



THE SPAR GROUP LTD

A photograph of two Black women in a SPAR supermarket. The woman on the left, wearing a dark brown SPAR uniform jacket, is smiling and looking at the woman on the right. The woman on the right is wearing a colorful, patterned sweater and holding a pink bag of snacks. They are standing next to a red shopping cart filled with various items, including a bag of Kellogg's cereal and a bag of baby spinach. The background shows shelves stocked with products in the store.

2022
**INTEGRATED
ANNUAL REPORT**

SALIENT FEATURES

+6.0%

Group turnover[^]

R135.6 billion

2021: R127.9 billion

+1.1%

Operating profit

R3 428.7 million

2021: R3 392.6 million

-2.9%

Diluted headline earnings per share

1 159.1 cents

2021: 1 193.7 cents

+19.5%

Net asset value per share

5 201.0 cents

2021: 4 350.5 cents

400 cents

Dividend per share

2021: 816 cents

+41 stores

Net new stores

87

retailers adopted SPAR2U
on-demand shopping solution

17 989 tonnes

recycled cardboard and plastic
in Southern Africa

SAP ERP

Successful launch
at central office

**Climate change
report**

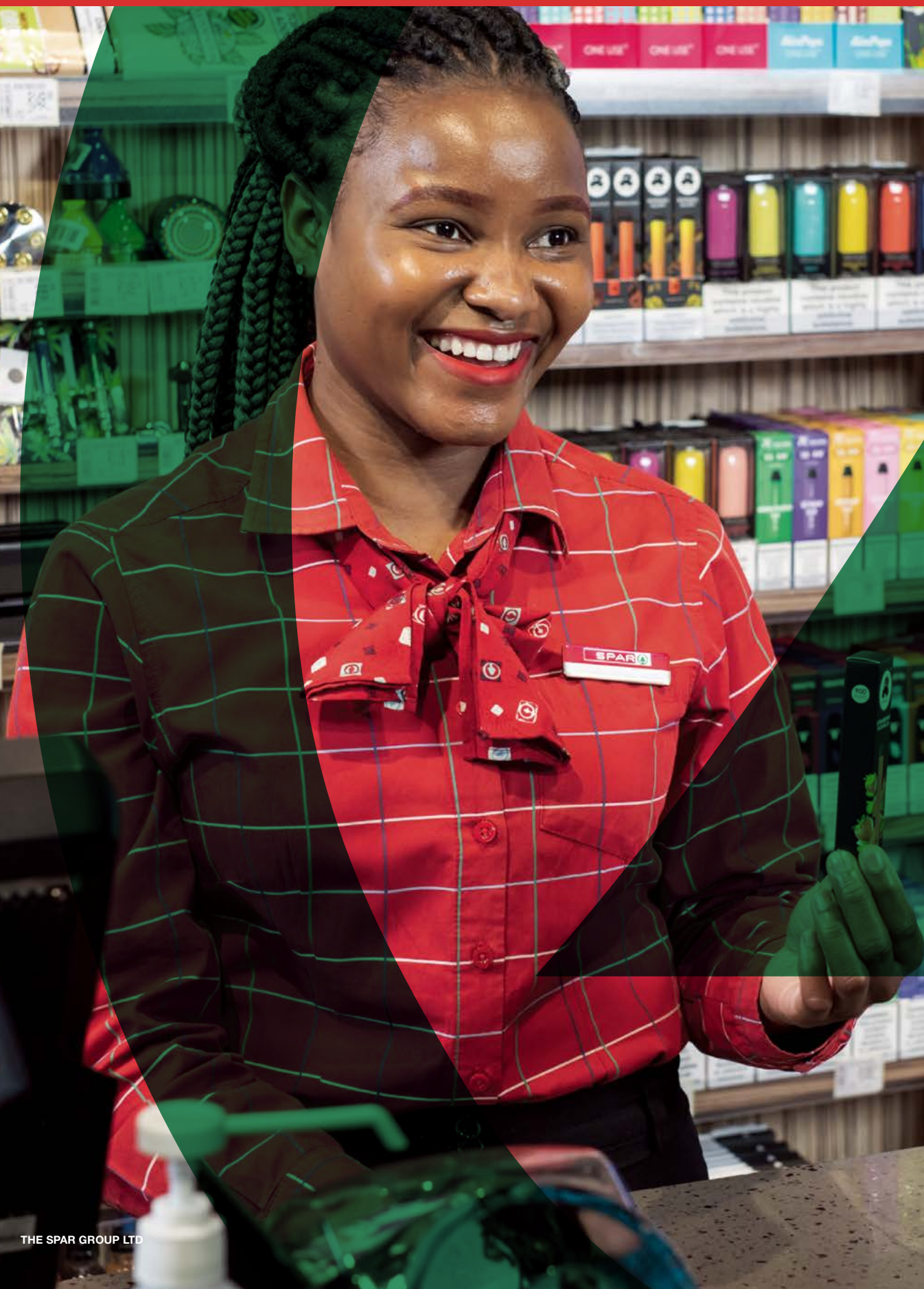
issued during 2022

[^] Turnover represents revenue from the sale of merchandise.

CONTENTS

OVERVIEW	2
About this report	3
About SPAR	6
Overview of our group	8
Investment case	16
Our material relationships	19
Our operating environments	26
 VALUE CREATION AND STRATEGY	 29
Value creating business model	30
Our strategy	33
Regional strategic progress	37
Strategic risks and opportunities	42
 PERFORMANCE OVERVIEW	 45
Chairman's message	46
Group CEO's report	50
Group CFO's report	56
Five year financial review	62
Value added statement	63
Ratios and statistics	64
Summarised group financial statements	65
 GOVERNANCE	 81
Board of Directors	82
Our governance system	86
Audit committee report	91
Nominations committee report	97
Remuneration committee report	100
Risk committee report	120
Social, Ethics and Sustainability Committee report	124
 SHAREHOLDER INFORMATION	 128
Analysis of ordinary shareholders	129
Notice of annual general meeting	131
Directorate and corporate information	IBC

OVERVIEW



ABOUT THIS REPORT

OUR REPORTING APPROACH

The SPAR Group Ltd (SPAR or the group) is pleased to present its 2022 integrated annual report (report). This report focuses on information that the board believes to be material to our stakeholders' understanding of our business.

The 2022 reporting suite consists of the following elements aimed at providers of financial capital, and is available on our website <https://thespargroup.com/>

- Integrated annual report, with governance reports and summarised consolidated financial statements
- Full audited annual financial statements
- Year end results announcement and presentation
- King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)¹ disclosure and reference index
- Environmental, socio-economic and governance supplementary report
- Climate change report

TO HELP YOU UNDERSTAND OUR BUSINESS

When we use these names or labels we mean the following:

The SPAR Group Ltd	The SPAR Group Ltd (SPAR) is a wholesale warehousing and distribution business listed on the Johannesburg Stock Exchange (JSE) in the food and drug retail sector. Through its voluntary trading model (see below), it services a variety of store formats that are independently and corporately owned. The group holds SPAR licences for and operates mainly in Southern Africa, Ireland, South West England, Switzerland and Poland. The group also has a joint venture arrangement in Sri Lanka.
SPAR International	SPAR International is the world's leading voluntary trade food retail chain and the largest independent supermarket retail network in the world. SPAR International is the custodian of the SPAR brand and licenses the brand to operators in countries around the world. For more information, visit https://spar-international.com/
Independent retailers	SPAR stores are owned and operated by independent retailers. Even though they manage their own stores, they are members of the guild and adhere to SPAR's quality and brand standards.
Corporate stores	Corporate stores are managed by SPAR until their disposal to retailers. This is the strategy across the group in respect of corporate stores other than South West England where the majority of stores are corporate stores.
House brands	SPAR develops products and concepts as part of its independent retailer support offering. These in-house developed products and concepts are called house brands, showcasing SPAR's innovation and quality at competitive prices.
SPAR private label	SPAR-branded products are included in house brands. These are the products that compete with proprietary brands on shelf.
Voluntary trading model	SPAR uses a voluntary trading model based on a mutually beneficial relationship between SPAR and its independent retailers. In South Africa, retailers can only use the SPAR brand once they sign a membership agreement with the SPAR Guild of Southern Africa, giving them access to the group's procurement and distribution expertise and associated support services.
SPAR guilds	In South Africa, the relationships 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. Our other regions do not operate under the Guild structure.

¹ Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved

TO HELP YOU NAVIGATE THIS REPORT

We use symbols and icons to ensure our report is easy to navigate. We have six key stakeholders.

We use six capital inputs to create and preserve value for our stakeholders.



Employees



Financial capital



Retailers



Manufactured capital



Communities



Human capital



Consumers



Intellectual capital



Suppliers



Social and relationship capital



Shareholders



Natural capital

For more information, refer to our material relationships on page 19.

SCOPE AND BOUNDARY OF THIS REPORT

This report presents the integrated performance of the group's operations for the period 1 October 2021 to 30 September 2022.

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. Southern Africa includes wholesale distribution to certain African countries outside of South Africa. SPAR also 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.

The integrated reporting boundary covers the financial and non-financial performance and the group's operating environments, and the strategic risks, opportunities, and outcomes relating to these operating environments while considering all stakeholders.

Reporting framework, standards and guidelines

This report and reporting suite contains information as recommended or required by the following:

- International Financial Reporting Standards (IFRS)
- The Companies Act, No. 71 of 2008 (as amended) (Companies Act)
- JSE Limited Listings Requirements
- King IV
- Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice of the Department of Trade, Industry and Competition (DTIC)
- The IFRS Foundation's Integrated Reporting Framework, 2021 (<IR> Framework)*
- CDP (previously the Carbon Disclosure Project)
- United Nations (UN) Sustainable Development Goals (SDGs)
- Task Force on Climate-Related Financial Disclosures (TCFD)

MATERIALITY

This report identifies potential risks and opportunities that could significantly impact SPAR's long-term sustainability and our impact on society. SPAR prides itself on solid stakeholder relationships. SPAR is a business built on the strength and stability of these relationships. We are committed to understanding and responding to the needs of our stakeholders.

In the context of creating shared value, material matters are identified, and matters that may impact the strength of our five material relationships – those with our employees, retailers, consumers, communities and suppliers. We have identified these relationships as being the foundation of how we create and preserve value for all stakeholders, as well as shareholders.

BOARD RESPONSIBILITY STATEMENT, APPROVAL AND ASSURANCE

The board of directors (board) acknowledges its responsibility for the information contained in this report. The Audit Committee reviewed the integrity of this report and recommended it to the board for approval.

The board and Audit Committee relied on SPAR's combined assurance model during this process:

- **Non-financial information:** accredited external service providers measured and provided assurance on our 2022 B-BBEE verification, independently evaluated by mPowerRatings. In addition, Scope 1 and 2 data submitted to the CDP was externally verified. Management verified the processes for collecting and measuring all non-financial information.
- **Financial information:** PwC has been the company's appointed external auditor for five years. Summarised group financial statements are available on page 65 of this report. PwC has audited and provided its opinion on the consolidated annual financial statements for 2022, available here https://thespargroup.com/wp-content/uploads/2022/11/Annual_Financial_Statements_2022.pdf

The board is satisfied that this report provides a fair account of the group's performance, risks, opportunities, and prospects. It also confirms that the report is guided by the Integrated Reporting <IR> Framework and approved for release to stakeholders.



Graham O'Connor
Chairman

15 December 2022



Brett Botten
Group Chief Executive Officer (CEO)

* Previously called the International Integrating Reporting Council's Integrated Reporting Framework, 2021.

ABOUT SPAR

SPAR INTERNATIONAL

SPAR was initially launched as DESPAR, an acronym of a slogan to describe the organisation: *Door Eendrachtig Samenwerken Profiteren Allen Regelmatig*, which translates into English as *all benefit from joint co-operation*. Based in the Netherlands where SPAR originated, SPAR International owns the SPAR brand and allocates SPAR licences per country or region, making it the world's largest voluntary trade food retail chain. As part of a global brand, retailers can leverage international food wholesale, logistics and retail expertise, positioning the SPAR brand at the forefront of global food retailing. The first SPAR store opened in the Netherlands in 1932.



Independent wholesalers and retailers working together

48 countries



Serving communities around the world

3.3% sales growth using constant annual average exchange rates

€41.2 billion wholesale turnover

13 623 stores

Includes the group's SUPERSPAR, EUROSPAR, KWIKSPAR and SPAR Express branded-stores



Uniting global partners to be and act

14.5 million customers per day



Better together

255 distribution centres

Source: SPAR International, Annual Review 2021

In respect of country licences awarded by SPAR International to the group, SPAR held the following country licences in 2022:

- Botswana
- Mozambique
- Namibia
- South Africa
- South West England
- Ireland
- Poland
- Switzerland
- Sri Lanka

OUR GROUP

Key markets

	Southern Africa	Ireland	Switzerland	Poland
Recognised as a brand in country since	1963	1963	1989	1995
Part of the group since	1963	2014	2016	2020

WHAT MAKES SPAR DIFFERENT?

SPAR is a sophisticated wholesaler offering products and value-added services to its independent retailers, assisting them in delivering the best customer experience to the end-consumer. The SPAR voluntary trading model is the first-choice model for grocery retail entrepreneurs because of its flexibility and entrepreneurial freedom.

The concept of voluntary trading is based on mutually beneficial co-operation between the independent wholesaler (SPAR) and its independent retailers. We are a wholesaler and distributor of goods and services to independently owned SPAR retail stores. In South Africa, this voluntary trading model is managed through Guilds. The SPAR and Build it Guilds of Southern Africa are both non-profit companies governing the mutual interests of SPAR and its retailers. Each has a Social and Ethics Committee as part of its governance structure.

SPAR stores trade across the entire Socio-Economic Measure (SEM) consumer spectrum and are typically owner managed by people living within the communities they serve. This speaks to our brand essence of '*It's personal*', which resonates and connects with SPAR customers. The SPAR model enables retail entrepreneurs to create store environments and experiences best suited to their trading markets and adapt their offering for their communities.

The benefits of being part of SPAR

- **Brand equity:** Part of a global brand established worldwide
- **Purchasing model:** Benefit from collective buying power and favourable payment terms
- **Retail support:** New building requirements, refurbishments, and in-store concepts
- **Growing service offering:**
 - Efficient warehouse operations ensure reasonable lead times and reliable deliveries
 - One-stop shop for dry grocery goods, fresh produce and frozen food
 - Support from a central office and divisional distribution teams
 - Marketing support through national and regional promotions
 - Information technology systems and ordering support
 - Retail leadership and guidance
 - SPAR Academy of Learning offers educational training for retail employees
 - 'Ecommerce as a service' solution (SPAR2U, launched during 2022)

The SPAR banner in Southern Africa includes access to other entrepreneurial brands such as Savemor, SPAR's emerging market grocery brand, TOPS at SPAR liquor offering, Pharmacy at SPAR and Build it, our building materials brand. All brands garner similar benefits to the SPAR brand, such as retail operations support and collective buying power. The model offers a home for the independents, providing a network of retail peers and like-minded entrepreneurs driving comradery. For a retailer to qualify for a TOPS at SPAR liquor store they must already own a SPAR grocery store.

Our European regions include other retail brands in addition to the SPAR brand. Ireland and Switzerland both have exposure to the hospitality industry catering to hotels and restaurants through their cash and carry businesses, Value Centre and Top CC respectively. The Irish business has a growing foodservices business through several successful acquisitions in recent years.

OVERVIEW OF OUR GROUP



Southern Africa

8

Distribution centres

307 530

Warehousing space (m²)

4 531

Number of employees

2 509

Retail stores (including food, liquor, building materials and pharmaceuticals)

R88.0 billion

Turnover

BRANDS

SaveMor

Build it

Pharmacy

SUPERSPAR

SPAR

KWIKSPAR

SPAR express

tops!

oncore



Ireland and South West England

3

Distribution centres

33 114

Warehousing space (m²)

3 677

Number of employees

1 439

Retail stores

R31.3 billion

Turnover

BRANDS

SPAR

SPAR express

EUROSPAR

MACE

XL

Londis

VALUE CENTRE



Switzerland

1

Distribution centre

33 000

Warehousing space (m²)

1 464

Number of employees

372

Retail stores

R13.8 billion

Turnover

BRANDS

SPAR

SPAR express

EUROSPAR

maxi

TopCC



Poland

3

Distribution centres

41 336

Warehousing space (m²)

713

Number of employees

180

Retail stores

R2.4 billion

Turnover

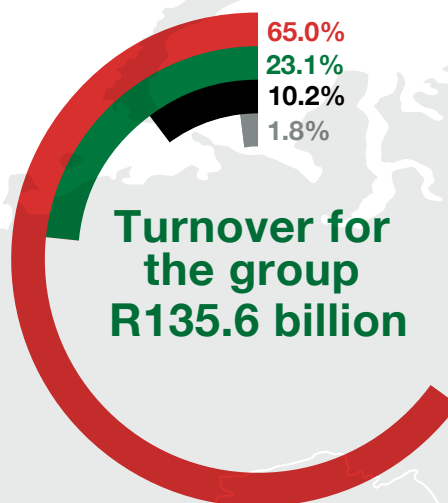
BRANDS

SPAR

SPAR express

EUROSPAR

tops!



- Southern Africa
- Ireland and South West England
- Switzerland
- Poland

SPAR established a joint venture in Sri Lanka with Ceylon Biscuits Ltd in 2017. There are currently 21 stores in operation. These stores continue to set new standards and benchmarks for food retailers in the country.



OUR DISTRIBUTION CENTRES

SPAR procures and transports goods to independent retailer stores. This process relies on our infrastructure of warehouses, distribution centres, logistics excellence and relationships.



Southern Africa

SPAR Southern Africa has six regional distribution centres, plus one Build it (building material imports) and one S Buys (pharmaceutical) distribution centre. Satellite warehousing hubs reduce transport costs on specific distribution routes. Distribution centres serve regions from a centralised location and consist of warehousing, cold storage and packing stations.



Ireland and South West England

In Ireland, through its national distribution centre in Kilcarberry, BWG Foods supplies the SPAR, EUROSPAR, MACE, Londis and XL brands nationwide and is the largest retailer in the Irish convenience retail market by market share.

BWG Foods owns Ireland's largest cash and carry chain, Value Centre, with 22 outlets nationwide. It is a regional supplier to the Gala retail brand through the 4 Aces wholesale business in Portlaoise, acquired in 2018. This business also comprises BWG Foodservice, including Corrib Foods' Dublin depot in Ballycoolin and Heaney Meats.

BWG Foods owns the Appleby Westward Group in the South West of England, which operates a SPAR retail distribution centre in Saltash, Cornwall, and a multi-temperature depot in Cullompton, Devon. This business services independents and as well as a growing corporate retail business.

COUNTRY

SOUTHERN AFRICA

IRELAND AND SOUTH WEST ENGLAND

SWITZERLAND AND POLAND

COUNTRY LEADER

Max Oliva

Leo Crawford

Rob Philipson*

* Rob Philipson is the CEO of Switzerland and the country leader of Poland.



Switzerland

The distribution and logistics centre in St Gallen services a range of independent retailers operating under the SPAR, MAXI and other brands.

TopCC cash and carry has 11 outlets and provides a direct general wholesale supply service to the wider, independent, culinary-focused wholesale grocery market in Switzerland.



Poland

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

KEY FACTS	Warehousing space m ²	Cases dispatched Million	Number of stores serviced	Divisional Managing Director
SOUTHERN AFRICA				
South Rand	66 500	56.5	555	Desmond Borrageiro
North Rand	53 317	42.2	440	Jerome Jacobs
KwaZulu-Natal	69 112	55.2	494	Angelo Swartz
Eastern Cape	44 485	34.3	312	Siyolo Dick
Western Cape	40 405	36.6	478	Martin Webber
Lowveld	21 416	14.8	230	Wilma Mahne
Build it (imports)	10 000	6.6	404 ¹	Rob Lister
S Buys	2 295	n/a ²	145	Jeremy Nicol
IRELAND				
Kilcarberry	24 000	24.9	1 094	Leo Crawford
SOUTH WEST ENGLAND				
Appleby Westward				
Saltash	7 210	8.3		
Collumpton	1 904	6.2	345	Mike Boardman
SWITZERLAND				
St Gallen	33 000	25.8	372	Rob Philipson
POLAND				
Warsaw	7 206	1.2		
Poznań	15 030	7.7	180	Wayne Hodson
Czeladź	19 100	3.2		

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.

OUR NETWORK OF RETAIL STORE FORMATS AND CASH AND CARRY OUTLETS

Amongst other brands in some geographies, we are the local custodian of the SPAR brand, which we promote through our different store formats, house brands and national marketing campaigns.

The total number of stores we serve

	2022	2021	Net new 2022
Southern Africa	2 509	2 440	69
Ireland and South West England	1 439	1 406	33
Switzerland	372	386	(14)
Poland*	180	227	(47)
Total	4 500	4 459	41

* In line with its strategy to grow retailer loyalty, during 2022 SPAR terminated memberships with low-loyalty retailers in the south of Poland.



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.

In South Africa, we offer the following store formats:

STORE FORMAT OVERVIEW		NUMBER OF STORES
SUPERSPAR 	≥ 1 300 m² selling area - Large metropolitan focus - Full range of groceries and general merchandise - Extensive service departments, such as fresh produce, and in-store bakery, butchery, deli, ready-to-eat meals and home-meal replacements - In-store Bean Tree cafe	2022: 921 2021: 908 2020: 918 2019: 915
SPAR 	≥ 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 Bean Tree cafe	
KWIKSPAR 	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	
SPAR express 	- 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	2022: 75 2021: 71 2020: 57 2019: 45
topsi! 	- Average of 175 m² selling area - Standalone liquor stores - Full range of liquor products - Located in close proximity to existing SPAR stores	2022: 879 2021: 852 2020: 842 2019: 822
SaveMor 	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	2022: 85 2021: 88 2020: 73 2019: 57
Build it	- 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	2022: 404 2021: 384 2020: 392 2019: 390
Pharmacy 	- In-store and standalone family pharmacies - Comprehensive range of dispensary and health-related products - In-store family care clinics - Mostly located in close proximity to existing SPAR stores	2022: 145 2021: 137 2020: 132 2019: 120



IRELAND AND SOUTH WEST ENGLAND

In Ireland and South West England, our store format offering comprises mostly convenience stores, with EUROSPAR representing the supermarket format.

	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	2022: 754 2021: 718 2020: 706 2019: 676
	• <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	2022: 51 2021: 51 2020: 51 2019: 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	2022: 216 2021: 218 2020: 219 2019: 217
	• 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	2022: 236 2021: 237 2020: 235 2019: 232
	• 230 m² average selling area • Range of formats according to selling area and range: – Londis Plus – Supermarket – Food market – Convenience	2022: 126 2021: 137 2020: 136 2019: 133
	• 22 outlets • 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	

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).

In Ireland we supply 56 Gala and Fresh stores (2021: 45 stores).



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

Through the national distribution centre, SPAR Switzerland also services 64 independent convenience retail brands not owned by SPAR.

	STORE FORMAT OVERVIEW	NUMBER OF STORES
EUROSPAR 	• 1 050 m² selling area • In-store Bean Tree cafe • Comprehensive range of groceries and fresh services departments • In-store butchery, deli and ready-to-eat products	2022: 4 2021: 1
SPAR 	• 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	2022: 147 2021: 153 2020: 161 2019: 155
SPAR  express	• 125 m² total selling area • Forecourt convenience stores • Comprehensive offering of snacking, ready-to-eat and on-the-go products	2022: 100 2021: 65 2020: 31 2019: 31
maxi 	• Neighbourhood stores providing a limited convenience range of dry and fresh products	2022: 57 2021: 63 2020: 67 2019: 81
TopCC 	• 11 Cash & Carry outlets • 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	

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

	STORE FORMAT OVERVIEW	NUMBER OF STORES
SPAR 	• 350 m² average selling area • Neighbourhood convenience • Groceries, fresh produce, baked goods, coffee and liquor • Comprehensive offering of snacking and ready-to-eat meals	2022: 71 2021: 124 2020: 107
EUROSPAR 	• 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 replacement	2022: 35 2021: 39 2020: 26
SPAR express 	• 125 m² average selling area • Generally rural and small city stores • Forecourt convenience	2022: 74 2021: 63 2020: 61



INVESTMENT CASE

SPAR offers sustainable long-term growth opportunities for investors seeking exposure in the food retail sector in both emerging and developed markets. SPAR is listed on the main board of the JSE Limited in the food and drug retail sector. Its performance meets the globally recognised environmental, social and governance (ESG) inclusion standards of the FTSE4Good Index Series.

Salient characteristics

- Ability to leverage one of the world's largest food retail brands
- Highly entrepreneurial retailers at the heart of their communities
- Sixty years of proven wholesale and retail success
- Digital transformation journey
- Diversity through acquisitions in Europe



Strong operational expertise and optimised distribution infrastructure

- Decentralised management structure with strong managerial teams across all distribution centres and regions
- Operational expertise in wholesale supply chains and distribution to independent retailers, hospitality and other wholesale markets
- Supporting and enabling independent retailers to focus running their stores and playing an important role in the communities they serve



A differentiated food retail brand with growing private label loyalty

- Access to shared learnings from other SPAR countries, our own distribution centres and own regions in operational wholesale and retail excellence
- Growing range of quality house brand in-store concepts and private label products



We serve all income groups everywhere – with unwavering commitment

- Stores owned by entrepreneurs, living within the very communities that they serve
- Unique and differentiated model to both traditional franchise and corporate retail models, serving all income groups through a diverse range of SPAR store formats
- Empowering innovation and agility – supporting and adapting to the needs of our communities



A network of quality relationships that support a sustainable food system

- Collaboration with material stakeholders to create strong and lasting relationships – building a sustainable food system together



A diversified group in terms of product categories and currency earnings

- Geographically diverse
- Emerging market and developed market exposure



International growth potential through a replicated and familiar trade model

- Part of a global organisation and well-known brand in food wholesale and retail, continues to present opportunities for growth

Digital transformation – evolving and adapting our operating model for the future

DRIVING GROWTH THROUGH OUR OMNICHANNEL VISION FOR INTERDEPENDENT RETAILING

The omnichannel strategy is in line with our vision to enable retailers to be the first-choice brand in the communities that they serve.

Through collaboration and partnerships, we will drive creative and innovative digital products and services, empowering our retailers to capitalise on new growth opportunities, existing and new channels and business models and to be the champion of their customers and communities. The vision requires a flexible omnichannel ecosystem, tailored for an interdependent retail model, enabling retailers to offer relevant and personalised communication and a world class customer experience.

SPAR2U

The SPAR model is built on strong relationships between wholesale and independent retailers. SPAR has advanced its service offering around the concept of interdependent retailing. The shift from independent to interdependent retailing signals a need for greater collaboration and alignment between SPAR wholesale and retail, but also between SPAR retailers. It is a call to action to ensure consistent execution for all consumers across the store network, but more importantly for SPAR to provide greater insights and an improved service offering to its independent retailers.

A breakthrough development for the model in 2022 was the development of SPAR2U, SPAR's on-demand shopping solution. SPAR2U launched at 87 sites (SPAR and TOPS stores) during the year. The response from shoppers has been very positive and on-demand sales are accelerating. SPAR2U offers SPAR retailers a unique 'Ecommerce as a service' solution, tailor-made for SPAR's trading model, eliminating a lot of effort for the retailers. All technology, training, reporting, ordering and transport management and last mile services are provided by the group, leaving the retailer to focus on picking and packing of consumer orders. As we approach critical mass with our number of sites, we will extend the offering nationwide.



SAP implementation

SPAR is making significant investments in technology that will bring future benefits to the business and will be key to its long-term growth. The SAP roll out commenced smoothly during 2022, starting with the central office in South Africa. As the group transitioned from a South African company to a multi-country group, the need for a major transformation to provide integrated value chains and digital capability was recognised. The system will be rolled out for wholesale initially. The upgrade of systems at retail will be considered separately.

Focus areas include:

- Warehouse management
- Forecasting and replenishment
- Promotion management
- Contract and supplier management
- Merchandising
- Finance related activities
- Integration with the store/point of sale (POS)

The transformation which builds our core platform for the future will enable the master data ecosystem to be centrally managed, allowing for:

- Customer centricity, growth and simplification
- Single source of the truth
- Common systems, processes, and data
- Consolidated, integrated view of the business
- Optimised supply chain management
- Accelerated execution and value creation
- Leverage of capabilities and costs in a shared support model



OUR MATERIAL RELATIONSHIPS

Stakeholder relationships are a critical part of our business. We recognise the vital role our stakeholders play within the SPAR ecosystem and in our ability to create and preserve sustainable value. We identify, understand and respond to the needs of our stakeholders.

SPAR's various stakeholders participate in the group's shared value creation through engagements and solid relationships. A sustainable food chain is a collaborative one. This collaborative network must integrate every aspect of the value chain to ensure environmental, social and economic value for communities and regions.

Our engagement with our stakeholders recognises the following shared attributes:

- They have their own objectives and goals
- They may be impacted by our decisions as a local business and as a group
- They participate in increased or decreased value share when things change
- They are connected to a wider network, affected by our decisions and changes
- They can impact our organisation and our ability to drive sustainability



Employees



Retailers



Communities



Consumers



Suppliers



Shareholders

Our Social, Ethics and Sustainability Committee has oversight of stakeholder engagement and monitors our stakeholder-inclusive approach. Our stakeholder reach includes all stakeholders who could have a material impact on our ability to create and preserve value – including governments, regulatory bodies, unions, media, and non-governmental organisations. We rely on five stakeholders to create value for each other and for our shareholders. Since stakeholder environments are ever changing, our material relationships form the foundation of how we approach our material matters for the business.

Representatives of relevant departments across the group are responsible for listening to and investigating the views and opinions of their respective stakeholders so that we might respond appropriately and in a timely manner.

We have a proactive stakeholder engagement approach with public commitments that enable positive and impactful societal change. These include engagements with industry organisations and government to address social issues like Gender Based Violence (GBV) and the social impacts of alcohol.

We advocate for sustainable business practices in the retail sector, including food safety and ways to improve the adoption of the Sustainable Development Goals (SDGs). For more information please refer to our ESG supplementary report on our website.



Employees

WHY THIS RELATIONSHIP IS IMPORTANT	The strength of our relationships with other stakeholders centres on the ability of our employees to build, maintain and serve these relationships. Our people uphold our values and live our purpose – to inspire people to do and be more Staff retention is challenging in Europe and its even more critical to build a positive relationship with employees in these markets A total of 10 385 permanent employees work across our corporate offices and distribution centres in South Africa, Ireland, Switzerland and Poland
HOW WE ENGAGE FOR POSITIVE OUTCOMES	Human resources is governed by policies that address employee concerns. We regularly communicate with our employees. During times of crisis, employee engagement is increased. Across all our markets, management host company-wide briefings and business updates to keep lines of communication open, and inform employees about company developments and strategic initiatives
WHAT OUR STAKEHOLDERS LOOK FOR IN A RELATIONSHIP WITH SPAR	Maintain special culture of caring, but recognise the need to change and evolve the model for the future Healthy, safe and secure working environment Attraction and retention of talent with solid succession planning Career development and opportunities for growth Transformation and empowerment Employer recognition and support when there are concerns about significant increases in the cost of living
HOW WE ARE RESPONDING AS A BUSINESS	Employee feedback is used to develop action plans to adapt our work environment The group has expanded its health and wellness programmes We support employees with their career paths by offering training interventions and leadership development A divisional transformation strategy has been formulated to drive transformation Salaries are benchmarked to ensure that we are in line with market rates



Retailers

WHY THIS RELATIONSHIP IS IMPORTANT	The success of our independent retailers drives the success of our business. We build retailer loyalty by supporting their businesses through our voluntary trading model with retail and marketing support. Retailer loyalty represents the percentage of goods purchased by retailers through the SPAR wholesale system
HOW WE ENGAGE FOR POSITIVE OUTCOMES	Significant managerial time is invested in visiting stores and taking a personal interest in each retailers' business Regional and distribution centre operations teams engage with retailers to support and grow their businesses Retailers are invited to SPAR retail conventions and 'Look and Learn' trips to ensure retailers remain aware of top trends, new offerings, and best practice Regular communication with our retailers ensures we remain abreast of the vitally important frontline experience
WHAT OUR STAKEHOLDERS LOOK FOR IN A RELATIONSHIP WITH SPAR	Expectation that the challenges and opportunities retailers experience are understood and that aid and advice is available to assist them in achieving their goals Guidance on changes in retail regulations Greater areas of support to evolve the voluntary trading model and adapt for the future of retailing, such as on-demand grocery shopping and ongoing improvements in marketing Support during times of crisis
HOW WE ARE RESPONDING AS A BUSINESS	SPAR2U, a centralised e-commerce platform that suits the needs of SPAR's unique operating model, was launched during 2022 as a 'Ecommerce as a service' solution for retailers In South Africa, we are developing a customer insights hub and plan to launch a loyalty refresh in 2023 Teams are tasked with helping retailers accelerate store performance to ensure greater profitability and sustainability We invest significant time in communicating and training our sales teams on current issues affecting retailers

CHALLENGES WITH RETAIL GROUPS

SPAR has ongoing disputes with two small groups of retailers in South Africa. Some of these matters are currently being addressed through legal processes, others pursuant to confidential mediation and the balance through the normal course of business operations. All matters are receiving the highest attention with a view to finding commercially acceptable, equitable and lasting solutions aligned to our partnership values. On a combined basis, the groups represent c.2% of South Africa's store network. It must be emphasised that most SPAR retailers continue to enjoy constructive and positive working relations with the group. In respect of one of the groups, allegations were levelled against the company in 2021 and were independently and rigorously investigated by law firm Harris Nupen Molebatsi (HNM) which prepared a report in this regard. HNM found that the allegations were not corroborated and there was no deliberate or intentional practice on the part of SPAR as alleged. The investigation did, however, highlight some internal business-related practices which needed to be reviewed and subsequent changes have been and continue to be implemented as a matter of priority.



Communities

WHY THIS RELATIONSHIP IS IMPORTANT	SPAR's business model is community driven. SPAR's retailers pride themselves on being at the heart of their local communities SPAR retailers are renowned for providing safe and secure shopping environments for people close to home The nature of our business means that independent retailers are individuals living within and supporting the very communities that they serve
HOW WE ENGAGE FOR POSITIVE OUTCOMES	SPAR stores aim to be at the centre of the community, providing food security We undertake philanthropic activities at retailer level to play a positive role in the communities we operate in We invest in community development initiatives to address specific social and environmental challenges at group and distribution centre levels Our retailers drive job creation by employing and upskilling people living within the communities
WHAT OUR STAKEHOLDERS LOOK FOR IN A RELATIONSHIP WITH SPAR	Food security Disaster relief Support for community charitable drives and other initiatives Support of local suppliers living within local SPAR communities Provide access to job opportunities
HOW WE ARE RESPONDING AS A BUSINESS	By driving the growth of our voluntary trading model, SPAR's existing and new independent retailers continue to make a difference in the communities they serve SPAR's corporate social investment (CSI) policy focuses on supporting projects centred around food security, healthcare and crime prevention SPAR is quick to respond in times of disaster, such as the occurrence of flooding in KwaZulu-Natal (KZN) during April 2022



Consumers

WHY THIS RELATIONSHIP IS IMPORTANT	Consumers are our retailers' customers and remain at the core of our strategy, which puts consumers at the heart Due to our geographical spread and range of store formats, we service the full spectrum of income groups in all territories Our stores are conveniently located and meet the immediate food and grocery shopping needs of our consumers Consumers are increasingly aware of making sustainable shopping decisions and are a positive force for good on our journey to be part of the solution
HOW WE ENGAGE FOR POSITIVE OUTCOMES	Our marketing function assists our engagement with consumers through various media channels Ad hoc customer perception surveys and social and online channels are used to build relationships with our consumers We invite consumers to engage with us through promotional campaigns to understand their needs We ensure the SPAR brand remains visible in local communities, enabling high levels of consumer engagement We offer customer care departments across all regions to address concerns consumers may have
WHAT OUR STAKEHOLDERS LOOK FOR IN A RELATIONSHIP WITH SPAR	Affordable and healthy food and communication about specials, especially given the consumer challenges relating to the increased cost of living, across all our regions Excellence in convenience retail, foodservices and fresh offering Support for local communities Quality products and greater consideration for ethical sourcing and sustainable packaging
HOW WE ARE RESPONDING AS A BUSINESS	We respond to changing consumer needs by evolving our offering with our private label range of products to offer better value for consumers Consumers are made aware of special deals through social media, advertisements, SPAR Text Me, and our SPAR Rewards card We take an active role in driving improved levels of service and launched SPAR2U, our on-demand convenience shopping channel during 2022



Suppliers

WHY THIS RELATIONSHIP IS IMPORTANT	Working with our suppliers is key to ensure we serve our retailers and consumers needs in terms of value, category insights and value-added activities Our business is supported by a network of suppliers and service providers – some suppliers have become large flourishing entities through joint collaboration with us in private label development Working closely with suppliers safeguards a sustainable supply chain
HOW WE ENGAGE FOR POSITIVE OUTCOMES	We seek sustainable relationships with our suppliers who are business partners on our journey to create value We continue to innovate and collaborate with suppliers through our house brands We continue to make significant progress in working with our suppliers to source responsibly, reduce waste, and implement biological farming
WHAT OUR STAKEHOLDERS LOOK FOR IN A RELATIONSHIP WITH SPAR	Ability to drive greater efficiencies and reduce costs of working together, to increase the consumer value proposition Greater access to consumer markets through SPAR's expansive and growing reach Transformation and enterprise development Improved use of customer insights and in-store category management Ability to compete effectively in the on demand shopping space
HOW WE ARE RESPONDING AS A BUSINESS	Engagements include CEO and management meetings, ongoing supplier reviews and annual revision of trading terms Trade shows are held once or twice a year (market dependent) Joint business planning sessions target efficiencies in the supply chain to help benefit our suppliers and SPAR Purchasing managers engage regularly with suppliers across all markets, ensuring an optimised supply chain and a shared understanding of all challenges

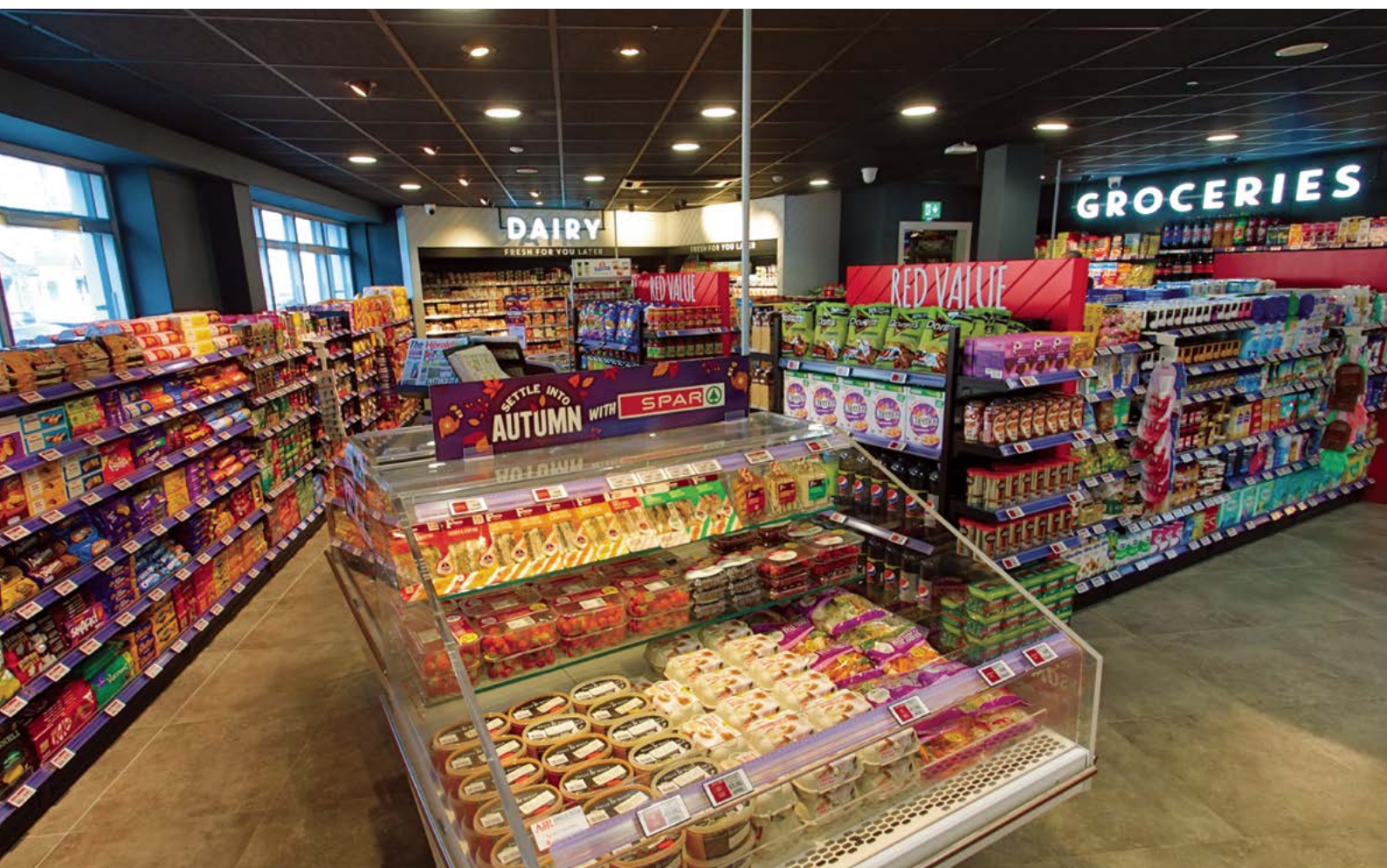
Shareholder and investor engagements

We engage with our material stakeholders to create value for them, and ultimately for our shareholders. Our shareholders, together with investors and bankers require regular updates from the business to make sound decisions about whether to invest in the business or grant access to funding respectively. Our market updates and engagements provide an opportunity for management to identify key areas of market concern and how to improve communication accordingly.

SPAR's investor relations team comprises the group CEO, CFO and Head of Investor Relations. The team engages with current and potential investors and sell-side analysts on an ongoing basis through the various engagements listed above.

Aside from the formal engagements listed below, throughout the year, management also hosts ad hoc meetings and calls upon request, outside of closed periods.

February	Annual general meeting together with issuance of a 48-week trading update
March	Leading investor conference
June	Interim results with presentation Interim results investor roadshow Leading investor conference
November	Full year results with presentation Full year results investor roadshow Leading investor conference
December	Leading investor conference Integrated annual report issued



OUR OPERATING ENVIRONMENTS

All our operating environments have been impacted by the aftermath of the global COVID-19 pandemic, and Russian invasion of Ukraine, all of which has led to severe market pressures, including supply chain disruptions, rising energy and fuel costs and inflationary pressures seen globally. For this reason, all markets are likely to remain extremely competitive as retailers and consumers respond to the inflationary pressures and cost of living challenges.



SOUTH AFRICA

- Population of 59.3 million
- R – ZAR currency
- Unemployment rate of 32.9%
- Expected real GDP growth for 2022 of 1.6%*

SPAR is one of four major listed food retailing brands in the South Africa formal food retail sector. SPAR is a unique player in this market, given its voluntary trading model, supporting independent retailers. The formal market is highly competitive and estimated to represent c.60% of the food retail market, with the remaining c.40% representing the informal sector. The retail landscape ranges from world-class formal retail stores to cash and carry outlets, convenience stores and informal retail spaza shops. The COVID-19 pandemic, social unrest in July 2021 in the provinces of KwaZulu-Natal (KZN) and Gauteng, followed by the disastrous floods in KZN in April 2022 have added to the challenging trading conditions of ongoing electricity loadshedding which has caused much economic disruption.

* Source: Fitch Solutions

While consumers have returned to stores post the pandemic, it is evident the uptake of on-demand shopping during the pandemic is here to stay and the industry continues to see growth in online grocery sales.

The formal retail market for liquor was severely impacted during the pandemic due to government-imposed liquor restrictions. During 2021, the market lost an estimated 130 days of trading for the financial year ended 30 September 2021. There have been no further liquor restrictions since then, permitting a recovery in the formal retail liquor market.

The South African building materials sector slowed considerably post the pandemic-led sales boom which saw consumers improving and renovating their homes during the pandemic-related lockdowns. Build it remains one of the key players within the building materials sector catering to the 'Do it yourself' and rural small contractors or 'Bakkie Builder' customers. Given the rural factor, SPAR's best estimate of the total retail building materials sector is approximately R200 billion. Based on retail sales, Build it's estimated market share is c.8.5% and Build it continues to lead the market.

SPAR is exposed to the pharmacy sector through its pharmaceutical business S Buys and its independent Pharmacy at SPAR retailers. Consumer focus on health and wellness continues to grow and this remains an area of opportunity for SPAR. The market is dominated by two key players, however, SPAR continues to grow its retail base and is seen as a home for independent pharmacies and is unique to its peers within the industry.



IRELAND AND SOUTH WEST ENGLAND

BWG Group operates across Ireland and South West England. Brexit and the COVID-19 pandemic heavily disrupted the UK and Irish labour markets with an estimated shortage of 100 000 heavy goods vehicle drivers in the UK alone, thus inflating wages for drivers, as well as others in the supply chain across both regions.

Ireland

- Population of 4.9 million
- € – EURO currency
- Unemployment rate of 4.4%
- Expected real GDP growth for 2022 of 12.1%*

The Irish grocery sector is dominated by a few major retailers, including supermarkets, discounters and independents. The sector has been influenced by changing consumption patterns with a strong focus on convenience and health. BWG Foods retail brands, SPAR, Londis, Mace and XL predominantly operate in the convenience sector, while EUROSPAR competes with proximity supermarkets. BWG Foods estimates it has c.40% market share in the convenience sector and an estimated 12% of the total food retail market. The most significant factor in the grocery industry in Ireland over the past year, is the inflationary price pressure and its impact on consumers.

Pandemic related restrictions severely impacted the hospitality sector which started to recover from March 2022 onwards. Although it has experienced significant declines, BWG Foods' hospitality business has been upheld by a strong and growing institutional customer base. BWG Foods' estimated hospitality wholesale market share pre-pandemic was 6.4%, and post-pandemic is estimated to be at 10.7%, confirming BWG Foods to be one of the three largest hospitality wholesale businesses in the country (Source: Bord Bia, Irish Food Board).

United Kingdom

- Population of 67.3 million
- £ – Pound Sterling currency
- Unemployment rate of 3.5%
- Expected real GDP growth for 2022 of 0.4%*

According to Statista, in 2021 the size of the UK grocery market stood at around £212 billion. The UK's grocery market has traditionally been dominated by four big players with a combined market share of c.65%. The landscape is shifting in favour of discounters as food inflation hit its highest level in almost a decade during 2022, putting household incomes under pressure. UK unemployment stands at 3.5% and is at its lowest level since 1974. The shortage of labour has caused rising staff costs and unreliable staffing levels.

* Source: Fitch Solutions



- Population of 8.5 million
- CHF – Swiss Franc currency
- Unemployment rate of 2.0%
- Expected real GDP growth for 2022 of 2.2%*

Two major supermarket players dominate the Swiss food retail market. During the pandemic the Swiss food sector benefited significantly from the closure of borders, which curbed cross-border shopping. This prevented Swiss consumers from stocking up on pantry essentials and other household items which are cheaper across the border.

SPAR consumers in Switzerland consist of ethnically diverse, middle to upper-income earners. SPAR operates in the convenience space with stores located in towns and villages, including suburban and central business districts, commuter nodes and forecourt operations, each with an offering customised to their relevant market. SPAR is forging growth in the petro-convenience food retail space with its SPAR Express format. In 2022 SPAR increased its market share to 2.9% from 2.6% (Source: Nielsen).

Aside from food retail, SPAR also competes in the cash and carry sector and is the third largest player with its TopCC brand. This sector was severely impacted due to the closure of hotels and restaurants during the pandemic, however has seen a recovery during 2022.



- Population of 38.0 million
- PLN – Polish Zloty currency
- Unemployment rate of 5.1%
- Expected real GDP growth for 2022 of 4.3%*

Poland is the largest and one of the fastest-growing grocery retail markets in the Central Eastern European region, with expected GDP growth of 4.3% for 2022. The pandemic affected the Polish food retail market and changed consumer habits. Online sales increased significantly and continue to increase. Shopping in hypermarkets declined in favour of supermarkets and discounters. Discounters have increased their market share, due to price conscious consumers who have been hit by increasing food inflation and energy costs, seeking cheaper alternatives.

The grocery market is extremely competitive and estimated to be c.70% modern trade and c.30% traditional trade. Modern trade spans hypermarkets, supermarkets, discounters, proximity supermarkets and modern convenience stores, including petro-forecourt retailers. Traditional trade represents soft franchises as well as independent outlets, including independent speciality stores such as bakeries, greengrocers, meat shops, etc. SPAR has identified an opportunity for its formats in proximity supermarket, convenience and petro-convenience retail, accounting for an estimated 25% of the formal retail marketplace. Given the benefits of the voluntary trading model, there is an opportunity to grow share among independent retailers within the traditional trading sector.

* Source: Fitch Solutions

VALUE CREATION AND STRATEGY



VALUE CREATING BUSINESS MODEL

SPAR's operations draw on six capitals. Our business model demonstrates how we utilise the capital inputs across our wholesale operations to produce favourable capital outputs and outcomes for all stakeholders.

CAPITAL INPUTS AT THE BEGINNING OF THE YEAR



FINANCIAL CAPITAL

Financial capital represents funding received from equity and debt providers and financial resources available to the group. Financial capital is used to procure goods and services, pay salaries and taxes, develop new products, invest in systems, facilities, operations and equipment, and pay our funders and shareholders.

Equity
R8.4 billion

Long-term borrowings
R7.7 billion

Net cash overdraft
R770.9 million

Challenges during the year include rising inflation and pressurised consumer environment across all markets, as well as rising fuel and energy costs, exacerbated by loadshedding in South Africa and for our European regions, the war in Ukraine. Currency weakness at period end impacts ZAR group debt levels putting group covenants under pressure. The implementation of SAP gives rise to necessary but increased IT spend, impacting overall profitability.



MANUFACTURED CAPITAL

Manufactured capital includes our wholesale and logistics business infrastructure used to service our independent retailers; this includes our head offices, distribution centres (with cooling facilities, recycling and reclamation plants), warehouses, trucks, forklifts, and information technology systems. It also includes the independent retailer store network, which we have helped expand.

4 459 stores
across our
regions

15
distribution
centres

Four
support
offices

Logistics
fleet across all
regions

Private
label
manufacturers

Challenges include increased number of hours in loadshedding which impacts operations and efficiencies at store level. The flooding in KZN in April 2022 was a massive setback for infrastructure in this region, impacting transport routes, supply chains and private label manufacturers and suppliers.



HUMAN CAPITAL

We use the skills, capabilities and passion of employees and management teams across all our regions to execute business activities and build relationships with our key stakeholders. We rely on our board to hold executive management accountable for the day-to-day running of the business and the implementation of its strategy. We rely on our employees to drive the culture of our business.

10 281
employees

Purpose and values-
driven culture

Strong succession
planning in place

During 2022 a new group leadership executive structure was established, with a new CEO role for South Africa introduced. The effect of the new structure meant significant leadership changes across many distribution centres in South Africa. Challenges also include dealing with the physical and mental well-being of employees in a post pandemic world.



INTELLECTUAL CAPITAL

This capital focuses on our accumulated knowledge, guild structures, systems, processes, policies and manuals, intellectual property such as our numerous house brands and retailer in-store concepts, as well as the SPAR brand and all the brands associated with our group.

Internationally
recognised
SPAR brand

Additional
group brands
and house
brands
recognised in
local markets

Implementation
of SAP to suit
business needs

Wholesale and
retail IT
infrastructure

SPAR rewards
programme

Training and
leadership
programmes

Challenges include complexities around rolling out on-demand shopping through an independent retail store network, as well as sourcing an experienced digital workforce within a highly competitive market. Cyber security is an ongoing area of focus and remains a challenge, not unique to SPAR. Operating within highly competitive markets with consumers trading down to discounters, places our predominantly convenience branded stores under potential pressure.



SOCIAL AND RELATIONSHIP CAPITAL

We use our ability to create and sustain relationships with material stakeholders to create an environment to perform our business activities, partner for shared value creation and ensure a sustainable food network.

Strong platforms
in place for effective
stakeholder
engagement,
including with our
shareholders

Strong retailer
loyalty in South
Africa, Ireland,
South West
England and
Switzerland

Growing
retailer
loyalty in
Poland

Procuring
goods and
services from
hundreds of
suppliers across
the group

Rural hub programme
collaborating with small-scale
farmers and communities to
improve food security,
affordability and nutrition for rural
communities in South Africa

In Poland, increasing retailer loyalty levels has been a challenge, resulting in the termination of contracts with 58 retailers in June 2022. Challenges also include the ongoing impact of the aftermath of South African civil unrest in 2021, as well as major flooding in KZN impacting business activities in local communities as well as suppliers.



NATURAL CAPITAL

We use natural capital as input for the products we distribute and sell, our properties, and water and energy (electricity, diesel, fuel and gas) we use in our operations. Our ambition is to become a more climate-resilient group by reducing our carbon and water footprints, ensuring that our natural resources are responsibly procured and protected.

Challenges include diesel shortages, severe flooding in KZN and water shortages in the Eastern Cape.

OUR PURPOSE

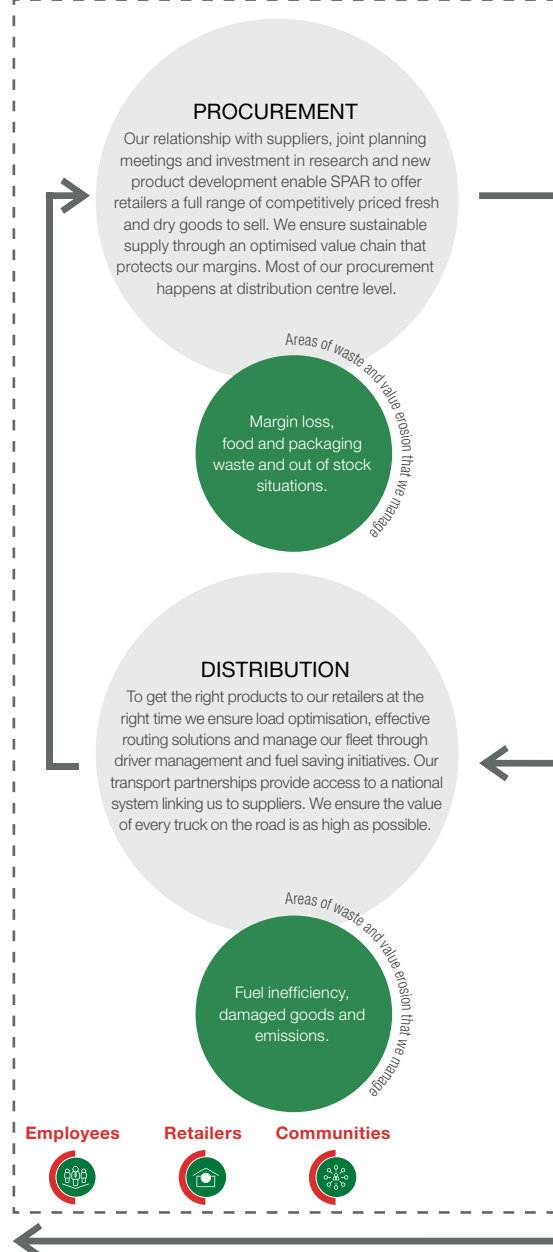
To inspire people to do and be more

OUR VISION

First-choice brand in the communities we serve

CORE BUSINESS ACTIVITIES

Governance framework and policies supporting material relationships



The external environment represents all outside influences that could impact our operations across our regions and geographies. It includes the micro and macro environments in which we operate. For more information about our operating environments please refer to page 26.

WAREHOUSING
We use technology and analytics to create infrastructure and facilities that optimise the quality and availability of products. Our distribution centres and warehouses are strategically located to facilitate imports and optimise inventory and picking/loading efficiency

Areas of waste and value erosion that we manage
Food and packaging waste, damaged goods and pilferage, waste water and emissions.

RETAILER SUPPORT AND MARKETING
We support retailers through marketing, promotions, human resource and systems support, and training initiatives. Retailers participate in working sessions around cash flow and retail profitability to ensure the sustainability of their stores.

Areas of waste and value erosion that we manage
Stock situations, packaging waste, water, emissions and energy.

Consumers Suppliers Shareholders

OUTPUTS

Outputs represent the direct products and services generated through our business activities in supporting our independent retailers, who sell goods to consumers and support their communities.

Products we source from our suppliers for our independent retailers include:

Competitively priced fresh produce, dry goods and a range of house brands, including SPAR private label, enabling these small business owners (our independent retailers) to compete within their local markets.

Services we provide for our independent retailers include:

World-class distribution and retail operational support services, and promotional and marketing support.

OUTCOMES

FINANCIAL CAPITAL

+6.0%
turnover growth

R5.0 billion
cash generated from operations

R1.3 billion
dividends paid to shareholders

R10.0 billion
Equity

R7.6 billion
long-term borrowings

R1.9 billion
Net cash overdraft

MANUFACTURED CAPITAL

R1.8 billion of capital expenditure

SPAR2U launched at 87 retail sites

New inbound and staging areas completed at Swiss distribution centre

Cash and carry customer list acquisitions in Ireland and retail stores purchased in the UK

Extended distribution centre in the South of Poland

4 500 stores
(41 net new stores for the group)

HUMAN CAPITAL

1.0% increase in employees from 10 281 to 10 385

Certified as a top employer in South Africa (nine consecutive years)

Women's empowerment programme launched in South Africa

Diversity in South African senior management increased from 25% to 27%

BWG Foods awarded 'Employer of the Year' (Irish Logistics and Transport Awards 2022)

Retail programme education improvement across all markets

INTELLECTUAL CAPITAL

Implementation of SAP for the business

Development of SPAR2U 'Ecommerce as a service' solution for retailers

+6.5% house brands wholesale turnover growth in South Africa

Continued development of SPAR Encore business, increasing private label intellectual capital

Further development of private label in Swiss and Polish markets

SOCIAL AND RELATIONSHIP CAPITAL

Level 6 BBBEE in South Africa

Continued progress through Gender Based Violence campaign

R29 million CSI spend in South Africa

SPAR rural hub programme development and SPAR supplier development programme

NATURAL CAPITAL

17 989 tonnes of cardboard and plastic recycled through distribution centres in South Africa

113 060 tonnes CO₂ equivalent total footprint Scope 1 and 2

9 130 MWh of energy generated by distribution centres in South Africa

Build it procured wood is 100% Forest Stewardship Council certified

First Climate Change Report issued in line with TCFD recommendations

For more information about our strategic risk and opportunities, please refer to page 42

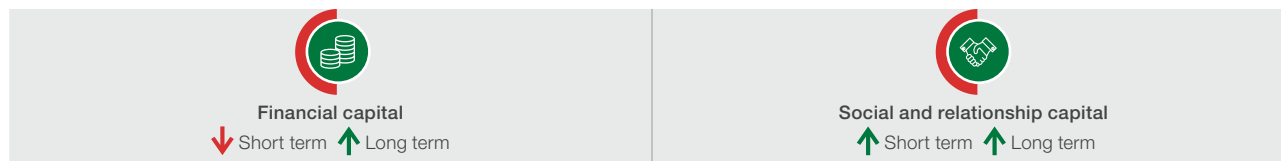
OUR CAPITAL TRADE-OFFS

There are interdependencies between our six capitals with a constant flow between them, as they increase, decrease or transform.

The following trade-offs between our capitals and our unique current circumstances provide insight into how they are managed to ensure long-term value creation for our stakeholders.

Increased stock levels ahead of food inflation

Given the high inflationary environment, SPAR invested in key commodity food items ahead of anticipated price increases, enabling improved pricing and negotiation with retailers and improved margin management at wholesale and retail level. This also assists retailers in offering competitively priced essential food items to cash-strapped consumers. The investment in inventory ahead of prices increases impacts working capital and cash balances in the short term but improves relationships and social capital in the medium to long term as well as financial capital in the long term as retailers reward SPAR with increased retailer loyalty – as evidenced in 2022.



Implementation of SAP

The group has commenced its SAP rollout. As part of the overall digital transformation, a significant amount of financial capital investment is required. Capital expenditure of c.R1.8 billion has been allocated towards the SAP investment. Implementation commenced October 2022, and SAP will be rolled out across all regions in the coming months and completed during 2024.

This significant short-to-medium-term financial capital investment is expected to drive greater efficiencies and cost savings in the long term.

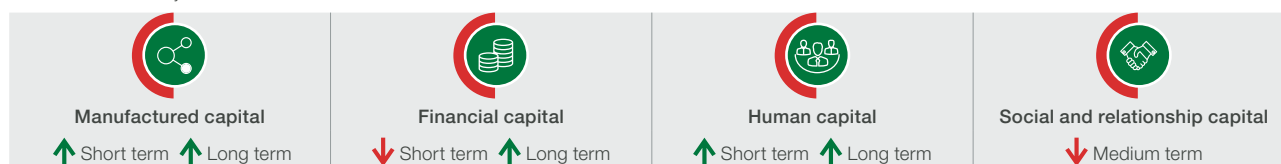
The implementation of SAP to suit SPAR's model provides greater access to intellectual capital capabilities to leverage an enhanced service to our retailers and growth opportunities.

The investment in SAP is being funded by a reduction in dividends to shareholders for a period of two years, which impacts shareholder relations in the medium term.



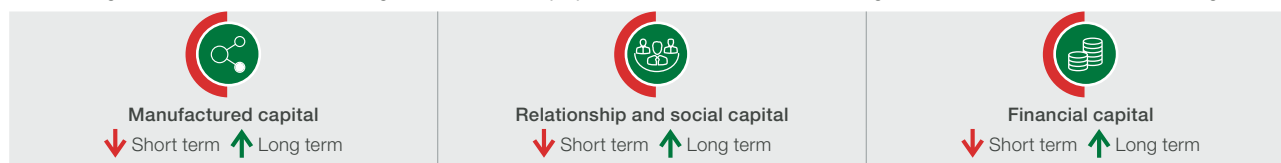
Polish business development

SPAR Poland was launched just before the pandemic lockdowns and restrictions were initiated. The timing of the pandemic was a major setback for the launch of this new business. The financial losses have created earnings pressure for the group and investor mistrust in the medium term. Performance is being closely monitored and 2023 will be a critical year for this business.



During 2022, SPAR Poland took decisive action to eliminate low loyalty customers, which resulted in 58 retailers leaving the SPAR brand. This decision resulted in loss of turnover, but also a reduction in operating expenses by effectively eliminating the transport costs to service these retailers. It also meant the loss of SPAR stores as well as the presence of the SPAR brand in certain locations in the Polish market.

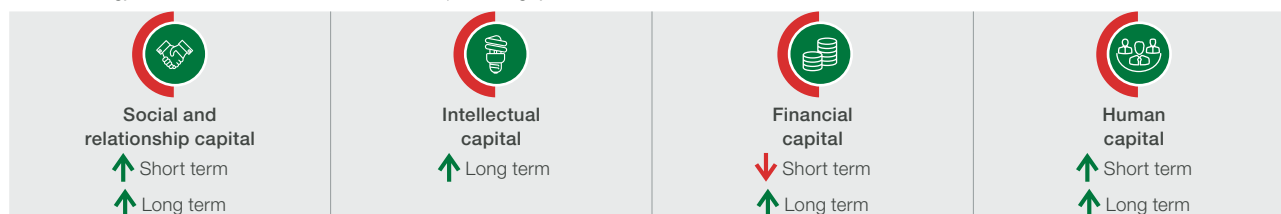
The remaining SPAR retailers are committed to higher levels of retailer loyalty in terms of their new contractual arrangements, which increases turnover for the region



'Ecommerce as a service' solution

SPAR2U, 'Ecommerce as a service' solution is uniquely tailor-made for the SPAR interdependent retail model and takes a lot of the effort out of our retailers' hands, allowing them to focus on trading.

While the solution requires financial capital as we invest in a suitable platform and team, it increases social and relationship capital as we respond to the growing demands and needs of consumers, retailers and suppliers for a more consistent e-commerce offering across the group. This offering also increases our intellectual capital as SPAR becomes a more technology-enabled business and increases human capital through job creation.



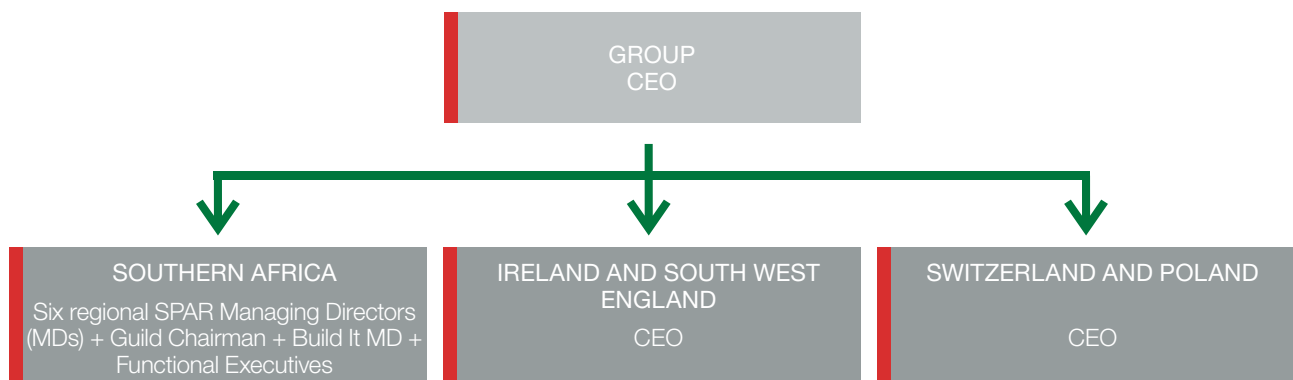
OUR STRATEGY

SPAR's values of entrepreneurship, family values and passion remain true to our purpose – to inspire people to do and be more. Inspiring people, requires effective leadership to drive the strategy.

CHANGES TO THE LEADERSHIP STRUCTURE

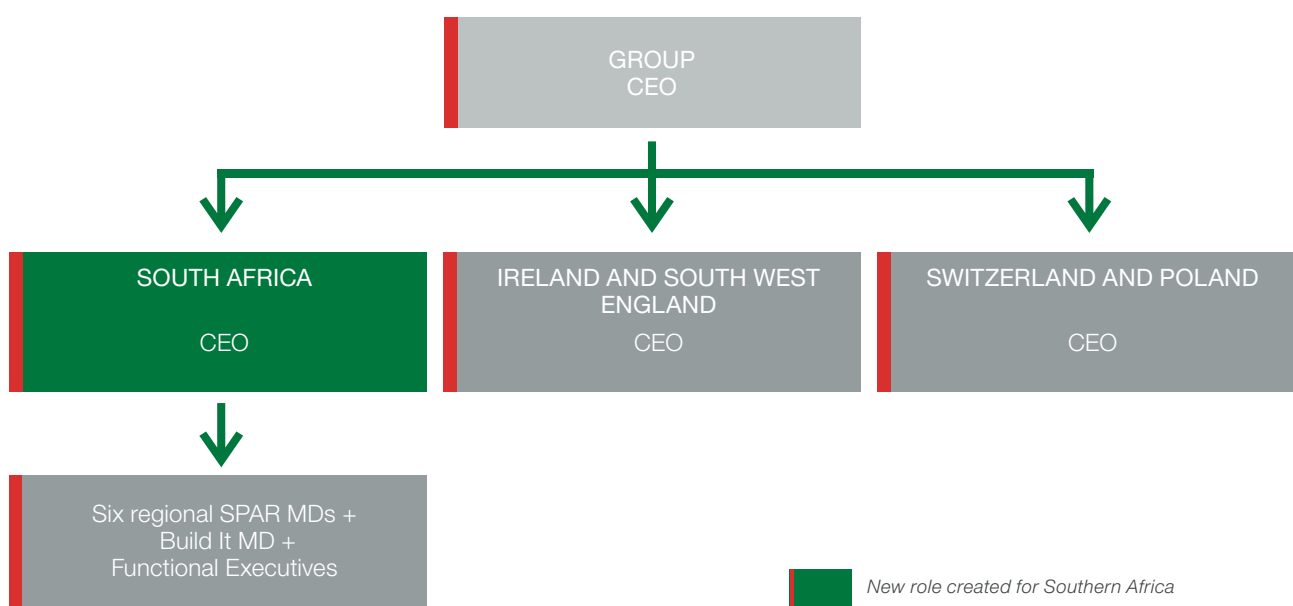
Over the past eight years the group has evolved from a South African company to a group with operations in Ireland, South West England, Switzerland and Poland. During 2022, the group CEO initiated structural leadership changes for Southern Africa and the group. The new group executive function will drive greater collaboration and alignment across the group as we continue our digital transformation journey together.

Previous structure



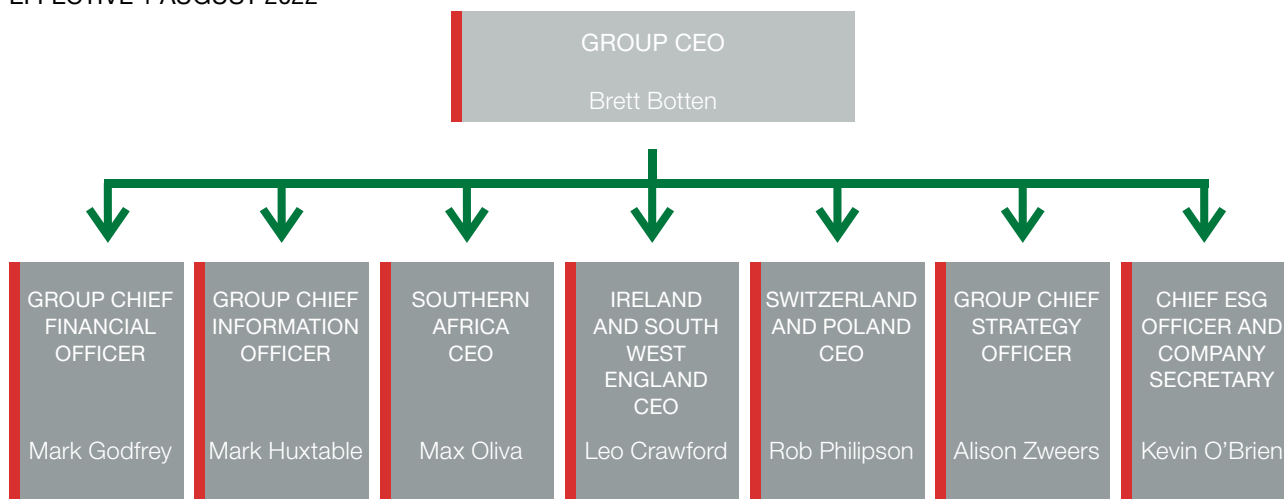
New structure

EFFECTIVE 1 AUGUST 2022



New group executive function

EFFECTIVE 1 AUGUST 2022



REDEFINING OUR STRATEGIC AMBITIONS

The new group executive function introduces a CEO for Southern Africa and a new strategy executive, who is also head of retail operations for Southern Africa as well as Chairperson of the SPAR Guild. Working closely with the in-country teams, during 2022 we began the process of revising our strategies in South Africa, Switzerland and Poland to assist with alignment of a multi-national focus for the group. In 2023, Ireland and South West England will be incorporated into the broader multi-national strategy for the group and country goals for the short, medium and long term will be defined.

A five-year plan is currently in development phase for South Africa. In the interim, a 12 to 18 month accelerated growth plan is underway. Please refer to page 36. The in-country strategic reviews use the South African framework as a reference point (please refer to page 37), nuanced for their local markets with a deep understanding of consumer needs and local management aspirations for the businesses.

OUR STRATEGIC AMBITION AS A GROUP

- **Create healthier, thriving communities through playing an active role**
 - Positively impact health and nutrition
 - Support and strengthen local economies
- **Establish a strong emotional connection to our brand – ‘it’s personal’**
 - Loved and respected by all stakeholders for the sustainable value we bring to communities
- **Leverage our key differentiators**
 - Independent retailers, supported by world-class retail support services
 - Ability to customise our offerings to meet specific community needs
 - Aspirational and inspirational brand, but remain highly approachable
 - Authentic and focused on value creation, not value extraction

KEY AREAS OF FOCUS FOR SUCCESS

- Deep understanding of consumers that drives all activities
- Strategic brand cultivation
- Grow and inspire current and future talent
- Drive thriving interdependent retail model
- Value chain optimisation

STRATEGIC FRAMEWORK

The following framework sets out our purpose and vision with three strategic outcomes in mind.

VISION

First-choice brand in the communities we serve

OUR THREE STRATEGIC OUTCOMES



LOVED AND RESPECTED AS A BRAND



SUSTAINABLE STAKEHOLDER VALUE



NUTRITIOUS AND AFFORDABLE FOOD

OUR VALUES



Entrepreneurship

Drives the SPAR model – our innovative and agile independent SPAR retailers, are quick 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



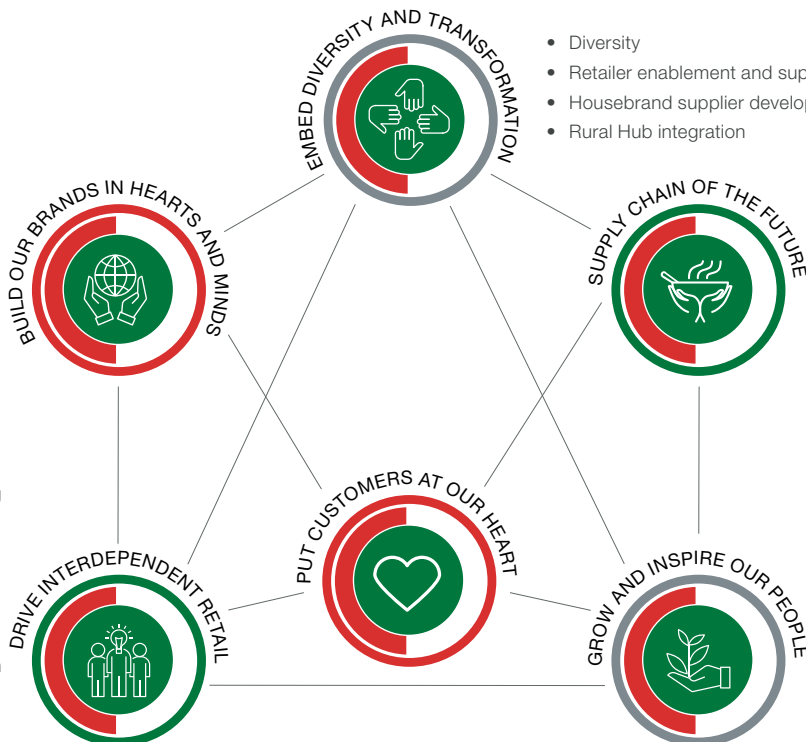
Passion

Represents the authentic, positive energy, attitude and enthusiasm that permeates our organisation, helping to drive the organisation forward in line with our purpose – to inspire people to do and be more

OUR STRATEGIC FOCUS AREAS

- Brand essence
- Brand architecture (concepts, formats, products, value added services)
- Private label portfolio strategy
- Marketing – SPAR top of mind

- Retail partner offering
- Profitable stores – independent and corporate
- Retailer organic growth
- New business growth
- Retail brilliant basics
- Retail systems modernisation
- Shared value ecosystem model – e.g. SPAR2U



PURPOSE

To inspire people to do and be more

Value creation in the context of our strategic approach

By working towards our three outcomes, we align our efforts, decisions and resource allocation for impact over the long term. We aim to create and preserve long-term sustainable value and minimise value erosion for our stakeholders through the effective use of the six capitals (refer to our Value creating business model on page 30).

THE THREE OUTCOMES INHERENT WITHIN OUR SOUTH AFRICAN STRATEGY AND APPROACH ARE:

SUSTAINABLE STAKEHOLDER VALUE	• Efficient supply chain to compete effectively, providing value and benefit for all stakeholders • Interests of stakeholders are well 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 listed on page 30
LOVED AND RESPECTED AS A BRAND	• Entrepreneurial retailers at the heart of their communities • The SPAR brand has a strong emotional connection with all stakeholders • Respected for the difference we make in communities • Stakeholders enjoy being associated with SPAR
NUTRITIOUS AND AFFORDABLE FOOD	• Buy better for our consumers and are focused on ethical sourcing and food safety standards to ensure a sustainable supply chain • Provide access to nutritious food at affordable and competitive prices; especially through private label development • Make a positive impact on the health of consumers

SOUTH AFRICA: 12 TO 18 MONTH ACCELERATED GROWTH PLAN

MARKETING RECALIBRATION	Reiterate SPAR's one coherent brand voice and increase brand salience
CUSTOMER AND FORMAT SEGMENTATION	Shift to a consumer-centric approach, providing retailers with improved business intelligence and insights for making smarter decisions
FRESH REVIVAL	A renewed fresh focus, including new innovative ranges, and existing range review
OMNICHANNEL	Improved customer centricity means focusing on how we engage with consumers, meet their needs and make their lives easier
PRIVATE LABEL	Advanced private label strategy from 'as good as the best for less' to redefined product tiering categories and more disciplined in-store execution of private label products
RETAIL EXCELLENCE	This comes full circle to the concept of interdependent retailing. Our retailers know their communities and strive for retail excellence, however its important retailers execute well on the key areas to ensure consistency across the SPAR brand offering

REGIONAL STRATEGIC PROGRESS

The following section highlights areas of focus for each of our main regions, with an update on progress made during the year.



Southern Africa

STRATEGIC FOCUS AREAS

PROGRESS IN 2022

Grow and inspire our people

- SPAR's collaborative leadership programmes between wholesale and retail are assisting with the development of 'next generation' retailers
- Shift in focus towards growing specialist skills, especially in respect of information systems
- Continued communication of our digital transformation journey and the importance thereof, as we embrace new and more efficient ways of doing business
- Continued to drive our values with various interventions, including an event-specific culture calendar. These events promote camaraderie across our divisions
- Hosted our first in-person SPAR convention since 2019 (before the onset of the global COVID-19 pandemic). This event was hosted at Sun City, but also livestreamed to retailers and employees who couldn't be there in person, to share in the atmosphere and to communicate the key focus areas for the year ahead
- During 2022, we launched programmes that focus on the development of women specifically, by creating networking opportunities and keynote speakers

Supply chain of the future

- Refocused efforts on our fresh offering, addressing cold chain challenges from product source to end consumer
- Order cut off times from our retailers were adjusted during the year to enable sending orders to suppliers and farmers earlier, resulting in improved product being delivered to our distribution centres
- Dedicated fresh promotions were implemented on a weekly basis, along with seasonal initiatives, encouraging consumers to eat fresh fruits and vegetables when they are in season, which ultimately results in more flavourful and nutritious fresh produce and reduces the need for imports in line with SPAR's ambition to support local
- Our SPAR Encore business (procurement and development of SPAR private label products), suffered supplier setbacks due to the damage caused by the civil unrest in July 2021. Despite these setbacks, our dedicated private label and house brands team are focused on innovative products that deliver in terms of affordability and nutrition

Embed diversity and transformation

- During 2022 the revised transformation strategy was adopted by the executive committee. The change management process will commence in the new financial year. A dashboard has been developed, and this will be used to track the performance of every division in accordance with the agreed divisional targets

STRATEGIC FOCUS AREAS

PROGRESS IN 2022

Build our brand in hearts and minds

- Advertising and promotional research behind consumer communication is driving more relevant messaging for target markets and building the concept of value and our brand essence in the hearts and minds of consumers
- Our brand essence of 'it's personal' drives improved customer engagement, thought leadership and enhanced product innovation through our private-label offering
- Continued community involvement deeply embeds our brand within the hearts of the communities we serve
- To inspire SPAR employees and SPAR retailers to be remembered for the right reasons and to celebrate the emergence of smiles post pandemic mask wearing, we launched the 'we're for smiles' customer experience campaign

Drive interdependent retail

- Driving our future voluntary trading model has evolved the business' thinking towards interdependent retailing, both vertically (SPAR wholesale to retail) as well as horizontally (SPAR retail to retail)
- During 2022 SPAR launched SPAR2U, offering our SPAR retailers a unique 'Ecommerce as a service' solution, tailored for our interdependent trading model. All technology, training, reporting, order and transport management and last mile services are provided by the group, leaving the retailer to focus on picking and packing orders
- During 2022, SPAR2U was scaled to 87 sites. This is rapid progress, considering the nature of the SPAR operating model
- The technology initially developed has already evolved over the course of the year and the original 'minimum viable product' will be replaced by a completely new 'native app' in the first quarter of 2023.

Put consumers at our heart

- Commenced a customer and format segmentation review promoting improved understanding of consumer behaviours and greater awareness of consumer segments
- Commenced foundation work to establish a consumer insights hub and to develop and implement a new customer-centric rewards programme
- In partnership with experts in this field, we are building a customer and category insights platform, leveraging layers of sales, loyalty and other second and third party-data sources. This capability allows SPAR to interact more meaningfully with our suppliers and our retailers, making more optimal, data-driven decisions. It also allows for a different approach to loyalty and serving consumers more relevant, personalised content and promotions moving forward



Ireland and South West England

STRATEGIC FOCUS AREAS

PROGRESS IN 2022

Improve supply chain capacity planning

- Ongoing review of capacity within the National Distribution Centre in Kilcarbery

Build a profitable company owned company operated (COCO) retail arm

- The COCO retail estate has continued to grow store numbers and increased its wholesale contribution for the wider BWG Group during 2022 and store loyalty remains very high at 99%
- Delivered positive retail sales, although faced with unprecedented operational cost inflation and continued industry-related staffing challenges

Complete integration of Corrib Food Products and Heaney Meats and drive wholesale opportunity

- Completed the integration of these two businesses during 2022, having previously experienced setbacks due to pandemic-related restrictions
- Appointed new management to Heaney Meats and renamed the business 'William's Gate' to modernise the business and establish a new identity in the foodservice channel
- Identified further distribution efficiencies between Corrib Foods, William's Gate and the wider BWG Foodservice business

Consolidate of new leadership structure

- Transitioning to the new management team during 2022 was seamless
- Delivered another strong set of results for 2022, reflecting the strength of the new management team to deliver on targets set for the business



Switzerland

STRATEGIC FOCUS AREAS

PROGRESS IN 2022

Build on the momentum gained from new business and maximise this opportunity

- The acquisition of 60 stores from Store Service AG (SSAG), located at AVIA fuel stations has increased SPAR's market share and exposure in the petro-convenience space.
- The success of the integration of the stores through the SSAG deal has created the opportunity to collaborate and build relationships with other fuelcourt operators in the industry

Drive retailer profitability

- SPAR Switzerland's convenience offering focuses on quality and profit-generating specialised items
- Pricing is adapted by format and is regularly benchmarked against competitors while focusing on convenience value pricing
- A heightened focus on in-store concepts, improved fresh offering and a three-tiered private label-approach has presented opportunities for our retailers
- Despite retail margins trending positively, our retailers are experiencing severe cost pressures

Restructure distribution centre model to service the South West and new contract

- The distribution centre rebuild is underway and due to be completed by April 2023
- All our Swiss stores are serviced out of the distribution centre in St Gallen and we are reviewing options for a 'hub' model in the West to increase service levels and reduce costs

STRATEGIC FOCUS AREAS

PROGRESS IN 2022

Relaunch and redevelop private label offering

- Fully implemented during 2022 under the following three-tier product range, with private label growing to represent 16.9% of turnover
 - SPAR No.1 (launched as the price value proposition and has been well received by consumers as the quality value alternative product)
 - SPAR Core (as good as the best for less)
 - Prime (premium product selection)



STRATEGIC FOCUS AREAS

PROGRESS IN 2022

Achieve break-even

- Continued to drive the business towards break even with strategic decisions taken to improve loyalty, increase capacity at distribution centres and reduce costs, thereby achieving a year-on-year reduction in operating losses
- Optimisation of distribution centres and logistics
- Successful execution of procedural layoffs in respect of the Warsaw distribution centre which was decommissioned shortly after the financial year end
- Expanded wholesale product range addressing specific retailer needs

Strengthen relationships with independent retailers and drive loyalty

- Due to poor retailer loyalty from certain retailers in the south of the country, SPAR Poland took decisive action to place 91 retailers on notice in December 2021, resulting in the termination of contracts with 58 low-loyalty retailers in June 2022
- The new contracts signed require a minimum level of loyalty and rebate incentives for increased retailer loyalty levels
- Retailer loyalty in the south of the country increased from 27% to 40%. For the south and north regions combined it increased from 45% to 60%, as at 30 September 2022
- In May 2022, the Polish team identified 20 retail partners and took them on a 'look and learn' trip to South Africa. A further 18 retailers were selected for a trip to the annual SPAR convention in September 2022. Both trips were extremely fruitful in terms of relationship building with key retailers within this market
- The expansion of the distribution centre in Czeladź was completed shortly after the financial year end and will assist with range improvements and consequently higher levels of retailer loyalty in the south

Actively pursue new business

- Following the successful SPAR Express trial stores with fuelcourt operator AVIA, SPAR Poland has 26 new petro-convenience stores
- Entered introductory talks with smaller groups of independent retail groups, consequently building awareness of the SPAR brand in Poland
- Continued to drive three-tier private label strategy with 600 products under the SPAR brand (2021: 450 products)

Drive SPAR values among employees and retailers and build SPAR's culture

- Agreed on company values and code of conduct and conducted values-based workshops
- Launched customer service programme for independent retail and corporate stores
- Led focused training groups on fresh produce and deli area
- On-the-job training delivered at new and existing stores, resulting in 1 030 participant training hours
- Concluded arrangement with an English language learning provider to expand access to English language learning for all SPAR independent and corporate store employees
- Held the first SPAR family fun day which was well received by SPAR employees and their families

Priorities for 2023

In the year ahead all regions have SAP roll out programme plans in place. In addition to the SAP roll out, the following key priorities by region are:

**Southern Africa**

- Implement 12 to 18 month accelerated growth plan (see page 36)
- Achieve critical mass for SPAR2U and begin to market nationwide
- Develop consumer insight hub
- Drive retailer profitability and retailer organic growth

**Ireland and South West England**

- Implementation of EUROSPAR supermarket strategy
- Using SPAR's 60th anniversary to drive a special programme of key stakeholder engagement, securing SPAR as the leader of convenience retailing in Ireland
- Integration of newly acquired businesses

**Switzerland**

- Drive topline growth through new business and organically, through concept roll out and upgrades
- Private label range enhancement and deeper penetration
- Complete the restructure of the distribution centre model to service the South West
- Increase TopCC cash and carry customer base

**Poland**

- Drive turnover growth, improved gross profit margin and increase retailer loyalty
- Build loyal and passionate retailers
- Drive organic growth at retail
- Motivate and empower our people
- Cement relationships with suppliers
- Drive lean operations through efficient logistics and cost management

STRATEGIC RISKS AND OPPORTUNITIES

RISK RANK	STRATEGIC RISK DESCRIPTION	STRATEGIC FOCUS AREA	MITIGATIONS
1	Failure to fully exploit the group's investments in technology and realise the intended strategic benefits including, inter alia, operational improvement, competitive insights as well as the resultant retail and customer service expectations.		A deployment strategy is in place to ensure that the SAP programme is delivered in an efficient and effective manner to facilitate global adoption thereof. Digital solutions for retail are being pursued with a view to short-term implementation.
2	Political risk, currency fluctuations and uncertainty across our markets, including negative financial impact on European regions as a result of the Russia/Ukraine war and the consequent inflationary pressures resulting in decreased profitability.		Rigorous and robust working capital and cost management initiatives are in place to mitigate cost increases due to inflationary pressures. SPAR is a member of the Consumer Goods Council of South Africa (CGSA) and is alerted by the CGSA of potential threats within the industry so that adequate consideration and planning is given to respond to these threats should they materialise.
3	Inability to conduct and effectively manage processes related to good governance, leading to reputational and financial damages.		SPAR recognises the importance of the independence and objectivity of the board. The existing chairperson of the board has relinquished his position and SPAR has appointed an independent non-executive chairperson. In addition, work is underway to identify possible gaps in governance processes at operational and functional levels within the business. Any gaps identified will be addressed in a robust, holistic and sustainable manner. This will include aligning of governance processes, in line with King IV.
4	Damage to the SPAR brand as a result of interdependent retail model and negative retailer actions leading to lost business to competitors and loss of market share.	 	The working relationship with our retailers is strong, with some elements thereof currently under review. This will include a review of the Guild memorandum of incorporation and other Guild governance areas such as the terms of reference and establishment of governance committees. SPAR has dedicated retail operations teams, which include retail risk managers. These teams provide proactive, comprehensive, and ongoing guidance and support in a uniform and equitable basis to all retailers in accordance with best practice principles and guidelines. This serves as an effective mitigation of the risk of any reputational and brand impacts based on actions by our retailers.

RISK RANK	STRATEGIC RISK DESCRIPTION	STRATEGIC FOCUS AREA	MITIGATIONS
5	Failure of the Poland turnaround strategy.	  	The recent group restructure has created the opportunity for the group CEO to be more proactively and deeply involved in the SPAR Poland operations to ensure the success of the turnaround strategy, with continuous oversight by the SPAR board. Decisive actions were taking during 2022 which included the restructure of the distribution centres and logistics operations, as well as the termination of retailer contracts that were not mutually beneficial.
6	Non-timeous response to climate and environmental change resulting in inadequate preparation to deal with such issues leading to adverse impact on operations and financial performance.		SPAR has a dedicated sustainability team focused on identifying, assessing and addressing climate and environmental risks. The group has embarked on a comprehensive climate-related scenario planning exercise to feed into the TCFD and IFRS disclosure standards.
7	Inability to manage cyber threats and secure data, causing business disruption and reputational harm.		A cyber security strategy is in place to manage and monitor cyber security threats within each of the territories within the group. This includes an IT security operations centre, incident management and recall as well as continuous remediation of any vulnerabilities identified.
8	Incorrect business model and customer initiatives in an increasingly competitive segment as a result of inadequate understanding of customer needs leading to loss of customers to competitors and negative financial impact on profitability.		A detailed strategy per territory is in place specific to the issues that need to be addressed in each region with one of the objectives being to ensure that SPAR puts consumers at its heart. A customer and format segmentation exercise is underway in South Africa to provide additional insight into consumer needs so that SPAR can respond accordingly. Once this is complete, a similar exercise will be run in the international territories.
9	Increase in the number of unsuccessful retailers arising from poor macroeconomic climate resulting in significant debt write-offs and loss of market share.		A focused plan is being developed to drive retailer profitability. This includes an aggressive drive to improve store standards across the group.
10	Inability to attract and retain talent as a result of inadequate talent management/succession planning leading to loss of skills with in-depth knowledge of the business.		Targeted HR initiatives are being rolled out to position SPAR as an employer of choice. The group talent pipeline is being reviewed to identify key talent within the group that may inform succession plans.



PERFORMANCE OVERVIEW



A portrait of a middle-aged man with short brown hair and glasses, wearing a grey suit jacket over a white shirt. He is smiling and standing in front of a red and white SPAR Actros truck. The truck has 'SPAR' and 'ACTROS' branding visible. A green semi-transparent banner is at the top of the page.

CHAIRMAN'S MESSAGE

We have faced many challenges, yet continue to rise above all of them, which talks to the strength and character of SPAR's people. Management have implemented leadership changes and have adopted new ways of thinking, while assessing and implementing the evolution of our business for the future. We continue to make a positive impact in the communities we serve.

A YEAR OF RECONNECTION

This past year represents a year of coming together and the opportunity to reconnect face to face after the COVID-19 pandemic. The SPAR business thrives on strong relationships with our stakeholders. Being isolated from each other added greater complexity in doing business and serving our communities. The ability to reconnect in person has re-energised and inspired people across the group. SPAR hosted its convention in September 2022. It was a privilege to attend this conference and observe the SPAR family coming together in large numbers. It's a reminder of how we are built for interaction and connection. Connecting with fellow human beings is very much in line with SPAR's brand essence of 'It's personal'.

RESILIENT BUSINESS

The group delivered a profit, albeit impacted by the aftermath of finding a new normal post the pandemic and new geopolitical circumstances, which caused significant increases in fuel and energy costs, among other challenges. Turnover increased by 6.0% to R135.6 billion and the group delivered an operating profit of R3.4 billion, an increase of 1.1% on the prior year. The board of directors (board) declared a final dividend of 225.0 cents per share (2021: 536.0 cents per share). The dividend policy was adjusted earlier in the year to fund SPAR's strategic investment in its digital transformation journey, which will drive benefits for the group in years to come.

PROGRESS IN POLAND

While the performance doesn't reflect it, the management team made some bold decisions and excellent progress in this market during 2022 and remain confident in the opportunity. That said, the 2023 financial year will be a critical one for the Polish business. Improved gross margin and retailer loyalty rates, as well as more efficient warehousing and logistics, positions this business well for the year ahead. Owing to the sense of urgency required to turn this business around, the board remains supportive, but also continues to monitor progress made in this market very closely.

MAKING A DIFFERENCE

We have long understood the important role we play in terms of food security and in our communities as a leading brand. The civil unrest in KZN and other parts of the country during July 2021 made us determined to take more of a proactive role in protecting our communities and country. In South Africa, we are faced with multiple crises of unemployment, poverty, and high levels of crime. As an upstanding corporate citizen, we believe we can help overcome these challenges through greater collaboration, co-ordination and investment into communities across the country. We cannot do it alone. I am delighted to report that SPAR is a member of The Greater Together Foundation. This foundation is built around the common drive of local businesses, big corporates, SAPS, City Police, Public Order Policing and security companies, to secure and uplift our communities. We are encouraging everyone to get more involved within their communities and to be the change they would like to see in South Africa. This is true to SPAR's purpose, to inspire people to do and be more.

BOARD CHANGES AND LEADERSHIP

It has been humbling to observe Brett Botten in his relatively new role as CEO at SPAR and I thank him for the leadership and strength of character he has shown through many challenges during his short tenure. He has reorganised the leadership structure of the group and introduced a new CEO role for Southern Africa, Max Oliva. Max has been with SPAR for more than 25 years, having joined the group as a trainee. Brett has a team that is supportive of the new structure which has brought fresh energy and renewed focus to the group, especially our Southern African region. Consequently, SPAR is well positioned to derive benefits from these changes in the years to come.

At board level, while all our members contribute fully, supported by their unique areas of expertise, one of the board's newer members, Jane Canny has been outstanding in terms of her advice on the SAP implementation and overall digital transformation of the group. I am delighted to report that the SAP rollout commenced smoothly at central office earlier in the year.

One of our former non-executive directors, Harish Mehta retired at the annual general meeting in 2022. Harish was a board member for 18 years and will be remembered for his excellent advice and guidance in respect of important advances made by the business. We thank Harish for his many years of service, passion, and commitment towards good governance at SPAR and wish him everything of the best for the future.

Following Harish's retirement, SPAR announced the appointment of a new non-executive director, Sundeep Naran, approved by shareholders at the 2022 AGM. During his short tenure at SPAR, Sundeep has provided insightful and learned contributions in respect of corporate governance, finance and risk. We are pleased to have him on the board.

Shortly before the issuance of this report, SPAR came under significant pressure from the media which has been damaging for the brand and deeply concerning for the SPAR family and its stakeholders. During this time, my lack of independence as Chairman has come under increased scrutiny. At the time of my retirement as chief executive officer in 2019, the board debated the advantages and disadvantages of appointing me to the board as Chairman and believed the benefits of me leading the board from a position of extensive experience and firm integrity, far outweighed a more independence orientated solution as set out in King IV code on corporate governance (King IV). Under the leadership of the previous Chairman, Mike Hankinson, SPAR engaged major

shareholders and appointed Andrew Waller as the lead independent director to follow the recommendations of King IV, in the event of a non-independent Chairman's appointment. My appointment was subsequently approved by shareholders at the annual general meeting held in 2021. SPAR has a broad stakeholder base and prides itself on high standards of governance and ethics. Considering the recent media allegations, I believe it is in the best interests of SPAR to step aside from my role as chairman of the board. I will continue to serve the company as a non-executive director. The board resolved to appoint Michael (Mike) Bosman as an independent non-executive director and as chairman of the board, effective 15 December 2022. I wish Mike all of the best in his new role at SPAR.

LOOKING AHEAD

Despite the recent setbacks, I am positive about the year ahead. SPAR remains a resilient business amid interesting and challenging times. We are firmly committed to supporting our independent retailers and helping their businesses flourish, while offering consumers who remain under pressure, greater value, and improved customer service.

Thank you to the board, our management teams, our people, our retailers and to all our stakeholders for their ongoing commitment to make SPAR the great organisation that it is today. Next year marks 60 years of the SPAR brand in Southern Africa and we look forward to celebrating this important milestone, as we focus on being the first-choice brand in the communities we serve.



Graham O'Connor
Chairman



Mike Bosman (62)

New Chairman

Michael (Mike) Bosman

Appointed 15 December 2022

Mike holds a BCom (Accounting) Honours degree, a Masters of Law degree from the University of Cape Town and is a qualified Chartered Accountant (South Africa). He completed the Advanced Management Program at the Harvard Business School. He is currently appointed to the boards of several listed entities in the capacity of independent non-executive chairman of Spur Corporation Limited and independent non-executive director of AVI Limited (AVI) and EOH Holdings Limited (EOH). Mike is also an independent non-executive director of MTN South Africa Proprietary Limited (MTN) and the non-executive chairman of Vinimark Trading Proprietary Limited, the largest independent wine distribution company in South Africa. He also serves on the audit and risk committees of AVI, EOH and MTN. Mike is expected to bring strong leadership and contribute entrepreneurship, finance, legal and governance skills to the board.

MEDIA ALLEGATIONS

Nearing the completion of this report, regrettable allegations were brought against SPAR as published in the media via a small minority of aggrieved retailers. Some of these matters are being addressed through legal processes, others pursuant to confidential mediation and the balance through the normal course of business operations. All matters continue to receive the highest attention with a view to finding commercially acceptable, equitable and lasting solutions aligned to our partnership values.

Fictitious and fraudulent loan allegations

The board is confident that this was an isolated matter at one distribution centre in 2018 and is neither SPAR's accounting policy nor practice. The allegations have been taken extremely seriously and the board was waiting on a legal and technical opinion at the time this report was approved.

Allegations of discrimination toward its retailers

SPAR strongly denies the allegations of discrimination against some of its retailers based on race or store location. These allegations were first levelled against SPAR in 2021 and were independently and rigorously investigated by law firm Harris Nupen Molebatsi (HNM) which prepared a report in this regard. HNM found that the allegations were not corroborated and there was no deliberate or intentional practice on the part of SPAR as alleged. The investigation did, however, highlight some internal business-related practices which needed to be reviewed and subsequent changes have been and continue to be implemented as a matter of priority.

Challenges towards SPAR's Board composition

SPAR acknowledges concerns relating to the structure of its board and has appointed an external independent director as chairman, Michael (Mike) Bosman, following Graham O'Connor's decision to step down as chairman but remain on the board as a non-executive director.

Other material retailer legal matters

The legal challenges between SPAR and a major retailer in our network received wide media coverage. The board continues to rely on the advice of external counsel in guiding the approach to the claims laid, both against the company and various executives. The focus of the board is to reach an outcome that protects SPAR's commercial interests and preserves our retailer relationships.

GROUP CEO'S REPORT



We are laying important foundations to futureproof our business. From leadership changes, to commencing our digital transformation, to fundamentally changing how we think about our business, I am immensely proud of what the team has achieved.

Our purpose – ‘To inspire people to do and be more’

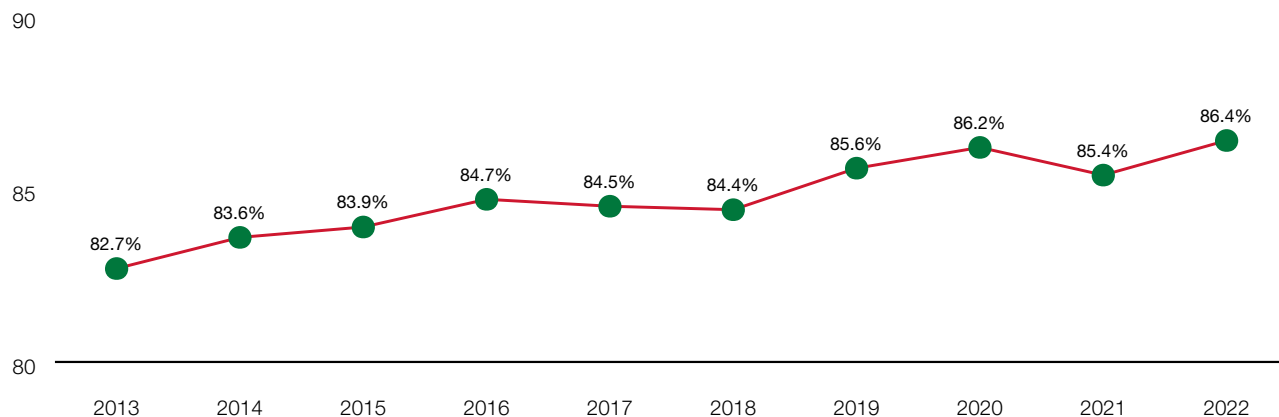
OPERATIONAL REVIEW



SOUTHERN AFRICA

SPAR Southern Africa reported wholesale turnover of R88.1 billion. The increase of 8.4% was assisted by an improved performance for the core grocery business. The health of our relationships with our retailers is strong and we are pleased to report that retailer loyalty in Southern Africa has increased to 86.4% in 2022.

SPAR core grocery retailer loyalty - South Africa



During 2022, SPAR Southern Africa increased its promotional calendar to continue to attract cash-strapped consumers. This increased promotional activity, continued focus on store disciplines, a better fresh offering, and major revamps were key initiatives during the reporting period. On a combined basis, which allows for a better comparison against industry peers, SPAR core grocery and liquor business generated turnover growth of 9.2% to R76.2 billion. Case volumes (including liquor) handled through the six distribution centres reflect an increase of 5.0% from 228.3 million to 239.7 million cases. Internally measured wholesale inflation during the period was 6.9%. The SPAR core grocery business reported turnover growth of 5.3%, demonstrating a recovery on the prior year. Consumers have largely returned to normal daily activities and convenience-based shopping habits have returned. The stores in the coastal regions have reported a noticeable increase in trading, largely owing to greater flexibility in working arrangements post the pandemic.



SPAR launched SPAR2U, in the first half of the reporting period. SPAR2U is SPAR's consumer facing on-demand shopping platform for groceries and liquor. Feedback from consumers using this channel has been extremely positive. Interest levels from SPAR retailers to utilise the new platform remain high and this is expected to enhance SPAR's ability to assist retailers in driving improved consumer service and engagement going forward. Rapid progress has been made with the onboarding of 87 sites at 30 September 2022 and critical mass is about to be reached. This 'Ecommerce as a service' solution is uniquely tailor-made for the SPAR interdependent retail model and takes most of the onerous effort out of our retailers' hands, allowing them to focus on trading.

TOPS at SPAR liquor sales experienced excellent levels of growth during the period increasing by 42.6%. The prior comparative period lost many days of trading owing to COVID-19 regulatory liquor bans. Build it delivered commendable growth for the period considering the rapid slowdown in the demand for building materials after the levels of extraordinary demand seen during the height of the pandemic. Despite the slowdown, this business delivered turnover growth of 3.1% to R10.1 billion.

During 2022 SPAR launched 'The Food Stall' in-store concept, which includes a new range of 'The Food Stall' branded convenience meals. In time, this concept will become a single banner for all house brand meal offerings such as Chikka Chicken and McCoys Pies. SPAR's house brand performance also includes SPAR private label products which are the SPAR-branded products on shelf. In July 2021, severe damage was caused to factories of key private-label suppliers, including SPAR's largest supplier of SPAR-branded cold meats, amongst other categories. This hampered private label growth in the meat category during the period and impacted the performance of SPAR Encore. SPAR Encore procures private label products from over 200 local manufacturers and 65 local packaging producers. Despite the supplier setbacks, SPAR Encore delivered an increase in turnover of 5.4% to R510.9 million.



BWG GROUP (IRELAND AND SOUTH WEST ENGLAND)

Turnover increased by 3.2% to R31.3 billion and 7.6% in local currency. Turnover demonstrated a shift in sales mix into higher margin categories due to lower alcohol and tobacco sales. In Ireland, trading for the period was initially impacted by the increased restrictions to combat the Omicron variant in November and December 2021. However, this was followed by a recovery from February 2022 onwards, as restrictions were eased. During the second half of the reporting period, the business benefitted from strong growth in impulse grocery and retail foodservice across all retail brands as the economy reopened. The prolonged period of good weather through the fourth quarter was a positive factor for convenience stores. Sales in non-retail foodservice also rebounded strongly with the reopening of the economy and elimination of COVID-19 restrictions. This business continues to win share in the hospitality sector where growth of this business is outperforming the overall growth in the sector. In the first half of the reporting period, Appleby Westward in South West England benefitted from the growth in company owned stores. Performance in the second half was solid, with retail outlets benefitting from increased 'staycations' during the summer months of 2021, when COVID-19 lockdown measures were eased. Labour challenges continued in this market. The unemployment rate in the United Kingdom stands at its lowest level since 1974. The shortage of labour caused unreliable staffing levels, supply chain disruption and rising staff costs.

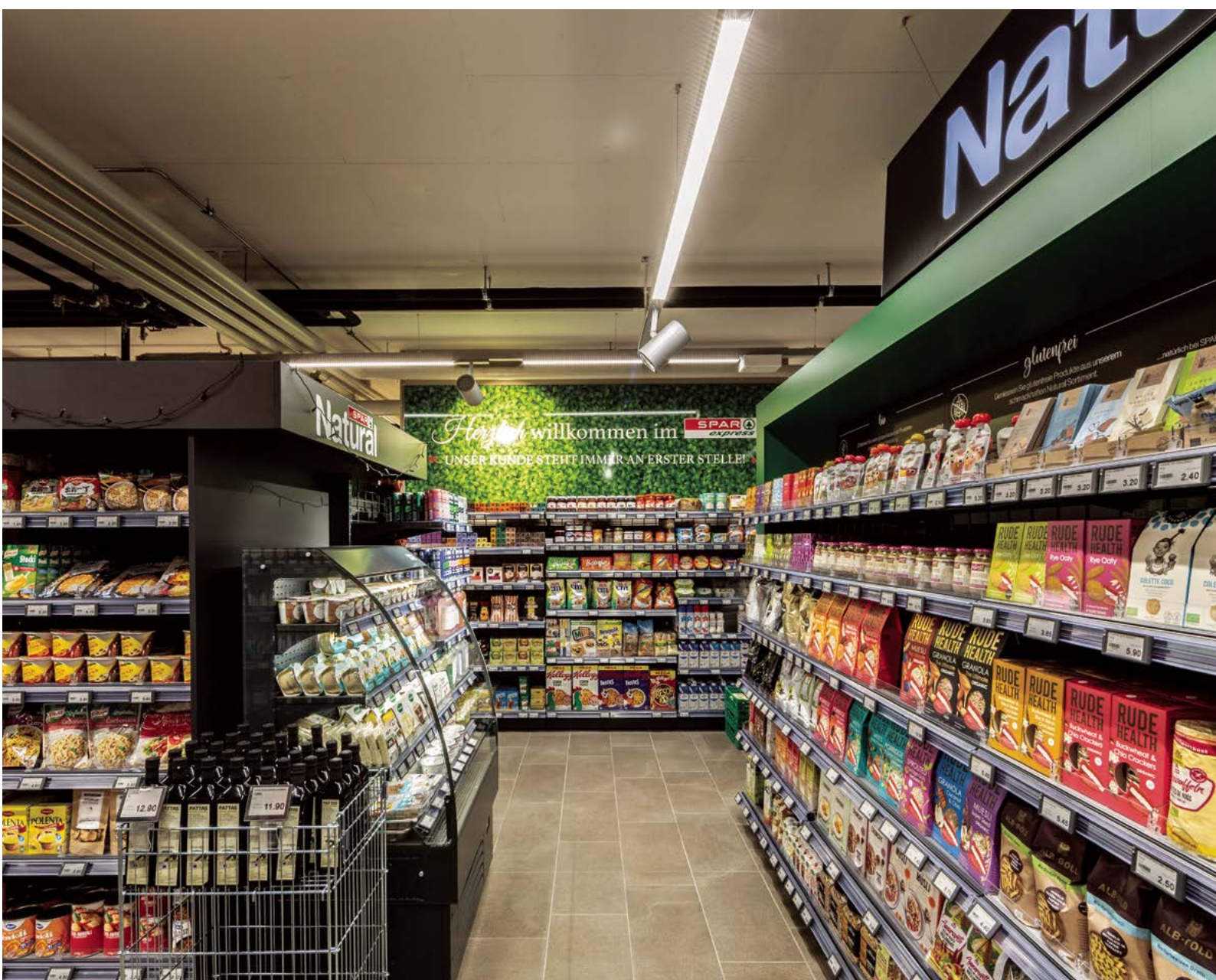
House brands turnover growth

+6.5% representing
24.6% of core SPAR turnover

The
**FOOD
STALL**[®]
at **SPAR** 

The Food Stall will become SPAR's overarching banner for SPAR's home meal replacement offering in South Africa

Switzerland experienced less severe COVID-19 restrictions during the festive trading period in 2021, which caused a slowdown in the extraordinary levels of support for local community stores experienced in the prior comparative period, when increased levels of home consumption saw consumers shopping nearer to home. The elimination of lockdown regulations in Switzerland led to a return of pre-pandemic consumer behaviour, including the return to large shopping centres and cross-border shopping. Many of the Store Service AG stores acquired in the prior reporting period, have been transferred to independent retailers, resulting in costs savings for the group but also negatively impacting turnover for the period. TopCC cash and carry business has seen increased levels of trading and reported an increase of 2.4% in turnover in local currency. This is a robust overall trading performance for SPAR Switzerland as the business continues to adjust to a post-pandemic new normal. As of September 2022, market share data indicates a positive trend for SPAR Switzerland with market share reaching an estimated 2.9% up from 2.7% in the prior year. (Source: Nielsen)





A key area of focus for 2022 was to address the poor retailer loyalty issue relating to the retailers serviced out of our Czeladź facility in the south. Consequently, during the first quarter, a group of retailers in the south of the country were placed on notice to renew their contractual terms with SPAR. While the easing of pandemic related restrictions has facilitated building improved relationships with retailers, 58 retailers still elected to leave the group on 1 July 2022. For the six months ended 31 March 2022, wholesaler turnover from this group of retailers represented 11.7% of the turnover for SPAR Poland. The new contracts required a minimum level of retailer loyalty and consequently retailer loyalty for the retailers in the south reached 40% as at 30 September 2022. During the period, management decided to close the Warsaw distribution centre, which will no longer be in use from November 2022 onwards; this will streamline logistics, increase efficiencies, and reduce unnecessary costs. SPAR Poland operations will focus on two regional distribution centres. The distribution centre in Poznań will service the retailers in the north of the country and the distribution centre in Czeladź will service the retailers in the south of the country. The expansion of the Czeladź distribution centre was completed post financial year end and will be operational by the end of November 2022. This expansion, undertaken by the landlord, will allow for an increase in the range of dry and perishable groceries and will enhance the overall service levels for SPAR retailers in the south of the country. SPAR Poland's strategic partnership with AVIA in respect of petro-convenience stores, resulted in 19 new stores opening during the fourth quarter on the back of the success of the initial group of trial stores. The total number of stores opened with AVIA stands at 26 stores.

DIGITAL TRANSFORMATION UPDATE

As part of the group's digital transformation, the group-wide SAP implementation commenced smoothly, with the successful launch of the new system at the Southern African central office in October 2022. The distribution centre in KZN is due to launch the new system early in 2023, post the busy Christmas-trading period. The remaining distribution centres in South Africa will follow individually after KZN, to minimise potential business disruption. The European businesses are preparing for the SAP implementation, in line with the group implementation plan.

LEADERSHIP CHANGES

The group has evolved considerably over the past eight years, through its expansion into Europe. With the increased level of demand on management's time and regulation, it was necessary, most of all from a governance point of view, to set up a dedicated group executive function. To facilitate this function meant introducing a CEO executive for the Southern African business. Prior to this, all six managing directors of the distribution centres for Southern Africa, the Build it managing director, nine functional executives, as well as the managing directors of our European regions reported into the Group CEO. The revised structure simplifies the existing structure in that the regional managing directors and Build it managing director will now report into the Southern Africa CEO. The executives for our liquor and pharmacy businesses in Southern Africa have been promoted to the Southern Africa executive function. The new group executive includes the country managing directors and group executives for ESG, strategy and information technology to ensure we can benefit from improved guidance and learnings across the group, as we develop our ESG disclosures and embark on the group's SAP implementation journey. The new structure was implemented in August 2022.

OUTLOOK

The leadership changes have brought renewed focus to the Southern African business and a medium-term accelerated growth plan is underway. This includes six key areas of focus, developed in collaboration between the wholesale and retailer members of the SPAR Guild. In South Africa, against the backdrop of constrained consumer spending, low economic growth and subdued business confidence, the trading environment is expected to remain unchanged in the short to medium term; however, our national and regional marketing teams have innovative promotional programmes geared towards helping SPAR support price-conscious consumers and the needs of their communities.

BWG Group management remains cautious in their outlook for Ireland and South West England. There is a real concern around the quantum and level of price increases that are coming through as global energy markets continue to be volatile, driving energy-led price inflation throughout the supply chain. There is also concern that consumer demand will weaken as the cost of living increases into the winter months. A core skill within BWG Group is to mitigate challenges in the environment to compensate for inevitable shortfalls that might occur.

The Swiss team is cautiously confident about the new financial year. We continue to develop relationships with potential partners in the petro-convenience sector and management is excited about the opportunity to launch another four large EUROSPAR supermarket formats in the year ahead. These initiatives will contribute towards growing SPAR's presence in this country.

