THE SPAR GROUP LTD

INTEGRATED ANNUAL REPORT 2021

SALIENT FEATURES

+2.9%
Group turnover^
R127.9 billion
2020: R124.3 billion

+5.5%
Diluted headline earnings per share
1 193.7 cents
2020: 1 262.6 cents

+6.1%
Net asset value per share
4 350.5 cents
2020: 4 103.3 cents

816 cents
Dividend per share
2020: 865 cents

+101 stores
Net new stores
(including 53 stores still closed at year end due to civil unrest in South Africa)

>16 000 tonnes
recycling through distribution centres (South Africa)

Supplier development award
Winner of the Rural and Township Focus Award (ABSA/Business Day Supplier Development Awards)

^ *Turnover represents revenue from the sale of merchandise.*

CONTENTS

OUR REPORTING APPROACH

The SPAR Group Ltd (SPAR or the group) is pleased to present its 2021 integrated annual report (report). This report focuses on information that the board believes to be material to our stakeholders' understanding of our business.

The 2021 reporting suite consists of the following elements aimed at providers of financial capital, and is available on our website:

- Integrated annual report, with governance reports and summarised consolidated financial statements
- Full audited annual financial statements
- Year end results announcement and presentation
- King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)[1] disclosure and reference index
- Fact sheets with detail and data on our distribution centres, stores, human capital and trading model
- Environmental and social supplementary report

TO HELP YOU NAVIGATE THIS REPORT

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

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

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

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

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ABOUT THIS REPORT

TO HELP YOU UNDERSTAND OUR BUSINESS

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

The SPAR Group Ltd	The SPAR Group Ltd (SPAR) is a wholesale warehousing and distribution business listed on the Johannesburg Stock Exchange (JSE) in the food and drug retail sector. Through its voluntary trading model (see below), it services a variety of store formats that are independently 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 largest independent supermarket retail network in the world. SPAR International is the custodian of the SPAR brand and licenses the brand to operators in countries around the world. For more information, visit https://spar-international.com/.
Voluntary trading model	SPAR uses a voluntary trading model based on a mutually beneficial relationship between SPAR and its independent retailers. Retailers can only use the SPAR brand once they sign a membership agreement with the SPAR Guild of Southern Africa, giving them access to the group's procurement and distribution expertise and associated support services. SPAR does not use a franchise model or operate chain stores. For more information, read our fact sheet online.
SPAR guilds	In South Africa, the relationships between SPAR (the wholesaler and distributor of goods and services) and independent retailers of our SPAR and Build it stores are managed through regional guilds. Our other regions do not operate under the Guild structure. For more information, read our 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	In South Africa, the group only acquires stores as a short-term measure to defend strategically located retail sites, with the intention of selling them on as soon as the opportunity presents itself. Corporate stores are managed by SPAR until their disposal to retailers. This is generally the strategy across the group in respect of corporate stores other than South West England.
House brands	SPAR develops products and concepts as part of its independent retailer support offering. These in-house developed products and concepts are called house brands, showcasing SPAR's innovation and quality at competitive prices. These brand concepts include *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 2020 to 30 September 2021.

Financial reporting boundary

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

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

Integrated reporting boundary

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

Reporting frameworks, standards and guidelines

This integrated annual report (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 (B-BBEE) 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

Our determination of what issues are material to the business remains an evolving area of discussion. The goal is to identify potential risks and opportunities that could severely impact SPAR's long-term sustainability and our impact on society.

SPAR is a business built on relationships. We are committed to understanding and responding to the needs of our stakeholders, to be able to create and preserve shared value for all. Maintaining solid relationships are core to the strength of our business.

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

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 2021 B-BBEE verification, independently evaluated by mPowerRatings. In addition, Scope 1 and 2 data submitted to the CDP was externally verified for the 2021 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 four years. Summarised group financial statements are available on page 73 of this report. PwC has audited and provided its opinion on the consolidated annual financial statements for 2021, available here https://thespargroup.com/pdf/Annual_Financial_Statements_2021.pdf.

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

Graham O'Connor
Chairman

Brett Botten
Group Chief Executive Officer (CEO)

15 December 2021

OVERVIEW OF SPAR INTERNATIONAL

SPAR International owns the SPAR brand. The first SPAR store opened in the Netherlands in 1932. It was initially launched as DESPAR, an acronym of a slogan to describe the organisation: *Door Eendrachtig Samenwerken Profiteren Allen Regelmatig*, which translates into English as *all benefit from joint co-operation*.

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

As part of a global brand, retailers can leverage international food wholesale, logistics and retail expertise, positioning the SPAR brand at the forefront of global food retailing. The SPAR Group Ltd has grown to represent roughly 17% of SPAR International's global wholesale turnover.

Graham O'Connor, the Chairman of the group, chairs the SPAR International board.

Independent wholesalers and retailers working together

48
countries

Serving communities around the world

7.4%
sales growth using constant annual average exchange rates

€39.8 BILLION
wholesale turnover

>13 500
stores

Uniting global partners to be and act

>14.5 MILLION
customers per day

Better together

>250
distribution centres

ABOUT SPAR

WHAT MAKES SPAR DIFFERENT?

SPAR works closely with its independent retailers, providing multiple layers of support to them, building on the premise that *we are better together*.

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

The SPAR model is not a one size fits all model. It enables retail entrepreneurs to create store environments and experiences best suited to their trading markets. The flexibility of in-store design, product range and service offerings enables retailers to enter and trade in markets where our corporate competitors had previously never ventured before.

SPAR stores trade across the entire Living Standards Measure (LSM) consumer spectrum and are typically owner managed by people living within the communities they serve. This speaks to our brand essence of *"It's personal"*, which resonates and connects with SPAR customers.

THE BENEFITS OF BEING PART OF SPAR

- Brand equity – SPAR is a global brand established worldwide
- Retailers retain independence, but enjoy the security of being part of a large group
- Sharing and believing in the same values – entrepreneurship, family values and passion
- Efficient warehouse operations ensure reasonable lead times and reliable deliveries
- One-stop shop for dry grocery goods, fresh produce and frozen food
- Benefit from collective buying power and favourable payment terms
- Retail operations support for new building requirements and refurbishments
- Shared in-store concepts and margin-enhancing private label offering
- Full service offering and support from a central office and divisional distribution teams:
  - Marketing support through national and regional promotions
  - Information technology (IT) systems and ordering support
  - Retail leadership and guidance
  - Network of retail peers and like-minded people driving comradery
  - SPAR Academy of Learning offers educational training for retail employees

WHAT MAKES BUILD IT DIFFERENT

The Build it model offers our retailers the flexibility of running their own businesses under the banner of the largest supplier of building materials in Southern Africa. Build its strategic partnerships with major suppliers of building materials and hardware, ensures our retailers have access to all the essential building materials and more. Our Build it imports warehouse distributes our unique range of house brand private label products which provide consumers with quality products at affordable prices. Build it's brand essence is 'Yes We Can'.

BENEFITS OF BEING PART OF BUILD IT

- Brand equity – Build it is the largest supplier of building materials in Southern Africa
- Retail support – from opening a new store to the daily running of business, our retailers are given expert advice and guidance
- Purchasing model – favorable repayment terms and preferential deals with suppliers due to our group buying power
- Marketing – support from central and regional offices on marketing and promotions activities

SPAR provides guidance to its retailers as operating environments change. Recent examples include the onset of the COVID-19 pandemic in 2020, ongoing related government-enforced restrictions, Brexit in Ireland and the civil unrest in Gauteng and KwaZulu-Natal during July 2021.

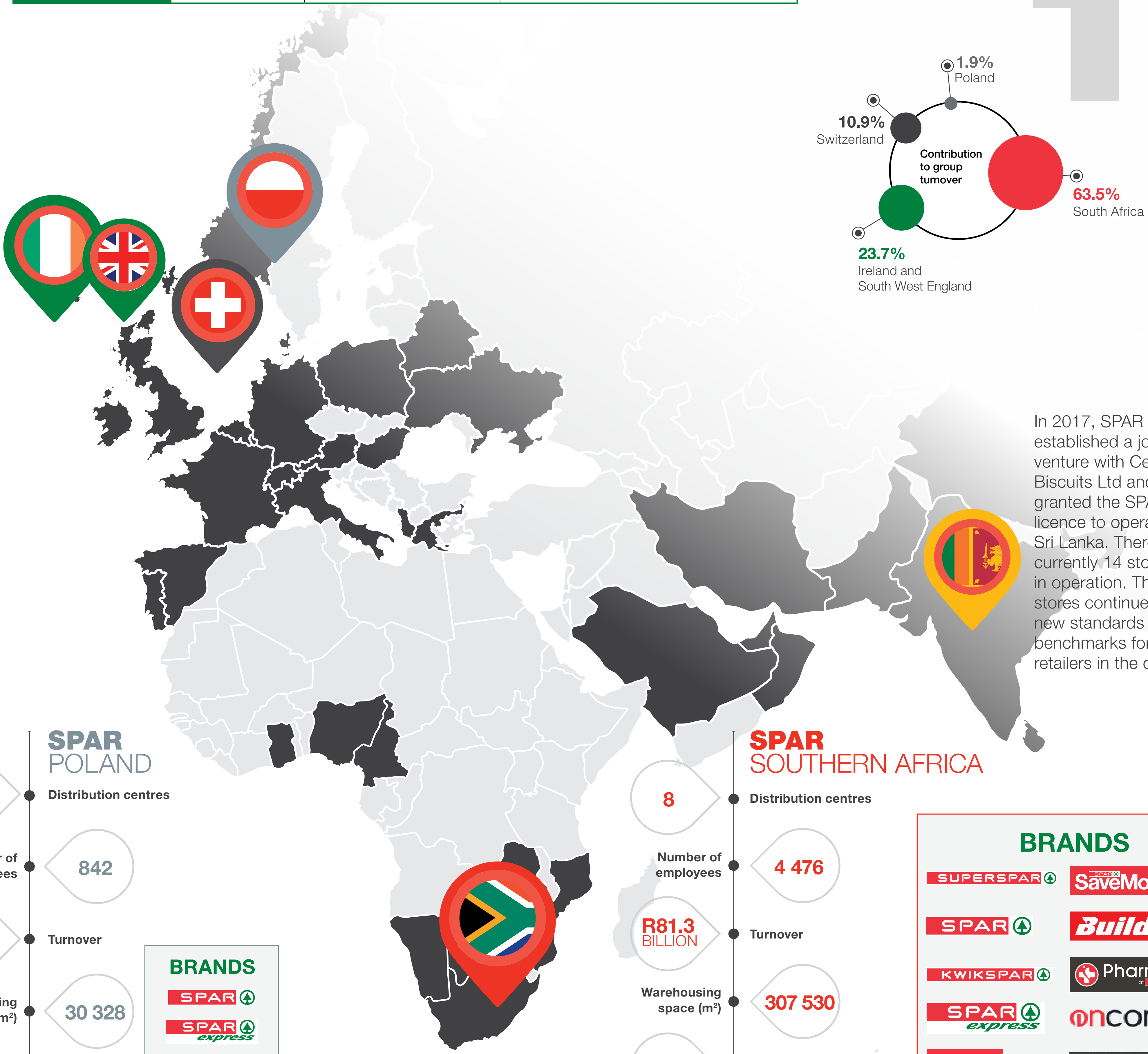
- **COVID-19:** SPAR provided guidance and support regarding protocols and legislative requirements to ensure retailers comply with regulations. SPAR also provided financial support by way of frozen trade accounts for SPAR and Build it retailers impacted by the COVID-19-related lockdowns and store closures.
- **Civil unrest:** SPAR proactively initiated a rebuild process to ensure stores that were looted and destroyed were able to rapidly undergo a total revamp, installation of new IT infrastructure, restock and open for trade. Financial support packages were provided to ensure retailers were able to trade quickly. The group continues to assist all SPAR retailers who remain affected by the unrest, by suspending repayment of all trade accounts until they can reopen their stores.

OVERVIEW OF OUR GROUP

BWG FOODS (IRELAND AND SOUTH WEST ENGLAND)

3	Distribution centres
3 251	Number of employees
R30.3 BILLION	Turnover
33 114	Warehousing space (m²)
1 406	Retail stores

BRANDS
SPAR, SPAR express, EUROSPAR, MACE, XL, Londis, VALUE CENTRE



In 2017, SPAR established a joint venture with Ceylon Biscuits Ltd and was granted the SPAR licence to operate in Sri Lanka. There are currently 14 stores in operation. These stores continue to set new standards and benchmarks for food retailers in the country.

SPAR SWITZERLAND

1	Distribution centre
1 712	Number of employees
R14.0 BILLION	Turnover
33 000	Warehousing space (m²)
386	Retail stores

BRANDS
SPAR, SPAR express, EUROSPAR, maxi, TopCC

SPAR POLAND

3	Distribution centres
842	Number of employees
R2.4 BILLION	Turnover
30 328	Warehousing space (m²)
227	Retail stores

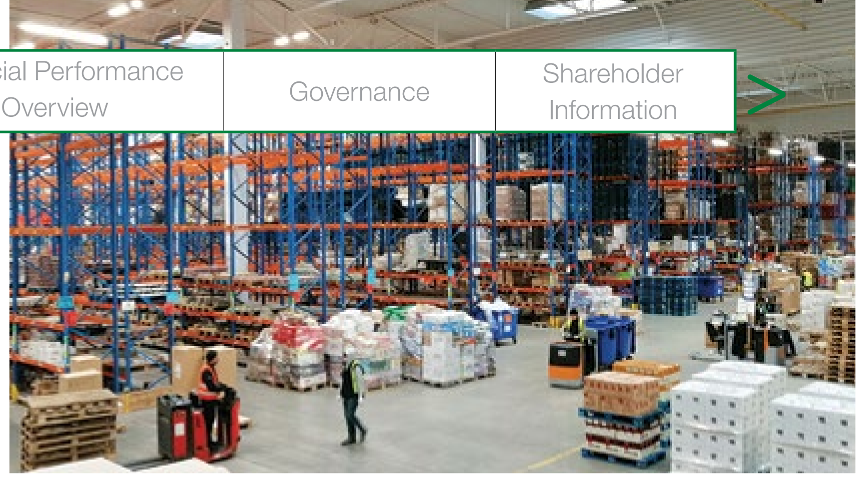
BRANDS
SPAR, SPAR express, EUROSPAR, tops!

SPAR SOUTHERN AFRICA

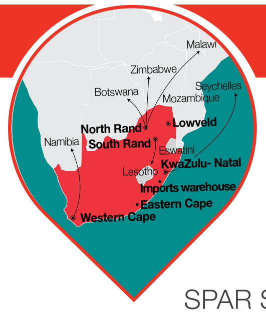
8	Distribution centres
4 476	Number of employees
R81.3 BILLION	Turnover
307 530	Warehousing space (m²)
2 440	Retail stores (including food, liquor, building materials and pharmaceuticals)

BRANDS
SUPERSPAR, SaveMor, SPAR, Build it, KWIKSPAR, Pharmacy at SPAR, SPAR express, oncore, tops! at SPAR, S.Buys Pharmacy Distribution Centre

- **For a more detailed break down of our distribution network, see page 13**
- **For insights into our store formats across our regions, see page 15**



SOUTHERN AFRICA



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

Countries serviced outside South Africa include:

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

Our distribution centres

SPAR procures and transports goods to independent retailer stores, where consumers purchase fresh food, groceries, building materials, liquor and pharmaceutical products. This process relies on our infrastructure of warehouses, distribution centres, logistics excellence and relationships.

IRELAND (INCLUDING SOUTH WEST ENGLAND)

In Ireland, BWG Foods operates the following business divisions: BWG Foods UC; BWG Foods Wholesale Division (including BWG Foodservice); BWG Wines & Spirits; Corrib Foods and Heaney Meats.

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

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

BWG Foods operates the Appleby Westward Group in the UK, which serves 319 SPAR stores in the South West of England. Appleby Westward operates a SPAR retail distribution centre in Saltash, Cornwall, and a multi-temperature depot in Cullompton, Devon.

POLAND

Poland is the newest member country to the group, having secured the SPAR licence in February 2020.

Purchasing an existing Polish retailer, Piotr i Paweł, in October 2019 provided access to distribution centres in Warsaw and Poznań. Since then, a third distribution centre has been secured in Czeladź. This distribution network provides an excellent foundation to grow and scale the business in the coming years.

SWITZERLAND

The distribution and logistics centre in St Gallen services a range of independent retailers operating under the SPAR, MAXI and other brands, and 60 Avia petro-convenience stores acquired during 2021.

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

KEY FACTS	Warehousing space m²	Cases dispatched Million	Number of stores serviced	Divisional Managing Director
SOUTHERN AFRICA				
South Rand	66 500	56.3	553	Desmond Borrageiro
North Rand	53 317	39.7	424	Jerome Jacobs
KwaZulu-Natal	69 112	52.0	458	Max Oliva
Eastern Cape	44 485	32.5	309	Angelo Swartz
Western Cape	40 405	35.0	473	Alison Zweers
Lowveld	21 416	12.9	223	Martin Webber
Build it (imports)	10 000	5.3	384[1]	Rob Lister
S Buys	2 295	n/a*	n/a[2]	Jeremy Nicol
IRELAND				
BWG Foods	24 000	23.9	1 087	Leo Crawford
Appleby Westward				
Saltash	7 210	8.3	319	Mike Boardman
Cullompton	1 904	6.2		
SWITZERLAND				
St Gallen	33 000	28.0	386	Rob Philipson
POLAND				
Warsaw	7 206	1.0[3]		
Poznan	15 030	10.0	227	Wayne Hodson
Czeladź	8 092	2.3		

[1] *Build it stores are also included in store numbers within each region, as these stores receive services from their regional distribution centre.*
[2] *Nature of pharmaceutical deliveries not comparable.*
[3] *Distribution centre operational from May 2021 onwards.*

Refer to the fact sheet available on our corporate website for more information: https://thespargroup.com

Our network of retail store formats and cash and carry outlets

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

THE TOTAL NUMBER OF STORES WE SERVE

	2021	2020
Southern Africa	**2 440**	2 414
Ireland and South West England	**1 406**	1 391
Switzerland	**386**	333
Poland	**227**	219
Total	**4 459**	4 357

Refer to the fact sheet on our corporate website https://thespargroup.com for more information about our store formats.

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 rural and peri-urban neighbourhood 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 offers 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 and 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 brands, and several other retailers.

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

POLAND

Our distribution centres currently service our SPAR-branded stores:

- EUROSPAR offers competitively priced, one-stop supermarket shopping
- SPAR is positioned for neighbourhood convenience shopping
- SPAR Express is positioned for forecourt convenience
- TOPS at SPAR for liquor shopping

OUR VALUES-DRIVEN CULTURE

We are a family of entrepreneurs driven by passion. We encourage entrepreneurship, live our family values and demonstrate passion.

Our values shape our relationships with our independent retailers and form the foundation of our decision-making and strategy. They are integrated into our employee onboarding, training interventions and recruitment, and 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 Organization's Declaration on Fundamental Principles and Rights at Work. See our purpose-driven strategy on page 54.

Entrepreneurship

At the 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 forward in line with our purpose – to inspire people to do and be more. We believe that passion is contagious, creating a virtuous circle, and in doing so, protecting our SPAR family.

Why culture is so important to SPAR

We believe our success is built on our values, which drive our unique culture. This positive workplace culture attracts talent and drives people engagement and career satisfaction.

Organisational culture can be influenced over time. Given the unprecedented times our people have experienced during the COVID-19 pandemic, related restrictions and lockdowns, we conducted a culture survey towards the end of 2020. This survey provided insight into where we are currently and helped us take into account what needs should be considered for the future.

While we maintain a strong family culture, our people have expressed a readiness to enter a new phase in our business cycle, which goes hand-in-hand with the internal drive for digital transformation, requiring a shift in mindsets towards new technology and innovation.

Our purpose in action: end gender-based violence

We reaffirm our commitment made in 2020 to take a stand against gender-based violence (GBV) in the South African communities we serve. By acting against a public issue contrary to our values, we demonstrate our commitment to the SPAR values and our purpose – to inspire people to do and be more.

Our distribution centres launched self-defence classes, awareness campaigns and workshops, and supported regional community organisations against GBV.

SPAR supports the National Prosecuting Authority in various ways, including their Thuthuzela Care Centres. These centres form a critical part of South Africa's anti-GBV strategy to provide primary support to victims.

SPAR signed a Memorandum of Understanding with LifeLine South Africa, responsible for maintaining and running the END-GBV helpline. Through SPAR's support, LifeLine has embarked on multiple new initiatives, improved its call centre during 2021 and provided advanced training for counsellors.

INVESTMENT CASE

SPAR offers sustainable long-term growth opportunities for investors seeking exposure to food retail sectors in Southern Africa, Ireland and South West England, Switzerland and Poland. SPAR is listed on the JSE Limited in the food and drug retail sector. Its performance meets the globally recognised environmental, social and governance (ESG) inclusion standards of the FTSE4Good Index Series.

WHY INVEST IN SPAR?

Strong operational expertise and optimised distribution infrastructure

- 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

A differentiated food retail brand with growing private label loyalty

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

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

- 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 communities that they serve
- Empowering innovation and agility – supporting and adapting to the needs of our communities

A network of quality relationships that support a sustainable food system

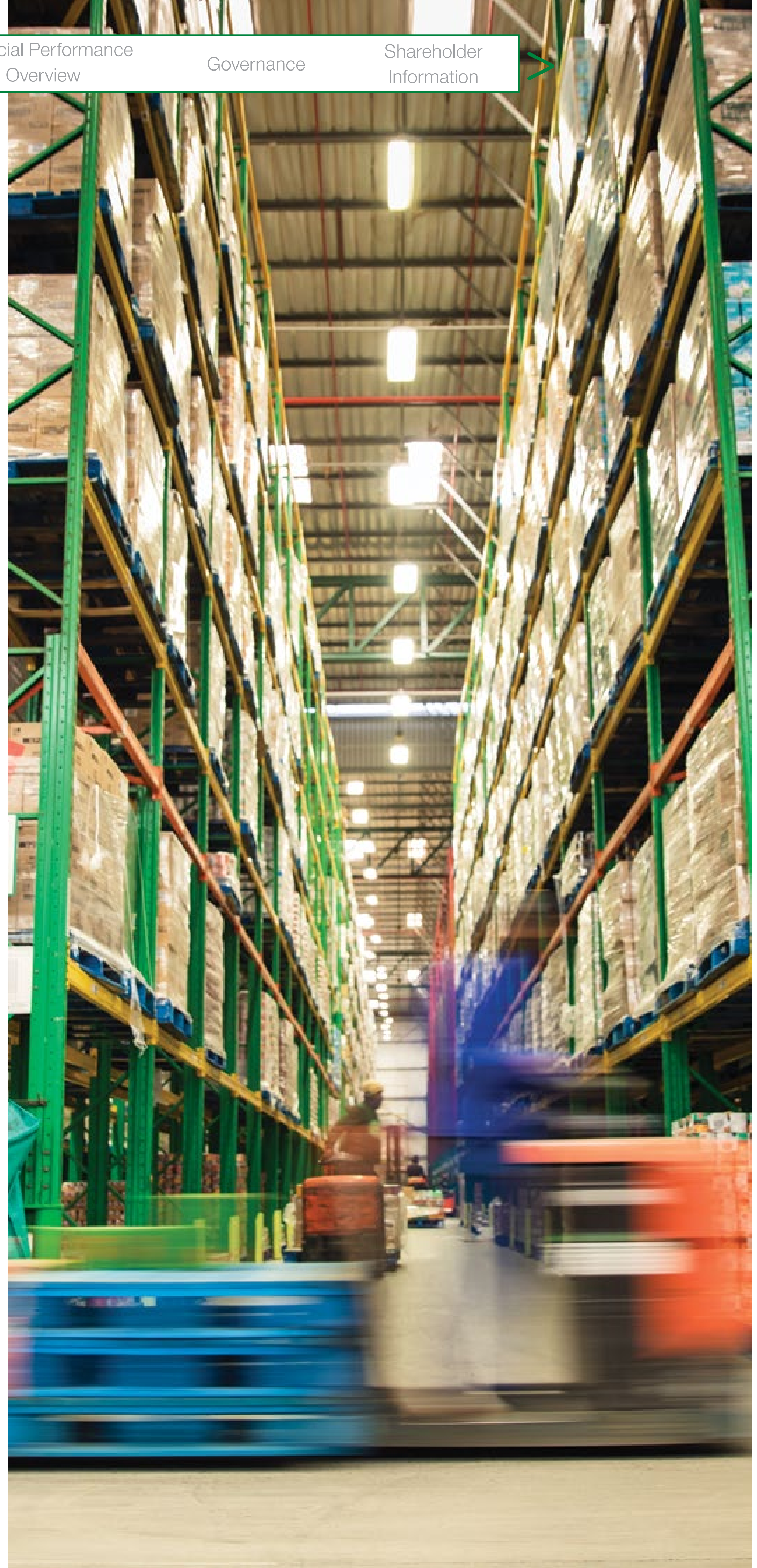
- Our network of relationships is underpinned by a common purpose – to inspire people to do and be more
- Collaboration with material stakeholders to create strong and lasting relationships – building a sustainable food system together
- Promotors of a nutritious food offering and enablers within a resilient food chain

A diversified group in terms of product categories and currency earnings

- Geographically diverse
- Emerging market and developed market exposure
- Decreased concentration risk, with exposure to hard currency-based earnings

International growth potential through a replicated and familiar trade model

- 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 our expansion in recent years

SPAR South Africa was established in 1963 by a group of eight wholesalers to service 500 small retailers. South Africa was the first country outside of Europe to join the SPAR organisation. In the past seven years, the group has diversified in both geographies and revenue streams by seizing SPAR member country opportunities that presented growth prospects.

IRELAND AND SOUTH WEST ENGLAND

The group acquired an 80% stake in BWG Foods in Ireland in 2014 for a purchase price of €55 million. BWG Foods is recognised as a leading food retail and wholesale distribution company in Ireland. Its brands are well recognised and trusted. It also owns the licence for SPAR in South West England. There are five SPAR licence owners in the UK.

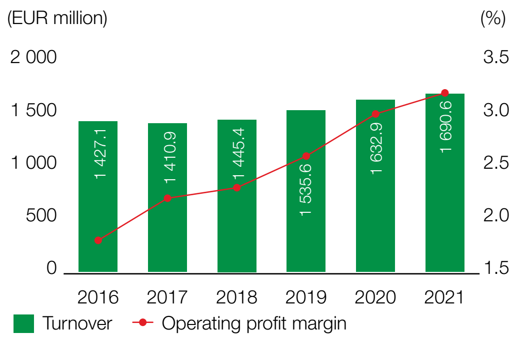
When BWG Foods was acquired in 2014, its annual turnover was €1.2 billion. For the period ended 30 September 2021, total turnover for the group was €1.7 billion. The Irish opportunity presented a business with good growth prospects and has delivered exceptional value in partnership with a strong local management team. The purchase agreement included an exit plan for the three shareholders (Irish promotors) owning the minority stake. The remaining 20% minority stake was settled during the past financial period.

BWG Foods remains well positioned for future growth in Ireland and South West England with its diversified offering as a group:

- Owner of the SPAR and EUROSPAR brands in Ireland (stores serviced by the BWG Wholesale division) and South West England (stores serviced by Appleby Westward).
- Leading independent retailer in the convenience and proximity supermarket sector. In addition to the SPAR brand, the group includes other well-known grocery convenience brands, Londis, Mace and XL in Ireland.
- Ireland's largest cash and carry chain through its Value Centre outlet.
- Growing foodservice business, including Corrib Foods (multi-temperature supply chain for fresh and frozen poultry) and Heaney Meats (specialist supplier of fresh meat), acquired in recent years.
- Well-managed corporate retail stores and Appleby Westward wholesale distribution centre in South West England.

While the foodservice and hospitality businesses have been severely impacted by pandemic-related lockdowns in Ireland over the past 12 to 18 months, the growth at retail, due to the support from local community based stores, has largely compensated for this loss.

Historical performance



SWITZERLAND

The group acquired a 60% stake in SPAR Switzerland in 2016 for CHF44.5 million, which at the time was one of the last remaining large family-owned businesses in the Swiss grocery market. The acquisition included the wholesale business, with the right to the SPAR brand in Switzerland, servicing 58 corporate and 247 independent retail stores at that time and trading under the SPAR, SPAR Express and Maxi brands. The wholesale business has grown to include distribution to PAM and Edelweiss branded stores.

The Swiss acquisition provided additional foreign currency diversification and access to a robust asset-based balance sheet and good cash generation. The remaining 40% minority interest was settled during March 2021 for CHF56.3 million, marking five years since the original acquisition date and in line with the existing agreement.

This market did present some challenges in the early stages of SPAR's investment; however, the team in Switzerland has worked hard to gain traction, placing corporate stores with valued partners in retail and building relationships with independent retailers thereby improving the quality of retail execution and in-store experience. The business developed a niche position within the grocery convenience and food-on-the-go sector.

With the timing of improved SPAR retail outlets by 2019 and the onset of the COVID-19 pandemic in early 2020, a shift in consumer behaviour favouring local neighbourhood stores over large supermarkets was experienced. This resulted in improved turnover growth for the past 12 to 18 months. This business has always been cost focused, with its lean operating model, which has resulted in a significant increase in profitability this period.

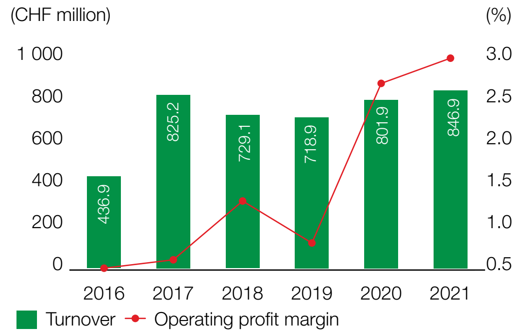
The Swiss business also has exposure to the hospitality industry through its TopCC cash and carry outlets. TopCC provides a direct general wholesale supply service to the broader, independent, culinary and general business consumer. This business suffered as a result of the closure of many restaurants during the pandemic. However, similar to the situation in Ireland, the strength of retail has helped compensate for the loss of turnover in the hospitality sector.

Recognising that retail performance could reverse as consumers adapt to fewer restrictions and go back to shopping further afield, the Swiss team focused its energy on business development. In March 2021, the business concluded the acquisition of 60 petro-convenience stores from Store Service AG (SSAG) for CHF10.6 million. These stores are being converted to SPAR Express stores, with 50% converted at year end and the balance scheduled to be converted during the next reporting period.

This has added significant volumes and increased turnover performance of the business, using the existing infrastructure and cost base, driving increased efficiency and profitability. By rebranding these stores into SPAR stores, we anticipate further growth and plan to use this opportunity to attract future business with other fuelcourt operators.

The Swiss business launched its first EUROSPAR supermarket during the year and is exceeding performance expectations.

Historical performance



POLAND

The group secured the licence to operate the SPAR brand in Poland in February 2020. The previous wholesaler had collapsed and purchasing any existing SPAR wholesale facilities from the existing wholesaler was not a viable option for the group. Despite this collapse, 200 SPAR retail stores remained operational, which presented a wholesale opportunity for the group.

The group sought suitable distribution capabilities to launch its wholesale offering. This led to the acquisition of Piotr i Paweł, a well-known supermarket chain in Poland. The group paid €1 upon purchase while agreeing to settle all debt and provide the necessary working capital for this business going forward.

The acquired business underwent a legally supervised debt restructuring process (similar to a South African business rescue) which was finalised in August 2021. Fortunately the process did not impact SPAR's ability to control the relevant operating activities of this business.

The restructuring and reorganising of the Polish business progressed over the past two years. Despite retailer onboarding delays and COVID-19 trading restrictions, the team focused on driving retailer loyalty in the south of the country where the existing SPAR retailers are based. SPAR retailer loyalty represents the percentage of goods purchased by retailers through the SPAR wholesale system and has grown from 0% to 29% as at 30 September 2021. The business is aiming for 40% retailer loyalty to achieve a break-even point. For more information about this operating environment refer to page 42.

SUSTAINABILITY

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 and the South African government's National Development Plan. SPAR is on a journey to improve how we measure our performance in respect of environmental, social and governance (ESG) factors and how we might better coordinate our efforts as a global group. This section provides a high-level summary of some of the ESG highlights across our geographies. Our current environmental reporting is in line with CDP, a non-profit charity that runs the global disclosure system for companies to manage their environmental impacts. The group also has plans to report in line with the Task Force on Climate-related Financial Disclosures framework.

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

Health **Community** **Supply chain**

Sourcing **Environment** **Our people**

Read more about the initiatives in our environmental and social supplementary report here: https://thespargroup.com.

"We recognise the challenge of the relationship between our growth and the impact on the environment and our communities. As a global retail brand, we acknowledge that we are part of the problem and therefore need to be a part of the solution."

Kevin O'Brien, Group Risk and Sustainability Executive

ENVIRONMENT

Highlights

SPAR is included in the FTSE4Good Index

The index recognises companies with strong ESG practices measured against global standards. SPAR received an ESG rating of 2.6 in 2021.

SPAR's environmental goals contribute towards the following SDGs:

2 Zero hunger; 3 Good health and well-being; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production

SPAR's climate goals contribute towards the following SDGs:

6 Clean water and sanitation; 7 Affordable and clean energy; 8 Decent work and economic growth; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 17 Partnerships for the goals

Food waste

- We want to divert food waste from landfills and address the challenge systemically. In South Africa, SPAR is mapping food waste across the business, including in our stores.
- In Ireland, we support FoodCloud, a social enterprise that redistributes surplus food to a network of charity and community groups.
- SPAR's partnership with Too Good To Go, a social impact company against food waste in Switzerland, saved 26 275 meals during 2021.
- SPAR Ireland also partnered with Too Good To Go, making it the first retail network in Ireland to sign up for a solution that addresses food waste.

Our approach to packaging

Reduce
- Remove unnecessary packaging across the value chain
- Design new products with minimum packaging without losing packaging integrity

Reuse
- Design packaging with reuse in mind
- Consider existing packaging from a reuse perspective
- Drive communication around reuse

Recycle
- 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 SPAR distribution centres in South Africa use solar energy

9 348 MWh of renewable energy was generated this year

Logistics

- In South Africa we are trialling compressed gas operated trucks and piloted the world's first commercially available battery-electric truck refrigeration system.
- BWG Foods has biogas trucks included within its fleet in Ireland. These trucks deliver a 90% reduction in transport-related carbon dioxide (CO_2) emissions. Food waste is managed in partnership with Vision Green, to produce biogas used to fuel these trucks.
- In 2021, SPAR Switzerland added an eco-friendly hydrogen-electric truck to its fleet. This truck was tailored to SPAR's needs and facilitates long-distance, emission-free food deliveries on the Central Switzerland route. In collaboration with AVIA Oesterwalder East, we implemented the first hydrogen fuel centre at the distribution centre in Switzerland.

SOCIAL

Highlights

- SPAR won the Rural and Township Focus Award in the ABSA/Business Day Supplier Development Awards
- SPAR is certified as a Top Employer in South Africa

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:

How we make a difference for tomorrow

- The SPAR rural hub programme in South Africa collaborates with small-scale farmers, communities and retailers to improve food security, affordability and nutrition for rural communities
- FutureMe and JumpStart focus on connecting the unemployed youth of South Africa to job opportunities and possible employment through the conduit of our retail stores and distribution centres
- We continue to take a stand against GBV in South Africa
- BWG Foods in Ireland is a member of Origin Green, a national food and drink sustainability programme

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 R23.0 million in socioeconomic development

Creating shared value

- The group is committed to sourcing products and services within our supply chain in an ethical manner
- We develop long-term relationships with our suppliers, which are based on the principles of fair, open and transparent terms
- We help new suppliers obtain food safety certification and develop scale
- All procured wood is 100% Forest Stewardship Council (FSC) certified
- SPAR is committed to the responsible use of our local water sources and water stewardship
- We commit to goals set by our strategic focus areas and activities in partnership with the World Wide Fund for the Southern African Sustainable Seafood Initiative (WWF-SASSI) and are a member of its retailer/supplier participation scheme
- SPAR procures only certified coffee to ensure consumers of a sustainable and ethical coffee value chain

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 101.

OUR MATERIAL RELATIONSHIPS

SPAR prides itself on building long-term and meaningful relationships. We aim to identify, understand and respond to the needs of our stakeholders because we recognise the critical role they play in our ecosystem and in our ability to create and preserve sustainable value.

As a business, we recognise that a sustainable food chain is a collaborative one. This collaborative network must integrate every aspect of the value chain to ensure environmental, social and economic value for communities and regions.

Our 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 and preserve value – including governments, unions, media, regulatory bodies and non-governmental organisations. Among these, we identified six material relationships. We rely on five of these stakeholders to create value for each other and for our shareholders.

Our stakeholder environment is ever changing – with material threats like a pandemic, climate change, Brexit, poverty, unemployment, civil unrest and political uncertainty that challenge how we do business together. Therefore, our material relationships form the foundation of how we approach our material matters for the business.

The General Data Protection Regulation (Regulation (EU) 2016/679) ('GDPR') came into effect on 25 May 2018. It governs the protection of personal data in EU and EEA Member States. South Africa's Protection of Personal Information Act, 2013 (Act 4 of 2013) ('POPIA') was promulgated into law in November 2013. In June 2020, the South African President announced that certain essential remaining sections of POPIA would commence on 1 July 2020 and that public and private bodies would need to be compliant from 30 June 2021. Furthermore, in South Africa, the implementation of amendments to the Administration Adjudication of Road Traffic Offenses of 1998 (AARTO Act) began on 1 July 2021. Ensuring the smooth rollout of this legislation included communication and education, stakeholder engagement, policy amendments and contract amendments.

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

Stakeholder feedback, perspectives and focus inform management about new material topics. We have a proactive stakeholder engagement approach with public commitments that enable positive and impactful societal change. These include engagements with industry organisations and government to address issues like GBV and the social impacts of alcohol.

We advocate for sustainable business practices in the retail sector, including food safety and ways to improve the adoption of the Sustainable Development Goals (SDGs). At the Sustainable Retail Forum, we contribute to issues like an industrial waste management plan, plastics, and plastic on-pack recycling labels.

Employees

Why this relationship is important	How we engage for positive outcomes	What our stakeholders look for in a relationship with SPAR	How we are responding as a business
The strength of our relationships with other stakeholders centres on the ability of our employees to build, maintain and serve these relationships. Our people uphold our values and live our purpose – to inspire people to do and be more. Our people form the backbone of the SPAR family. A total of 10 281 permanent employees work across our corporate offices and distribution centres in South Africa, Ireland, Switzerland and Poland.	Human resources is governed by policies that address employee concerns. We regularly communicate with our employees. During times of crisis, employee engagement is increased. Across all our markets, management hosts company-wide briefings and business updates to keep lines of communication open, and inform employees about company developments, in line with government guidelines.	• Maintain special culture of caring, but recognise the need to change and evolve the model for the future • Healthy, safe and secure working environment • Attraction and retention of talent with solid succession planning • Career development and opportunities for growth • Transformation and empowerment	We conducted a detailed culture survey in South Africa in 2021. The feedback was used to develop an action plan to adapt our working environment – to meet the needs of our employees and help evolve our voluntary trading model. Recognising the personal impact of the pandemic, the group expanded its health and wellness programmes. In certain regions, the civil unrest in July 2021 was unsettling for many employees. Counselling was made available to help employees deal with the trauma arising from the unrest. We support employees with their career paths by offering training interventions and leadership development. Human resources formulated a divisional transformation strategy to assist the divisions in driving transformation.

Retailers

Why this relationship is important	How we engage for positive outcomes	What our stakeholders look for in a relationship with SPAR	How we are responding as a business
The independent SPAR retailers are our customers, and we are here to serve them. The success of our retailers drives the success of our business. We build retailer loyalty by supporting their businesses through our voluntary trading model and retail and marketing support. Retailer loyalty represents the percentage of goods purchased by retailers through the SPAR wholesale system.	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 retail operations teams regularly visit stores and do monthly performance monitoring through tailored service packages. Retailers are invited to SPAR retail conventions, which have been hosted virtually during the pandemic, and participate in 'Look and Learn' trips to ensure retailers remain aware of top trends, new offerings and best practice. Across all our markets, regular communication with our retailers ensures we remain abreast of the vitally important frontline experience. A convention is also held for our Build it retailers in South Africa.	• Guidance and leadership on changes in retail regulations • Greater areas of support to evolve the voluntary trading model and adapt for the future of retailing, such as online grocery shopping and ongoing improvements in marketing • Support during times of crisis • Retailer profitability	From the onset of the pandemic, we recognised the importance of supporting our retailers to ensure the highest health and safety standards were implemented and upheld across our retail network of stores. Throughout this journey, we provided regular guidance on key government guideline developments and other insights. During 2021, we developed a plan to assist our retailers with online shopping. We identified a centralised e-commerce platform that we can leverage off. This will be made available to all regions. It is flexible and suits the needs of SPAR's unique operating model. In South Africa, using the SPAR Rewards programme as our foundation, we are developing a customer insights hub and plan to start a loyalty refresh in 2022. Retailer profitability is a priority for SPAR and remains the key focus in an increasingly competitive environment. We help our retailers find opportunities that accelerate store performance to ensure greater profitability and sustainability.

Communities

Why this relationship is important	How we engage for positive outcomes	What our stakeholders look for in a relationship with SPAR	How we are responding as a business
SPAR's business and voluntary trading model is community driven. SPAR's retailers are embedded in their local communities and renowned for providing safe and secure shopping environments for people close to home. The nature of our business means that independent retailers are individuals living within and supporting the very communities that they serve. They support their communities with charitable donations and meaningful support and are further supported by our voluntary trading model, enabling the freedom to support local suppliers of their choice.	SPAR stores aim to be at the centre of the community. We undertake philanthropic activities at retailer level to grow brand loyalty and play a positive role in the communities we operate within. We invest in community development initiatives to address specific social and environmental challenges at group and distribution centre levels. Our retailers drive job creation by employing and upskilling people living within the communities they operate in. Our voluntary trading model supports communities by design. Our independent retailers endeavour to support local suppliers where possible.	• Support for community charitable drives and other initiatives • Support of local suppliers living within local SPAR communities • Access to job opportunities • Awareness and appreciation of smaller independents	SPAR's corporate social investment (CSI) policy focuses on supporting projects centred around food security, healthcare and crime prevention. By driving the growth of our voluntary trading model, SPAR's existing and new independent retailers continue to make a difference in the communities they serve.

Consumers

Why this relationship is important	How we engage for positive outcomes	What our stakeholders look for in a relationship with SPAR	How we are responding as a business
Consumers are our retailers' customers and remain at the core of our strategy, which puts consumers at the heart. Due to our geographical spread and range of store formats, we service the full spectrum of income groups in all territories. Our stores are conveniently located and meet the immediate food and grocery shopping needs of our consumers.	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 the SPAR brand remains visible in local communities, which enables high levels of consumer engagement. We offer customer care departments across all of our regions.	• Convenience • A safe shopping environment • Support for the community • Communication about low prices, special deals and greater rewards • Quality products and greater consideration for ethical sourcing and sustainable packaging	SPAR was quick to react to the necessary protocol required for COVID-19, by providing a safe shopping environment. We continue to uphold these new measures and strict hygiene standards. Consumers are made aware of special deals through social media, advertisements, SPAR Text Me, and our SPAR Rewards card. Consumers are increasingly aware of making sustainable shopping decisions. They are a positive force for good on our journey to be part of the solution. Across all regions, SPAR has a dedicated customer care line to support consumers.

Suppliers

Why this relationship is important	How we engage for positive outcomes	What our stakeholders look for in a relationship with SPAR	How we are responding as a business
Our business is supported by a network of suppliers and service providers, from major food producers to small farmers. As we develop our private label product offering, some of our suppliers have become large flourishing entities through this joint collaboration with us. Initially, the pandemic impacted our supply chain; however, we continued work with our suppliers as commodity supply remains our priority.	We seek sustainable relationships with our suppliers who are business partners on our journey to create value. We continue to innovate through our house brands. We made significant progress in working with our suppliers to source responsibly, reduce waste, and implement biological farming.	• Ability to drive greater efficiencies and reduce costs of working together • Greater access to consumer markets through SPAR's expansive and growing reach • Transformation and enterprise development • Improved use of customer insights and in-store category management • Ability to compete effectively in the online space	Engagements include top-to-top meetings, ongoing supplier reviews and annual revision of trading terms. Trade shows are held once or twice a year (market dependent) and run virtually due to the pandemic. Our joint business planning sessions target efficiencies in the supply chain to help benefit our suppliers and SPAR. Purchasing managers engage regularly with suppliers across all markets. This ensures an optimised supply chain and a shared understanding of all challenges.

We engage with our material stakeholders to create value for them, and ultimately for our shareholders. Shareholder engagement during 2021 included:

- A trading update at the annual general meeting (AGM) held in February 2021
- Pre-close calls ahead of closed periods, including a voluntary trading update around COVID-19 impacts in the current and prior year to manage external expectations
- Special once-off update delivered to address key investor concerns
- Interim and full-year results announcements and presentations (released in May and November)
- Investor conferences (held in March, June, November and December)
- *Ad hoc* meetings and calls upon request, outside of closed periods

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

By keeping our shareholders and analysts informed, we build relationships of trust and protect SPAR's legitimacy and reputation.

CHAIRMAN'S MESSAGE

We have endured two black swan events in recent times – the onset of the COVID-19 pandemic in early 2020, which continues to disrupt all of the group's markets, and the civil unrest in South Africa during July 2021. Despite these setbacks, SPAR remained agile and quickly implemented contingency plans to secure supply chains.

It is a privilege to present my first report as Chairman of the group, following the retirement of Mike Hankinson at our annual general meeting (AGM) in February this year. During my relatively short time as Chairman, I have developed a great appreciation for the foundation laid by Mike. Having observed him as Chairman has inspired me to be more thoughtful and measured in my approach to certain situations. I would like to extend my deepest gratitude to Mike for his mentorship and support through the years, and for the example he has set for me as the new Chairman.

BOARD CHANGES

We are delighted to welcome our new CEO and executive director, Brett Botten, to the board – an appointment well received by the business. Brett has many years of experience with SPAR in South Africa. Brett has responded well to a testing first year with many challenges. We look forward to supporting him in the years ahead as he takes the group forward.

Our primary responsibility as a board is to ensure we have directors with a good level of diversity, expertise and independence to provide objective, quality oversight and advice on the board's key deliberations. In May this year, the board appointed Jane Canny as an independent non-executive director. Jane brings a wealth of IT, financial and corporate governance expertise to the board. Jane's appointment has boosted the IT expertise around the boardroom table, as SPAR embarks on its SAP implementation.

Harish Mehta has been a non-executive director since 2004 and will be retiring at the AGM in 2022. During his long tenure, Harish provided excellent advice and guidance in respect of several important advances made as a business. On behalf of the board, I would like to express our deep appreciation and gratitude to Harish for his many years of service and commendable contribution as a board member.

Following Harish's retirement, we have announced the appointment of a new non-executive director, Sundeep Naran, subject to shareholder approval at the 2022 AGM. Sundeep has a broad range of experience and will provide additional insight in respect of corporate governance, finance and risk. We wish him a warm welcome to the board.

A ROBUST RESULT FOR THE GROUP

Despite the disruption, the group has delivered a robust result with turnover increasing by 2.9% to R127.9 billion for the year ended 30 September 2021. The group delivered operating profit of R3.4 billion. Diluted headline earnings per share increased by 5.5% and the board declared a final dividend of 536.0 cents per share increasing the annual dividend to 816.0 cents per share.

INTERNATIONAL GROWTH

In seven years, SPAR has transitioned from a South African based retailer to a multi-national retailer, expanding its reach to Ireland, Switzerland, Sri Lanka and Poland. The foreign regions contributed 36.5% towards turnover during the period. The Swiss and Irish business minority interests were settled in March 2021. These regions have made significant contributions to overall group performance again this year.

The biggest challenge for our Swiss business was holding on to new business gained during the pandemic-related lockdowns as consumers shopped locally and avoided the large supermarkets. Against a remarkable performance in the prior year, the Swiss business has delivered an excellent performance again this year.

The succession planning for BWG Foods' leadership team in Ireland has been a key area of focus in recent years. The appointment of seasoned BWG directors to new positions has facilitated the scheduled retirement of key executives, and also provided for the promotion of younger talent into director roles. Consolidation of this new structure will be the focus of the next few years. The transition has been relatively seamless.

In Poland, the team is aware of the urgent improvement needed to make this business work for our stakeholders and remains confident in the opportunity. Under Brett Botten's leadership, recent important decisions are expected to deliver a much-improved performance in the year ahead. We acknowledge that it has been extremely difficult trying to launch a business alongside the onset of a global pandemic; however, the business is in a position to grow, having laid the all-important foundations to do so.

E-COMMERCE

As chairman of SPAR International I am delighted to report that SPAR International has partnered with Naveo Commerce to develop a unique end-to-end e-commerce platform. This platform is highly flexible and adaptable for SPAR's unique trading model. SPAR South Africa will be the first country to pilot this new system, which will be made available to the group's other regions as well. This is an important step in evolving the future voluntary trading model.

IMPLEMENTATION OF SAP

SPAR has embarked on a significant business and IT transformation that will modernise its current back-office finance, wholesale and distribution processes. The planned SAP implementation is a necessary step towards transforming the group. Group-wide implementation means new technology can be scaled globally to serve customers and that country-specific innovations and leading practices can be adopted by other countries with ease. A common systemised approach will lower the cost and effort to grow the business. Although SPAR has an ambitious rollout planned, the execution plan is solid, with an excellent team in place to keep pace with the plan.

CIVIL UNREST IN SOUTH AFRICA

We will never forget that first week of July 2021 when we watched the looting, violence and damage to property in the provinces of KwaZulu-Natal and Gauteng with horror. The events were shocking and sad for all South Africans. The repercussions of this unrest will impact our country for years to come.

SPAR reacted quickly to the initial violence by closing all distribution centres considered to be at risk and increasing security protocols at these facilities, for the safety of our staff and to secure the group's assets. No harm came to our people and SPAR's central office and distribution centres remained secure and undamaged during the unrest.

SPAR had a total of 184 stores impacted by the unrest, of which 52 stores remained closed as at 30 September 2021. The group continues to work closely with the affected retailers in an effort to open the remaining stores as soon as possible. Thank you to all the community members who came out to bravely protect our SPAR stores during this time. Without the support of our communities, we believe many more stores would have been lost or damaged.

We express our deepest gratitude to the people of SPAR, the SPAR retailers and their communities, who pulled together and worked tirelessly to clean, restock and rebuild stores – you brought hope to your communities at a time when it was needed most.

Our priority was to ensure SPAR retailers continued to receive world-class service and that consumers' needs were met. The business has proven its resilience during these extraordinarily challenging and disruptive times.

TRANSFORMATION AND SUSTAINABILITY

SPAR was recognised at the ABSA/Business Day Supplier Development Awards again this year, collecting the award for our rural and township focus with our SPAR rural hub programme. We are incredibly proud of what the team accomplished, helping small-scale farmers develop their businesses and positively impact their communities.

The group continues its steady work to develop and support black retailers in South Africa. The number of black-owned SPAR stores has increased again this year. We firmly stand by our commitment of supporting black entrepreneurs in South Africa.

We are pleased to report that SPAR has been included in the FTSE4Good Index Series again this year. This index series is designed to identify companies that demonstrate strong environmental, societal and governance practices measured against globally recognised standards. As a business, we have aligned our commitment to sustainability with the United Nations Sustainable Development Goals as well as the South African government's National Development Plan. Climate-related issues remain a key area of focus and the business has continued to forge ahead with impactful initiatives and improved disclosures in this regard. More information on this is included in our environmental and social supplementary report.

GOVERNANCE

SPAR prides itself on being an upstanding corporate citizen. We acknowledge that we have an important role to play in society. Stakeholders are increasingly drawn to businesses with a clearly defined purpose and social impact orientation, including a commitment towards responsible environmental, social, and governance practices. This journey has required us to play a more active role in co-operating with local and national government and community leaders. We believe real results are being achieved through greater collaboration with all stakeholders.

LOOKING FORWARD

We thought 2020 was unique in its challenges and opportunities; however, 2021 has been no different as we have learnt to adapt to the pandemic and the unrest (in South Africa) and the impact they have had on us personally and on our businesses. SPAR's special culture and our people's deep appreciation for our values of entrepreneurship, family values and passion have assisted us through these times. Our people cherish the SPAR brand and what it represents – shared feeling and emotion in connections with our consumers, in line with our brand essence of *It's personal*.

Although we remain cautiously optimistic as we look ahead, we are confident in the ability of SPAR's voluntary trading model to keep evolving, delivering and performing. 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.

Thank you to all our stakeholders for their ongoing engagement and support of SPAR.

Graham O'Connor
Chairman

I have been with SPAR for over 27 years. What I love most about this business is the genuine care and respect we have for each other – our SPAR family. I am honoured and humbled to be appointed as the group's new CEO. It has been a challenging start; however, the group delivered a robust performance during extremely disruptive and uncertain times. Even with these setbacks across all regions, our people and retailers have forged ahead with determination and resilience, and continue to make a difference in the communities they serve. We thank our people and our retailers for their unwavering commitment and resilience towards embedding SPAR at the heart of its communities. We also thank them for embodying our purpose and leading the way to inspire people to do and be more.

STRATEGIC UPDATE – ADAPTING OUR MODEL THROUGH DIGITALISATION

In South Africa, we have six major focus areas and are refining action plans for each of them. Digital transformation, overlaps with three key focus areas – building our brand in hearts and minds, driving our future voluntary trading model, and putting consumers at our heart. The key is understanding our consumers and their changing needs, and adapting to these needs. This requires greater innovation and change as we evolve our business model and realise the benefits of digitalisation. Digital transformation is an opportunity for us to shape the future of SPAR. We are pioneering a fundamentally different way of working to inject more innovation and agility into our business.

Through digitally empowered people and culture, and through investing meaningfully in data science and marketing technology, we will provide greater assistance to our retailers allowing them to understand and interact with their SPAR consumers more effectively. We are developing an e-commerce platform and planning a refresh of our loyalty programme to establish a loyalty ecosystem that can operate effectively in both 'brick and mortar' and digital formats. We are harnessing the value of data and insights to predict how best to engage with our consumers.

Although many of our retailers have responded quickly to consumers' needs for an omnichannel shopping experience, we recognise the need to support our retailers with a sophisticated and consistent online offering tailored for SPAR's unique business model. This requires an online shopping solution that serves SPAR consumers and adds value to our independent retail partners and the communities in which they operate. Called SPAR2U, our platform is highly flexible and will help consumers stay connected with the SPAR they love.

We are driving group-wide modernisation and greater systems efficiencies in the coming months and years through our group-wide SAP implementation project. This will represent a significant investment in future-proofing the company's development and growth in the years ahead.

GROUP PERFORMANCE OVERVIEW

Our different business divisions delivered an overall robust result as they navigated a second year of unprecedented challenges.

Our South African business was impacted by COVID-19 market dynamics, including more liquor bans, and the civil unrest in July 2021. Our Build it business delivered excellent results, with consumers continuing to invest in their homes during these pandemic-affected times of working and schooling from home.

BWG Foods delivered an impressive performance in Ireland, with good growth across all retail brands, helping to compensate for lost business in the hospitality sector due to pandemic-related restrictions. Appleby Westward business in South West England also performed well and delivered a pleasing result. These businesses have come up against considerable trade and cost headwinds due to the shortage of truck drivers and other workforce constraints in the supply chain in the UK and Ireland.

Our Swiss business is holding its own due to new business gained during the COVID-19 lockdowns, with consumers choosing neighbourhood convenience. This performance was assisted by the 60 petro-convenience stores acquired earlier in the year, which are now integrated into the business.

Despite our Polish business failing to deliver financial improvements, progress has been made in laying the foundations for future growth, and we have a plan of action to take this business to where we want it to be.

MY SPAR, OUR TOMORROW

Our sustainability tagline, "My SPAR, Our Tomorrow", is a public commitment to the future of our brand and our planet. This focus area is a priority for our business. We have a dedicated executive and teams across all our regions driving sustainability initiatives, including reducing food waste and trialling environmentally friendly logistics alternatives.

We are placing even greater focus on preserving natural resources, working with suppliers to reduce our impact and providing greater awareness, guidance and support at a retail level. There is still more to be done, but we are making solid progress in this area.

OPERATIONAL REVIEW

Southern Africa

This has been a tough year. The 0.4% decline in our core grocery business was impacted by pandemic complexities, including the high base effect in the prior year. Overall store growth was hampered due to the civil unrest. To mitigate this, our store upgrade programme was aggressive and demonstrated retailer willingness to reinvest in their stores and the SPAR brand. 219 SPAR stores were upgraded, representing 22% of the existing store base and 38 more stores than we achieved in 2019, before the disruption of the pandemic.

Our house brands saw turnover growth of 1.2% to R15.2 billion, representing 24.3% of core turnover. Included within house brands, our SPAR private label turnover declined by 0.4% to R10.5 billion. SPAR private label represents the SPAR-branded products competing with proprietary brands on shelf. Private label sales were also impacted by the unrest. Of the five affected private label factories, two resumed production in September and were able to meet approximately 90% of SPAR's volume requirements for these particular products. The remaining three factories remain closed at period end, with interim contingency plans made.

TOPS at SPAR appears to be making a recovery with liquor turnover increasing by 11.2%; however, liquor is down 6.4% against 2019, which demonstrates how severe the government-enforced liquor restrictions have been this year; the effect of these was that over a third of the available trading days were lost, most of which occurred over weekends. These liquor restrictions also impacted the performance of certain grocery stores located adjacent to TOPS at SPAR liquor stores.

Build it is the outlier performer once again and enjoyed an extraordinary year with 23.5% wholesale turnover growth. The performance of this business is underpinned by the strength of our supply chain and a focus on retail execution, which is what differentiates the Build it brand from its competition. Our Build it retailers have seen a pleasing uplift in sales through refurbishments, and this has helped deliver the strong like-for-like growth of 17.2% in retail sales. During the second half of the year, Build it launched its national *Yes We Can* campaign, which speaks to the Build it brand essence of *Yes We Can*.

Regarding a few of our smaller business units, we have appointed new leadership to our Pharmacy at SPAR business to drive this opportunity as the home for the independent pharmacy. The growing trend of self-care and personal health presents a continued opportunity to drive this offering. Although it is small, S Buys, our pharmaceutical business, turned its performance around, backed by its Scriptwise business and Pharmacy at SPAR loyalty.

Increased travel boosted the performance of SPAR Express, located on petrol forecourts. Our coffee and food-to-go offerings within these stores are well supported. We launched 14 new SPAR Express stores during the period.

During the fourth quarter, we witnessed a devastating time for South Africa. The looting and destruction that occurred in the provinces of KwaZulu-Natal and Gauteng resulted in severe consequences for retailers, suppliers and consumers. We were quick to take action to ensure the safety of our people and protect our assets, including our distribution centres and central office. Our distribution centre in KwaZulu-Natal was closed for a week, and our distribution centre in South Rand was closed for one day.

By year end, we have not as yet been able to complete the recovery process and we continue to support our retailers through frozen trade accounts and assistance with insurance claims.

Although 184 stores were impacted, 131 of these reopened within the reporting period (over 70% of the stores initially impacted) and we are working closely with retailers to open the remaining stores as soon as possible.

OUR PURPOSE – "TO INSPIRE PEOPLE TO DO AND BE MORE"

STORES AT A GLANCE	Opening balance	New stores	Closed stores	Total stores
South Africa*	2 414	133	(107)	2 440
Ireland and South West England	1 391	61	(46)	1 406
Switzerland	333	74	(21)	386
Poland	219	19	(11)	227
Total	4 357	287	(185)	4 459

* *South African store closures impacted by 53 stores still closed due to the civil unrest as at 30 September 2021.*

Despite the devastation caused, the rebuilding and reuniting of communities around our affected retailers has been truly inspiring and heartwarming. In the true spirit of SPAR, we witnessed our values of entrepreneurship, family values and passion come together through the willingness of our people to stand up and start again. I would also like to express our deepest gratitude to the people in our communities who helped us during this difficult time.

Ireland and South West England

BWG Foods in Ireland continued to deliver strong results during a year of management team changes, which speaks to the robust succession planning in this business.

Brexit took effect in January 2021; however, the team had in place an excellent plan to mitigate the associated risks, reporting limited disruption to the business.

The UK labour market has been in turmoil with an estimated shortage of 100 000 heavy goods vehicle drivers, resulting in labour issues in the supply chain in our South West England and Irish markets.

In Ireland, all retail brands, including EUROSPAR, saw solid retail turnover growth as consumers continued to support their local convenience stores. In the third quarter, EUROSPAR and Londis lapped the unrepeatable major sales spikes of 2020 during the initial lockdown, yet still managed to deliver growth for the period.

COVID-19 restrictions continued to severely impact the performance of the hospitality industry in Ireland, which consequently impacted the Value Centre cash and carry and foodservice businesses.

Appleby Westward, our business in South West England, once again delivered a strong performance, driven by consumer support of local stores and new corporate stores, despite the disruption caused by labour shortages in the UK supply chain.

Switzerland

Our Swiss business continues to deliver excellent results and established a secure foothold as the convenience brand of choice in the Swiss market.

The quality of the stores is constantly improving, with in-store concepts well received by Swiss consumers, including the baby and pet concepts launched during the year.

A key focus for the business going forward is the relaunch of its private label, three-tiered strategy, with the SPAR N°1 value, core and premium product focus, which appeals to a range of consumer budgets.

An exciting event was the launch of our first EUROSPAR store in the fourth quarter, and its performance exceeded expectations.

The SSAG stores were integrated into the business. These 60 petro-convenience stores purchased in March 2021 have been beneficial to the growth of the business, adding to wholesale and retail turnover. This has been managed using our existing infrastructure and cost base, thereby enabling the business to drive efficiency and profitability further.

The TopCC cash and carry business suffered due to the pandemic's impact on the hospitality industry; however, it has gained new ground during the lockdowns given the changes to competitors in this space and remains well positioned.

Sri Lanka

Our joint venture with Ceylon Biscuits Ltd in Sri Lanka has brought world-class retail to the country. Unfortunately, performance has been severely impacted by the pandemic and related restrictions, which were severe, including the complete closure of grocery stores at certain times.

We are pleased to report that we will be launching the first independent retailer in the year ahead and currently have eight SPAR, four TOPS at SPAR and two Pharmacy at SPAR stores open – all of which are corporate stores.

Poland

We have built a solid foundation in Poland, with quality assets to leverage both at wholesale and retail level.

Although we fell short on our financial guidance this year, much progress has been made in this market. We remain aware of the need to address issues in Poland with urgency and have implemented an action plan to do this.

Retailer loyalty in the South is growing too slowly and requires a firmer approach in order to accelerate this. We are terminating the contracts with existing retailers and replacing them with new contracts that include minimum loyalty thresholds and greater rewards based on improved loyalty. All new retailers will be required to sign the new contracts.

Following the finalisation of the Piotr i Paweł business rescue proceedings, operations are now stable, enabling improved relationships with suppliers. We have commenced improvements to our warehouse and logistics operations, which will improve efficiencies and lead to cost rationalisation. We are actively pursuing new business opportunities and remain focused on the recruitment of other independent groups. We are targeting a 30% increase in stores this coming year. We already launched TOPS at SPAR and *Beantree* Cafes and will be driving deeper penetration of in-store concepts. We are also exploring opportunities in the petro-convenience space, similar to the opportunities already realised in Switzerland.

This year we launched our first members' meetings for retailers. We were able to meet them face-to-face and address their needs and concerns in person. We are steadily improving range, pricing and deliveries.

We doubled the number of private label stock keeping units and work closely with SPAR Switzerland and SPAR International to grow this business. Private label remains a strategic focus area, and we have introduced the N°1 Value range in this market, which will assist with our value offering and competitiveness. We also have a food production facility gained through the Piotr i Paweł transaction and will be investing in this as an opportunity to drive the sale of prepared meals through our stores.

SPAR values are important to us in all our territories. For this reason we have South African senior executives on the ground in Poland. They understand the SPAR culture and are working to embed this culture, while embracing the local culture. The 'SPAR I Am For You' programme was rolled out at wholesale and retail to drive the SPAR culture and community awareness. We also launched the SPAR e-learning academy to drive excellence through learning.

OUTLOOK

Across our geographies, there remains a degree of uncertainty around the COVID-19 pandemic. However, all of our people in these businesses have learnt to deal with these disruptions and react accordingly. Despite the extraordinary and unexpected setbacks experienced in recent times, we remain focused on our vision of being the first-choice brand in the communities we serve and how we can continue to adapt and evolve to assist our retailers in addressing the ever-changing needs of consumers.

