typically suitable for our vacancies. This shows that our development programmes work well because we can tailor them to SPAR's specific needs. The following were our primary programmes:



Programme	Employees who display leadership potential and skills	No. of SPAR employees that completed the programme	Leaders from different areas of the business, across our DCs, Central Office and Retailers, focus on developing and strengthening their leadership capabilities at appropriate levels
SPAR leadership development programmes	Retailers and staff who have displayed leadership potential at various levels	61 delegates	This forms part of the SPAR Academy of Learning and is a national programme that provides a learning journey for supervisors. It is designed so that participants can exit the programme at any time they wish.
Logistics supply chain management programme	Logistics team leaders and managers	61 delegates completed the programme and 77 delegates are busy with the programme	Building capacity in supply chain management.
Accelerated management trainee programme	Graduates with experience	8 delegates	This pilot aims to build a pool of high-calibre candidates by putting graduates through their paces for 12 months. Graduates were taken from different divisions and all went through generic training, then those from specific departments started to specialise. This year the focus was on merchandise and marketing. Next year it will be on retail operations. This pilot will also develop a pool of previously disadvantaged individuals with the potential to advance so that we can drive our transformation strategy in critical areas of our business.
C band leadership development programme	C band individuals with potential for further growth	86 delegates	This 12-month course took place virtually and in-person (e.g., at university training rooms) to accommodate employees nationwide. The programme was only for SPAR employees but could be extended to other retailers in the future.



People development in our territories



Ireland

The attraction, development, and retention of talent is a priority in our wholesale and retail business. Over the last year, there has been a softening in the jobs market with a significant decline in the number of roles advertised and an increase in the number of candidates applying for roles at BWG Foods. Although we have no employee shortages, we maintain our retention efforts, including training, an employee assistance programme, and access to health and fitness programmes.

Participation at our BWG Academy increased as employees explored a wide array of leadership and development courses, such as deli profitability, wine appreciation and employment law. This is the third year we have run these programmes to help wholesale employees further their careers without a formal university qualification. We encourage participants who complete this programme to progress to formal degrees.

H2R, our all-encompassing human resource platform for retailers, is the first of its kind and is a significant investment in our people strategy and a new innovative solution. All the previously hosted content on our BWG Foods e-learning platform has been transferred to this new platform.

In the UK we pay an apprenticeship levy which we can use to fund training. We are also members of the Federation of Wholesale Distributors which allows us access to a training fund for recognised qualifications on a 50% funded basis.

In South West England we are experiencing high attrition levels, causing service, consistency, efficiency and cost challenges. As such, the store manager pool is one of our key focus areas for retaining knowledge and skills. We are improving communication, centralisation (for easier management of stores), as well as pay and benefits.

We are also developing career pathways for managers to offer a clear and achievable promotional path and succession plans for when vacancies do occur. Turnover in key knowledge is a further risk that could impact our services. We are creating a process to identify and record processes, systems, and ways of working to mitigate the risk in this area.



Switzerland

In Switzerland, our biggest risk is the loss of key employees. In FY2023, we realigned service and vacation benefits which we benchmark against our peers. Pay parity remains a contentious issue due to the low unemployment rate and the ongoing headhunting of key and experienced employees. The SPAR Retail College situated at our Schänis development continues to play an integral role in training and developing technical skills for retail employees.



Poland

One of the biggest challenges we face at SPAR Poland is the turnover of our warehouse employees. In addition to employees under employment contracts with SPAR, we have many employees from temporary employment agencies, mainly of Ukrainian nationality, with high turnover.

This is challenging regarding employee training and development, building a safety culture, and supporting our commitment to achieving Company goals and team integration.



WELLNESS

We want to help colleagues look after their physical and mental well-being so they can be at their best at work and home.

KPI

% OF COLLEAGUES THAT AGREE
VIA SURVEY

2023: 70%

OUR POLICIES SUPPORT WELLNESS

New workplace harassment policy

Violence and harassment are forms of unfair discrimination and have no place in our society or work environments. These behaviours have far-reaching and detrimental consequences for the safety and well-being of employees.

Our new, more comprehensive workplace harassment policy replaces the sexual harassment policy and was approved by the Social, Ethics and Sustainability Committee in July 2023. The policy defines what constitutes harassment and explains formal and informal processes that employees can follow to complain.

Policy rollout included training at our distribution centres for employees and managers. The latter focused on clear guidelines around what to do in the workplace if harassment is reported or is happening. We also supported retailers by providing workplace harassment policies that they could adapt to their unique contexts. We are also busy creating e-learning programmes for retailers and their employees.

Changes to our leave policy

In response to the findings of a maternity leave survey, we updated our maternity benefits, offering more benefits to a more inclusive group of employees. The policy became effective on 1 November 2022, strengthening our employee value proposition.

Type of leave	Old policy leave allocation			New policy leave allocation		
	paid	unpaid	total	paid	unpaid	total
Maternal	6 months at 30% basic pay			4 months	2 months	6 months
Paternal	10 days unpaid or paid via UIF			3 days	7 days	10 days
Adoption (child <1 year)	6 months at 30% basic pay			3 months	3 months	6 months
Miscarriage or stillbirth	1 month	2 months	3 months	6 weeks	2 weeks	8 weeks
Surrogacy	Not applicable			6 weeks	2 weeks	8 weeks
Commissioning parent	Not applicable			3 months	3 months	6 months

We introduced six-month challenges for some of our employees to promote awareness of holistic wellness. This included running/walking 100 km in a month, reducing sugar intake, Sudoku challenge, gut health, etc. We also provided training for many employees on workplace harassment based on the workplace harassment policy signed off by the Board in May 2023.



Personal employee support in Ireland

In Ireland, we partner with a workplace well-being provider that gives digital and on-site well-being support through one connected solution. We have an employee assistance programme with a confidential counselling service providing users with emotional and practical support for work-related or personal concerns. This service is available 24/7, 365 days per year to retailers, employees, their partners and dependents. Short-term counselling is available in 32 different languages.

We also contracted a well-being organisation to promote and manage well-being events through an online platform and app. Employees can choose from a series of nutrition seminars explaining nutrition's impact on energy, moods and general health and well-being. The platform includes fitness programmes that contain visualised workout videos.

HEALTHY EATING AND NUTRITION IN OUR TERRITORIES



Ireland

Ireland's SPAR Better Choices features tasty, convenient, and healthy options across the SPAR fresh food, deli and grocery ranges. These products and meals cater for customers with varying nutritional needs such as low-fat, high-protein and gluten-free.

Following the success of our Aрызta plant-based fillet roll, we launched a vegan sausage roll and will launch a vegan Moroccan tagine chickpea pastry slice. Our plant-based participation remains at approximately 1% in the frozen category. Though many emerging plant-based brands exist, we find that uptake is much faster with established brands. Plant-based options within dairy continue to grow and contribute 5% of total category sales.

In South West England, the UK government enacted regulations that support healthy living and improved nutrition. We also engage with the SPAR UK Responsible Retailing Working Group on initiatives, including:

- Front-of-pack labelling with traffic light colour-coding drives consumer awareness about product level fat, sugar or salt.
- Out-of-home calorie labelling regulations require displaying the calorie content of "food to go". We offer a gluten-free cross-category, and the recent growth in vegan foods has been reflected in certain categories.
- All food that is pre-packed for direct sale requires full ingredient lists as per Natasha's Law (designed to protect food allergy sufferers) and calorie labelling. High-fat salt sugar regulations require foods that fall under this category to move to less prominent store positions. Making improvements to products in this category is a priority for us over the next year.



Switzerland

Together with SPAR International, we developed SPAR N°1, which is our value offering covering all categories including fresh, where more value for freshness is key.



Poland

We emphasise healthier food choices and smart decisions on sustainability issues. SPAR Poland launched The Better Choice for Children campaign to raise parents' and children's awareness about healthier food and production options. The campaign ran from August to November 2023 and covered all corporate SPAR stores, highlighting products that are a better health choice than the usual ones.



GENDER-BASED VIOLENCE

GBV affects 46% of African females, as well as men and members of the LGBTQIA+ community, yet the national rate of conviction is only 3% of cases that are reported. To address GBV, we have been supporting and driving proactive and responsive GBV initiatives since 2019. Due to the scale of the GBV problem in South Africa, we partner with others to maximise our impact.

GBV INITIATIVES IN PROGRESS

Student app in development

We have been developing an app for tertiary education institutions that enables students to trigger an alarm alerting campus security and three nominated friends that the user is in danger. The first prototype is already available with our intent to have the app ready by the beginning of the 2024 academic year.

Alcohol conduct education and awareness programmes

SPAR has engaged with the KwaZulu-Natal (KZN) Liquor Board to assist with their initiative towards responsible alcohol consumption. Many initiatives we are working on fit within the Liquor Board's scope, and we are well-placed to make a difference in this area.

School awareness

SPAR works with Trulife, an organisation that provides outreach to primary and high schools, to teach them how to end GBV. Using young people who can relate to the difficulties experienced by learners, Trulife engages with learners on the principle that "brave choices make better futures" to inspire and educate learners with their specific needs.

DNA laboratory

Delays in forensic processing can have a major impact on the outcome of a GBV case. Therefore, SPAR committed to working with the National Prosecuting Authority (NPA), KZN Department of Health and SAPS Forensic Sciences division to provide a fully functional DNA laboratory in KZN. We are working on finding a suitable site for this laboratory before agreeing on floor plans.

Counselling

SPAR and LifeLine SA have a five-year partnership where LifeLine manages and runs the END-GBV helpline, which is available to everyone in the country. The toll-free number is printed on all SPAR and TOPS shopping bags to raise awareness and ensure the number is easily accessible. A number to communicate with counsellors via WhatsApp is also on the bag.

LifeLine counsellors are available at the annual SPAR Netball Championships to offer all participants counselling in a safe space, away from a possibly difficult home environment. This has proven to be a major benefit with many receiving counselling assistance over the years.

Shopping bags

All our shopping bags have pertinent GBV-related information printed on them, such as the GBV helpline number. This branding, along with making these contact details easily accessible, increases the likelihood of people in need using the available resources and raises awareness about GBV in our society.

NPA Thuthuzela Care Centres

NPA Thuthuzela Care Centres are based at public hospitals across the country to assist victims of domestic or gender-based violence. They include teams of:

- Trained doctors and nurses who can take forensic evidence and assist with any medical care required
- SAPS officials to provide advice to victims and process charges against perpetrators
- Social workers and counsellors to provide counselling and ongoing support to victims
- Case officers who can process cases through the courts

These centres are managed by the NPA, with a focus on restitution and increasing the conviction rate. A testament to their success is that South Africa's NPA Thuthuzela Care Centres are rated among the best in the world for overall care of victims, and cases taken through them have a 76.5% conviction rate.

SPAR provides the centres with groceries such as body care toiletries and simple groceries for victims to help them achieve some dignity in the midst of terrifying and degrading events.

In addition to this, SPAR is collaborating with Build it to construct a brand new centre in Jozini, a highly populated rural area in north-eastern KZN.



Addressing period poverty

“Period poverty” refers to the lack of access to sanitary products, menstrual hygiene education, toilets, handwashing facilities, and waste management for women and girls to manage their menstruation. This is especially the case in South Africa, where schoolgirls often miss up to four school days at a time. This often restricts them from completing school, leads to teenage pregnancies and unemployment, and limits them from higher-paying jobs.

We launched a pilot marketing initiative, starting in the Eastern Cape, to promote Leafline’s sanitary pads. Leafline makes reusable pads from pineapple fibre that can last up to two years. They are handmade using Shwe Shwe fabric so they look like a handkerchief (not a pad) when hung on a washing line to dry, providing dignity to women and girls. The Eastern Cape-based company employs disabled individuals to make the pads, creating much-needed employment. The longevity of the pads removes the need for single-use disposable pads, thus reducing the negative impact on the environment as well as health risks.

This initiative combines our commitment to the circular economy with addressing period poverty. We are working on rolling out this product nationally over the coming year.





TRANSFORMATION AND DIVERSITY

We want to continue building an inclusive culture where everyone can get along. In South Africa, we are also committed to driving transformation and supporting employment equity.

KPI

% OF FEMALE SHARE OF TOTAL WORKFORCE AND BY
GRADING SYSTEM BAND

2023: 26%

KPI

% OF EMPLOYMENT EQUITY SHARE OF TOTAL WORKFORCE
AND BY WORK LEVEL

2023: 89%

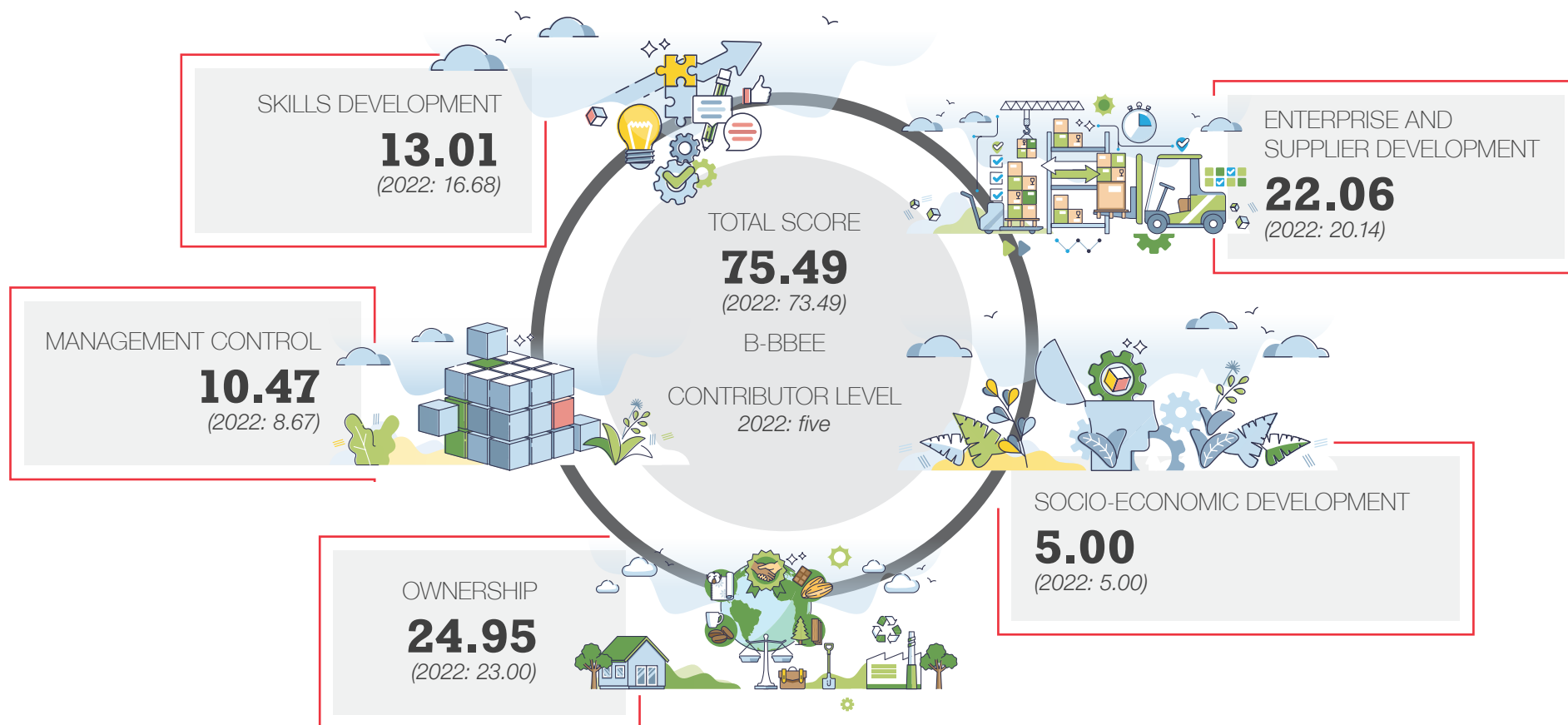
BROAD-BASED BLACK ECONOMIC EMPOWERMENT

B-BBEE is a government policy to advance economic transformation and enhance the economic participation of black people (African, coloured and Indian people who are South African citizens) in the South African economy.

SPAR's B-BBEE score is measured as a group in South Africa and includes the central office and eight distribution centres. For a copy of SPAR's B-BBEE certificate, please refer to our website: <https://thespargroup.com/sustainability/#Reports>

Our transformation strategy focuses on the three areas where we have the most room for improvement: management control, skills development, and enterprise and supplier development.

The new strategy was presented to the Group Social and Ethics Board Sub-Committee in June 2023. We started introducing new transformation measures in FY2023 and confirmed divisional targets and timelines in October 2023. Progress is shared with the human resources team and executive management at least twice a year, and audited in January each year.



SPAR supplier development programme

Starting a micro or small business in the food and agriculture sectors can be challenging. Entrepreneurs need to think about recipe formulation while optimising their production facilities, sales and distribution, and the packaging they use. They also have to consider food safety requirements.

Compliance with food safety standards can be daunting, especially because requirements differ

depending on the type of produce or products being grown or manufactured. Becoming compliant takes time, effort and money and can require changes to internal production and management processes. Specialist companies that can assist with compliance are often too expensive for micro and small enterprises starting up.

In recognition of this, SPAR created the SPAR supplier development programme (<https://sparsupplierdevelopment.co.za/>).

The programme gives businesses access to our team of experts, who provide food safety training, consultation services, certification, labelling, packaging design and marketing services. This support is offered one-on-one for micro and small enterprises¹ in the manufacturing and farming sectors to achieve food safety compliance. Once they complete the programme, businesses have full autonomy over how they want to use their food safety certification and are not required to supply SPAR exclusively.

¹ Micro enterprises are classified as having between one and 10 employees, with an annual turnover of R10 million or less. Small enterprises should have between 11-50 employees and an annual turnover of R50 million or less.



Our next step is to launch the business acumen module that provides training around promotions, getting financing, B-BBEE points, etc, and also provides opportunities for businesses to find funders.

Since launching in September 2022, the programme has welcomed 774 suppliers, and 90 have reached the required compliance status. Collectively, they have loaded hundreds of products onto SPAR's supplier marketplace platform which is accessible to retailers. Two suppliers who successfully went through the programme share their experience in their own words below.



Wendy Vesela-Ntimbani

Owner of Gauteng-based company Elokani Investments (Pty) Ltd T/A Matomani

Matomani is a proudly South African healthy food company using the local superfood, mopani caterpillars, to provide consumers with a sustainable, low-impact, organic, healthy, and protein-rich diet. Mopani contains roughly 60% protein and is rich in iron, calcium and phosphorus making them a healthy protein alternative. Our range consists of protein bars, cracker biscuits, protein powder, and mopanis. Presently, we are outsourcing our production to a fully accredited food safety facility. This allows us to generate an income and grow our business while having shelf-ready compliant products.

Our next steps are to move into our own facility and start our own production while applying all aspects of the SPAR supplier development programme. The guidance, support and expertise offered by the programme solves a massive challenge for our team. The programme adds meaningful contributions to the growth of micro/small businesses. To future entrepreneurs, just start your business, and put your ideas into action. To current entrepreneurs, keep going, persevere, be patient, and continue to build your business... Success is inevitable.



Neelam Naicker

Owner of KZN-based company Curry in a tub, which has been supplying SPAR since 2018

My journey started back in 2010 when I realised that my idea "to enable anyone to cook an authentic Durban curry" was born. I started sharing my curry braise with a few friends, which then went viral with orders rushing in! At that point, I was overwhelmed by the responses and started to take this idea even further. I began packaging in plastic tubs, to plastic bottles and finally to glass. It has been a long journey, and although I am not where I should be in terms of business growth, I am grateful that my products are still one of a kind, still original and still supported. I am currently on the journey of having a fully compliant food safety management system.

My perspective on food safety has been maintained and further supported by the incredible openness and support I have been given by SPAR. I have met with the assigned food safety consultants and discussed my next step and further inroads I need to make. I would urge other businesses to sign up for the programme for noteworthy advice on a journey not often unpacked according to the food safety standards expected from small businesses in South Africa.

Gaining entry into the food business can be quite daunting for anyone hoping to reach the food safety standards that are expected. The SPAR supplier development programme considers the little guy, and that says a lot about the empathy put into this initiative. My advice would be to have a nest-egg ready to invest in food safety, it is the ultimate stepping stone for the success of a food supplier.



CREATING AN INCLUSIVE CULTURE

Every two years, we conduct a culture survey to continually improve and focus our employee support. In 2023, our survey included retailers and highlighted recent events such as leadership changes, negative publicity and the challenges encountered during the SAP implementation. Based on this, we formulated a response that includes:

- Development and learning for the future – ensuring we have or cultivate the future skills that we need
- Succession planning and transformation – to enable smooth transitions
- Accommodating workplace – the hybrid approach is with us to stay and a key consideration for employees
- Strong communication – employees want to be kept up to date with developments in the organisation they work in, especially before such communication appears on public platforms



SOCIAL COMPLIANCE

We want our supply chain partners to respect human rights, reflect ethical behaviour and demonstrate that all stakeholders enjoy freedom of association.

COMPLIANCE ACROSS THE VALUE CHAIN

We expect all the entities in our value chain to work the same way we do. This means, for example, adhering to our workplace harassment policy, our codes of conduct, etc. At the moment, we focus on alignment with our SPAR private label suppliers and retailers, but we will eventually include all other suppliers including raw material suppliers. We summarise our approaches to ensuring ethical and social compliance below:

	All suppliers (incl. raw material suppliers)	SPAR private label suppliers	Retailers
How we ensure compliance	• Integration into trading terms • Social audit compliance (to be rolled out in 2024)	• Integration into trading terms • Social audit compliance (to be rolled out in 2024)	• Food safety • Staff management practices • Procurement practices

Human rights is one of the criteria in our supplier agreement and suppliers have to provide evidence that human rights are met. We based this on the requirement of the South African Labour Relations Act, No. 66 of 1995, the UN's Universal Declaration of Human Rights and the International Labour Organization's core conventions on labour standards, working hours and health and safety of workers.

GOVERNMENT ENGAGEMENT

We recognise that if we want our people to be healthy and happy and come to work in an emotionally strong frame of mind, we are in part dependent on the government to achieve this. For example, getting to work safely and on time requires effective public transport infrastructure including good quality roads. Therefore, we have begun to engage on public policy.

The intention is not to take over the government's work, but we want to support it in practical ways. We are, for example, considering ways to support at both local and public policy level. At local level, we can support this through our retailer network and distribution centres. At public level, we can also support by, for example, informing government policy on GBV based on the outcomes of our interventions.



PERFORMANCE 2023 | GOVERNANCE

The outcomes we wish to achieve	81	Food safety	84
Governance structures	82	Approach to tax	87
Ethical behaviour	83		



THE OUTCOMES WE WISH TO ACHIEVE

The SPAR Board is the custodian of corporate governance and plays a prominent role in the group's strategic development, risk management and sustainability processes. The Board understands that adhering to the highest standards of corporate governance is fundamental to the sustainability of the SPAR business. Business practices are conducted in good faith and the best interest of the Group and its stakeholders.

Key themes for this topic

- “Rules of the game” – Group-wide library of clear and consistent rules and parameters
- “The game plan” – collaborative governance structures
- Culture of ethical and responsible behaviour
- Holistic business performance tracking
- Safety – food safety and product safety in other categories (e.g., building materials, pharmaceuticals)

Future EVP focus areas

- Ethical and responsible awareness and buy-in
- “Corporate Governance 101” training
- Central library of policies, frameworks, guidelines, etc.
- Governance structures – “hotspot” identification
- Holistic reporting framework for the Group Executive Committee

Future EVP focus areas

- Holistic reporting across the Group
- Collaborative governance structures
- Culture shift – ethical and responsible
- Combined assurance across all six capitals

Refer to the integrated annual report for the full overview of governance at SPAR.



GOVERNANCE STRUCTURES

The Board allocated oversight of and reporting on organisational ethics, responsible corporate citizenship, environmental and climate change risks, sustainable development and stakeholder relationships to the Social, Ethics and Sustainability Committee (the committee).

The committee oversees the group's social and organisational activities relating to the environment and its stakeholders. It monitors the group's sustainability performance and ensures that the group's ethics support its culture, that it is seen as a responsible citizen, and that there is a balance between the Group and the needs, interests and expectations of all stakeholders.

The committee receives feedback on all relevant matters in its terms of reference from the following committees:

- Audit Committee
- Risk Committee
- The SPAR Guild of Southern Africa Social and Ethics Committee
- The Build it Guild of Southern Africa Social and Ethics Committee

Read more about the committee's activities for 2023 in the integrated annual report.

Read more about our governance of sustainability risks and opportunities on page 26.



ETHICAL BEHAVIOUR

SPAR's Code of Ethics is the constitution of the Group. It establishes the ethical standards by which we conduct ourselves and perform our roles and responsibilities as SPAR employees. Its purpose is to help us to aspire to the highest standards of ethical conduct.

Our customers, suppliers, shareholders and all stakeholders, as well as the wider community, expect us to be above reproach in what we do. By living the group's values and adhering to the principles set out in the Code, we ensure the long-term sustainability of our business.

The SPAR Code of Ethics applies to our directors and all permanent and temporary employees. We also expect that our retailers, suppliers, contractors, consultants and other external stakeholders will comply with its values and principles. We plan to adopt specific codes applicable to suppliers and retailers in future.

The Code includes a mandatory ethics declaration to be completed and signed upon appointment and annually by all employees. The Code was reviewed by the Social, Ethics and Sustainability Committee and the Board approved changes in August 2023. A copy of the Code is published on our website for all stakeholders.

ACTING ON TIP-OFFS

SPAR subscribes to Deloitte's Tip-offs Anonymous, an independent hotline that enables employees to report illegal actions and ethical misconduct confidentially.

During the year, we received 24 reports (2022: 20) from Tip-offs Anonymous. All reports were investigated. 7 of the reports (2022: 5) related to independently owned SPAR stores and were referred to these retailers for further investigation. Of the 17 reports relating to the Company, 8 investigations are still in progress, 2 (2022: 3) led to disciplinary action against the employees concerned, and the remainder were found to be untrue.

In addition, there were 2 whistleblowing reports received outside of the Tip-offs Anonymous system, comprising various allegations against different people in the organisation. These allegations are in varying degrees of investigations,

some of which have already resulted in disciplinary action and dismissal of the individuals concerned. Where necessary, the investigations into whistleblowing reports are outsourced to independent forensic investigation teams and recommendations from the reports are implemented and the necessary action taken.

Disciplinary action is taken where employees are found to have transgressed, and corrective actions are implemented where necessary to improve controls and increase ethics awareness efforts to improve the culture around ethics and prevent a recurrence of the incident.

The committee also reviewed reports submitted and dealt with through the internal human resources grievance process, and alleged incidents of fraud and concerns not reported through the whistleblowing hotline, to identify matters impacting the ethical culture of the Group that might require remediation.



FOOD SAFETY

Food safety is an anchor of SPAR's brand. It is also a collective responsibility and demands co-operation ranging from the raw material supplier to the consumer.

SPAR South Africa started making food safety a focus in the last 20 years. The portfolio was initially positioned in the marketing department. At that time, food safety was considered a compliance exercise in the business.

Five years ago, following the listeria mono outbreak, the portfolio was repositioned in the ESG department under Governance. This is a more suitable area for the portfolio because it is integrated into the entire business and needs to adhere to national regulation. The portfolio has now evolved to include the entire value chain, and although it has come a long way, there is still much work to be done.

OUR FOOD SAFETY SYSTEM

The food safety team's objective is to be the industry leader in food safety culture, thereby protecting and promoting the SPAR brand. SPAR maintains robust food safety management systems across the three main areas of the value chain – suppliers, distribution centres and SPAR retail stores.

SPAR achieves this by enforcing the highest food safety standards – a priority for the business. SPAR retailers depend on the products they source from our distribution centre to comply with food safety standards. Suppliers have binding food safety agreements in place that require all SPAR private label, national, regional and dropshipment suppliers to meet the SPAR minimum standard – the Global Food Safety Initiative (GFSI) Intermediate level. Many have progressed towards GFSI-recognised food safety certification, e.g. FSSC 22000 and British Retail Consortium (BRC). As detailed on page 76, we assist micro and small food suppliers to comply with food safety requirements such as the GFSI through our SPAR supplier development programme.

Ireland, Switzerland and Poland rely largely on government inspectors who enforce food safety regulations in-country. Government rules and regulations are strict in these markets and monitored accordingly.



	Supplier compliance	Distribution centres and logistics	Retailers
Food safety governance measures	Industry regulations and standards	SPAR's corporate governance requirements (encompass industry regulations and standards)	SPAR's food safety guidelines (aligned with industry regulations and standards)
Measures SPAR puts in place	Access to the SPAR supplier development programme (for micro and small enterprises) The individual in charge of the facility has managerial-level food safety training Food safety certification from suppliers is checked and uploaded onto SPAR's sharepoint for all SPAR stakeholders to view across all divisions	Food safety training and access to our e-learning platform The individual in charge of the facility has managerial-level food safety training Distribution centres receive biannual independent audits conducted according to industry regulations and standards Produce entering the distribution centres is checked and the results stored on a quality control app Temperature loggers on refrigerated trucks keep an electronic record of temperatures	Food safety training and access to our e-learning platform The individual in charge of the facility has managerial-level food safety training Each SPAR retail store receives three unannounced independent audits a year

Regional operations managers work with an allocated group of retailers via a call cycle. This includes meetings to assist them with various aspects of the operations within the store. There may be several specialists in the region who are responsible for technical support in the bakery, butchery, fresh produce and home meal replacement departments in stores. The retail operations team is also responsible for supporting retailers in neighbouring countries.

From a strategic point of view, we focused on updating the food safety strategy and improving food safety awareness through various internal and external communication channels.

In the SPAR warehouses, we focused on creating food safety awareness through visual artefacts, some of which require employee involvement, this is supported with a comprehensive Food Safety Culture action plan for 2024.

A CULTURE OF FOOD SAFETY

SPAR conducted a food safety culture assessment in 2022 to establish a baseline to build food safety into the SPAR culture. We received input from focus groups and interviews (523 participants) and surveys (3 791 from the regional teams and 17 885 from retailers) using quantitative, qualitative and observation techniques.

To our knowledge, we are the only retailer that has measured this for the entire brand, including marketing, human resources, finance, retailers, retail operations, etc.

Overall, our average organisational food safety culture was indicated as mature or sustainable. The areas identified for improvement were communication and awareness; leadership commitment and responsibility; and documentation. We used the results to create our three-year food safety strategy which we began implementing in FY2023. The strategy identifies measurements and expectations for the leadership team.



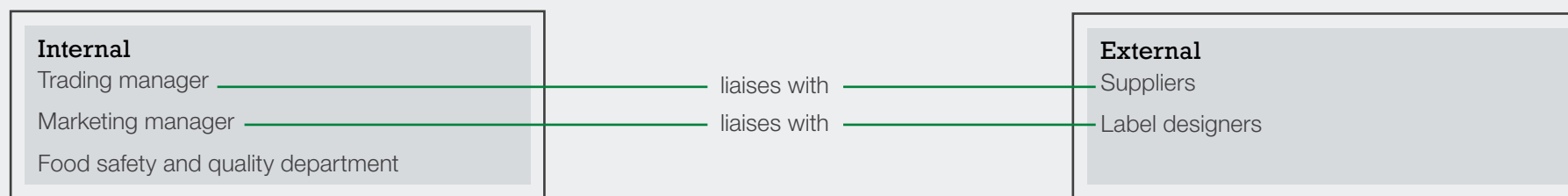
Food safety masterclass

In line with leadership commitment and responsibility, the SPAR food safety executive masterclass was launched in November 2023. The objective of the masterclass was to provide senior management with clear reasons why food safety is important in the wholesale and retail context. The masterclass included an overview of the requirements for the SPAR food safety programmes. Besides including high-level technical information, industry experts provided a motivational aspect to reinforce the food safety culture at SPAR. We held four masterclasses online – two for retail operations, one for our distribution centres, one for marketing, and a final masterclass was held for the Executive Committee and the Guild. The classes were well received by all.

Food safety labelling priorities

In Ireland, we created a new food safety communication protocol for all brand labels. We want to ensure that all changes are reviewed by the right people to minimise the risk of errors. This has caused some initial delays due to the comprehensive nature of the process, which we now mitigate through a 12-week timeline.

Internal food safety labelling stakeholders:



FOOD SAFETY CHALLENGES WITH LOADSHEDDING

Perishable products such as some fruit, vegetables, dairy and meat products demand temperature-controlled environments that need to run without interruption to ensure food safety. In South Africa, this has meant that diesel generators have become an important part of the food safety chain at our distribution centres and retailers. Though they are expensive to run, they are non-negotiable in our business to maintain shelf life and lifespan.

Certain checks are regulated, such as doing temperature checks twice a day and documenting the results. Because some retailers do this manually, despite us providing an electronic platform to use, they fall short during audits.

A future commitment is to improve the way we engage with customer complaints by introducing a classification system. We will also conduct unannounced food safety audits at our distribution centres and retailers in 2024.



APPROACH TO TAX

The group's approach to tax outlines the framework by which tax obligations are met from an operational and risk management perspective. While considering the complexity of the evolving global tax landscape, the responsibilities for managing tax compliance obligations and tax risk are varied across the Group.

The Group tax strategy is supported by the Group tax policy, which outlines the group's approach to managing its tax compliance and risks. These documents were reviewed and approved by the Board in November 2023. The policy is reviewed at least every two years and the previous review was in November 2021.

All territories are expected to adhere to the policy and strategy.

Tax management is key to the Group achieving its strategic objectives.

The group's approach to tax governance is based on five principles and aligns with King IV:

Governance

The overall responsibility for approval of the Group tax policy and strategy resides with the Board, which provides oversight and reviews the effectiveness of the policy and approach. The Board delegates authority for the management of tax to the Audit and Risk committees. SPAR's tax division is responsible for identifying and addressing tax risks that arise.

Guiding principles



Tax risk management

1	2	3	4	5
Zero tolerance	Stakeholder value	Reputational risk	Corporate citizenship	Communication with tax authorities
The Group has adopted a principle view and will maintain a zero-tolerance approach to tax non-compliance.	Tax is integral to all internal and external stakeholders.	The group's reputation is protected by managing its tax affairs in a manner that will not have a detrimental effect on the reputation or brand of the Group.	Tax corporate citizenship is underpinned by adherence to tax legislation and regulatory requirements in all jurisdictions in which the Group operates, demonstrable by compliance with tax laws and honesty in its dealings with relevant internal and external stakeholders.	The Group values a good working relationship with tax authorities in the jurisdictions in which it operates and maintains these relationships.



Based on the principles of good corporate tax citizenship, aligned to the principles of King IV, the Group acknowledges its responsibility to its stakeholders, demonstrated through the group's decisions, actions and consideration of the impact thereof, on an ongoing basis. The global tax affairs of the Group are managed in an efficient, transparent, responsible and sustainable manner in full compliance with the prevailing legislation in which the Group operates.

The Group will always aim to mitigate any adverse and/or unexpected financial consequences and protect its reputation. The overall strategy of the Group is that it will only engage in or promote tax planning that supports genuine commercial activity and will not enter into transactions that serve no commercial purpose other than the avoidance of tax.

EFFECTIVE TAX RATE

The **Company effective tax rate** is negative 49.8% in 2023. The main contributors to the movement are as follows:

- A favourable decrease of 1% in the South African corporate income tax rate.
- A favourable movement of 6.9% attributable to the exempt dividend income, 0.6% to exempt Employment Tax Incentive income and 0.8% to Learnership Income Tax Allowances.
- An unfavourable increase of 80.7% relating to impairments of investments and goodwill. This is largely attributable to the impairment of The Spar Group Limited's investment in Poland of R1.3 billion. (The impairment of the investment in Poland is eliminated at Group level).

- An unfavourable increase of 1.1% in the movement in share plans because of a reduction in the deferred tax asset raised on the share plans due to the Employee Share Plan (ESP) nearing its end and fewer Conditional Share Plan (CSP) awards expected to vest.
- An unfavourable increase of 1.1% relating to the write-off of SAP costs incurred in relation to foreign subsidiaries that will not be moving forward with SAP.
- An unfavourable increase of 0.5% due to an over-provision of the deferred tax asset in FY2022. This is purely because of a deeper analysis of tax-sensitive accounts during the tax return preparation process.

The **Group effective tax rate** has increased to 54.8% in 2023. The main contributors to the movement are as follows:

- An unfavourable increase of 12% relating to impairments of goodwill, tangible, and intangible assets, with 8.5% of this amount relating to Poland.
- An unfavourable increase of 7.8% relating to tax losses not being provided for across the Group. The majority of this amount relates to Poland, namely a deferred tax asset not being provided for the current year losses. In addition, an unfavourable increase of 7.3% relating to the derecognition of a significant portion of the deferred tax asset in Poland that was recognised in prior years.
- An unfavourable increase of 1.9% due to non-deductible interest incurred by SPAR Switzerland and TIL JV Ltd in respect of the acquisition of the minority interest in the Swiss and Irish groups.

- An unfavourable increase of 1.2% relating to the write-off of SAP costs incurred in relation to foreign subsidiaries that will not be moving forward with SAP.
- A favourable decrease of 1% in the South African corporate income tax rate.
- A favourable decrease of 4.2% in the foreign tax rate differential.

The variances appear significantly larger in comparison to the prior year. This is because of the base used to determine the reconciling items in the effective tax rate reconciliation, namely profit before tax, decreasing to one third of the prior year's profit before tax. As a consequence, the quantum of the reconciling items appears larger.



The effective tax rate of the Group is detailed below.

	GROUP		COMPANY	
Rmillion	2023	2022	2023	2022
Current taxation				
– Current year	460.1	843.9	241.0	630.6
– Prior year under/(over) provision	(12.3)	(4.1)	1.3	6.6
Deferred taxation				
– Current year	68.5	(14.7)	(26.8)	(5.8)
– Prior year under/(over) provision	19.6	(9.5)	1.1	(9.1)
– Change in tax rate		5.5		4.3
Foreign withholding income tax	0.8	0.8	0.8	0.8
Taxation expense for the year	536.7	821.9	217.4	627.4
Reconciliation of effective taxation rate (%)				
South African current income tax rate	27.0	28.0	27.0	28.0
Non taxable income relating to:				
Dividends received			6.9	(0.4)
Gain on release of Heaney Meats contingent consideration		(0.2)		
Employee tax incentives	(0.3)	(0.1)	0.6	(0.1)
Share plans ⁽¹⁾	0.5	0.2	(1.1)	0.2
Non deductible expenses relating to:				
Business acquisition costs	0.1			
Impairments		0.2		0.2
Write-off of SAP asset under construction	1.2		(1.1)	
Impairment of subsidiary investment			(78.4)	
Impairment of goodwill	6.8		(2.3)	
Impairment of PPE and intangible assets	4.1			
Impairment to right of use asset	1.1			
Non-deductible interest costs	1.9	0.4		
Other operating costs	1.3	0.4	(1.4)	0.2
Other items:				
Assets not eligible for capital allowances	0.1	0.1		
Income tax allowances	(0.5)	(0.2)	0.8	(0.1)
Withholding income tax	0.1		(0.2)	
Prior year income tax over provision	(0.1)	(0.5)	(0.5)	(0.1)
Controlled Foreign Companies income	0.1		(0.1)	
Unutilised tax losses	7.8	2.7		
Write off of deferred tax asset	7.3			
Non deductible temporary differences	0.5	(0.1)		
Change in tax rate		0.2		0.2
Foreign tax rate differential	(4.2)	(4.1)		
Effective taxation rate	54.8	27.0	(49.8)	28.1

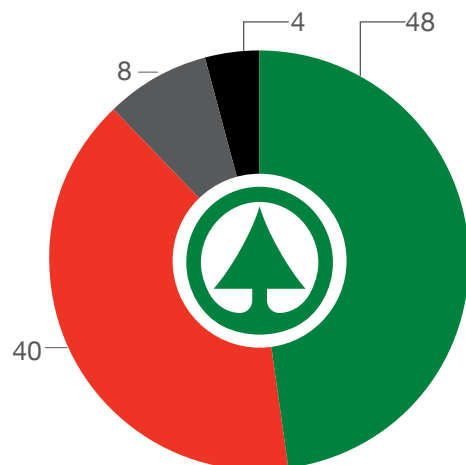
⁽¹⁾ Temporary differences between deferred tax asset balance raised for future costs to be incurred and income tax deduction granted in current year for costs actually incurred on the ESP and CSP.



TOTAL TAX CONTRIBUTION

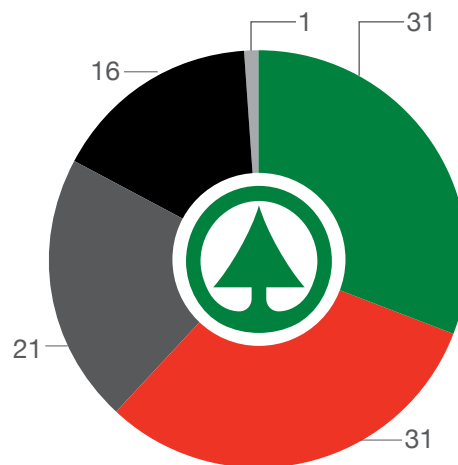
SPAR contributes directly to tax authorities by way of taxes borne and taxes paid in the jurisdictions in which the Group operates, enabling governments to provide social infrastructure and services. The total tax contribution of the Group is detailed below.

Taxes paid by jurisdiction (%)

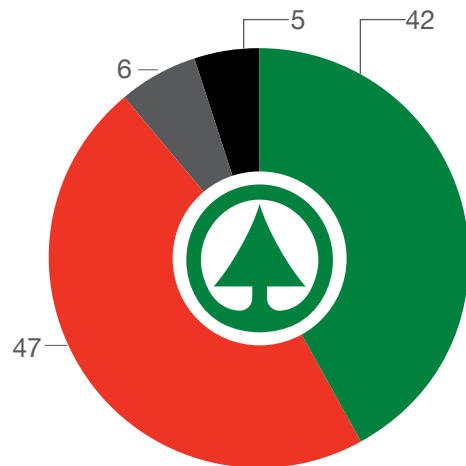


2023 – R3.4 BILLION

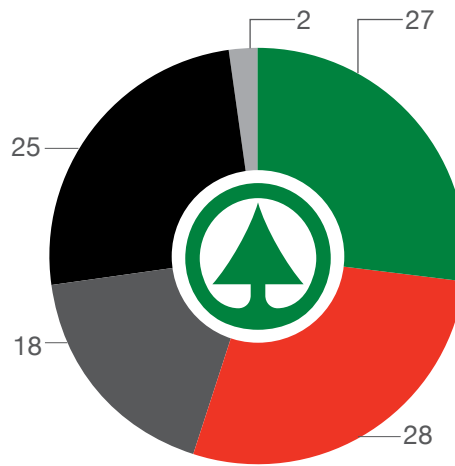
Taxes paid by type (%)



2023 – R3.4 BILLION



2022 – R3.3 BILLION



2022 – R3.3 BILLION

- Ireland
- South Africa
- United Kingdom
- Switzerland
- Namibia
- Botswana
- Eswatini
- Luxembourg
- Mozambique
- Netherlands
- Poland

- Excise duties
- Payroll taxes
- VAT
- Corporate taxes
- Customs duties
- Withholding taxes
- Environmental taxes
- Property tax

In response and in adherence to base erosion and profits shifting, specifically action 13 and the South African Revenue Service (SARS) Country-by-Country (CbC) Reporting, Master File and Local File guidance, the Group submitted its CbC report for the 30 September 2022 year of assessment on 1 September 2023.

AUTHORISED ECONOMIC OPERATOR COMPLIANCE ACCREDITATION

During September 2023, The Spar Group Limited was conferred with Level 1 Authorised Economic Operator Compliance accreditation by SARS. The Company underwent a rigorous assessment conducted by SARS customs officials to conclude that the required criteria for acquiring accreditation status were satisfied.

The Company is now eligible for benefits that are available for accredited economic operators. This is a significant accolade for the Company and reinforces its commitment to SARS compliance.



OUTLOOK

The Organisation for Economic Co-operation and Development's (OECD) Pillar Two has introduced a global minimum effective tax rate. This effective tax rate subjects multinational groups with consolidated revenue over €750 million to a minimum effective tax rate of 15%.

This may have an impact on the Group, particularly in the international jurisdictions. Ireland, the UK, Switzerland and Poland have announced plans to introduce legislation based on the OECD rules. The impact for SPAR is that "top-up" taxes will be required to be paid in jurisdictions where the effective tax rate is below the 15% threshold.

The OECD has recommended that many aspects of Pillar Two be effective for tax years beginning in January 2024, with certain remaining impacts to be effective in 2025, however, the implementation and the effective dates of the legislation are varying from country to country.





APPENDICES

King IV disclosures

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Abbreviations

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List of ESG policies

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Corporate information

IBC



KING IV DISCLOSURES

This table summarises salient points of how SPAR applies the relevant 16 principles of King IV. It should be read in conjunction with the integrated annual report and this ESG report. The governance chapter in the integrated annual report is on page 76 to 122.

Application summary

1. Leadership: The governing body should lead ethically and effectively.

The Board acknowledges that ethics is the foundation of, and reason for, corporate governance. It acknowledges the past conflict of interest issues that permeated at Board and executive level. The new Board endeavours to meet the highest ethical standards of business practice in all its dealings relating to SPAR, and to ensure that business decisions are made in the best interest of SPAR and free from any undue influence or conflict of interest.

In setting and monitoring the strategy, policies and procedures, and risks and opportunities, the Board ensures that it considers the impact of the six capitals that the Group uses and affects.

The Board is responsible for ensuring that management actively cultivates a culture of ethical conduct and establishes the values we strive to uphold. We value independent judgement and require that each Board member prepare, participate, and contribute at each meeting, in addition to informal discussions and interaction with the Chairman related to the SPAR business.

Board and committee self-evaluations are performed every two years.

2. Organisational ethics: Govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

SPAR's culture is informed by its values of entrepreneurship, family values and passion, in combination with the SPAR Code of Conduct and Code of Ethics. The Board sets a leadership example by adhering to the relevant guidelines, regulations and benchmarks for good corporate governance and ethics. This includes adherence to the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

The Social, Ethics and Sustainability Committee oversees SPAR's actions and through its activities promotes a positive impact on the Group's stakeholders and the environment.

Further reading

Integrated annual report

- An interview with our Executive Chairman, page 62
- Our governance system, page 82
- Nominations Committee report, page 94

ESG report

- Ethical behaviour, page 83

Code of Ethics, <https://thespargroup.com/resource-centre/company-policies/>

Integrated annual report

- Our governance system, page 82
- Social, Ethics and Sustainability Committee report, page 120

ESG report

- Our values, page IV
- Ethical behaviour, page 83

Code of Ethics, <https://thespargroup.com/resource-centre/company-policies/>



Application summary

Further reading

2. Organisational ethics: Govern the ethics of the organisation in a way that supports the establishment of an ethical culture. (continued)

The committee is responsible for monitoring and making recommendations in relation to the following:

- **Social and economic development**, including compliance with the United Nations Global Compact, the Organisation for Economic Co-operation and Development recommendations on corruption, the Employment Equity Act, No. 55 of 1998, and the Broad-based Black Economic Empowerment Act, No. 53 of 2003.
- **Good corporate citizenship**, including the promotion of equality, prevention of unfair discrimination, reduction of corruption, contribution to community development, sponsorship, donations and charitable giving, and mitigation of environmental and climate change risks, health and public safety risks, and reputational and other related risks.
- **Consumer relationships**, including advertising, public relations, and compliance with consumer protection laws. SPAR has a customer care line which directs complaints to the relevant distribution centres from where these are relayed to retailers. The distribution centres take ownership of complaints and are responsible for communicating with the relevant store managers to address any issues.
- **Labour and employment**, including employment relationships and contributions towards the educational development of employees. This also includes compliance with standards such as the International Labour Organization Protocol on decent work and working conditions. Employee recruitment, onboarding and training interventions contain elements that relate to expected behaviours aligned to SPAR's values and culture. Employees are encouraged to utilise the internal human resources grievance process to lodge any complaints against line management or colleagues.
- **Ethics management**, including recognising the importance of all stakeholders while minimising the negative impacts and maximising the positive impacts of SPAR on the communities within which it operates.

The committee exercises oversight by reviewing the programme to monitor compliance with the SPAR Code of Ethics annually.

The independent whistleblowing hotline provides a mechanism for stakeholders to report any ethics breaches. These are reported to the Social, Ethics and Sustainability Committee and appropriate action is taken where necessary.

SPAR undergoes an externally facilitated ethics cultural assessment once every three years, and the results and recommendations are presented to the Social, Ethics and Sustainability Committee.

**Application summary****Further reading**

3. Responsible corporate citizenship: Ensure that the organisation is and is seen to be a responsible corporate citizen.

SPAR's vision positions the Group as a responsible corporate citizen: to be the first choice brand in the communities we serve. A strong community focus is supported by the SPAR values of encouraging entrepreneurship, living our family values, and demonstrating passion in our leadership as well as through our relationships. Where we can create authentic shared value, as per our sustainability pledge, we build our reputation as a good corporate citizen and strengthen the material relationships that enable value creation.

Our strategic outcomes consider our internal and external interactions with stakeholders and the environment to support our commitment to being a responsible corporate citizen.

Corporate citizenship is one of the elements monitored by the Social, Ethics and Sustainability Committee (see principle 3 above) and is based on SPAR's stakeholder-inclusive approach.

Integrated annual report

- Our governance system, page 82
- Social, Ethics and Sustainability Committee report, page 120

The full ESG report

4. Strategy and performance: The governing body should appreciate that the organisation's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The Board provides overall guidance and direction for the development and annual review of the strategy, which articulates the key imperatives and enablers required to deliver on the Group's outcomes. Progress in implementing the strategy is measured according to financial and non-financial indicators, combined with an enterprise risk management programme that considers SPAR's entire value chain.

Our material relationships provide input into our business activities and help us mitigate the risks – including waste and resource depletion – that are associated with a distribution and wholesale business.

Integrated annual report

- Material themes, page 23
- Stakeholders' needs, page 26
- Value creation and strategy, page 38
- Performance overview, page 60

ESG report

- Driving ESG at SPAR, page 20

5. Reporting: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.

The Board takes responsibility for the full reporting suite, supported by internal and external assurance mechanisms. SPAR is guided by several local and international reporting frameworks, standards and guidelines, as well as regulatory requirements, in preparing the reports and disclosures contained in its interim and annual reporting suites.

Our full reporting suite and archives are available on the SPAR website: <https://thespargroup.com>

Integrated annual report

- SPAR's reporting approach, page 2
- Material themes, page 23

ESG report

- Our ESG reporting approach, page 3
- Understanding SPAR's material themes, page 28



Application summary

6. Primary roles and responsibilities of the governing body: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The general powers of the Board and the directors are conferred in the Company's Memorandum of Incorporation. The Board's terms of reference are set out in the Board charter, which is reviewed annually by the Board. The charter sets out the powers and authority of the Board and provides a clear and concise overview of the roles and responsibilities of Board members. It sets out the responsibility of the Board to ensure a clear balance of power and authority of directors of the Board, so that no single director has unfettered powers of decision-making.

The Board works according to an annual Board plan that ensures a structured and formal approach to governance. There are at least four formal Board meetings per annum. Board members are provided with ample context, reports, and indicators, and may also seek independent external professional advice at the cost of the Group, to ensure that the Group acts ethically, performs according to expectations, maintains the necessary controls and is perceived as a responsible corporate citizen.

Additional conversations between Board members are encouraged for updates or when pertinent decisions require more deliberation.

7. Composition of the governing body: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

SPAR's core governance structure includes the Board and its committees. The wider governance ecosystem encompasses the guild and executive structures, country boards, and external assurance providers, who all assist the Board in discharging its governance role and responsibilities.

The Board has a policy on promoting broader diversity at Board level. The Board promotes diversity through the diversity indicators of knowledge, skill, experience, age, culture, race and gender and sets voluntary targets in respect of race and gender.

An internally facilitated independence assessment is conducted annually by the Nominations Committee for each non-executive director who has served on the Board beyond nine years. An externally facilitated, independent assessment is conducted every three years for those directors serving on the Board beyond nine years.

The SPAR policy for Board appointments is implemented by the Nominations Committee. The committee ensures that there is an appropriate balance of diversity, skills and experience, and independence within the Board's ranks to fulfil its mandate including financial and sustainability roles and responsibilities. The committee continually assesses the effectiveness of the composition of the Board and its committees, and if it deems it necessary, recommends Board or committee changes to the Board for approval and approval by shareholders thereafter (where required).

Further reading

Integrated annual report

- An interview with our Executive Chairman, page 62
- Board governance structure, page 85

ESG report

- ESG governance and risk management, page 26

Integrated annual report

- An interview with our Executive Chairman, page 62
- Board of directors, page 78
- Board composition, page 83
- Nominations Committee report, page 94

**Application summary****Further reading**

8. Committees of the governing body: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

The Board delegates specific roles and responsibilities to the Group CEO and the Board committees. Each committee has terms of reference that are reviewed annually and operates according to an annual plan approved by the Board. In addition to the Board committees, there are executive committees, guilds and country boards.

The Group CEO and chairmen of each committee report back at every Board meeting on all matters delegated by the Board.

Diverse backgrounds and cross-membership between committees, including guild memberships, ensure there is an appropriate balance in judgement and influence. The committee reports contain details of membership, responsibilities, advisors, attendance, and key areas of focus.

Integrated annual report

- Board governance structure, page 85
- Board committees, page 87
- Executive management, page 88
- Individual committee reports, page 89 to page 122

9. Evaluation of the performance of the governing body: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.

Board and committee performance evaluations are conducted biannually, led by the Nominations Committee through the Chairman of the Board. The evaluation of the Chairman is led by the Deputy Chairman.

The assessment criteria are set by the Nominations Committee and include the effectiveness of the Board's composition, governance processes and procedures, the effectiveness of the Board's committees in discharging their mandates, the effectiveness of the executive directors, and the effectiveness and contributions of each director. The Chairman of the Board and committees present the results of the self-assessments to the Board.

Integrated annual report

- Nominations Committee report, page 94

10. Appointment and delegation to management: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.

The SPAR governance bodies are all governed by a delegation of authority framework. The framework is reviewed annually and sets out the matters reserved for determination by shareholders, the Board, and those matters delegated to management and the executive committees.

The Group CEO is accountable to the Board for daily management of the Group and co-ordinates the implementation of Board policy and strategy through the executive committees. The Group CEO's responsibilities include ensuring that the Group conducts its affairs within the rule of law and in line with its Code of Ethics, and keeping the Board informed of all the Group's major business proposals and developments by way of specific reports, within limits set by the Board.

The Nominations Committee is responsible for overseeing succession planning for the Group CEO and the rest of the executive management team.

SPAR's Company Secretary is a suitably qualified and experienced employee who can provide the Board with the requisite support for its efficient functioning and discharge of duties, including relevant advice on corporate governance.

Integrated annual report

- An interview with our Executive Chairman, page 62
- Board governance structure, page 85
- Executive management, page 88
- Company Secretary, page 88
- Nominations Committee report, page 94

**Application summary****Further reading**

11. Risk governance: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

Risk is governed and managed through the Risk Committee. The committee oversees the Group's risk management, information technology (IT) and compliance processes to ensure that management identifies potential risks which may affect the Group strategically or operationally. It implements effective policies and plans to mitigate any risks, enhance the Group's ability to achieve its strategic objectives, and support it being ethical and a good corporate citizen.

Integrated annual report

- Strategic risks and opportunities, page 58
- Audit Committee report, page 89
- Risk Committee report, page 117

ESG report

- ESG governance and risk management, page 26

12. Technology and information governance: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

Technology and information at SPAR are governed through the Risk Committee mandate, which ensures that IT is managed as an integral and strategic part of the business. The Chief Information Officer in each country is responsible, together with executive management, for the implementation and execution of effective technology and information management in their respective countries.

The IT strategy supports and enables the business strategy and delivers value through cost and resource management, risk management and regulatory compliance. Any significant IT investments form part of the budget process and are submitted to the Board for final approval. The Board subsequently oversees the return on investment from these projects.

Integrated annual report

- An interview with our Executive Chairman, page 62
- SAP ERP implementation, page 54
- Risk Committee report, page 117

13. Compliance governance: The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The executive management of SPAR is responsible for implementing and executing effective compliance management, with oversight provided by the Risk Committee.

A software solution is in place for all the South African distribution centres to assist in monitoring compliance with legislation and regulation within SPAR Southern Africa. SPAR is updating the regulatory universe and compiling frameworks to facilitate compliance with legislation. Given the vast regulatory landscape, this is being conducted using a risk-based approach.

One Capital is SPAR's sponsor and advises the Board, through the Company Secretary, on compliance with the JSE Listings Requirements. Any changes to the JSE Listings Requirements or the Companies Act are reported to the Board through the Company Secretary's governance report. The Board also has access to a newly appointed Head of Legal, who is supported by a boutique of law firms, for any advice on legal matters relating to SPAR.

The operations in Ireland, Switzerland and Poland rely, to a larger extent, on government inspectors who enforce food safety regulations, enhanced by an internal SPAR audit programme.

Integrated annual report

- Audit Committee report, page 89
- Risk Committee report, page 117

ESG report

- Food safety, page 84
- Approach to tax, page 87

Annual financial statements

- Directors' report, page 12

**Application summary****Further reading**

14. Remuneration governance: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

SPAR's employees are pivotal in meeting our strategic objectives. The Board is committed to paying fair, competitive and market-related remuneration to ensure that SPAR can attract, retain and motivate top-quality and talented employees.

Integrated annual report

- Remuneration Committee report, page 98

ESG report

- People development, page 66

15. Combined assurance: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The Board relies on internal and external assurance providers for effective control, in terms of the SPAR combined assurance policy and framework including the five lines of defence, which the Audit Committee oversees.

Integrated annual report

- SPAR's reporting approach, page 2
- Audit Committee report, page 89

ESG report

- Our ESG reporting approach, page 3

16. Stakeholders: In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The Social, Ethics and Sustainability Committee has oversight of stakeholder engagement and monitors our stakeholder-inclusive approach.

The SPAR guilds also have social, ethics and sustainability committees.

We aim that decisions taken by SPAR actively seek to create and preserve value for all six capitals in our ecosystem – ensuring that the interests of our stakeholders are considered and well-balanced to promote the long-term sustainability of the entire system. Our commitment to creating authentic shared value is inherently linked to our values.

Integrated annual report

- Stakeholders' needs, page 26
- Social, Ethics and Sustainability Committee report, page 120

ESG report

- Driving ESG at SPAR, page 20



LIST OF ESG POLICIES

Policy	Frequency of review
Anti-bribery and corruption policy	Triennial
Code of Conduct	Annual
Code of Ethics	Annual
Corporate social and investment policy	Triennial
Employment equity policy	Annual
Gifts policy and procedure	Triennial
Fraud prevention policy	Triennial
Health, safety and environment policy	Triennial
Stakeholder relationship policy and framework	Annual
Supplier Code of Conduct	Triennial
Sustainability policy	Annual
Sustainable procurement policy*	Triennial
Sustainable seafood procurement policy*	Triennial
Whistleblowing policy*	Triennial
Energy policy*	Triennial
Packaging policy*	Triennial
Food waste policy and procedure*	Triennial
Water policy*	Triennial
Workplace harassment policy	Triennial

* Targets and actions are reviewed annually by the group's ESG team. The Social, Ethics and Sustainability Committee tracks and reports on progress.



ABBREVIATIONS

ASC	Aquaculture Council	KZN	KwaZulu-Natal
B-BBEE	Broad-based black economic empowerment	localg.a.p	A capacity development tool that enables agricultural suppliers to implement G.A.P
CDP	Established in 2000 as the "Carbon Disclosure Project"; shortened its name to "CDP" in 2013	MSC	Marine Stewardship Council
CGCSA	Consumer Goods Council of South Africa	NDP	National Development Plan
CSI	Corporate social investment	NGFS	Network for Greening the Financial System
DC	Distribution centre	PEFC	Programme for the Endorsement of Forest Certification
ERM	Enterprise risk management	PLN	Polish zloty
ESG	Environmental, socio-economic and governance	rPET	Recycled polyethylene terephthalate
ESRS	European Sustainability Reporting Standards	RSPO	Roundtable on Sustainable Palm Oil
EVP	Employee value proposition	SAPA	South African Poultry Association
FSC	Forest Stewardship Council	SAPRO	South African Plastic Recycling Organisation
G.A.P	Good agricultural practices	SASB	Sustainability Accounting Standards Board
GBV	Gender-based violence	SASSI	Southern African Sustainable Seafood Initiative
GFSI	Global Food Safety Initiative	SATAS	South African Technical Auditing Services
GHG	Greenhouse gas	SBTi	Science Based Targets initiative
GLOBALG.A.P	An internationally recognised certified standard that ensures good agricultural practices	SED	Socio-economic development
GRI	Global Reporting Initiative	SDG	Sustainable Development Goal
HDPE	High-density polyethylene	TCFD	Task Force on Climate-related Financial Disclosures
HVO	Hydro-treated vegetable oil	WRAP	Waste and Resources Action Programme
IFRS	International Financial Reporting Standards	WWF	World Wide Fund



CORPORATE INFORMATION

DIRECTORS

MJ Bosman* (Chairman), SA Zinn* (Deputy Chairman),
AP Swartz (Group CEO), MW Godfrey (Group CFO),
M Pydigadu (Group COO), LM Koyana*, P da Silva*,
ST Naran*, GB Makhaya*

* Independent non-executive.

Company Secretary

S Ashokumar

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ISIN: ZAE000058517

JSE share code: SPP

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