In Poland, management will focus on driving new business and improving retailer purchasing loyalty rates through the increased product ranges in our distribution centres. While the economic situation remains challenging, given Poland's proximity to Ukraine, management remain firm in their belief in the opportunity within this market. SPAR Poland's strategy execution and performance are closely monitored by the board.

IN CLOSING

We extend our sincere gratitude to all members of the SPAR family for everything they do to inspire others to do and be more, in line with SPAR's purpose. Our business is about the service and support that we provide to our retailers and their employees. We remain humbled by their commitment and dedication and the sacrifices they make to embed the SPAR brand in the hearts of our communities.



Brett Botten

Group CEO



GROUP CFO'S REPORT



SALIENT FEATURES

Rmillion	Year ended 30 Sep 2022	Year ended 30 Sep 2021	% Change
Turnover ¹	135 609.1	127 940.5	6.0
Operating profit	3 428.7	3 392.6	1.1
Earnings per share (cents)	1 118.2	1 176.3	(4.9)
Headline earnings per share (cents)	1 160.5	1 196.2	(3.0)
Diluted headline earnings per share (cents)	1 159.1	1 193.7	(2.9)
Dividend per share ² (cents)	400.0	816.0	(51.0)
Net asset value per share (cents)	5 201.0	4 350.5	19.5

¹ Turnover represents revenue from the sale of merchandise.

² On 16 February 2022 the board announced a change in the dividend policy for a period of two years to fund, inter alia, the strategic SAP implementation.

The weighted average number of ordinary shares (net of treasury shares) is 192 445 771 shares (2021: 192 598 768). In respect of diluted headline earnings per share the weighted average number of ordinary shares (net of treasury shares) is 192 678 012 (2021: 192 998 737).

Turnover by region

Rmillion	2022	2021	% Change
SPAR – core grocery business	65 946.9	62 608.1	5.3
TOPS/Liquor sales	10 204.3	7 157.5	42.6
SPAR & TOPS	76 151.2	69 765.6	9.2
Build it	10 137.9	9 836.3	3.1
SOUTH AFRICA	86 289.1	79 601.9	8.4
S Buys – Pharmaceutical business*	1 290.9	1 175.0	9.9
SPAR Encore*	510.9	484.5	5.4
TOTAL SOUTHERN AFRICA	88 090.9	81 261.4	8.4
Ireland and South West England	31 295.6	30 332.1	3.2
Switzerland	13 834.7	13 983.2	(1.1)
Poland	2 387.9	2 363.8	1.0
TOTAL GROUP	135 609.1	127 940.5	6.0

* Adjusted for intergroup sales.

PERFORMANCE OVERVIEW

SPAR delivered a resilient group performance despite various challenges across all regions. Group turnover increased by 6.0% to R135.6 billion. In constant currency, turnover increased by 7.0%. Group profitability continued to be impacted by the consequences of the pandemic in the first half of this financial year and new geopolitical circumstances which has seen all regions experiencing fuel and energy cost pressures. In South Africa these pressures were further exacerbated by the impact of ongoing electricity load shedding which impacted operations at both wholesale and retail.

SPAR Southern Africa contributed 65.0% of turnover for the group and delivered strong growth in wholesale turnover of 8.4% to R88.1 billion. This increase was assisted by an improved core grocery business performance which generated an increase in sales of 5.3%. SPAR increased its promotional calendar to continue to attract cash-strapped consumers. This increased promotional activity, continued focus on store disciplines, a better fresh offering, as well as major store upgrades were key initiatives during the reporting period. Internally measured food inflation for the period was 6.9% (2021: 4.9%) and has continued to increase post the year end. At a retail level, grocery turnover increased by 4.1% to R96.0 billion (2021: R92.3 billion) and recorded like-for-like retail sales growth of 4.9%. Against the liquor trading restrictions in 2021, TOPS at SPAR delivered excellent liquor sales growth of 42.6% to R10.2 billion (2021: R7.2 billion), rebounding strongly and reaffirming its position as the number one liquor brand in South Africa. Retail liquor turnover increased by 47.9% to R16.7 billion (2021: R11.3 billion). Combined grocery and liquor wholesale growth showed a marked improvement on the previous year and increased by 9.2%. Build it delivered industry-leading wholesale turnover growth of 3.1% to R10.1 billion (2021: R9.8 billion) for the financial year and reported a strong second half performance as Build it retailers increased their market share. Internally generated inflation in building materials during this period measured at 6.0%. Build it retail turnover increased by 3.7% to R17.6 billion (2021: R17.0 billion) and recorded like-for-like sales growth of 2.6%.

SPAR Encore, SPAR's private label procurement business, reported turnover growth of 14.4% from R4.5 billion to R5.1 billion, which reflected the recovery of certain private label suppliers closed or disrupted by the civil unrest in the previous year. As this turnover is almost exclusively with SPAR, this is adjusted on consolidation for inter-group sales with external turnover reported in the disclosures.

The Pharmacy at SPAR business continued to increase its retail footprint and opened 15 new stores during the year with 145 stores at period end (2021: 137 stores). Management focused on improved relationships with Pharmacy retailers to drive wholesale growth. The Scriptwise division delivered another strong growth performance in the specialised medications market which contributed to the overall wholesale turnover increasing by 9.9% to R1.3 billion (2021: R1.2 billion).

BWG Group (Ireland and South West England) delivered an exceptional performance despite many challenges, with turnover growth of 7.6% in EUR-denominated currency and reported turnover growth of 3.2% to R31.3 billion (2021: R30.3 billion). This business again demonstrated its resilience as it continues to adapt its operations in response to the challenging economic environment. BWG Foods in Ireland reported an impressive year of new store openings, and neighbourhood stores have largely retained the gains made during the pandemic. Foodservices and licensed trade recovered strongly from March 2022 onwards, having suffered further COVID-19 restrictions in the first half of the financial year. The group experienced rising operational costs in fuel, labour and utilities. In both regions the group experienced the severe shortage of labour in warehousing and transport, which remains an industry-wide challenge. The business continued to invest in strategic acquisitions and acquired two cash and carry businesses in Ireland and 16 retail stores in South West England during the reporting period.

SPAR Switzerland experienced extraordinary levels of neighbourhood support during the pandemic. As restrictions eased, consumers returned to large supermarkets. Consequently, SPAR convenience stores have seen a retraction in the gains made during the pandemic with turnover declining by 3.0% in CHF-denominated currency, however turnover is 14.4% higher than pre-pandemic levels. In reporting currency, turnover decreased by 1.1% to R13.8 billion (2021: R14.0 billion). Swiss food inflation rates increased substantially during the latter part of the financial year, which has seen cross-border shopping returning to pre-pandemic levels. While this phenomenon traditionally impacted larger supermarkets more than smaller convenience stores, Swiss consumers will continue to seek cheaper alternatives in neighbouring countries as prices increase. Swiss gastronomy has fully reopened and due to normalised restaurant trading, our TopCC cash and carry business delivered strong turnover growth.

SPAR Poland made a great deal of progress during the reporting period, with decisive steps taken to rapidly facilitate business performance within this market. A key area of focus for 2022 was to address the retailer loyalty issue. Assertive business decisions were taken to terminate contracts with a group of SPAR retailers and restructure the distribution centres. A group of 58 retailers with low levels of purchasing loyalty, elected to leave the SPAR Poland network. The loss of these retailers has negatively impacted turnover growth in the second half of the financial year but despite this, SPAR Poland delivered turnover growth of 8.2% in PLN-denominated currency terms and increased by 1.0% in reporting currency to R2.4 billion (2021: R2.4 billion). Operating losses for this region reduced by 9.5% in local currency terms.

GROUP FINANCIAL REVIEW

Summary segment analysis

Rmillion	Southern Africa	Ireland and South West England	Switzerland	Poland	The SPAR Group Ltd
INCOME STATEMENT					
Turnover*	88 090.9	31 295.6	13 834.7	2 387.9	135 609.1
Gross profit	8 829.4	4 485.1	2 547.9	436.6	16 299.0
Gross profit margin %	10.0	14.3	18.4	18.3	12.0
Operating profit/(loss)	2 451.7	970.5	409.5	(403.0)	3 428.7
Operating margin %	2.8	3.1	3.0	(16.9)	2.5
Profit/(loss) before taxation	2 335.6	810.4	351.1	(455.4)	3 041.7
FINANCIAL POSITION					
Total assets	26 968.1	16 104.4	12 018.1	2 027.6	57 118.2
Total liabilities	21 784.8	12 883.4	9 494.0	2 946.9	47 109.1

* Turnover represents revenue from the sale of merchandise.

Turnover for the group increased by 6.0% to R135.6 billion (2021: R127.9 billion), with 35.0% (2021: 36.5%) of total turnover generated in foreign currency by BWG Group operating in Ireland and South West England (EUR-denominated), SPAR Switzerland (CHF-denominated) and SPAR Poland (PLN-denominated). The overall turnover performance in ZAR-denominated currency was again adversely impacted by the strengthening of the rand.

Gross profit margin for the group has remained in line with the prior year at 12.0%. While some regions benefitted from a shift in sales mix into higher margin categories, in South Africa the lifting of COVID-19 restrictions resulted in lower margin category growth which is margin dilutive. In Southern Africa, excluding S Buys and SPAR Encore, the gross margin declined from 9.4% to 9.2%, driven by a change in sales mix due to liquor trading normalising during the year, which is margin dilutive. BWG Group's gross margin percentage increased from 13.5% to 14.3% driven by improved product mix. SPAR Switzerland's gross margin percentage declined from 18.8% to 18.4% due to the growth in margin dilutive sales from TopCC cash and carry business as gastronomy trading normalised post pandemic-related restrictions. SPAR Poland improved its gross margin percentage at both wholesale and retail, resulting in an overall increase from 15.9% to 18.3% arising from improved trade terms with suppliers.

Operating expenses for the group increased by 8.5% to R15.9 billion (2021: R14.6 billion) and reflected the rising cost pressures experienced in all regions.

SPAR Southern Africa operating expenses increased by 12.1% to R7.6 billion (2021: R6.7 billion). Operating expenses for the pharmaceutical business, S Buys, increased by 8.3% mostly driven by increases in logistics and energy costs. SPAR Encore operating expenses increased by 18.6% due to increased employment costs as this business continues to grow, as well as increased marketing and logistics costs. SPAR South Africa operating expenses increased by 11.7% to R6.9 billion (2021: R6.2 billion), excluding S Buys and SPAR Encore. Employment costs continued to be well managed and increased by 3.1%, reflecting efficiency gains. Computer costs increased by 38.3% and the most significant contributions came from software licences and IT consultancy support for maintenance and technical areas ahead of the implementation of SAP. Advertising and promotional costs increased by 20.2% due to higher levels of promotional activity across all the brands. Fuel and transport costs increased by 26.2% with direct fuel costs contributing towards the majority of this increase. Operating expenses in South Africa were materially impacted by the increase in the expected credit loss allowance of R303.4 million. SPAR has worked closely with retailers impacted by the pandemic and provided them with financial support where necessary. As trading conditions normalised, it became necessary to firmly assess each outstanding account and to bring these back in line with SPAR's standard credit policies. This process identified an increased credit loss risk as certain of these overdue trade accounts were not able to be recovered as expected. Accordingly, management recognised this collection risk by making specific credit loss provisions, as considered necessary.

BWG Group reported an increase in operating expenses of 15.8% in EUR-denominated currency (11.0% in reporting currency). In local currency, direct fuel costs increased by 48.4% and energy costs increased by 56.0%.

SPAR Switzerland's operating expenses declined by 0.6% in CHF-denominated currency (increased by 1.3% in reporting currency). Despite fuel and energy costs increasing by 18.9% and 22.3% respectively, in local currency for the Swiss region, the business benefitted from the reduction in costs associated with running the Store Services AG stores, as these stores were transferred to independent retailers.

SPAR Poland's operating expenses increased by 5.7% in PLN denominated currency (a decrease of 1.4% in reporting currency) which includes an increase of 21.1% in electricity costs in local currency.

Operating profit for the group increased by 1.1% from R3.39 billion to R3.43 billion. Weak group profitability was predominantly caused by the decline in profitability in Southern Africa. SPAR Southern Africa delivered operating profit of R2.45 billion (2021: R2.49 billion), a decline of 1.4% year-on-year, attributable to significant increases in operating expenses. In Europe, BWG Group delivered strong operating profit growth of 4.5% in EUR-denominated currency, up 0.2% in reporting currency from R968.4 million to R970.5 million. This is an overall impressive performance given the impact of the COVID-19 pandemic experienced in the first quarter and ongoing labour challenges in Ireland and the United Kingdom. SPAR Switzerland delivered an operating profit of R409.5 million (2021: R415.2 million) resulting in a decline of 1.4% in reporting currency, and a decline of 3.3% in CHF-denominated currency. SPAR Poland's operating losses improved by 9.5% in PLN-denominated currency, and 15.5% in reporting currency to R403.0 million (2021: R477.2 million).

Profit before tax increased marginally by 0.8% from R3.02 billion to R3.04 billion and was impacted by an increase in net finance costs of 6.3% from R362.4 million to R385.2 million, due to higher interest-bearing overdraft levels in South Africa.

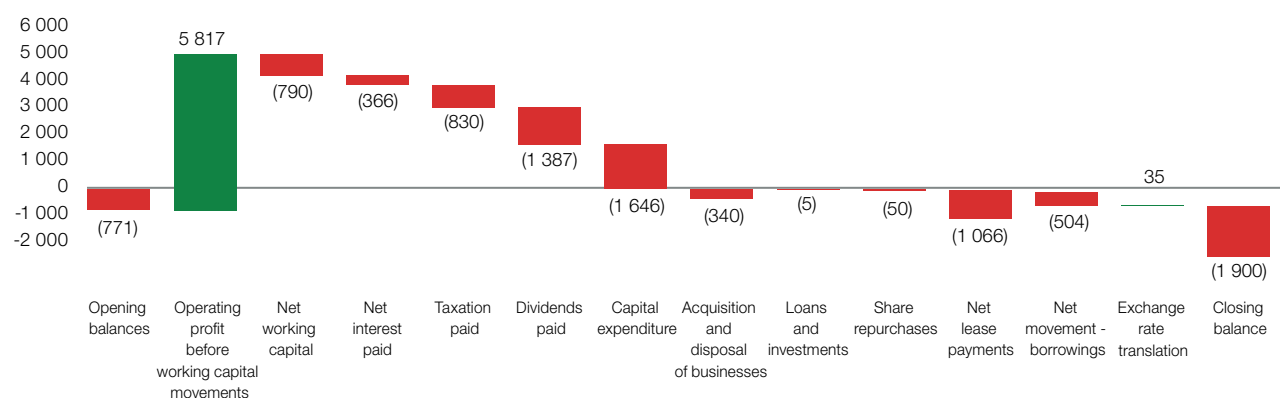
Profit after tax increased by 0.5% to R2.22 billion (2021: R2.21 billion). For the financial period, the group's effective tax rate increased from 26.8% to 27.0%.

Headline earnings per share declined by 3.0% to 1 160.5 cents (2021: 1 196.2 cents). Diluted headline earnings per share decreased by 2.9% to 1 159.1 cents (2021: 1 193.7 cents). Both of these earnings measurements were impacted by the buy-out of the 20% minority interest in the Polish business in the latter half of the previous financial year. The impact of this being that SPAR recognised the full financial loss reported by Poland in the current reporting period against 80% of the loss in the prior reporting period.

A final **dividend** of 225.0 cents has been declared, taking the total dividend to 400.0 cents (2021: 816.0 cents) per share for the reporting period. On 16 February 2022, the board announced a temporary change in the dividend policy from annual dividends covered 1.45 times by headline earnings to 2.90 times, to fund the strategic SAP implementation.

Cashflow from operating activities totalled R2.4 billion (2021: R1.8 billion). Together with the reduction in dividends paid, this reflects improved cashflow from operations of R5.0 billion (2021: R4.9 billion). A total of R1.4 billion (2021: R1.8 billion) was paid to shareholders, reflecting in part, the reduced interim dividend paid in line with the adjusted policy. The group's cash outflow from investing activities was R1 168.6 million (2021: R658.2 million) which includes the acquisition of retail stores in the United Kingdom and South Africa and two cash and carry businesses in Ireland to the value of R276.5 million, and capital expenditure of R1.8 billion which includes R463.0 million for the group's investment in SAP. Cash outflows from financing activities of R2.4 billion were due to payments of R1.9 billion arising on the principal element of leases and R503.8 million in net repayments of borrowings during the period. The group finished the year with a net overdraft of R1.9 billion (2021: R770.9 million net overdraft balance).

Cashflow (Rmillion)



Group net debt for covenant purposes totalled R9.8 billion (2021: R8.7 billion), reflecting the increase in bank overdrafts at period end. At the interim and year end reporting dates, the bank covenant measures remained within the required levels set by the financiers. Increased bank overdraft balances and the weaker ZAR exchange rate used to translate the foreign denominated debt at reporting date both negatively impacted the leverage ratios, however, the group still maintains adequate headroom under its bank covenants.

Group net debt

Rmillion	2022	2021
Bank overdrafts	3 013.0	2 415.5
Total borrowings	7 596.6	7 649.8
Financial liability	54.4	50.1
Bank balances (excluding Guilds and trusts)	(862.0)	(1 370.7)
Total net debt	9 802.0	8 744.7

Borrowings

Foreign borrowings are raised in, and serviced by, the relevant regions, thereby eliminating any foreign currency exchange risk for the South African company. Net debt includes group borrowings of R7.60 billion (2021: R7.65 billion). Approximately 97.7% of the group debt is foreign currency denominated (59.0% EUR-denominated and 38.7% CHF-denominated). The percentage of fixed debt and floating debt is 2.3% and 97.7% respectively. The weighted average maturity of group borrowings is 3.5 years.

Borrowings per region

Rmillion	2022 local currency	2022	2021
Southern Africa (ZAR)	173.0	173.0	235.2
Ireland (EUR)	178.2	3 173.0	3 400.1
Switzerland (CHF)	159.8	2 941.6	2 627.0
Poland (EUR)	73.5	1 309.0	1 387.5
Total borrowings		7 596.6	7 649.8

Weighted average maturity – primary borrowings

	Years
South Africa	2.3
Ireland	4.3
Switzerland	2.5
Poland	2.2

Average interest rates on borrowings (%)

	FY22	FY21
South Africa	6.24	5.87
Ireland	1.74	1.65
Switzerland	1.42	1.26
Poland	2.17	1.91

Sensitivity analysis

A 50bps increase in interest rates would increase interest cost by (ZAR)

	FY22	FY21
Ireland	15.9m	17.0m
Switzerland	14.7m	13.1m
Poland	7.0m	6.9m

FINANCIAL RISK MANAGEMENT

The identification of sustainability and financial risks for the group forms part of the enterprise risk management (ERM) process. During the year, this was again updated by management and these risks were reviewed by the internal audit team. The group is typically exposed to inflation, currency, interest rate, liquidity and credit risks, the latter specifically impacting trade receivables. No additional risks were identified, and management is satisfied that these risks are being continuously and proactively managed.

ACCOUNTING POLICIES

The consolidated annual financial statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides, Financial Reporting Pronouncements, the Companies Act and the Listings Requirements of the JSE Limited. The group has considered and adopted all applicable new standards, interpretations and amendments to existing standards that are effective at year-end.

GOING CONCERN STATUS

The board has formally considered the going concern assertion of the group and is of the opinion that it remains appropriate for the 2023 financial year.



Mark Godfrey
Group CFO

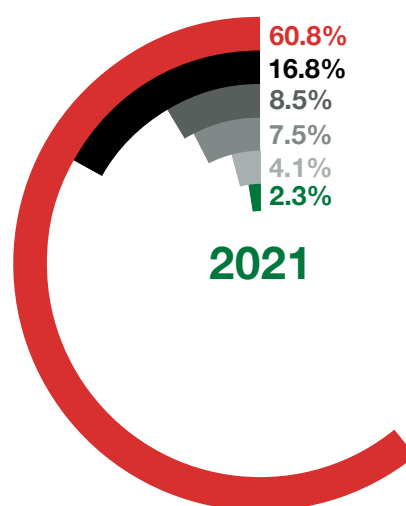
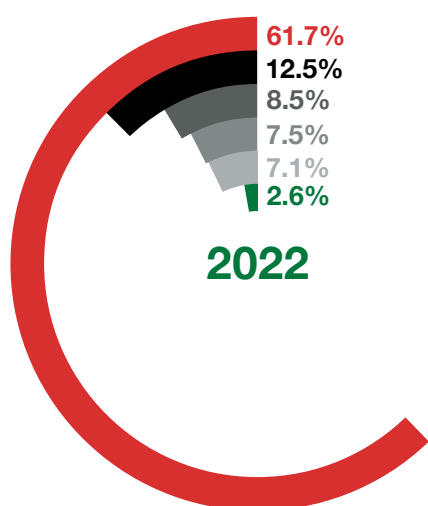
FIVE YEAR FINANCIAL REVIEW

Rmillion	2022	2021	2020	2019	2018
CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Revenue – sale of merchandise	135 609	127 941	124 277	109 477	101 018
Operating profit	3 429	3 393	3 443	2 979	2 779
Other non-operating items	(9)	(6)	(279)	(28)	(144)
Finance income	599	573	618	186	169
Finance costs	(984)	(936)	(1 023)	(344)	(193)
Finance costs including foreign exchange gains and losses	–	–	–	–	(137)
Share of equity-accounted associate (losses)/profit	7	(7)	(63)	(11)	(10)
Profit before taxation	3 042	3 017	2 696	2 782	2 464
Taxation	(822)	(808)	(740)	(618)	(637)
Profit after taxation	2 220	2 209	1 956	2 164	1 827
Remeasurement of retirement funds net of tax	475	461	164	(395)	131
Remeasurement of post-retirement medical aid net of tax	–	(7)	15	(2)	–
Gain on cash flow hedge net of tax	–	–	3	–	1
Exchange differences from translation of foreign operations	374	(219)	295	76	132
Total comprehensive income	3 069	2 444	2 433	1 843	2 091
CONDENSED STATEMENTS OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	8 997	8 193	8 725	7 184	6 652
Right-of-use assets	8 320	7 136	6 606	–	–
Finance lease receivable	5 007	5 121	4 713	–	–
Goodwill and intangible assets	7 576	6 837	6 983	5 064	4 752
Loans and investments	970	896	1 120	1 620	1 454
Operating lease receivables	8	8	6	269	208
Deferred taxation asset	254	228	223	75	14
Current assets	25 963	23 618	24 324	19 767	18 166
Assets classified as held for sale	23	30	39	74	10
Total assets	57 118	52 067	52 739	34 053	31 256
Equity and liabilities					
Capital and reserves	10 009	8 379	7 890	7 467	7 110
Deferred taxation liability	435	312	278	297	413
Post-employment benefit obligations	249	811	1 270	1 268	788
Financial liability	–	50	50	1 521	2 043
Long-term borrowings	7 091	7 346	6 896	5 009	4 531
Provisions	–	–	–	8	29
Other non-current financial liabilities	–	–	–	3	3
Operating lease payable	–	–	–	299	231
Finance lease payable	13 018	12 052	11 200	–	–
Current liabilities	26 316	23 117	25 155	18 181	16 108
Total equity and liabilities	57 118	52 067	52 739	34 053	31 256
CONDENSED STATEMENTS OF CASH FLOWS					
Cash flows from operating activities before dividends	3 831	3 620	5 221	1 127	3 334
Dividends paid	(1 387)	(1 837)	(1 378)	(1 431)	(1 358)
Cash flows from investing activities	(1 169)	(658)	(1 502)	(1 943)	(1 453)
Cash flows from financing activities	(2 439)	(2 541)	(1 821)	558	(428)
Net movement in cash and cash equivalents	(1 164)	(1 416)	520	(1 689)	95

VALUE ADDED STATEMENT

	2022 Rmillion	% of revenue	% wealth created	2021 Rmillion	% of revenue	% wealth created
Revenue	135 609			127 941		
Less: Net cost of product and services	124 783			117 219		
Value added	10 826			10 722		
Add: Income from investments and associates	141			113		
Wealth created	10 967	8.1	100.0	10 835	8.5	100.0
Applied to:						
Employees						
Salaries, wages and other benefits	6 770		61.7	6 589		60.8
Providers of capital	1 656		15.1	2 066		19.1
Interest on borrowings	288		2.6	246		2.3
Dividends to ordinary shareholders	1 368		12.5	1 820		16.8
Taxation	822		7.5	809		7.5
Replacement of assets	935		8.5	925		8.5
Retained in the group	784		7.1	446		4.1
Wealth distributed	10 967		100.0	10 835		100.0

Wealth created %



- Salaries, wages and other benefits
- Dividends to ordinary shareholders
- Replacement of assets
- Taxation
- Retained in the group
- Interest on borrowings

RATIOS AND STATISTICS

		2022	2021	2020	2019	2018	2017
STOCK EXCHANGE STATISTICS							
Market price per share							
– at year end	(cents)	14 336	19 642	18 965	19 101	18 413	16 708
– highest	(cents)	20 323	20 884	21 622	21 072	22 700	20 499
– lowest	(cents)	12 909	19 334	15 562	16 418	16 553	15 018
Number of share transactions		810 468	189 244	1 168 151	954 287	559 330	542 335
Number of shares traded	(millions)	231.8	189.2	231.8	189.2	145.5	203.8
Number of shares traded as a percentage of total issued shares	(%)	120.4	98.3	120.4	98.3	75.5	105.8
Value of shares traded	(Rmillion)	37 200.2	35 956.0	42 204.0	35 956.0	35 454.1	35 789.6
Earnings yield at year end	(%)	8.5	6.1	6.0	6.1	5.8	5.8
Dividend yield at year end	(%)	5.0	4.2	4.5	4.2	4.0	4.0
Price earnings ratio at year end	(multiple)	11.8	16.4	16.7	16.4	17.3	17.1
Market capitalisation at year end net of treasury shares	(Rmillion)	27 584	37 818	36 509	36 765	35 454	32 164
Market capitalisation to shareholders' equity at year end	(multiple)	2.8	4.5	4.6	4.9	5.0	4.9

SUMMARISED GROUP FINANCIAL STATEMENTS

DIRECTORS' APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, No. 71 of 2008 (as amended). The group's independent external auditors, PricewaterhouseCoopers Inc., have audited the financial statements and their unmodified report is enclosed. The directors are also responsible for the systems of internal control.

These controls are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, to record all liabilities, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In preparing the financial statements, the company and group have used appropriate accounting policies, supported by reasonable judgements and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the group as at 30 September 2022 and the results of their operations and cash flows for the year under review.

The annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the company or the group will not remain a going concern for the foreseeable future.

The annual financial statements were approved by the board of directors on 15 November 2022 and are signed on its behalf by:



GO O'Connor
Chairman

15 November 2022



BW Botten
Chief Executive Officer

CERTIFICATE BY THE COMPANY SECRETARY

I certify that, in respect of the reporting period, the company has, to the best of my knowledge and belief, lodged with the Companies and Intellectual Property Commission (CIPC) all returns and notices required of a public company in terms of the Companies Act, No. 71 of 2008 (as amended) of South Africa and that all such returns appear to be true, correct and up to date.



KJ O'Brien
Company Secretary

15 November 2022

DIRECTOR'S REPORT

The directors of the company have the pleasure in submitting their report on the audited consolidated annual financial statements of the group and company for the year ended 30 September 2022.

Nature of business

SPAR is a warehousing and distribution business listed on the JSE Limited (JSE) in the food and drug retailers sector. The group owns several country licences for the SPAR retail brand, which is used by a network of independent retailers who trade under our brand and are supplied on a voluntary basis through our distribution centres. There were no material changes to the nature of the group's business for the 2022 financial year.

Directorate and company secretary

During the financial year under review, Mr HK Mehta retired by rotation and did not offer himself for re-election at the annual general meeting held on 15 February 2022. Mr ST Naran was appointed as an independent non-executive director of the company effective 15 February 2022.

Mr KJ O'Brien was appointed as the Acting Company Secretary with effect from 25 March 2021 and subsequently appointed as Company Secretary in full capacity effective 16 March 2022. Particulars relating to the directors' remuneration and interests and directors' share scheme interests are set out in notes 36 and 37.

Corporate governance

The directors are the custodians of corporate governance and subscribe to King IV. Refer to our governance structures, composition and functioning in the integrated report. Committee reports are disclosed as follows:

- Audit Committee report
- Nominations Committee report
- Remuneration Committee report
- Risk Committee report
- Social Ethics and Sustainability Committee report

The directors are not aware of any material non-compliance with statutory or regulatory requirements. The directors confirm that the company is in compliance with the provisions of the Companies Act, No. 71 of 2008 (as amended), the Listings Requirements of the JSE Limited and the relevant laws governing its establishment, specifically relating to its incorporation; and operating in conformity with its memorandum of incorporation.

Financial results

The results for the period are detailed in the annual financial statements that follow.

Going concern

The directors have reviewed the detailed five-year plan prepared by each geographical segment. These cash flow projections underpin the going concern assessment and confirms that sufficient funding remains in place for a period of at least 12 months from the date of this report. Based on the above reviews, no material uncertainties that would require disclosure have been identified in relation to the ability of the group to remain a going concern.

The directors therefore consider it appropriate for the going concern basis to be adopted in preparing the annual financial statements.

Stated capital

Details of the authorised and issued share capital of the company and the movements during the period are disclosed in note 25.

Details of the treasury shares of the company are disclosed in note 26.

Dividends

It is company policy to make two dividend payments each year, an interim payment in July and a final payment in December.

An interim dividend of 175.0 cents per share (2021: 280.0 cents per share) was declared on 8 June 2022 and paid on 4 July 2022.

A final dividend of 225.0 cents per share (2021: 536.0 cents) has been declared on 16 November 2022 and payable on 12 December 2022.

The salient dates for the payment of the final dividend are:

Last day to trade <i>cum</i> -dividend	Tuesday, 6 December 2022
Shares to commence trading <i>ex</i> -dividend	Wednesday, 7 December 2022
Record date	Friday, 9 December 2022
Payment of dividend	Monday, 12 December 2022

Shareholders will not be permitted to dematerialise or rematerialise their shares between Wednesday, 7 December 2022 and Friday, 9 December 2022, both days inclusive.

Share scheme

Particulars relating to the company's share-based payments are set out in note 38.

Subsidiaries

The interest of the company in the aggregate net profit/loss after taxation of subsidiaries was a profit of R561.5 million (2021: profit of R616.8 million). Details of the company's principal subsidiaries are set out in note 14.

Special resolutions

The company passed the following special resolutions at the annual general meeting held on 15 February 2022:

- Special resolution number 1 – Financial assistance to related or inter-related companies and persons
- Special resolution number 2 – Non-executive directors' fees

Litigation statement

The company becomes involved from time to time in various claims and litigation proceedings incidental to the ordinary course of business. The directors are not aware of any existing, pending or threatened litigation proceedings which may have a material effect on the financial position of the company.

SPAR's litigation with the Giannacopoulos group of stores continues and SPAR continues to engage with the Competition Commission regarding their Grocery Retail Sector Market Inquiry particularly dealing with issues of exclusivity.

Subsequent events

Matters or circumstances arising since the end of the 2022 financial year, which have or may significantly affect the financial position of the company or the results of its operations are disclosed in note 40 of the annual financial statements.

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion	% Change	Year ended September	
		2022	2021
Revenue – sale of merchandise	6.0	135 609.1	127 940.5
Cost of sales		(119 310.1)	(112 581.5)
Gross profit		16 299.0	15 359.0
Revenue – other		2 727.5	2 454.5
Other income		298.7	226.3
Net operating expenses	8.5	(15 896.5)	(14 647.2)
Operating profit	1.1	3 428.7	3 392.6
Other non-operating items		(9.1)	(6.4)
Finance income		599.0	573.0
Finance costs		(984.2)	(935.4)
Share of equity-accounted associate profits/(losses)		7.3	(6.7)
Profit before taxation	0.8	3 041.7	3 017.1
Taxation		(821.9)	(808.6)
Profit after taxation		2 219.8	2 208.5
Attributable to:			
Equity holders of the company		2 152.0	2 265.5
Non-controlling interests		67.8	(57.0)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-retirement medical aid		(0.3)	(9.2)
Deferred tax relating to remeasurement of post-retirement medical aid		0.1	2.5
Remeasurement of retirement funds		551.0	537.4
Deferred tax relating to remeasurement of retirement funds		(76.3)	(76.6)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences from translation of foreign operations		374.2	(218.8)
Total comprehensive income	25.6	3 068.5	2 443.8
Attributable to:			
Equity holders of the company		3 000.7	2 493.8
Non-controlling interests		67.8	(50.0)
Earnings per share (cents)			
Basic	(4.9)	1 118.2	1 176.3
Diluted	(4.8)	1 116.9	1 173.8

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	Year ended September	
		2022	2021
ASSETS			
Non-current assets		31 132.5	28 419.0
Property, plant and equipment		8 996.7	8 192.5
Right-of-use assets		8 320.5	7 135.5
Lease receivable		5 006.8	5 120.7
Goodwill and intangible assets		7 575.6	6 837.1
Investment in associates and joint ventures		130.7	94.6
Other investments		15.7	14.5
Operating lease receivables		8.2	7.6
Loans and other receivables		777.2	700.3
Block discounting loan receivable		47.5	87.9
Deferred taxation asset		253.6	228.3
Current assets		25 962.8	23 618.3
Inventories		6 554.0	5 303.4
Trade and other receivables		16 881.5	15 327.9
Prepayments		257.4	226.9
Loans and other receivables		207.2	199.5
Current portion of block discounting loan receivable		53.8	114.4
Income tax receivable			25.4
Current portion of lease receivable		896.1	776.2
Cash and cash equivalents – SPAR		862.0	1 370.7
Cash and cash equivalents – Guilds and trusts		250.8	273.9
Assets held for sale		22.9	29.5
Total assets		57 118.2	52 066.8
EQUITY AND LIABILITIES			
Capital and reserves		10 009.1	8 379.1
Stated capital		2 231.5	2 231.5
Treasury shares		(30.9)	(13.3)
Reserves		937.1	576.4
Non-controlling interests		226.7	177.6
Retained earnings		6 644.7	5 406.9
Non-current liabilities		20 792.4	20 571.2
Deferred taxation liability		435.5	312.1
Post-employment benefit obligations		248.8	810.9
Financial liabilities	5		50.1
Long-term borrowings		7 041.9	7 256.4
Block discounting loan payable		48.4	89.8
Lease liability		13 017.8	12 051.9
Current liabilities		26 316.7	23 116.5
Trade and other payables		20 553.1	18 266.4
Current portion of financial liabilities	5	54.4	
Current portion of long-term borrowings		554.7	393.4
Current portion of block discounting loan payable		55.6	117.4
Provisions		45.9	27.3
Current portion of lease liability		1 976.6	1 824.5
Income tax payable		63.4	72.0
Bank overdrafts		3 013.0	2 415.5
Total equity and liabilities		57 118.2	52 066.8

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Stated capital	Treasury shares	Currency translation reserve	Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Total equity
Balance at 30 September 2020	2 231.5	(15.3)	557.9	298.3	5 153.5	(237.7)	(28.2)	(70.3)	7 889.7
Profit for the year					2 265.5			(57.0)	2 208.5
Remeasurement of post-retirement medical aid					(6.7)				(6.7)
Remeasurement of retirement funds					460.8				460.8
Recognition of share-based payments				23.9					23.9
Take-up of share options		80.2		(36.1)					44.1
Transfer arising from take-up of share options				36.1	(36.1)				–
Settlement of share-based payments		56.2		(22.9)	(33.3)				–
Treasury shares acquired		(134.4)							(134.4)
Dividends paid					(1 819.5)			(17.9)	(1 837.4)
Additional shareholding acquired from non-controlling interest					(391.1)			315.8	(75.3)
Equity reserve transferred to retained earnings					(186.2)	186.2			–
Exchange rate translation			(225.8)			24.7		7.0	(194.1)
Balance at 30 September 2021	2 231.5	(13.3)	332.1	299.3	5 406.9	(26.8)	(28.2)	177.6	8 379.1
Profit for the year					2 152.0			67.8	2 219.8
Remeasurement of post-retirement medical aid					(0.2)				(0.2)
Remeasurement of retirement funds					474.7				474.7
Recognition of share-based payments				(1.9)					(1.9)
Take-up of share options		17.3		(7.6)					9.7
Transfer arising from take-up of share options				7.6	(7.6)				–
Settlement of share-based payments		24.7		(11.6)	(13.1)				–
Treasury shares acquired		(59.6)							(59.6)
Dividends paid					(1 368.0)			(18.7)	(1 386.7)
Exchange rate translation			374.2						374.2
Balance at 30 September 2022	2 231.5	(30.9)	706.3	285.8	6 644.7	(26.8)	(28.2)	226.7	10 009.1

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Notes	Year ended September	
		2022	2021
CASHFLOWS FROM OPERATING ACTIVITIES		2 444.3	1 783.4
Operating profit before:		3 428.7	3 392.6
Non-cash items		2 377.4	2 122.7
Net loss on disposal of property, plant and equipment and intangible assets		10.5	53.4
Net working capital changes		(789.7)	(693.2)
– Increase in inventories		(1 049.0)	(110.9)
– Increase in trade and other receivables		(2 196.4)	(688.9)
– Increase in trade payables and provisions		2 455.7	106.6
Cash generated from operations		5 026.9	4 875.5
Finance income received		566.5	542.4
Finance costs paid		(932.8)	(872.8)
Taxation paid		(829.6)	(924.3)
Dividends paid		(1 386.7)	(1 837.4)
CASHFLOWS FROM INVESTING ACTIVITIES		(1 168.6)	(658.2)
Acquisition of businesses/subsidiaries	4.4	(349.2)	(208.7)
Proceeds from disposal of businesses	4.2	9.6	137.6
Proceeds on disposal of assets held for sale		1.8	5.1
Investment to expand operations		(1 190.8)	(978.4)
Investment to maintain operations		(454.8)	(394.7)
– Replacement of property, plant and equipment and intangible assets		(592.6)	(463.9)
– Proceeds on disposal of property, plant and equipment and intangible assets		137.8	69.2
Principal elements of lease receipts		819.8	716.8
Cash inflows on loans and investments		364.7	557.1
Cash outflows on loans and investments		(369.7)	(493.0)
CASHFLOWS FROM FINANCING ACTIVITIES		(2 439.5)	(2 541.3)
Proceeds from exercise of share options		9.7	44.1
Settlement of financial liability			(1 962.1)
Principal element of lease payments		(1 885.8)	(1 739.3)
Proceeds from borrowings		377.4	2 284.7
Principal element of repayments of borrowings		(881.2)	(959.0)
Non-controlling interest share repurchases			(75.3)
Treasury shares acquired		(59.6)	(134.4)
Net decrease during the year		(1 163.8)	(1 416.1)
Net (overdrafts)/cash balances at beginning of year		(770.9)	723.1
Exchange rate translation		34.5	(77.9)
Net overdraft at end of year		(1 900.2)	(770.9)

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

1. Statement of compliance and basis of preparation

The summarised consolidated group results for the year ended 30 September 2022 have been prepared in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The report contains the information required by International Accounting Standard IAS 34: Interim Financial Reporting and is in compliance with the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act, No. 71 of 2008 (as amended) (Companies Act). The accounting policies as well as the methods of computation used in the preparation of the results for the period ended 30 September 2022 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 30 September 2021.

The presentation currency is the South African rand, rounded to the nearest million, except where otherwise indicated.

The summarised group results have been prepared under the supervision of the Chief Financial Officer, Mr MW Godfrey, CA(SA), on behalf of The SPAR Group Ltd.

This report is extracted from underlying audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available on the company's website and available for inspection at the company's registered office. The directors take full responsibility for the preparation of the preliminary report and that the financial information has been correctly extracted from the underlying annual financial statements.

2. Salient statistics and headline earnings

		% Change	2022	2021
Salient statistics				
Headline earnings per share	(cents)	(3.0)	1 160.5	1 196.2
Diluted headline earnings per share	(cents)	(2.9)	1 159.1	1 193.7
Dividend per share	(cents)	(51.0)	400.0	816.0
Net asset value per share	(cents)	19.5	5 201.0	4 350.5
Operating profit margin	(%)		2.5	2.7
Return on equity	(%)		23.4	27.9
Headline earnings reconciliation				
Profit for the year attributable to equity holders of the company			2 152.0	2 265.5
<i>Adjusted for:</i>				
Loss on disposal of property, plant and equipment and intangible assets			8.9	49.4
Loss on disposal of assets held for sale				0.1
Impairment of assets held for sale			4.9	3.8
Profit on disposal of associates				(5.3)
Impairment to right-of-use asset			7.5	
Impairment of goodwill			46.3	3.4
Impairment of PPE			10.2	1.6
Loss/(profit) on disposal of businesses			3.6	(14.6)
Headline earnings			2 233.4	2 303.9

3. Segment reporting

Segment accounting policies are consistent with those adopted for the preparation of the consolidated financial statements.

The principal segments of the group have been identified on a primary basis by geographical segment, which is representative of the internal reporting used for management purposes as well as the source and nature of business risks and returns. These geographical segments also represent operating segments as they meet the quantitative thresholds.

The Chief Executive Officer is the Chief Operating Decision Maker (CODM) and assesses the performance of the operating segments based on profit before tax and for joint ventures and associates based on earnings after tax. The CODM is of the opinion that the operations of the individual distribution centres within Southern Africa are substantially similar to one another and that the risks and returns of these distribution centres are likewise similar. The risks and returns of the Ireland, Switzerland and Poland operations are not considered to be similar to those within Southern Africa or each other and are therefore disclosed as separate reportable segments.

As a result, the geographical reportable segments of the group have been identified as Southern Africa, Ireland, Switzerland and Poland. All segment revenue and expenses are directly attributable to the segments. Segment assets and liabilities include all operating assets and liabilities used by a segment, with the exception of inter-segment assets and liabilities, and IFRS adjustments made by segments to their management report for the purposes of IFRS compliance. These assets and liabilities are all directly attributable to the segments.

The principal activity of the reporting segments is the wholesale and distribution of goods and services to SPAR grocery stores and multiple other branded group retail outlets.

The group deals with a broad spread of customers, with no single customer exceeding 10% of the group's revenue.

Analysis per reportable segment:

Rmillion	Southern Africa	Ireland	Switzerland	Poland	Consolidated Total
2022					
Statement of profit or loss					
Revenue from contracts with customers	89 076.1	31 815.5	15 052.3	2 392.7	138 336.6
Depreciation and amortisation	462.4	624.4	825.2	82.9	1 994.9
Total employment costs	2 890.8	1 950.8	1 618.7	309.3	6 769.6
Impairment of goodwill		46.3			46.3
Delivery costs – fuel	840.4	535.1	163.2	95.4	1 634.1
Advertising	984.4	215.7	291.6	38.2	1 529.9
Operating profit/(loss)	2 451.7	970.5	409.5	(403.0)	3 428.7
Profit/(loss) before tax	2 335.6	810.4	351.1	(455.4)	3 041.7
Finance income	552.4	10.6	7.8	28.2	599.0
Finance costs	671.6	165.8	66.2	80.6	984.2
Share of equity-accounted associate profits	3.1	4.2			7.3
Taxation	682.7	89.6	53.8	(4.2)	821.9
Statement of financial position					
Total assets	26 968.1	16 104.4	12 018.1	2 027.6	57 118.2
Total liabilities	21 784.8	12 883.4	9 494.0	2 946.9	47 109.1
2021					
Statement of profit or loss					
Revenue from contracts with customers	82 103.8	30 838.9	15 083.9	2 368.4	130 395.0
Depreciation and amortisation	449.3	616.6	789.1	110.4	1 965.4
Total employment costs	2 806.5	1 793.3	1 671.3	318.2	6 589.3
Impairment of goodwill	3.4				3.4
Delivery costs – fuel	647.7	409.5	136.5	109.6	1 303.3
Advertising	818.0	207.2	274.8	57.3	1 357.3
Operating profit/(loss)	2 486.2	968.4	415.2	(477.2)	3 392.6
Profit/(loss) before tax	2 371.3	793.2	379.2	(526.6)	3 017.1
Finance income	515.6	13.3	4.6	39.5	573.0
Finance costs	623.8	183.8	38.9	88.9	935.4
Share of equity-accounted associate losses	6.7				6.7
Taxation	678.3	80.4	57.9	(8.0)	808.6
Statement of financial position					
Total assets	25 006.5	14 917.5	9 965.0	2 177.8	52 066.8
Total liabilities	19 888.4	12 625.1	8 258.3	2 915.9	43 687.7

Segment disclosure of material costs for 2022 and 2021 has been provided in accordance with IFRS 8.23(f).

3. Segment reporting continued

	2022	2021
Disaggregated Revenue as reviewed by the CODM		
Southern Africa		
Revenue – sale of merchandise	88 090.9	81 261.4
SPAR	65 946.9	62 608.1
TOPS at SPAR	10 204.3	7 157.5
Build it	10 137.9	9 836.3
S Buys	1 290.9	1 175.0
Encore	510.9	484.5
Revenue – other	985.2	842.4
Revenue from contracts with customers	89 076.1	82 103.8
Ireland		
Revenue – sale of merchandise	31 295.6	30 332.1
BWG	26 672.0	26 065.5
Appleby Westward	4 623.6	4 266.6
Revenue – other	519.9	506.8
Revenue from contracts with customers	31 815.5	30 838.9
Switzerland		
Revenue – sale of merchandise	13 834.7	13 983.2
Wholesale	6 268.5	6 333.6
TopCC	5 256.6	5 035.8
Retail	2 309.6	2 613.8
Revenue – other	1 217.6	1 100.7
Revenue from contracts with customers	15 052.3	15 083.9
Poland		
Revenue – sale of merchandise	2 387.9	2 363.8
Wholesale	2 072.8	2 032.1
Retail	315.1	331.7
Revenue – other	4.8	4.6
Revenue from contracts with customers	2 392.7	2 368.4
Total Revenue – sale of merchandise	135 609.1	127 940.5
Total Revenue – other	2 727.5	2 454.5
Total Revenue from contracts with customers	138 336.6	130 395.0

4. Business combinations

4.1 ACQUISITIONS

Retail stores acquired

During the financial year, SPAR acquired the assets of 11 (2021: four) retail stores in South Africa and the BWG Group acquired the assets of 16 stores in the United Kingdom (UK) (2021: 13 stores in the UK) and two cash and carry businesses in Ireland (2021: zero cash and carries). The principal activity of these acquisitions is that of retail trade and all its aspects. The retail stores were purchased as part of the strategy for growth in the UK, and the goodwill arising on the business combinations is indicative of future turnover expected to be made by the group as a result of wholesale sales to these acquired stores as well as net profits to be made by the stores. The cash and carries were acquired to access their customer base and new markets, and to avail of economies of scale and synergies. These acquisitions were funded from available cash resources.

Assets acquired and liabilities assumed at date of acquisition

Rmillion	2022			
	Ireland cash and carries	UK retail stores	SA retail stores	Total
Assets	14.7	224.8	35.3	274.8
Property, plant and equipment	0.4	10.9	35.3	46.6
Right-of-use assets		205.0		205.0
Inventories	14.3	8.9		23.2
Liabilities		(205.0)		(205.0)
Lease liability		(205.0)		(205.0)
Total identifiable net (liabilities)/assets at fair value	14.7	19.8	35.3	69.8
Goodwill arising from acquisition	67.0	81.5	86.0	234.5
Purchase consideration	81.7	101.3	121.3	304.3
Business acquisition costs		9.1		9.1
Contingent consideration (note 4.5)	(36.9)			(36.9)
Net cash outflow on acquisition	44.8	110.4	121.3	276.5

4.2 ASSETS AND LIABILITIES AT DATE OF DISPOSAL

The assets and liabilities disposed of relate to four South African retail stores (2021: ten retail stores), zero retail stores in Poland (2021: three), and zero retail stores in the UK (2021: two).

Rmillion	2022 SA retail stores
Assets	13.2
Property, plant and equipment	3.4
Trade and other receivables	1.7
Goodwill	8.1
Loss on disposal of businesses	(3.6)
Proceeds	9.6
Net cash inflow on disposal	9.6

4. Business combinations continued

4.3 CONTRIBUTION TO RESULTS FOR THE YEAR

Rmillion	Ireland cash and carries	UK retail stores	SA retail stores	Total
Revenue	54.7	137.5	172.1	364.3
Operating profit/(loss)		4.6	(9.5)	(4.9)

Had all acquisitions been consolidated from the beginning of the financial year, the contribution to the result would have been as follows:

Rmillion	Ireland cash and carries	UK retail stores	SA retail stores	Total
Revenue	515.8	345.2	203.5	1 064.5
Operating profit/(loss)	32.4	22.0	(12.5)	41.9

Revenue figures included are those contributed by the business inclusive of inter-company sales to SPAR.

4.4 CASH FLOW ON ACQUISITION OF BUSINESS/SUBSIDIARIES

The cash flow on acquisition of businesses/subsidiaries is noted as being the amount disclosed in note 4.1 and the contingent consideration and deferred consideration as described below.

Rmillion	2022	2021
Net cash outflow	276.5	149.4
Contingent consideration cash outflow on prior year business combinations	72.7	52.6
Deferred consideration on retail stores acquired in 2020		6.7
Total net cash outflow relating to acquisitions	349.2	208.7

4.5 CONTINGENT AND DEFERRED CONSIDERATION

The contingent consideration of R36.9 million for the cash and carries in Ireland is based on 12 months' sales performance of which the measurement period commences in March 2023.

The prior year contingent consideration payable on the Store Service AG acquisition was settled during October 2021 at an amount of R57.4 million, based on the contractual agreement at a fixed price, which was dependent on the recoverability of the acquired balances.

The 2020 contingent consideration for the Heaney Meats acquisition was settled during the period at an amount of R15.3 million. The balance is no longer payable following settlement of the contingent consideration and termination of the share purchase agreement with the vendors, and has been released to the statement of profit or loss at an amount of R59.3 million.

5. Financial liabilities

Rmillion	2022	2021
Present value		
S Buys Holdings (Pty) Ltd	54.4	50.1
Total financial liabilities	54.4	50.1
Less: Short-term portion of financial liabilities	(54.4)	–
Long-term portion of financial liabilities	–	50.1
Undiscounted value		
S Buys Holdings (Pty) Ltd	55.9	55.9
Difference between undiscounted value and the carrying amount of the financial liabilities	1.5	5.8

The undiscounted value of the financial liabilities represents the amount the group is contractually required to pay at maturity to the holder of the obligation.

5. Financial liabilities continued

S BUYS HOLDINGS (PTY) LTD

On 1 October 2017 The SPAR Group Ltd acquired a 60% shareholding in S Buys Holdings (Pty) Ltd which trades as S Buys. The SPAR Group Ltd agreed to purchase the remaining 40% shareholding in S Buys between 30 September 2022 and 31 December 2022 for an amount based on a multiple of the profit after tax for the 2022 financial year. This obligation to purchase the remaining shareholding was recognised as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. An election was made not to recognise the non-controlling interest's share of profits or losses in equity, but rather as the movement in the fair value of the discounted financial liability to purchase the remaining 40% shareholding. As at 30 September 2022, the financial liability was valued at R54.4 million (2021: R50.1 million).

Interest is recorded in respect of this liability within finance costs using the effective interest rate method. The estimated future purchase price is fair valued at each reporting date and any changes in the value of the liability as a result of changes in the assumptions used to estimate the future purchase price are recorded in profit or loss.

MOVEMENTS IN LEVEL 3 FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The following tables show a reconciliation of the opening and closing balances of level 3 financial instruments carried at fair value:

S Buys Holdings (Pty) Ltd		
Rmillion	2022	2021
Carrying value at beginning of year	50.1	49.7
Finance costs recognised in profit or loss	4.3	0.4
Carrying value at end of year	54.4	50.1

6. Financial risk management

Rmillion	2022	2021
Financial instruments classification		
Financial assets held at amortised cost		
Loans and other receivables	984.4	899.8
Block discounting loan receivable	101.3	202.3
Lease receivable	5 902.9	5 896.9
Trade and other receivables	16 881.5	15 327.9
Financial liabilities at amortised cost		
Net bank overdrafts	(1 900.2)	(770.9)
Block discounting loan payable	(104.0)	(207.2)
Lease liability	(14 994.4)	(13 876.4)
Trade and other payables	(20 553.1)	(18 266.4)
Borrowings	(7 596.6)	(7 649.8)
Financial assets and liabilities at fair value through profit or loss		
Financial liabilities at fair value through profit or loss	(54.4)	(50.1)

FAIR VALUE HIERARCHY

The group's financial instruments carried at fair value are classified into three categories, defined as follows:

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2 financial instruments are those valued using techniques primarily based on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. Financial instruments classified as level 2 mainly comprise other equity investments.

Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

6. Financial risk management continued

The following financial instruments are carried at fair value and are further categorised into the appropriate fair value hierarchy:

FINANCIAL INSTRUMENTS

Rmillion	Carrying value	Level 1	Fair value Level 2	Level 3
2022				
Financial liabilities at fair value through profit or loss	(54.4)			(54.4)
Total	(54.4)			(54.4)
2021				
Financial liabilities at fair value through profit or loss	(50.1)			(50.1)
Total	(50.1)			(50.1)

Level 3 sensitivity information – S Buys Holdings (Pty) Ltd

The fair value of the level 3 financial liabilities of R54.4 million (2021: 50.1 million) was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the assumed future profit targets for the 2022 financial year and the discount rates applied from payment date. As the 2022 financial year has concluded, no further fair value adjustments are expected, and the liability will be settled at an amount of R55.9 million in November 2022.

7. Commitments

Rmillion	2022	2021
Capital commitments		
Contracted	810.5	907.5
Approved but not contracted	1 018.1	388.0
Total capital commitments	1 828.6	1 295.5
Analysed as follows:		
Property, plant and equipment	670.3	976.4
Intangible assets	1 158.3	319.1

Capital commitments will be financed from group resources.

8. Financial guarantees

Financial guarantees may be provided by the group to subsidiaries and affiliates. These financial guarantees are accounted for under IFRS 4 and initially measured at cost and subsequently in terms of IAS 37 which requires the best estimate of the expenditure to settle the present obligation. Management has assessed that it is not probable that the amount will be paid.

Management's assessment is based on the ability of subsidiaries and affiliates having sufficient cash resources, in country, to service the underlying debt instrument's obligations as and when these become due.

The risk relating to financial guarantees is managed per geographical region through review of cash flow forecasts, budgets and monitoring of covenants.

The company has also provided a financial guarantee on the TIL JV Ltd bank facilities to the value of EUR297.2 million (2021: EUR302.2 million), and the SPAR Holding AG borrowing facilities to the value of CHF48 million (2021: CHF56 million).

The SPAR Group Ltd had a facility with Wesbank where SPAR undertook to stand guarantee for loans issued to retailers up to a limit of R1.0 billion. This new facility arrangement was concluded in July 2019 under a direct deal basis which meant that the retailer signed the loan agreement directly with the bank and SPAR signed a separate guarantee for this loan. Exposure on the direct deals facility is disclosed as a financial guarantee and is not recognised on our balance sheet. The balance disclosed in the statement of financial position as at September 2022 relate to the full recourse deals.

8. Financial guarantees continued

The company has also provided a financial guarantee on the NPI Sp z.o.o bank facilities to the value of EUR105.0 million (2021: EUR85.0 million).

The board has limited the guarantee facility to R220.0 million (2021: R220.0 million) relating to Numlite (Pty) Ltd. In 2009 the company sold its investment in retail computer equipment and ceded its right to receive payment of the existing and future rental streams to Numlite (Pty) Ltd, who in turn raises finance *via* a loan facility with an independent financial institution. The group has provided a limited guarantee relating to this loan facility, exposing the group to credit risk in the event that Numlite (Pty) Ltd defaults on its loan facility payments. At year end, 1 052 SPAR stores (2021: 1 039), 725 TOPS at SPAR stores (2021: 699), 66 Pharmacy at SPAR stores (2021: 69) and 114 Build it stores (2021: 88) were participants in the IT retail scheme, with an average debt of R106 342 (2021: R106 630) per store.

The table below represents the full exposure of the group in relation to utilisation on these financial guarantees as at 30 September:

Rmillion	2022	2021
Guarantee of Wesbank direct deal loan agreements	428.2	461.4
Guarantee of retailer finance obligation*	36.5	41.7
Guarantee of Numlite (Pty) Ltd finance obligations	208.1	202.1
	672.8	705.2

* The 2021 balance has been updated to reflect the guarantee exposure relating to the retailer finance obligation.

9. Events after the reporting date

9.1 ACQUISITION OF S BUYS HOLDINGS (PTY) LTD

During November 2022, the company settled its obligation to purchase the remaining shareholding in S Buys Holdings (Pty) Ltd for R55.9 million.

9.2 ACQUISITION OF SPAR ENCORE LTD

The SPAR Group Ltd acquired a controlling 50% interest in SPAR Encore Ltd (previously Monteagle Africa Ltd) in February 2020. The board has approved the acquisition of the remaining shares in SPAR Encore Ltd, subject to Competition Commission approval.

10. Contingent liability

Summons has been served on the company by one of its larger retailers for damages relating to a membership dispute. The company has engaged senior counsel to consider the validity of the claim.

11. Changes to the board

HK Mehta retired as an independent non-executive director effective 15 February 2022.

ST Naran was appointed as an independent non-executive director and as a member of the Risk and Audit Committees effective 15 February 2022.

LM Koyana was appointed as a member of the Audit Committee, M Mashologo was appointed as a member of the Nomination and Remuneration Committees and P Mnganga was appointed as the Chairperson of the Remuneration Committee effective 15 February 2022.

KJ O'Brien was appointed as the Company Secretary effective 16 March 2022.



GOVERNANCE



BOARD OF DIRECTORS AS AT 30 SEPTEMBER 2022

NON-EXECUTIVE DIRECTORS



Graham O'Connor (66)

CA(SA)

Non-executive Chairman

Joined the group in 1986

Appointed to the board: February 2014

Appointed as Chairman: 1 March 2021

NC Chairman **RC** Member

Graham served as group accountant in 1986 and became the Managing Director of the SPAR KwaZulu-Natal division in 1987. In 1997, he left the group to start his own industrial catering business and became a partner in four SPAR retail stores. He returned to the group in 2014 as Group CEO and after retiring in February 2021, he was appointed as non-executive director and Chairman of the board on 1 March 2021.

Graham contributes financial, auditing, retail, international retail, and entrepreneurial skills to the board.



Lwazi Koyana (54)

BCom, CA(SA)

Independent non-executive director

Appointed to the board: May 2019

RC Member **SEC** Member **AC** Member

Lwazi is the founder and managing director of Nations Capital Advisors (Pty) Ltd. He is a non-executive director of Mineworkers Investment Company (Pty) Ltd, Steve Biko Academic Hospital (chairman), the South African Qualifications Authority (independent chairman of the audit and risk committee) and member of the Rhodes University council. He is the former independent non-executive director of Afgri Ltd, SecureData and the W&RSETA.

Lwazi contributes financial, auditing, governance, retail and entrepreneurial skills to the board.



Marang Mashologu (46)

BCom, CFA® charter

Independent non-executive director

Appointed to the board: December 2015

RC Member **AC** Member

NC Member **RC** Chairperson

Marang is a director and shareholder at Sphere Holdings (Pty) Ltd and independent non-executive director and audit committee chairperson of Chubb Insurance South Africa Ltd, the South African subsidiary of Chubb Ltd. She is a member of the board of trustees of the African Leadership Network and Aspen Global Leadership Network and fellow of the inaugural class of the Finance Leaders Fellowship Program.

Marang contributes financial, auditing, governance, and entrepreneurial skills to the board.



Sundeep Naran (55)

BSc (Mathematics), CFA® charter

Independent non-executive director

Appointed to the board: February 2022

RC Member **AC** Member

Sundeep had a 20-year career at RMB having served in many capacities including: senior transactor in the Mergers and Acquisitions team, co-head of the Leveraged Finance team and the head of Financial Resources Management. He was a member of the RMB executive committee. Sundeep was previously employed in the actuarial environment at the Employee Benefits division of Southern Life and Momentum. He has previously served as a non-executive director and member of the social and ethics and audit and risk committees of Primedia Holdings and Afrisam Holdings.

Sundeep contributes financial, auditing, and governance skills to the board.



Phumla Mnganga (54)

BA, BEd, MBL, PhD

Independent non-executive director

Appointed to the board: January 2006

SEC Chairperson **RC** Chairperson

NC Member

Phumla is the managing director of Lehumo Women's Investment Holdings. She also serves as a non-executive director on the listed boards of Adcorp Holdings, the Altron Group, Novus Holdings and Exxaro Resources.

Phumla contributes retail, legal, ESG and entrepreneurial skills to the board.



Andrew Waller (60)

CA(SA)

Lead independent non-executive director

Appointed to the board: February 2018

Appointed as lead independent director: 1 March 2021

AC Chairman **RC** Member

NC Member **RC** Member

Andrew is the CEO of Grindrod Ltd and non-executive director of Senwes Ltd. He was previously a partner of Deloitte & Touche.

Andrew contributes financial, auditing, governance and entrepreneurial skills to the board.



Jane Canny (65)

FCG (CS, CPG, ACC)

Independent non-executive director

Appointed to the board: May 2021

RC Member **SEC** Member

Jane currently serves as an independent non-executive director of the Mr Price Group and Hollard Group Risk (a division of the Hollard Insurance Group) with a specific focus on risk, digital transformation and ESG.

Jane contributes financial, auditing, entrepreneurial, information technology, retail and ESG skills to the board.



Risk Committee



Remuneration Committee



Nominations Committee



Social, Ethics and Sustainability Committee



Audit Committee



The SPAR Guild of Southern Africa

EXECUTIVE DIRECTORS



Brett Botten (58)

CA(SA)

Group CEO

Joined the group in 1994

Appointed to the board: March 2021



Member



Member



Member

Before he was appointed Group CEO in March 2021, Brett held the position of Managing Director of SPAR South Rand division since 2010, and was a member of the SPAR Guild of Southern Africa. He has also previously served as the Managing Director of SPAR North Rand, SPAR Lowveld and SPAR Eastern Cape divisions.

Brett contributes financial, auditing, entrepreneurial and retail skills to the board.



Mark Godfrey (57)

BCom, CA(SA)

Group CFO

Joined the group in 1996

Appointed to the board: October 2010



Member

Mark served in financial management positions in various group operations and was appointed Group CFO in 2010.

Mark contributes financial, auditing, governance, retail and international retail skills to the board.

COMPANY SECRETARY



Kevin O'Brien (60)

BA, LLB, BSocSc (Hons), Mst (Cantab)

Company Secretary

Joined the group in 1993

Appointed Company Secretary: March 2022

Kevin is the Group Chief ESG Officer and Company Secretary and previously held the position of Group Company Secretary from 2006 to 2016. Kevin formerly served in personnel, human resources and property management positions in various group operations and was a former General Manager of Capper and Company, a SPAR distribution operation in the United Kingdom.

Kevin was appointed as Company Secretary in full capacity effective 16 March 2022, following him filling the position in temporary capacity for a year.

OUR GOVERNANCE SYSTEM

SPAR is a public company incorporated in South Africa and listed on the JSE and accordingly adheres to the Companies Act and Regulations requirements, as amended, the JSE Listings Requirements and King IV.

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 in the best interest of the company and its stakeholders.

The board supports the governance outcomes, principles and practices of King IV and applies the applicable King IV principles. Our disclosures in terms of King IV are fully integrated with our reporting elements and are aligned to the following clusters:

Principle cluster	Detail	Page
Leadership, ethics and corporate citizenship	Chairman's message	46
	Group CEO's report	50
	Group CFO's report	56
	Social, Ethics and Sustainability Committee report	124
	Environmental, socio-economic and governance supplementary report	(Separate report)
	Climate change supplementary report	(Separate report)
Strategy, performance and reporting	Value creation and strategy	29
	Group CFO's report	56
Governing structures and delegation	Governance	81
Governance functional areas	Committee reports	91
Stakeholder relationships	Our material relationships	19
	Environmental, socio-economic and governance supplementary report	(Separate report)

In addition to the information contained in this report, a King IV register is available in the environmental, socio-economic and governance supplementary report online at <https://thespargroup.com>, summarising the principles and providing stakeholders with links and references in support of the principles in one place.

BOARD GOVERNANCE STRUCTURE

The general powers of the board and the directors are conferred in the company's Memorandum of Incorporation (MOI). The board's terms of reference are set out in the company's board charter, which is reviewed annually by the board. The board 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. The charter sets out the responsibility of the board to ensure a clear balance of power and authority of the directors of the board, so that no single director has unfettered powers of decision-making. There were no material changes to the board charter in the current year.

The board has established standing committees, as set out in the governance framework, to promote independent judgement, assist with the balance of power and assist the board with effectively fulfilling its responsibilities in accordance with the provisions of its board charter.

The board committees are governed by a delegation of authority framework, which is reviewed annually and sets out the matters reserved for determination by shareholders, the board and those delegated to management and the executive committees. No material changes were implemented to the delegation of authority framework in the current year; however, this is in the process of undergoing a complete review for the delegation to the newly appointed group executive committee. The board is satisfied that the governance structure is appropriate and the governance and authority frameworks provide clarity and contribute to effective control and performance of the group.

To ensure conflicts of interest are avoided, board members annually update the general disclosure of their personal financial interests in terms of the Companies Act. They are reminded at the beginning of every board and committee meeting that they are required to declare any material personal financial interest they may have in contracts entered into or authorised by the company.

BOARD COMPOSITION

During the financial year, the board comprised nine directors, including two executive directors and seven non-executive directors, six of whom are classified as independent.

As at 30 September 2022, the chairman was a non-executive director and was not classified as independent. Therefore, the board had elected one of the existing independent non-executive directors to act in the capacity of lead independent director of the board.

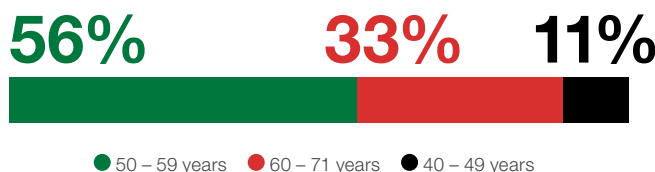
The board has a policy on the promotion of broader diversity at board level, and promotes diversity through the diversity indicators of knowledge, skill, experience, age, culture, race and gender and sets voluntary targets in respect of race and gender. See a summary of the board's diversity aspects below and read the board members' profiles on pages 82 to 85.

Non-executive directors bring an independent judgement to bear on issues of strategy, performance and resources, and act in the interest of the company. Executive directors provide insight into day-to-day operations and are responsible for implementing strategy and all operational decisions.

Information relating to the board's diversity, independence and performance can be found in the Nominations Committee report on page 97.



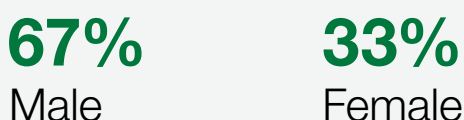
Board age profile



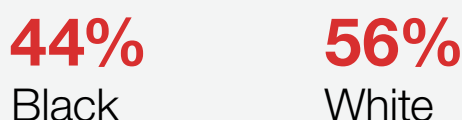
Executive vs non-executive vs independence profile



Board gender profile



Board race* profile

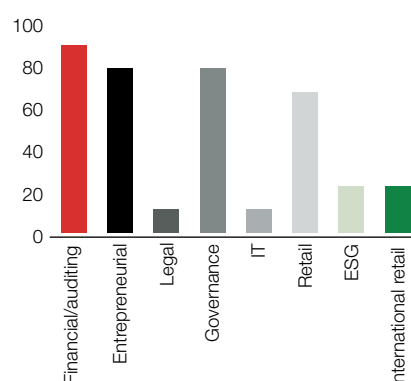


* Black as defined by the B-BBEE Act, No. 53 of 2003

Board tenure profile



Board skills and expertise (%)



Our corporate governance framework below illustrates the structures, processes and practices the board uses to direct and manage the group's operations.

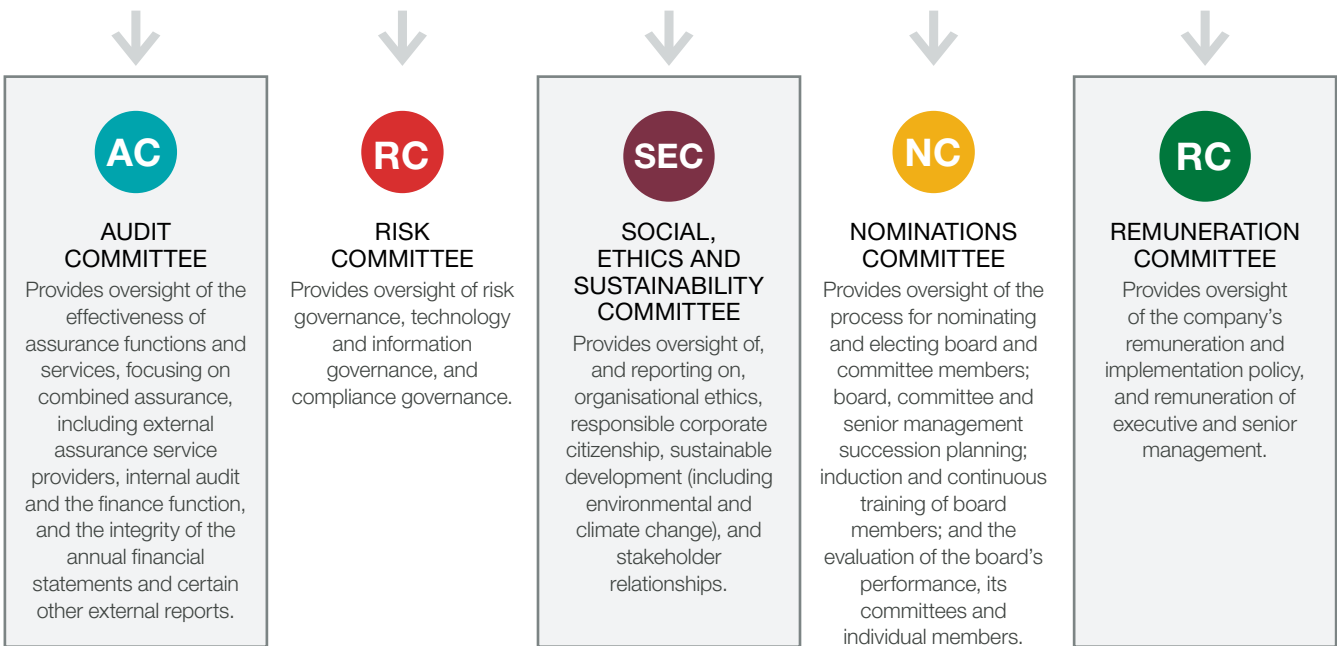
SHAREHOLDERS AND OTHER STAKEHOLDERS

Board

Provides oversight of the management and governance of the company, monitors executive management's performance and provides strategic direction and leadership in line with the company's value system to ensure its sustainability.

The Company Secretary supports board members by providing guidance on fulfilling their responsibilities as directors in the best interest of SPAR.

During the year, the Social and Ethics Committee was renamed to Social, Ethics and Sustainability Committee to also recognise the committees function relating to oversight of the sustainability of the group. The board has also decided to combine the Remuneration Committee and Nominations Committee with effect from the board meeting scheduled to be held on 14 February 2023, so that the oversight of all human capital elements of the business is consolidated into the role of a single committee.



Executive Management

Executive Committees

Assist the Group CEO to implement the strategy and objectives of SPAR and carry out the group's day-to-day activities.

Divisional/Operational

Various regional, executive, departmental, operational, and project committees and forums.

The Spar Guild of Southern Africa

The Build it Guild of South Africa

Social and Ethics Committees Regional Guild Committees

BOARD COMMITTEES

The board delegates oversight of certain roles and responsibilities to board committees but understands the delegation of its responsibilities will not by or of itself constitute a discharge of the board's accountability. The board committees' responsibilities and key focus areas are set out in each committee's report.

With the exception of the Nominations Committee, which is chaired by the Chairman of the board, all other committees are chaired by an independent non-executive director and have their own terms of reference. The terms of reference set out the committees' composition, roles and responsibilities, functions and authority. The committees report to the board at each board meeting and make recommendations in accordance with their terms of reference.

The effectiveness of the committees is assessed by way of a self-evaluation review every two years, which was performed in 2021. The board is satisfied the committees fulfilled their responsibilities in respect of their respective terms of reference. The next assessment will be performed during the 2023 financial year.

From time to time, the board may appoint and authorise ad hoc committees, comprising the appropriate board members, to perform specific tasks as required.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The board values independent judgement and requires that each board member prepare, participate and contribute at each meeting. Board members are provided with relevant information on the group's strategies, plans and performance, and must devote sufficient time and effort to prepare for meetings. The Company Secretary prepares agendas of meetings in accordance with approved annual work plans and in consultation with the respective chairs.

To improve non-executive directors' understanding of the group's operating divisions, a board meeting is held at least once a year at a distribution centre, usually in August. Due to changes in the executive structure that occurred effective 1 August 2022, the August board meeting for this year was held at SPAR Central Office.

Meetings held during the financial year were as follows:

	Board	Audit Committee	Nominations Committee	Remuneration Committee	Risk Committee	Social and Ethics Committee
Number of meetings held	5	2	4	5	2	2
Attendance by directors as members						
Non-executive directors						
Graham O'Connor	5	n/a	4	5	n/a	n/a
Jane Canny	5	n/a	n/a	n/a	2	2
Lwazi Koyana ¹	5	1	n/a	n/a	2	2
Marang Mashologu ²	5	2	1	2	2	n/a
Phumla Mnganga ³	5	n/a	4	5	n/a	2
Harish Mehta ⁴	2	1	2	2	1	n/a
Sundeeep Naran ⁵	3	1			1	
Andrew Waller	5	2	4	5	2	n/a
Executive directors						
Brett Botten	5	n/a		n/a	2	2
Mark Godfrey	5	n/a	n/a	n/a	2	n/a

¹ Lwazi Koyana appointed to the Audit Committee effective 15 February 2022.

² Marang Mashologu appointed as member of the Nominations and Remunerations Committees effective 15 February 2022.

³ Phumla Mnganga replaced Harish Mehta as chair of the Remuneration Committee effective 15 February 2022.

⁴ Harish Mehta retired from the board, Remuneration Committee, Nominations Committee, Audit Committee and Risk Committee; on 15 February 2022.

⁵ Sundeeep Naran was appointed as independent non-executive director of the board and member of the Audit and Risk Committees effective 15 February 2022.

By invitation only:

- The Chairman of the Board, Lead Independent Director and Group CEO attended all committee meetings
- Mark Godfrey, in his capacity as Group CFO, attended all Audit Committee meetings
- Brett Botten, in his capacity as Group CEO, attends all Remuneration Committee meetings and presents on executive and senior management performance and remuneration and is recused from the meeting during discussions and decisions relating to his performance and remuneration.

EXECUTIVE MANAGEMENT

Brett Botten, in his capacity as 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 CEO is accountable to the board, and the board evaluates the Group CEO's performance annually.

There are six executive committees:

1. SPAR Group Executive Committee
2. SPAR Southern Africa Executive Committee
3. BWG Foods Executive Committee
4. SPAR Switzerland Executive Committee
5. SPAR Poland Executive Committee
6. SPAR Sri Lanka Executive Committee

These committees are responsible for implementing the company's strategy and carrying out the group's day-to-day activities. The membership, qualifications and experience of the Executive Committee members are available online.

In addition, an IT Steering Committee is also constituted, which oversees the company's SAP programme implementation and digital transformation strategy. The IT Steering Committee met 10 times during the year, almost on a monthly basis. In light of the risks relating to the SAP programme, the board is represented at the IT Steering Committee meetings by non-executive directors of the board, Graham O'Connor and Jane Canny.

EXECUTIVE MANAGEMENT COMMITTEES' CHANGES

During the year, the executive management committees underwent structural changes, resulting in changes to the group executive committee and the formation of a SPAR Southern African executive committee, under the leadership of a new CEO for South Africa.

The group executive committee comprises the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Information Officer, Group Chief ESG Officer and Company Secretary and the Group Chief Strategy Officer. It also includes the CEO for Southern Africa, the CEO for Ireland and South West England and the CEO for Switzerland and Poland. The executive committees of the different regions continue to comprise the respective Chief Executive Officer and Chief Financial Officer and any other executive role considered necessary for the successful execution of the strategy in the respective regions. Refer to page 33 for more information on the leadership structure changes.

COMPANY SECRETARY

All directors have access to the services and advice of a dedicated Company Secretary, Kevin O'Brien, who was assessed upon appointment on 16 March 2022 as being competent, suitably qualified and experienced. Kevin also performs the role of Group Chief ESG Officer and was the previous Company Secretary before being appointed as the Group Risk and Sustainability Executive.

The Company Secretary is not a director of the company and accordingly maintains an arm's length relationship with the board. His CV is on page 85.

The board is comfortable that the current arrangements in place with regards to its access to corporate governance services, is adequate.

AUDIT COMMITTEE REPORT

The Audit Committee (the committee) presents this report according to the requirements of section 94(7)(f) of the Companies Act to shareholders for the 2022 financial year.

COMMITTEE GOVERNANCE

Composition

Shareholders appoint members of the committee on the recommendation of the Nominations Committee and the board. Shareholders will be requested to approve the re-election of the committee members for the 2023 financial year at the company's 2023 AGM to be held on 14 February 2023.

Members of the committee are independent non-executive directors, Andrew Waller (Chairman), Marang Mashologu, Sundeep Naran and Lwazi Koyana.

Harish Mehta was a member of the Committee up until his retirement at the 2022 AGM and was replaced by Lwazi Koyana as member of the committee, in terms of the committee succession plan. Sundeep Naran was appointed as an additional member of the committee, to allow for sufficient succession planning and to mitigate the risk of the membership of the committee falling below the statutory minimum number of members required, in the event of any resignations.

The Nominations Committee evaluated the independence and performance of the committee members, and based on their recommendation, the board proposes the re-election of Andrew, Marang, Sundeep and Lwazi as the committee members to shareholders at the 2023 AGM. In addition, the board is satisfied that the committee as a whole has the necessary financial literacy, skills and experience to execute their duties effectively. Members' qualifications and experience are available on pages 82 to 84.

Meetings

The committee met formally twice during the financial year. Members' attendance at meetings is recorded on page 89. Permanent invitees at committee meetings are the Group CEO, Group CFO, Internal Audit Manager, external auditor and the Company Secretary (who also acts as the secretary of the committee).

Evaluation of committee

The committee's effectiveness is assessed through a self-assessment evaluation review every two years, which was last undertaken in 2021, with pleasing results. The next assessment is due to be conducted during the 2023 financial year.

Role and responsibilities

The committee has specific statutory responsibilities to the company's shareholders in terms of the Companies Act. It assists the board by advising and making recommendations on financial reporting, internal financial controls, internal and external audit functions, combined assurance and regulatory compliance. The committee's roles and responsibilities are governed by its terms of reference as reviewed and approved annually by the board.

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

- Risk Committee
- Social, Ethics and Sustainability Committee
- Audit Committees of the foreign subsidiaries

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found online: https://thespargroup.com/pdf/Audit_Committee_Terms_of_Reference_2022.pdf

KEY FOCUS AREAS

External auditor

The committee has primary responsibility for overseeing the relationship with, and the performance of, the external auditor, including making recommendations on their re-election and assessing their independence, as set out in the Companies Act.

PricewaterhouseCoopers Inc. (PwC) has been the company's appointed external auditor for five years, with Thomas Howatt as the designated audit partner from 19 May 2020. Thomas will be required to rotate as the designated audit partner in 2025.

The committee assessed the suitability of PwC as the company's external auditor and Thomas, as the designated audit partner for the 2023 financial year. Under the appropriate audit quality indicators, including independence against the criteria specified by the Independent Regulatory Board for Auditors, the South African Institute of Chartered Accountants, International regulatory bodies and the JSE Listings Requirements, the committee has no concerns regarding their performance or independence. Accordingly, the committee recommended to the shareholders, the re-election of PwC as external auditor and Thomas Howatt as the designated audit partner for the 2023 financial year. The committee confirms that the appointment of the auditor and the designated individual audit partner is presented and included as a resolution for approval at the 2023 AGM under section 61(8) of the Companies Act.

The committee determined the terms of engagement and fees paid to PwC, as disclosed in note 3 of the annual financial statements and the nature and extent of the non-audit services that PwC provides to the company, as disclosed in note 3 of the annual financial statements. The extent of non-audit services provided by PwC is continuously monitored, and no excessive engagements were approved during the financial year.

The Chairman met with the external auditor without management present to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum, with no concerns raised.

Non-audit services policy

The group has a clearly defined and strictly followed non-audit services policy, which was reviewed and strengthened during the year. The external auditor may only be considered a supplier of such services where there is no alternative supplier for these services; there is no other commercially viable alternative or the non-audit services are related to and would add value to the external audit.

Significant matters

Key audit matters identified by the external auditors are detailed below and have been included in the report of the annual financial statements. These matters have been discussed and agreed upon with management and were presented to the committee.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Impairment assessment of goodwill, indefinite life assets and investment in Polish subsidiary

As required by IAS 36 – Impairment of Assets, management conducts an annual impairment test, or more frequently, if there is an indication of impairment, to assess the recoverability of the carrying value of goodwill and indefinite life assets as reflected in the consolidated financial statements, and if there is an indication of impairment, to assess the recoverability of the investment in subsidiaries as reflected in the separate financial statements.

Refer to the accounting policies for Goodwill and Intangible Assets and Impairment of non-financial assets and to note 13, Goodwill and Intangible Asset and the accounting policy for Investment in Subsidiaries and to note 14, Investment in Subsidiaries.

As at 30 September 2022 the Group's consolidated statement of financial position included goodwill with a closing net book value of R4.357 billion and indefinite life intangible assets of R2.091 billion.

As at 30 September 2022 an impairment indicator existed for the investment in the Polish subsidiary. The company's separate statement of financial position included an investment in the Polish subsidiary with a cost of R485.4 million.

Management performed their annual impairment assessment of relevant cash-generating units (CGUs), to which the goodwill and indefinite useful life intangible assets were allocated and based on their assessment on value-in-use calculation, which have been estimated using a discounted cash flow model.

In determining the value-in-use of the CGU, the following key assumptions were used by management:

- Discount rate;
- Sales growth rate; and
- Terminal value growth rate.

The value-in-use calculations are sensitive to changes in future cash flows included in the model, and changes in the discount rate and long-term growth rate applied.

Future cash flows are estimated based on financial budgets and approved business plans covering a five-year period.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Value-in-use calculation

We performed the following audit procedures:

- Assessed the reasonableness of the valuation methodologies applied by management by comparing the valuation methodology to generally accepted valuation methodology, and found this to be consistent;
- Tested the mathematical accuracy of the value-in-use calculation and the discounted cash flow model prepared by management, noting no material exceptions;
- Performed stress testing on the value-in-use model which involved an assessment of management's cash flow forecasts and assumptions by comparison to prior years' actual results, our understanding of the industry, the entity-specific circumstances and economic environment, in order to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We recalculated a range of values and compared this to the value calculated by management. Management's value fell within our independently calculated range of values;
- Agreed management's cash flow forecasts to approved budgets, noting no exceptions;
- Assessed the reasonableness of the business plans and budgeting process by comparing current year actual results with the prior year budgeted results, noting no material exceptions;
- Compared the projections applied by management to historically achieved sales growth rates, margins and working capital rates, noting no material exceptions;
- Compared the terminal value growth rate used by management to long-term inflation rates obtained from independent sources. The independently determined rate was incorporated into our stress testing referred above in order to assess the impact of any difference on the valuation results;
- Making use of our internal valuation expertise, we independently calculated a weighted average cost of capital discount rate, taking into account independently obtained data such as the cost of debt, the risk-free rate in the relevant territories, market risk premiums, debt/equity ratios as well as the beta of comparable companies. We then compared the calculated weighted average cost of capital to the discount rate used by management. The difference in rates was included in our stress testing to assess the impact on the valuation results. The use of our independently calculated discount rates in the management assessments would not have resulted in an impairment charge.

KEY AUDIT MATTER

Management based the recoverable amount for the investment in the Polish subsidiary on the above mentioned value-in-use calculation performed for the Polish CGU and deducted debt held by the Polish subsidiary to derive a free cash flow attributable to the investment.

The impairment assessment of the goodwill, indefinite life intangible assets and investment in Polish subsidiary is considered to be a matter of most significance to the current year audit due to:

- The significant judgement applied by management with regard to determining the key assumptions and future cash flows that are included in the value-in-use calculation, and
- The magnitude of the goodwill and indefinite life intangible assets balance to the consolidated financial statements, and the magnitude of the investment in the Polish subsidiary to the separate financial statements.

Management's impairment tests performed indicate that the recoverable amounts of these CGUs are higher than the carrying values, resulting in no impairment.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Investment in Polish subsidiary

- We also compared the carrying value of the investment in the Polish subsidiary to the recoverable amount (less debt) of the underlying subsidiary that was tested as part of the impairment assessment of the associated goodwill and indefinite life intangible assets. We noted that the recoverable amount (less debt) of the subsidiary exceeds the carrying value of the investment and therefore we concur with management's conclusion that no impairment was identified.

Annual financial statements

The committee reviewed the annual financial statements for the year ended 30 September 2022 and believes that in all material aspects, they comply with the relevant provisions of IFRS and the Companies Act. The committee also reviewed the 2022 integrated annual report and recommended both to the board for approval. The board subsequently approved the annual financial statements and 2022 integrated annual report, which will be presented at the AGM, for discussion.

Going concern status

The committee reviewed the solvency and liquidity assessment as part of the company's going concern status and based on this detailed review, recommended to the board that the company adopt the going concern concept in preparation of the financial statements.

Internal audit

The internal audit function in South Africa is independent and has the necessary standing and authority to discharge its duties. The internal audit manager has access to and engages directly with the Audit Committee and its Chairman. During the year, the IT Internal Audit function has been strengthened with the appointment of Ernst and Young to perform SAP reviews considering the risks associated with the project.

Internal control procedures on the subsidiary businesses in the UK, Ireland, Switzerland, Sri Lanka and Poland are performed by a combination of internal resources and the external auditors. Subsidiary audit committees confirmed that nothing has come to their attention that the control environment is not operating effectively. This arrangement will continue to be reviewed.

During the financial year, the committee:

- Approved the internal audit plan
- Reviewed the internal audit charter and recommended it to the board for approval
- Satisfied itself that the South African internal audit manager was competent and possessed the appropriate expertise and experience to act in this capacity
- Satisfied itself that the evaluation of the internal control procedures in the UK, Ireland, Switzerland, Sri Lanka and Poland supported the conclusion on the control environment

- Confirmed that the company's internal audit function met its objectives and that adequate procedures were in place to ensure that the group complies with its legal, regulatory and other responsibilities
- Ensured that the appropriate financial reporting procedures exist and were working, which includes all entities included in the consolidated group IFRS financial statements and ensured access to all financial information to allow effective preparation and reporting of these financial statements

Internal control

The directors are also responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets and to prevent and detect misstatement and loss.

During the course of the financial year management identified higher levels of overdue receivables and weaker collections across the business. Rigorous processes were introduced to bring the position back to within company policies.

Based on the results of the formal documented review of the company's system of internal controls and risk management, including the design, implementation and effectiveness of internal financial controls conducted by the internal audit function during the financial year, considering information and explanations given by management and discussions with the external auditor on the results of the external audit, assessed by the audit committee, the committee is of the opinion that the company's system of internal controls and risk management is effective and that the internal financial controls form a sound basis of the preparation of reliable financial statements. The board's opinion is supported by the audit committee.

Group Chief Financial Officer and finance function

The committee is satisfied that Mark Godfrey has the appropriate expertise and experience to meet the responsibilities of his appointed position as the Group CFO. His qualification and experience are available on page 85.

The committee considered the appropriateness of the expertise and adequacy of resources of the group's finance function. It was satisfied with the experience of the senior members of management responsible for the group function.

Risk management

The board has delegated the oversight of risk governance, technology and information governance and compliance governance to the Risk Committee. Andrew, the Chairman of this committee, is also a member of the Risk Committee and ensures that information relevant to the Risk Committee is transferred and shared regularly. The Risk Committee report is available on page 120.

The committee accordingly fulfils an overview role regarding financial reporting risks, internal financial controls, taxation risks, compliance and regulatory risks, risk appetite and tolerance, fraud risk (as it relates to financial reporting) and information technology risk (as it relates to financial reporting). Based on the processes and assurances obtained, the committee is satisfied that these areas have been appropriately addressed.

Combined assurance

The combined assurance policy and framework is currently being updated. Once the update is complete, the implementation of the framework will help support the corporate governance guidelines to provide comprehensive assurance and, in addition, evidence of combined assurance.

A group tax strategy and policy are in place. The group tax strategy outlines the framework by which tax obligations are met from an operational and risk management perspective and is aligned with the group's existing strategies, policies and overall purpose. The group's approach to tax is included in our environmental, socio-economic and governance supplementary report available online at <https://thespargroup.com/>, reflecting the total tax contribution per the tax jurisdictions that the group operates in.

In addition to the key areas of focus detailed above, the committee reviewed the following during the 2022 financial year:

- Unaudited interim results report and associated reports and announcements
- Summarised information issued to shareholders
- Appropriateness of the accounting policies and financial statement disclosures
- JSE proactive monitoring of financial statements report

- Adequacy of the group's banking facilities
- Monitoring of the group's bank covenants
- Company's banking facilities
- 2023 budget guidelines and assumptions
- Property lease arrangements entered into by the company
- Policies that fall under the committee's control and oversight. The group's delegation of authority policy was reviewed and recommended to the board for approval
- External auditor's audit report and key audit matters
- Internal auditor's report and key audit matters and findings
- Review of incidents of fraud identified during the financial year
- Review of the company's dividend cover
- Whistle-blowing and industry complaints

During the financial year, the company's Annual Financial Statements for the financial year ended 30 September 2021 and interim results for the six months ended 31 March 2022 were selected as part of the JSE's proactive review process. The review highlighted some areas for consideration for future reporting purposes and one query was raised relating to segmental reporting, to which a response was provided, and the review was successfully closed out by the JSE.

In addition to the regular focus areas of the committee, the following key matters have been identified as the areas of focus for the 2023 financial year:

- Adequacy of the group's banking facilities
- Strengthening the Internal Audit structure

Thanks go to the members of the committee for their dedicated and constructive contributions to the committee's functioning, and particularly Harish Mehta for his long-standing contribution to the functioning of the committee.



Andrew Waller

Chairman of the Audit Committee

15 November 2022

NOMINATIONS COMMITTEE REPORT

The Nominations Committee (the committee) presents the following report for the 2022 financial year.

COMMITTEE GOVERNANCE

Composition

Members of the committee are independent non-executive directors Phumla Mnganga, Marang Mashologu and Andrew Waller, the board's lead independent director, and is chaired by non-executive director Graham O'Connor. Marang replaced Harish Mehta as member of the committee on 15 February 2022, following his retirement at the 2022 AGM.

The following changes are noted in respect of the membership of the committee for the 2023 financial year:

- Combination of the committee with the Remuneration Committee; and appointment of Marang as chair of the combined committee effective 14 February 2023

Members' qualifications and experience are available on pages 82 to 84.

Meetings

The committee met formally four times during the financial year. Members' attendance at meetings is recorded on page 89. The Group CEO attends meetings by standing invitation to make proposals and provide such information as the committee may require.

Evaluation of the committee

The committee's effectiveness is assessed by way of a self-evaluation review every two years and was last performed in the 2021 financial year. The committee was satisfied that it was functioning effectively and had met its objectives delegated to it by the board as set out in its terms of reference. The next assessment of the committee will be conducted during the 2023 financial year.

Role and responsibilities

The committee's role and responsibilities are governed by its terms of reference as reviewed and approved annually by the board. The board has allocated oversight of the process for nominating and electing board members; board member and senior management succession planning; the evaluation of the board's performance, its committees and individual members; and induction and continuous training of the board, to the committee.

THE COMMITTEE OVERSEES:

- The composition of the board and its committees by setting criteria for board positions, identifying candidates and making recommendations to the board on appointments – in doing so taking into consideration the board's structure, size, diversity, demographics, skills and expertise, and balance between executive, non-executive and independent directors
- Succession planning for the Chairman, board members and the Group CEO, which includes the identification, mentorship and development of future candidates
- Succession planning linked to all executive and senior management positions
- The induction of new directors and the ongoing training and professional development of board members, as and when required
- The effectiveness and ultimately the performance of the board, its committees and individual members
- The evaluation of the independence process

The committee is satisfied it has fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found online: https://thespargroup.com/pdf/Nominations_Committee_Terms_of_Reference_2022.pdf

KEY FOCUS AREAS

The committee operates in accordance with its annual work plan, pre-set annually by the committee for the ensuing financial year.

The key focus areas of the committee for the financial year were:

Board and committee composition

A board appointment policy is in place and sets out the formal, rigorous and transparent procedure for appointing new members to the board and its committees. The board updated and approved the policy on 17 November 2020 to include details on the appointment of a lead independent director, along with the roles and responsibilities.

The following changes were made to the composition of the board and committees during the 2022 financial year, effective 15 February 2022:

- Harish Mehta retired as an independent non-executive director of the board, chairman of the Remuneration Committee; and member of the Nominations Committee, Risk Committee and Audit Committee.
- Sundeep Naran was appointed as an independent non-executive director of the board. This followed a formal nominations process which took into consideration diversity of the board in keeping with the board diversity policy, specifically in terms of retaining the level of financial skills and expertise as well as the target set for black directors. Sundeep also replaced Harish as member of the Risk Committee and was appointed as an additional member of the Audit Committee.
- Lwazi Koyana replaced Harish as member of the Audit Committee in accordance with the succession plan of the committee.
- Phumla Mnganga replaced Harish as the Chairperson of the Remuneration Committee.
- Marang Mashologu was appointed a member of the Remuneration Committee and Nominations Committee.
- Appointment of Mike Bosman as new independent non-executive director and chairman of the board.

The following impending changes to the composition of the board and committees have been proposed to and approved by the board with effect from 14 February 2023:

- The combination of the Remuneration and Nominations Committees; and
- appointment of Marang Mashologu as the Chairperson of the combined committee.

The average age of board members is 57 years (2021: 58), and therefore succession planning will continue to be a key focus area for the board as a whole. It is always the board's intention to balance fresh perspectives from new directors with the experience and knowledge of the directors due to retire.

The average tenure of board members is six years (2021: seven years).

The Nominations Committee conducted an assessment of the eligibility of Mike Bosman and recommended his appointment as an independent non-executive director and chairperson of the board of directors, to the board and shareholders for approval.

Newly appointed directors receive a comprehensive induction pack including the company's MOI, board charter, committees' terms of reference, board policies and other documents relating to the company. Directors are encouraged to attend courses that provide them with the necessary training and information related to their duties, responsibilities, powers and potential liabilities, with regulatory and legislative updates provided at quarterly meetings.

In addition to regular training provided by the Institute of Directors in Southern Africa (IODSA) and other professional institutions, the directors and the Executive Committee also attended externally-facilitated training regarding the Companies Act Amendment Bill and climate change risks.

Board diversity

The board recognises the benefits of a diverse board and adopted a board diversity policy that sets out its approach to board diversity. The voluntary targets in terms of the policy are a minimum of three black people (as defined by the B-BBEE Act, No. 53 of 2003) and two women. At the date of this report, the board comprises four black people and three women. A copy of the board diversity policy is available online: <https://thespargroup.com/resource-centre/governance/>

The committee reviewed the board diversity policy and was comfortable with these voluntary targets and that the diversity of the current board composition, in every respect (skills and expertise, race, gender, etc.), was adequate.

The company is a member of the 30% Club Southern Africa. The club aims to develop a diverse pool of talent for all businesses through the efforts of respective chairman and CEO members. Business Engage, the custodian of the club, runs specific and targeted networking initiatives that look to broaden the pipeline of women at all levels, from 'schoolroom to boardroom'. Selected SPAR employees are encouraged to attend these initiatives, which provide them with valuable business insight and help them unlock their future potential to become aspiring leaders.

Rotation of non-executive directors

The company's MOI requires that one-third of those elected non-executive directors who have served in office longest since their last election, retire by rotation at each AGM and, being eligible, may seek re-election should they wish.

Graham, Marang and Andrew are required to retire by rotation at the 2023 AGM and, being eligible, have offered themselves for re-election.

In accordance with the board charter, the independence and performance of independent non-executive directors, Marang and Andrew, were reviewed by the committee. The committee also reviewed the performance of Graham, the non-executive Chairman of the board. Based on the results of these assessments, as accepted by the board, the board recommends to shareholders that Graham, Marang and Andrew be re-elected as non-executive directors of the company.

Re-election of Audit Committee

The shareholders are required to annually elect the Audit Committee at each AGM of the company, in accordance with the Act.

The committee rigorously assessed the eligibility of Andrew, Marang, Lwazi and Sundeep to act as independent members of the Audit Committee, and the board accepted the assessment results. Accordingly, the board recommends their appointments to the shareholders for approval at the 2023 AGM.

Independence

All directors have a duty to act with independence of mind and in the company's best interests. Accordingly, the board agreed that the committee will conduct annual internally facilitated independence assessments for each non-executive director who has served on the board beyond nine years. An externally facilitated independence assessment will be conducted every three years.

An externally facilitated independence assessment was conducted in 2021 for Phumla, who served on the board for more than nine years. Although serving on the board for less than nine years, Andrew, the lead independent director, was also included in the scope of the external assessment to obtain assurance on his independence, due to the Chairman of the board being classified as non-independent.

Based on the internal assessment conducted during the year and the externally facilitated assessments conducted during the 2021 financial year, the Board is satisfied that Phumla and Andrew are and continue to be independent of mind, act in the company's best interest, and provide valuable insight and input into the company's strategy. The assessments were based on whether the directors have no interest, position, association or relationship, which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making in the best interest of the company.

Performance evaluations

The board agreed that the performance evaluation process would not be externally facilitated and that internal self-evaluation questionnaires would be completed biannually in respect of the following areas:

- The effectiveness of the board's composition, governance processes and procedures
- The effectiveness of the board's committees in discharging their respective mandates
- The effectiveness of the executive directors
- The effectiveness and contributions of each of the directors

An evaluation in respect of the above areas was conducted in 2021, and the next evaluation process will be undertaken in the 2023 financial year. The outcomes of the assessments conducted during the 2021 year were presented to the Nominations Committee, board and the chairmen of the board and respective committees to address any areas highlighted as requiring enhancement. The overall performance of the board and its committees was pleasing across all areas and the assessments indicated that they were functioning effectively and meeting their objectives as set out in their respective charter/ terms of references and work plans.

In addition to the key focus areas detailed above, the committee received feedback on executive and senior management succession.

Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning, and particularly Harish Mehta for his long-standing contribution to the functioning of the committee.



Graham O'Connor

Chairman of the Nominations Committee

15 December 2022

REMUNERATION COMMITTEE REPORT

The Remuneration Committee (the committee) presents the following report for the 2022 financial year.

SECTION 1 – BACKGROUND STATEMENT

COMMITTEE GOVERNANCE

Composition

Committee members are independent non-executive directors Phumla Mnganga (chairperson), Andrew Waller, Marang Mashologu, and the Chairman of the board, Graham O'Connor. Harish Mehta retired as chairperson of the committee and was replaced by existing member, Phumla, on 15 February 2022. Marang was appointed to the committee on 15 February 2022.

This committee will be combined with the Nominations Committee and Marang will be appointed as the chair of the combined committee, effective 14 February 2023. This merged committee will be described as the Human Capital Committee and will facilitate an integrated approach to the human capital ecosystem of SPAR.

Members' qualifications and experience are available on pages 82 to 85.

Meetings

The committee met formally five times during the financial year. Members' attendance at meetings is recorded on page 89. The Group CEO attends meetings by standing invitation to make proposals and provide such information as the committee may require. The additional meetings were focused on changes to the remuneration policy.

Evaluation of the committee

The effectiveness of the committee is assessed by way of a self-evaluation review every two years and was conducted during the 2021 financial year. The result was positive with no areas of concern having been highlighted. The next assessment of the committee will be conducted during the 2023 financial year.

Role and responsibilities

The committee's role and responsibilities are governed by its terms of reference as reviewed and approved annually by the board. As members of the committee, our mandate is to ensure the company remunerates fairly, responsibly and transparently across all levels of the company. In doing so, we annually review the company's remuneration policy to ensure it promotes the achievement of strategic objectives and encourages individual performance.

THE YEAR UNDER REVIEW

During the financial year the committee focused on the following areas:

- The committee considered all the comments raised by investors on the company's remuneration implementation report and recommended changes to the company's remuneration policy and remuneration implementation report for approval by the board, each of which will be put to a non-binding advisory vote by shareholders at the 2023 AGM.
- Annual remuneration increases for employees outside the bargaining unit. Increases of between 5% and 6% were mandated (2021: 5%), dependent upon employee grades.
- Annual remuneration increases for employees within the bargaining unit. Increases of between 7.0% and 7.5% (2021: between 7.0% and 7.5%) for the multi-year deals that are ending in 2023 and 2024, were mandated.
- Executive directors' and Executive Committee members' performance, remuneration and incentives bonuses.
- The annual award of shares in terms of the group's long-term Conditional Share Plan (CSP). Details can be found on page 106.
- Detailed codification of the short-term incentive rules.
- Review of the performance conditions for the CSP, specifically the returns measure.
- The committee undertook an in-depth review of the CSP rules and are in the process of finalising amendments which will be presented to shareholders after the relevant approvals are obtained from the JSE.
- The fees payable to non-executive directors for approval by shareholders. Details can be found on page 134.
- The committee undertook the annual review of the terms of reference and annual work plan.

Engagement with shareholders

At the 2022 AGM of the company, our 2021 remuneration report was presented and voted on in sections, namely:

- Remuneration policy – supported by 93.56% (2020: 90.49%) of the company's shareholders who voted
- Remuneration implementation report – supported by 62.51% (2020: 82.64%) of the company's shareholders who voted

Pursuant to King IV and JSE Listings Requirements, shareholders were invited to submit their comments on the company's remuneration implementation report. Matters raised by investors were as follows:

- The independence of the Remuneration Committee,
- The need for enhanced disclosure on comparator information, Short-Term Incentive (STI) metrics, STI annual targets, and explicit ESG metrics,
- The need to review the Long-Term Incentive (LTI) scheme, and
- Disclosure of the wage gap

During the year, the committee addressed shareholder comments as follows:

- Appointed Marang Mashologu to the committee to address independence concerns,
- Initiated a comprehensive refresh of the remuneration policy and the STI and LTI schemes, including the performance measurements,
- In process of introducing a Minimum Shareholding Requirements (MSR) Policy,
- Strengthened the Malus and Clawback Policy, and
- In process of drafting a wage gap policy framework

For the 2023 AGM, the remuneration policy and the remuneration implementation report will be tabled separately for non-binding advisory votes by shareholders. In the event that either the remuneration policy or remuneration implementation report or both are voted against by 25% or more of the voting rights exercised, the committee commits to an engagement process with shareholders to ascertain the reasons for the dissenting votes and will appropriately address any legitimate and reasonable objections and concerns raised.

OUTLOOK FOR 2023

Key focus areas for the committee for the 2023 financial year are:

- A complete review of executive salaries, by function and region, to ensure that these are properly aligned against industry benchmarks
- Development of a fair and responsible pay policy, and fair pay analysis
- Finalise amendments to the long-term incentive plan, including the introduction of a post-vesting holding period
- Refinement of the minimum shareholding requirements policy to align with leading market practice
- In-depth review of the performance conditions and targets for the short- and long-term incentives
- Update of the malus and clawback provisions and drafting of malus and clawback policy
- Review of the mandate of the combined Remuneration and Nominations Committee

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found on the group's corporate website, https://thespargroup.com/pdf/Remuneration_Committee_Terms_of_Reference_2022.pdf

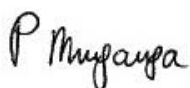
Changes in the remuneration policy

The fundamental policies and practices have remained unchanged during the 2022 financial year, but these have been completely reviewed for the reporting periods going forward and the remuneration policy is tabled for non-binding advisory vote at the 2023 AGM. The Pay for Performance Principle has been a strong underpin for the policy revisions currently underway. The committee embarked on codifying its remuneration practices and reviewing its existing policies to ensure alignment across all the remuneration-related policies. Refer to page 103 for details of this policy.

The committee continues to develop a minimum shareholding requirements policy for executive directors and Executive Committee members. Further details can be found on page 109.

The committee is satisfied that remuneration in all forms accruing to employees at all levels is market-related and equitably awarded. In addition, the committee believes SPAR's remuneration philosophy and policy support the company's strategic objectives by incentivising both short-term and long-term behaviour to meet and exceed its strategic goals.

My thanks go to the members of the committee for their dedication and constructive contributions to the functioning of the committee, and particularly Harish Mehta for his long-standing contribution to the functioning of the committee. We also thank the shareholders for their robust feedback and willingness to engage regarding enhancements required to the company's remuneration philosophy and practices. We are confident that the revised framework will be beneficial to all SPAR stakeholders.



P Mnganga

Chairperson of the Remuneration Committee

15 December 2022

SECTION 2 – REMUNERATION POLICY

Philosophy

SPAR's employees are critical in achieving the company's strategic objectives. Accordingly, SPAR is committed to paying fair, competitive and market-related remuneration to ensure the company is able to attract and retain top-quality and talented employees. Our remuneration policy therefore seeks to:

- Position remuneration levels appropriately and competitively in comparison with the labour market
- Acknowledge the contribution of individual employees by rewarding them for the successful achievement of company goals and objectives

Apart from fixed remuneration, an element of variable remuneration aligned to value creation in the form of short- and longer-term incentive schemes is also catered for and linked to the achievement and performance of specified targets and objectives, with payment being made from increased returns. This also assists in attracting and retaining key employees.

Fair differentiation based on performance and skills shortage is applied. The company takes cognisance of its external environment through an understanding of national remuneration trends and by regular benchmarking against comparable companies and the market.

SPAR uses remuneration surveys conducted by reputable salary survey companies with sufficient sample sizes and spread of positions, and an adequate representation in relevant industries comparable to SPAR.

Salary scales provide remuneration guidelines based on the Paterson grading system and are informed by market comparisons. The company strives to remunerate key positions and those positions where there is a shortage of skills (as defined annually) on at least the 75th percentile of the market, and the rest of the positions on at least the 50th percentile of the market. The company again identified a shortage of qualified senior managers and executives, not only in the same sector but in the greater local market and considers the premium for these management skills to be warranted to retain talent.

The use of a performance management system also ensures that there is a positive correlation between individual and team performance and remuneration earned. Management is responsible for managing remuneration and thus supporting the long-term sustainability of the company.

Process to determine remuneration

The committee is responsible for recommending salary increases for the executive directors and the Executive Committee to the board for approval.

The Group CEO, together with the Executive Committee, is responsible for all employees below EU grade. The overall percentage increase for employees below EU grade is authorised by the committee. Salary increases are implemented:

- On 1 January each year for all employees graded DU band and below, who are not members of the bargaining unit
- On 1 October each year for employees graded EL band and above
- As per collective agreements with the union(s) for employees in the bargaining unit

Remuneration structure

	Variable remuneration		
	Fixed remuneration	Short-term incentives (STIs)	Long-term incentives (LTIs)
Objective	To help attract and retain the best talent.	To motivate and incentivise delivery of performance, financial and non-financial, consistent with the group's strategy over the financial year.	To motivate and incentivise delivery of long-term, sustainable performance.
Type	Salary.	Performance Bonus Plan.	CSP Share Option Plan (closed)
Policy	Based on the Paterson grading methodology and determined by level of skill and experience, and scope of responsibilities.*	Solely at the discretion of the company and can be changed or withdrawn at any time. STIs are only paid to individuals who are in employ of the company at the end of the financial year.	Annual or ad hoc awards approved by the board are granted to employees graded EL and above, and to identified selected other staff on merit. May be either performance or retention awards.

* The Paterson grading methodology works as follows:

F	Chief Executive officer
EL and EU	Executives
DU	High-level specialists/middle to high management
D	Management
CU	Lower-middle management
C	High-level skilled/clerical/supervisory
B	Clerical
A	Low-level skilled

FIXED REMUNERATION

Fixed remuneration consists of cash remuneration, pensionable remuneration and benefits, and is structured as follows:

Bands A to CU (Non-management)	- Salary - Guaranteed 13th cheque payable in December of each year. This amount forms part of the employee's pensionable remuneration - Benefits
Bands D to F (Management)	- Salary - Other pensionable remuneration, such as car allowance, vehicle insurance and fuel, which is paid by the company - Benefits

All permanent full-time employees are required to become members of one of the company's available retirement funds, namely:

- The Old Mutual SuperFund Provident Fund: The SPAR Group Management Provident Fund
- The Old Mutual SuperFund Pension Fund: The SPAR Group Ltd Defined Contribution Pension Fund
- The Old Mutual SuperFund Provident Fund: The SPAR Group Ltd Staff Provident Fund

Membership of a medical aid scheme is voluntary. The company has a number of medical aid schemes that employees are entitled to join. The Tiger Brands Medical Scheme is a group scheme, while a number of other low-cost medical aids have been negotiated at distribution centre level.

Other variable remuneration, such as allowances, is paid where applicable and in accordance with the legislation and collective agreements entered into with the union(s) or workers' committees.

Non-financial benefits include subsidised canteen meals, access to a clinic, uniforms, and training and development.

Variable remuneration

SHORT-TERM INCENTIVES (STIs)

All employees participate in the STI scheme, as follows:

Bands A to CU (Non-management)	Performance bonus of up to 50% of one month's salary or part thereof, based on the achievement of set targets. The targets are based on key issues in the business strategy and are mainly financial targets.		
Bands D to F (Management)	Performance bonus, as follows:		
	Grade	% of basic annual salary (maximum)	Bonus split financial: functional
	EU to F	100	75:25
	EL	60	60:40
	DU	30	30:70
	DL	15	30:70

STIs are formulaically determined based on the achievement of financial, functional and transformational targets which differ depending on the line-of-sight and reporting lines of the relevant employee. Weightings for each of these areas will differ depending on the job role and segment of the employee.

STI formula and cap

The formula for determining STIs is as follows:

$$\text{STI} = [\text{Basic Salary} \times \text{applicable \% as per table above}] \times [(\text{Financial Performance Score} \times \text{applicable Weighting}) + (\text{Functional Performance Score} \times \text{applicable Weighting}) + (\text{Transformational Performance Score} \times \text{applicable Weighting})]$$

STIs are currently capped at 100% of the on-target opportunity, i.e. the maximum of basic annual salary as per the above table.

Financial Performance Score

The financial component of the STI is based on profit, as follows:

- The group's profit after tax (for executive directors and central office management)
- A targeted divisional profit before tax (for divisional management)

In both cases, the financial target threshold commences at profit achieved for the previous year (adjusted for extraordinary items if necessary), and increases incrementally until the maximum stretch achievement level is reached at a profit level approximately equal to the board-approved internal budget.

For the profit targets, on-target achievement is set at approximately 97% of budget. The methodology is based on the company's approach in setting budgets that include sufficient stretch for management and are not simply seen as an easily achieved result. For this reason, the achievement of the budget presupposes an exceptional performance. This allows management to focus on all components of the budget throughout the year and ensure these remain relevant.

Functional Performance Score

The functional component comprises objectives that include corporate objectives (for example, transformation) and individual objectives, which are specific to a manager's sphere of influence.

The attainment of these targets contributes to the achievement of the company's strategic objectives, which are aligned to the delivery of sustained shareholder value. The principle of paying for performance is a key factor underpinning the STI, and any variable payments are directly aligned to performance outcomes.

Transformational Performance Score

Transformation is weighted at 40% of the functional allocation, totaling 10% of the total bonus opportunity, and addresses (1) the employment and promotion of black employees and (2) the development of black ownership.

Remuneration Committee discretion

The committee can reduce, adjust or remove the STI, including adjusting the STI in the event where such STIs would subject the company to undue financial hardship. This would include the ability to defer, in part or full, payment of the STI due to considerations relating to the lack of sufficient cash flow in the company and the discretion to not pay STIs to all or some employees due to the financial gatekeeper (calculated with reference to the prior year's actual results, adjusted for any agreed anomalies) not being met.

Change of control and termination of employment

Subject to the committee in its discretion determining otherwise where good and sound reason exists, in the event of a change of control, the STI will be calculated on a pro rata basis and paid accordingly.

Should a participant terminate employment before the end of the relevant financial year, they would not be eligible to receive any STI payment for that financial year.

Malus and clawback

Malus and clawback provisions apply to all STI payments.

LONG-TERM INCENTIVES (LTIs)

The company currently has one LTI plan in place for key employees, senior management and executive directors: the Conditional Share Plan, with the Share Option Plan no longer in use.

Share Option Plan (SOP) (legacy plan)

The SPAR Group Ltd Employee Share Trust (2004) scheme was closed in 2014 and no further share option allocations have been made in this scheme.

The SOP provided the right to the option holder to purchase shares in the company at the option price. On election by option holders, one-third of the options granted vests after three years, with a further third vesting on the expiry of years four and five respectively. There were no performance criteria for awards made in terms of this scheme and as the scheme is now closed, none can be introduced for previous awards.

The last options were allocated on 7 February 2014 and remaining participants have 10 years from date of issue to exercise their option rights.

Based on the SOP rules, all awards under this scheme will lapse or vest by February 2024.

Options previously granted to executive directors, options exercised during the year under review and unexercised options as at 30 September 2022 are provided in the remuneration implementation report on page 114.

Conditional Share Plan (CSP) (current plan)

The CSP provides a mechanism that enables the company to provide key employees the opportunity to receive shares in the company, which shares are conditional based on the achievement of performance conditions. An award of retention shares may be made in exceptional circumstances to address retention risks or to compensate prospective employees for the loss of LTI awards with their erstwhile employer.

The committee recognises that the awarding of retention shares might raise concerns from shareholders, but believe that this remains appropriate in these challenging times when it is critical for the group to retain and recruit key executives. It is not the committee's intention to use retention shares as an add-on award to retain or compensate executives during a year of poor performance. The committee has again carefully considered these limited grants and feels they were appropriate and in accordance with the intention of the scheme.

The committee continues to review its compensation practices on a regular basis and may consider, as per global and local best practice, not to reward the executive team with time-based retention shares. The committee has considered the feedback received from shareholders relating to the granting of retention shares to the executive directors as part of its ongoing shareholder engagement, and has determined not to make any awards of retention shares to executive directors going forward.

The current practice is for the CSP to be settled by a market purchase of shares, and thus the plan does not cause dilution to shareholders. From the inception in 2014 we have settled all vested awards by way of market purchase of shares and have not issued any new shares in satisfaction of CSP awards

Salient features of the CSP remain as follows:

Details	CSP
Description	Participants receive a conditional right to receive a share in the company on the vesting date and will have no shareholder rights prior to the date of settlement.
Company limit	The cumulative aggregate number of shares that may be allocated under the CSP shall not exceed 5 200 000 shares (approximately 3% of issued share capital). This limit excludes share purchased in the market (which is the preferred approach) and shares forfeited and not settled. The aggregate number of retention shares that may be allocated under the CSP may not exceed 1 300 000 shares.
Individual limit	The cumulative aggregate number of shares that may be allocated to any one individual may not exceed 570 000 shares (approximately 0.33% of issued share capital). To prevent these numbers being exceeded, the annual awards are capped at a percentage of gross annual basic salary, for example, the Group CEO at 60%.
Settlement method	The intention of the company is to settle all CSP awards from a market purchase of shares (and this has been the actual practice since the scheme was implemented); however, the rules of the CSP do allow for settlement in any of the following ways: • Market purchase of shares • Issue of shares • Use of treasury shares
Termination of employment	Bad leavers will forfeit all awards on the date of termination of employment. In the case of good leavers, a pro rata portion of all unvested awards will vest. The pro rata portion will reflect the number of months served since the award date and the extent to which the performance conditions (if any) have been met. The balance of the awards will lapse.
Change of control	In the event of a change of control of the company occurring before the vesting date, a portion of the award held by a participant will vest on such date. The portion of the award that will vest will be determined based on (1) the extent to which the performance conditions are satisfied, and (2) the number of completed months served over the total number of months of the award.
Allocation methodology	The CSP is used for annual allocations. The company will define annual allocation levels expressed as a percentage of gross annual basic salary. In defining these levels, the company will endeavour to maintain the fair value that participants would have maintained under the SOP. To this end, allocations that may be made on an annual basis (expressed as a percentage of gross annual basic salary) are as follows: • Group CEO: 60% • Executive Committee members: 50% • Senior managers: 35%
Grant price	Not applicable.
Dividends	No dividends are paid on CSP awards; employees will only receive dividends to the extent that shares vest and they become shareholders.
Vesting/employment period	The scheme rules set this at three years for annual award of performance shares and in equal parts after years three, four and five for retention shares. Prior to vesting, executive directors may elect to subject settled shares to an additional holding period of three years to assist in reaching minimum shareholding requirement targets.
Malus and clawback	Applicable to all awards.

PERFORMANCE CONDITIONS

The performance conditions applicable to an award of shares are set annually by the committee and consider shareholder input.

The performance conditions are measured over a performance period of three years, aligned with the company's financial year. The table below summarises the three performance conditions along with their definitions and the proportion of the total award to which each performance condition relates (their weightings). Also included in the table are the target levels for the threshold, on-target and stretch measures which represent the levels of achievement required for certain portions of the performance shares related to that particular performance condition to vest. The targets remain largely unchanged from those approved by shareholders on 11 February 2014 when this scheme was initiated. The committee did acknowledge shareholder concerns raised previously around the TSR targets and amended the vesting levels for all three targets by making these more challenging for all new awards issued from 2019.

The performance conditions in the table below have been amended through the introduction of Return On Capital Employed (ROCE) in place of Return On Net Assets (RONA), in response to shareholder concerns around this previous performance condition. The committee determined that ROCE was the most appropriate of the various measures considered. This performance condition will be effective for all awards made as from the 2023 financial year.

For all awards outstanding and still to vest, the original RONA performance condition will remain applicable.

Performance condition	Defined as	Detail	Threshold	On-target	Stretch	Weighting
Return on Capital Employed (ROCE)	Earnings before interest and taxes (EBIT) expressed as a percentage of total assets minus current liabilities at the relevant year end.	The average ROCE over the performance period will be compared to the targets set.	80% of the on-target.	The average ROCE as per the operating budget approved by the board for each financial year in the performance period.	120% of the on-target.	30%
Headline earnings per share (HEPS)	Headline earnings divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the relevant financial year. Headline earnings consist of the earnings attributable to ordinary shareholders, excluding non-trading and capital items.	Growth in HEPS will be calculated as the growth between the base year and the last year in the performance period.	Consumer price index (CPI) growth over the performance period.	HEPS growth between the operating budget approved by the board for the last year in the performance period and the base year HEPS. For the 2021 award, this was set at 30% growth.	Target plus 9% over the performance period.	50%
Total shareholder return (TSR) relative to a peer group	The TSR will be measured as the compound annual growth rate (CAGR) in the TSR index for the company and the peer companies over the performance period after holding the shares and reinvesting the dividends.	To remove vagaries in the market, the CAGR in TSR calculation is to be smoothed by using the average TSR index for the 20 business days up to and including the start of the performance period and 20 business days up to and including the end of the performance period. The peer group will constitute suitably constructed and appropriate peer companies.	80% of the on-target. The committee acknowledged the shareholder concern and retained the reduced vesting percentage at 10% for threshold for the 2021 award (as adjusted from the 2019 award). All future awards will continue to apply this vesting percentage until further review.	Weighted average TSR of peer group. The committee recognised the shareholder concern and retained the adjusted vesting percentage at 40% for on-target for the 2021 award (as adjusted from the 2019 award). All future awards will apply this vesting percentage until further review.	160% of the on-target. The committee retained the amended stretch target at 160% for the 2021 award (as adjusted from the 2019 award). Previous awards will continue to be measured at the original 120%	20%

The peer group for purposes of the TSR measurement is comprised as follows:

- Shoprite Holdings Ltd
- Pick n Pay Stores Ltd
- Woolworths Holdings Ltd
- Massmart Holdings Ltd
- Cashbuild Ltd
- Clicks Group Ltd

and remains unchanged for the 2022 measurement year.

The delisting of Massmart Holdings Ltd from the JSE has reduced the number of participants in the peer group and the committee is considering a suitable replacement to be added in 2023.

The portion of the performance shares vesting at each target will be as follows:

	Performance	Vesting percentage
Threshold	Acts as a gatekeeper and will represent the minimum performance required before performance shares vest.	30% of the award of performance shares will vest for performance at threshold. For the TSR award, the committee reduced the threshold for vesting to 10% from the 2019 award. All future awards will apply this vesting percentage, until further review. None of the performance shares will vest for performance below threshold.
On-target	Relates to good performance.	65% of the award of performance shares will vest for performance on-target. For the TSR award, the committee recognised shareholders' concern that the award percentage was possibly overly generous and reduced on-target vesting to 40% from the 2019 award. All future awards will apply this vesting percentage, until further review.
Stretch	Relates to exceptional performance in the context of the prevailing business environment.	100% of the award of performance shares will vest for performance at stretch.

For performance levels between threshold and stretch, linear interpolation is used to determine the proportion of shares vested.

The performance conditions of the CSP continue to be reviewed in line with best practice and feedback from shareholders.

The committee supports shareholding by the company's executive directors and believes this reinforces shareholder alignment following the vesting of LTIs.

To this end, executive directors may elect to subject their CSP shares coming up for vesting for a further agreed holding period during which time such shares cannot be disposed of. All executives have elected to further hold their shares for an additional three years.

MINIMUM SHAREHOLDING REQUIREMENT (MSR)

The committee has developed a draft MSR policy that will apply to executive directors and executive committee members. The policy will require executives to build up a specific shareholding in SPAR using shares from various sources, including (but not exclusively or limited to) the vesting of awards in terms of the CSP.

The policy was implemented in the current financial year and the Group CEO and CFO have commenced with their compliance with the policy.

The planned target minimum shareholding to be built up by executives would be:

- Group CEO – 200% of basic salary
- Group CFO – 150% of basic salary

In terms of the draft MSR policy, executives will hold their shares until the earlier of:

- Three years, or
- The date of their termination of employment with any of the SPAR employer companies, or
- The abolition of the MSR policy, or
- Upon their successful application to the committee in special circumstances as governed by the MSR policy, which may include proven financial hardship

The vested shares are settled and held by an escrow agent. Executives are prohibited to trade with the shares freely until the end of the holding period but will be treated as normal shareholders and will be able to vote and receive dividends paid by the company in respect of the shares.

The committee finalised and introduced the policy in the previous financial year.

MALUS AND CLAWBACK POLICY

The salient features are that malus and clawback apply to variable remuneration as follows:

Malus	Clawback
The committee may, on or before the vesting date of an award, reduce the quantum of an award in whole or in part after an actual risk event (trigger event) occurs, which in the judgement of the committee, had arisen during the relevant vesting or financial period. In the event of early termination of employment during the vesting period of an award, the committee will consider whether a trigger event arose between the award date and the date of termination of employment.	The committee may apply clawback and take steps to recover awards that have vested in a participant (on a pre-tax basis) as a consequence of a trigger event which, in the judgement of the committee, arose during the clawback period. The clawback period will run for three years from the vesting date of the awards. In the event of a breach of directors' duties by a participant, the committee reserves the right to pursue any remedies available to it in terms of the clawback policy, as well as common and statutory law. The policy will make provision for the implementation of certain methods of recovery in the event that the participant disposes of the shares after the vesting date but before the clawback period ends, as well as in the event that the shares are retained throughout the clawback period.

The trigger events remain as presented in the previous year's remuneration report, and the remuneration committee is in the process of reviewing these in light of market practice.

CURRENT CSP AWARDS

Performance conditions, targets, information and allocations

The interim measures against the targets for the unvested awards issued in 2020, 2021 and 2022 are summarised in the table below.

The projected HEPS growth and average annual RONA returns over the appropriate performance periods for each applicable grant were calculated using historical and forecast HEPS values and are provided purely for shareholders' information.

Description	2019	2020	2021
Grant date	12 November 2019	17 November 2020	11 August 2022
Vesting date	13 February 2023	16 February 2024	11 August 2025
Performance period	1 October 2019 to 30 September 2022	1 October 2020 to 30 September 2023	1 October 2022 to 30 September 2024
HEPS condition			
Threshold (expected CPI growth)	16.10%	20.46%	21.63%
On-target growth (based on approved budget)	30.00%	30.00%	30.00%
Stretch growth	39.00%	39.00%	39.00%
Base year HEPS measure	1 166.3 cents	1 326.8 cents	1 195.1 cents
On-target HEPS required	1 516.2 cents	1 724.8 cents	1 553.6 cents
Management forecast based on current projections	1 116.7 cents	1 209.8 cents	1 415.7 cents
Expected HEPS growth (management forecast based on current projections)	(4.26%)	(8.82%)	18.47%
RONA condition			
Threshold (80% target)	32.00%	32.00%	32.00%
On-target RONA (average for three years)	40.00%	40.00%	40.00%
Stretch	48.00%	48.00%	48.00%
Base year RONA measure	39.89%	39.01%	34.65%
Management forecast based on current projections	34.65%	32.43%	31.60%

The measure of TSR will be the TSR of SPAR relative to the weighted average TSR of the six selected peer group companies.

AWARDS MADE DURING 2022

The awards made in 2022 were delayed as the committee engaged with shareholders on concerns raised around the 2021 remuneration implementation report. On 11 August 2022, the committee awarded 527 000 performance shares (2021 grant) to executive directors, senior managers and key employees. After due consideration, the committee felt it appropriate to make an award of 70 000 retention shares (2021 grant) to selected senior managers in key and strategic positions. Included in this extraordinary award were a small number of managers identified as critical to the company's succession plans. No awards of retention shares were granted to executive directors or prescribed officers of the company.

The vesting date of the performance shares is 11 August 2025 and the vesting dates of the retention shares are 11 August 2025, 11 August 2026 and 11 August 2027.

The performance targets for both the HEPS and RONA conditions are set out in the table above.

Also included in the table are management's current forecasts of the achievement levels for both conditions.

These performance shares were calculated in accordance with the targeted award level at a share price of R136.16, which was the 30-day volume weighted average price (VWAP) for the month prior to presenting the proposed awards to the committee. The corresponding figure for the 2020 grant was R184.69 and the price reduction in the current year impacted the number of awards made.

Details of CSP awards to executive directors are provided in the remuneration implementation report on page 114.

AWARDS THAT VESTED DURING 2022

On 12 February 2022 the fifth tranche of CSP awards issued in November 2018 vested. The final performance conditions for the grant were measured and again externally verified by ZAQ Actuaries. The results of the calculation of the actual vesting percentage were as follows:

	HEPS growth over performance period				Vesting percentage	Weighted x 50%
	Threshold	On-target	Stretch	Actual		
HEPS condition	12.58%	30.00%	39.00%	12.41%	0.00%	0.00%

	RONA growth over the performance period				Vesting percentage	Weighted x 30%
	Threshold	On-target	Stretch	Actual		
RONA condition	32.00%	40.00%	48.00%	37.85%	55.60%	16.68%

	Compound annual growth rate				Vesting percentage	Weighted x 20%
	Threshold	On-target	Stretch	Actual		
TSR condition	2.15%	2.69%	3.23%	5.13%	100.00%	20.00%
Total to vest						36.68%

Of the total number of awards in effect at the measurement date, 210 065 vested, comprising 109 245 performance awards and 100 820 retention awards.

The awards were once again settled by a market purchase of shares.

Retention shares of 19 250 relating to the 2017 award are still outstanding and will vest over the next year.

Retention shares of 38 006 relating to the 2018 award are still outstanding and will vest over the next two years.

The actual vesting of performance awards for the last three years were as follows:

	2022	2021	2020
HEPS growth	0.00%	88.27%	26.26%
RONA growth	55.60%	62.08%	62.46%
TSR	100.00%	100.00%	100.00%
Final vesting	36.68%	82.76%	51.67%

EXECUTIVE AND NON-EXECUTIVE DIRECTORS' REMUNERATION

The committee uses PricewaterhouseCoopers (PwC) executive remuneration and non-executive fee trends reports for insights into current remuneration practices and trends and continually engages with PwC to assist it with a benchmarking exercise of salaries. This includes looking at STIs and LTIs in order to ensure the remuneration of executive management is fair and responsible in the context of overall employee remuneration. The committee is satisfied PwC is independent and objective in giving advice.

Executive directors' remuneration

Executive directors receive a monthly salary and benefits based on the role of each executive, their performance and contribution to the group's overall results. Benefits include other pensionable remuneration, allowances such as a car allowance, pension fund, medical aid, vehicle insurance and fuel, which is paid by the company. Details of executive directors' remuneration for the financial year are provided in the remuneration implementation report on page 114.

Executive directors' terms of service

Executive directors are full-time employees of the company and, as such, have an employment agreement in accordance with the company's standard conditions of service, but with a notice period of two months (versus one month for other employees) and more comprehensive confidentiality undertakings. The Group CEO has a notice period of three months.

Non-executive directors' remuneration

Non-executive directors are not full-time employees of the company and, as such, have a contract for services and not a contract of employment. Non-executive directors' remuneration consists of a fixed basic fee and is not linked to the financial performance of the group, nor do they receive STI or LTI awards.

Details of non-executive directors' remuneration for the financial year are provided in the remuneration implementation report on page 114.

Management recommends non-executive directors' fees, based on industry benchmarks, to the committee for onward recommendation to and approval by the board which in turn recommends the fees to shareholders for approval in accordance with the Companies Act.

Non-executive remuneration increases are implemented on 1 March each year. The proposed fees for the period 1 March 2023 to 28 February 2024 are as follows:

	Current R	Proposed R	Increase %
Board			
Chairman (including his participation in all committees)	1 769 250	1 875 405	6.0%
Lead independent (including his participation in all committees)	1 365 000	1 446 900	6.0%
Member	513 450	513 450	0%
Audit Committee			
Chairman	328 000	347 680	6.0%
Member	158 000	167 480	6.0%
Risk Committee			
Chairperson	193 000	204 580	6.0%
Member	136 000	144 160	6.0%
Social, Ethics and Sustainability Committee			
Chairperson	188 000	199 280	6.0%
Member	122 000	129 320	6.0%
Remuneration and Nominations Committee			
Chairperson	188 000	235 000	25.0%
Member	122 000	152 500	25.0%

In addition to the fees proposed above, the board has also proposed the following:

- A fee of R300 000 per annum (2022: R300 000) be payable to specific non-executive directors for their attendance and contribution to the IT-SAP Steering Committee meetings for the 12-month period from 1 March 2023 to 29 February 2024
- A daily fee of R31 164 (2022: R29 400) be payable to non-executive directors for their attendance at ad hoc meetings of the board and board committees for the 12-month period from 1 March 2023 to 29 February 2024

The fees for non-executive directors were last benchmarked in 2019, and inflationary increases were implemented in the interim period. A benchmarking exercise was performed in the 2021 financial year given the company's significant growth in complexity. The committee reviewed the fees for non-executive directors against the Institute of Directors in South Africa's (IODSA) Non-Executive Directors' Fees Guide and PwC's Non-executive directors: Practices and fees trends report in terms of percentile and reference group. The reference group is a group comparable to SPAR in terms of market capitalisation and included sector competitors.

The exercise revealed that while fees for the board roles were largely aligned, those for the various committees had lagged and were significantly below the industry norms. The recommendation is to align the board committee fees to the IODSA's benchmark on large capital enterprises at the 50 percentile level. However, as this would have required a large adjustment at the time, it was recommended that these fees be adjusted in a phased approach over the next few years.

No increase is being proposed to the fees for the board member role as this is largely aligned to the benchmark. Due to the combination of the Remuneration and Nominations Committees, it is recommended that the combined committee will earn a fee for the 2023 year that is equivalent to the fee paid to the Remuneration Committee in 2022 escalated by 25%. The fees payable to non-executive directors for all other roles are proposed to be increased by an inflation factor of 6.0% in 2023.

The board recognises the need to have non-executive member representation with specialised IT skills on the IT-SAP Steering Committee, for the duration of the SAP programme implementation, given the risks relating to this project. The IT-SAP Steering Committee fee is proposed to remain at the existing level and is accordingly recommended for approval.

The board also recommends a 6.0% increase in the daily fee payable to its members for their attendance at any ad hoc meetings of the board and committees that may be required during the year.

Non-executive directors' terms of service

The notice period for non-executive directors is three months with an age limit of 70 years. The board may, at its discretion, extend a non-executive director's retirement date.

SECTION 3 – REMUNERATION IMPLEMENTATION REPORT

The remuneration implementation report contains detailed information and figures pertaining to the application of the remuneration policy in relation to executive and non-executive directors.

Executive remuneration

The policy for executive directors' remuneration is summarised on page 112.

The executive remuneration was again reviewed against an appropriate reference group of peers in the market. In addition, the committee considered remuneration trends and latest developments in the market for the comparable percentile.

In the current year the Group CEO was awarded an increase of 6.0%, and while slightly ahead of the mandate of 5% for executives and senior management, the committee recognised the contribution of the CEO since his appointment in 2021 and the need to align his package with that of peers in similar-sized businesses.

The CFO received the mandated salary increase of 5.0%. The effective increase in his basic salary over the two years is due to the timing of the increases received in the prior year. The committee remains satisfied that the CFO's basic salary is appropriate for his increased role and responsibilities.

R'000	Basic salary	Performance-related bonus ¹	Retirement funding contributions	Travel allowance and other benefits ²	Share option gains	Total
Emoluments 2022						
Executive directors						
BW Botten	7 950	–	928	906		9 784
MW Godfrey	6 300	–	738	596	3 388	11 022
Total emoluments	14 250	–	1 666	1 502	3 388	20 806
2021						
Executive directors						
GO O'Connor*	3 563		413	403	4 052	8 431
BW Botten*	4 375	1 029	512	1 245	–	7 161
MW Godfrey	5 928	1 359	695	1 091	4 899	13 972
Total emoluments	13 866	2 388	1 620	2 739	8 951	29 564

* GO O'Connor retired in February 2021 and BW Botten was appointed as the CEO on 1 March 2021.

¹ The performance-related bonuses relate to amounts earned in the current year. These bonuses only accrue on the last day of the financial year and no pro rata payment is made.

² Other benefits include medical aid contributions and a long service award.

Executive STIs

The STI policy is summarised on page 105.

As the financial result did not achieve the threshold hurdle that triggers payment, no STI bonus was paid to the executive directors in the current year.

For information purposes, details of the targets, relative bonus caps as a percentage of annual salary and the average payout are as follows:

	Bonus cap (% of annual salary)	Executive directors' average performance achievement %
Group financial results	75	0%
Transformation targets	10	6.5%
Key performance	15	5.4%
Total	100	0%

	Maximum bonus achievable (% of salary)	Actual bonus (% of salary)	Actual bonus R'000
Director			
BW Botten	100.00	0%	–
MW Godfrey	100.00	0%	–
Average achievement		0%	–

PERFORMANCE BONUS SCORECARD

	Weighting (as a % of total annual bonus opportunity)	Achieved as a % of maximum			Actual achievement	Payout (as a % of total annual Bonus opportunity)
		Threshold	On-target	Stretch		
Performance measure Group financial Profit after tax, adjusted for exceptional items	75%	15% R2.37 billion	80% R2.75 billion	100% R2.89 billion	R2.20 billion	0%
Strategic scorecard Transformation objectives	10%					
Employment equity management appointments	5%		50% of all management positions filled		30/47	3.33%
Enterprise development – store ownership	5%		Weighted points awarded for stores owned by equity groups, with bonus points if stretch exceeded		15/30	3.17%
Other measures Personal objectives	15%				Average	5.4%

PROFIT AFTER TAX, ADJUSTED FOR EXCEPTIONAL ITEMS

The profit after tax for the 2022 financial year was R2.22 billion, an increase of 0.5%. This result was again negatively impacted by losses in the Polish business, albeit this did show some improvement, and declines in profit reported by both the South African and Swiss businesses. The South African business was particularly impacted by a significant credit loss provision recognised against the trade accounts of a small group of retailers.

The committee again agreed to the adjustment for certain minor exceptional items and the profit after tax of R2.20 billion was confirmed as final for financial performance measurement. The financial threshold is normally set at the reported, adjusted profit after tax for the previous year, but as the 2021 result included certain extraordinary once-off items, the committee had set the threshold at the increased level of R2.37 billion.

The measured result for 2022 failed to achieve this threshold by some R170 million and as this minimum entry hurdle was not achieved, the STI was disqualified and no bonuses were paid to the participants, irrespective of achievements in the functional measures.

EMPLOYMENT EQUITY MANAGEMENT APPOINTMENTS

To achieve the group transformation objectives, management has targeted to fill at least 50% of all available management positions (graded DL to EU) with equity candidates. During the year 47 positions were identified at the group's head office and 30 of these were successfully filled with designated managers. Despite this being more than 50% of the total positions filled, the measurement also considers each of the grade bands, i.e. DL, DU and E, and, as the required E appointments were not achieved, only two-thirds of the available score was attained.

ENTERPRISE DEVELOPMENT – STORE OWNERSHIP

Management has strategically focused on developing equity ownership within the South African retail formats. This objective awards points on a weighted format basis to all stores owned by designated groups. This has been another very satisfying result as reported ownership increased to 433 (2021: 411) stores across all retail formats, an increase of 5.4% in the year, which was positively impacted by the re-opening of a number of stores that were closed during the civil unrest in 2021.

PERSONAL OBJECTIVES

The executive directors' personal performance objectives are fundamentally set to drive strategic initiatives. Each contracts a minimum of three personal objectives with the committee. These are generally equally weighted but may be adjusted to recognise more significant matters. No adjustments were made during the course of the year to the personal objectives of the executive directors in 2022. The broad objectives and achievements of executive directors in the 2022 financial year were:

	Achievement (Opportunity)
BW Botten	
Ensure the SAP Implementation Plan proceeds as designed and the Steering Committee provides the necessary leadership and oversight	12.5% (25%)
The Polish business to deliver budgeted operating loss reflecting a 50% improvement on the 2021 performance	0% (25%)
SPAR South Africa – ensure the budgeted profit before tax for 2022 is achieved	0% (25%)
Implement the new Group executive structure and ensure all leadership positions filled by appropriately qualified management	25% (25%)
Score achieved	37.5% (100%)
MW Godfrey	
Ensure the SAP Implementation Plan – with specific emphasis on finance aspects – proceeds as designed and the targets achieved	15% (25%)
Polish acquisition	
– (a) arrange additional funding requirements to meet operational demands	20% (25%)
– (b) drive business profitability through technical and operational support to achieve budgeted operating loss [50% improvement on 2021 performance]	0% (25%)
SPAR South Africa – ensure the budgeted profit before tax for 2022 is achieved	0% (25%)
Score achieved	35% (100%)

This information is provided for illustrative purposes only as no STI was paid to the executive directors in 2022.

Executive LTIs

SOP

The SOP closed in 2014 and no further options have been allocated since 7 February 2014. There are no performance criteria in this scheme and as the scheme is now closed, none can be introduced.

OPTIONS HELD OVER SHARES IN THE COMPANY

	Date of option issue	Option price R	Number of options held	
			2022	2021
Executive directors				
BW Botten	12/11/2013	126.43	10 000	10 000
Total			10 000	10 000
	08/11/2011	96.46	–	35 000
	13/11/2012	122.81	30 000	30 000
MW Godfrey	12/11/2013	126.43	30 000	30 000
Total			60 000	95 000
Total options held by directors			70 000	105 000

OPTIONS EXERCISED

	Date of options exercised	Number of options exercised	Option price R	Market price on exercise R	Gain R'000
MW Godfrey	26/11/2021	35 000	96.46	165.71	2 424
					2 424

CSP

The CSP is summarised on page 106.

DETAILS OF UNVESTED CSP AWARDS HELD BY DIRECTORS

Details of unvested CSP awards held by directors

	Award date	Share price on date of grant R	Number of shares	
			2022	2021
BW Botten	07/02/2018	170.70	1 668	3 334
	12/02/2019	175.20	3 334	13 900
	11/02/2020	198.01	16 600	16 600
	16/02/2021	181.15	30 500	30 500 ¹
	11/08/2022	142.83	35 000 ³	
Total			87 102	64 334
MW Godfrey	07/02/2018	170.70	2 334	4 667
	12/02/2019	175.20	5 334	20 800
	11/02/2020	198.01	20 800	20 800
	16/02/2021	181.15	30 000	30 000 ²
	11/08/2022	142.83	23 100 ⁴	
Total			81 586	76 267
Total directors' interest in the CSP			168 670	140 601

¹ Awarded in 2021: 10 500 performance shares and 20 000 retention shares.

² Awarded in 2021: 30 000 performance shares.

³ Awarded in 2022: 35 000 performance shares.

⁴ Awarded in 2022: 23 100 performance shares.

CSP GAINS

	Date vested	Gain R'000
MW Godfrey	16/02/2022	964

Details of vested award shares held by directors

In line with the committee's view that senior executives should be exposed to the share price post the vesting of their LTIs, the following executives elected to subject their CSP shares to a further agreed upon holding period of three years.

	Award date	Total number granted	% vested	Total vested
2022				
BW Botten	12/02/2019	8 900	36.68%	3 265
	12/02/2019	5 000	33.33%	1 666
	07/02/2018	5 000	33.33%	1 666
MW Godfrey	12/02/2019	12 800	36.68%	4 695
	12/02/2019	8 000	33.33%	2 666
	07/02/2018	7 000	33.33%	2 333
2021				
BW Botten	07/02/2018	8 000	82.76	6 620
	07/02/2018	5 000	33.33	1 666
MW Godfrey	07/02/2018	10 500	82.76	8 689
	07/02/2018	7 000	33.33	2 333

Non-executive directors' remuneration

The policy for non-executive directors' fees is summarised on page 112.

R'000	2022	2021
Fees for services as non-executive directors		
MJ Hankinson	–	675
GO O'Connor (Chairman) ^b	2 734	1 566
JA Canny ^{cd}	920	295
M Mashologu ^{abc}	981	770
HK Mehta ^{abc}	415	979
P Mnganga ^{bd}	947	837
AG Waller ^{abc}	1 338	1 110
LM Koyana ^{acd}	842	695
ST Naran ^{ac}	502	–
Total fees	8 679	6 927

^a Member of Audit Committee.

^b Member of Remuneration and Nominations committees.

^c Member of Risk Committee.

^d Member of Social, Ethics and Sustainability Committee.

MJ Hankinson retired at the AGM on 16 February 2021 and was replaced by GO O'Connor on 1 March 2021. Included in the 2022 amount paid to GO O'Connor are fees of R1 000 000 for other services.

HK Mehta retired on 15 February 2022.

ST Naran was appointed as independent non-executive director on 15 February 2022.

Executive and non-executive directors' interests in the share capital of the company

Number of shares	2022	2021
Directors' interests in the share capital of the company		
Executive directors		
BW Botten – direct beneficial holding	17 153	10 556
MW Godfrey – direct beneficial holding	44 333	34 639
Non-executive directors		
GO O'Connor – direct beneficial holding	41 664	81 642
HK Mehta – direct beneficial holding*	–	2 000
HK Mehta – indirect beneficial holding*	–	9 000
AG Waller – direct beneficial	3 200	3 200

* HK Mehta retired on 15 February 2022.

On 30 September 2022, MW Godfrey exercised 15 000 options in terms of the rules of The Share Trust which was not concluded as at end of the financial year. The share transfer has subsequently been concluded but these shares are not included in the above direct beneficial interest.

On 30 September 2022, GO O'Connor sold 67 810 SPAR ordinary shares that have vested in terms of the rules of the SPAR Group CSP to settle the taxes on the total of 145 827 SPAR ordinary shares that vested in terms of the CSP rules. At financial year end the share transfer of the balance of 78 017 SPAR ordinary shares was not concluded and will be reflected as a direct beneficial interest when transferred.

Other than the aforementioned transactions by MW Godfrey and GO O'Connor, as at the date of this report the directors' interests in the share capital of the company remain unchanged.

Indication of executive directors' shareholding against the proposed target MSR

BW Botten

Direct beneficial holding
Market value at 30 September 2022
As a percentage of 2022 guaranteed basic salary
Target for Group CEO

17 153 shares
R2 459 054
31%
200%

MW Godfrey

Direct beneficial holding
Market value at 30 September 2022
As a percentage of 2022 guaranteed basic salary
Target for executive directors

44 333 shares
R6 355 580
101%
150%

Declaration of disclosure

The company enters into arm's length transactions in the ordinary course of business with certain entities in which non-executive director GO O'Connor, or his direct family members, have both a controlling interest or significant influence. These interests are in the form of shareholdings in food-service and retail stores and are disclosed in an annual declaration of directors' interests in the company. Transactions between the company to businesses where control has been demonstrated by GO O'Connor, or his direct family members, for the period ended 30 September 2022 comprise of wholesale sales of R229.2 million (2021: R211.9 million) and distribution centre canteen purchases of R33.1 million (2021: R33.4 million) and trade account balances at year end of R18.6 million (2021: R16.9 million).

All transactions between these entities and the group were insignificant in terms of the group's total operations for the year.

Other than that disclosed above and in note 37 to the annual financial statements, no consideration was paid to or by any third party, or by the company itself, in respect of the services of the company's directors, as directors of the company, during the year ended 30 September 2022.

RISK COMMITTEE REPORT

The Risk Committee (the committee) presents the following report for 2022 financial year.

COMMITTEE GOVERNANCE

Composition

Members of the committee are independent non-executive directors Marang Mashologu (chairperson), Lwazi Koyana, Sundeep Naran, Jane Canny and Andrew Waller, and executive directors Brett Botten and Mark Godfrey.

Harish Mehta retired as a member of the committee in February 2022 and was replaced by Sundeep Naran as a member of the committee on 15 February 2022, following his appointment as independent non-executive director of the board.

Members' qualifications and experience are available on pages 82 to 84.

Meetings

The committee met formally twice during the financial year. Permanent invitees at committee meetings were the Group Chief ESG Officer, the Logistics Executive, the Group Chief Information Officer, the Group Internal Audit Manager, the external auditor and the Company Secretary (who also acts as the secretary of the committee). Members' attendance at meetings is recorded on page 89.

Evaluation of the committee

The committee's effectiveness is assessed by way of a self-assessment evaluation review every two years and was last done in 2021, with the committee being satisfied with the outcome of the assessment. The next assessment will be performed during the 2023 financial year.

Role and responsibilities

The committee's roles and responsibilities are governed by its terms of reference as reviewed and approved annually by the board. The board allocated oversight of risk governance, technology and information governance, and compliance governance to the committee.

The committee oversees the company's risk management, IT and compliance processes to ensure management identifies potential risks in these areas, which may affect the company or its operations. It implements effective policies and plans to mitigate any risks, enhance the company's ability to achieve its strategic objectives, and support the company in being ethical and a good corporate citizen.

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

- Audit Committee
- Social, Ethics and Sustainability Committee

The committee is satisfied it fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found online: https://thespargroup.com/pdf/Risk_Committee_Terms_of_Reference_2022.pdf

KEY FOCUS AREAS

Risk governance

Kevin O'Brien is the Group Chief ESG Officer and is responsible, together with executive management, for the implementation and execution of the risk management process.

An enterprise risk management (ERM) policy and framework are in place. In keeping with the King IV recommendation, a combined assurance policy and framework was approved at the August 2021 Risk Committee meeting.

Internal audit provides the committee assurance as to whether risk management processes within the group are adequate and effective and makes recommendations on areas where the SPAR risk management processes could be improved.

During the financial year, the risk team continued to provide leadership to the company on dealing effectively and impactfully with the COVID-19 pandemic up until the point when the regulations were no longer applicable.

During the 2022 financial year, progress was made in the following areas:

- A revised risk management plan was tabled to the Risk Committee meeting of August 2022. The execution and completion of this plan will ensure an increase in the risk maturity level of the group. Included in this risk management plan is the identification and monitoring of key risk indicators together with a combined assurance plan for each of the strategic risks.
- A risk culture survey was conducted across all distribution centres within SPAR Southern Africa. Plans are in place to address the areas that were scored poorly.
- As part of the ERM process, strategic risk registers have been identified for the international territories as well and this has been linked to the strategies of the respective territories.
- ERM software has been identified and approved for roll out within the group. This software will result in a central platform for the recording and monitoring of risks and associated mitigations at a strategic, operational and functional level.

Focus areas for the 2023 financial year are:

- Rollout of the ERM software throughout the group.
- Completion of the activities in the revised risk management plan. It should be noted that the revised risk management plan includes the development of a combined assurance plan for each of the territories and South Africa distribution centres.
- Execution of plans identified to address gaps identified from the risk culture survey.
- Strengthen the operational risk management process at all distribution centres.

IT governance

Mark Huxtable is the Group Chief Information Officer and is responsible, together with executive management, for the implementation and execution of effective technology and information management.

2022 was focused on delivering the objectives we set out to achieve for the six goals and solution areas within our existing IT strategy framework. These goals and solution areas are underpinned by an established IT risk tolerance framework which sets the tolerance levels to ensure that business is conducted within acceptable risk boundaries. All IT related risks are actively monitored, and material IT related risks are highlighted appropriately mitigated. This includes assessing any potential IT related risks and opportunities affecting SPAR's products, services and operating models.

The IT strategy is being revamped in line with the new Group strategy and structure.

The following table depicts our challenges and achievements against the six goals in 2022, and the focus areas for 2023:

Goal	2022 in review	2023 focus areas
Goal 1: Deliver the SAP programme via an effective deployment strategy and ensure global business adoption	- Central Office went live on the new SAP platform on 3 October 2022 as planned. - This achievement is due to the great efforts of our team who worked tirelessly despite many challenges.	- Go live with all South African distribution centres in a risk-managed approach, region by region starting with KZN (Release 1). - Poland is also scheduled to go live in 2023 (Release 1). - Detailed design workshops for our international affiliates are underway (Release 2).
Goal 2: Enable and manage all data assets to facilitate business growth for SPAR and Retail Partners and drive a truly customer centric focus	- Significant progress has been made in building our core data foundation using the SAP platform. - A framework for master data governance and management is a central theme to leverage a platform across all our territories.	2023 will focus on implementing governance structures and processes. - A big focus is to get all our master data into an appropriate state for SAP. - Other data projects are underway with respect to Customer loyalty and online solutions.
Goal 3: Provide leading ' business prioritised ' suites of technology services and innovative solutions that create value for now and for the future	- Secured a Group Azure deal to cater for our SAP programme rollout and future growth requirements. - Several measures to protect the global business from cyber threats were implemented. This included developing a cybersecurity strategy as well as an enterprise security architecture maturity assessment. - The SPAR Digital Platform (SDP) continues to be enhanced and rolled out to our Retailers. A recovery model is being finalised together with business and will be implemented in 2023. - Service operations and delivery management processes were matured.	- Continue to negotiate volume discount deals for Global benefit. - Deliver a portal which allows for visibility, management, and selection of services by distribution centres and Retailers. - Complete voice solution pilot for Retail and begin offering solution in SDP. - Investigate and design a settlement engine on SAP for retail-based services. - Further process optimisation - Continue to innovate at Retail, focusing on improvements for infrastructure and security. - Re-engineering our customer experience support structures.
Goal 4: Invest in and renew core IT capabilities which enable business sustainability and partnering	- We continued to build capability and new skills to increase our capacity to serve. - Skills development programmes included formal training and certification. - Focus was on building competencies to support our new SAP solution. - We reorganised to support changing business priorities.	- Continue to evolve the IT organisation to support new Group structure. - Appoint a South African IT Executive. - Create a skills development matrix to leverage skills across the SPAR Group countries. This will also inform a Group Customer Centre of Excellence and training model. - Continue improving skills base with training and mentorship.
Goal 5: Create an IT governance framework and environment which facilitates security, compliance, risk mitigation and cost optimisation	- Some core technology services were migrated to other regions to improve our risk profile and ability to respond. - Implemented technology and operational cost management. - A shared costing recovery model for the SAP global investment was developed. Group Finance is finalising the tax and international charge out mechanisms. - An IT risk management process for new and contract renewal was developed. - Project Management Office (PMO) processes were matured, and projects were delivered according to PMO standard. - Implemented tools to manage and govern projects, project costs and risks.	- Improve Retail security with roll out of planned security changes. - Extend cost management to the rest of information technology portfolios. - Adapt governance processes in line with new group structure. - Mature risk management process and standardised contracting. - Continue maturing PMO framework, processes and standards.
Goal 6: Implement Digital Retail Solutions to facilitate multichannel e-commerce including mobile and transform customer engagement	- We created a new omnichannel business unit in the South African business. - We have appointed a new Omnichannel and Systems Manager to deliver systems, solutions and services.	- Continue developing our SPAR2U online solution. - Select a back-office system for our Retailers. - Select a point of sale system for our Retailers. - Develop and execute on a Store of the Future roadmap together with business divisions.

Compliance governance

The Executive Management of SPAR are responsible for implementing and executing effective compliance management.

A software solution is currently in place with all the South Africa distribution centres to assist management with the monitoring of compliance to legislation and regulation within SPAR SA. With the major focus on POPIA compliance in the 2021 financial year, we believe that the controls in place are sufficient to mitigate any risk of non-compliance to this piece of legislation. Significant strides have been made in the food safety compliance area and a strategy has been devised to further embed food safety compliance within the business and amongst retailers.

Focus areas for the 2023 financial year will be to:

- review and update the SPAR South Africa regulatory universe;
- compile a regulatory universe for each of the international territories;
- risk rank the respective regulatory universe; and
- compile compliance control plans for legislation/regulation that are in the top 10 risks.

In addition, the committee reviewed the group's strategic risks and opportunities and received feedback from management on the group's insurance, current litigation, incidents of fraud, emerging risks and opportunities, and operational risk and opportunities (logistic risks, human resource risks, food safety risks, climate change risks and financial risks).

Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning, and particularly Harish Mehta for his long-standing contribution to the functioning of the committee.



Marang Mashologu

Chairperson of the Risk Committee

15 December 2022

Strategic risks and opportunities can be found on page 42.

SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT

The Social, Ethics and Sustainability Committee (the committee) presents the following report to shareholders for the 2022 financial year, in accordance with the requirements of the Companies Act.

COMMITTEE GOVERNANCE

Composition

During the year, the name of the committee was changed from Social and Ethics Committee to its current name also recognise the committees function relating to oversight of the sustainability of the group.

Members of the committee are independent non-executive directors Phumla Mnganga (chairperson), Jane Canny and Lwazi Koyana, and executive director Brett Botten. This membership did not change during the 2022 financial year.

Members' qualifications and experience are available on pages 82 to 85.

Meetings

The committee met formally twice during the financial year. Permanent invitees at meetings are the Chairman of the board, the Lead Independent Director, the Group Chief ESG Officer and Company Secretary (who acts as the committee's secretary), and the Human Resources Executive. Members' attendance at meetings is recorded on page 89.

Evaluation of the committee

The committee's effectiveness is assessed by way of a self-assessment evaluation review every two years and was last done in the 2021 financial year. The committee was satisfied that it was performing effectively and in accordance with its mandate set by the board. The next assessment will be conducted during the 2023 financial year.

Role and responsibilities

The committee's role and responsibilities are governed by its terms of reference as reviewed and approved annually by the board. 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 committee.

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

The committee is satisfied it fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found online: https://thespargroup.com/pdf/Social_Ethics_and_Sustainability_Committee_Terms_of_reference_2022.pdf

KEY FOCUS AREAS

Policy review

The committee reviews the group's policies relating to ethics, social and economic development, good corporate citizenship, sustainable development and stakeholder relationships. During the financial year, the committee considered and recommended to the board for approval the following policies:

- Sustainability Policy
- Code of Ethics
- Gifts Policy
- Stakeholder Engagement Policy and Framework
- Code of Conduct
- Ethics and Compliance Charter
- Health and Safety Policy
- Corporate Social Investment Policy
- Employment Equity Policy

Going into the 2023 financial year, the committee will continue to review the various policies dealing with ethics, social and economic development, good corporate citizenship and sustainable development, and it continues to oversee the implementation of a formal corporate compliance programme to monitor the company's activities in this regard.

Organisational ethics

Ethics within the company is addressed through SPAR's Code of Ethics. The code applies to all the company's employees and directors. Ethics at SPAR is simply 'the way we do things here' and is defined as 'doing the right thing in the best long-term interest of all stakeholders, even when no one is watching'.

The company encourages employees and other stakeholders to disclose any serious impropriety or improper conduct. SPAR subscribes to Deloitte's Tip-offs Anonymous, an independent hotline that enables employees to report illegal actions and ethical misconduct confidentially.

During the financial year, 20 reports (2021: 20) were received from Tip-offs Anonymous. All reports were investigated, and of the 20 reports received, five (2021: 4) were in respect of independently owned SPAR stores and referred to the respective retailers for further investigation. Of the 15 reports relating to the company, 4 investigations are still in progress, 3 (2021: 3) led to disciplinary action against the employees concerned and the remaining reports were found to be untrue.

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.

An ethical culture assessment was performed during October 2021 by The Ethics Institute (TEI), and the results were presented to the committee at its meeting in November 2021, which had improved in comparison to the assessment conducted in 2018. Further improvements are in the process of being implemented to the ethics management programme, as recommended by the TEI which the committee will continue to monitor during the next financial year.

During the financial year, 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.

Corporate citizenship

The committee is mandated to consider the impact of the group's performance on all stakeholders, society, the economy and the natural environment; detailed information relating to which is included in our environmental and social supplementary report. Accordingly, during the financial year, the committee received feedback from management on the following matters:

- **B-BBEE** | The company was granted a level seven contributor rating under the new generic codes for the 2020/2021 year. This certificate expired in December 2022. Following the completion of an audit in December 2022, the company was awarded a level 6 contributor rating for the 2021/2022 year.
- **YES programme** | The Group participated in the YES programme during the 2022 financial year with 484 learners participating in the programme across both SPAR and Build it stores. This will continue to be an area of focus for the 2023 financial year.
- **Trade union activity** | The unionised divisions are: South Rand (SACCAWU and Thorn), North Rand (SACCAWU and Thorn), KwaZulu-Natal (SACCAWU and Thorn), Build it imports (SACCAWU). Wage negotiations with three major SPAR distribution centres were successfully concluded during the year, with no major disruptions to operations experienced.
- **Staff development programmes**, ranging from learnerships to programmes for graduates and leadership development for senior managers.
- A **culture survey** was concluded during the 2021 financial year, and feedback was given to all divisions and central office. Action plans on the areas identified as requiring improvement have been documented and are being implemented.
- **CSI contributions** were R29.0 million (2021: R23.0 million). In addition to the projects we normally support, communities affected by COVID-19 and floods were also supported.
- SPAR's **CDP** climate change, water and forests reports were submitted timeously in 2022.
- During the year a **scenario analysis** was conducted on climate change impact by an external service provider Change Pathways and the findings were presented to the board in November 2022. The Climate Change report was reviewed and recommended to the board for approval, for publication as a supplementary report to the 2022 Integrated Annual Report.
- SPAR's **rural hub** progress reports were given to the committee.
- **Sustainability initiatives** undertaken by SPAR, include climate resilience, packaging, food waste, nutrition and wellness.
- **COVID-19** implications for employees, retailers and consumers. Health and safety of employees, retailers and consumers were managed under COVID-19 regulations up until the regulations were no longer applicable.

Detailed feedback on a number of the abovementioned matters can be found in our environmental, socio-economic and governance supplementary report and our climate change supplementary report online.

Due to the strategic importance of transformation and diversity, an externally facilitated workshop titled Transformation: Creating an Imperative for Change was held during the 2021 financial year and attended by all board members and members of the company's Executive Committee. A transformation strategy that will guide transformation of the group going forward, was presented to the Executive Committee, and adopted during the year. The change management process will be the focus for the 2023 financial year. The committee will monitor progress on the transformation strategy on an ongoing basis.

Stakeholder relationships

The committee has oversight of stakeholder engagement and monitors a stakeholder-inclusive model throughout SPAR. During the 2022 financial year, the committee reviewed the policy and framework governing the management of stakeholder relationships.

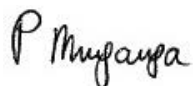
SPAR continues to:

- Engage its independent retailers, to support and build the businesses owned by independent retail
- Engage with suppliers to form strategic alignments where possible
- Collaborate with government and industry bodies to address various sustainable development issues

In addition to the key focus areas above, the committee considered the supplementary reports included online, on environmental, social and governance; and climate change, and recommended these reports to the board for approval. The committee is required to report through one of its members to the company's shareholders on the matters within its mandate at the company.

Our 2021 Integrated Report informed investors of concerns raised by a group of retailers and the external independent investigation commissioned into the matter which found that there was no substance to the allegations but did highlight some internal business-related practices for improvement. During the year, the committee received regular progress reports on this matter and the action plans developed to improve the internal business-related practices. This will continue to be monitored and remedied in the 2023 financial year.

The AGM will be held on 14 February 2023. Any specific questions relating to the report may be sent to the Company Secretary before the meeting. Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning.



Phumla Mnganga

Chairperson of the Social, Ethics and Sustainability Committee

15 December 2022

SHAREHOLDER INFORMATION



ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 30 SEPTEMBER 2022

	Number of Shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
SHAREHOLDER SPREAD				
1 – 1 000	24 995	80.51	6 883 786	3.57
1 001 – 10 000	4 859	15.65	13 914 232	7.22
10 001 – 100 000	943	3.04	29 121 293	15.12
100 001 – 1 000 000	222	0.72	61 124 298	31.74
Over 1 000 000	25	0.08	81 558 746	42.35
Total	31 044	100.00	192 602 355	100.00
DISTRIBUTION OF SHAREHOLDERS				
Assurance Companies	107	0.34	6 810 211	3.54
Close Corporations	199	0.64	274 465	0.14
Collective Investment Schemes	610	1.96	70 077 186	36.38
Control Accounts	1	–	703	–
Custodians	98	0.32	3 025 421	1.57
Foundations & Charitable Funds	232	0.75	1 615 159	0.84
Hedge Funds	9	0.03	198 216	0.10
Insurance Companies	21	0.07	739 128	0.38
Investment Partnerships	81	0.26	170 938	0.09
Managed Funds	170	0.55	6 965 931	3.62
Medical Aid Funds	41	0.13	857 866	0.45
Organs of State	17	0.05	43 353 268	22.51
Private Companies	768	2.47	2 848 724	1.48
Public Companies	28	0.09	803 078	0.42
Public Entities	6	0.02	45 613	0.02
Retail Shareholders	23 993	77.29	13 911 116	7.22
Retirement Benefit Funds	618	1.99	21 221 526	11.02
Scrip Lending	12	0.04	1 103 205	0.57
Share Schemes	1	–	90 789	0.05
Sovereign Funds	22	0.07	9 723 289	5.05
Stockbrokers & Nominees	31	0.10	765 488	0.40
Treasury	1	–	110 705	0.06
Trusts	3 975	12.80	7 889 544	4.10
Unclaimed Scrip	3	0.01	786	–
Total	31 044	100.00	192 602 355	100.00
SHAREHOLDER TYPE				
Non-Public Shareholders	18	0.06	42 494 523	22.06
Directors and Associates (Excl Share Schemes)	5	0.02	106 350	0.06
Government Employees Pension Fund > 10%	11	0.04	42 186 679	21.90
Share Schemes	1	–	90 789	0.05
Treasury	1	–	110 705	0.06
Public Shareholders	31 026	99.94	150 107 832	77.94
Total	31 044	100.00	192 602 355	100.00

Note: Pursuant to the provisions of Section 56 of the Companies Act, 2008, disclosures from foreign nominee companies have been included in this analysis.

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 30 SEPTEMBER 2022

	Number of Shares	% of issued Capital
FUND MANAGERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES		
Public Investment Corporation	30 359 893	15.76
Coronation Fund Managers	29 399 409	15.26
Foord Asset Management	10 144 513	5.27
Old Mutual Investment Group	8 759 509	4.55
Vanguard Investment Management	7 607 399	3.95
Allan Gray	6 844 721	3.55
BlackRock	6 296 014	3.27
Total	99 411 458	51.61
BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES		
Government Employees Pension Fund	42 186 679	21.90
Coronation Fund Managers	11 691 774	6.07
Old Mutual Group	8 762 787	4.55
Vanguard	7 590 382	3.94
Foord Asset Management	7 279 888	3.78
Total	77 511 510	40.24

	Number of Shareholdings
Total number of shareholdings	31 044
Total number of shares in issue	192 602 355
SHARE PRICE PERFORMANCE	
Opening Price 01 October 2021	195.00
Closing Price 30 September 2022	143.36
Closing High for period	200.26
Closing Low for period	130.62
Number of shares in issue	192 602 355
Volume traded during period	231 846 626
Ratio of volume traded to shares issued (%)	120.38
Rand value traded during the period	R37 200 232 784
Price/earnings ratio as at 30 September 2022	11.77
Earnings yield as at 30 September 2022	8.50
Dividend yield as at 30 September 2022	3.97
Market capitalisation at 30 September 2022	R27 611 473 613

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to shareholders that the annual general meeting (AGM) of The SPAR Group Ltd (the company) is scheduled to be held via electronic medium and in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa, on Tuesday, 14 February 2023 at 09:00 (subject to any cancellation, postponement or adjournment) to consider and if deemed appropriate, approve with or without modification, the ordinary and special resolutions as set out in this notice of AGM (notice) and deal with such other business as may lawfully be dealt with at the AGM.

A hybrid AGM will take place allowing investors to participate by either electronic communication or in person at the company's registered office. Accordingly, the AGM will also be accessible through electronic communication, as permitted by the JSE Limited and in accordance with the provisions of the Companies Act (the Act) and the company's MOI and any reference in this notice to 'present in person or represented by proxy' shall also include a reference to a person who is present in person (or able to participate in the AGM by electronic communication) or represented by proxy (which proxy is present in person or able to participate in the AGM by electronic communication).

The company has secured the services of The Meeting Specialist (Pty) Ltd (TMS) to remotely host the AGM on an interactive electronic platform, in order to facilitate remote attendance, participation and voting by shareholders. The transfer secretaries, JSE Investor Services (Pty) Ltd, have been retained to act as scrutineer for purposes of the AGM.

Although voting will be permitted by way of electronic communication, shareholders are encouraged to make use of proxies for purposes of voting at the AGM.

Irrespective of whether a shareholder is attending the meeting in person from the registered office of the company or electronically, all shareholders are required to register and vote via the electronic platform. To this end, all shareholders participating in the meeting, either in person or electronically, must have an internet-enabled device (e.g. phone, laptop or a desktop) capable of browsing to a regular website.

Arrangements with regard to the electronic meeting are detailed in the meeting guide for shareholders: How to access the virtual AGM section of this document.

If you are in any doubt about the action you should take, consult your broker, central securities depository participant (CSDP), banker, financial advisor, accountant or other professional advisor immediately.

ORDINARY BUSINESS

Shareholders will be requested to consider and, if deemed fit, to pass (with or without modification) the following ordinary resolutions.

The percentage of voting rights required for the adoption of each ordinary resolution alongside is the support of more than 50% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders:

Presentation of the annual financial statements

To present the annual financial statements for the year ended 30 September 2022, incorporating the directors' report, Audit Committee report and independent auditor's report, in accordance with section 61 of the Act.

To present the report of the Social, Ethics and Sustainability Committee on the matters within its mandate, in accordance with regulation 43 of the Act.

The company's annual financial statements are available on the company's website at <https://thespargroup.com/>, and the report of the Social, Ethics and Sustainability Committee is set out on pages 124 to 127 of the integrated annual report of the company.

Ordinary resolution number 1 – Confirmation of appointment of independent non-executive director of the board

“Resolved that the appointment of Michael (Mike) Bosman as independent non-executive director of the board of directors of the company, with effect from 15 December 2022, be and is hereby confirmed.”

The Nomination Committee conducted an assessment of the eligibility of Mike as an independent non-executive member of the board of directors and the board accepted the results of the assessments. Accordingly, the board recommends his appointment to shareholders.

A brief curriculum vitae for Mike can be found on page 48 of the integrated report of which this notice forms part.

Ordinary resolution number 2 – Re-election of non-executive directors retiring by rotation

It is recorded

- That Graham O'Connor, Marang Mashologu and Andrew Waller retire as non-executive directors of the company in terms of the company's Memorandum of Incorporation (MOI)
- That Graham, Marang and Andrew, being eligible, offer themselves for re-election

“Resolved, each by way of a separate vote, that Graham O'Connor, Marang Mashologu and Andrew Waller are hereby re-elected as non-executive directors of the company.”

The Nominations Committee conducted an assessment of the performance and independence of Marang and Andrew, and the performance of Graham; and the board accepted the results of the assessment. Accordingly, the board recommends their re-elections to shareholders.

Brief curricula vitae for Graham, Marang and Andrew can be found on pages 82 to 84 of the integrated annual report of which this notice forms part.

Ordinary resolution number 3 – Re-election of the independent external auditor

“Resolved, each by way of a separate vote, that PricewaterhouseCoopers Incorporated be re-elected as the independent external audit firm of the company, and that Thomas Howatt be appointed as the designated individual audit partner, to hold office for the ensuing financial year.”

The Audit Committee considered the suitability of the external audit firm and designated audit partner, considering paragraph 3.84(g)(iii) read with paragraph 22.15(h) of the JSE Listings Requirements, and the indicators set out under section 22 of the JSE Listings Requirements. Having satisfied itself that they continue to meet the independence, and skills and expertise requirements for the audit, the Audit Committee recommends that PricewaterhouseCoopers Incorporated and Thomas Howatt be appointed as independent auditor and designated audit partner, respectively.

Ordinary resolution number 4 – Election of the members of the Audit Committee

“Resolved that the following independent non-executive directors be and are hereby elected, each by way of a separate vote, as members of the Audit Committee of the company with immediate effect, until the conclusion of the next AGM of the company:

- Marang Mashologu, subject to adoption of the proposed ordinary resolution number 1
- Lwazi Koyana
- Sundeep Naran
- Andrew Waller (chairman), subject to adoption of the proposed ordinary resolution number 1”

REASON AND EFFECT

Shareholders are required to annually elect the Audit Committee at each annual general meeting of the company, in accordance with the Act.

The Nominations Committee assessed the suitability of each member, taking into consideration independence, performance, and skill and expertise requirements, and the board accepted the results of the assessment. Accordingly, the board recommends their election as members of the Audit Committee to shareholders.

Brief curricula vitae for Marang, Lwazi, Sundeep and Andrew can be found on pages 82 to 84 of the integrated annual report of which this notice forms part.

Ordinary resolution number 5 – Authority to issue shares for the purpose of share options

Note: The SPAR Group Ltd Employee Share Trust (2004) (the Trust) scheme closed in 2014 for the issuing of further share options, and option holders have 10 years from date of issue to exercise their option rights.

Pursuant to the granting of share options by the Trust, and in the event of any option holders exercising their rights thereto, authority is sought to place the issuing of the necessary shares under the control of the directors.

“Resolved that such number of the ordinary shares in the authorised but unissued capital of the company required for the purpose of satisfying the obligations of the Trust to option holders, be and is hereby placed under the control of the directors, who are hereby, as a specific authority, authorised to issue those shares in terms of the Trust deed.”

REASON AND EFFECT

This resolution is required to facilitate, in terms of the requirements of the MOI, the issue of the requisite number of ordinary shares to the Trust to enable it to meet its obligations to holders of the relevant share options when such options are exercised.

Ordinary resolution number 6 – Authority to issue shares for the purpose of the CSP

“Resolved that such number of the ordinary shares in the authorised but unissued capital of the company, required for the purpose of The SPAR Group Ltd Conditional Share Plan (CSP), be and is hereby placed under the control of the directors, who are hereby, as a specific authority, authorised to issue those shares in terms of the rules of the CSP.”

REASON AND EFFECT

This resolution is required to facilitate, in terms of the requirements of the MOI, the issue of the requisite number of ordinary shares in terms of the rules of the CSP. The intended settlement method of the CSP is a market purchase of shares, which will result in no dilution to shareholders. However, the rules of the CSP are flexible to allow for settlement by way of a market purchase of shares, the use of treasury shares, or the issue of shares. This resolution, if passed, will facilitate an award under the CSP being made by an issue of shares if, for whatever reason, this least preferred settlement method is used.

The company has not previously had to resort to a fresh issue of shares for these purposes.

Ordinary resolution number 7 – Non-binding advisory vote on the remuneration policy

“Resolved that, by way of a non-binding advisory vote, the remuneration policy of the company, as contained in the Remuneration Committee report, be and is hereby endorsed.”

Should 25% or more of the votes cast be against this non-binding advisory resolution, the Remuneration Committee undertakes to engage with shareholders as to the reasons therefore. It undertakes to make recommendations based on the feedback received.

The remuneration policy report can be found on pages 103 to 113 of the integrated annual report of which this notice forms part.

Ordinary resolution number 8 – Non-binding advisory vote on the remuneration implementation report

“Resolved that, by way of a non-binding advisory vote, the remuneration implementation report of the company, as contained in the Remuneration Committee report, be and is hereby endorsed.”

Should 25% or more of the votes cast be against this non-binding advisory resolution, the Remuneration Committee undertakes to engage with shareholders as to the reasons therefore. It undertakes to make recommendations based on the feedback received.

The remuneration implementation report can be found on pages 114 to 119 of the integrated annual report of which this notice forms part.

SPECIAL BUSINESS

Shareholders will be requested to consider and, if deemed fit, to pass (with or without modification) the following special resolutions.

The percentage of voting rights required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders:

Special resolution number 1 – Financial assistance to related or inter-related parties

“Resolved that directors of the company, in terms of provision 45 of the Companies Act, No. 71 of 2008 (as amended) (Companies Act), be and are hereby authorised to cause the company to provide any financial assistance, whether by lending money, guaranteeing a loan or other obligation and/or securing any debt or obligation, to any of its subsidiary companies or other related or inter-related companies or persons, during the period from 1 March 2023 to 29 February 2024.”

REASON AND EFFECT

This resolution is required to comply with the requirements of section 45 of the Companies Act, which provides that a special resolution is required to provide such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category.

Special resolution number 2 – Non-executive directors’ fees

2.1 “Resolved that the exclusive of VAT (if applicable) annual fees payable to non-executive directors of the company for their membership to the board and its committees for the 12-month period from 1 March 2023 to 29 February 2024, be and are hereby approved, as follows:

	Current R	Proposed R
Board		
Chairman (including his participation in all committees)	1 769 250	1 875 405
Lead independent (including his participation in all committees)	1 365 000	1 446 900
Member	513 450	513 450
Audit Committee		
Chairman	328 000	347 680
Member	158 000	167 480
Risk Committee		
Chairperson	193 000	204 580
Member	136 000	144 160
Social, Ethics and Sustainability Committee*		
Chairperson	188 000	199 280
Member	122 000	129 320
Remuneration and Nominations Committee		
Chairman	188 000	235 000
Member	122 000	152 500

* During the year under review the Social and Ethics Committee was renamed.

2.2 “Resolved that the exclusive of VAT (if applicable) fee of R300 000 per annum, payable to non-executive directors for their attendance of IT Steering Committee meetings, remains at R300 000 per annum for the 12-month period from 1 March 2023 to 29 February 2024.”

2.3 “Resolved that the exclusive of VAT (if applicable) daily fee of R29 400, payable to non-executive directors for their attendance at ad hoc meetings of the board and board committees, be increased to R31 164 for the 12-month period from 1 March 2023 to 29 February 2024.”

Reason and effect

This resolution is required to comply with the requirements of sections 65(11)(h) and 66(9) of the Companies Act, which provide that a special resolution is required to authorise the basis for compensation to directors of a profit company.

The fees for non-executive directors were last benchmarked in 2019, and inflationary increases were implemented in the interim period. A benchmarking exercise was performed in the 2021 financial year given the company’s significant growth in complexity. The committee reviewed the fees for non-executive directors against the Institute of Directors in South Africa’s (IODSA) Non-Executive Directors’ Fees Guide and PwC’s Non-executive directors: Practices and fees trends report in terms of percentile and reference group. The reference group is a group comparable to SPAR in terms of market capitalisation and included sector competitors.

The exercise revealed that while fees for the board roles were largely aligned, those for the various committees had lagged and were significantly below the industry norms. The recommendation is to align the board committee fees to the IODSA's benchmark on large capital enterprises at the 50 percentile level. However, as this would have required a large adjustment at the time, it was recommended that these fees be adjusted in a phased approach over the next few years.

No increase is being proposed to the fees for the board member role as this is largely aligned to the benchmark. Due to the combination of the Remuneration and Nominations Committees, it is recommended that the combined committee will earn a fee for the 2023 year that is equivalent to the fee paid to the Remuneration Committee in 2022 escalated by 25%. The fees payable to non-executive directors for all other roles are proposed to be increased by an inflation factor of 6.0% in 2023.

The board recognises the need to have non-executive member representation with specialised IT skills on the IT-SAP Steering Committee, for the duration of the SAP programme implementation, given the risks relating to this project. The IT-SAP Steering Committee fee is proposed to remain at the existing level and is accordingly recommended for approval.

The board also recommends a 6.0% increase in the daily fee payable to its members for their attendance at any ad hoc meetings of the board and committees that may be required during the year.

To transact such other business as may be transacted at an AGM

Record date

The record date set by the board to determine which shareholders are entitled to:

- Receive this notice is Friday, 9 December 2022 (the date on which a shareholder must be registered in the company's securities register to receive this notice).
- Participate in, and vote at, the AGM is Friday, 3 February 2023. Accordingly, the last day to trade for a shareholder to be eligible to vote at the AGM is Tuesday, 31 January 2023.

Voting and proxies

Shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration are entitled to attend and vote at the AGM and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder.

Forms of proxy should be forwarded to reach the company's transfer secretaries, JSE Investor Services (Pty) Ltd, P.O. Box 4844, Johannesburg, 2000, or meetfax@jseinvestorservices.co.za, by no later than 09:00 AM Friday, 10 February 2023. Thereafter, a form of proxy must be handed to the chairman of the AGM before the appointed proxy may exercise any rights of the shareholder at the AGM. Forms of proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised shares with own name registration.

A form of proxy is attached.

Subject to the rights and other terms associated with any class of shares, on a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own name registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- To furnish them with their voting instructions
- Should they wish to attend the meeting, to obtain the necessary letter of authority to do so

Identification

Section 63(1) of the Companies Act requires meeting participants to provide the person presiding over the meeting with satisfactory identification.

Electronic communication

1. SPAR has secured the services of TMS to host the AGM on an interactive platform, in order to facilitate electronic participation and voting by shareholders. The online shareholder meeting guide contains detailed information in this regard and is attached to this notice.
2. All shareholders are entitled to attend and participate via the use of the electronic platform. Any shareholder (or a representative or proxy for a shareholder) who wishes to participate in and/or vote at the AGM by way of electronic participation, must either:
 - Register online using the online registration portal at <https://www.tmsmeetings.co.za/the-spar-group-limited/>, prior to the commencement of the AGM, or
 - Contact TMS at proxy@tmsmeetings.co.za or on 084 433 4836 or 081 711 4255 as soon as possible, and for administrative purposes, by no later than 09:00 South African time on Friday, 10 February 2023.

This is in order for them to arrange such participation for the shareholder and for TMS to provide the shareholder with the details as to how to access the AGM by means of electronic participation.

Shareholders may still register/apply to participate in and/or vote electronically at the AGM after this date, provided, however, that those shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the AGM).

3. Shareholders participating in the AGM by way of electronic communication may still appoint a proxy to vote on their behalf at the AGM.
4. The cost of electronic participation in the AGM is for the expense of the shareholder so participating will be billed separately by the shareholder's own service provider.
5. Each shareholder by their participation in the AGM acknowledges that the electronic communication services are provided by third parties and indemnifies the company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the shareholder or anyone else. In particular, but not exclusively, each shareholder that participates in the AGM acknowledges that they will have no claim against the company, the directors or any employees or representatives of the company for any direct or indirect damages or for consequential damages or otherwise, arising from the use of the electronic services or any defect in them or from total or partial failure of the electronic services and connections linking the shareholder who participates or wishes to participate via the electronic services to the AGM. The company does not and cannot guarantee there will not be a break in electronic communication.

By order of the board



Kevin O'Brien

Company Secretary

15 December 2022

FORM OF PROXY

The SPAR Group Ltd

Registration number 1967/001572/06

JSE code: SPP

ISIN: ZAE000058517

(SPAR or the company)

For use by certificated and own name dematerialised SPAR shareholders (shareholders) at the AGM of the company to be held via electronic communication and in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 14 February 2023 at 09:00 for the purpose of conducting the following items of business:

I/We _____

of (address) _____

being the holder/s of _____ shares, appoint (see note 1)

1. _____ or failing him/her/it;

2. _____ or failing him/her/it;

3. the chairman of the AGM

as my/our proxy to act for me/us on my/our behalf at the AGM, which will be held for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

		Insert an 'X' or the number of shares with which you wish to vote		
		For	Against	Abstain
ORDINARY BUSINESS				
1.	Confirmation of appointment of Mike Bosman as independent non-executive director of the board of directors			
2.	Re-election of directors retiring by rotation			
2.1	Graham O'Connor			
2.2	Marang Mashologu			
2.3	Andrew Waller			
3.	Re-election of independent external auditor			
3.1	PricewaterhouseCoopers Inc. as external auditor			
3.2	Thomas Howat, as designated audit partner			
4.	Re-election of members of the Audit Committee			
4.1	Marang Mashologu (subject to passing of resolution 2.2)			
4.2	Lwazi Koyana			
4.3	Sundeep Naran			
4.4	Andrew Waller (subject to passing of resolution 2.3)			
5.	Authority to issue shares for the purpose of share options			
6.	Authority to issue shares for the purpose of the CSP			
7.	Non-binding advisory vote on the remuneration policy			
8.	Non-binding advisory vote on the remuneration implementation report			
SPECIAL BUSINESS				
1.	Financial Assistance to related and inter-related companies and persons			
2.1	Non-executive directors' fees			
2.2	Non-executive directors' fees for IT Steering Committee			
2.3	Non-executive directors' fees for ad hoc meetings			

Signed at _____ on this _____ day of _____

Signature _____

Notes to the form of proxy

Although voting will be permitted by way of electronic communication, shareholders are encouraged to make use of proxies for purposes of voting at the AGM.

Completed forms of proxy must be received at the office of the company's transfer secretaries, JSE Investor Services (Pty) Ltd, P.O. Box 4844, Johannesburg, 2000, or meetfax@jseinvestorservices.co.za, by no later than 09:00 South African time on Friday, 10 February 2023. Thereafter, a shareholder or his proxy must deliver the form of proxy to the chairman of the AGM before the appointed proxy may exercise any rights of the shareholder at the AGM.

- A member's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he/she deems fit. A member may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the member's votes exercisable at the AGM.
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the chairman of the AGM.
- Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
- A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the company's transfer secretaries.
- The chairman of the AGM may accept any form of proxy that is completed other than in accordance with these notes if the chairman of the AGM is satisfied as to the manner in which the member wishes to vote.

Summary of rights of shareholders

In terms of section 58 of the Companies Act:

- A shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of such shareholder
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder
- A proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's MOI, or the instrument appointing the proxy, provides otherwise
- If the instrument appointing a proxy has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice required in terms of the Companies Act or such company's MOI to be delivered to a shareholder must be delivered by such company to:
 - The relevant shareholder, or
 - The proxy or proxies, if the relevant shareholder has (i) directed such company to do so, in writing; and (ii) paid any reasonable fee charged by such company for doing so
- If a company issues an invitation to its shareholders to appoint 1 (one) or more persons named by the company as a proxy, or supplies a form of proxy instrument:
 - The invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised
 - The invitation or form of proxy instrument supplied by the company must:
 - Bear a reasonably prominent summary of the rights established in section 58 of the Companies Act
 - Contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name and, if desired, an alternative name of a proxy chosen by the shareholder
 - Provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting
- The company must not require that the proxy appointment be made irrevocable
- The proxy appointment remains valid only until the end of the meeting at which it was intended to be used

MEETING GUIDE FOR SHAREHOLDERS: HOW TO ACCESS OUR VIRTUAL AGM

In order to electronically attend, participate and vote at the AGM, each shareholder must have an internet-enabled device (e.g. phone, laptop, or a desktop) capable of browsing to a regular website (in order to vote and participate).

- Closer to the AGM date or on the day of the virtual AGM, you will receive a link and a password to enter the virtual meeting room.
- Click on the link and you will be directed to the AGM platform.
- An additional unique link will be sent, individually, to each shareholder who has made contact with The Meeting Specialist (Pty) Ltd (TMS) on proxy@tmsmeetings.co.za and who has successfully been validated to vote at the AGM.
- Guests will only be allowed to observe and listen to the proceedings of the AGM.

Navigating the meeting platform

- Shareholders who would like to pose questions, click on the Q&A icon on the bottom of your screen to ask your question.
- If you have a question on a particular resolution, type the resolution number, followed by your question and press enter or send.

How to exercise your votes

- All shareholders or their representatives, who have requested to vote, would have received a link from Digital Cabinet TMS to either their phone number or email address.
- The voting will be available on all the resolutions when the chairman opens the AGM.
- Click on the vote now link and it will direct you to the voting platform.
- You will notice that the voting platform contains all the resolutions that have been published in the notice of AGM, with your votes automatically defaulted to Abstain.
- Note that once you click submit, your votes cannot be retracted and revoted.
- You may vote on all the resolutions simultaneously by defaulting all your votes as either 'For' or 'Against' or keeping it as an 'Abstained' vote and then clicking on the submit button on the bottom of the electronic ballot form.
- You may also indicate your votes individually, per resolution, by selecting the relevant option ('For', 'Against' or 'Abstain'), on a resolution-by-resolution basis.
- Once you have voted on all the resolutions, scroll down to the bottom of the page and click 'submit'.
- You will receive a message on your screen confirming that your votes have been received.
- Once again, please ensure that you have selected the correct option on a resolution. Either, 'For' or 'Against' or 'Abstain' before clicking the submit button. You will be able to access both the meeting platform and the voting platform approximately 10 minutes prior to the commencement of the virtual AGM.

DIRECTORATE AND CORPORATE INFORMATION

DIRECTORS:

MJ Bosman**, BW Botten (Group CEO), MW Godfrey (Group CFO), JA Canny**, LM Koyana**, M Mashologu**, P Mnganga**, ST Naran**, GO O'Connor*, AG Waller***

* Non-executive

** Independent non-executive

*** Lead Independent.

COMPANY SECRETARY:

KJ O'Brien

THE SPAR GROUP LTD (SPAR) or (the company) or (the group)

Registration number: 1967/001572/06

ISIN: ZAE000058517

JSE share code: SPP

REGISTERED OFFICE

22 Chancery Lane
PO Box 1589
Pinetown
3600

TRANSFER SECRETARIES

JSE Investor Services (Pty) Ltd
PO Box 4844
Johannesburg
2000

AUDITOR

PricewaterhouseCoopers Inc.
Waterfall City Heliport
4 Lisbon Ln
Jukskei View, Midrand
2090

SPONSOR

One Capital
17 Fricker Road
Illovo
2196

BANKERS AND CORPORATE BROKERS

Rand Merchant Bank, a division of FirstRand Bank Ltd
PO Box 4130
The Square
Umhlanga Rocks
4021

ATTORNEYS

Garlicke & Bousfield
PO Box 1219
Umhlanga Rocks
4320

WEBSITE

www.spar.co.za

Support our digital drive

This is why we are going digital:

- To provide stakeholders with more detailed and interactive content, clustered around topical matters
- To save money and resources (which we can use for other value creating purposes) by not printing or distributing reports

Please help us by signing up for electronic communication only. To register, go to <https://jseinvestorservices.co.za/>, which is a secure platform provided by our transfer secretaries, JSE Investor Services (Pty) Ltd. Under the investor section, you can register and log in to update your communication details and preferences. All you need is your shareholder number or identity number.

Discontinuation of dividend payments by cheques

During the course of 2020, the banking industry commenced a process of phasing out cheques in a bid to combat the increase in cheque fraud. The discontinuation of cheque transactions was thereafter formalised in terms of joint communication issued to the public by the South African Reserve Bank (SARB), Financial Sector Conduct Authority (FSCA), Payments Association of South Africa (PASA) and the Banking Association South Africa (BASA) that cheques will not be supported by the country's national payment system from 1 January 2021.

As a result, The SPAR Group Ltd has discontinued payments by cheque effective from the distribution of its 2020 final dividends, and accordingly, payment of any cash dividend to certificated shareholders will be processed via electronic funds transfer (EFT) which is dependent on the transfer secretaries being in possession of such certificated shareholder's banking details.

Investors are therefore informed that The SPAR Group Ltd dividend payments will be withheld until such time as they furnish JSE Investor Services (Pty) Ltd with their bank details.

Forward looking statements

Certain statements in this report may constitute forward looking statements. Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the group to be materially different from the future results, performance or achievements expressed or implied by such statements. These forward looking statements have not been reviewed or reported on by the external auditor.

SPAR undertakes no obligation to update publicly or release any revisions to these statements that reflect events or circumstances after the date of this report, or to reflect the occurrence of anticipated events.

WWW.THESPARGROUP.COM

SUPERSPAR 

SPAR 

KWIKSPAR 

SPAR 
express

tops!
at LIDL

 SaveMor

 SaveMor
Liquors

Build it

 S.Buys Pharmacy
Distribution Centre

 Pharmacy
of SPAR

EUROSPAR 

MACE





VALUE CENTRE

maxi

TopCC

oncore