We remain focused on driving retailer profitability, recognising that our success lies in the success of our retailers. Furthermore, we are developing a centralised e-commerce platform for our retailers, in response to the growing demand for grocery online shopping and will be launching this in the year ahead. This system will also be available to provide greater support with online demand in our other regions.

In the year ahead we will embark on the group-wide rollout of SAP. We have an excellent team and execution plan in place to ensure that any interruption to business operations is mitigated.

In South Africa, the consumer environment is expected to remain constrained. We have increased our promotional programme for the year ahead to assist our retailers in supporting consumers and their communities. We have a strong pipeline of new stores for development, as well as a robust store upgrade programme committed to by our retailers.

The Irish economy is expected to return to a greater level of normality in 2022. BWG Foods management is cautiously optimistic about both Ireland and South West England, due to the unprecedented labour challenges and related increasing costs. However, the businesses are strong and remain well positioned for a positive year ahead.

In Switzerland, the team is focused on retaining the new business acquired through its community-based stores with their convenient offering focused on excellence in 'fresh' and food-to-go and will be driving deeper penetration of the newly launched three-tier private label offering. The Swiss team will convert the balance of SSAG stores to SPAR Express stores, as well as explore new opportunities within the petro-convenience space – an area where SPAR is rapidly building a firm partner reputation.

In Poland, our management team is acutely aware that urgent improvement is needed to make this business work for our stakeholders and to realise the opportunity we continue to see in this growing market. We will be adopting new measures in how we do business with our SPAR retailers and driving greater efficiencies in logistics to reduce costs. With the integration of existing SPAR retailers now complete, we are ready and determined to drive new business development.

IN CLOSING

Although uncertainty remains, the group continues to benefit from its diversity and has demonstrated its robustness against adverse cycles brought on by the pandemic. SPAR's people and our retailers are key to our success – working closely together, in line with our vision to be the first-choice brand in the communities we serve. There has been a remarkable collective effort to change and adapt, despite how challenging these times have been. Our values have truly come to the fore.

Although we had a tough year, as an organisation we are making changes and enhancing our model for future success. We remain well positioned for the year ahead.

Brett Botten

CEO

OPERATING ENVIRONMENTS AND CONTEXT

This section provides an overview of the markets we operate within. Our markets have continued to be impacted by the COVID-19 pandemic, given the ongoing waves of infections and resultant government-imposed lockdown measures. This has led to a shift in consumer behaviour – impacting shopping, travel and entertainment habits. Despite the distribution of COVID-19 vaccines during 2021, markets remain disrupted. COVID-19 has also heavily disrupted the UK and Irish labour markets with an estimated shortage of 100 000 heavy goods vehicle drivers in the UK alone – thus inflating wages for drivers, as well as others in the supply chain.

The pandemic has accelerated the need for digitalisation. The most noticeable shift within our operating environments and consumer behaviour has been the accelerated adoption of online shopping due to the pandemic.

It is estimated that one in 10 consumers across Europe now shops online for food. Although online food shopping remains a relatively small proportion of the South African market, it is, growing.

Our key markets

	SOUTH AFRICA	IRELAND	SWITZERLAND	POLAND
Recognised as a brand in country since	1963	1963	1989	1995
Part of the group since	1963	2014	2016	2020
Population (million)	59.3	4.9	8.5	38.0
Currency	R ZAR	€ EUR	CHF Swiss franc	zł Polish zloty
Unemployment rate 2020 (%)	30.1	5.6	4.8	3.2
Expected real GDP growth for 2021 (%)	+5.2	+15.6	+2.9	+3.1
Consumer price index 2020 (%)	+3.3	(0.3)	(0.7)	+3.4

SOUTH AFRICA

South Africa is a large and complex country with almost 60 million people of different races, cultures and income groups, spread across nine provinces. The retail landscape ranges from world-class sophisticated formal retail stores to large cash and carry outlets, neighbourhood convenience stores and informal retail spaza shops.

The mix of formal and informal retail serves the entire spectrum of South African consumers. The formal market, which includes SPAR, is highly competitive and is estimated to constitute 60% of the market, with the remaining 40% representing the informal sector.

SPAR is one of four listed food retailing brands in South Africa, making up the formal sector. SPAR is, however, a unique player in this market, given its voluntary trading model that supports independent retailers.

Although COVID-19 made economic conditions difficult over the past 12 to 18 months, operating through tough times is what many South African management teams have become accustomed to. Consumers have been under financial pressure for many years, as political uncertainty prevailed due to a lack of reform measures, and industries have seen constant disruption and loss of business due to frequent and chronic electricity constraints.

Given the highly competitive environment, retailers are forced to remain agile and evolve. The competition for every shopper is intense. Retail businesses have evolved in response, bringing a greater focus on value for consumers and disciplines within retail and in the supply chain.

Throughout the pandemic, grocery stores were permitted to trade as essential service providers. For extended periods, 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.

In terms of product categories, the sale of cigarettes was banned from 27 March to 17 August 2020. Although this category hasn't seen a ban since then, the initial ban developed a market for the illicit trade of cigarettes, which has continued to impact the sales performance of the formal retail tobacco trade.

The formal retail market for liquor has continued to be severely impacted due to government-imposed restrictions. SPAR lost an estimated 120 days of trading for alcohol during the financial year to September 2020, and roughly 130 days for the financial year ended September 2021. Furthermore, restrictions on liquor have predominantly impacted weekend trading unless full liquor bans have been in place. While formal liquor retail outlets were closed, it was possible to get alcohol from restaurants and the like.

In the informal sector, shebeens and taverns received strong support due to the lost trade experienced by formal retail outlets during the weekend liquor restrictions. With 852 liquor outlets, SPAR has the highest number of liquor outlets in the formal retail sector within South Africa and has been impacted by pandemic-related liquor restrictions and bans since March 2020.

In addition to the ongoing pandemic impact, in July this year, the provinces of KwaZulu-Natal and Gauteng witnessed large-scale civil unrest sparked by the imprisonment of the former South African president. This unrest saw violence, looting and damage to property at unprecedented levels. KwaZulu-Natal bore the brunt of the unrest and is estimated to account for circa 16% of GDP.

The South African Property Owners Association (SAPOA) has indicated that the cost of the unrest is estimated to exceed R20 billion in KwaZulu-Natal and that the impact on national GDP will be in the region of R50 billion. Despite this significant setback, SPAR and corporate South Africa provided an overwhelmingly positive response to assist in the rebuild process going forward. It is estimated that over 1 700 stores were impacted by the looting and damage caused, including 184 SPAR stores across the grocery, liquor and building material businesses, upon the initial count of damaged stores.

The Build it business has seen no further restrictions since the initial closure of stores from 27 March to 1 May 2020 in the prior financial year. Prior to the impact of the pandemic, the building sector had been a declining market for 24 months, primarily driven by the state of the South African economy. During the financial period, the building material sector throughout Southern Africa performed well, especially in the informal rural sector, which is dominated by 'Bakkie Builders' (contractors) and 'build it yourself' customers. The home improvement sector in the urban areas also saw an impressive increase in activity during the pandemic lockdowns, due to people working and schooling from home, with little or no travel and limited recreational activity, which transferred this spend to their homes and gardens.

The market has flattened somewhat over the past six months compared with the surge in activity seen post the initial closure of stores in 2020. In addition to this, the high levels of unemployment increased due to the civil unrest, contributing to the flattening of the market.

It is estimated that Build it currently has a market share of circa 8.0% of the retail building material distribution sector.

IRELAND

The Irish grocery sector is highly concentrated and dominated by a few major retailers, including supermarkets, discounters and independents (both foreign and domestically owned). The grocery retail market has been influenced by changing consumption patterns with a strong focus on convenience and health. Despite the relatively small market share for independents, it has become apparent that they are benefiting from increasing consumer awareness and concern about health, well-being and sustainability. Furthermore, the local community-based convenience stores have benefited from increased home consumption during the pandemic, whereas city centres were negatively impacted by reduced footfall. The retail brands, part of BWG Foods, predominantly operate in the convenience sector. We estimate we have a circa 40% share in the convenience space and an estimated 12% of the total food retail market.

At times, severe movement restrictions had a mixed sales impact on the retail sector, which has generally been positive for larger format supermarket stores, but negative for city centre stores that are heavily reliant on office workers and tourism footfall. While sales recovery at city centre stores will be closely aligned with the removal of COVID-19-related restrictions in Ireland and a recovery in the international tourism market whenever that might be, BWG Foods remains focused on sales retention at those stores that benefited during the pandemic. Unfortunately, the impact of the pandemic on the Irish economy has continued to be widespread again in 2021. Business closures have taken place across the country, and the retail, hospitality and construction sectors have been severely affected.

The pandemic caused catastrophic disruption to the hospitality market in Ireland. Pandemic-related restrictions and stay at home orders caused significant declines in hospitality. In October 2020, Ireland saw a nationwide lockdown on indoor and outdoor hospitality, except for certain businesses. The lockdown measures were one of the longest in Europe. According to The Irish Food Board (Bord Bia), this resulted in a 61% market collapse in the first half of our financial year and a 29% decline for the full year.

Although it has experienced significant declines, BWG Foods' own hospitality business has been upheld by a strong and growing institutional customer base. Based on Bord Bia's insights, BWG Foods' hospitality wholesale market share pre-pandemic was 6.4%, and our market share post-pandemic is estimated at 10.7%, confirming BWG Foods to be one of the three largest hospitality wholesale businesses in the country.

Before COVID-19, the single biggest unresolved issue facing the business was the imposing threat of Brexit, the withdrawal of the UK from the European Union. The extension of the post-Brexit transition period expired on 31 December 2020. Brexit was expected to be severely disruptive to the supply chain, and management spent many months planning to avoid disruption as far as possible. The feedback from suppliers and customers is that BWG Foods managed the supply chain uncertainty and disruption (associated with Brexit) impeccably, and the impact on customers was minimal. Service levels to customers remained at world-class standards in the most challenging circumstances, which saw some competitors unable to merchandise fresh foods on their shelves in January 2021.

SWITZERLAND

Two major supermarket players dominate the Swiss food retail market. SPAR predominantly operates in the convenience space and is estimated to hold circa 2.6% market share. The pandemic severely impacted Swiss retail; however, food stores were permitted to stay open throughout the various restrictions and recorded good growth. The Swiss food sector benefited from the closure of borders, which curbed shopping across the border, preventing Swiss consumers from stocking up on pantry essentials and other household items.

While the food sector has benefited, restaurants and hotels were severely affected, impacting our TopCC cash and carry business. SPAR Switzerland is the number three player in the Swiss cash-and-carry market through the TopCC brand. SPAR Switzerland is the number three player in the Swiss cash and carry market through the TopCC brand.

SPAR consumers in Switzerland consist of ethnically diverse, middle to upper-income earners. SPAR store locations vary from towns and villages, including suburban and central business districts, to commuter nodes and forecourt operations, each with an offering customised to their relevant market.

SPAR is forging growth within the petro-convenience food retail space with its SPAR Express format. The top five players in the Swiss forecourt retail market hold more than 70% of the market share. During 2021, SPAR acquired 60 stores located at fuel forecourts from the fourth largest player, Avia International. With the innovation happening at forecourts and changes seen in transportation due to the pandemic, there has been a shift in the thinking around forecourts – from being seen as petrol stations only, they are now considered convenience stores selling fuel. Our world-class convenience retail stores are driving this shift and seizing this opportunity.

During the initial lockdowns, the Swiss market observed a noticeable shift in consumer behaviour favouring local community-based stores, which SPAR benefited from due to the convenient nature of its stores. Food retail has also benefited from the Swiss government's drive to 'support local' during this time. The Swiss market has observed a higher love for local, and the desire to shop locally in both products and store location has been noticeable.

While SPAR's strong growth in the market has been largely circumstantial, we have maximised the opportunity, providing excellent service in our stores to many new customers and an opportunity to retain new business in doing so. Due to the crisis, we are well positioned to explore distribution and service opportunities where retailers have been left without a viable supply chain or retail partner.

Swiss GDP rebounded in the second quarter of the 2021 calendar year, easing restrictions domestically and abroad, supporting economic activity. However, COVID-19 cases remain high, which suggests that there may be more restrictions ahead.

POLAND

Poland is the largest and one of the fastest-growing grocery retail markets in the Central Eastern Europe region.

Although the Polish retail market is still struggling with the effects of COVID-19, forecasts seem favourable compared to other parts of Europe. As restrictions ease and vaccination rates rise, a recovery is under way.

Changing consumer trends that emerged during the pandemic have remained the same, with fewer visits to stores but bigger basket values and increased online shopping. The market has seen some recovery of footfall due to the reopening of shopping malls, which were closed during the months of April and May 2021, and e-commerce stabilised at 7% to 8% of the total retail sales, according to data from Statistics Poland.

The Polish grocery retail market is divided into two main segments: modern trade and traditional trade. Modern trade is further split into five sub-segments, as indicated on the following page.

The major franchise brands in this market have obtained high market share via developing strong brands and value proposition for their franchisees. SPAR remains an aspirational brand in Poland, and despite the previous wholesaler collapsing, the SPAR independent retailers have elected to keep the brand. We are currently strengthening the SPAR brand proposition in Poland by offering an enhanced value proposition under our voluntary trading model, which is unique within the Polish market.

With this competitive but growing retail environment, SPAR has identified an opportunity for its formats in the proximity supermarket, convenience and petro-convenience retail space, accounting for an estimated 25% of the retail marketplace.

Proximity supermarkets are typically located close to residential areas in small to large cities. SPAR's 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.

Furthermore, given the benefits of the voluntary trading model, there is an opportunity to grow share among independent retailers within the traditional trading sector representing approximately 30% of the retail market in Poland.

POLISH GROCERY RETAIL MARKET

MODERN TRADE
68%

TRADITIONAL TRADE
32%

MODERN LARGE FORMAT **58%**

HYPERMARKET 12%
- Selling space: >2 500 m²
- Popularity is decreasing
- Most hypermarket brands also have stores in supermarket format

SUPERMARKET 15%
- Selling space: 400 – 2 500 m²
- Smaller supermarkets are gaining popularity

DISCOUNTER 31%
- Selling space: 400 – 2 500 m²
- Limited number of stock keeping units, primary focus on private labels

MODERN SMALL FORMAT **10%**

MODERN CONVENIENCE 7%
- Selling space: <400 m²
- Modern chains of proximity stores with relatively wide and standardised offering

FORECOURT RETAILERS 3%
- Grocery retail and foodservice becoming increasingly important for petrol stations with large players opening dedicated retail brands

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

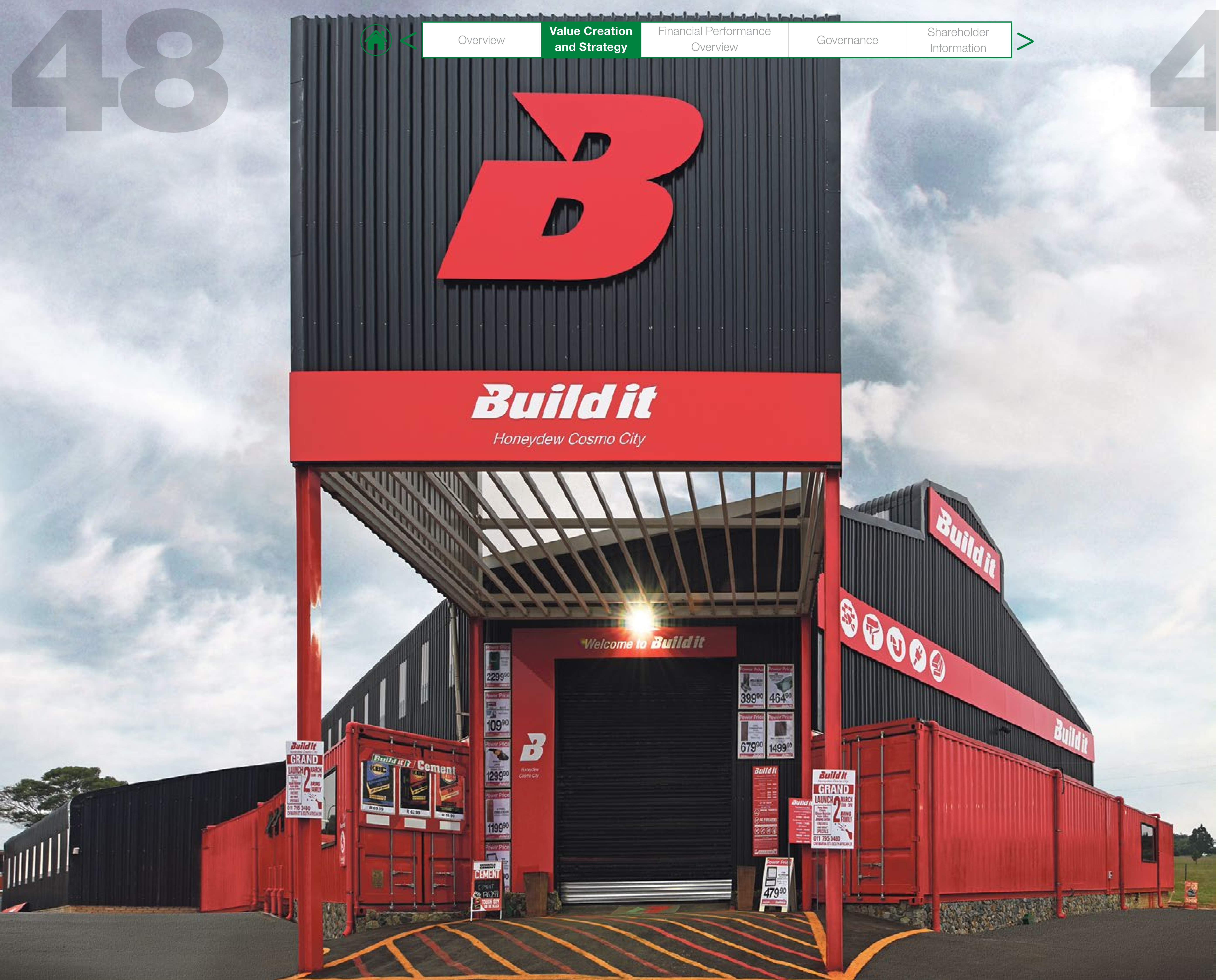
SRI LANKA

In December 2016, the group invested 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 Ltd (CBL), a leading local biscuit and food manufacturer and exporter. CBL was founded in the 1960s, employing over 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 or support.

While all stores are currently corporately owned, our mission is to grow independent retailers by enabling them to trade effectively and profitably against bigger competitors.

Our flagship store was launched on 6 April 2018 in Thalawathugoda, Colombo. We currently have eight SPAR, four TOPS at SPAR liquor stores and two Pharmacy stores open. We introduced a new compact hypermarket concept in early 2021, and the format shows strong customer support. The sales areas of the stores currently vary between 500 and 1 200 m².



VALUE CREATION AND STRATEGY

VALUE CREATING BUSINESS MODEL

Our business draws on six capital inputs. We convert these inputs into outputs for our independent retailers, and by-products and waste through our core business activities.

When successfully executed, our business activities and outputs lead to outcomes, affecting our six capital inputs by creating a virtuous circle and sustainable value for shareholders and all stakeholders over the short, medium and long term.

The external environment represents all outside influences that could impact our operations across our regions and geographies. It includes the micro and macroenvironments in which we operate. For more information about our operating environments, refer to page 42.

CAPITAL INPUTS AT THE BEGINNING OF THE YEAR

FINANCIAL CAPITAL

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

Equity of	Long-term borrowings of	Net cash balance of
R7.9 billion	**R6.7 billion**	**R723.1 million**

Challenges during the year include the ongoing impact of pandemic-related dynamics across all of our regions as well as the retail bans on liquor in South Africa. Currency volatility over the past year has impacted overall performance on a reported basis. Supply chain labour shortages in the UK and Ireland put these businesses under additional cost pressure.

MANUFACTURED CAPITAL

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

4 357 stores across our regions at the start of the year	**14** distribution centres	**Four** support offices	**Logistics** fleet across all regions

Challenges during the year include losses related to retailers unable to survive the impact of two years of the pandemic (e.g. transport hub based stores). The civil unrest in South Africa led to the destruction of many stores with 53 stores still closed at year end. SPAR lost only one truck in the unrest. Fortunately, the central office and distributions centres remained unimpacted, other than the closure for a number of days for safety reasons.

HUMAN CAPITAL

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

10 168 employees*	Purpose and values-driven culture	Strong succession planning in place

Challenges during the year include the ongoing pandemic and the impact this has had on employees both physically and mentally. The civil unrest in South Africa was extremely unsettling for our people – especially those directly affected by it in the provinces of KwaZulu-Natal and Gauteng.

INTELLECTUAL CAPITAL

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

Internationally recognised SPAR brand along with various brands across all markets	IT infrastructure	SPAR Rewards programme	Training and leadership programmes

Challenges during the year include increased cyber security concerns.

SOCIAL AND RELATIONSHIP CAPITAL

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

Strong platforms in place for effective stakeholder engagement, including with our shareholders	75% to 80% SPAR food retailer loyalty rate in South Africa and growing loyalty in other regions	Procuring goods and services from hundreds of suppliers across the group	Rural hub programme collaborating with small-scale farmers and communities to improve food security, affordability and nutrition for rural communities in South Africa

Challenges include high unemployment rates in Southern Africa as well as the civil unrest during July 2021.

NATURAL CAPITAL

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

Challenges include shifting mindsets internally and among stakeholders to collaborate and bring about sustainable change.

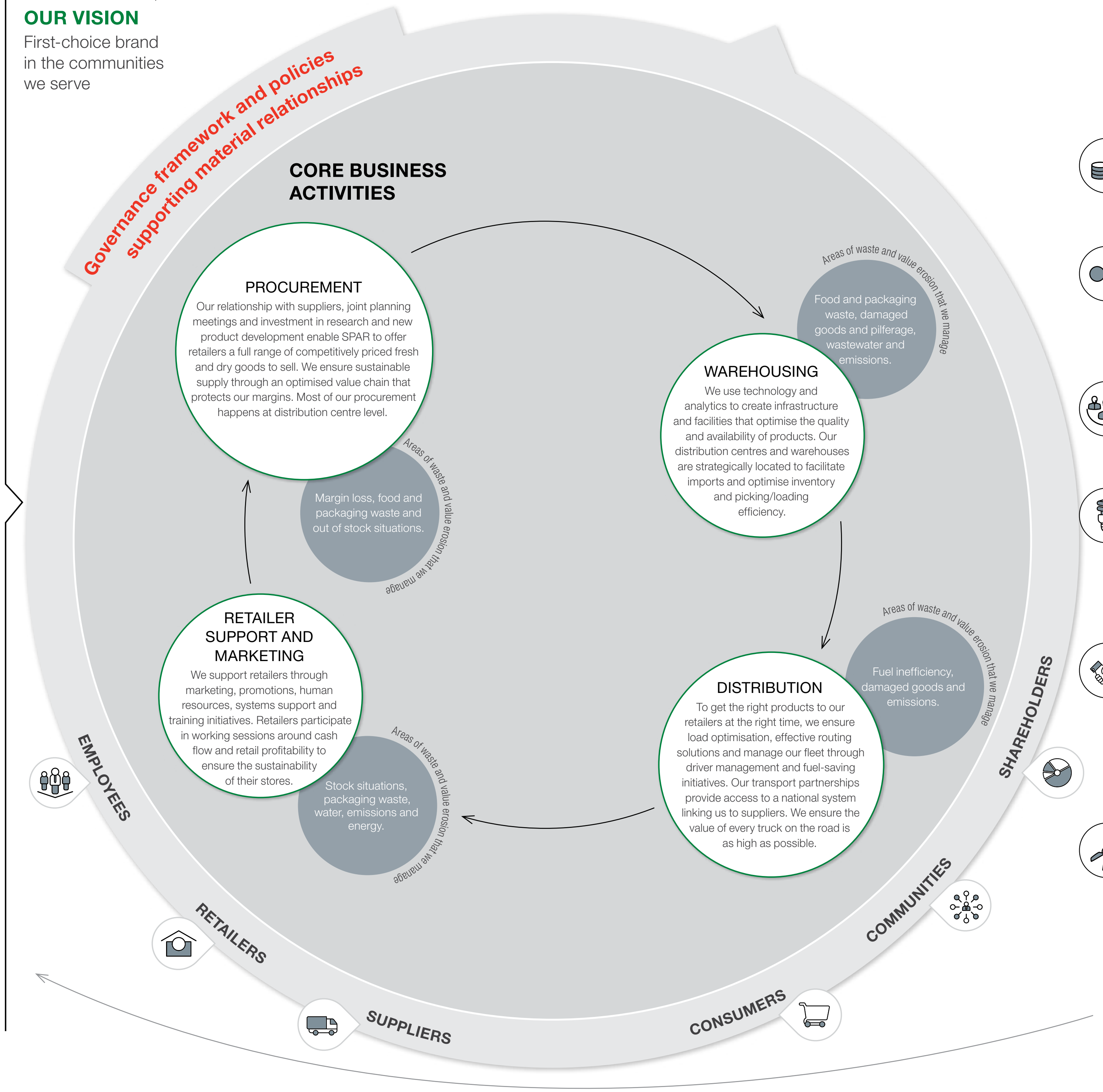
* This number excludes the thousands of independent retailers and their employees across all our regions – all part of the wider SPAR family and our value creation chain.

OUR PURPOSE

To inspire people to do and be more

OUR VISION

First-choice brand in the communities we serve



OUTPUTS

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

Examples of products we source from our suppliers for our independent retailers include:

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

Examples of services we provide for our independent retailers include:

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

OUTCOMES

FINANCIAL CAPITAL

+2.9% turnover growth to R127.9 billion	**R3.3 billion** operating profit	**R4.9 billion** cash generated from operations	**+5.5%** growth in diluted headline earnings per share

MANUFACTURED CAPITAL

R1.4 billion capital expenditure	**15 distribution centres** One additional distribution centre in Poland

4 459 stores
101 net new stores across the group (includes 53 stores still closed due to civil unrest)

HUMAN CAPITAL

1.1% increase in employees from 10 168 to 10 281	Certified as a top employer in South Africa	Diversity in senior management increased	Level 7 B-BBEE contributor in South Africa

INTELLECTUAL CAPITAL

Continued private label growth, although certain suppliers impacted by civil unrest in South Africa	Increased development of private label in foreign markets including three-tiered approach in Switzerland	Continued rollout of successful in-store concepts in our markets	Launch of EUROSPAR brand in Switzerland and two new in-store concepts (baby and pet-focused concepts)

SOCIAL AND RELATIONSHIP CAPITAL

SPAR retailers are owner managed by individuals who engage with their local communities	Ongoing GBV campaign continued to provide awareness and support for victims
R23.0 million CSI spend in South Africa	Development of our SPAR rural hub programme

Feeding the vulnerable through food drives and collaboration with Too Good To Go in foreign regions

NATURAL CAPITAL

Based on the TCFD recommendations, SPAR has embarked on a climate scenario analysis to assess the resilience of the business to different climate change scenarios	Reduced food wastage through FoodCloud and Too Good To Go initiatives in our European regions
79 556 tonnes of CO_2 equivalent (Scope 1 and 2) – reduction of 8.6% on prior year	9 348 MWh of energy generated by distribution centres in South Africa
>16 000 tonnes recycled through distribution centres in South Africa	Build it procured wood that is 100% FSC certified

For more information on our strategic risks and opportunities, refer to page 62.

OUR CAPITAL TRADE-OFFS

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

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

SAP IMPLEMENTATION

The business is on a journey of digital transformation, which requires significant financial capital investment in technology, including SAP operating and reporting systems across all regions.

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

The SPAR legacy systems are dated. Implementing SAP to suit SPAR's model increases access to additional intellectual capital to leverage off and grow the business.

	Short term	Long term
Financial capital	↓	↑
Intellectual capital	↑	↑

DEVELOPING OUR SPAR POLAND BUSINESS

Investment in our Polish business continues to create short-term financial losses for the group as we restructure and develop the opportunity within this market. This investment is expected to unlock future potential for long-term value creation and growth due to our distribution centres and store network in this market.

	Short term	Long term
Manufactured capital	↑	↑
Financial capital	↓	↑
Human capital	↑	↑

DEVELOPING E-COMMERCE FOR A UNIQUE OPERATING MODEL

SPAR's operating model is unique. As a wholesaler, we have not previously launched an online channel to avoid competing with our retailers. In the interim, many of our retailers have responded with their own online offering, while many retailers continue to look for guidance and support in this area.

Recognising the need to evolve our model and respond to changing consumer needs requires a decrease in financial capital as we invest in a suitable platform and team; however, it results in an increase in social and relationship capital as we respond to the growing demands and needs of consumers, retailers and suppliers for a more consistent e-commerce offering across the group. This offering also increases our intellectual capital as SPAR becomes a more technology-enabled business.

	Short term	Long term
Social and relationship capital	↑	↑
Human capital		↑
Intellectual capital		↑
Financial capital	↓	↑

RESPONDING TO THE COVID-19 PANDEMIC

From the onset of the pandemic, we were swift to take the necessary proactive measures and implement effective protocols to safeguard our key priorities: the safety of our people, retailers, suppliers and consumers; managing the supply chain and keeping our retailers' shelves replenished; and supporting our communities. This has resulted in increased costs to the business. We have offered guidance and support to our retailers in terms of dealing with the ever-changing regulations in terms of health and safety standards, bans on liquor trading and reduced trading hours in line with regulatory curfews.

	Short term	Long term
Financial capital	↑	
Social and relationship capital	↑	↑
Human capital	↑	↑

VALUE CREATION IN THE CONTEXT OF OUR STRATEGIC APPROACH

By working towards our three outcomes, we align our efforts, decisions and resource allocation for impact over the long term. We aim to create and preserve long-term sustainable value and minimise value erosion for our stakeholders through the effective use of the six capitals.

The three outcomes inherent within our group strategy and approach are:

Sustainable stakeholder value

- The group has built an efficient supply chain to compete effectively, providing value and benefit for all stakeholders for being part of the SPAR family
- Interests of stakeholders are well balanced to ensure the entire system is sustainable in the long term
- Value includes the broad range of benefits we deliver to all our stakeholders due to our business activities and the actions we have taken to produce positive outcomes using the six capital inputs listed on page 50

Loved and respected as a brand

- Our entrepreneurial retailers are at the heart of their communities and know their customers
- The SPAR brand has a strong emotional connection with all stakeholders
- We are respected for the difference we make in our communities
- We are respected for our strong ethics
- Stakeholders want to be and enjoy being associated with SPAR

Nutritious and affordable food

- We buy better for our consumers and are focused on ethical sourcing and food safety standards to ensure a sustainable supply chain for the future
- Consumers have access to nutritious food at affordable and competitive prices
- Nutritional needs are met as a result of SPAR's focus in this space, especially through private label development in collaboration with our suppliers
- We make a positive impact on the health of consumers, especially in areas related to healthier eating habits

In the fast-moving consumer goods retailer benchmark set in South Africa, SPAR has retained its leadership position in 2021, with net favourable scores in logistics and supply chain management and ranked no.1 in the categories of 'business relationship' and 'people/organisation'.

OUR PURPOSE-DRIVEN STRATEGY

By living our values of entrepreneurship, family values and passion, we remain true to our purpose – to inspire people to do and be more.

Our purpose-driven strategy aligns with our values to achieve our strategic outcomes and create value for all stakeholders.

The SPAR board is the custodian of the group's strategy. Regular updates on progress allow the board to provide oversight and monitor implementation. The board and executive team apply the following principles when considering our strategy:

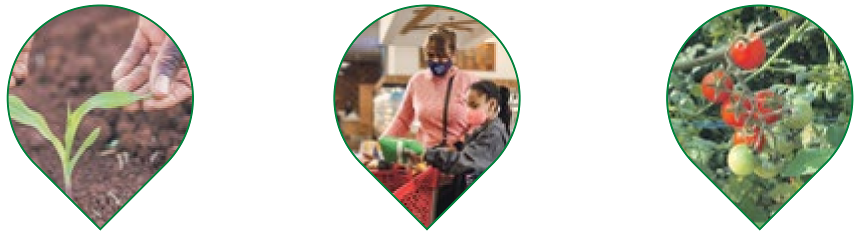
- WORK TOWARDS OUTCOMES, NOT MILESTONES
- AGILE – THINK AND ACT QUICKLY, FAIL FAST, COURSE CORRECT
- INTEGRATE RISK THINKING INTO WAYS OF WORKING
- APPLY SYSTEMIC THINKING
- INCLUSIVE COMMUNICATION IS CRITICAL

OUR PURPOSE
To inspire people to do and be more

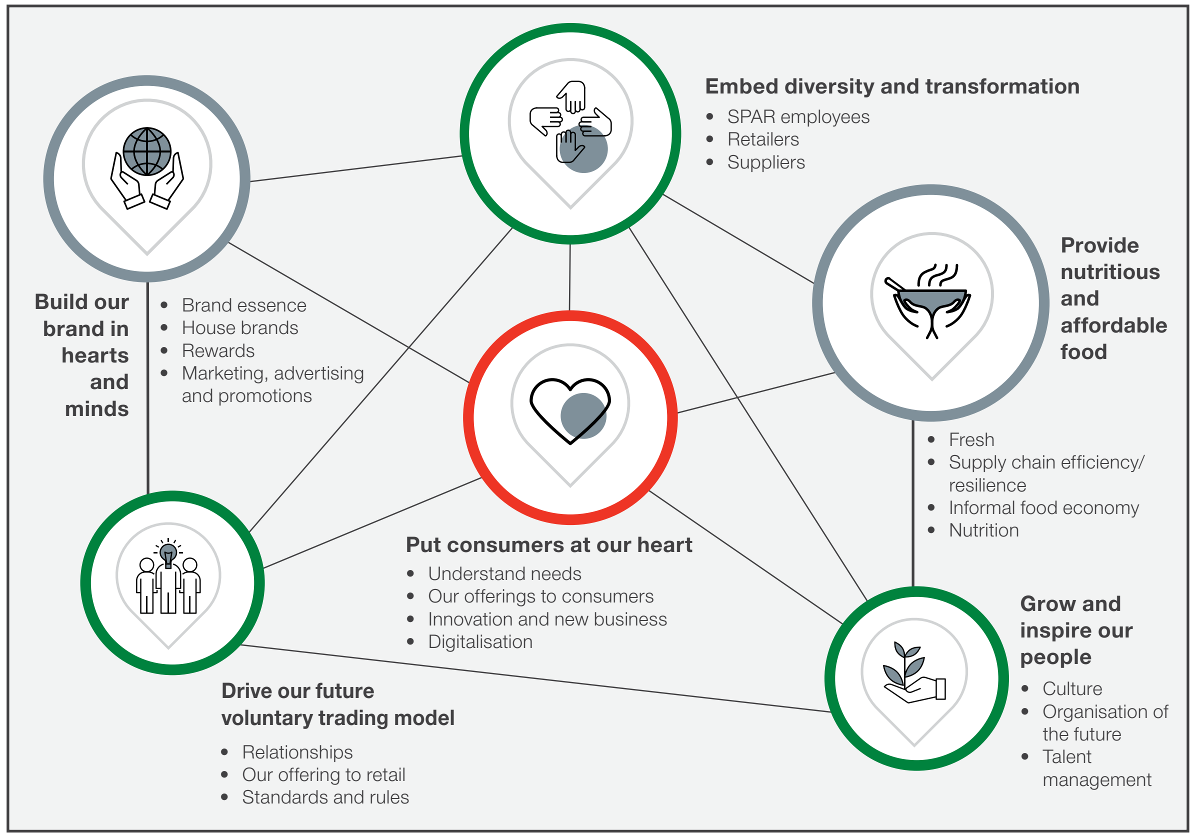
OUR VISION
To be the first-choice brand in the communities we serve

OUR VALUES
Entrepreneurship | Family values | Passion

OUR THREE STRATEGIC OUTCOMES



Sustainable stakeholder value | Loved and respected as a brand | Nutritious and affordable food



REGIONAL STRATEGIC PROGRESS

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

SOUTHERN AFRICA

Strategic focus areas	Progress in 2021
Grow and inspire our people	• We conducted a culture survey in 2021 and shared detailed and transparent feedback with our employees • Enabling our people to express how they feel provides valuable insights and highlights key areas of concern • Following these results, action plans are being developed to improve the experience of working at SPAR
Provide affordable and nutritious food	• Our dedicated private label and house brands team is focused on innovative products that deliver in terms of affordability and nutrition • Private label continues to grow with increased consumer loyalty towards the SPAR brand, albeit impacted by the damage caused to suppliers during the civil unrest in July 2021
Embed diversity and transformation	• In South Africa, SPAR has adopted a strategy to drive transformation internally. During 2021, black senior management increased from 23% to 27% as a percentage of total senior management • The number of black-owned stores has increased to 411 stores (2020: 399 stores) across all retail formats
Build our brand in hearts and minds	• In 2020 we agreed on our brand essence – It's personal. Through a common understanding of what our brand stands for, we focused on prioritising improved customer engagement and driving better product innovation through our private label offering • Our stores' proximity and focus on health and safety have been a significant driver during the pandemic. Our continued community involvement deeply embedded our brand within the hearts of the communities we serve
Drive our future voluntary trading model	• We are expanding and improving the level of services to our retailers. One area of improvement includes e-commerce, and we have appointed a head of omni-channel and digital transformation to drive this opportunity • Collaborative meetings with fellow SPAR countries and our retailers were held to attain agreement on what the model should look like. Identifying a suitable platform to grow online at retail has been the key focus for 2021 • We have identified a suitable platform and are working on the implementation of disciplines at store level for successful execution
Put consumers at our heart	• Understanding the changing needs and behaviours of consumers is key to understanding how to help retailers adapt their offering. Greater awareness of consumer segments based on demographic profile; life stages and circumstances; influences; mindsets and significant tensions in consumers' lives, assists in understanding the common themes that will allow us to uniquely think about, talk to and innovate for our consumers

IRELAND STRATEGIC PLAN 2016 TO 2021

Strategic focus areas	Progress in 2021 and focus ahead
Distribution	• Capacities and efficiencies have been improved. In recent months an industry-wide pinch point was reached for the human capital required to operate distribution and transport • All aspects of capacity planning and the deployment of SAP as a replacement IT platform for the business will form the core of our next strategic plan
IT	• A phased replacement of physical infrastructure is now complete with modern architecture delivering excellent performance and much-improved resilience and redundancy • Realisation of a single electronic point of sale (EPOS) across all symbol retailers and the introduction of artificial intelligence (AI) technology are also strategic priorities. Cyber security will continue to have a strong focus • One of the major digital initiatives in 2021 was the deployment of Glimpse, an AI-enabled camera system that measures footfall and customer journey within the store, including store hot and cold spots, product and staff interactions, conversion rates and street footfall to determine bounce and capture rates. It provides digital analytics for the physical part of the customer journey and was developed with ongoing consultation with the Office of the Data Protection Commissioner in Ireland. This solution anonymises all consumer data prior to being stored – it cannot be retrieved or used in an identifiable consumer way • BWG Foods will go live with AI-enabled business to business (B2B) ordering through the company's multi-award-winning e-commerce platform ShopLink. This involves using one of the most advanced algorithms available in the market. It will ensure that consumer demand is met more consistently and will provide a new view of the demand and supply chain, not available previously • The group-wide deployment of SAP is our core focus over the next strategic cycle
Acquisitions	• Our strategic plan was particularly active following the integration of ADM Londis, the acquisitions of Corrib Foods and Heaney Meats in Ireland, and the creation of a retail property division following a series of acquisitions in the UK • Our focus on foodservice and retail established in the current plan will likely provide the best targets for further acquisition activity
People	• A key focus of our 2016 to 2021 people plan was succession planning for our leadership team, which was a relatively seamless process. This has resulted in the appointments of new Chief Officer for our commerce, operations, finance, people, marketing and IT departments. A Chief Operating Officer (COO) has also been appointed in our franchise and company-operated retail property division • The appointment of seasoned BWG Foods directors to these positions has facilitated the scheduled retirement of key executives and enabled the promotion of younger talent into director roles. Consolidation of this new structure will be our focus over the next few years

IRELAND STRATEGIC PLAN 2016 TO 2021 (continued)

Strategic focus areas	Progress in 2021 and focus ahead
Property	• Progress has been guided by the plan in the Republic of Ireland, where a twin-track focus has been to turn over closed or unprofitable properties and build a profitable corporate retail arm • It was boosted by opportunities in the UK, where Appleby Westward has built a retail property portfolio and a corporate retail business since 2016 • Kickstarted by the acquisition of the Gillett's store network, it was boosted by the addition of corporate retail stores and continued growing the company owned company operated (COCO) store network
Retail	• SPAR, MACE and Londis have built new brand strategies during the period of the plan. These strategies remained resilient during the pandemic • Using insight gleaned from the explorative phases of this strategic work, management action was targeted (in equal measure) at shoring up a minority of businesses under pressure and rendering permanent the sales growth enjoyed by most stores • A EUROSPAR brand strategy and its execution will form a core part of the next retail plan

SWITZERLAND

Strategic focus areas	Progress in 2021
The best employees	• The launch of our SPAR Retail Academy focused on finding, nurturing and developing future leaders across our business • Using our culture, values and processes to motivate and empower employees remains a key focus area. This is enabled through improved communication, competitive remuneration, talent management, training and apprenticeships • 200 learnerships through SPAR Switzerland conducted
World-class supply chain	• We focused on supply chain optimisation through supplier engagement and relationships to reduce costs and increase quality. This included logistics efficiencies and productivity improvements • Greater focus was placed on increasing efficiencies by implementing bin sorters, robotic automated guided vehicles and 100% rolltainer use in 2021
Customised range	• We focused on category management through an assortment geared towards customers. This also informed new product development • Implementation of two new in-store concepts to help drive organic growth at retail • Finalisation of SPAR Switzerland's three-tier house brands strategy
Competitive pricing	• Pricing with retailer profitability was balanced through marketing and promotions and by optimising our store portfolio. SPAR Switzerland's convenience branding positions itself on quality and profit-generating specialised items. Pricing is adapted by format and is regularly benchmarked against competitors while focusing on convenience value pricing • Launched EUROSPAR during 2021, which benefited from the existing SPAR base. Both the on-shelf and promotional stock keeping units (SKUs) are exceptionally competitive and benchmarked against leading supermarket brands
Loved/trusted/ believable brand	• We focused on targeted sales and marketing activities, including our SPAR Friends rewards programme. The majority of consumer visibility occurs through leaflet distribution at our stores; we recognised that digitally connecting with consumers has become necessary and progressed in this area during the year • Research was conducted for the Swiss SPAR Friends rewards card in 2021. The rewards card will be rebranded and relaunched in 2022
New business growth	• We focused on expanding our footprint through new sites, new stores and the use of technology • We increased wholesale growth by distributing more product categories through the warehouse to PAM and Edelweiss groups in 2021 • Acquired 60 stores from Store Service AG (SSAG), located at Avia fuel stations, increasing SPAR's market share in the petro-convenience space • We launched autonomous retail stores, currently in the testing phase • We collaborated with the group and other SPAR member countries on an omnichannel journey

POLAND

In the short term, our number one priority is to drive retailer loyalty through SPAR's distribution centres and achieve break-even. When the group started trading in Poland, it had no retailer loyalty. We grew retailer loyalty with existing SPAR retailers in the south of the country to 27% by September 2021.

Traditionally, the existing retailers sourced their products from local wholesalers, and cash and carry businesses. Our drive to achieve high loyalty levels will benefit and differentiate this business. Building relationships with our SPAR retailers and providing excellent service will drive further retailer loyalty.

Our medium to long-term strategy will include the following areas:

- Higher levels of retailer loyalty
- Improved profitability as we drive scale and improve logistics, range and availability of products
- Motivated people as we build SPAR's unique culture and focus on values
- Focus on fresh, including butchery, bakery and deli offerings
- Margin enhancing opportunity through private label development
- Focus on new business development and expansion
- Preparation and business readiness for the implementation of SAP in 2023

Strategic focus areas	Progress in 2021
Distribution	• Opened third distribution centre • Expanded wholesale product range addressing specific retailer needs
IT	• Integration and alignment of systems across retail and distribution centres to facilitate retail ordering • Improved overall systems capacity
People	• People and culture continue to be a priority for the business, with language being the most crucial hurdle to overcome • Hosted a workshop on negotiation skills, offered individual leadership coaching and offered customer service excellence training for store employees. Coaching sessions with corporate store managers were also held to improve adoption and understanding of the SPAR values of entrepreneurship, family values and passion • The 'SPAR I Am For You' campaign was launched in February 2021, with corporate and partner participation. The campaign focused on increasing awareness about SPAR's values and corporate culture • Launched the SPAR e-learning academy to enable retail partners to use online training courses
Retail	• Focused on relationship building with existing SPAR retailers to expand the common understanding about SPAR group benefits • Strengthened co-operation with independent partners and increased purchasing loyalty to 27% • Reduced the number of corporate stores by selling them to independent partners • Increased the number of SPAR conversions • Private label development increased and gained traction with 450 SKUs at the end of 2021 (versus 223 SKUs at the end of 2020) • Increased marketing support for retailers through the VIVO loyalty campaign launched in July, involving the collection of stamps to purchase household cutlery and crockery at a reduced price, and investing alongside SPAR International in the European athletics championships by providing stores with 'championship' one-day promotions • Enhanced the existing online sales platform acquired through Piotr i Paweł deal • Collaborated with the group and SPAR International on an omnichannel offering

PRIORITIES FOR 2022 AT A GLANCE

In the year ahead we will embark on the group-wide rollout of SAP and will focus on the following key priorities by region.

Southern Africa	Ireland	Switzerland	Poland
• Drive retailer profitability • Drive organic growth through in-store concepts and upgrades • Improved discipline at retail • Retailer support with online advancements	• Improve supply chain capacity planning • Build a profitable COCO retail arm • Complete integration of Corrib Food Products and Heaney Meats and drive wholesale opportunity • Consolidate of new leadership structure	• Build on the momentum gained from new business and maximise this opportunity • Drive retailer profitability • Restructure distribution centre model to service the South West and new contract • Relaunch and redevelop private label offering further	• Achieve break-even • Strengthen relationships with independent retailers and drive loyalty • Actively pursue new business • Drive SPAR values among employees and retailers and build SPAR's culture • Develop private label offering

STRATEGIC RISKS AND OPPORTUNITIES

The board provides integrated oversight based on the link between strategy, risk, sustainability and performance management. Through a set of governance structures, policies and the enterprise risk management processes, we are able to mitigate risk and support SPAR in being ethical and a good corporate citizen.

In reviewing our strategic risks, executives are embracing the process as an indicator of where the market is headed and where the next opportunities may lie.

We regard strategic risks as those that threaten to disrupt the assumptions at the core of our strategy and our ability to create value over the long term. The group has focused on building its business upon the foundation of material relationships, which create stability within the value chain and enhance the ability of the group to respond appropriately and effectively, which is especially helpful in times of crisis.

Rank	Strategic risk	Related operational risk	Risk management and opportunities
1	Significant business interruption as a result of our inability to deal timeously and appropriately with political or economic disruptions (including infrastructure problems) leading to serious damage to people and property, and increasing costs of doing business.	Political or economic factors can cause a decline in business activities. If our business continuity plan is not consistently maintained across all areas of the business, this can lead to a lack of preparedness in an emergency. Breakdowns in infrastructure impact our ability to implement our strategy and conduct business as usual.	The group has a dedicated risk and sustainability team which works closely with the executive to manage the group's response to disasters. The group has been quick to make decisions in its response to disasters to date, providing guidance to our distribution centres and retailers, and securing the safety of its people and assets.
2	Insufficient ability to manage cyber threats and secure data, causing disruption and reputational harm.	IT systems failures can cause significant business interruption whereas theft of data or acts of sabotage can lead to data loss or system downtime and loss of reputation. This risk includes infiltration of software and/or viruses compromising system security, operations and key data.	Incident management and risk security projects have been implemented relating to business continuity and service disruption. Significant investments were made in cyber security monitoring software which is used to monitor and detect cyber threats.
3	Lack of appropriate business model for the informal market, which becomes dominated by informal entrepreneurs and SPAR loses its 'community touch'.	The inability to compete effectively in the informal market could lead to a decline in market share as other retailers penetrate this space.	SPAR stores are typically owner managed by someone within the community, which helps minimise the risk associated with the lack of community buy-in. The expansion of SPAR into rural areas has been beneficial for consumers in these areas – providing groceries at lower prices, better quality, vastly improved shopping environments and access to other services such as electricity.
4	Inability to meet changing consumer needs in all aspects, resulting in a decline in business and loss of market share.	The pandemic has led to changes in consumer behavior. SPAR does not currently have an online solution that is wide- reaching and marketable for the group as a whole. The lack of appropriate digitalised offering to consumers can result in a decrease in market share.	In collaboration with SPAR International, the group has developed an online platform, which will be made available to retailers in the coming year. The nature of the group's operations encourages innovation and agility, working in partnership with independent retailers to respond and adapt to changing consumer needs.
5	Inability to appropriately leverage data and rapidly-changing technology, or incorporate innovative thinking, results in losing existing and new business to competition.	Ageing and legacy IT systems result in fragmented information which can be inefficient and result in inaccuracies or errors. The lack of a group-wide supplier database and standard supplier vetting process leads to suboptimal supplier relationships and increased costs. We also depend on external service providers to perform critical business functions.	Major SAP programme hardware upgrades and the introduction of Model Company standard processes and procedures are being implemented to manage the risks associated with system changes and to allow for improved efficiencies as a business.
6	Inefficient and inflexible supply chain model results in uncompetitive landed costs to customers in all markets.	Supply chain disruptions can cause loss of business, especially if contingency plans are not in place.	The business manages potential supply chain issues closely and has solid relationships in place with innovative private label suppliers for alternative supply options. There is limited risk exposure in respect of imported goods. The group has built strong relationships with its suppliers to manage stock levels appropriately and to keep retailers' shelves replenished.
7	Fluctuations and changes in political, regulatory or currency aspects of international business concerns, lead to a decrease in group profitability.	Currency value fluctuations can have a significant impact on earnings. Political instability and regulatory changes might hinder our ability to conduct business as usual. In international markets, this might limit our ability to maintain business and governance processes.	All of our European economies have been identified as stable and well regulated. We pursue opportunities that offer the potential for growth, identifying gaps to grow market share. The SPAR brand is globally recognised and has strong brand equity.
8	Inability to identify, acquire, foster and retain the right talent to achieve strategic and transformation objectives, leading to a decrease in market leadership.	If SPAR leadership is unable to drive the SPAR culture and respond to culture surveys timeously and effectively, this can result in apathy of employees and poor performance. Lack of transformation can negatively impact the business and lead to inability to attract previously disadvantaged retailers.	The group's approach to transformation is in line with its family values of caring for one another, working towards common goals and embracing change. The group continues to invest in ongoing training and education. Key to SPAR's ongoing B-BBEE progress is the significant investment it makes towards skills development. The development of previously disadvantaged retailers can lead to greater opportunities in the informal market both for the group and for communities, through job creation.
9	Loss of brand reputation due to disparate, non-strategic actions taken by the group or significant stakeholders.	If SPAR stakeholders conduct their business practices in an unethical manner it can reflect badly on the SPAR brand and overall business performance.	SPAR conducts its business in an ethical and sustainable manner in line with group policies and good corporate governance. SPAR will not support stakeholders who conduct their business activities in an unethical manner.
10	Climate and environmental changes require urgent and expensive emergency actions to be taken, or result in severe damage to our stakeholders.	Climate change has the potential to increase operational risk levels. Extreme weather changes may impact the food supply chain and could result in damage to stakeholder businesses, company assets and independent retailer stores.	SPAR has a dedicated sustainability team focused on assessing and addressing these potential risks. SPAR is on a journey towards improved reporting in line with global standards which encourage detailed scenario analysis planning.

SALIENT FEATURES

Rmillion		Year ended 30 Sep 2021	Year ended 30 Sep 2020[2]	% change
Turnover[1]		**127 940.5**	124 277.4	2.9
Operating profit		**3 392.6**	3 442.6	(1.5)
Earnings per share	(cents)	**1 176.3**	1 078.7	9.0
Headline earnings per share	(cents)	**1 196.2**	1 135.3	5.4
Diluted Headline earnings per share	(cents)	**1 193.7**	1 131.5	5.5
Dividend per share	(cents)	**816.0**	865.0	(5.7)
Net asset value per share	(cents)	**4 350.5**	4 102.2	6.1

[1] *Turnover represents revenue from the sale of merchandise*
[2] *The prior comparative period includes 366 days versus 365 days in the current period*

Note: The weighted average number of ordinary shares (net of treasury shares) is 192 598 768 (2020: 192 331 706). For diluted headline earnings per share, the weighted average number of ordinary shares (net of treasury shares) is 192 998 737 (2020: 192 986 402).

CFO'S REPORT

Turnover by region

Rmillion	2021	2020	% change
SPAR – core grocery business	**62 608.1**	62 851.2	(0.4)
TOPS/liquor sales	**7 157.5**	6 436.5	11.2
SPAR and TOPS	**69 765.6**	69 287.7	0.7
Build it	**9 836.3**	7 965.0	23.5
South Africa	**79 601.9**	77 252.7	3.0
S Buys – pharmaceutical business	**1 175.0**	1 072.8	9.5
SPAR Encore	**484.5**	279.9	73.1
Total Southern Africa	**81 261.4**	78 605.4	3.4
Ireland	**30 332.1**	29 896.7	1.5
Switzerland	**13 983.2**	13 641.9	2.5
Poland	**2 363.8**	2 133.4	10.8
Total group	**127 940.5**	124 277.4	2.9

PERFORMANCE OVERVIEW

SPAR Southern Africa contributed growth in turnover of 3.4% to R81.3 billion (2020: R78.6 billion). Our core wholesale food business sales declined by 0.4% to R62.6 billion (2020: R62.9 billion). As previously reported, the business has seen changing consumer behaviour over the past 18 months due to the pandemic, the impact of the extended lockdowns, the continued impact on the cigarette market and restricted liquor trading, all of which weighed heavily on certain stores. Furthermore, the civil unrest and subsequent closure of damaged and looted stores negatively impacted the business during the fourth quarter. TOPS at SPAR withstood another year of severe pandemic-related trading restrictions. Despite making some recovery with wholesale turnover growth of 11.2% to R7.2 billion (2020: R6.4 billion) in the current year, liquor sales were down 6.4% on 2019. Combined grocery and liquor wholesale turnover growth was recorded at 0.7%. Internally measured food inflation for the period was 4.9%. This inflation decreased from 5.2% measured at half year but increased against 3.9% reported for 2020. At a retail level, turnover increased by 0.5% to R92.3 billion (2020: R91.8 billion) and recorded like-for-like retail sales growth of 0.5%.

Build it's wholesale turnover increased by an impressive 23.5% to R9.8 billion (2020: R8.0 billion). Although this result has been buoyed by the effect of the low base in 2020, due to the closure of stores for five weeks during the initial pandemic lockdown, this business has seen incredible levels of growth since then, driven by home improvements in rural and urban areas, with consumers spending more time at home due to the pandemic. Total retail sales for Build it increased by 18.3% to R17.0 billion, with like-for-like growth of 17.2%.

SPAR Encore saw turnover growth of 73.1% from R279.9 million to R484.5 million, reflecting its contribution towards the group for 12 months against seven months in the prior period. Turnover from total house brands increased by 1.2% to R15.2 billion, representing 24.3% (2020: 23.6%) of core SPAR turnover. House brands comprise SPAR's internally generated brands, including SPAR private label products. SPAR private label turnover declined by 0.4% to R10.5 billion, representing 16.8% of core turnover (2020: 16.7%).

The Pharmacy at SPAR business opened 20 new stores during the year; however, total store numbers were impacted by store closures due to the civil unrest, with 137 stores at period end (2020: 132 stores). The growing trend of self-care and self-medication is driving growth in retail pharmacy, supported by consumers becoming more astute and interested in their health. The S Buys pharmaceutical business performed strongly, backed by growth from both Scriptwise Specialised Pharmacy and Pharmacy at SPAR, with turnover increasing by 9.5% to R1.2 billion (2020: R1.1 billion).

In early July 2021, South Africa experienced civil unrest, predominantly in the provinces of KwaZulu-Natal and Gauteng. At wholesale level, the group is adequately covered for asset damage, stock and business interruption. The estimated wholesale turnover loss for the period is R638.4 million across our core grocery, liquor and Build it businesses (approximately 0.8% of turnover for these businesses combined). We recognised R30.0 million for loss of profits during the reporting period, as confirmed by our insurers. SPAR worked closely with its independent retailers and certain suppliers impacted by the looting and unrest to provide assistance with their insurance claims and has helped facilitate payouts from the South African Special Risks Insurance Association (SASRIA). The group continues to assist SPAR retailers affected by the unrest by suspending repayment of all trade accounts until they reopen their stores.

BWG Foods (Ireland and South West England) delivered another impressive performance with turnover growth of 3.5% in EUR-denominated currency and reported turnover growth of 1.5% to R30.3 billion (2020: R29.9 billion). Operating profit decreased by 1.0% to R968.4 million (2020: R978.2 million); however in local currency, operating profit increased by 1.0%. Brexit took effect in January 2021; however, the team had an excellent plan to mitigate the risks, reporting limited disruption to the business during the reporting period. Hospitality continued to suffer due to ongoing COVID-19 restrictions, negatively impacting the foodservice and cash and carry businesses, which remained resilient within an industry that has changed significantly. Appleby Westward in South West England delivered a strong performance. A key setback for both of these markets during the second half has been the severe shortage of labour in warehousing and transportation, which remains an industry-wide challenge.

SPAR Switzerland delivered another excellent result with turnover increasing by 5.6% and operating profit by 18.3% in CHF-denominated currency. In reporting currency, turnover increased by 2.5% to R14.0 billion (2020: R13.6 billion). Operating profit increased 14.9% to R415.2 million (2020: R361.5 million). Operating expenditure has once again been well managed, with 7.1% growth in local currency attributable to increased volumes and the integration of the Store Service AG (SSAG) business acquired in March 2021, for a consideration of CHF10.6 million. Having benefited from initial severe lockdowns and border closures during 2020, this business managed to retain a significant portion of the new consumers acquired during that time, as locals shopped closer to home. Our TopCC cash and carry business has been impacted by the disruptive closure of restaurants and pandemic-related restrictions on eating out.

SPAR Poland increased turnover by 16.2% in PLN-denominated currency terms and 10.8% in reporting currency to R2.4 billion (2020: R2.1 billion). This region contributed 1.9% towards total turnover for the period. The retailer loyalty level for the existing SPAR retailers in the South was 27.0% for September 2021, falling short of the 40.0% target. The pandemic-related restrictions have continued to frustrate the team's efforts to develop retailer support and loyalty, resulting in the missed loyalty target for the existing SPAR retailers in the South of the country.

Summary segment analysis

Rmillion	Southern Africa	Ireland	Switzerland	Poland	The SPAR Group Ltd
Income statement					
Turnover*	**81 261.4**	**30 332.1**	**13 983.2**	**2 363.8**	**127 940.5**
Gross profit	**8 256.8**	**4 092.6**	**2 633.5**	**376.1**	**15 359.0**
Operating profit/(loss)	**2 486.2**	**968.4**	**415.2**	**(477.2)**	**3 392.6**
Profit/(loss) before taxation	**2 371.3**	**793.2**	**379.2**	**(526.6)**	**3 017.1**
Financial position					
Total assets	**25 006.5**	**14 917.5**	**9 965.0**	**2 177.8**	**52 066.8**
Total liabilities	**19 888.4**	**12 625.1**	**8 258.3**	**2 915.9**	**43 687.7**

* *Turnover represents revenue from the sale of merchandise*

Turnover for the group increased by 2.9% to R127.9 billion (2020: R124.3 billion), with 36.5% (2020: 36.8%) of total turnover generated in foreign currency by BWG Foods with its operations in Ireland and South West England (EUR-denominated), Switzerland (CHF-denominated) and Poland (PLN-denominated). All regions, except Poland, which started onboarding SPAR retailers in April 2020, traded against elevated COVID-19 bases (high base effect) brought on by the extreme lockdown regulations that began in March 2020. These lockdowns lasted for months, with consumers working and schooling from home, resulting in much higher levels of consumer home consumption in 2020. Ireland and Switzerland performed strongly despite the effect of the high base. The overall turnover performance in ZAR-denominated currency has been negatively impacted by the strengthening of the rand.

Gross margin for the group increased to 12.0%, up from 11.9% in the prior year, boosted by margin increases in both Ireland and Switzerland. In South Africa, gross margins declined from 9.5% to 9.4%. Building materials trading at lower margins were dilutionary during the period, given the strong performance of the Build it business. SPAR Encore was slightly margin enhancing, as this business traded at a gross profit margin of 14.8%. BWG Foods and Switzerland both operate in the higher-margin convenience sector, reporting gross margins of 13.5% (2020: 13.4%) and 18.8% (2020: 18.4%), respectively. Both regions benefited from an increase in the number of corporate stores. Poland's gross margin decreased from 22.2% to 15.9%, reflecting fewer corporate retail stores during the current versus the prior reporting period, which trade at higher gross margins than wholesale operations.

Operating expenses for the group increased by 5.3% to R14.6 billion (2020: R13.9 billion). SPAR Southern Africa expenses increased by 9.9%, partially impacted by the timing of the acquisition of SPAR Encore in 2020, being part of the group for seven months in the prior reporting period against 12 months in the current reporting period. Operating expenses for the pharmaceutical business, S Buys, were contained to an increase of 3.3%, with a specific focus on terminating high-cost service contracts. Excluding SPAR Encore and S Buys, underlying operating expenses for Southern Africa increased by 7.6% to R6.2 billion (2020: R5.8 billion). Employee expenses, including COVID-19-related costs, were well managed, with a total increase of R75.6 million (up 3.1%). Computer costs increased to R67.8 million (an increase of 31.2%), arising from software licences to support remote working and increased IT consultancy support for maintenance and technical consultation ahead of the implementation of SAP. Advertising and promotional costs increased by 21.8% due to increased promotional activity across all brands, representing an increase of R75.4 million against the prior year. BWG Foods saw an increase in operating expenses of 1.6% in EUR-denominated currency (2.8% in reporting currency) due to well-managed expenditure by this business. SPAR Switzerland operating expenses increased by 7.1% in CHF-denominated currency (4.5% in reporting currency), driven by higher volumes and the integration of the newly acquired SSAG business. SPAR Poland expenditure has primarily been driven by the increase in wholesale costs required to prepare the business for future expansion. Operating expenditure in this region declined by 1.4% in PLN-denominated currency (a decrease of 11.7% in reporting currency).

Operating profit for the group is down 1.5% from R3.44 billion to R3.39 billion, predominantly driven by the weak performance in Southern Africa. SPAR Southern Africa delivered an operating profit of R2 486.2 million (2020: R2 573.5 million), down 3.4%. BWG Foods delivered operating profit growth of 1.0% in EUR-denominated currency, down 1.0% in reporting currency from R978.2 million to R968.4 million. This is an overall strong performance given the impact of the COVID-19 pandemic and the varying levels of restrictions that were in place during the year. SPAR Switzerland delivered operating profit growth of 14.9% to R415.2 million (2020: R361.5 million) and 18.3% growth in CHF-denominated currency, boosted by the new petro-convenience business of 60 stores. This is an excellent performance, on the back of exceptional performance in the prior period. SPAR Poland's operating loss improved by 6.34% in PLN-denominated currency; however, it worsened by 1.4% in reporting currency to R477.2 million (2020: R470.6 million), reflecting the impact arising on translation to reporting currency.

Profit before tax increased by 11.9% to R3.0 billion (2020: R2.7 billion), fundamentally and positively impacted by the final settlement of the minority interests in the Irish and Swiss businesses in the first half, thereby reducing accounting adjustments for these financial liabilities in the current period against the prior reporting period.

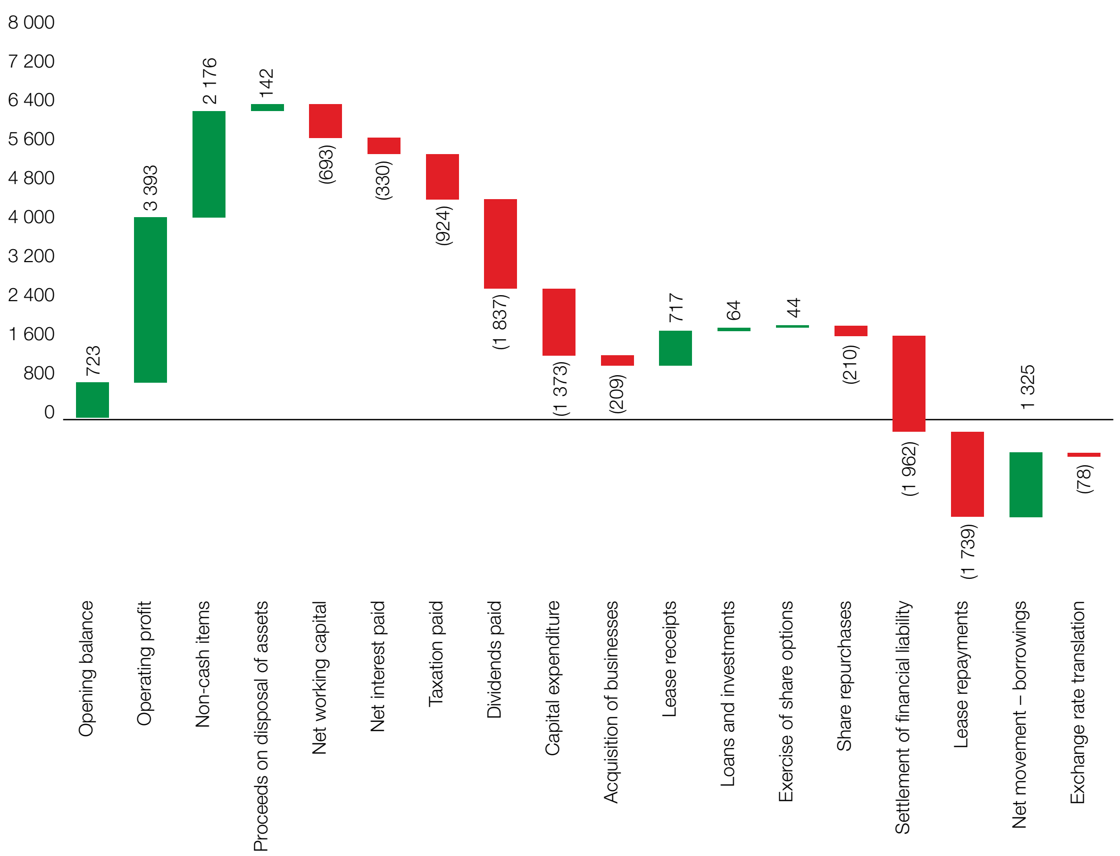
Profit after tax for the group increased by 12.9% to R2.2 billion (2020: R2.0 billion). For the financial period, the group's effective tax rate decreased by 0.7% from 27.5% to 26.8%. The most significant contributor towards the higher rate in the prior period was the fair valuation of the financial liability relating to the future acquisition of the minority interests.

Headline earnings per share increased by 5.4% to 1 196.2 cents (2020: 1 135.3 cents). Diluted headline earnings per share increased by 5.5% to 1 193.7 cents (2020: 1 131.5 cents).

A final dividend of 536 cents was declared, taking the total dividend to 816 cents (2020: 865 cents) per share for the current period.

Cash generated from operations totalled R4.9 billion (2020: R6.4 billion) and reflected a substantial decrease compared to the prior year due to the timing of working capital movements at year end and weaker trading performance. A total of R1.8 billion (2020: R1.4 billion) in dividends was paid to shareholders. The group's cash outflow from investing activities was R658.2 million (2020: R1 502.4 million) due to considerably fewer business acquisitions in 2021 than the prior year, which included Heaney Meats corporate stores and SPAR Encore. Acquisitions in the current reporting period include SSAG in Switzerland and corporate stores. Cash outflows from financing activities increased to R2.5 billion, primarily reflecting the amounts paid to settle the minority interests in both BWG Foods and SPAR Switzerland. The group finished the year with a net overdraft of R770.9 million (2020: R723.1 million net cash balance), which includes cash held in guilds and trusts.

Cashflow (Rmillion)



At period end, **group net debt** for covenant purposes and excluding the impact of IFRS 16 totalled R8.74 billion (2020: R8.75 billion).

Borrowings: Approximately 97.0% of the group debt is foreign currency denominated (approximately 63.0% EUR-denominated and 34.0% CHF-denominated). Foreign currency borrowings are raised in and serviced by the relevant regions, thereby eliminating any foreign currency exchange risk for the Southern African company.

Group net debt

Rmillion	2021	2020
Bank overdrafts	**2 415.5**	1 210.4
Total borrowings	**7 649.8**	7 055.9
Financial liability	**50.1**	2 152.2
Bank balances (excluding guilds and trusts)	**(1 370.7)**	(1 670.7)
Total	**8 744.7**	8 747.8

Regional breakdown of borrowings

Rmillion		Local currency 2021	2021	2020
Southern Africa	(R)	**235.2**	**235.2**	266.9
Ireland	(EUR)	**195.8**	**3 400.1**	3 389.0
Switzerland	(CHF)	**162.2**	**2 627.0**	2 321.7
Poland	(EUR)	**79.1**	**1 387.5**	1 078.3
Total borrowings			**7 649.8**	7 055.9

Currency rates to ZAR

	Ireland (EUR)		Switzerland (CHF)		Poland (PLN)	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Closing spot rate	**17.47**	19.65	**16.20**	18.16	**3.79**	4.34
Average rate	**17.94**	18.31	**16.51**	17.01	**3.95**	4.14

FINANCIAL RISK MANAGEMENT

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

ACCOUNTING POLICIES

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

GOING CONCERN STATUS

The board has formally considered the going concern assertion of the group and is of the opinion that it remains appropriate for the 2022 financial year.

Mark Godfrey
CFO

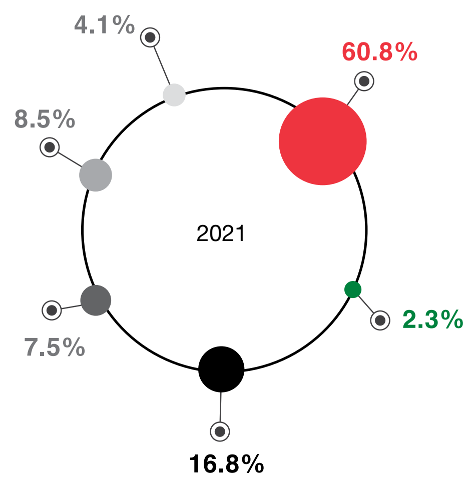
FINANCIAL REVIEW

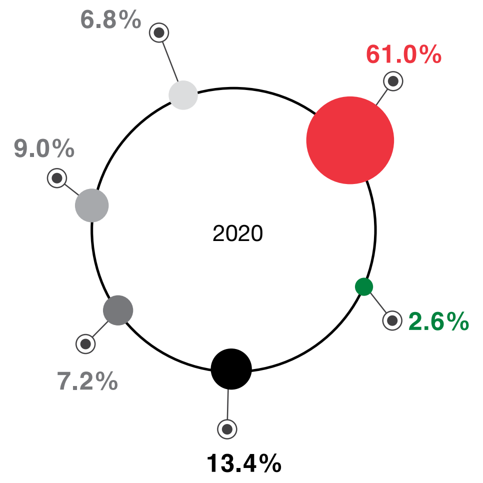
FIVE-YEAR

Rmillion	2021	2020	2019	2018	2017
CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Revenue – sale of merchandise	**127 941**	124 277	109 477	101 018	97 209
Operating profit	**3 393**	3 443	2 979	2 779	2 576
Other non-operating items	**(6)**	(279)	(28)	(144)	(55)
Finance income	**573**	618	186	169	194
Finance costs	**(936)**	(1 023)	(344)	(193)	(241)
Finance costs including foreign exchange gains and losses	**–**	–	–	(137)	
Share of equity-accounted associate (losses)/profit	**(7)**	(63)	(11)	(10)	(8)
Profit before taxation	**3 017**	2 696	2 782	2 464	2 466
Taxation	**(808)**	(740)	(618)	(637)	(645)
Profit after taxation	**2 209**	1 956	2 164	1 827	1 821
Remeasurement of retirement funds net of tax	**461**	164	(395)	131	364
Remeasurement of post-retirement medical aid net of tax	**(7)**	15	(2)	–	8
Gain/(loss) on cash flow hedge net of tax	**–**	3	–	1	(4)
Exchange differences from translation of foreign operations	**(219)**	295	76	132	42
Total comprehensive income	**2 444**	2 433	1 843	2 091	2 231
CONDENSED STATEMENTS OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	**8 193**	8 725	7 184	6 652	6 277
Right-of-use assets	**7 136**	6 606			
Finance lease receivable	**5 121**	4 713			
Goodwill and intangible assets	**6 837**	6 983	5 064	4 752	4 439
Loans and investments	**896**	1 120	1 620	1 454	1 094
Operating lease receivables	**8**	6	269	208	125
Deferred taxation asset	**228**	223	75	14	21
Current assets	**23 618**	24 324	19 767	18 166	16 880
Assets classified as held for sale	**30**	39	74	10	141
Total assets	**52 067**	52 739	34 053	31 256	28 977
Equity and liabilities					
Capital and reserves	**8 379**	7 890	7 467	7 110	6 560
Deferred taxation liability	**312**	278	297	413	361
Post-employment benefit obligations	**811**	1 270	1 268	788	940
Financial liability	**50**	50	1 521	2 043	1 700
Long-term borrowings	**7 346**	6 896	5 009	4 531	4 686
Provisions	**–**	–	8	29	42
Other non-current financial liabilities	**–**	–	3	3	5
Operating lease payable	**–**	–	299	231	142
Finance lease payable	**12 052**	11 200			
Current liabilities	**23 117**	25 155	18 181	16 108	14 541
Total equity and liabilities	**52 067**	52 739	34 053	31 256	28 977
CONDENSED STATEMENTS OF CASH FLOWS					
Cash flows from operating activities before dividends	**3 620**	5 221	1 127	3 334	2 663
Dividends paid	**(1 837)**	(1 378)	(1 431)	(1 358)	(1 252)
Cash flows from investing activities	**(658)**	(1 502)	(1 943)	(1 453)	(1 496)
Cash flows from financing activities	**(2 541)**	(1 821)	558	(428)	4
Net movement in cash and cash equivalents	**(1 416)**	520	(1 689)	95	(81)

VALUE-ADDED STATEMENT

	2021 Rmillion	% of revenue	%	2020 Rmillion	% of revenue	%
Revenue	**127 941**			124 277		
Less:						
Net cost of product and services	**117 219**			114 103		
Value added	**10 722**			10 174		
Add:						
Income from investments and associates	**112.5**			116		
Wealth created	**10 835**	**8.50**	**100.0**	10 290	8.30	100.0
Applied to:						
Employees						
Salaries, wages and other benefits	**6 589**		**60.8**	6 279		61.0
Providers of capital	**2 066**		**19.1**	1 650		16.0
Interest on borrowings	**245.8**		**2.3**	272		2.6
Dividends to ordinary shareholders	**1 820**		**16.8**	1 378		13.4
Taxation	**809**		**7.5**	740		7.2
Replacement of assets	**925**		**8.5**	924		9.0
Retained in the group	**446.0**		**4.1**	697		6.8
Wealth distributed	**10 835**		**100.0**	10 290		100.0





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

RATIOS AND STATISTICS

		2021	2020	2019	2018	2017	2016
SHARE PERFORMANCE							
Number of ordinary shares (net of treasury shares)	(millions)	**192.5**	192.5	192.5	192.5	192.5	192.5
Headline earnings per share	(cents)	**1 196.2**	1 135.3	1 129.1	965.7	952.8	1 020.0
Normalised headline earnings per share	(cents)	**1 187.3**	1 266.9	1 166.3	1 063.2	976.0	1 033.0
Dividends per share	(cents)	**816.0**	855.0	800.0	729.0	675.0	665.0
Dividend cover	(multiple)	**1.47**	1.33	1.41	1.32	1.41	1.53
Net asset value per share	(cents)	**4 350.5**	4 102.2	3 879.9	3 692.2	3 407.0	3 131.7
COMPREHENSIVE INCOME INFORMATION							
Gross margin	(%)	**12.0**	11.9	10.7	10.7	10.7	9.3
Operating profit margin	(%)	**2.7**	2.8	2.7	2.8	2.7	2.8
Headline earnings	(Rmillion)	**2 303.9**	2 183.6	2 173.0	1 859.6	1 834.7	1 832.9
SOLVENCY AND LIQUIDITY							
Return on equity	(%)	**27.9**	27.0	29.7	26.7	29.9	40.5
Return on net assets	(%)	**40.5**	43.6	39.9	39.3	39.3	45.8
EMPLOYEE STATISTICS							
Number of corporate office and distribution centre employees at year end			10 168	8 206	7 204	6 786	6 387
STOCK EXCHANGE STATISTICS							
Market price per share							
– at year end	(cents)	**19 642**	18 965	19 101	18 413	16 708	19 222
– highest	(cents)	**20 884**	21 622	21 072	22 700	20 499	21 971
– lowest	(cents)	**19 334**	15 562	16 418	16 553	15 018	16 161
Number of share transactions		**189 244**	1 168 151	954 287	559 330	542 335	499 716
Number of shares traded	(millions)	**189.2**	231.8	189.2	145.5	203.8	178.2
Number of shares traded as a percentage of total issued shares	(%)	**98.3**	120.4	98.3	75.5	105.8	92.6
Value of shares traded	(Rmillion)	**35 956.0**	42 204.0	35 956.0	35 454.1	35 789.6	34 793.2
Earnings yield at year end	(%)	**6.1**	6.0	6.1	5.8	5.8	5.4
Dividend yield at year end	(%)	**4.2**	4.5	4.2	4.0	4.0	3.5
Price earnings ratio at year end	(multiple)	**16.4**	16.7	16.4	17.3	17.1	18.6
Market capitalisation at year end net of treasury shares	(Rmillion)	**37 818**	36 509	36 765	35 454	32 164	37 004
Market capitalisation to shareholders' equity at year end	(multiple)	**4.5**	4.6	4.9	5.0	4.9	6.6

SUMMARISED GROUP FINANCIAL STATEMENTS

DIRECTORS' APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, 71 of 2008 (as amended). The group's independent external auditors, PricewaterhouseCoopers Inc., have audited the financial statements and their unmodified report is enclosed. The directors are also responsible for the systems of internal control. These controls are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, to record all liabilities, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In preparing the financial statements, the company and group have used appropriate accounting policies, supported by reasonable judgements and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the group as at 30 September 2021 and the results of their operations and cash flows for the year under review.

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

The annual financial statements were approved by the board of directors on 25 November 2021 and are signed on its behalf by:

GO O'Connor
Chairman

BW Botten
Chief Executive Officer

25 November 2021

CERTIFICATE BY THE COMPANY SECRETARY

I certify that, in respect of the reporting period, the company has, to the best of my knowledge and belief, lodged with the Companies and Intellectual Property Commission (CIPC) all returns and notices required of a public company in terms of the Companies Act (71 of 2008, as amended) of South Africa and that all such returns appear to be true, correct and up to date.

KJ O'Brien
Acting Company Secretary

25 November 2021

PREPARATION AND PRESENTATION OF SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The preparation of the Summary Consolidated Financial Statements was supervised by the Group CFO of The SPAR Group Ltd, Mark Godfrey. The full set of annual financial statements are published on our website, or can be requested from our Company Secretary. This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

DIRECTORS' REPORT

The directors of the company have the pleasure in submitting their report on the audited annual financial statements of the company for the year ended 30 September 2021.

NATURE OF BUSINESS

SPAR is a warehousing and distribution business listed on the JSE Limited (JSE) in the food and drug retailers sector. The group owns several country licences for the SPAR retail brand, which is used by a network of independent retailers who trade under our brand and are supplied on a voluntary basis through our distribution centres.

There were no material changes to the nature of the group's business for the 2021 financial year.

DIRECTORATE AND COMPANY SECRETARY

During the financial year under review, Mr Brett Botten was appointed as the group Chief Executive Officer and Mr Graham O'Connor appointed as a non-executive director and Chairman of the board of directors of SPAR (board) and Mr Andrew Waller, an independent non-executive director, as the lead independent director of the board with effect from 1 March 2021. Mrs Jane Canny was also appointed as an independent non-executive director of the board effective 1 May 2021.

Mr Harish Mehta, who is due to retire at the 2022 AGM, will not be standing for re-election. The Nominations Committee accordingly undertook a formal nominations process to source a suitable replacement for Mr Mehta on the board, which the board has accepted. The board recommends to the shareholders for approval, the appointment of Mr Sundeep Tribhovandas Naran as an independent non-executive director of the company with effect from 15 February 2022. Mr Naran's profile is contained in the Nominations Committee report of the integrated report.

Mr Kevin O'Brien was appointed as the Acting Company Secretary with effect from 25 March 2021.

Particulars relating to the directors' remuneration and interests and directors' share scheme interests are set out in notes 36 and 37.

CORPORATE GOVERNANCE

The directors are the custodians of corporate governance and subscribe to King IV. Refer to our governance structures, composition and functioning in the integrated report.

Committee reports are disclosed as follows:

- Audit Committee report – pages 106 to 110
- Nominations Committee report – pages 111 to 114
- Remuneration Committee report – pages 115 to 133
- Risk Committee report – pages 134 to 139
- Social and Ethics Committee report – pages 140 to 142

The directors are not aware of any material non-compliance with statutory or regulatory requirements.

The directors confirm that the company is in compliance with the provisions of the Companies Act, No. 71 of 2008, the Listings Requirements of the JSE Limited and the relevant laws governing its establishment, specifically relating to its incorporation; and operating in conformity with its memorandum of incorporation.

FINANCIAL RESULTS

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

GOING CONCERN

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company.

STATED CAPITAL

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

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

DIVIDENDS

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

An interim dividend of 280.0 cents per share (2020: 200.0 cents per share) was declared on 25 May 2021 and paid on 14 June 2021.

A final dividend of 536.0 cents per share (2020: 665.0 cents) has been declared on 17 November 2021 and payable on 13 December 2021.

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

Last day to trade *cum*-dividend	Tuesday, 7 December 2021
Shares to commence trading *ex*-dividend	Wednesday, 8 December 2021
Record date	Friday, 10 December 2021
Payment of dividend	Monday, 13 December 2021

Shareholders will not be permitted to dematerialise or rematerialise their shares between Wednesday, 8 December 2021 and Friday, 10 December 2021, both days inclusive.

SHARE SCHEME

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

SUBSIDIARIES

The interest of the company in the aggregate net profit/loss after taxation of subsidiaries was a profit of R616.8 million (2020: profit of R504.7 million). Details of the company's principal subsidiaries are set out in note 14 of the annual financial statements.

SPECIAL RESOLUTIONS

The company passed the following special resolutions at the annual general meeting held on 16 February 2021:

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

LITIGATION STATEMENT

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

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

SUBSEQUENT EVENTS

Matters or circumstances arising since the end of the 2021 financial year, which have or may significantly affect the financial position of the company or the results of its operations are disclosed in note 40 of the annual financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion	% Change	2021	2020
		Year ended September	
Revenue – sale of merchandise	2.9	**127 940.5**	124 277.4
Cost of sales		**(112 581.5)**	(109 497.5)
Gross profit		**15 359.0**	14 779.9
Revenue other		**2 454.5**	2 366.9
Other income		**226.3**	208.7
Net operating expenses	5.3	**(14 647.2)**	(13 912.9)
Operating profit	(1.5)	**3 392.6**	3 442.6
Other non-operating items		**(6.4)**	(278.7)
Finance income		**573.0**	618.2
Finance costs		**(935.4)**	(1 022.5)
Share of equity-accounted associate losses		**(6.7)**	(63.2)
Profit before taxation	11.9	**3 017.1**	2 696.4
Taxation		**(808.6)**	(740.2)
Profit after taxation		**2 208.5**	1 956.2
Attributable to:			
Equity holders of the company		**2 265.5**	2 074.7
Non-controlling interests		**(57.0)**	(118.5)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-retirement medical aid		**(9.2)**	20.7
Deferred tax relating to remeasurement of post-retirement medical aid		**2.5**	(5.7)
Remeasurement of retirement funds		**537.4**	189.3
Deferred tax relating to remeasurement of retirement funds		**(76.6)**	(24.8)
Items that may be reclassified subsequently to profit or loss:			
Gain on cash flow hedge			3.2
Tax relating to gain on cash flow hedge			(0.4)
Exchange differences from translation of foreign operations		**(218.8)**	294.2
Total comprehensive income	0.5	**2 443.8**	2 432.7
Attributable to:			
Equity holders of the company		**2 493.8**	2 557.1
Non-controlling interests		**(50.0)**	(124.4)
Earnings per share (cents)			
Basic	9.0	**1 176.3**	1 078.7
Diluted	9.2	**1 173.8**	1 075.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	2021	2020
		Year ended September	
ASSETS			
Non-current assets		**28 419.0**	28 375.7
Property, plant and equipment		**8 192.5**	8 725.3
Right of use assets		**7 135.5**	6 605.9
Finance lease receivable		**5 120.7**	4 713.4
Goodwill and intangible assets		**6 837.1**	6 983.4
Investment in associates and joint ventures		**94.6**	102.9
Other investments		**14.5**	21.8
Operating lease receivables		**7.6**	6.2
Loans and other receivables		**700.3**	795.0
Block discounting loan receivable		**87.9**	199.0
Deferred taxation asset		**228.3**	222.8
Current assets		**23 618.3**	24 324.2
Inventories		**5 303.4**	5 377.3
Trade and other receivables		**15 327.9**	15 637.9
Prepayments		**226.9**	288.9
Loans and other receivables		**199.5**	204.4
Current portion of block discounting loan receivable		**114.4**	163.6
Income tax receivable		**25.4**	0.9
Other current financial assets			0.9
Finance lease receivable		**776.2**	716.8
Cash and cash equivalents – SPAR		**1 370.7**	1 670.7
Cash and cash equivalents – Guilds and trusts		**273.9**	262.8
Assets held for sale		**29.5**	38.7
Total assets		**52 066.8**	52 738.6
EQUITY AND LIABILITIES			
Capital and reserves		**8 379.1**	7 889.7
Stated capital		**2 231.5**	2 231.5
Treasury shares		**(13.3)**	(15.3)
Reserves		**576.4**	590.3
Non-controlling interests		**177.6**	(70.3)
Retained earnings		**5 406.9**	5 153.5
Non-current liabilities		**20 571.2**	19 694.3
Deferred taxation liability		**312.1**	277.6
Post-employment benefit obligations		**810.9**	1 270.0
Financial liabilities	5	**50.1**	49.7
Long-term borrowings		**7 256.4**	6 693.1
Block discounting loan payable		**89.8**	203.5
Finance lease payable		**12 051.9**	11 200.4
Current liabilities		**23 116.5**	25 154.6
Trade and other payables		**18 266.4**	19 411.4
Current portion of financial liabilities	5		2 102.5
Current portion of long-term borrowings		**393.4**	362.8
Current portion of block discounting loan payable		**117.4**	167.8
Provisions		**27.3**	12.9
Finance lease payable		**1 824.5**	1 728.4
Income tax payable		**72.0**	158.4
Bank overdrafts		**2 415.5**	1 210.4
Total equity and liabilities		**52 066.8**	52 738.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Stated capital	Treasury shares	Currency translation reserve	Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Total equity
Balance at 30 September 2019	2 231.5	(23.9)	257.8	285.9	5 496.1	(749.7)	(30.4)	–	7 467.3
Change in accounting policy					(616.1)				(616.1)
Balance at 1 October 2019	2 231.5	(23.9)	257.8	285.9	4 880.0	(749.7)	(30.4)	–	6 851.2
Profit for the year					2 074.7			(118.5)	1 956.2
– Gain on cash flow hedge							2.8		2.8
– Remeasurement of post-retirement medical aid					15.0				15.0
– Remeasurement of retirement funds					164.5				164.5
Recognition of share-based payments				22.2					22.2
Take-up of share options		91.8		(46.6)					45.2
Transfer arising from take-up of share options				46.6	(46.6)				–
Settlement of share-based payments		20.1		(9.8)	(10.3)				–
Treasury shares acquired		(103.3)							(103.3)
Dividends paid					(1 378.1)				(1 378.1)
Transfer of financial liability to TIL JV					(545.7)	545.7			–
Non-controlling interest arising on business acquisition								54.1	54.1
Exchange rate translation			300.1			(33.7)	(0.6)	(5.9)	259.9
Balance at 30 September 2020	**2 231.5**	**(15.3)**	**557.9**	**298.3**	**5 153.5**	**(237.7)**	**(28.2)**	**(70.3)**	**7 889.7**
Profit for the year					**2 265.5**			**(57.0)**	**2 208.5**
– Remeasurement of post-retirement medical aid					**(6.7)**				**(6.7)**
– Remeasurement of retirement funds					**460.8**				**460.8**
Recognition of share-based payments				**23.9**					**23.9**
Take-up of share options		**80.2**		**(36.1)**					**44.1**
Transfer arising from take-up of share options				**36.1**	**(36.1)**				**–**
Settlement of share-based payments		**56.2**		**(22.9)**	**(33.3)**				**–**
Treasury shares acquired		**(134.4)**							**(134.4)**
Dividends paid					**(1 819.5)**			**(17.9)**	**(1 837.4)**
Additional shareholding acquired from non-controlling interest					**(391.1)**			**315.8**	**(75.3)**
Equity reserve transferred to retained earnings					**(186.2)**	**186.2**			**–**
Exchange rate translation			**(225.8)**			**24.7**		**7.0**	**(194.1)**
Balance at 30 September 2021	**2 231.5**	**(13.3)**	**332.1**	**299.3**	**5 406.9**	**(26.8)**	**(28.2)**	**177.6**	**8 379.1**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Notes	Year ended September 2021	2020
CASHFLOWS FROM OPERATING ACTIVITIES		**1 783.4**	3 844.0
Operating profit before:		**3 392.6**	3 442.6
Non-cash items		**2 122.7**	2 227.7
Net loss on disposal of property, plant and equipment and intangible assets		**53.4**	52.4
Net working capital changes		**(693.2)**	698.8
– Increase in inventories		**(110.9)**	(205.4)
– Increase in trade and other receivables		**(688.9)**	(1 201.3)
– Increase in trade payables and provisions		**106.6**	2 105.5
Cash generated from operations		**4 875.5**	6 421.5
Finance income received		**542.4**	573.7
Finance costs paid		**(872.8)**	(913.5)
Taxation paid		**(924.3)**	(859.6)
Dividends paid		**(1 837.4)**	(1 378.1)
CASHFLOWS FROM INVESTING ACTIVITIES		**(658.2)**	(1 502.4)
Acquisition of businesses/subsidiaries	4.4	**(208.7)**	(681.6)
Proceeds from disposal of businesses	4.2	**137.6**	
Proceeds on disposal of assets held for sale		**5.1**	25.0
Investment to expand operations		**(978.4)**	(929.9)
Investment to maintain operations		**(394.7)**	(368.1)
– Replacement of property, plant and equipment and intangible assets		**(463.9)**	(449.1)
– Proceeds on disposal of property, plant and equipment		**69.2**	81.0
Principal elements of lease receipts		**716.8**	649.5
Cash inflows on loans and investments		**557.1**	283.2
Cash outflows on loans and investments		**(493.0)**	(480.5)
CASHFLOWS FROM FINANCING ACTIVITIES		**(2 541.3)**	(1 821.3)
Proceeds from exercise of share options		**44.1**	45.1
Settlement of financial liabilities		**(1 962.1)**	(884.4)
Principal element of lease payments		**(1 739.3)**	(1 547.6)
Proceeds from borrowings		**2 284.7**	937.3
Repayments of borrowings		**(959.0)**	(268.4)
Non-controlling interest share repurchases		**(75.3)**	
Treasury shares acquired		**(134.4)**	(103.3)
Net (decrease)/increase during the year		**(1 416.1)**	520.3
Net cash balances/(overdrafts) at beginning of year		**723.1**	(67.4)
Exchange rate translation		**(77.9)**	270.2
Net (overdrafts)/cash balances at end of year		**(770.9)**	723.1

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The preliminary reviewed condensed group results for the year ended 30 September 2021 have been prepared in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The report contains the information required by International Accounting Standard IAS 34: Interim Financial Reporting and is in compliance with the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act, 71 of 2008. The accounting policies as well as the methods of computation used in the preparation of the results for the period ended 30 September 2021 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 30 September 2020.

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

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

These condensed consolidated group results for the year ended 30 September 2021 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report.

The auditor's report does not necessarily report on all the information contained in this condensed group results announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's unmodified review opinion together with the accompanying financial information from the issuer's registered office.

2. SALIENT STATISTICS AND HEADLINE EARNINGS

		% Change	2021	2020
Salient statistics				
Headline earnings per share	(cents)	5.4	**1 196.2**	1 135.3
Diluted headline earnings per share	(cents)	5.5	**1 193.7**	1 131.5
Dividend per share	(cents)	(5.7)	**816.0**	865.0
Net asset value per share	(cents)	6.1	**4 350.5**	4 102.2
Operating profit margin	(%)		**2.7**	2.8
Return on equity	(%)		**27.9**	27.0
Headline earnings reconciliation				
Profit for the year attributable to ordinary shareholders			**2 265.5**	2 074.7
Adjusted for:				
Loss on disposal of property, plant and equipment			**49.4**	49.6
– Gross			**53.4**	52.4
– Tax effect			**(4.0)**	(2.8)
Impairment of investments				63.6
– Gross				64.4
– Tax effect				(0.8)
Loss/(profit) on disposal of assets held for sale			**0.1**	(2.3)
Fair value adjustment to assets held for sale			**3.8**	4.6
Profit on disposal of associates			**(5.3)**	
Impairment of goodwill			**3.4**	13.3
Impairment of PPE			**1.6**	
Fair value adjustment- previously held investment				6.7
Profit on disposal of businesses			**(14.6)**	(26.6)
Headline earnings			**2 303.9**	2 183.6

3. SEGMENT REPORTING

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

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

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

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

3. SEGMENT REPORTING (continued)

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

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

Analysis per reportable segment:

	Southern Africa	Ireland	Switzerland	Poland	Consolidated Total
2021					
Statement of profit or loss					
Revenue from contracts with customers	**82 103.8**	**30 838.9**	**15 083.9**	**2 368.4**	**130 395.0**
Operating profit	**2 486.2**	**968.4**	**415.2**	**(477.2)**	**3 392.6**
Profit before tax	**2 371.3**	**793.2**	**379.2**	**(526.6)**	**3 017.1**
Finance income	**515.6**	**13.3**	**4.6**	**39.5**	**573.0**
Finance costs	**623.8**	**183.8**	**38.9**	**88.9**	**935.4**
Depreciation and amortisation	**449.3**	**616.6**	**789.1**	**110.4**	**1 965.4**
Tax expense	**678.3**	**80.4**	**57.9**	**(8.0)**	**808.6**
Share of equity-accounted associate losses	**6.7**				**6.7**
Impairment of goodwill	**3.4**				**3.4**
Statement of financial position					
Total assets	**25 006.5**	**14 917.5**	**9 965.0**	**2 177.8**	**52 066.8**
Total liabilities	**19 888.4**	**12 625.1**	**8 258.3**	**2 915.9**	**43 687.7**
2020					
Statement of profit or loss					
Revenue from contracts with customers	79 423.8	30 409.4	14 659.4	2 151.7	126 644.3
Operating profit	2 573.6	978.2	361.5	(470.7)	3 442.6
Profit before tax	2 299.2	651.7	296.6	(551.1)	2 696.4
Finance income	547.5	14.5	6.8	49.4	618.2
Finance costs	640.3	218.0	71.7	92.5	1 022.5
Depreciation and amortisation	398.9	600.0	758.8	218.5	1 976.2
Tax expense	720.7	43.2	47.2	(70.9)	740.2
Share of equity-accounted associate losses	25.7			37.5	63.2
Impairment of goodwill	12.6	0.7			13.3
Statement of financial position					
Total assets	24 136.1	16 466.9	9 402.2	2 733.4	52 738.6
Total liabilities	18 762.5	14 496.8	8 279.0	3 310.6	44 848.9

3. SEGMENT REPORTING (continued)

	2021	2020
Disaggregated Revenue as reviewed by the CODM		
Southern Africa		
Revenue – sale of merchandise	**81 261.4**	78 605.4
SPAR	**62 608.1**	62 851.2
TOPS at SPAR	**7 157.5**	6 436.5
Build It	**9 836.3**	7 965.0
S Buys	**1 175.0**	1 072.8
Encore	**484.5**	279.9
Revenue – other	**842.4**	818.4
Revenue from contracts with customers	**82 103.8**	79 423.8
Ireland		
Revenue – sale of merchandise	**30 332.1**	29 896.7
BWG	**26 065.5**	26 057.8
Appleby Westward	**4 266.6**	3 838.9
Revenue – other	**506.8**	512.7
Revenue from contracts with customers	**30 838.9**	30 409.4
Switzerland		
Revenue – sale of merchandise	**13 983.2**	13 641.9
Wholesale	**6 333.6**	6 183.3
TopCC	**5 035.8**	5 363.4
Retail	**2 613.8**	2 095.2
Revenue – other	**1 100.7**	1 017.5
Revenue from contracts with customers	**15 083.9**	14 659.4
Poland		
Revenue – sale of merchandise	**2 363.8**	2 133.4
Wholesale	**2 032.1**	1 518.4
Retail	**331.7**	615.0
Revenue – other	**4.6**	18.3
Revenue from contracts with customers	**2 368.4**	2 151.7
Total revenue – sale of merchandise	**127 940.5**	124 277.4
Total revenue – other	**2 454.5**	2 366.9
Total revenue from contracts with customers	**130 395.0**	126 644.3
Disaggregated total revenue – other	**2 454.5**	2 366.9
Marketing and service revenues	**1 730.6**	1 706.0
Franchise fees	**437.3**	401.5
Other services	**286.6**	259.4

Revenue – sale of merchandise is measured at a point in time and Revenue – other is measured over time.

4. BUSINESS COMBINATIONS

4.1 Acquisitions

STORE SERVICE AG

On 28 February 2021 SPAR Holding AG, a subsidiary of SAH Ltd based in Switzerland, acquired a 100% share in Store Service AG (SSAG) for a consideration of CHF10.6 million. SSAG operates service station stores. SPAR Switzerland will generate sales growth through this acquisition and will be able to expand its expertise in the convenience business and strengthen the position of the SPAR Express stores. Positive short-term synergy effects on costs are expected, while long-term savings in administration costs are also realistic. The goodwill arising on the business combination represents these expected benefits.

The purchase price allocation process is now complete and the acquisition date fair value of all assets and liabilities acquired are final. The line items that have been adjusted as a result of this process are inventories, right-of-use assets and finance lease liabilities.

RETAIL STORES ACQUIRED

During the financial year, SPAR acquired the assets of four (2020: nine) retail stores in South Africa and the BWG Foods acquired the assets of 13 stores in the United Kingdom (UK) (2020: 28 stores in the UK and two in Ireland). The principal activity of these acquisitions is that of retail trade and all its aspects. These stores were purchased as part of the strategy for growth in the UK, and the goodwill arising on the business combinations is indicative of future turnover expected to be made by the group as a result of wholesale sales to these acquired stores as well as net profits to be made by the stores. These acquisitions were funded from available cash resources.

Assets acquired and liabilities assumed at date of acquisition:

	2021			
Rmillion	**SSAG**	**UK retail stores**	**SA retail stores**	**Total**
Assets	**1 504.6**	**128.9**	**14.7**	**1 648.2**
Property, plant and equipment	**2.6**	**2.7**	**14.7**	**20.0**
Right-of-use assets	**1 246.9**	**118.7**		**1 365.6**
Goodwill and intangible assets	**1.4**			**1.4**
Deferred taxation asset	**21.7**			**21.7**
Inventories	**100.5**	**7.5**		**108.0**
Trade and other receivables	**53.8**			**53.8**
Cash and cash equivalents	**77.7**			**77.7**
Liabilities	**(1 538.3)**	**(118.7)**	**–**	**(1 657.0)**
Trade and other payables	**(132.2)**			**(132.2)**
Income tax payable	**(9.4)**			**(9.4)**
Finance lease liability	**(1 246.9)**	**(118.7)**		**(1 365.6)**
Post-employment benefit obligations	**(149.8)**			**(149.8)**
Total identifiable net (liabilities)/assets at fair value	**(33.7)**	**10.2**	**14.7**	**(8.8)**
Goodwill arising from acquisition	**210.5**	**46.9**	**29.5**	**286.9**
Purchase consideration	**176.8**	**57.1**	**44.2**	**278.1**
Cash balances acquired	**(77.7)**			**(77.7)**
Business acquisition costs	**1.7**	**4.7**		**6.4**
Contingent consideration (note 4.5)	**(57.4)**			**(57.4)**
Net cash outflow on acquisition	**43.4**	**61.8**	**44.2**	**149.4**

4. BUSINESS COMBINATIONS (continued)

4.2 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to ten South African retail stores (2020: four retail stores), three (2020: 16) retail stores in Poland, and two retail stores in the UK (2020: nil).

Rmillion	2021 Polish retail stores	UK retail stores	SA retail stores	Total
Assets	**201.2**	**2.0**	**121.9**	**325.1**
Property, plant and equipment	8.6	0.3	39.4	48.3
Loans and other receivables	46.6			46.6
Trade and other receivables	145.1		1.1	146.2
Inventory		1.2		1.2
Goodwill		0.5	81.4	81.9
Cash and cash equivalents	0.9			0.9
Liabilities	**201.2**	**–**	**–**	**201.2**
Trade and other payables	199.0			199.0
Long-term borrowings	2.2			2.2
Profit on disposal of businesses	12.6	–	2.0	14.6
Proceeds	12.6	2.0	123.9	138.5
Cash and cash equivalents disposed	(0.9)			(0.9)
Net cash inflow on disposal	11.7	2.0	123.9	137.6

4.3 Contribution to results for the year

Rmillion	SSAG	UK retail stores	SA retail stores	Total
Revenue	780.1	151.7	45.4	977.2
Operating profit/(loss)	31.0	10.4	(1.4)	40.0

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

Rmillion	SSAG	UK retail stores	SA retail stores	Total
Revenue	1 337.4	283.0	80.8	1 701.2
Operating profit/(loss)	53.1	23.0	(2.5)	73.6

Revenue figures included are those contributed by the business inclusive of intercompany sales to SPAR.

4. BUSINESS COMBINATIONS (continued)

4.4 Cash flow on acquisition of business/subsidiaries

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

Rmillion	2021	2020
Net cash outflow	149.4	654.3
Contingent consideration cash outflow on retail stores acquired in 2020 (note 4.5)	52.6	27.3
Deferred consideration on retail stores acquired in 2020 (note 4.5)	6.7	
Total net cash outflow relating to acquisitions	208.7	681.6

4.5 Contingent and deferred consideration

The contingent consideration payable on the SSAG acquisition was settled during October 2021 at an amount of R57.4 million, based on the contractual agreement, at a fixed price.

The contingent consideration payable for UK and Irish retail stores acquired in 2020 was settled in October 2020 at an amount of R52.6 million.

The deferred consideration on UK retail stores acquired in 2020 of R6.7 million was identified as an additional consideration on an acquisition after it was deemed to be income in the hands of the seller by UK tax authorities, payment was made subsequent to the September 2021 financial year end.

The contingent consideration for the Heaney Meats acquisition in 2020 is still payable at the option of the sellers, based on profits of any year until 2025, and is estimated at an amount of R73.4 million at current exchange rates.

5. FINANCIAL LIABILITIES

Rmillion	2021	2020
Present value		
TIL JV Ltd		1 078.7
SPAR Holding AG		1 023.8
S Buys Holdings (Pty) Ltd	50.1	49.7
Total financial liabilities	50.1	2 152.2
Less: Short-term portion of financial liabilities	–	(2 102.5)
Long-term portion of financial liabilities	50.1	49.7
Undiscounted value		
TIL JV Ltd		1 100.4
SPAR Holding AG		1 106.9
S Buys Holdings (Pty) Ltd	55.9	55.9
	55.9	2 263.2
Difference between undiscounted value and the carrying amount of the financial liabilities	5.8	111.0

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

5. FINANCIAL LIABILITIES (continued)

TIL JV Ltd

On 1 August 2014 SPAR acquired a controlling shareholding of 80% in the BWG Foods, which is held by TIL JV Ltd, a wholly owned subsidiary of SPAR. SPAR agreed to acquire the remaining 20% shareholding from the non-controlling shareholders at specified future dates and in accordance with a determined valuation model.

The financial liability is calculated as the present value of the non-controlling interests' share of the expected purchase value and discounted from the expected exercise dates to the reporting date. An election was made not to recognise a non-controlling interest, but to fair value the financial liability. The group has recognised 100% of the attributable profit.

In March 2020, 10.106% of the 20% minority interest was settled at an amount of R884.4 million. In January 2021, the remaining balance of 9.894% was settled at R1 041.7 million. Interest is recorded in respect of this liability within finance costs using the effective interest rate method. The net exchange differences on the financial liability have been presented in finance costs. Fair value adjustments on the financial liability were presented in other non-operating items.

SPAR Holding AG

On 1 April 2016 SPAR acquired a controlling shareholding of 60% in SPAR Holding AG, which is held by SAH Ltd, a wholly owned subsidiary of SPAR. An election was made not to recognise the non-controlling interest's share of profits or losses in equity, but rather as the movement in the fair value of the discounted financial liability to purchase the remaining 40% shareholding. The total obligation of CHF56.3 million was accounted for as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. This obligation was settled in March 2021 at an amount of R920.4 million.

Interest is recorded in respect of this liability within finance costs using the effective interest rate method. The net exchange differences on the financial liability have been presented in finance costs.

S Buys Holdings (Pty) Ltd

On 1 October 2017 SPAR acquired a 60% shareholding in S Buys Holdings (Pty) Ltd which trades as S Buys. The SPAR Group Ltd agreed to purchase the remaining 40% shareholding in S Buys between 30 September 2022 and 31 December 2022 for an amount based on a multiple of the profit after tax for the 2022 financial year. This obligation to purchase the remaining shareholding was recognised as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. An election was made not to recognise the non-controlling interest's share of profits or losses in equity, but rather as the movement in the fair value of the discounted financial liability to purchase the remaining 40% shareholding. As at 30 September 2021, the financial liability was valued at R50.1 million (2020: R49.7 million) based on management's expectation of future profit performance. This liability has been classified as non-current as at 30 September 2021 as the group has an unconditional right to defer settlement beyond the next 12 months.

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

5. FINANCIAL LIABILITIES (continued)

S Buys Holdings (Pty) Ltd (continued)

MOVEMENTS IN LEVEL 3 FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

Rmillion	2021	2020
TIL JV Ltd		
Carrying value at beginning of year	**1 078.7**	1 326.3
Finance costs recognised in profit or loss	**20.0**	105.7
Net exchange differences arising during the period		(33.5)
Fair value adjustment		255.6
Settlement of financial liability	**(1 041.7)**	(884.4)
Exchange rate translation	**(57.0)**	309.0
Carrying value at end of year	**–**	1 078.7
S Buys Holdings (Pty) Ltd		
Carrying value at beginning of year	**49.7**	37.2
Finance costs recognised in profit or loss	**0.4**	12.5
Carrying value at end of year	**50.1**	49.7

MOVEMENTS IN FINANCIAL LIABILITIES HELD AT AMORTISED COST

Rmillion	2021	2020
SPAR Holding AG		
Carrying value at beginning of year	**1 023.8**	840.9
Finance costs recognised in profit or loss	**1.9**	13.5
Net exchange differences arising during the period	**(23.6)**	7.9
Settlement of financial liability	**(920.4)**	
Exchange rate translation	**(81.7)**	161.5
Carrying value at end of year	**–**	1 023.8
Total financial liabilities	**50.1**	2 152.2

6. FINANCIAL RISK MANAGEMENT

Rmillion	2021	2020
Financial instruments classification		
Financial assets held at amortised cost		
Net bank balances	**(770.9)**	723.1
Loans and other receivables	**899.8**	999.4
Block discounting loan receivable	**202.3**	362.6
Finance lease receivable	**5 896.9**	5 430.2
Trade and other receivables	**15 327.9**	15 637.9
Financial liabilities at amortised cost		
Block discounting loan payable	**(207.2)**	(371.3)
Finance lease payable	**(13 876.4)**	(12 928.8)
Trade and other payables	**(18 266.4)**	(19 411.4)
Borrowings	**(7 649.8)**	(7 055.9)
Financial liabilities at amortised cost		(1 023.8)
Financial assets and liabilities at fair value through profit or loss		
Financial liabilities at fair value through profit or loss	**(50.1)**	(1 128.4)

Fair value hierarchy

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

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

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

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

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

Rmillion	Carrying value	Fair value Level 1	Level 2	Level 3
2021				
Financial liabilities at fair value through profit or loss	**(50.1)**			**(50.1)**
Total	**(50.1)**	**–**	**–**	**(50.1)**
2020				
Financial liabilities at fair value through profit or loss	(1 128.4)			(1 128.4)
Total	(1 128.4)	–	–	(1 128.4)

6. FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy (continued)

LEVEL 3 SENSITIVITY INFORMATION

The fair value of the level 3 financial liabilities of R50.1 million (2020: R1 128.4 million) was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the assumed future profit targets and the discount rates applied. The assumed profitability was based on historical performances but adjusted for expected growth. The S Buys financial liability is based on a minimum profit value. A change in fair value would only result if profits increased between 60% and 65%.

The following tables show how the fair value of the level 3 financial liability would change in relation to changes in the estimated future profit target by 0.5%.

S Buys Holdings (Pty) Ltd

	Discount rate %	Sensitivity % change	Liability Rmillion
2021			
Financial liability	**8.8**	**0.5**	**(0.3)**
Financial liability	**8.8**	**(0.5)**	**0.3**
2020			
Financial liability	6.5	0.5	(0.6)
Financial liability	6.5	(0.5)	0.6

7. COMMITMENTS

Rmillion	2021	2020
Capital commitments		
Contracted	**907.5**	665.3
Approved but not contracted	**388.0**	832.2
Total capital commitments	**1 295.5**	1 497.5
Analysed as follows:		
Property, plant and equipment	**976.4**	757.3
Intangible assets	**319.1**	740.2

Capital commitments will be financed from group resources.

8. FINANCIAL GUARANTEES

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

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

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

The group had a facility with Wesbank where SPAR undertook to stand guarantee for loans issued to retailers up to a limit of R1.0 billion. This new facility arrangement was concluded in July 2019 under a direct deal basis which meant that the retailer signed the loan agreement directly with the bank and SPAR signed a separate guarantee for this loan. Exposure on the direct deals facility is disclosed as a financial guarantee and is not recognised on our balance sheet. The balance disclosed in the statement of financial position as at September 2021 relate to the full recourse deals.

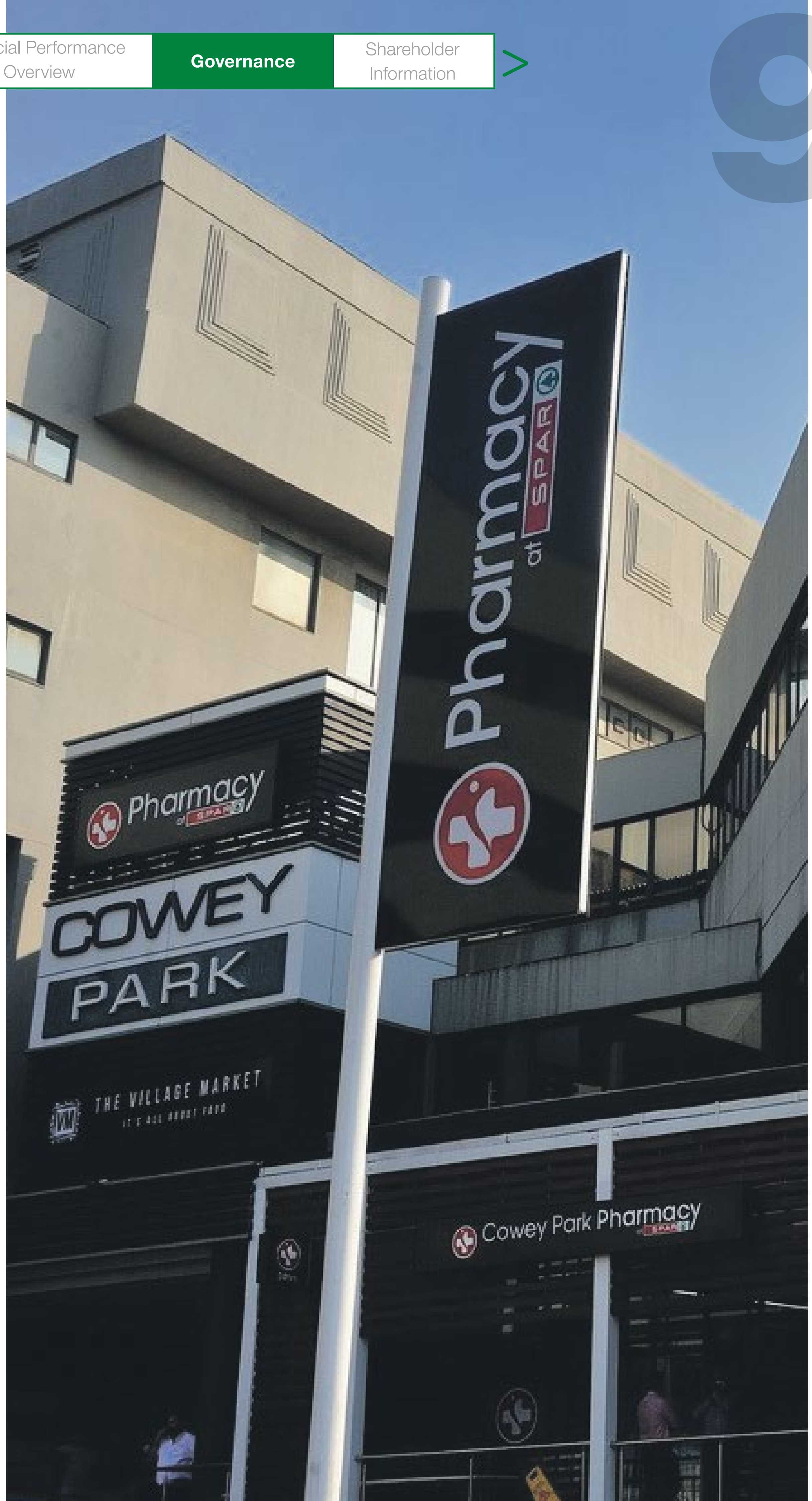
The board has limited the guarantee facility to R220.0 million (2020: R190.0 million) relating to Numlite (Pty) Ltd. In 2009 the company sold its investment in retail computer equipment and ceded its right to receive payment of the existing and future rental streams to Numlite (Pty) Ltd, who in turn raises finance via a loan facility with an independent financial institution. The group has provided a limited guarantee relating to this loan facility, exposing the group to credit risk in the event that Numlite (Pty) Ltd defaults on its loan facility payments. At year end, 1 039 SPAR stores (2020: 1 031), 699 TOPS at SPAR stores (2020: 669), 69 Pharmacy at SPAR stores (2020: 73) and 88 Build it stores (2020: 71) were participants in the IT retail scheme, with an average debt of R106 630 (2020: R92 531) per store.

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

Rmillion	**2021**	**2020**
Guarantee of Wesbank direct deal loan agreements	**461.4**	255.9
Guarantee of Numlite (Pty) Ltd finance obligations	**202.1**	170.6
	663.5	426.5

9. EVENTS AFTER THE REPORTING DATE

The directors are not aware of any matters or circumstances arising since the end of the financial year which have or may significantly affect the financial position of the group or the results of its operations.



NON-EXECUTIVE DIRECTORS

Graham O'Connor (65)

CA(SA)
Non-executive Chairman
Joined the group in 1986
Appointed to the board: February 2014
Appointed as Chairman: March 2021

NC Chairman RC Member

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

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

Lwazi Koyana (53)

BCom, CA(SA)
Independent non-executive director
Appointed to the board: May 2019

RC Member SEC Member

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

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

Marang Mashologu (45)

BCom, CFA® charter
Independent non-executive director
Appointed to the board: December 2015

AC Member RC Chairperson

Marang is a director and shareholder at Sphere Holdings (Pty) Ltd and Chairperson of Chubb Insurance South Africa Ltd, the South African subsidiary of Chubb Ltd. She is a member of the Aspen Global Leadership Network and fellow of the inaugural class of the Finance Leaders Fellowship Program.

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

Harish Mehta (71)

BSc (USA), MBA (USA)
Independent non-executive director
Appointed to the board: October 2004

RC Chairman AC Member

NC Member RC Member

Harish is the CEO of Clearwater Capital (Pty) Ltd and a non-executive director of Tiso Blackstar Group, non-executive chairman of Averda SA (Pty) Ltd and a member of the Provincial Board of FNB.

Harish contributes financial, auditing, legal and entrepreneurial skills to the board.

Phumla Mnganga (53)

BA, BEd, MBL, PhD

Independent non-executive director

Appointed to the board: January 2006

SEC Chairperson RC Member

NC Member

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

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

Andrew Waller (59)

CA(SA)

Lead independent non-executive director

Appointed to the board: February 2018

Appointed as lead independent director: March 2021

AC Chairman RC Member

NC Member RC Member

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

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

Jane Canny (64)

FCG (CS, CPG, ACC)

Independent non-executive director

Appointed to the board: May 2021

RC Member SEC Member

Jane currently serves as an independent non-executive director of the Mr Price Group and is a member of its risk and IT committees. She has previously held positions as CEO of ThankU Digital while a Group Executive at Edcon, Chief Operating Officer at Business Connexion and Commercial Executive at UCS Group.

Jane contributes financial, entrepreneurial, IT, retail and governance skills to the board.

EXECUTIVE DIRECTORS

Brett Botten (57)

CA(SA)

Group CEO

Joined the group in 1994

Appointed to the board: March 2021

RC Member SEC Member

SG Member

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

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

Mark Godfrey (56)

BCom, CA(SA)

Group CFO

Joined the group in 1996

Appointed to the board: October 2010

RC Member

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

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

ACTING COMPANY SECRETARY

Kevin O'Brien (59)

BA, LLB, BSocSc (Hons), Mst (Cantab)
Acting Company Secretary
Joined the group in 1993
Appointed Acting Company Secretary: March 2021

Kevin is the Risk, Sustainability and Corporate Governance Executive and previously held the position of Group Company Secretary from 2006 to 2016. Kevin formerly served in personnel, human resources and property management positions in various group operations and was a former general manager of Capper and Company, a SPAR distribution operation in the UK.

Kevin has been appointed to act as Company Secretary for a limited period until a permanent Company Secretary is appointed. The board would like to thank Kevin for temporarily accepting and fulfilling the obligations under this role. Shareholders will be advised once a permanent placement has been made.

RC	Risk Committee	RC	Remuneration Committee
NC	Nominations Committee	SEC	Social and Ethics Committee
AC	Audit Committee	SG	The SPAR Guild of Southern Africa

OUR GOVERNANCE SYSTEM

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

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

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

Principle cluster	Detail	Page
Leadership, ethics and corporate citizenship	Chairman's message	32
	Group CEO's report	36
	CFO's report	64
	Social and Ethics Committee report	140
	Environmental and social supplementary report	(Separate report)
Strategy, performance and reporting	Value creation and strategy	49
	CFO's report	64
Governing structures and delegation	Governance	95
Governance functional areas	Committee reports	106
Stakeholder relationships	Our material relationships	26
	Environmental and social supplementary report	(Separate report)

In addition to the information contained in this report, a King IV register is available online (https://thespargroup.com), summarising the principles and providing stakeholders with links and references in support of the principles in one place.

BOARD GOVERNANCE STRUCTURE

The general powers of the board and the directors are conferred in the company's Memorandum of Incorporation (MOI). The board's terms of reference are set out in the company's board charter, which is reviewed annually by the board. The board charter sets out the powers and authority of the board and provides a clear and concise overview of the roles and responsibilities of board members.

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

The board committees are governed by a delegation of authority framework, which is reviewed annually and sets out the matters reserved for determination by shareholders, the board and those delegated to management and the executive committees. The board is satisfied that the governance structure is appropriate and the governance and authority frameworks provide clarity and contribute to effective control and performance of the group.

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

BOARD COMPOSITION

During the financial year, the board comprised nine directors, comprising two executive directors and seven non-executive directors, six of whom are classified as independent. The Chairman is a non-executive director and is not classified as independent. As such, the board has elected one of the existing independent non-executive directors to act in the capacity of lead independent director of the board. The board has a policy on the promotion of broader diversity at board level, and the board promotes diversity through the diversity indicators of knowledge, skill, experience, age, culture, race and gender and sets voluntary targets in respect of race and gender.

See a summary of the board's diversity aspects below and read the board members' profiles on pages 96 to 99.

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

Information relating to the board's diversity, independence and performance can be found in the Nominations Committee report on page 111.

Board age profile

11% 40 – 49 years

56% 50 – 59 years

33% 60 – 71 years

Executive vs non-executive vs independence profile

67% Independent non-executive

11% Non-executive

22% Executive

Board gender profile

Male 67%

Female 33%

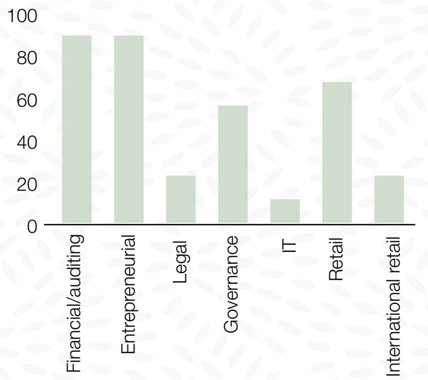
Board race* profile

Black 44%

White 56%

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

Board skills and expertise (%)



Board tenure profile

10 – 19 years 33%

0 – 9 years 67%

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

SHAREHOLDERS AND OTHER STAKEHOLDERS

BOARD

Provides oversight of the management and governance of the company, monitors executive management's performance and provides strategic direction and leadership in line with the company's value system to ensure its sustainability. The Company Secretary supports board members by providing guidance on fulfilling their responsibilities as directors in the best interest of SPAR.

AC – AUDIT COMMITTEE
Provides oversight of the effectiveness of assurance functions and services, focusing on combined assurance, including external assurance service providers, internal audit and the finance function, and the integrity of the annual financial statements and certain other external reports issued.

RC – RISK COMMITTEE
Provides oversight of risk governance, technology and information governance, and compliance governance.

SEC – SOCIAL AND ETHICS COMMITTEE
Provides oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships.

NC – NOMINATIONS COMMITTEE
Provides oversight of the process for nominating and electing board and committee members; board, committee and senior management succession planning; induction and continuous training of board members; and the evaluation of the board's performance, its committees and individual members.

RC – REMUNERATION COMMITTEE
Provides oversight of the company's remuneration and implementation policy, and remuneration of executive and senior management.

EXECUTIVE MANAGEMENT

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

DIVISIONAL/OPERATIONAL
Various regional, executive, departmental, operational, and project committees and forums.

THE SPAR GUILD OF SOUTHERN AFRICA | **THE BUILD IT GUILD OF SOUTHERN AFRICA**

SOCIAL AND ETHICS COMMITTEES
REGIONAL GUILD COMMITTEES

BOARD COMMITTEES

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

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

Committee members' attendance is recorded below.

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

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

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

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

To continually improve non-executive directors' understanding of the company's operating divisions, a board meeting is held at least once a year at a distribution centre, usually in August. The August board meeting for this year was held at the KwaZulu-Natal distribution centre. Meetings held during the financial year were as follows:

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

[1] *Mike Hankinson retired in February 2021.*

[2] *Graham O'Connor replaced Mike Hankinson as Chairman of the board and Nominations Committee, and member of the Remuneration Committee effective 1 March 2021.*

[3] *Jane Canny was appointed to the board and as a member of the Risk and Social and Ethics committees effective 1 May 2021.*

[4] *Brett Botten replaced Graham O'Connor as Group CEO and member of the Risk and Social and Ethics committees effective 1 March 2021.*

By invitation only:

- *The Chairman and CEO of the Board attended all committee meetings*
- *Andrew Waller attended all meetings of the Nominations Committee and Remuneration committee, in his capacity as the Lead Independent Director*
- *Mark Godfrey, in his capacity as CFO, attended all Audit Committee meetings*

EXECUTIVE MANAGEMENT

Brett Botten replaced Graham O'Connor as Group CEO effective 1 March 2021 and is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the link between executive management and the board. The Group CEO is accountable to the board, and the board evaluates the Group CEO's performance annually.

There are five executive committees: the SPAR Group Executive Committee, the BWG Foods Executive Committee, the SPAR Switzerland Executive Committee, the SPAR Poland Executive Committee and the SPAR Sri Lanka Executive Committee. These committees are responsible for implementing the company's strategy and carrying out the group's day-to-day activities. The membership, qualifications and experience of the Executive Committee members are available online. In addition, an IT Steering Committee is also constituted, which oversees the company's SAP programme implementation and digital transformation strategy. In light of the risks relating to the SAP programme, non-executive director of the board, Jane Canny, has been appointed as a member of the IT Steering Committee.

COMPANY SECRETARY

All directors have access to the services and advice of the Acting Company Secretary, Kevin O'Brien (BA, LLB, BSocSc (Hons), Mst (Cantab)), who was assessed upon appointment as being competent, suitably qualified and experienced. Kevin was the previous Company Secretary before being appointed as the Group Risk and Sustainability Executive. The Acting Company Secretary is not a director of the company and accordingly maintains an arm's length relationship with the board.

AUDIT COMMITTEE REPORT

The Audit Committee (the committee) of The SPAR Group Ltd (the company) presents the following report according to the requirements of section 94(7)(f) of the Companies Act to shareholders for the 2021 financial year.

COMMITTEE GOVERNANCE

Composition

Shareholders appoint members of the committee on the recommendation of the Nominations Committee and the board.

Shareholders will again be requested to approve the re-election of the committee members for the 2022 financial year at the company's 2022 AGM to be held on Tuesday, 15 February 2022.

Members of the committee for the financial year were independent non-executive directors, Andrew Waller (Chairman), Marang Mashologu and Harish Mehta. Harish is due to retire by rotation at the 2022 AGM and has decided not to stand for re-election. In terms of the committee succession plan, Lwazi Koyana has been identified by the Nominations Committee as his replacement on the committee. The Nominations Committee further proposes the appointment of Sundeep Naran as an additional member of the committee, subject to the shareholders approving his appointment to the board as an independent non-executive director. This would allow for sufficient succession planning and to mitigate the risk of the membership of the committee ever falling below the statutory minimum number of members required, in the event of any resignations.

The Nominations Committee evaluated the independence and performance of the committee members, and based on their recommendation, the board proposes the election of Andrew, Marang, Sundeep and Lwazi as the committee members to shareholders at the 2022 AGM. In addition, the board is satisfied that the committee as a whole has the necessary financial literacy, skills and experience to execute their duties effectively. Members' qualifications and experience are available on page 96 to 99.

Meetings

The committee met formally twice during the financial year under review. Members' attendance at meetings is recorded on page 104. Permanent invitees at committee meetings are the Group CEO, Group CFO, Group Internal Audit Manager, external auditor and the Company Secretary (who also acts as the secretary of the committee).

Evaluation of committee

The committee's effectiveness is assessed through a self-assessment evaluation review every two years, which was accordingly undertaken in 2021, with pleasing results achieved.

Role and responsibilities

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

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

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

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found online.

KEY FOCUS AREAS

External auditor

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

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

The committee assessed the suitability of PwC as the company's external auditor and Thomas, as the designated audit partner for the 2022 financial year. Under the appropriate audit quality indicators, including independence against the criteria specified by the Independent Regulatory Board for Auditors, the South African Institute of Chartered Accountants, International regulatory bodies and the JSE Listings Requirements, the committee has no concerns regarding their performance or independence. Accordingly, the committee recommended to the board, the re-election of PwC as external auditor and Thomas Howatt as the designated audit partner for the 2022 financial year. The committee confirms that the appointment of the auditor is presented and included as a resolution for approval at the 2022 AGM under section 61(8) of the Companies Act.

The committee determined the terms of engagement and fees paid to PwC, as disclosed in note 3 of the annual financial statements and the nature and extent of the non-audit services that PwC provide to the company, as disclosed in note 3 of the annual financial statements. The extent of non-audit services provided by PwC is continuously monitored, with one excessive engagement during the financial year noted. This engagement related to independent programme assurance services for the SAP S4 HANA implementation project and was deemed not material enough to impact the independence of the external auditors, as it was non-recurring.

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

Non-audit services policy

The company has a clearly defined and strictly followed non-audit services policy. No changes were made to the policy for the period under review. The external auditor may only be considered a supplier of such services where there is no alternative supplier for these services; there is no other commercially viable alternative or the non-audit services are related to and would add value to the external audit.

Significant matters

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment assessment of goodwill and indefinite life intangible assets This key audit matter relates to the consolidated financial statements only. Refer to the accounting policies for Goodwill and Intangible Assets and Impairment of non-financial assets and to note 13 – Goodwill and Intangible Assets. As at 30 September 2021 the Group's consolidated statement of financial position included goodwill with a closing net book value of R4.065 billion and indefinite life intangible assets with a closing net book value of R2.060 billion, the company included goodwill only with a closing net book value of R624 million. Assets that are not subject to amortisation, such as goodwill and indefinite life intangible assets are required to be assessed for impairment annually and when any impairment indicator exist in accordance with International Accounting Standard 36, Impairment of assets. Management performed their annual impairment assessment of relevant cash-generating units (CGUs), to which the goodwill and the brands were allocated and based on their assessment on value-in-use calculation, which have been estimated using a discounted cash flow model. In determining the value-in-use of the CGU, the following key assumptions were used by management: • Discount rate; • Long-term growth rate; and • Compound annual growth rate.	We performed the following audit procedures: • Assessed the reasonableness of the valuation methodologies applied by management by comparing the valuation methodology to generally accepted valuation methodology, and found this to be consistent; • Tested the mathematical accuracy of the value-in-use calculation and the discounted cash flow model prepared by management, noting no material exceptions; • Performed stress testing on the value-in-use calculation which involved an assessment of management's cash flow forecasts and assumptions by comparison to prior years' actual results, our understanding of the industry, the entity-specific circumstances and economic environment, in order to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We recalculated a range of values and compared this to the value as calculated by management. Management's value fell within our independently calculated range of values; • Agreed management's cash flow forecasts to approved budgets, noting no exceptions; • Assessed the reasonableness of the business plans and budgeting process by comparing current year actual results with the prior year budgeted results; • Compared the projections applied by management to historically achieved volume growth rates, margins and working capital rates;
The value-in-use calculations are sensitive to changes in future cash flows included in the model, and changes in the discount rate and long-term growth rate applied. Future cash flows are estimated based on financial budgets and approved business plans covering a five-year period. The impairment assessment of the goodwill and indefinite life intangible assets is considered to be a matter of most significance to the current year audit due to: • The significant judgement applied by management with regard to determining the key assumptions and future cash flows that are included in the value-in-use calculation, and • The magnitude of the goodwill and indefinite life intangible assets balance to the consolidated financial statements.	• Compared the long-term growth rate used by management to long-term inflation rates obtained from independent sources. The independently determined rate was incorporated into our stress testing referred above in order to assess the impact of any difference on the valuation results; • Making use of our internal valuation expertise, we independently calculated a weighted average cost of capital discount rate, taking into account independently obtained data such as the cost of debt, the risk-free rate in the relevant territories, market risk premiums, debt/equity ratios as well as the beta of comparable companies. We then compared the calculated weighted average cost of capital to the discount rate used by management. The difference in rates was included in our stress testing to assess the impact on the valuation results. The use of our independently calculated discount rates in the management assessments would not have resulted in an impairment charge.

Annual financial statements

The committee reviewed the annual financial statements for the year ended 30 September 2021 and believes that in all material aspects, they comply with the relevant provisions of IFRS and the Companies Act. The committee also reviewed the 2021 integrated annual report and recommended both to the board for approval. The board subsequently approved the annual financial statements and 2021 integrated annual report, which will be presented at the AGM, for discussion.

Going concern status

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

Internal audit

The internal audit function in South Africa is independent and has the necessary standing and authority to discharge its duties. The internal audit manager has access to and engages directly with the Audit Committee and its Chairman.

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

During the financial year under review, the committee:

- Approved the internal audit plan
- Reviewed the internal audit charter and recommended it to the board for approval
- Satisfied itself that the South African internal audit manager was competent and possessed the appropriate expertise and experience to act in this capacity
- Satisfied itself that the evaluation of the internal control procedures in the UK, Ireland, Switzerland, Sri Lanka and Poland supported the conclusion on the control environment
- Confirmed that the company's internal audit function met its objectives and that adequate procedures were in place to ensure that the group complies with its legal, regulatory and other responsibilities
- Ensured that the appropriate financial reporting procedures exist and were working, which includes all entities included in the consolidated group IFRS financial statements and ensured access to all financial information to allow effective preparation and reporting of these financial statements

The committee believes that the group's internal controls and risk management systems are effective and that the internal financial controls form a sound basis for the preparation of reliable financial statements. The board supports the committee's opinion.

Group Chief Financial Officer and finance function

The committee is satisfied that Mark Godfrey has the appropriate expertise and experience to meet the responsibilities of his appointed position as the Group CFO. His qualification and experience are available on page 99.

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

Risk management

The board has delegated the oversight of risk governance, technology and information governance and compliance governance to the Risk Committee. Andrew, the Chairman of this committee, is also a member of the Risk Committee and ensures that information relevant to the Risk Committee is transferred and shared regularly. The Risk Committee report is available on page 134.

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

Combined assurance

The combined assurance policy and framework were reviewed, and amendments approved by the board on 16 November 2021 and are being implemented. The implementation of the framework will help support the corporate governance guidelines to provide appropriate assurance and, in addition, evidence of combined assurance.

A group tax strategy and policy is in place. The group tax strategy outlines the framework by which tax obligations are met from an operational and risk management perspective and is aligned with the group's existing strategies, policies and overall purpose. The group's approach to tax is available online at https://investor-relations.spar.co.za under the investor relations section, reflecting the total tax contribution per the tax jurisdictions that the group operates in.

In addition to the key areas of focus detailed above, the committee reviewed the following during the 2021 financial year:

- Unaudited interim results report and associated reports and announcements
- Summarised information issued to shareholders
- Appropriateness of the accounting policies and financial statement disclosures
- JSE proactive monitoring of financial statements report
- Changes to the JSE Listings Requirements which pertain to the committee's responsibilities
- Adequacy of the group's banking facilities
- Monitoring of the group's bank covenants
- Company's banking facilities
- 2022 budget guidelines and assumptions
- Property lease arrangements entered into by the company
- Policies that fall under the committee's control and oversight. The group's delegation of authority policy was reviewed and recommended to the board for approval
- External auditor's audit report and key audit matters
- Internal auditor's report and key audit matters and findings
- Review of the company's dividend cover, when benchmarked against peer groups', was found to be aggressive
- Whistle-blowing and industry complaints

In addition to the regular focus areas of the committee, the following key matters have been identified as the areas of focus for the 2022 financial year:

- Adequacy of the group's banking facilities
- Monitor the company's dividend cover

Thanks go to the members of the committee for their dedicated and constructive contributions to the committee's functioning.

Andrew Waller

Andrew Waller
Chairman of the Audit Committee
25 November 2021

NOMINATIONS COMMITTEE REPORT

The Nominations Committee (the committee) presents the following report for the 2021 financial year.

COMMITTEE GOVERNANCE

Composition

Members of the committee are independent non-executive directors Harish Mehta, Phumla Mnganga and Andrew Waller, the board's lead independent director, and is chaired by non-executive director Graham O'Connor. Graham O'Connor replaced Mike Hankinson as chairman of the committee on 1 March 2021, following Mike's retirement. Andrew was appointed a member of the committee on 11 August 2021.

The following changes are noted in respect of the membership of the committee for the 2022 financial year:

- Harish Metha will retire as a member of the committee with effect from the conclusion of the 2022 AGM
- Marang Mashologu will be appointed to replace Harish as member of the committee with effect from 15 February 2022

Members' qualifications and experience are available on page 96.

Meetings

The committee met formally three times during the financial year. Members' attendance at meetings is recorded on page 104. The Group CEO attends meetings by standing invitation to make proposals and provide such information as the committee may require.

Evaluation of the committee

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

Role and responsibilities

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

THE COMMITTEE OVERSEES:

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

- The effectiveness and ultimately the performance of the board, its committees and individual members
- The evaluation of independence process

The committee is satisfied it has fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found online.

KEY FOCUS AREAS

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

The key focus areas of the committee for the reporting period under review were:

Board and committee composition

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

The following changes were made to the composition of the board and committees during the 2021 financial year:

- Mike Hankinson retired as the non-executive Chairman of the board, chairman of the Nominations Committee and member of the Remuneration Committee. He was replaced in all these roles by Graham O'Connor on 1 March 2021, following his retirement as Group CEO and approval of his appointment as a non-executive director at the 2021 AGM.
- Brett Botten, the previous Managing Director of SPAR South Rand, replaced Graham as the Group CEO of the company, member of the Risk Committee and member of the Social and Ethics Committee on 1 March 2021, following approval of his appointment as the Group CEO at the 2021 AGM.
- Andrew Waller was appointed as the lead independent director to the board with effect from 1 March 2021.
- Jane Canny was appointed as an independent non-executive director and member of the Risk Committee and Social and Ethics Committee on 1 May 2021.
- The committee rigorously assessed Jane's eligibility to act as an independent non-executive director of the board, and the board accepted the assessment results. Accordingly, the board recommends that the shareholders confirm her appointment at the 2022 AGM.

The following impending changes to the composition of the board and committees have been proposed to and approved by the board:

- Harish Mehta is due to retire as independent non-executive director and chairman of the Remuneration Committee, and member of the Audit Committee, Nominations Committee and Risk Committee, at the 2022 AGM.
- Following a formal nominations process undertaken to source a replacement for Harish on the board, the committee recommends the appointment of Sundeep Naran as an independent non-executive director with effect from and subject to approval by the shareholders at the 2022 AGM. Sundeep's credentials are set out on the last page of this report.
- Phumla Mnganga will replace Harish as chairperson of the Remuneration Committee immediately following his retirement at the 2022 AGM.
- Marang Mashologu will be appointed as a member of the Remuneration and Nominations committees effective 15 February 2022.
- Lwazi Koyana has been identified as a successor to Harish on the Audit Committee with effect from 15 February 2022 and subject to shareholder approval at the 2022 AGM.
- The committee recognises the need to appoint an additional member to the Audit Committee to strengthen the committee for the purposes of succession planning and to mitigate the risk of the membership of the committee ever falling below the statutory minimum number of members required in the event of any resignations. The appointment of Sundeep Naran as a member of the Audit Committee is therefore recommended, subject to the shareholders approving his appointment to the board as an independent non-executive director.
- The committee rigorously assessed the eligibility of Andrew, Marang, Lwazi and Sundeep to act as independent members of the Audit Committee, and the board accepted the assessment results. Accordingly, the board recommends their appointments to the shareholders for approval at the 2022 AGM.
- Sundeep Naran will be appointed as a member of the Risk Committee with effect from 15 February 2022, subject to the shareholders approving his appointment to the board.

The average age of board members is 52 years (2020: 58), and therefore succession planning will continue to be a key focus area for the board as a whole. It is always the board's intention to balance fresh perspectives from new directors with the experience and knowledge of the directors due to retire.

The average tenure of board members is seven years (2020: nine years).

Newly appointed directors receive a comprehensive induction pack including the company's MOI, board charter, committees' terms of reference, board policies and other documents relating to the company. Directors are encouraged to attend courses that provide them with the necessary training and information related to their duties, responsibilities, powers and potential liabilities, with regulatory and legislative updates provided at quarterly meetings. In addition to regular training provided by the Institute of Directors in Southern Africa (IODSA) and other professional institutions, the directors and the Executive Committee also attended an externally facilitated workshop titled Transformation: Creating an Imperative for Change.

Board diversity

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

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

Rotation of non-executive directors

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

Harish, Lwazi and Phumla are required to retire by rotation at the 2022 AGM and, being eligible, Lwazi and Phumla offer themselves for re-election.

Harish does not offer himself for re-election and will accordingly retire as an independent non-executive director of the company with effect from the conclusion of the 2022 AGM.

Phumla is a director serving on the board for longer than nine years. In accordance with the board charter, the independence and performance of Phumla was subjected to rigorous review by the committee and an externally facilitated assessment. The committee also reviewed Lwazi's independence and performance. Based on the results of these assessments, as accepted by the board, the board recommends to shareholders that Phumla and Lwazi be re-elected as independent non-executive directors of the company.

Independence

All directors have a duty to act with independence of mind and in the company's best interests. Accordingly, the board agreed that the committee will conduct annual internally facilitated independence assessments for each non-executive director who has served on the board beyond nine years. An externally facilitated independence assessment will be conducted every three years. An externally facilitated independence assessment was conducted in 2021 for Harish and Phumla, who have both served on the board for more than nine years. Although serving on the board for less than nine years, Andrew, the lead independent director, was also included in the scope of the external assessment to obtain assurance on his independence, due to the Chairman of the board being classified as non-independent.

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

Performance evaluations

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

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

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

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

Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning.

Graham O'Connor

Chairman of the Nominations Committee

15 December 2021

APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR

Sundeep Tribhovandas Naran (54)

BSc (Mathematics), (CFA®) charter

Proposed new independent non-executive director

Sundeep is a qualified Chartered Financial Analyst (CFA®) and also holds a BSc (Mathematical) degree from the University of the Witwatersrand. Sundeep had a 20-year career at RMB having served in many capacities including: senior transactor in the Mergers and Acquisitions team, co-head of the Leveraged Finance team and the head of Financial Resources Management. He was a member of the RMB executive committee. Sundeep was previously employed in the actuarial environment at the Employee Benefits division of Southern Life and Momentum. He has previously served as a non-executive director and member of the social and ethics and audit and risk committees of Primedia Holdings and Afrisam Holdings.

Sundeep is expected to bring sound financial and corporate governance skills to the board.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee (the committee) presents the following report for the 2021 financial year.

COMMITTEE GOVERNANCE

Composition

Committee members are independent non-executive directors Harish Mehta (chairman), Andrew Waller and Phumla Mnganga, and the Chairman of the board, Graham O'Connor. Mike Hankinson retired from the committee and was replaced by Graham O'Connor on 1 March 2021. Andrew Waller was appointed to the committee as an additional member on 11 August 2021.

The following changes are noted in respect of the committee for the 2022 financial year:

- Harish Mehta will retire as a member and chairman of the committee with effect from the conclusion of the 2022 AGM.
- Phumla Mnganga will replace Harish Mehta as chairperson of the committee with effect from his retirement.
- Marang Mashologu, an independent non-executive director, will be appointed as a member of the committee to replace Harish Mehta following his retirement with effect from 15 February 2022.

Members' qualifications and experience are available on page 96.

Meetings

The committee met formally three times during the financial year. Members' attendance at meetings is recorded on page 104. The Group CEO attends meetings by standing invitation to make proposals and provide such information as the committee may require.

Evaluation of the committee

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

Role and responsibilities

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

During the financial year the committee reviewed, monitored, considered, recommended and approved (where applicable):

- The company's remuneration policy and remuneration implementation report for approval by the board, each of which will be put to a non-binding vote by shareholders at the 2022 AGM.
- Annual remuneration increases for employees outside the bargaining unit. An increase of 5% (2020: 6.5%) was mandated.

- Annual remuneration increases for employees within the bargaining unit. Increases of between 7.0% and 7.5% (2020: between 7.0% and 7.5%) for the three-year deals that are ending in 2021 were mandated. Between 5.0% and 5.5% were mandated for Imports Warehouse, being the only division that negotiated in 2021.
- Executive directors' and Executive Committee members' performance, remuneration and incentives bonuses.
- The annual award of shares in terms of the group's long-term Conditional Share Plan (CSP). Details can be found on page 125.
- The fees payable to non-executive directors for approval by shareholders. Details can be found on page 127.
- Its terms of reference and annual work plan.

Key focus areas for the committee, for the 2022 financial year are:

- A complete review of executive salaries, by function and region, to ensure that these are properly aligned against industry benchmarks, and
- A review of the award computation, performance conditions and funding arrangements of the conditional share plan (CSP)

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

SECTION 1 – BACKGROUND STATEMENT

Engagement with shareholders

During the course of the year the company engaged with key shareholders on various matters, including whether they had any concerns or comments on the existing remuneration arrangements. No issues were raised on any remuneration matters. Positive endorsement was again received on the malus and clawback policy adoption.

At the 2021 AGM of the company, our 2020 remuneration report was presented and voted on in sections, namely:

- Remuneration policy – supported by 90.49% (2019: 91.52%) of the company's shareholders who voted, and
- Remuneration implementation report – supported by 82.64% (2019: 85.83%) of the company's shareholders who voted

For the 2022 AGM, the remuneration policy and the remuneration implementation report will again be tabled separately for non-binding advisory votes by shareholders. In the event that either the remuneration policy or remuneration implementation report or both are voted against by 25% or more of the voting rights exercised, the committee commits to an engagement process with the shareholders to ascertain the reason for the dissenting votes and appropriately address any legitimate and reasonable objections and concerns raised.

Changes in the remuneration policy

The fundamental policies and practices have remained unchanged this year. The committee adopted the malus and clawback policy presented in the 2020 Remuneration Committee report. Refer to page 117 for details of this policy.

The committee continued to develop a Minimum Shareholding Requirement (MSR) policy for executive directors and Executive Committee members. Further details can be found on page 123.

The committee also considered and confirmed the policy on the treatment of both variable short and long-term incentives in the event of a change of control. Any early vesting of awards because of a change of control will consider performance and the time elapsed up to the relevant date, with a consequent reduction in the size of the awards that vest.

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

My thanks go to the members of the committee for their dedication and constructive contributions to the functioning of the committee.

Harish Mehta
Chairman of the Remuneration Committee

15 December 2021

SECTION 2 – REMUNERATION POLICY

Philosophy

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

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

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

This also assists in attracting and retaining key employees.

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

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

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

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

Process to determine remuneration

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

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

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

Remuneration structure

SPAR's remuneration structure consists of both fixed and variable remuneration using the Paterson grading methodology.

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

* *The Paterson grading methodology works as follows:*

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

Fixed remuneration

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

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

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

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

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

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

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

Variable remuneration

SHORT TERM INCENTIVE (STI)

All employees participate in the STI scheme, as follows:

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

The financial component of the STI is based on:

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

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

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

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

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

Achieving these objectives will result in a bonus pay-out subject to the achievement of a minimum profit level of no less than the profit level achieved in the previous year.

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

The STI bonus is capped at 100% of annual salary for executive directors and senior executive management.

LONG TERM INCENTIVES (LTI)

The company has two LTI plans in place for key employees, senior management and executive directors: the Share Option Plan and Conditional Share Plan.

Share Option Plan (SOP)

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

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

The last options were allocated on 7 February 2014 and remaining participants have 10 years from date of issue to exercise their option rights. Based on the SOP rules, all awards under this scheme will lapse or vest by February 2024.

Options previously granted to executive directors, options exercised during the year under review and unexercised options as at 30 September 2021 are provided in the remuneration implementation report on page 128.

Conditional Share Plan (CSP)

The CSP provides a mechanism that enables the company to provide key employees the opportunity to receive shares in the company based on personal or group performance. The primary intent is to make performance-related awards under the CSP through an award of shares subject to appropriate performance conditions. An award of restricted shares may be made in exceptional circumstances to address retention risks or to compensate prospective employees for the loss of LTI awards with their existing employer.

Following the change of CEO in March 2021, and the related internal promotions and transfers, the committee made awards of retention shares to the new CEO and certain promoted senior executive in lieu of sign-on bonuses. In addition, *ad hoc* retention awards were also granted to certain senior executives of the subsidiary, Encore, in exchange for agreeing to a change in their bonus entitlements. The committee also made awards of retention shares to two new senior management engagements to compensate them for sacrificing share scheme entitlements with previous employers.

The committee, under guidance from the board, considered the risk of losing key executives and the need to maintain a strong and stable executive team. Following this review, the committee decided to again make a number of extraordinary awards of retention shares, together with the normal performance CSP shares to certain key executives. To emphasise the retention element and further strengthen the alignment with long-term shareholder interests, all restricted shares will vest in equal parts after three, four and five years following the grant date.

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

The committee continues to review its compensation practices on a regular basis and may consider, as per global and local best practice, not to reward the executive team with time-based restricted shares. The committee will also continue to seek feedback from shareholders in this regard as part of its ongoing shareholder engagement.

The CSP is differentiated from the SOP in that it has performance conditions governing the vesting of awards. In addition, whereas the SOP is generally settled by the issue of shares, the CSP is intended to be settled by a market purchase of shares and will therefore not cause dilution to shareholders.

Salient features of the CSP remain as follows:

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

PERFORMANCE CONDITIONS

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

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

Performance condition	Defined as	Detail	Threshold	On-target	Stretch	Weighting
Return on net assets (RONA)	Operating profit expressed as a percentage of the net closing asset value at the relevant year end.	The average RONA over the performance period will be compared to the targets set out herewith.	80% of the on-target.	The average RONA as per the operating budget approved by the board for each financial year in the performance period. For the 2020 award, this was set at an average of 40%.	120% of the on-target.	30%
Headline earnings per share (HEPS)	Headline earnings divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the relevant financial year. Headline earnings consist of the earnings attributable to ordinary shareholders, excluding non-trading and capital items.	Growth in HEPS will be calculated as the growth between the base year and the last year in the performance period.	Consumer price index (CPI) growth over the performance period.	HEPS growth between the operating budget approved by the board for the last year in the performance period and the base year HEPS. For the 2020 award, this was set at 30% growth.	Target plus 9% over the performance period.	50%
Total shareholder return (TSR) relative to a peer group	The TSR will be measured as the compound annual growth rate (CAGR) in the TSR index for the company and the peer companies over the performance period after holding the shares and reinvesting the dividends.	To remove vagaries in the market, the CAGR in TSR calculation is to be smoothed by using the average TSR index for the 20 business days up to and including the start of the performance period and 20 business days up to and including the end of the performance period. The peer group will constitute suitably constructed and appropriate peer companies.	80% of the on-target. The committee acknowledged the shareholder concern and retained the reduced vesting percentage at 10% for threshold for the 2020 award (as for the 2019 award). All future awards will continue to apply this vesting percentage until further review.	Weighted average TSR of peer group. The committee recognised the shareholder concern and retained the adjusted vesting percentage at 40% for on-target for the 2020 award (as for the 2019 award). All future awards will apply this vesting percentage until further review.	160% of the on-target. The committee retained the amended stretch target at 160% for the 2020 award (as for the 2019 award). Previous awards will continue to be measured at the original 120%	20%

The peer group for purposes of the TSR measurement is:

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

and remain unchanged.

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

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

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

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

The committee supports shareholding by its executive directors and believes this re-enforces shareholder alignment post the vesting of LTIs. To this end, executive directors may elect to subject their CSP shares coming up for vesting for a further agreed holding period during which time such shares cannot be disposed of. All executives have elected to further hold their shares for an additional three years.

MINIMUM SHAREHOLDING REQUIREMENT (MSR)

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

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

- Group CEO – 200% of total guaranteed package
- Other executives – 150% of total guaranteed package

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

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

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

The committee plans to finalise and introduce the policy in the 2022 financial year.

Malus and clawback policy

The committee confirmed this policy in 2020 and it was formally adopted in the current year. The salient features are:

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

The summarised trigger events for malus and clawback include:

- Employee misbehaviour, dishonesty, fraud or gross misconduct
- A material misstatement of the financial results for the performance or employment period of the award, resulting in an adjustment in the audited consolidated accounts of the company
- The assessment of any performance metric or condition (where applicable) in respect of an award that was based on error, or inaccurate or misleading information
- Any information used to determine the quantum of a cash STI or LTI scheme payment, or the number of shares subject to a LTI award was based on error, or inaccurate or misleading information
- Events or behaviour of the employee that had a significant detrimental impact on the reputation of the company or the group

Current CSP awards

PERFORMANCE CONDITIONS, TARGETS, INFORMATION AND ALLOCATIONS

The interim measures against the targets for the unvested awards issued in 2019, 2020 and 2021 are summarised in the table below.

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

Description	2018	2019	2020
Grant date	13 November 2018	12 November 2019	17 November 2020
Vesting date	14 February 2022	13 February 2023	16 February 2024
Performance period	1 October 2018 to 30 September 2021	1 October 2019 to 30 September 2022	1 October 2020 to 30 September 2023
HEPS condition			
Threshold (expected CPI growth)	12.30%	12.06%	13.92%
On-target growth (based on approved budget)	30.00%	30.00%	30.00%
Stretch growth	39.00%	39.00%	39.00%
Base year HEPS measure	1 063.2 cents	1 166.3 cents	1 326.8 cents
On-target HEPS required	1 382.2 cents	1 516.2 cents	1 724.8 cents
Management forecast based on current projections	1 190.7 cents	1 574.9 cents	1 735.3 cents
Expected HEPS growth (management forecast based on current projections)	11.99%	35.03%	30.78%
RONA condition			
Threshold (80% target)	32.00%	32.00%	32.00%
On-target RONA (average for three years)	40.00%	40.00%	40.00%
Stretch	48.00%	48.00%	48.00%
Base year RONA measure	39.09%	39.89%	39.01%
Management forecast based on current projections	38.06%	37.68%	37.13%

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

AWARDS MADE DURING 2021

On 16 February 2021, the committee awarded 346 300 performance shares (2020 grant) and 175 500 retention shares (2020 grant) to key employees, senior management and executive directors. The retention awards were higher than the prior year, but included 55 000 shares granted to promotions and new engagements discussed earlier. The vesting date of the performance shares is 16 February 2024 and the vesting dates of the retention shares are 16 February 2024, 17 February 2025 and 16 February 2026.

The performance targets for both the HEPS and RONA conditions are set out in the table above (see column headed 2020).

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

These performance shares were calculated in accordance with the targeted award level at a share price of R184.69, which was the 30-day volume weighted average price (VWAP) for the month prior to presenting the proposed awards to the committee. The corresponding figure for the 2019 grant was R194.42 and the price reduction in the current year impacted the number of awards.

Details of CSP awards to executive directors are provided in the remuneration implementation report on page 128.

AWARDS THAT VESTED DURING 2021

On 7 February 2021 the fourth tranche of CSP awards issued in November 2017 vested. The final performance conditions for the grant were measured and again externally verified by Deloitte. The results of the calculation of the actual vesting percentage were as follows:

	HEPS growth over performance period					
	Threshold	On-target	Stretch	Actual	Vesting percentage	Weighted x 50%
HEPS condition	11.63%	30.00%	39.00%	35.98%	88.27%	44.14%
	RONA growth over the performance period					
	Threshold	On-target	Stretch	Actual	Vesting percentage	Weighted x 30%
RONA condition	32.00%	40.00%	48.00%	39.33%	62.08%	18.62%
	Compound annual growth rate					
	Threshold	On-target	Stretch	Actual	Vesting percentage	Weighted x 20%
TSR condition	(10.00%)	(8.33%)	(6.66%)	6.15%	100.00%	20.00%
					Total to vest	82.76%

Of the total number of awards in effect at the measurement date, 221 902 vested, comprising 196 678 performance awards and 25 224 retention awards.

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

Retention shares of 49 676 relating to the 2017 award are still outstanding and will vest over the next two years.

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

	2021	2020	2019
HEPS growth	88.27%	26.26%	28.38%
RONA growth	62.08%	62.46%	50.80%
TSR	100.00%	100.00%	100.00%
Final vesting	82.76%	51.67%	49.43%

Executive and non-executive directors' remuneration

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

EXECUTIVE DIRECTORS' REMUNERATION

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

Details of executive directors' remuneration for the financial year are provided in the remuneration implementation report on page 128.

EXECUTIVE DIRECTORS' TERMS OF SERVICE

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

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

Details of non-executive directors' remuneration for the financial year are provided in the remuneration implementation report on page 128.

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

Non-executive remuneration increases are implemented on 1 March each year. The proposed fees for the period 1 March 2022 to 28 February 2023 are as follows:

	Current R	Proposed R	Increase %
Board			
Chairman (including his participation in all committees)	1 685 000	1 769 250	5.0%
Lead independent (including his participation in all committees)	1 300 000	1 365 000	5.0%
Member	489 000	513 450	5.0%
Audit Committee			
Chairman	274 000	328 000	19.7%
Member	132 000	158 000	19.7%
Risk Committee			
Chairperson	161 000	193 000	19.9%
Member	114 000	136 000	19.3%
Social and Ethics Committee			
Chairperson	157 000	188 000	19.7%
Member	103 000	122 000	18.4%
Remuneration Committee			
Chairperson	157 000	188 000	19.7%
Member	102 000	122 000	19.6%
Nominations Committee			
Chairman	157 000	188 000	19.7%
Member	102 000	122 000	19.6%

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

- a fee of R300 000 per annum payable to non-executive directors for their membership to the IT Steering Committee for the 12-month period from 1 March 2022 to 28 February 2023.
- a daily fee of R29 400 payable to non-executive directors for their attendance at *ad hoc* meetings of the board and board committees for the 12-month period from 1 March 2022 to 28 February 2023.

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

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

The fees for the board roles are proposed to be increased by an inflation factor in 2022

The board recognises the need to have non-executive member representation with specialised IT skills on the IT Steering Committee, for the duration of the SAP programme implementation, given the risks relating to this project. The introduction of a fee payable to non-executive directors for their membership to the IT Steering Committee is accordingly recommended for approval.

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

NON-EXECUTIVE DIRECTORS' TERMS OF SERVICE

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

SECTION 3 – REMUNERATION IMPLEMENTATION REPORT

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

Executive remuneration

The policy for executive directors' remuneration is summarised on page 126.

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

In the current year the Group CEO was awarded an increase of 5.0% in line with the group mandate and this was his salary until his retirement. In determining the salary package of the new CEO, the committee considered *inter alia*, the salary of the retiring CEO, the market trends and his experience. The basic salary of the new CEO was set at R7.5 million, compared to that of the retiring CEO of R8.6 million.

The CFO also received the mandated salary increase of 5.0%. The committee felt it appropriate to further recognise the CFO's increased responsibilities resulting from the group's expansion and the complexities inherent in the geographically expanded business. These included both the additional reporting, control and governance matters, as well as his responsibility for overall management of funding arrangements and banking relationships. The committee also recognised his success in arranging the various funding facilities for the Polish business to provide for the unbudgeted demands, while successfully co-ordinating these against the group's existing European and local banking requirements.

The committee again considered the CFO's expanded role and reconfirmed that salary adjustments awarded over the last five years were realistic against the growth, complexity and increased demands of the international business. The committee felt that the CFO's leadership and overall contribution to the wider business warranted a further salary adjustment in the current year, above the mandate. An additional increase of 7.8% in basic salary was awarded in December 2020. The CFO's revised basic salary is considered appropriate for his performance against the substantially increased role and responsibilities.

R'000	Basic salary	Performance-related bonus[1]	Retirement funding contributions	Travel allowance and other benefits[2]	Share option gains	Total
Emoluments						
2021						
Executive directors						
GO O'Connor**	**3 563**	**–**	**413**	**403**	**4 052**	**8 431**
BW Botten**	**4 375**	**1 029**	**512**	**1 245**	**–**	**7 161**
MW Godfrey	**5 928**	**1 359**	**695**	**1 091**	**4 899**	**13 972**
Total emoluments	**13 866**	**2 388**	**1 620**	**2 739**	**8 951**	**29 564**
2020						
Executive directors						
GO O'Connor	8 145	7 820	944	506	–	17 415
WA Hook*	1 136	–	137	1 116	10 732	13 121
R Venter*	531	–	65	572	4 862	6 030
MW Godfrey	5 217	5 010	614	545	–	11 386
Total emoluments	15 029	12 830	1 760	2 739	15 594	47 952

* *W Hook and R Venter retired during the first quarter of the 2020 financial year.*

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

[1] *The performance-related bonuses relate to amounts earned in the current year. No performance bonus was paid to Graham O'Connor as he retired during the financial year. These bonuses only accrue on the last day of the financial year and no pro rata payment is made.*

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

Executive STIs

The STI policy is summarised on page 119.

For executive directors, the breakdown of the targets, relative bonus caps as a percentage of annual salary and the average payout for the 2021 financial year, were as follows:

	Bonus cap (% of annual salary)	Executive directors' average performance achievement %
Group financial results	**75**	**10.00**
Transformation targets	**10**	**70.30**
Key performance	**15**	**58.00**
Total	**100**	**23.23**

	Maximum bonus achievable (% of salary)	Actual bonus (% of salary)	Actual bonus R'000
Director			
BW Botten	**100.00**	**23.53**	**1 029**
MW Godfrey	**100.00**	**22.93**	**1 359**
Average achievement		**23.23**	

PERFORMANCE BONUS SCORECARD

Performance measure	Weighting (as a % of total annual bonus opportunity)	Achieved as a % of maximum: Threshold	On-target	Stretch	Actual achievement	Payout (as a % of total annual bonus opportunity)
Group financial Profit after tax, adjusted for exceptionals	75%	15.00% R2.11 billion	80.00% R2.82 billion	100.00% R2.90 billion	R2.23 billion	10.00%
Strategic scorecard Transformation objectives	10%					
Employment equity management appointments	5%		50% of all management positions filled		12/23	3.33%
Enterprise development – store ownership	5%		Weighted points awarded or stores owned by equity groups, with bonus points if stretch exceeded		20.5/30	3.70%
Other measures Personal objectives	15%				**Average**	8.70%

PROFIT AFTER TAX, ADJUSTED FOR EXCEPTIONALS

In 2021 financial year, profit after tax increased by 12.9% to R2.21 billion, despite being negatively impacted by further losses in the Polish business, but the profit performance did benefit from certain financial liability measurement adjustments in the prior year.

Management has consistently adjusted for these financial measurements and reported a normalised profit after tax to provide meaningful comparisons. As the remaining minority interests in both the Irish and Swiss businesses were purchased during the course of the current year, these measurement adjustments were not material to the current financial result. In the previous year, the board had agreed in advance that the performance of the Polish business would be excluded from the profit measurement for incentive purposes. No such adjustment was considered for the current year, and the incentive target was based on the group budgeted profit, including the expected Polish result. The Threshold profit measure for the current year was not adjusted for the Polish loss reported in the previous year to achieve appropriate comparability. The 2021 reported profit after tax, adjusted for the agreed extraordinary items, for incentive measurement was R2.23 billion. This achieved the Threshold of R2.11 billion and resulted in the lowest financial score of 10% on the financial matrix.

EMPLOYMENT EQUITY MANAGEMENT APPOINTMENTS

To achieve the group transformation objectives, management has been challenged to fill at least 50% of all available management positions (graded DL to EU) with equity candidates. During the year 23 positions were identified at the group's head office and 12 of these were successfully filled with designated managers. Despite this being more than 50% of the total positions filled, the measurement also considers each of the grade bands, i.e. DL, DU and E, and, as the required E appointments were not achieved, only two-thirds of the available score were earned.

ENTERPRISE DEVELOPMENT – STORE OWNERSHIP

Management has strategically focused on developing equity ownership within the South African retail formats. This objective awards points on a weighted format basis to all stores owned by designated groups. This has been another satisfying result as reported ownership increased to 411 (2020: 399) stores across all retail formats, an increase of 3.0% in the year, despite losing a number of black-owned stores during the civil unrest in July that remained closed at year end.

PERSONAL OBJECTIVES

The executive directors' personal objectives are fundamentally set to drive strategic initiatives. Each agrees a minimum of three personal objectives with the committee. These are generally equally weighted but may be adjusted to recognise more significant matters. No adjustments were made during the course of the year to the personal objectives of the executive directors in 2021. The broad objectives and achievements of executive directors in the 2021 financial year were:

BW Botten	Achievement (Opportunity)
Ensure the SAP Implementation Plan proceeds as designed and the Steering Committee provides the necessary leadership and oversight	26.67% (26.67%)
The Swiss business to deliver budgeted profit before tax for 2021	20% (20%)
The Polish business to deliver budgeted operating loss reflecting a 50% improvement on the 2020 performance	0% (26.67%)
SPAR South Africa – ensure the budgeted profit before tax for 2021 is achieved	13.33% (26.66%)
	Score achieved 60% (100.0%)

MW Godfrey	Achievement (Opportunity)
Finalise minority exit arrangements in both Irish and Swiss businesses, and arrange necessary facilities to fund both.	40% (40%)
Polish acquisition – (a) facilitate additional funding requirements to meet operational demands	16% (20%)
– (b) drive business profitability through technical and operational support to achieve budgeted result	0% (20%)
SPAR South Africa – drive group profitability to achieve operational margin of 3.1%	0% (20%)
	Score achieved 56% (100.0%)

Executive LTIs

Graham O'Connor, as the retiring CEO, is regarded as a good leaver for purposes of all LTI awards held and he will be entitled to action these in accordance with the relevant scheme rules.

SOP

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

Options held over shares in the company

	Date of option issue	Option price R	Number of options held 2021	2020
Executive directors				
GO O'Connor*	07/02/2014	124.22	–	50 000
Total			–	50 000
BW Botten	12/11/2013	126.43	**10 000**	10 000
Total			**10 000**	10 000
MW Godfrey	08/12/2010	99.91	–	25 000
	08/11/2011	96.46	**35 000**	35 000
	13/11/2012	122.81	**30 000**	30 000
	12/11/2013	126.43	**30 000**	30 000
Total			**95 000**	120 000
Total options held by directors			**105 000**	180 000

* *GO O'Connor retired as CEO in February 2021. In accordance with the SOP Rules he is allowed to continue to hold his existing options and to deal in these before their expiry date.*

Options exercised

	Date of options exercised	Number of options exercised	Option price R	Market price on exercise R	Gain R'000
MW Godfrey	09/12/2020	25 000	99.91	191.55	2 291
					2 291

CSP

The CSP is summarised on page 125.

Details of unvested CSP awards held by directors

	Award date	Share price on date of grant R	Number of shares 2021	2020
Executive directors				
GO O'Connor*				
	07/02/2018		–	30 700
	12/02/2019		–	33 100
	11/02/2020		–	45 100
Total			–	108 900
BW Botten	07/02/2018	170.70	**3 334**	13 000
	12/02/2019	175.20	**13 900**	13 900
	11/02/2020	198.01	**16 600**	16 600
	16/02/2021	181.15	**30 500**[1]	–
Total			**64 334**	43 500
MW Godfrey				
	07/02/2018	170.70	**4 667**	17 500
	12/02/2019	175.20	**20 800**	20 800
	11/02/2020	198.01	**20 800**	20 800
	16/02/2021	181.15	**30 000**[2]	–
Total			**76 267**	59 100
Total directors' interest in the CSP			**140 601**	211 500

[1] *Awarded in 2021: 10 500 performance shares and 20 000 retention shares.*
[2] *Awarded in 2021: 30 000 performance shares.*
* *GO O'Connor retired as the CEO in February 2021 and was appointed as non-executive chairman of the board on 1 March 2021.*

CSP gains

	Date vested	Gain R'000
GO O'Connor	**23/02/2021**	**4 052**
MW Godfrey	**31/03/2021**	**2 608**
		6 660

DETAILS OF VESTED AWARD SHARES HELD BY DIRECTORS

In line with the committee's view that senior executives should be exposed to the share price post the vesting of their LTIs, the following executives elected to subject their CSP shares to a further agreed upon holding period of three years. On retirement, and in accordance with the provisions of the MSR policy, Graham O'Connor terminated his extended holding period and was authorised to trade in the shares.

	Award date	Total number granted	% vested	Total vested
2021				
BW Botten	**07/02/2018**	**8 000**	**82.76%**	**6 620**
	07/02/2018	**5 000**	**33.33%**	**1 666**
MW Godfrey	**07/02/2018**	**10 500**	**82.76%**	**8 689**
	07/02/2018	**7 000**	**33.33%**	**2 333**
2020				
MW Godfrey	07/02/2017	9 000	51.67	4 650

Non-executive directors' remuneration

The policy for non-executive directors' fees is summarised on page 127.

R'000	2021	2020
Fees for services as non-executive directors		
MJ Hankinson	**675**	1 532
GC O'Connor (Chairman)[b]	**1 566**	–
JA Canny[cd]	**295**	–
M Mashologu[ac]	**770**	681
HK Mehta[abc]	**979**	918
P Mnganga[bd]	**837**	791
CF Wells	**–**	371
AG Waller[abc]	**1 110**	761
LM Koyana[cd]	**695**	641
Total fees	**6 927**	5 695

[a] *Member of Audit Committee.*
[b] *Member of Remuneration and Nominations committees.*
[c] *Member of Risk Committee.*
[d] *Member of Social and Ethics Committee.*

Mike Hankinson retired as Chairman in February 2021 and was replaced by Graham O'Connor on 1 March 2021. Included in the 2021 amount paid to Graham O'Connor are fees of R583 333 for other services.

Andrew Waller was appointed as lead independent director effective 1 March 2021.

Jane Canny was appointed as non-executive director on 1 May 2021.

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

Number of shares	2021	2020
Directors' interests in the share capital of the company		
Executive directors		
BW Botten*– direct beneficial holding	**10 556**	–
MW Godfrey – direct beneficial holding	**34 639**	23 617
Non-executive directors		
GO O'Connor* – direct beneficial holding	**81 642**	61 178
MJ Hankinson** – held by associates	**–**	2 800
HK Mehta – direct beneficial holding	**2 000**	2 000
HK Mehta – indirect beneficial holding	**9 000**	9 000
AG Waller – direct beneficial	**3 200**	3 200

* *GO O'Connor retired as CEO in February 2021 and was replaced by BW Botten on 1 March 2021.*
** *MJ Hankinson retired as Chairman of the board in February 2021 and was replaced by GO O'Connor on 1 March 2021.*

As at the date of this report the directors' interests in the share capital of the company remain unchanged.

Indication of executive directors' shareholding against the proposed target MSR

BW Botten	
Direct beneficial holding	**10 556 shares**
Market value at 30 September 2021	**R2 073 410**
As a percentage of 2021 guaranteed basic salary	**47%**
Target for Group CEO	**200%**

MW Godfrey	
Direct beneficial holding	**34 639 shares**
Market value at 30 September 2021	**R6 803 792**
As a percentage of 2021 guaranteed basic salary	**115%**
Target for executive directors	**150%**

Declaration of disclosure

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

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

Other than that disclosed above and in note 36 to the annual financial statements, no consideration was paid to or by any third party, or by the company itself, in respect of the services of the company's directors, as directors of the company, during the year ended 30 September 2021.

RISK COMMITTEE REPORT

COMMITTEE GOVERNANCE

Composition

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

The following changes to the membership of the committee were implemented for the financial year:

- Graham O'Connor retired as a member of the committee in February 2021 and was replaced by Brett Botten as a member of the committee on 1 March 2021, following his appointment as Group CEO
- Jane was appointed as a member of the committee on 1 May 2021

Members' qualifications and experience are available on pages 96 to 99.

Harish will be retiring at the 2022 AGM and will be replaced as a member of the committee by Sundeep Naran (subject to the shareholders approving his appointment to the board).

Meetings

The committee met formally twice during the financial year. Permanent invitees at committee meetings are the Group Risk and Sustainability Executive, the Group Logistics Executive, the Group IT Executive, the Group Internal Audit Manager, the external auditor and the Company Secretary (who also acts as the secretary of the committee). Members' attendance at meetings is recorded on page 104.

Evaluation of the committee

The committee's effectiveness is assessed by way of a self-assessment evaluation review every two years and was undertaken again in 2021, with the committee being satisfied with the outcome of the assessment.

Role and responsibilities

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

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

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

- Audit Committee
- Social and Ethics Committee

The committee is satisfied it fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found online.

KEY FOCUS AREAS

Risk governance

Kevin O'Brien is the Group Risk and Sustainability Executive and is responsible, together with executive management, for the implementation and execution of the risk management process.

An enterprise risk management (ERM) policy and framework are in place and were reviewed during the financial year. In keeping with the King IV recommendation of providing a combined assurance policy and framework, the committee considered and approved such a policy and framework at its August 2021 meeting. An interim Combined Assurance Forum was established and completed its work of documenting the combined assurance plan. This plan will be submitted to the Audit Committee for approval at its November 2021 meeting along with the terms of reference for the Combined Assurance Forum.

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

During the financial year, the risk team continued to provide leadership to the company on dealing effectively and impactfully with the COVID-19 pandemic.

During the 2021 financial year, the risk function reported progress on the following focus areas identified in the 2020 integrated annual report:

- Reviewed the ERM framework and policy and the combined assurance framework and policy in light of new strategic risks and corresponding operational risks agreed and rated prior to the end of September 2021
- Finalised risk management plans, key performance indicators (KPIs) and key risk indicators (KRIs) identified in terms of the new strategic and corresponding operational risks
- Finalised the combined assurance framework and the Combined Assurance Forum terms of reference. These were signed off by the Audit Committee in November 2021.
- Commenced the rollout of ERM software into all distribution centres, thereby creating a fully integrated system to monitor risk mitigation and performance against KRIs and KPIs
- Reviewed and implemented changes to crisis management plans and business continuity plans across the business
- Achieved an overall maturity rating of 'Managed'* by the end of the 2021 financial year end

Focus areas for the 2022 financial year are:

- Review strategic and operational risk registers and corresponding KRIs and action plans
- Complete reporting dash boards for KRIs
- Complete rollout of ERM software
- Commence ERM engagements through the value chain
- Integrate KRIs into individual performance measures

IT governance

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

The aim is to create a highly integrated end-to-end value chain for the SPAR group across six solutions areas:

1. Global SAP solution – a fundamental imperative for our business
2. Data and analytics – evolve our data strategy to be proactive and agile
3. Digital technologies – invest in solutions to drive and support business growth
4. IT capabilities – build and leverage skills to create an agile IT operating model
5. Governance – continuously improving the governance and management of IT is essential
6. Retail – unlock growth by building retail solutions that focus on the customer

* *Risk maturity rating levels: 1. Initial; 2. Repeatable; 3. Defined; 4. Managed; and 5. Optimised.*

The IT strategy continues to evolve in line with global shifts and SPAR's strategic initiatives and risks. Six strategic goals have been identified to achieve our vision to 'Unlock value (existing and future) for the SPAR business and retailers', as depicted in our transformation framework.

Global context					Internal context				
Retail trends	Data and technology trends	Cyber security	Socio-eco political consumer shifts	Resilience as we await a post-COVID-19 world	International growth	Siloed teams	Indecisive strategies	Disparate architectures	Slow cadence of delivery

SPAR Group Information Systems (SGIS) vision
Unlock value (existing and future) for the SPAR business and retailers

Key shifts in progress

Consumer digital connection	Global standard processes and platform	Cloud, data and analytics revolution	Capability renewal and structure realignment	Technology and innovation leadership

Strategic goals aligned to the group

IT goals are aligned to the six solution areas and have also been linked to the group strategy strategic outcomes:

Put consumers at our heart	Build our brand in hearts and minds	Drive our future voluntary trading model	Embed diversity and transformation	Provide affordable and nutritious food	Grow and inspire our people

SGIS strategic goals	Strategic outcome: Sustainable stakeholder value	Strategic outcome: Loved and respected as a brand	Strategic outcome: Affordable and nutritious food	Strategic focus areas
Goal 1: Deliver the SAP programme via an effective deployment strategy and ensure global business adoption	Primary outcome	Secondary outcome	Secondary outcome	
Goal 2: Enable deeper consumer, business and retail insights that support decision-making and illuminate opportunity	Primary outcome	Secondary outcome	Secondary outcome	
Goal 3: Provide leading 'business-prioritised' suites of services and innovative solutions that create value for now and for the future	Primary outcome	Secondary outcome	Secondary outcome	
Goal 4: Invest in and renew core IT capabilities that enable business sustainability and partnering	Primary outcome	Primary outcome	Secondary outcome	
Goal 5: Create an IT governance framework and environment that facilitates security, compliance, risk mitigation and cost optimisation	Primary outcome	Secondary outcome	Secondary outcome	
Goal 6: Implement digital retail solutions to facilitate multichannel e-commerce including mobile, and transform customer engagement	Secondary outcome	Primary outcome	Secondary outcome	

Departmental objectives were also defined for each goal to achieve the goal and specific timebound key results areas.

The following table depicts the IT achievements against the six goals in 2021, and the focus areas for 2022.

Goal	2021 achievements	2022 focus areas
Goal 1: Deliver the SAP programme via an effective deployment strategy and ensure global business adoption	• The modernisation version of SAP was successfully rolled out to North Rand distribution centre as planned, despite COVID-19 requiring remote training sessions • SPAR successfully exited the explore (design) phase of the SAP Ukhozi programme and entered the realisation (build) phase	• 2022 will be an extremely busy year for the programme as it gears up for the pilot site to go live
Goal 2: Enable deeper consumer, business and retail insights that support decision-making and illuminate opportunity	• Commenced developing a data strategy and data governance framework • Identified data migration and cleansing requirements for the SAP programme	• Continue using the SAP platform to simplify, consolidate and integrate our current diverse data structures • Establish a business governance body for business interruption • Establish a group master data model • Building deep customer insights capability

Goal	2021 achievements	2022 focus areas
Goal 3: Provide leading 'business-prioritised' suites of services and innovative solutions that create value for now and for the future	• Delivered infrastructure designs for the SAP programme • Delivered the SPAR digital platform to our retailers • Established business continuity measures during the civil unrest. The local riots in KwaZulu-Natal and Gauteng had a significant impact on store trading and the IT department's capability to restore services rapidly and plan for similar disasters	• Create group technical architecture design • Lessons learnt will be included in disaster recovery plans
Goal 4: Invest in and renew core IT capabilities that enable business sustainability and partnering	• Established a finance and risk team • Established a data and business intelligence team • Appointed a Digital Retail Solutions lead • Developed PMO team • Established customer services support team	• Build cross-functional teams and competencies across regions • Establish a capability pipeline for the SGIS team
Goal 5: Create an IT governance framework and environment that facilitates security, compliance, risk mitigation and cost optimisation	• PCI level 1 compliance was achieved for The SPAR Group Ltd in June 2021 • The SPAR security operations centre has continued to detect various cyber attacks, including ransomware. These were rapidly contained, with little to no impact on the business. We have continued to test and improve security systems over the year. The SAP infrastructure has specifically been built with security in mind. We have recognised the increase in media attention on ransomware attacks and the associated damage to business due to these attacks • Developed and piloted demand management processes to ensure business participation in decision-making	• The security programme continues to mature in addressing technology and information governance. Data privacy compliance and the NIST Cybersecurity Framework will remain key focus areas • We are improving visibility in cyber defences around ransomware attack vendors and recovery processes. A few modern security capabilities are in the process of being rolled out to our independent retailers to improve our security posture further at store level • Roll out demand management processes to the group • Establish an overall Project Management Office model for the group
Goal 6: Implement digital retail solutions to facilitate multichannel e-commerce, including mobile, and transform customer engagement	• Implemented a short-term online shopping solution to meet consumer demand during COVID-19 • Commenced integration and conversion requirements between current systems to SAP	• Implement an online shopping solution that meets the needs of our retailers and fits in with the omnichannel strategy of the business • Select a point-of-sale solution • Transformation of customer engagement • Begin collecting and building customer data models for online and digital consumption

Compliance governance

Kevin O'Brien is the Acting Company Secretary and is responsible, together with executive management, for implementing and executing effective compliance management. An ethics and compliance framework and policy are in the process of being approved by the board to ensure compliance with legislative and regulatory requirements. A formally integrated management software solution has been successfully tested and is being rolled out to the distribution centres to better assist management with monitoring compliance throughout the group.

During 2021, major focus was placed on the following initiatives:

- Personal Information Act, No. 4 of 2013 (POPIA) compliance – achieving an acceptable level of compliance before the effective date of 1 July 2021. SPAR engaged the services of LessRisk consultants to advise us in this work. The scope of this project included:
  - Central office and distribution centres
  - Build it, Pharmacy at SPAR, Encore and S Buys
  - Corporate stores
  - Providing guidance to independent retailers
  - Implementing People Change Management initiatives across the group to ensure that information security becomes an ongoing concern as opposed to a one time project
  - In turn, creating a privacy-by-design model to govern information security practices and issues within the organisation going forward
  - Development of an information access and request system that fulfils the organisation's responsibilities in terms of both the Promotion of Access to Information Act, No. 2 of 2002, as well as POPIA
  - Working with third-party suppliers and service providers to ensure that they would ensure the personal information we entrusted to them was treated with due respect and safeguarded
  - Implementing appropriate, reasonable technical and organisational measures to prevent:
    - Loss of, damage to or unauthorised destruction of personal information
    - Unlawful access to or processing of personal information
- Payment Card Industry Data Security Standard (PCI-DSS) certification – SGIS ensured SPAR is compliant in PCI-DSS, which refers to the Level 1 PCI-DSS certification standard. All retailers who process credit cards in South Africa are required by the Payment Association of South Africa (PASA) to obtain PCI certification from the industry. Their processing methods comply with the standards specified by the PCI Security Council. Furthermore, PASA has requested the acquiring banks to require the merchants they acquire on behalf of to obtain this annual certification. In July 2021, SPAR completed the first PCI Assessment of its corporate stores, and was awarded a report on compliance as a Level 1 merchant. We are proud of this achievement, and now plan to embark on a process where we guide the independent retailers to achieve their own individual PCI compliance certifications. This affords our customers the confidence that their payment mechanisms at SPAR are managed to the high levels of security and processing standards as prescribed by the PCI Council, thus reducing the risk of their payment mechanisms being compromised while shopping with SPAR.

Focus areas for the 2022 financial year will be to:

- Align all compliance areas of responsibility under one management area, with dotted lines from functions such as SGIS and food safety
- Work to publicise the ethics and compliance framework and policy with leadership, management and SPAR employees
- Align the compliance software with internal audit to make audits of compliance work more streamlined

In addition to the key focus areas detailed above, the committee received feedback from management on the group's insurance and operational risk matters (logistic risks, human resource risks, food safety risks, climate change risks and financial risks).

Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning.

Marang Mashologu

Chairperson of the Risk Committee

15 December 2021

Strategic risks and opportunities can be found on page 62.

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee (the committee) presents the following report to shareholders for the 2021 financial year, in accordance with the requirements of the Companies Act.

COMMITTEE GOVERNANCE

Composition

Members of the committee are independent non-executive directors Phumla Mnganga (chairperson), Jane Canny and Lwazi Koyana, and executive director Brett Botten.

The following changes to the membership of the committee were implemented during the 2021 financial year:

- Graham O'Connor retired as a member of the committee in February 2021 and was replaced by Brett Botten as a member of the committee on 1 March 2021, following his appointment as Group CEO
- Jane Canny was appointed a member of the committee on 1 May 2021

Members' qualifications and experience are available on pages 96 to 99.

Meetings

The committee met formally twice during the financial year. Permanent invitees at meetings are the Chairman of the board, the Group Risk and Sustainability Executive, the Group Human Resources Executive and the Company Secretary (who acts as the committee's secretary). Members' attendance at meetings is recorded on page 104.

Evaluation of the committee

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

Role and responsibilities

The committee's role and responsibilities are governed by its terms of reference as reviewed and approved annually by the board. The board allocated oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships to the committee.

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

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

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

The committee is satisfied it fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found online.

KEY FOCUS AREAS

Policy review

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

- Sustainability policy
- Energy policy
- Sustainable procurement policy
- Sustainable seafood procurement policy
- Packaging policy
- Food loss waste, and surplus policy and procedure
- Water policy
- Supplier Code of Conduct

Going into the 2022 financial year, the committee will continue to review the various policies dealing with ethics, social and economic development, good corporate citizenship and sustainable development, and it continues to oversee the implementation of a formal corporate compliance programme to monitor the company's activities in this regard.

Organisational ethics

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

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

During the financial year, 20 reports (2019: 13) were received from Tip-offs Anonymous. All reports were investigated, and of the 20 reports received, four were in respect of independently owned SPAR stores and referred to the respective retailers for further investigation. Out of the 16 related to the company, one investigation is still in progress, three led to disciplinary action against the employees concerned and the remaining reports were found to be untrue.

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

An Ethical Culture Assessment was performed during October 2021 by The Ethics Institute (TEI), and the results were presented to the committee at its meeting in November 2021, which had improved in comparison to the assessment conducted in 2018. Management has undertaken to implement further improvements to the ethics management programme as recommended by the TEI.

Corporate citizenship

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

- B-BBEE – The company was granted a level six contributor rating under the new generic codes for the 2019/2020 year. This certificate expired in December 2021. Following the completion of an audit in December 2021, the company was awarded a level seven contributor rating for the 2020/2021 year.
- YES programme – The commencement of our new YES programme was postponed due to the civil unrest experienced in July 2021 in the participating stores. It will now be an area of focus for the 2022 financial year.
- Trade union activity – The unionised divisions are: South Rand (SACCAWU & Thorn), North Rand (SACCAWU & Thorn), KwaZulu-Natal (SACCAWU & Thorn), Build it imports (SACCAWU).
- Staff development programmes, ranging from learnerships to programmes for graduates.
- A culture survey was concluded, and feedback was given to all divisions and central office. Action plans on the areas identified as requiring improvement have been documented and will be implemented in 2022.
- CSI – CSI contributions for the 2021 financial year were R23.0 million (2020: R23.5 million). In addition to the projects we normally support, communities affected by COVID-19 and civil unrest were also supported.
- SPAR's CDP climate change, water and forests reports were submitted timeously in 2021.

- SPAR's rural hub progress reports were given at each committee meeting.
- Sustainability initiatives undertaken by SPAR, such as climate resilience, packaging, food waste, nutrition and wellness.
- COVID-19 implications for employees, retailers and consumers – Health and safety of employees, retailers and consumers continue to be managed under COVID-19 regulations. Human resources ensures that relevant and up to date information is communicated at regular intervals, covering COVID-19 statistics; remote working requirements and arrangements; motivational messages to staff and support mechanisms in place; and arrangements regarding vaccination. During the 2021 financial year, SPAR sites were utilised as vaccine sites as part of the Department of Health's plan to fast track its vaccine rollout programme, which was a resounding success.
- Civil unrest implication on employees, retailers and consumers – We have partnered with LifeLine to assist those employees who suffered trauma due to the unrest. To alleviate food security issues, food hampers were transported from Cape Town to KwaZulu-Natal for distribution at the distribution centre and central office. Regular engagements are held with staff to improve morale and prevent racial tension in the workplace. Additional security was employed to protect the distribution centres and central office, and escort the trucks delivering to stores. Through a collective effort, we have managed to get the majority of stores affected by the civil unrest operational again, to prevent job losses and minimise the impact on the consumers of these stores.

Detailed feedback on a number of the abovementioned matters can be found in our environmental and social supplementary report online.

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

Stakeholder relationships

The committee has oversight of stakeholder engagement and monitors a stakeholder-inclusive model throughout SPAR. Going into the 2022 financial year, a focus area for the committee will be to ensure a policy and framework governing the management of stakeholder relationships are designed and implemented.

SPAR continues to:

- Engage with suppliers to form strategic alignments where possible
- Collaborate with government and industry bodies to address various sustainable development issues

In addition to the key focus areas above, the committee considered the sustainability content included online and recommended it to the board for approval. The committee is required to report through one of its members to the company's shareholders on the matters within its mandate at the company.

During the course of the year, a group of retailers, predominantly from the South Rand division, raised concerns relating to allegations of discrimination, fraud and/or unethical behaviour in relation to their business relationship with SPAR.

An external investigation into the allegations was commissioned by the Board and was conducted by a reputable firm of attorneys and an external audit company. The external investigation resulted in a comprehensive report. In general, it found no substance to the allegations but did highlight some internal business-related practices which needed to be reviewed. A comprehensive action plan has been formulated by management and approved by the Board.

The AGM will be held on Tuesday, 15 February 2022. Any specific questions relating to the report may be sent to the Company Secretary before the meeting.

Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning.

P Mnganga

Phumla Mnganga
Chairperson of the Social and Ethics Committee

15 December 2021

ANALYSIS OF ORDINARY SHAREHOLDERS

Rmillion	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	18 619	78.13	5 090 415	2.64
1 001 – 10 000	3 991	16.75	12 086 468	6.28
10 001 – 100 000	950	3.99	30 305 987	15.74
100 001 – 1 000 000	245	1.03	66 265 282	34.41
Over 1 000 000	25	0.10	78 854 203	40.94
Total	23 830	100.00	192 602 355	100.00
Distribution of shareholders				
Assurance Companies	124	0.52	5 528 218	2.87
Close Corporations	172	0.72	233 813	0.12
Collective Investment Schemes	721	3.03	68 788 167	35.72
Control Accounts	1	0.00	703	0.00
Custodians	113	0.47	3 711 532	1.93
Foundations & Charitable Funds	237	0.99	1 370 726	0.71
Hedge Funds	5	0.02	477 977	0.25
Insurance Companies	27	0.11	1 117 844	0.58
Investment Partnerships	80	0.34	245 369	0.13
Managed Funds	195	0.82	9 987 423	5.19
Medical Aid Funds	35	0.15	614 572	0.32
Organs of State	14	0.06	38 398 073	19.94
Private Companies	650	2.73	2 387 447	1.24
Public Companies	36	0.15	1 320 758	0.69
Public Entities	4	0.02	46 369	0.02
Retail Shareholders	16 990	71.30	10 367 468	5.38
Retirement Benefit Funds	794	3.33	24 583 826	12.76
Scrip Lending	18	0.08	4 229 135	2.20
Share Schemes	1	0.00	32 289	0.02
Sovereign Funds	21	0.09	8 715 131	4.52
Stockbrokers & Nominees	36	0.15	3 288 552	1.71
Treasury	1	0.00	105 551	0.05
Trusts	3 552	14.91	7 050 626	3.66
Unclaimed Scrip	3	0.01	786	0.00
Total	23 830	100.00	192 602 355	100.00
Shareholder type				
Non-public shareholders	22	0.09	38 676 950	20.08
Directors and Associates	6	0.03	141 037	0.07
Government Employees Pension Fund > 10%	14	0.06	38 398 073	19.94
Share Schemes	1	0.00	32 289	0.02
Treasury	1	0.00	105 551	0.05
Public Shareholders	23 808	99.91	153 925 405	79.92
Total	23 830	100.00	192 602 355	100.00

Rmillion	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Fund managers with a holding greater than 3% of the issued shares				
Coronation Fund Managers			33 412 691	17.35
Public Investment Corporation			28 598 936	14.85
Foord Asset Management			9 053 079	4.70
Vanguard Investment Management			7 425 778	3.86
BlackRock			7 327 413	3.80
Total			85 817 897	44.56
Beneficial shareholders with a holding greater than 3% of the issued shares				
Government Employees Pension Fund			37 356 562	19.40
Coronation Fund Managers			14 765 387	7.67
Vanguard			7 383 110	3.83
Total			59 505 059	30.90
Total number of shareholdings	23 830			
Total number of shares in issue	192 602 355			
Share price performance				
Opening Price 01 October 2020	R192.14			
Closing Price 30 September 2021	R196.42			
Closing High for period	R211.59			
Closing Low for period	R171.99			
Number of shares in issue	192 602 355			
Volume traded during period	181 753 516			
Ratio of volume traded to shares issued (%)	94.37%			
Rand value traded during the period	R34 780 494 714			
Price/earnings ratio as at 30 September 2021	14.57			
Earnings yield as at 30 September 2021	6.86			
Dividend yield as at 30 September 2021	3.85			
Market capitalisation at 30 September 2021	R37 830 954 569			

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to shareholders that the annual general meeting (AGM) of The SPAR Group Ltd (the company) is scheduled to be held via electronic medium and in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa, on Tuesday, 15 February 2022 at 09:00 to consider and, if deemed appropriate, approve with or without modification, the ordinary and special resolutions as set out in this notice of AGM (notice) and deal with such other business as may lawfully be dealt with at the AGM.

In light of the COVID-19 pandemic and preventative measures required to be adhered to relating to the pandemic as issued by the South African government from time to time, the company has determined that a hybrid AGM will take place allowing investors to participate by either electronic communication or in person at the company's registered office. Accordingly, the AGM will also be accessible through electronic communication, as permitted by the JSE Limited and in accordance with the provisions of the Companies Act (the Act) and the company's MOI and any reference in this notice to 'present in person or represented by proxy' shall also include a reference to a person who is present in person (or able to participate in the AGM by electronic communication) or represented by proxy (which proxy is present in person or able to participate in the AGM by electronic communication).

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

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

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

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

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

ORDINARY BUSINESS

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

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

Presentation of the annual financial statements

To present the annual financial statements for the year ended 30 September 2021, incorporating the directors' report, Audit Committee report and independent auditor's report, in accordance with section 61 of the Act.

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

The company's annual financial statements are available on the company's website at http://investor-relations.spar.co.za, and the report of the Social and Ethics Committee is set out on pages 140 to 142 of the integrated annual report of the company.

Ordinary resolution number 1 – Appointment of independent non-executive director

"Resolved that Sundeep Naran is hereby appointed as an independent non-executive director of the board effective 15 February 2022."

The Nominations Committee conducted an assessment of the eligibility of Sundeep Naran as a member of the board of directors (board), and the board accepted the results of the assessment. Accordingly, the board recommends his appointment to shareholders.

Sundeep's brief *curriculum vitae* can be found on page 114 of the integrated annual report, of which this notice forms part.

Ordinary resolution number 2 – Confirmation of appointment of independent non-executive director

"Resolved that the appointment of Jane Canny effective 1 May 2021, be and is hereby confirmed."

The Nominations Committee conducted an assessment of the eligibility of Jane Canny as a member of the board, and the board accepted the results of the assessment. Accordingly, the board recommends that the shareholders confirm her appointment.

Jane's brief *curriculum vitae* can be found on page 98 of the integrated annual report, of which this notice forms part.

Ordinary resolution number 3 – