



THE SPAR GROUP LTD

INTEGRATED ANNUAL REPORT

2020

SALIENT FEATURES

REVIEW OF 2020

As an essential service provider of groceries, our stores traded throughout the lockdown periods brought on by the COVID-19 pandemic

Exceptional financial performance despite the setbacks caused by the pandemic

Awarded the SPAR licence by SPAR International to operate in Poland

Inclusion in the FTSE4Good Index for recognition of ESG practices

Made public commitment to take meaningful action against gender based violence in South Africa

Awarded 'overall winner' in the ABSA Business Day Supplier Development Awards for the SPAR rural hub programme

Commenced an ambitious project for the implementation of SAP as part of the group's digital transformation journey

Awarded the 'consumer products' sector Investment Analysts Society award for excellence in communication and financial reporting as a Johannesburg Stock Exchange (JSE)-listed company

OUTLOOK

Against the backdrop of the COVID-19 pandemic, the group continues to prove its resilience. Consumers are opting for their local, conveniently located and trusted community retailer, during this time. This is perfectly aligned with the group's vision of being the first-choice brand in the communities we serve.

SHORT TO MEDIUM TERM

In Southern Africa, an existing weak economy has been severely impacted by the pandemic. The consumer environment is expected to remain constrained, with many South Africans under financial pressure. Despite the second wave of hard lockdown measures in Europe, our businesses there have contingency plans in place to deal with the disruption and have learnt many lessons from the initial lockdowns. In Ireland, the foodservice and hospitality sector will face continued uncertainty, as consumers remain cautious; however, the retail sector is expected to remain strong in the year ahead. The gradual reopening of the Irish economy is likely to coincide with the impact of Brexit, which is expected to be disruptive. Our Swiss business is well positioned to maximise the opportunities brought on by shifts in consumer behaviour, new business gained and by the changing dynamics in the marketplace. In Poland, we will concentrate on building relationships and driving loyalty with our SPAR retailers. We are focused on breaking even in this region by December 2021.

LONG TERM

SPAR's extensive distribution and logistics capability, market-leading brands and overall support of independent retailers, ensure that we remain suitably positioned to deliver exceptional value to consumers. Key leadership changes for the year ahead include Mike Hankinson retiring as chairman, replaced by Graham O'Connor as non-executive director and Chairman and Brett Botten as Group CEO, to take SPAR to even greater heights as a global organisation in the long term.

+13.5% to

R124.3bn

Group turnover[^]
2019: R109.5bn

+15.6% to

R3.4bn

Operating profit
2019: R3.0bn

+8.8% to

1 262.6 cents

Normalised diluted headline
earnings per share (HEPS)[#]
2019: 1 160.6 cents

+21.9% to

1 432.4 cents

Normalised diluted HEPS,
excluding Poland
2019: 1 174.7 cents

+5.7% to

4 102.2 cents

Net asset value per share
2019: 3 879.9 cents

+8.1% to

865 cents

Dividend per share
2019: 800 cents

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

[#] Headline earnings adjusted for fair value adjustments and foreign exchange effects on financial liabilities, and business acquisition costs.

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ABOUT THIS REPORT

OUR REPORTING APPROACH

The SPAR Group Ltd (SPAR or the group) is pleased to present its integrated annual report 2020. This year we made some changes to the reporting suite in an effort to simplify and enhance the presentation of relevant information, primarily targeting our shareholders. We also consider the needs of our other key stakeholders – our employees, retailers, communities, consumers and suppliers – as the foundation of our material relationships.

The SPAR Group Ltd has seen a great deal of change in the past five years, expanding its reach into Ireland, Switzerland and more recently, Poland. Given the substantial changes to our business, coupled with the onset of the COVID-19 pandemic, 2020 created an opportunity to rethink the way we do things, and this includes the approach to our reporting, with a more determined focus on environmental, social and governance (ESG) factors. We remain committed to improving our disclosures and we welcome feedback.

OUR REPORTING SUITE HAS CHANGED

We combined our previous full online integrated report and abridged print report into one concise, but comprehensive, integrated annual report as an interactive PDF.

The 2020 reporting suite consists of the following elements aimed at providers of financial capital and available on our website:

- Integrated 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
- Fact sheets with detail and data on our distribution centres, stores, human capital and trading model
- Environmental and social supplementary report (new for 2020)

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TO HELP YOU NAVIGATE THIS REPORT

We use symbols and icons to make our report simple and easy to navigate.

We have six key stakeholders. In the context of determining material matters and creating value, we have material relationships with the first five key stakeholders:

-  **Employees**
-  **Retailers**
-  **Communities**
-  **Consumers**
-  **Suppliers**
-  **Shareholders**

We use six capitals as input into our business, to create value.

-  **Financial**
-  **Manufactured**
-  **Human**
-  **Intellectual**
-  **Social and relationship**
-  **Natural**



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 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 owned. The group holds SPAR licences for and operates mainly in Southern Africa, Ireland (including 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 food retail chain and the biggest independent supermarket retail network in the world. SPAR International owns the SPAR brand and licences the brand to operators in countries around the world. Read more in the section about SPAR on page 7 and www.spar-international.com.

Voluntary trading model

SPAR uses a voluntary trading model which is based on mutually beneficial co-operation between SPAR and its independent retailers. Retailers can use the SPAR brand once they sign a membership agreement with the SPAR Guild, which gives them access to the group's procurement and distribution expertise and the associated support services the group offers. SPAR does not use a franchise model or operate chain stores. Read more in the fact sheet online.

SPAR Guilds

In South Africa, the relationships between SPAR (the wholesaler and distributor of goods and services) and independent retailers of SPAR and Build it stores, are managed through regional Guilds. Read more in the fact sheet online.

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

The group mostly acquires stores as a short-term measure to defend strategically located retail sites, with the intention of selling them on as the opportunity presents itself. Corporate stores are managed by SPAR until their disposal.

House brands

SPAR develops products and concepts as part of the independent retailer support offering. All of these in-house developed products and concepts are called house brands and they showcase SPAR's innovation and quality at competitive prices. This includes brand concepts such as *Beantree*, *Chikka Chicken*, *SmartChef* and SPAR private label.

SPAR private label

SPAR-branded products are included in our house brands. These are the products that compete with proprietary brands on shelf.

SCOPE AND BOUNDARY OF THIS REPORT

This report presents the integrated performance of the group's operations for the period 1 October 2019 to 30 September 2020.

FINANCIAL REPORTING BOUNDARY

To fully appreciate SPAR's financial reporting boundary, it is important to understand the difference between the JSE-listed company, SPAR – primarily a wholesale warehousing and distribution business – and the operations of our independent retailers, who own stores. The group's financial reporting boundary covers the financial results of the former: predominantly wholesale operations in Southern Africa, Ireland and South West England (BWG Foods – 90% owned), Switzerland (60% owned) and Poland (80% owned). Southern Africa includes wholesale distribution to certain African countries outside of South Africa. We also have a presence in Sri Lanka through a joint venture agreement.

In respect of the notable year-on-year changes to the group, our financial reporting boundary for 2020 includes our Polish operations, as well as the purchase of a controlling stake in a strategic supplier of private label products in South Africa, renamed SPAR Encore.

INTEGRATED REPORTING BOUNDARY

The integrated reporting boundary covers the group's operating environments and the strategic risks, opportunities and outcomes relating to these operating environments, while taking into account all stakeholders.

REPORTING FRAMEWORKS, STANDARDS AND GUIDELINES

This integrated report (this report) 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 (BBBEE) Codes of Good Practice of the Department of Trade, Industry and Competition (dtic)
- The International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- CDP (previously the Carbon Disclosure Project)
- United Nations (UN) Sustainable Development Goals (SDGs)

HOW WE DETERMINE MATERIALITY

SPAR is a business built on relationships. Maintaining strong relationships are core to the strength of our business. In the context of creating shared value, material matters are the identified 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 our ability to create value. This approach to determining materiality was adopted in 2016. Five years on, we plan to revisit this approach ahead of our 2021 integrated annual report, with the primary objective of helping to simplify and enhance our value creation story as a business and improve upon our internal integrated reporting process.

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.

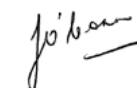
The board and Audit Committee relied on SPAR's combined assurance model during this process:

- **Non-financial information:** accredited external service providers measured and provided assurance on selected non-financial metrics such as our 2020 BBBEE verification, independently evaluated by mPowerRatings. In addition, Scope 1 and 2 data submitted to the CDP was externally verified for the 2020 financial year. Management verified the processes for collecting and measuring all non-financial information.
- **Financial information:** PwC has been the company's appointed external auditor for three years. Summarised group financial statements are available on page 69 of this integrated annual report. PwC has audited and provided its opinion on the consolidated annual financial statements for 2020, available here: <https://investor-relations.spar.co.za>

As such, 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 <IR> Framework, and approved it for release to stakeholders.



Mike Hankinson
Chairman



Graham O'Connor
Group CEO

14 December 2020

ABOUT SPAR

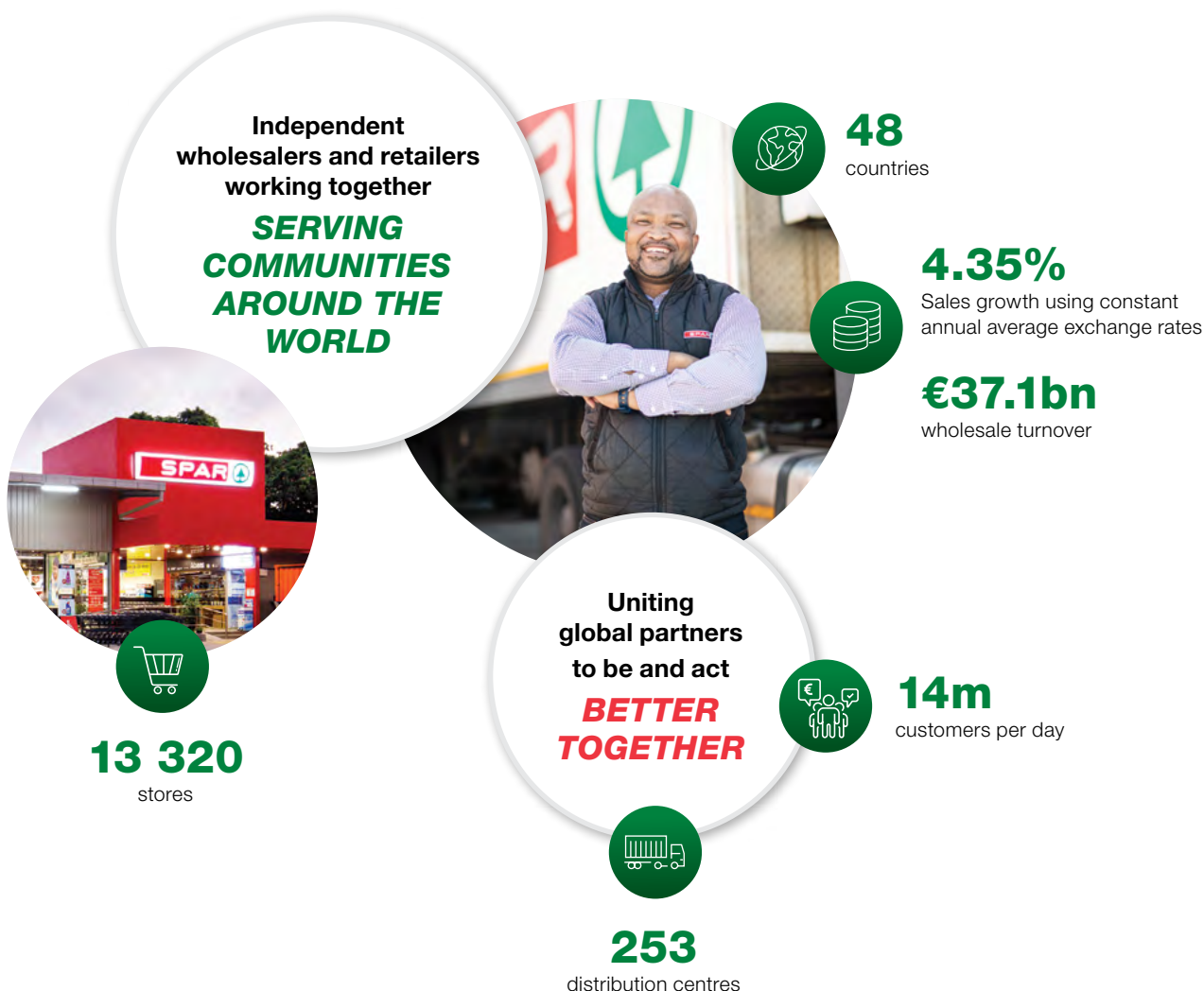
OVERVIEW OF SPAR INTERNATIONAL

Based in the Netherlands where SPAR originated, SPAR International owns the SPAR brand. The first SPAR store opened in the Netherlands in 1932. It was originally 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.

SPAR International allocates SPAR licences per country or region, making it the world's largest voluntary trade food retail chain, with stores in 48 countries.

As part of a global brand, retailers can leverage off international food wholesale, logistics and retail expertise which positions the SPAR brand at the forefront of food retailing globally. The SPAR Group Ltd has grown to represent roughly 18% of SPAR International's global wholesale turnover. See page 30 for an understanding of our operating environments today.

Graham O'Connor, the current Group CEO and chairman-elect of the group chairs the SPAR International board.



OVERVIEW OF OUR GROUP

The SPAR Group Ltd has operations in four main territories. SPAR is a warehousing and distribution business striving to provide our independent retailers and their customers with the freshest produce and highest-quality merchandise at competitive prices, every day. We serve a network of independent retailers who trade under our brands and are supplied through our distribution centres on a voluntary basis. The group has expanded significantly in recent years.

BWG Group (Ireland and South West England)

3

Number of distribution centres

33 113

Warehousing space (m²)

3 126

Number of employees

1 391

Number of retail stores

R29.9 billion

Turnover

Brands

VALUE CENTRE

SPAR



EUROSPAR

MACE

Londis

SPAR express

SPAR Southern Africa

8

Number of distribution centres (including one Build it and one S Buys)

305 537

Warehousing space (m²)

4 527

Number of employees

2 414

Number of retail stores (including food, liquor, building materials and pharmaceuticals)

R78.6 billion

Turnover

Brands

SUPERSPAR

SPAR

tops!

SPAR express

KWIKSPAR

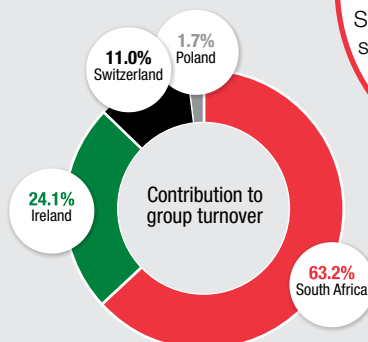
SaveMor

oncore

Build it

Pharmacy of SPAR

S BUYS GROUP WHOLESALE



SPAR HQ based in Pinetown, Durban, South Africa provides centralised services to the distribution centres in South Africa. SPAR in Ireland, Switzerland and Poland operate as standalone businesses and report through their own governance structures to the SPAR board.

SPAR Poland

2

Number of
distribution centres

24 584

Warehousing space (m²)

1 083

Number of employees

219

Number of retail stores

R2.1 billion

Turnover

Brands

EUROSPAR 

SPAR 

Piotr i Paweł

Poland is new to our group for 2020. To understand the opportunity we see in this market see page 18.

SPAR  **express**

SPAR Switzerland

1

Number of
distribution centres

33 000

Warehousing space (m²)

1 432

Number of employees

333

Number of retail stores

R13.6 billion

Turnover

Brands

maxi 

TopCC

SPAR 

SPAR  **express**

SPAR established a joint venture with Ceylon Biscuits Ltd and was granted the SPAR licence to operate in Sri Lanka in 2017. There are currently six stores in operation. The stores continue to set new standards and benchmarks for food retailers in the country. See page 33.

Understanding our distribution network – see page 10

Understanding the store formats available to our independent retailers – see page 12



OUR DISTRIBUTION CENTRES

We procure and move goods into stores where they are sold to consumers looking for fresh food, groceries, building materials and liquor. This process relies on our infrastructure: warehouses, distribution centres and relationships.



SOUTHERN AFRICA

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

Countries services outside South Africa include:

- South Rand – Lesotho
- North Rand – Botswana, Malawi, Zimbabwe
- KwaZulu-Natal – Seychelles
- Western Cape – Namibia
- Lowveld – Mozambique, Eswatini



IRELAND (INCLUDING SOUTH WEST ENGLAND)

In Ireland BWG Group operates the following business divisions: BWG Foods UC; BWG Foods Wholesale Division (including BWG Foodservice); BWG Wines & Spirits; BWG Property (Triode Newhill Management Services); Corrib Foods (acquired business) and Heaney Meats (acquired business).

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

It also owns Ireland's largest Cash & Carry chain, Value Centre, which has 22 outlets nationwide. It is a regional supplier to the Gala retail brand through the 4 Aces wholesale business in Portlaoise. The wholesale business also comprises BWG Foodservice including Corrib Foods' Dublin depot in Ballycoolin as well as newly acquired business Heaney Meats.

In the UK, BWG Group operates the Appleby Westward Group, which serves 306 SPAR stores in the South West of England. Appleby Westward operates a SPAR retail distribution centre in Saltash, Cornwall, as well as a multi-temperature depot in Cullompton, Devon.



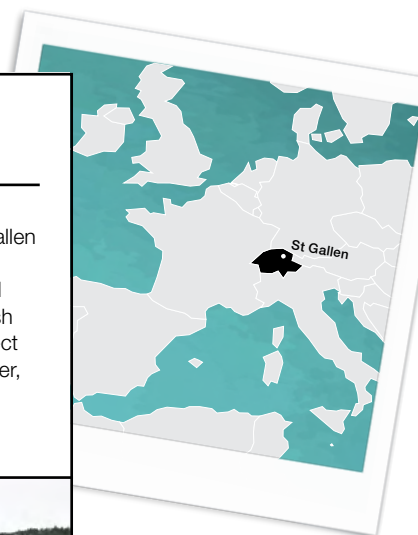
POLAND

Piotr i Paweł was acquired on 1 October 2019, providing access to distribution centres in Warsaw and Poznań. We secured the SPAR licence for Poland in February 2020. Despite the COVID-19 lockdown restrictions and travel bans, the business has secured a third distribution centre in Czeladź. This distribution network provides an excellent foundation from which to grow the business and scale up in the coming years. Currently the Poznań and Czeladź distribution centres are operational. The Warsaw distribution centre will become operational as the business gains scale.



SWITZERLAND

The distribution and logistics centre in St Gallen services a range of independent retailers operating under the SPAR, MAXI brand and several other retailers, while our TopCC Cash & Carry business (11 outlets) provides a direct general wholesale supply service to the wider, independent, culinary-focused wholesale grocery market.



KEY FACTS	Warehousing space m ²	Cases dispatched (million)	Number of stores serviced	Divisional Managing Director
SOUTHERN AFRICA				
South Rand	66 500	62.4	560	Brett Botten (CEO elect of the group)
North Rand	53 317	42.7	417	Desmond Borrageiro
Kwazulu-Natal	69 112	55.4	464	Max Oliva
Western Cape	40 405	37.8	460	Alison Zweers
Eastern Cape	44 485	34.2	302	Angelo Swartz
Lowveld	21 416	13.4	211	Martin Webber
Build it (imports)	10 000	4.3	392	Rob Lister
S Buys	2 295	n/a*	n/a*	Jeremy Nicol
IRELAND				
BWG Foods	24 000	23.9	1 085	Leo Crawford
Appleby Westward				
Saltash	7 209	7.5	306	Mike Boardman
Collumpton	1 904	6.0	306	
SWITZERLAND				
St Gallen	33 000	28.0	333	Rob Philipson
POLAND				
Warsaw**	7 206	—	—	Tomasz Syller
Poznań	15 030	7.5	219	
Czeladź	8 092	0.3	85	

* Nature of pharmaceutical deliveries not comparable

** Not yet operational

For more information about our distribution centres please refer to the fact sheet available on our corporate website <https://investor-relations.spar.co.za>

OUR NETWORK OF RETAIL STORE FORMATS AND CASH & CARRY OUTLETS

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



SOUTHERN AFRICA

Our retailers' stores are located where people live and are designed around community needs and convenience. They cater for all income groups and offer parking and access to public transport where possible. In South Africa, we offer the following store formats:

- SUPERSPAR for competitively priced, one-stop bulk shopping
- SPAR for neighbourhood shopping
- KWIKSPAR for everyday convenience
- SPAR Express for forecourt convenience
- TOPS at SPAR for liquor shopping
- SaveMor for neighbourhood rural shopping
- Build it stores for home building requirements
- Pharmacy at SPAR for prescription medication and other pharmaceutical purchases



IRELAND

Our Irish store formats are mostly convenience stores, with the following brands and formats:

- EUROSPAR offering competitively priced, one-stop supermarket shopping
- SPAR, MACE and Londis focus on neighbourhood and forecourt convenience shopping
- XL provides for smaller-scale convenience
- Value Centre Cash & Carry provides a direct general wholesale supply service to the wider, independent retail grocery market and licensed trade

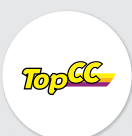




SWITZERLAND

Through the national distribution centre, SPAR Switzerland services a range of independent retailers operating under the SPAR and MAXI brand, as well as several other retailers.

- SPAR Switzerland comprises local neighbourhood stores with a wide product range, including the on-the-go convenience format, SPAR Express
- MAXI comprises neighbourhood stores providing a limited convenience range of dry and fresh products
- TopCC Cash & Carry provides a direct general wholesale supply service to the hospitality industry



POLAND

Poland is new to the group for 2020. Our distribution centres currently service the Piotr i Paweł and SPAR-branded stores:

- Piotr i Paweł for competitively priced and bulk shopping needs. These stores are in the process of being converted into SPAR-branded stores
- EUROSPAR offering competitively priced, one-stop supermarket shopping
- SPAR for neighbourhood convenience shopping
- SPAR Express for forecourt convenience



THE TOTAL NUMBER OF STORES WE SERVE

	2020	2019
Southern Africa	2 414	2 349
Ireland and South West England	1 391	1 360
Switzerland	333	322
Poland	219	n/a
Total	4 357	4 031

For more information about our store formats please refer to the fact sheet on our corporate website <https://investor-relations.spar.co.za>



OUR VALUES-DRIVEN CULTURE

We are a family of entrepreneurs driven by passion. We encourage entrepreneurship, live our family values and demonstrate passion. The following three values shape our relationships with our independent retailers and form the foundation of our decision-making and strategy. See our purpose-driven strategy on page 48.



Entrepreneurship

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



Family values

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



Passion

Represents the authentic, positive energy, attitude and enthusiasm that permeates our organisation, helping to drive the organisation forwards in line with our purpose –

to inspire people to do and be more.

We believe that passion is contagious, creating a virtuous circle, and in doing so, protecting our SPAR family.

For each of the three values, a definition has been developed, behaviours identified and we have determined ways to measure whether we are effectively living these values. These values are our ethical and moral compass and decision-making foundation.

DEFINING

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Creativity and innovation • Problem-solving • Taking ownership and responsibility for outcomes • Visionary leadership and the ability to take calculated risks • Long-term focus versus short-term gain | <ul style="list-style-type: none"> • Creating a sense of belonging in the SPAR family, particularly with our people and our retailers • Supporting and embracing every person's contribution • Personalising work and business relationships • Working together for the greater good of the company, which means putting one's own agenda aside and demonstrating true teamwork, and removing silos | <ul style="list-style-type: none"> • Demonstrating unrelenting commitment to our consumers and retailers, suppliers, the SPAR brand, our jobs and teammates • Displaying authentic, positive energy and attitude • Being enthusiastic • Wanting to do what you are currently doing and enjoying it in the process |
|---|---|---|

DEMONSTRATING

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> • Appropriate decentralised decision-making • Courage • Adaptability and flexibility • Innovation • Rule bending and taking challenges head on • Resilience • People involvement in idea generation and problem-solving | <ul style="list-style-type: none"> • Demonstrating empathy • Understanding and embracing diversity • Listening with purpose and interest; genuine consultation • Investing time in developing people • Tolerating self-expression • Participating and encouraging teamwork • Communicating • Networking • Speaking up and speaking out respectfully • Acting with integrity • Treating others like you want to be treated | <ul style="list-style-type: none"> • Going the extra mile • Taking accountability • Walking the talk, i.e. 'say what you mean and mean what you say' • Owning your opinion • Being professional • Owning up to mistakes • Giving credit where credit is due |
|---|--|--|

MEASURING

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Group and divisional performance versus objectives • Introduction of innovation and continuous improvement into own job/department • Employee retention • Adaptability in a changing environment | <ul style="list-style-type: none"> • Productivity, teamwork and empowerment of teams • Quality of conversations, i.e. free and honest conversations • Goal achievement • Employee climate/culture surveys • Supplier ratings • Retailer surveys | <ul style="list-style-type: none"> • Think Retail Survey • Achievements • Individual and team ratings, or other 360 degree-type appraisals • Employee retention • Public opinion of SPAR people • Pride in wearing our uniforms • Support for company activities |
|---|---|---|

Our values are integrated into employee onboarding, training interventions and recruitment, as well as employee recognition campaigns. We respect principles aimed at promoting and protecting human rights. These include the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.



OUR PURPOSE IN ACTION: END GENDER BASED VIOLENCE

We made a public commitment this year to stand up and help fight to end gender based violence (GBV) in the South African communities we serve. Distribution centres launched initiatives such as self-defence classes, awareness campaigns and workshops, and supported regional community organisations against GBV. In 2020, R2.5 million was donated to charities from funds raised by sales at till points. SPAR supports the Thuthuzela Care Centres which form a critical part of South Africa's anti-rape strategy, aiming to reduce secondary victimisation and to build cases that are ready for successful prosecution. Support takes the form of food parcels, toys for comfort and protective equipment for centre employees.

SPAR also signed a Memorandum of Understanding with LifeLine South Africa, which is responsible for maintaining and running the END-GBV helpline. SPAR is working with LifeLine to upgrade and improve the call centre infrastructure and to provide sufficient numbers of trained, professional counsellors to manage the volume of calls from both GBV perpetrators and survivors.

By acting in support of a public issue that is contrary to our values, we demonstrate our commitment to the SPAR values and our purpose – to inspire people to do and be more.

INVESTMENT CASE

SPAR offers sustainable long-term growth opportunities for investors seeking exposure to food retail sectors in Southern Africa, Ireland, Switzerland and Poland. SPAR is listed on the JSE in the food and drug retail sector.

Its performance meets the globally recognised ESG inclusion standards of the FTSE4Good Index Series.

WHY INVEST IN SPAR?



Strong operational expertise and optimised distribution infrastructure



A differentiated food retail brand with **growing private label loyalty**



A broad consumer market – we serve all income groups everywhere – with unwavering commitment



A network of quality relationships that support a sustainable food system



A diversified group in terms of product categories and currency earnings



International growth potential through a replicated and familiar trade model

In the context of the global COVID-19 pandemic, the term 'defensive stock' takes on new meaning. Being recognised as 'essential services' in a time of crisis has given us even greater appreciation for the important role SPAR plays in our societies, helping to feed nations. Our business has provided a safe haven for investors during extraordinary and unprecedented times.



- Decentralised management structure with strong managerial teams across all distribution centres and regions
- Extensive and specialist operational expertise in managing wholesale supply chains and distribution
- Supporting and enabling our independent retailers to focus on what they do best – running their stores and playing an important role in the communities they serve



- Part of a globally recognised differentiated and trusted food retail brand – SPAR, better together
- Competitive edge with access to shared learnings from other SPAR countries, our own distribution centres and our own regions, in operational wholesale and retail excellence
- Growing range of quality house brand in-store concepts and private label products



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



- Our network of relationships is underpinned by a common purpose – to inspire people to do and be more (refer to our purpose-driven strategy on page 48)
- Collaboration with material stakeholders to create strong and lasting relationships – building a sustainable food system together (refer to our material relationships on page 22)
- Promoters of a nutritious food offering and enablers within a resilient food chain



- Geographically diverse (refer to operating environments on page 30)
- Emerging market and developed market exposure
- Decreased concentration risk, with exposure to hard currency-based earnings



- Being part of a global organisation and well-known brand in food wholesale and retail continues to present opportunities of growth for the group
- SPAR continues to develop a robust track record for international growth through acquisitions and replicating the voluntary trading model in other territories



AN OVERVIEW OF INTERNATIONAL EXPANSION IN RECENT YEARS

Ireland: The group acquired a 80% stake in the BWG Group in Ireland in 2014. The Irish opportunity presented a business with good growth prospects and has delivered exceptional value, in partnership with a strong local management team. The negotiations included an exit plan for the three shareholders (Irish promoters) owning the minority stake. Given his extensive operational experience in the Irish market, Leo Crawford, the current CEO of BWG Foods is prepared to assist post his retirement in 2022 by mentoring his successor and being available for counsel if need be.

Switzerland: The group acquired a 60% stake in the Swiss business in 2016, which at the time was one of the last remaining large family-owned businesses in the Swiss grocery market. The remaining 40% is due to be purchased in 2021 – marking five years since the original acquisition date and in line with the existing agreement.

Poland: The group secured the licence to operate the SPAR brand in Poland in February 2020. In recognition of the need to develop a distribution network, the group purchased Piotr i Paweł, a small, but fairly well-known supermarket chain in Poland, which provided access to two distribution centres, as well as a network of retail stores, which are currently being converted to SPAR stores and sold to independent retailers.

Read more about the performance of these businesses in the Group FD's financial review on page 58.

Refer to page 30 for information about these operating environments.

Why Poland?

In the World Economic Forum's 2019 Global Competitiveness Report, Poland received a maximum score in the category of macroeconomic stability. While all EU economies will contract in 2020, Poland is projected to have the shallowest recession. With a population of 38 million and a grocery market value of around €65 billion, it saw GDP growth of 3.9% for 2019. Despite the COVID-19 pandemic, the macroeconomic picture is positive with ongoing government fiscal stimulus, a low unemployment rate, and a positive consumption environment.

With the award of the licence to the group within our sights and knowing we would have access to independent SPAR retailers on the ground, it was necessary to seek suitable distribution capabilities to launch our wholesale offering. This is the fundamental reason why the group acquired an 80% stake in Piotr i Paweł. The group paid €1 upon acquisition, while agreeing to settle all debt and provide the necessary working capital for this business going forward. The remaining 20% is due to be acquired at a future date by a minority partner based in Poland.

Piotr i Paweł is a retail chain of supermarket stores, with a wholesale distribution network. It has been undergoing a legally supervised debt restructuring process (similar to South African business rescue) since the acquisition. While COVID-19 caused setbacks to the finalisation of the business rescue, these proceedings have fortunately not impacted SPAR's ability to control the relevant activities of the business in the interim.

Having gained access to distribution facilities through the Piotr i Paweł acquisition, we also secured a third distribution centre in Czeladź near Krakow, creating an effective distribution network for the onboarding of the existing Piotr i Paweł and SPAR retailers and providing a good runway of distribution capability as we grow the business.

The Polish business consists of:

- Three distribution centres – Warsaw, Poznań and Czeladź (with the latter two currently operational)
- Head office based in Poznań
- 194 SPAR, EUROSPAR and SPAR Express retail stores onboarded for wholesale distribution during April 2020
- 25 Piotr i Paweł branded stores, with plans to convert these to SPAR stores in due course

Polish grocery retail market – where do we fit in?

The Polish market is well penetrated by discounters. Some large supermarkets are undergoing massive restructuring to reduce their footprint and size of stores. We see an opportunity for SPAR within the supermarket, proximity supermarket and convenience space. Proximity supermarkets are typically located close to residential areas in small to large cities. Our point of differentiation from other retailers is our world-class fresh departments such as bakeries, butcheries, fresh produce and home meal replacement deli counters. In the convenience space, we see an opportunity for 'food-to-go' which we believe is under-penetrated at present. As within all of our geographies, the real emphasis is to be part of the local community, supporting those communities and in turn being supported by them.

While it is an extremely competitive market, we identified small independent retail chains that are looking for a 'home'. We estimate that there are thousands of independents within the traditional market (32% of the market), and herein lies the opportunity for SPAR.

In the short to medium term the priorities are to stabilise the business and improve retailer loyalty with the existing onboarded SPAR retailers.

In the long term we believe this business has the potential to grow to 500 stores within five years.

POLISH GROCERY RETAIL MARKET

MODERN TRADE (68%)

MODERN LARGE FORMAT (58%)

MODERN SMALL FORMAT (10%)

TRADITIONAL TRADE (32%)

HYPERMARKET
(12%)

SUPERMARKET
(15%)

DISCOUNTER
(31%)

MODERN
CONVENIENCE (7%)

FORECOURTS
RETAILERS (3%)

- Selling space: >2 500m²
- Popularity is decreasing
- Most hypermarket brands also have stores in supermarket format

- Selling space: 400 – 2 500m²
- Smaller supermarkets are gaining popularity



- Selling space: 400 – 2 500m²
- Limited number of stock keeping units, primary focus on private labels

- Selling space: <400m²
- Modern chains of proximity stores with relatively wide and standardised offering



- Grocery retail and foodservice becoming increasingly important for petrol stations with large players opening dedicated retail brands



- Soft franchises as well as independent outlets
- Includes also speciality stores i.e. bakeries, greengrocers, meat shops, etc.



We believe that the future of our business and the society within which we exist are intertwined. Our sustainability tagline, **‘My SPAR, Our Tomorrow’** is a public commitment to the future of our brand and our planet. We base this on SPAR’s values of entrepreneurship, family values and passion, and align our commitment with the UN SDGs as well as the South African government’s National Development Plan.

Our sustainability policy supports the SPAR strategy by focusing on six key areas fundamental to the role we play as a food retailer:



Health



Sourcing



Community



Environment



Supply chain



Our people

SPAR developed science-based targets which set out Scope 1 and 2 emissions reduction targets by 2050:

59%
for buildings

41%
for transport

Read more about the initiatives in our environmental and social supplementary report here:
<https://investor-relations.spar.co.za>

ENVIRONMENT

SPAR’s **environmental goals** contribute towards the following SDGs:



SPAR’s **sourcing goals** contribute towards the following SDGs:



The index recognises companies with strong ESG practices measured against global standards. SPAR received an ESG rating of 3.1 in 2020.

SPAR is included in the FTSE4Good Index

FOOD WASTE

In South Africa SPAR is mapping food waste across the business, including in our stores. We want to divert food waste from landfills and address the challenge systemically. In Ireland we support FoodCloud, a social enterprise that redistributes surplus food to a network of charity and community groups. In Switzerland SPAR has a partnership with Too Good To Go, a movement against food waste.



OUR PACKAGING APPROACH

Reduce	<ul style="list-style-type: none"> Remove unnecessary packaging across the value chain Design new products with minimum packaging without losing packaging integrity
Reuse	<ul style="list-style-type: none"> Design packaging with reuse in mind Consider existing packaging from a reuse perspective Drive communication around reuse
Recycle	<ul style="list-style-type: none"> Design packaging to enable efficient collection and recycling Actively integrate highly recycled materials into packaging Ensure up to date and accurate on-pack recycling labels on all products



All distribution centres in South Africa use solar energy.

6.89 MWp
total installed capacity

8 042 MWh
of energy generated this year

SUSTAINABILITY

SOCIAL

SPAR's **people goals** contribute towards the following SDGs:



SPAR's **sourcing goals** contribute towards the following SDGs:



SPAR's **health goals** contribute towards the following SDGs:



GOVERNANCE

Read more about the board's commitment to be the custodian of a sustainable business, its composition and our application of the King IV principles in the governance section on page 94.

WE MAKE A DIFFERENCE FOR TOMORROW

- The SPAR rural hub programme is a collaboration between small-scale farmers, communities and retailers to improve food security, affordability and nutrition for rural communities in South Africa
- SPAR Academy of Learning partners with the Wholesale and Retail Sector Education and Training Authority (W&RSETA) to increase skills
- SPAR participates in the youth employment services (YES) programme to help address unemployment
- Made public commitment to help end gender based violence in South Africa



CORPORATE SOCIAL INVESTMENT FOCUS AREAS

- Training unemployed youth and supporting communities in combating crime
- Feeding schemes, food production through income-generating projects and educational programmes
- Educating communities on health issues such as nutrition, cancer and the impact of HIV/Aids through sports and sports-related initiatives
- SPAR invested R23.5 million in community projects and COVID-19 support initiatives

CREATING SHARED VALUE

- We support local, sustainable and transparent sourcing
- We help new suppliers to obtain food safety certification and develop scale
- We are committed to an ethical supply chain
- 17% of our timber products are sourced from South Africa and all procured wood is 100% Forest Stewardship Council (FSC) certified
- SPAR procures only certified coffee to ensure consumers of a sustainable and ethical coffee value chain
- We source seafood responsibly



SPAR is certified as a **TOP EMPLOYER** in RSA

The SPAR rural hub initiative is evidence of a purpose-led strategy being implemented on the ground. We inspire people to do and be more by addressing real South African challenges, including food security, nutrition, job creation and transformation.

Graham O'Connor,
Group CEO

SPAR is the winner of the **ABSA Business Day Supplier Development Award**

My SPAR, Our Tomorrow

OUR MATERIAL RELATIONSHIPS

As a business SPAR prides itself in building long-term and meaningful relationships. We aim to identify, understand and respond to the needs of our stakeholders, as we recognise the important role they play in our overall business ecosystem and in our ability to create sustainable value.

The Social and Ethics Committee has oversight of stakeholder engagement and monitors our stakeholder-inclusive approach. Our stakeholder universe includes all stakeholders who could have a material impact on our ability to create value, including governments, unions, media, regulatory bodies and NGOs. Among these, we identified six material relationships and rely on five of these to create value for each other, as well as for our shareholders. These material relationships are discussed below.

Our stakeholder environment is ever-changing. Topical issues such as pandemics, climate change, Brexit, poverty, unemployment and political uncertainty challenge the way we do business together. Our material relationships therefore form the foundation of how we approach material matters for the business.

We are becoming more activist in our engagement with stakeholders through public commitments to bring positive and impactful change in society. These include engagements with industry organisations and government to address issues such as gender based violence and the social impact of alcohol.

With one of our executives on the board of the Consumer Goods Council of South Africa (CGCSA), we have advocated for sustainable business practices in the retail sector, including food safety and ways to improve the adoption of the SDGs. At the Sustainable Retail Forum, we contributed to issues such as an industrial waste management plan, plastics and plastic on-pack recycling labels.

Our material stakeholders

Why this relationship is important



Employees

The strength of our relationships hinge on our employees and their ability to forge, maintain and serve these relationships. Our people form the backbone of the SPAR family. They uphold our values and live our purpose – to inspire people to do and be more. A total of 10 168 permanent employees work across our corporate offices and distribution centres in South Africa, Ireland, Switzerland and Poland.



Retailers

The independent SPAR retailers are our customers and we are here to serve them. By supporting them in developing their businesses through our voluntary trading model and retail and marketing support, we will continue to build retailer loyalty.



Suppliers

Our business is supported by a network of suppliers and service providers, from major food producers, to small farmers, to a range of service providers. As we developed our private label product offering over the past few years, some of our suppliers have become large flourishing entities through joint collaboration with us.



Consumers

Consumers are the customers of our retailers 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.



Communities

SPAR's business and voluntary trading model is a community-driven model. The nature of our business means that independent retailers are individuals living within and supporting the very communities that they serve. They support their communities with charitable donations and meaningful support, and are further supported by our voluntary trading model, which allows freedom to support local suppliers of their choice.



We engage with our material stakeholders to create value for them, and ultimately for our shareholders.

Shareholder engagement during 2020 included:

- Pre-close calls ahead of closed periods, including a voluntary trading update to provide an update to the market on how COVID-19 had impacted the business, which helped manage external expectations, given the uncertainty in the marketplace
- Trading update and Annual General Meeting (February)
- Interim and full year results announcements and presentations (May and November)
- Investor conferences (March, June, November, December)
- *Ad hoc* meetings and calls upon request, outside of closed periods

We have a dedicated investor relations team including the Group CEO, Group FD and head of investor relations to engage with current and potential investors as well as the sell-side analysts on an ongoing basis through the engagements listed above. By keeping our shareholders and analysts informed we build relationships of trust and protect SPAR's legitimacy and reputation.

How we engage for positive outcomes

We engage with employees on all aspects of the business to enable them to grow and to inspire our people. In South Africa, each distribution centre has a human resources department supporting employees and various committees. These include health and safety, shop stewards and values committees, as well as employee wellness clinics. We also support employees on their career paths with training interventions and leadership development.

Regional and distribution centre management and operations teams engage with retailers to support and grow their businesses. Retailers are members of the regional and national guilds, with representatives who attend regular meetings to give input on marketing, pricing and strategy. Our South African retail operations teams regularly visit stores and do monthly performance monitoring through tailored service packages. Retailers from all our territories are invited to the annual SPAR retail convention and participate in 'Look and Learn' trips, locally and abroad, to ensure that they remain on top of trends, new offerings and best practice.

We regularly interact with suppliers at distribution centres and satellite warehouses during deliveries. Our joint business planning sessions target efficiencies in the supply chain, to the benefit of suppliers and SPAR. In South Africa, for example, SPAR buyers typically engage with suppliers every six weeks, and monthly with larger suppliers. Purchasing managers engage quarterly and the divisional marketing director at least every six months. This ensures an optimised supply chain and a shared understanding of challenges and potential opportunities.

We invite consumers to interact with us through marketing and promotional campaigns to understand their needs. We do *ad hoc* customer perception surveys and use social and online channels to build relationships. We ensure that the SPAR brand remains visible in local communities as this creates the setting for high levels of consumer engagement. In South Africa, we have an in-house customer care line.

Each SPAR store aims to be at the centre of the community by offering an end-to-end product range. We undertake philanthropic activities at retailer level to grow brand loyalty and play a positive role in the communities we operate in. We invest in community development initiatives at group and distribution levels to address specific social and environmental challenges.

Read more about how we responded to our stakeholders' needs during COVID-19 in the section on page 35.



CHAIRMAN'S MESSAGE

SPAR delivered exceptional results in a year of unpredictable and very demanding conditions for retailers. We were fortunate to be able to operate during lockdown in all our territories, albeit with some limitations such as the ban on sales of alcohol, cigarettes and building materials in South Africa. Most importantly, we were there for our customers and communities.

COVID-19 is a significant challenge for the world and will remain a major risk to be managed. At SPAR we are committed to be responsible, cautious and to continue safeguarding our employees, customers, suppliers and retailers. During this year we have seen the SPAR culture and values in action. Strong leadership, passion and the entrepreneurial spirit was evident in the way our distribution centres, retailers and employees responded and adapted their way of working.

BOARD CHANGES

Shareholders often comment on SPAR's ability to have multiple and seamless leadership handovers without disrupting operations – a seemingly unique capability.

The series of succession moves over the past few years culminate this year when Graham O'Connor becomes a non-executive and takes over Chairman of the board upon my retirement at the end of February 2021. He will also continue as chairman of SPAR International.

As a board, we recognise that this transition might be perceived as going against prevailing governance principles. However, we debated the advantages and disadvantages, including with major shareholders, and believe that the benefits of Graham leading the board from a position of extensive experience and firm integrity, far outweighs a more independence-orientated solution. Andrew Waller will be lead independent director.

On behalf of the board, I would like to thank Graham for his contribution as Group CEO over the past seven years. Under his leadership the South African business continues to perform strongly and he has been instrumental in transforming SPAR into an international group. During his tenure, the group has expanded its wholesale operations through acquisitions in Ireland, Switzerland and, more recently, Poland, as well as a joint venture arrangement in Sri Lanka. He is a visionary leader and the group will benefit enormously from his ongoing support as Chairman of the board.

The board warmly welcomes Brett Botten as the new Group CEO with effect from 1 March 2021. Having been with SPAR for 25 years and with his background as Managing Director of a number of distribution centres, Brett is well placed to take SPAR to even further heights as an international group.

During this year we have seen the SPAR culture and values in action. Strong leadership, passion and the entrepreneurial spirit was evident in the way our distribution centres, retailers and employees responded and adapted their way of working.

**Mike Hankinson,
Chairman**

Mike Hankinson



Chris Wells retired as an independent non-executive director during February 2020. With his deep insight of the business, Chris has provided exemplary support and input to the Audit Committee and board of directors and we thank him for his nine years of service.

TRANSFORMATION AND SUSTAINABILITY

A highlight for the year was the recognition that SPAR received at the ABSA Business Day Supplier Development Awards. I remain excited about our SPAR rural hub programme and the way in which it is developing entrepreneurs and having systemic impact for communities. Key to the programme's success is the fact that we are able to provide a market for fresh produce to allow small-scale farmers to focus on growing their businesses.

South Africa needs entrepreneurs, and though our work to develop previously disadvantaged retailers has been challenging, we remain committed to the principle. There is nothing like an entrepreneur to bring innovation, jobs and pride into our economy. Our SPAR retailers lead by example. If we can turn more young people into entrepreneurs, South Africa will thrive.

LOOKING FORWARD

We are cautiously optimistic about the future. Business conditions will not be easy anywhere in the world. However, SPAR's results for 2020 proved that our model works, and we believe that the group will soon see positive results for Poland coming through.

SPAR is becoming an increasingly complex group with a diversified footprint. This will require strong leadership from the board and management going forward. I believe we have the best combination of skills, experience and diversity in place for the next phase.

APPRECIATION

Reflecting on the past 17 years as Chairman of SPAR is heart-warming. The growth trajectory of the group has been extraordinary and speaks to the entrepreneurial values of the business. The SPAR culture is contagious and inspires the relationships that we have been building in the SPAR family over the years.

I have had the pleasure of working closely with three Group CEOs: Peter Hughes, Wayne Hook and Graham O'Connor. They each made huge strides in growing the group through different periods of the SPAR lifecycle. I want to thank everyone that had a seat around our boardroom table during my tenure. I only experienced support, commitment, and a true passion for the success of this business from all. This includes our shareholders, employees and the retailers with whom I interacted. You all contributed to our success and will continue to inspire all of us to do and be more.



Mike Hankinson
Chairman

FAREWELL MESSAGE TO OUR CHAIRMAN

Mike is retiring and steps down as Chairman with effect from the conclusion of the 2021 AGM. He has been one of the most stable points of reference for SPAR since the group listed on the JSE in 2004 and started its journey of international expansion in 2014. His thoughtful and measured approach provided the kind of leadership that steered SPAR responsibly through many difficult decisions. He was a binding factor for the board, and a deeply valued sounding board for management. We are grateful for his enthusiasm, commitment and many years of service to the group and we wish him all the best for the future.



GROUP CEO'S REPORT

The group has delivered a superb set of results for the year. Due to the COVID-19 pandemic, consumers spent more time at home, causing a significant increase in home consumption. Our customers have opted for their trusted, local and convenient food retailer during this time of crisis.

A GLOBAL BRAND

As a global brand, SPAR is one of the largest food retailers in the world, with operations in 48 countries. SPAR is an aspirational brand that continues to attract independent retailers, globally. Member countries continue to share information on wholesale, logistics and retail excellence. In the context of the pandemic, we were fortunate to have a head start in the learnings shared by SPAR China and fellow European SPAR member countries that were impacted by the pandemic well before our markets were.

CULTURE IN A TIME OF CRISIS

Reflecting on the year, I feel proud of what we achieved. Our business culture kept us well positioned to deal with this crisis. SPAR has a special culture. Our people have a deep appreciation for our values of entrepreneurship, family values and passion. From the onset of the pandemic, we were clear about our key priorities. Firstly, to ensure the safety of our people, retailers, suppliers and consumers. Secondly, to manage the supply chain and keep our retailers' shelves replenished and thirdly, to continue to support our communities. Our retailers have gone above and beyond in supporting the communities they serve, and we have led and partnered on many initiatives on this front.

Our people and our retailers are determined and resilient and have all adjusted to a new normal. There has been a remarkable collective effort to get the job done and make things happen and we have learnt a great deal over the past few months. We were well prepared from a digital readiness point of view and continued to make improvements to our systems this year, especially given the need for employees to be working remotely. We have seen a shift in consumer behaviour, and believe that some of this will remain, such as the heightened focus on hygiene and safety.

SUCCESSION PLANNING

Towards the end of 2019, ten executives left their roles, with one Managing Director electing to become an independent SPAR retailer and nine executives retiring. Of the ten roles, we made two external appointments. These leadership changes had the potential to cause a lot of disruption; however, the transition has been seamless.

It is evident that the SPAR culture drives our succession process, which consistently results in strong performance. Many of the leaders in new positions have been steeped in the business for decades. They know SPAR well, live the values and are truly seasoned in their areas of expertise. We combine this with outside appointments that are selected with care and the intent to ensure fit with our teams and ways of working. We are open and transparent about our plans which means that there is natural progression and widely shared accountabilities.

GROUP PERFORMANCE

The group had an extraordinary year, with turnover increasing by 13.5% to R124.3 billion and an increase of 15.6% in operating profit to R3.4 billion. It is clear from the group's excellent results that SPAR is well placed within the conveniently located retailing space and that consumers have supported their local stores, placing their trust in our brand during these uncertain times. Our South African, Irish and Swiss businesses have all performed exceptionally well, despite the pandemic-driven setbacks. The acquisitions of the minority interests for both the Irish and Swiss businesses will be completed early in 2021. Succession planning for our Irish business is progressing well. The Polish region is new to our group this year and has been loss making in the current year, which is in line with our plans to reorganise and restructure the business.

Graham O'Connor



SOUTHERN AFRICA OPERATIONS

In **South Africa**, our retailers were swift to implement our recommended COVID-19 protocols. It is a testimony to the resilience of our supply chain and our agility as a business that we managed to maintain stock fulfilment rates of over 80% during peak crisis times. This was made possible by collaborating with our suppliers and I am pleased to report that SPAR has been rated number one in this year's Advantage supplier survey as best food retailer to work with.

We opened 65 net new stores during the year. A total of 310 stores were refurbished, including 167 SPAR stores. Store upgrades are powerful in driving new business to our stores and we will continue to drive upgrades as a platform for organic growth. We continue to work closely with our retailers in launching stores that are relevant to the communities they serve.

During the lockdown, with only essential services being permitted to operate, many of the usual advertising mediums were not possible and we noticed a significant slowdown in competitor advertising during this time. As a brand deeply rooted in our communities, our marketing team revisited our pipeline of advertising campaigns to support retailers. We made our campaigns go further to assist cash-strapped consumers. We adjusted the tone to one of empathy and understanding. Our message has been 'we're here for you'.

Our private label business continues to grow strongly. House brand sales increased 12.1% to R15.0 billion. This contributes 23.9% of our wholesale turnover. Our objective of 'As good as the best for less', is simple, but effective, and consumers see SPAR products as good quality and value for money.

Our liquor business has been severely impacted by the restrictions on trading due to the ban on liquor and subsequent restricted trading hours. Our TOPS at SPAR marketing team increased their activity on social media to stay in touch with consumers. This drove incredible consumer interaction and awareness for the brand during lockdown. I am also pleased to report that TOPS at SPAR won a series of awards again this year and continues to be rated as South Africa's number one liquor store.

Given that it is not an essential service, our Build it business was severely impacted during the initial lockdown phase and was restricted from trading for five weeks. Surprisingly, growth has been much stronger than expected post the lockdown, with this business experiencing a growing trend in home improvement and décor sales. The Build it store upgrades progressed well, with 65 upgrades to the new branding completed during the period, which will continue to drive growth.

Given the trading ban on liquor and building materials during the initial lockdown phase, we extended financial support to our SPAR and Build it retailers, which assisted our stores in recovering well, as the economy opened up again.

EUROPEAN OPERATIONS

The pandemic had a massive impact on the hospitality industry globally. In **Ireland**, BWG Foods has exposure to this industry through our Value Centre Cash & Carry and Foodservice businesses, which were both severely impacted. However, our neighbourhood retail stores and EUROSPARs have built consumer confidence during uncertain times and benefited from being ideally located, while possessing credible ranges at good value. With licensed liquor trade closed, our stores performed strongly in both the liquor and cigarette categories. The performance of our retail business more than compensated for the setbacks to our Value Centre Cash & Carry and Foodservice businesses during this time.

Our **Swiss** business delivered an exceptional performance. There has been a noticeable shift in consumer behaviour brought on by the closure of borders during the initial hard lockdown. This business delivered sales growth of 11.6% in local currency, as consumers chose trusted community-based stores and convenience over large supermarkets. With the support of local restaurants during the summer months, our TopCC Cash & Carry business has seen good volume growth. The integration of a group of independent retail stores, PAM and Edelweiss, is progressing well and the conversion of these stores to SPAR stores has begun.

Due to its operational excellence, this business has managed to cope with unprecedented levels of demand. We have learnt a great deal from operating in this market for the past four years, which is why the team there was able to maximise this opportunity.



In **Poland**, we remain excited about the opportunity we see in this market. SPAR is well positioned in the supermarket and convenience space, differentiating our offering with world-class fresh departments. The real emphasis is to be part of the local community, and to support the communities that choose SPAR as their shopping destination of choice. There are thousands of traditional trade independents which make up over 30% of the market and herein lies the opportunity for SPAR.

Operationally, alongside bedding down our wholesale and logistics capabilities, we are driving the SPAR culture, while embracing local customs and traditions. We have completed the onboarding of the existing SPAR retailers and we are focused on driving retailer loyalty. To do this, we strengthened the team with a few key appointments made during the second half of the financial period.

We have made progress with the conversion of 32 Piotr i Paweł stores and the sale of corporate stores to independent retailers and have relaunched the SPAR website to support stores with their online offering. We have accomplished a great deal under the circumstances, and we have established a solid foundation to support our operations going forward.

LOOKING AHEAD – STRATEGICALLY

SPAR is currently engaged in the exploration and build phase of a global SAP template. The template will drive numerous benefits, improving our overall efficiency as a business, as well as enhanced governance and improved security. This is an ambitious but necessary project, and we are aware of the risks involved in deploying such a significant change to our systems. We have an experienced internal team who are working closely with SAP consultants to support business growth through our digital transformation journey. Some functions and regions of the business are already running SAP and will require modernisation in respect of aligning the business for SAP purposes going forward.

In South Africa we are focused on driving retailer profitability, organic growth through in-store concepts, retail excellence and most importantly, store upgrades.

In Ireland, we are focused on the integration of Corrib Foods and Heaney Meats and to drive the wholesale opportunity for these businesses, given the pandemic-driven setbacks in the hospitality industry. We will continue to integrate the corporate store development in South West England. We are also involved in ensuring successful succession planning for this business.

In Switzerland, we will build on the momentum gained from new business and maximise on this opportunity going forward. We will drive retailer profitability and will look to restructure our distribution model to service the South West, as well as a new group of independent retailers who have joined us.

In Poland, our number one priority is to achieve break even by December 2021. We will bed down operations, focus on building culture and driving retailer loyalty. We also see an opportunity to develop our private label offering within this market.

Our vision as a business is to be the first-choice brand in the communities we serve and it is pleasing to see that more consumers have chosen to support their local, conveniently located and trusted SPAR stores during this time.

THANK YOU

I would like to express my deep appreciation to the Chairman of the board, Mike Hankinson, for the guidance and personal support he has given me over the past seven years. We thank him for his 16 years of service to the group.

I would also like to extend our thanks to all our people, suppliers, retailers and customers who have adapted with us to find new ways of operating during these challenging times, especially to all those people working on the front line and serving our communities. Community is at the heart of what we do, and we will endeavour to remain immersed within our communities.

Graham O'Connor
Group CEO

SPAR – BRAND ESSENCE

A few years ago, we declared SPAR to be a purpose-driven organisation. Our purpose is to inspire people to do and be more and this has positioned us strongly in dealing with a crisis. It has also served the business well in achieving our long-standing vision to be the first-choice brand in the communities we serve.

During 2020 our executive team hosted a brand essence workshop. We recognise that our brand essence should be a representation of the shared connection between our people, our retailers and our customers. As a team, we defined our brand essence to be **'It's personal'**, which speaks to our family values and culture of caring.

GROUP OPERATING ENVIRONMENT AND CONTEXT



	Recognised as a brand in country since	Part of the group since	Turnover 2020 (Rbillion)	ZAR contribution to turnover 2020 (%)	Year-on-year turnover growth in local currency
Southern Africa	1963	1963	78.6	63.2	+9.2%
Ireland	1963	2014	29.9	24.1	+6.3%
Switzerland	1989	2016	13.6	11.0	+11.6%
Poland	1995	2020	2.1	1.7	n/a*

* Poland is new to the group for 2020.

	South Africa	Ireland	Switzerland	Poland
Population	59.6 million	4.9 million	8.5 million	38.0 million
Currency	R	€	CHF	zł
Estimated unemployment	30.1%	7.3%	3.2%	6.1%
Estimated GDP decline for 2020	-8.0%	-3.0%	-5.3%	-3.6%
CPI food inflation for September 2020 year-on-year	+3.9%	-1.5%	+0.8%	+2.8%

Source: STATS SA and TRADING ECONOMICS

All our markets experienced a significant impact, given the outbreak of the COVID-19 pandemic and resultant government-imposed lockdown measures during the year. Almost overnight, consumers changed their eating, shopping, travel and entertainment habits. As a group, we recognise that we are fortunate to be in the business of selling food, when so many businesses have been devastated by this crisis. SPAR's extensive distribution capability and market-leading brands ensured that its independent retailers remain suitably positioned to deliver exceptional value to consumers through a time of crisis. For more information on COVID-19 and how we responded, please refer to page 35.

For financial performance by segment, please refer to the Group FD's financial review on page 58.

For an overview of distribution centres by geography – see page 10.

For an overview of store formats by geography – see page 12.

Commentary from management in light of COVID-19, which significantly altered our operating environments during 2020:

Given the closure of Swiss borders and the associated impact on shopping behaviours within this market, we are fortunate to be one of the few businesses that has benefited from the COVID-19 situation. We were able to leverage this into a strong set of results and not waste the opportunity.

Rob Philipson,
Chief Executive Officer: SPAR Switzerland

Our response to the crisis received much praise from employees, retailers, suppliers, customers and the general business community. Our communications strategy in particular has been seen as best in class and included an aggressive advertising campaign focusing on the heroic efforts of our frontline teams and our retailers.

Leo Crawford,
Chief Executive Officer: BWG Group

South Rand benefited from the fact that stores are mainly situated in convenience centres or strip malls, and not in the big shopping centres. Because our stores were easy to get to, and in and out of, consumers chose to visit us as opposed to our big competitors – safety and convenience being the major considerations. We saw a reduction in our customer count and an increase in basket size.

Brett Botten,
Managing Director: South Rand, South Africa

Unfortunately, the timing of COVID-19 resulted in a significant delay in the rate of converting Piotr i Paweł stores to SPAR stores and the integration of the SPAR stores from the South of Poland. Similarly, promotional activities planned for early 2020 had to be moved out. It is difficult to calculate the impact thereof, but suffice to say, it was significant.

Tomasz Syller,
Chief Executive Officer: SPAR Poland



SOUTH AFRICA

Even before the arrival of COVID-19, the South African operating environment had been strained for some time. Consumers were already under financial pressure, political uncertainty remained due to a lack of reform measures in place and industries were seeing constant disruption and loss of business due to serious electricity constraints, causing yet another hurdle to economic growth.

In light of the global pandemic, a state of disaster was declared on 15 March 2020, followed by a hard lockdown from midnight on 26 March, which meant that only essential services could operate during the lockdown period. This naturally included businesses in food retail and related supply chains. Volumes through our distribution centres were boosted by increased buying ahead of the lockdowns. For extended periods of time, some of our business units and product offerings were restricted from trading altogether, such as Build it, TOPS at SPAR (liquor), cigarettes and our home meal replacement offering, which represents roughly 23% of total wholesale turnover based on prior year turnover.

Build it: this business was restricted from trading from 27 March to 1 May 2020. This had a material impact on sales and continued to impact our building material supply chain well after the hard lockdown, due to cross-province distribution limitations still in place and production capacity affected by restrictions on employees.

Surprisingly, Build it sales bounced back fairly strongly once stores reopened in May, with an initial growing trend in home improvement, given that consumers were being forced to stay home. Prior to the impact of the pandemic, the building sector in general, had seen a declining market for the past 24 months, largely driven by the state of South Africa's economy and the continued oversupply of cement in the market, resulting in low category inflation.

TOPS at SPAR: with COVID-19 arriving towards the end of the first half of our financial year, the liquor environment in South Africa has been more competitive than any prior year. Without exception our main competitors have all vastly improved their offerings and the high ground that TOPS at SPAR enjoyed for so many years has become crowded. Our independent retailers are required to own a SPAR food store as a prerequisite for owning a TOPS at SPAR liquor store and our penetration of TOPS at SPAR stores exceeds 85%, having 842 TOPS at SPAR stores as at 30 September 2020. The increased store numbers and improved quality of competitor stores has been accompanied by more advertising and more consumer awareness of pricing; however, our promotional campaigns and messaging have been well placed to compete and we continue to be the number one recognised brand for liquor in South Africa. Our liquor business was restricted from trading between 27 March and 1 June, and again from 12 July until 17 August.

The impact of these bans has been severe. Our retailers have lost more than 30% of their normal trading days during the financial year.

In terms of product categories, the sale of cigarettes was banned from 27 March to 17 August, which devastated the sales performance of this category. Our retailers were also banned from serving food from their hot deli counters from 27 March until 28 May.

The South African formal food retail market is dominated by four key players, including SPAR. SPAR is unique, given its voluntary trading model that supports independent retailers. The closure of restaurants and take-away outlets for extended periods of time meant that more food was being prepared and consumed at home. This has significantly benefited food retailers. We saw increased demand in grocery, personal care and fresh categories. SPAR stores are mostly situated in convenience centres and not in big shopping centres. Because of the convenient nature and community focus of our stores, consumers have continued to support SPAR. The huge investment by our independent retailers over the last seven to 10 years in the upgrades of their stores put them in a good position to meet the demands and expectations of consumers, in terms of product offering, fresh departments and customer service.

IRELAND

Before COVID-19, the single biggest unresolved issue facing the business was the imposing threat of Brexit. The extension of the 'transition period' to the end of the 2020 calendar year, has meant that there was no impact during the reporting period.

The impact of the pandemic on the Irish economy has been widespread. Business closures and lay-offs have taken place right across the country. The retail, hospitality and construction sectors have been particularly badly affected. The government's responses on the economic front spanned business and personal financial initiatives.

The initial lockdown in March 2020 drove a considerable spike in volumes from the retail estate, but the demand pattern was significantly different from anything previously experienced. According to Kantar, the industry is expected to have had its strongest month on record that month, with unprecedented levels of demand surging to an estimated 27% increase in sales year-on-year.



In terms of our operations, we noted the following significant changes:

- Larger EUROSPAR stores and neighbourhood stores experienced a substantial increase in customer footfall and sales, as people sought safe environments to shop within their local community.
- City centre stores experienced a massive decline in footfall and sales, as office workers reverted to working from home, and building sites were closed.
- Petrol forecourt stores were also badly impacted due to the restrictions imposed on travel and the lack of population movement.
- Certain parts of the foodservice and hospitality sectors will not recover to pre-COVID levels and these include travel, workplace, pubs, events and smaller urban outlets, which will result in closures and failures. This will shrink the overall foodservice sector, and will have an impact on our foodservice business.

Our retail stores have been well positioned within this market to expand product ranges and adapt to consumer demands and trends, which we believe will continue to be a driving force behind growth in the sector.

SWITZERLAND

SPAR Switzerland is a relatively small player in the Swiss grocery market, dominated by two major supermarket players. SPAR Switzerland currently holds an estimated 2.4% of the Swiss food retail market.

The general and political conditions have changed considerably due to COVID-19. A hard lockdown was initially declared from 16 March to 16 April, with all stores permitted to sell only essential items, while restaurants, pubs and schools were forced to close. Trade restrictions continued up until mid-June.

With the Swiss borders closed, cross-border shopping was no longer possible. Pre-COVID-19, it is estimated that a large proportion of Swiss consumers would frequently cross the borders to stock up on food and household items, given the strength of the Swiss franc. Given that our business in this market has been largely convenience and not supermarket focused, we have never considered this phenomenon to be a major threat to growing our business. However, given the general trend towards convenience over large supermarkets during this time of crisis, we have seen considerable levels of increased footfall to our stores. Consumers changed their purchase habits strongly in favour of local neighbourhood stores and we benefited from this due to our positioning within communities.



SRI LANKA

In December 2016 the group invested in 50% of the equity of SPAR SL (Pvt) Ltd, which is a joint venture based in Sri Lanka. Awarded the licence to operate in Sri Lanka in 2017, the joint venture arrangement exists with Ceylon Biscuits Limited (CBL), a local biscuit and food manufacturer. CBL was founded in the 1960s, employing 5 000 people across diverse operations. It has strong roots in local communities and a commitment to enhancing food retailing and entrepreneurial opportunities in the market, making it an ideal partner for SPAR.

Sri Lanka has a population of 22 million people. The food retail environment is made up of formal trade (15%) and informal trade (85%), with many small traders trading on their own and with no real structure and support. While all the stores are currently corporately owned, our mission is to grow independent retailers enabling them to trade effectively and profitably against the bigger competitors.

Our flagship store was launched on 6 April 2018 on the outskirts of Colombo. We currently have six stores open, with a further five stores due to be completed in the short term. The sales areas of the stores vary between 50 and 1 000m².

Practically overnight, consumers were avoiding large shopping centres and were frequenting smaller regional and neighbourhood stores. As a result of this change, some SPAR locations experienced short-term sales increases of up to 300% in the busiest weeks. We have also benefited from the Swiss government's drive to 'support local' at this time.

However, with reduced road traffic, general travel restrictions, and people working from home, our fuel-centric SPAR Express and city-centric SPAR Express format stores saw significant volume reductions.

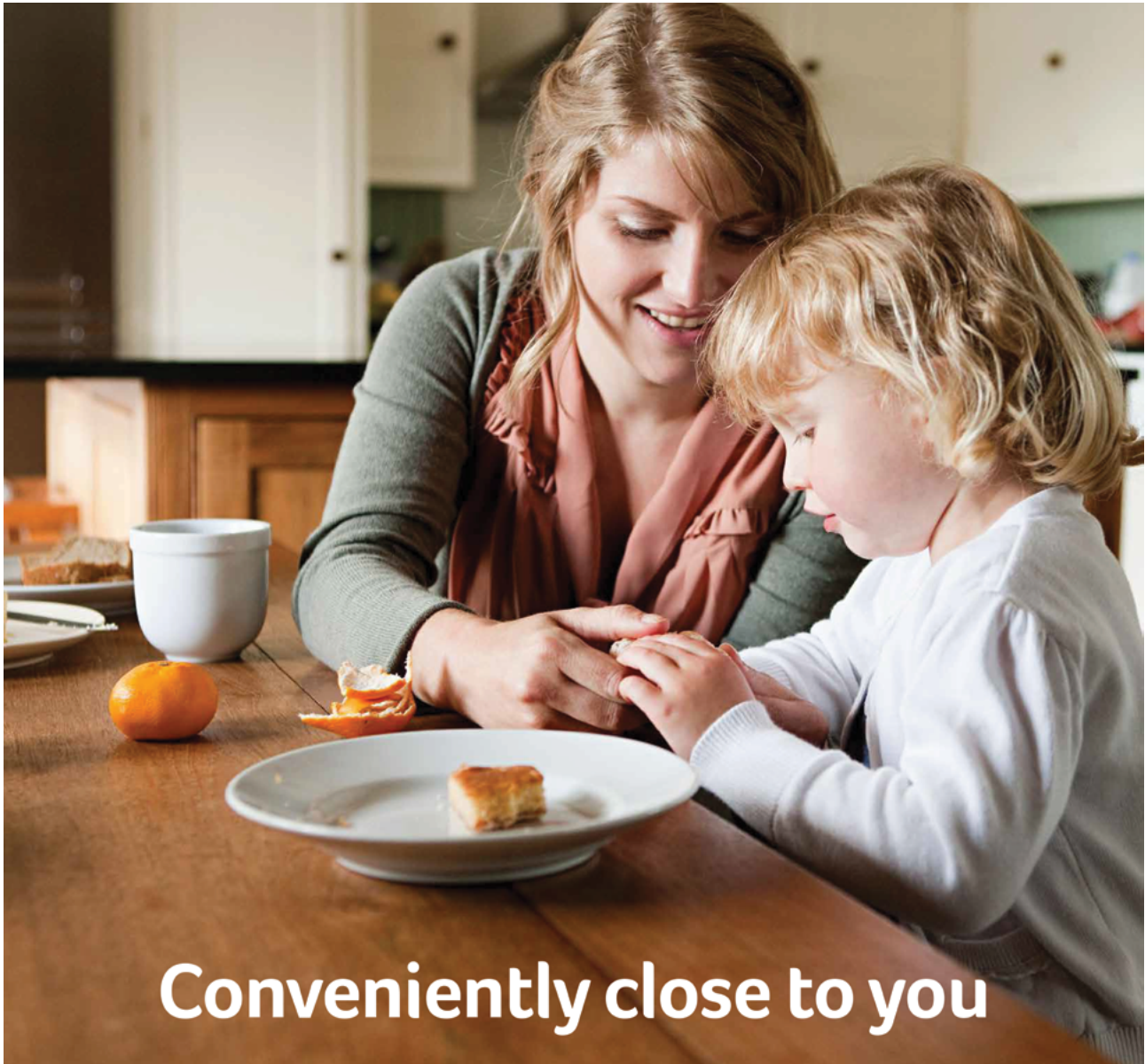
Many retailers in Switzerland have already commenced large-scale projects for redundancies and restructuring. While our good fortune in the market has been largely circumstantial, we believe we have made the most of this opportunity, providing an excellent service in our stores to many new customers and an opportunity to retain new business in

doing so. We are also well positioned to explore distribution and service opportunities where retailers have been left without a viable supply chain or retail partner as a result of the crisis.

POLAND

Following the acquisition of a majority holding in Piotr i Paweł on 1 October 2019, we expected outstanding licensing and legal matters to be resolved within weeks. 2020 was set to be the year in which we expanded our network, built supply-chain capacity, onboarded and integrated existing SPAR retailers and laid the foundation for our exciting new opportunity in Poland. Unfortunately COVID-19 caused some significant setbacks and for this reason we expect to break even six months later than originally guided – that is, we now expect this business to break even by the end of 2021.

For a better understanding of the opportunity in Poland, please refer to page 18.



Conveniently close to you

At a time when we're being encouraged to keep our distance, you will find our stores closer to you than ever before. More than 1,000 locally owned stores with incredible retailers and staff, are on hand to provide you with all you need to help you and the ones you love get through this difficult time. Proud to be local and to serve you.

SPAR 

EUROSPAR 

MACE



Löndis

 **BWG**
FOODS

RESPONDING IN A TIME OF CRISIS

With the arrival of the COVID-19 pandemic, 2020 will be a historically significant year. To date, the virus remains an unresolved challenge, causing tragic loss of life, threatening the elderly and vulnerable of our societies, and has devastated the livelihoods of so many across the globe.

Across our regions, we were swift in taking the necessary proactive measures to safeguard the following key priorities:

- The safety of our people, retailers, suppliers and customers
- Managing the supply chain and keeping our retailers' shelves replenished
- Supporting our communities

We moved with great urgency to invest in the safety and cleanliness of our offices, distribution centres, delivery vehicles and stores, to protect our colleagues and consumers while working and shopping. Our retailers proved their resilience and readiness to adapt in this time of crisis. Our supply chains remained robust and our distribution centres worked tirelessly to ensure that inventory is tightly monitored and that our retailers continue to receive the service they are familiar with.

As an organisation, we are aware of the important role we play in society. We remain committed to supporting our communities. SPAR's family values and culture of caring and community underpin everything we do, and in times of crisis, these principles truly come to the fore. Read more about our values on page 14.

We thank all our suppliers, retailers, employees and customers who adapted with us to find new ways of operating during these unprecedented times.

For more information on the impact of the pandemic on our operating environments, please refer to page 30.

NURTURING OUR MATERIAL RELATIONSHIPS

The World Health Organisation (WHO) declared the COVID-19 outbreak as a pandemic on 11 March 2020. Subsequent to this announcement, all territories in which the group operates experienced lockdown measures instituted by their respective governments. These included bans on travel and gatherings, and in South Africa also affected the sale of alcohol, cigarettes, hot meals and building materials for extended periods. Our food operations were regarded as essential services and continued to operate on that basis.

We are acutely aware of the important role we play in society, from those families who rely on us for their daily needs to the entire communities we serve. Our SPAR teams demonstrated how to successfully deal with an international crisis this year. Their commitment and passion has been humbling.

Graham O'Connor,
Group CEO

Given the amount of preparation required to go into lockdown, our geographies saw lockdown measures effective on or around the following key dates:



Ireland: 12 March 2020



Poland: 13 March 2020



Switzerland: 20 March 2020



South Africa: 26 March 2020





The group was swift to appoint a COVID-19 response team. Risk management and protocol documents for distribution centres and stores included guidance on cleaning, quarantine and testing. We implemented an employee and store closure COVID-19 tracker and reported to SPAR's executives and guild directors, as well as the Minister of Trade, Industry and Competition. The general response was to remain positive and focused, despite initial apprehension, uncertainty, anxiety and the fear of being forced to close operations.

PROTECTING EMPLOYEES

- SPAR protocols for dealing with COVID-19 were rapidly communicated via WhatsApp, notice boards, weekly letters from Managing Directors and videos.
- Employees were offered a free flu vaccination administered by on-site nurses.
- Vulnerable employees were identified and provided with the appropriate care and attention, given their vulnerabilities.
- We moved to a split shift system, staggered canteen times, and appointed compliance officers per shift.
- Employees (and unions, where relevant) received ample information and education around protecting themselves.
- Managers were equipped with forms and scripts to prepare them for effective COVID-19 conversations with employees.
- We distributed masks, a cleaning and sanitising hamper as well as food hampers.
- The majority of central office and distribution centre administrative employees were permitted to work from home.
- In Ireland, BWG Group recognised that employees, including those working for retailers in stores, were at the frontline in terms of COVID-19 exposure. We encouraged all employees to use our new online support platform, the BWG B-Well App. The app is the first service of its kind on offer in the retail sector and includes a confidential freephone number and live chat. It provides COVID-19-related support such as 24-hour confidential video and online tools to engage with clinical psychologists and counselling services. It also gives staff access to accredited experts in fitness, nutrition, finance and parenting to help them cope during the crisis as they continue to provide an essential service.

SUPPORTING RETAILERS

All of our geographies introduced new best practice guidance to help retailers to navigate through these exceptional and difficult times:

- We provided leadership to retailers on all aspects of dealing with COVID-19: from risk analysis to retail-appropriate protocols and guidance on changing regulations.
- We provided store training and ensured continuous communication using the principles of the GUEST retail services programme to effectively implement measures to ensure customer safety and peace of mind.
- We continued to focus on driving e-learning at retail and were able to launch all our COVID-10 safety modules via the platform.
- A SPAR rapid response team assisted retailers when infections were identified, including liaising with the Department of Employment and Labour and the Department of Health.
- The way in which distribution centres and retailers worked together in the crisis strengthened relationships and further deepened trust levels.
- BWG Group introduced a number of leading new practices, including weekly support calls to retailers, update emails and references to further sources of support.
- Our retail customers recognised the national distribution centre in Kilcarberry for maintaining excellent delivery and service levels.
- In Switzerland we provided retailers with protection equipment free of charge and created an employee pool to assist retailers with resources in the short term.
- In Poland, manuals and posters were provided and retailers launched intensive local campaigns about product availability and opening hours.

At our South Rand distribution centre in South Africa, we created 'COVID-19 warriors': employees recovering from COVID-19 who participated in a support group and had access to one-on-one counselling. They also received an 'essentials hamper' during quarantine. Five COVID-19 warriors hosted a webinar sharing their experiences and educating fellow employees. The South Rand team also opened a mobile clinic to deal with COVID-19 cases.

WORKING CLOSELY WITH SUPPLIERS

- As consumers started to stockpile ahead of lockdowns, there were shortages within certain categories for extended periods.
- Collaboration between suppliers and buying teams intensified to ensure transparency around stock availability and trade deals.
- We implemented interventions to communicate stock availability with retailers, to ensure they were serviced.
- Protocols were put in place to restrict direct contact with supplier teams at distribution centres.
- We made early account payments to help suppliers continue their operations.
- Our suppliers in turn offered assistance to SPAR – in South Africa, suppliers offered credit extensions while our Build it stores were unable to trade due to lockdown regulations.
- In Ireland, BWG Group worked with suppliers to address issues of commodity supply, as the risk of disruption due to virus incidences at processing and manufacturing premises remained high.
- In Switzerland we transitioned to a multiple supplier strategy to ensure the continued availability of goods.
- In Poland supplier deliveries and meetings continued in respect of onboarding and servicing local retailers, and building relationships with suppliers during the launch phase of this business.



CARING FOR OUR COMMUNITIES

- Distribution centres, retailers and consumers pulled together to support the most vulnerable within our communities.
- COVID-19 highlighted unemployment and food insecurity. SPAR responded by donating food hampers in partnership with non-governmental organisations (NGOs), discounting food and making donations.
- SPAR South Africa also launched the Get Real COVID-19 egg challenge, which resulted in the donation of an estimated R5.0 million worth of eggs and other food items by consumers placing these products in trolleys at entrances to our stores. Our retailers distributed these goods within their local communities.
- SPAR also funded five mobile testing units for hotspot areas to enable quick testing.
- SPAR partnered with the Department of Social Development and the CGCSA to provide food parcels to vulnerable families.
 - Provided 8 000 food parcels per month for three months, across our regions in South Africa. These parcels were agreed on with the Department of Social Development and contained food that was nutritious, as well as other basic necessities.
 - Each food parcel was valued at R526 (excl. VAT) – a total of R4.2 million per month and R12.6 million for the three month period.
 - The parcels were delivered to regional Community Nutrition and Development Centres and then delivered to the identified vulnerable families.
- BWG Group supported people working in COVID-19 testing centres with care package deliveries of water, fruit and confectionery.
- By providing transport and storage solutions to FoodCloud, we assisted in distributing surplus food to charities across Ireland.
- In Poland we delivered free baked goods to hospitals, police stations and fire departments.



PROVIDING A SAFE SPACE FOR CONSUMERS

COVID-19 changed patterns of buying and consumption. Most notably, the shift to home consumption of both food and alcohol is likely to continue, although there will be some shift back to restaurants and eating out as the hospitality sector recovers.

Consumers adapted swiftly to lockdown, using SPAR stores as their convenient local choice to shop. As a trusted brand, there was an assumption that SPAR would react quickly to ensure all health and safety protocols were adhered to, to ensure a safe shopping environment. Consumers placed their trust in SPAR to provide information and updates, as and when regulations and requirements changed.

Our independent retailers interact directly with consumers and the onus was on them to implement the increased level of hygiene and human protection within their stores, including regular sanitisation of their stores, sanitisation of trolleys, wearing of masks and protection at till points.

Our retailers were guided by SPAR protocols to ensure consistency across our store portfolios. The majority of stores focused on mitigating their business interruption risk by splitting and isolating their store teams and reducing trading hours. Our retailers reacted swiftly and appropriately and our focus was placed on providing accurate and timely information in line with government regulation.

In an effort to avoid large crowds and minimise shopping time, consumers chose convenience over large supermarkets or mall-based stores. Some consumers also shifted towards online shopping to avoid stores altogether. In response to this trend, retailers were quick to adapt and offer simple solutions such as over-the-phone, WhatsApp or email orders, offering delivery and/or click and collect options.

GROWING TREND TOWARDS ONLINE SHOPPING DURING THE PANDEMIC

The pandemic accelerated the move towards a more digital world and this includes online shopping.

As mentioned alongside, our retailers were quick to create homespun solutions. SPAR developed a formal solution based on a world-class platform. It is a robust system that integrates well with the SPAR backend and was piloted successfully at several corporate and retail stores.

In Ireland, our SPAR, EUROSPAR, MACE, Londis and XL retailers responded by focusing on immediate customer and employee needs and fulfilling them in new and innovative ways, through e-commerce, home delivery services or special provisions. Some of our stores in this market produced personalised store-specific customer safety information videos for their social media platforms, with more than one million views being recorded.

BWG Foods has been first to the Irish market with its pilot mobile scan and go scheme. This technology enables customers to scan and pay for items via their smartphones and is able to integrate with retailers' existing IT systems, without any additional hardware required.

In Switzerland, our corporate stores created free home delivery for vulnerable and elderly consumers by partnering with a local platform that provides support services to vulnerable people to execute the service. We also arranged for volunteers to assist people with their grocery shopping. We are also developing a centralised online platform with a convenience focus. We do not anticipate that it will become a significant volume driver, given our fresh and convenience-driven retail model in this market.

Although we had an existing e-commerce platform in Poland, it was necessary to launch and introduce new initiatives due to restrictions imposed on courier companies at this time. We launched SPAR Drive, a click-and-collect initiative with shopping delivered to customers' cars. We also introduced Coolomat, an initiative that allows customers to receiving their shopping at a chilled automatic redemption machine in the parking lot. We plan to develop and expand these online solutions to include loyalty-based retailing.



COMMUNICATING WITH LOYAL CONSUMERS

The ban on liquor trading for extended periods in South Africa severely impacted our business. The moment our TOPS at SPAR marketing team adjusted their strategy to measure the sentiment of our consumer audience during lockdown, using social media platforms, consumer engagement escalated. Once we came out of the initial hard lockdown in early June, with our stores being able to trade, TOPS at SPAR was quickly recognised as the number one household name for liquor in South Africa on social media platforms – South Africa's Responsible Fun Friend. During this time we invested substantially in marketing communications that delivered a responsible 'shopping behaviour' message to consumers using social media, radio and TV channels.

Although the nuances of changes in shopping behaviours differ per region and market, we summarised some of the main shifts below:

Working from home and increasing unemployment

Global unemployment is impacting disposable income and causing severe financial strain. On average, consumers are careful about how they spend their money and opt for necessities rather than luxuries. They are even more proactive about financial planning and security for the future. At-home working and consumption will remain at higher levels than before. Initiatives relating to employees and charitable causes were a standout driver of positive sentiment during the lockdown, reflecting consumers' compassion during these challenging times.

A different shopping list

As consumers choose to stay and work at home due to COVID-19, their shopping and socialising options changed buying decisions:

- Fresh food and staples, frozen or canned food, snacks, health products or supplements and home care and cleaning products performed well
- Baking saw the biggest volume increases in the food categories

Social distancing and sanitation

Consumers developed and are likely to retain a high awareness of hygiene and sanitation in stores. Retailers need to ensure continued visible health and safety measures to make shoppers feel comfortable.

Supply chains and stockpiling

At the start of the outbreak, consumers stocked up on supplies that were perceived to be essential, while switching to cheaper brands to balance the increased basket size with available funds and/or trying alternative brands due to out of stocks. This created an opportunity for many consumers to try SPAR's private label offering. Consumers continued their preference for bulk buying – in South Africa the bans on alcohol contributed to this, as consumers felt the need to be prepared for any changes in lockdown regulations.

Grocery retailers had to deal with significant out of stock situations. The ability to predict and manage demand has never been more important. Retailers are also adapting to the fact that traditional demand spikes due to holidays, vacations and celebratory events are likely to remain subdued.

Supply chain disruption favoured a shift to local suppliers, boosted by patriotism and community support initiatives.

Online and pre-ordering

Some consumers are spending less time in stores and more online; however, online challenges in terms of availability, range and delivery remain. Retailers responded by investing in e-commerce, optimising their systems and setups for pre-purchase and store pickups.



SOME INSIGHTS SHARED BY SPAR EXECUTIVES

Due to consumers' increased hygiene requirements there was a clear trend towards contactless interfaces at point of sale in Switzerland. A strong trend of national cohesion and patriotism also developed in Switzerland. Customers are buying local products more consciously and above all regional or Swiss products.

Rob Philipson,
Chief Executive Officer: SPAR Switzerland

In KwaZulu-Natal consumers changed their shopping behaviour to frequent community stores where they feel safe in their shopping experience. We focused on converting loyal daily shoppers to also shop with SPAR at month-end. We saw strong performance in dry grocery and perishables.

Max Oliva,
Managing Director: KwaZulu-Natal, South Africa

The Eastern Cape experienced lower customer numbers but growing basket sizes, the latter more than compensating for the loss in footfall. The economic effects of the lockdown exposed the vast inequalities between suburban and non-suburban customers. This divide is evident in the disproportionate ability of customers in the former to access cash in the short term to participate in the economy in the midst of the crisis. Customers have become more aware and more demanding about the health benefits and costs of their food choices. This will remain prevalent and drive healthy eating as a trend in food retail.

Angelo Swartz,
Managing Director: Eastern Cape, South Africa

The key to retail grocery stores remaining open to service their local communities is that employees and customers alike are protected and feel safe while they work and shop. It is likely that measures like hand sanitising units are probably going to be part of a store's permanent infrastructure for the foreseeable future.

Leo Crawford,
Chief Executive Officer: BWG Foods, Ireland

Consumers' reaction to the initial lockdowns was to use our stores as a place to escape to while meeting their basic requirements. South African consumers are resilient and adapted to the situation swiftly. It was clear, however, that they relied on us to provide information and updates and this amplified the need for us to ensure we had all the correct information on regulations available.

Brett Botten,
Managing Director: South Rand, South Africa

Our communities were very supportive of their local SPAR. They appreciated our care for staff and consumer safety and hygiene. They also acknowledged SPAR for continuing with discounts and promotions throughout the lockdown period and acknowledged our community support in the form of stock donations. Certain stores experienced exceptional growth due to consumers working in other provinces returning to their homes for the lockdown period.

Martin Webber,
Managing Director: Lowveld, South Africa

In the Western Cape our SPAR stores are well positioned within the communities they serve and we benefited from their support as movement was restricted. However, our stores along the West and South coastlines were impacted by the loss of tourism. We realised that staying in touch with consumers is extremely important and our retailers have done a great job using SPAR Text Me and social platforms. As consumers opted to make less frequent trips, basket sizes increased. There has also been an increase in the propensity to switch brands resulting in a great uptake in private label.

Alison Zweers,
Managing Director: Western Cape, South Africa

In line with the growing international trend of health and wellbeing, North Rand identified and implemented an extended range of SPAR Natural in stores. We saw consumer shopping patterns shift from the small daily shop to larger weekly or monthly shopping. Consumers are also more focused on health and safety and prefer packaged fresh product to the loose served product. The ranges in the home meal replacement sections of our stores have also been adapted to accommodate these shifts.

Des Borrageiro,
Managing Director: North Rand, South Africa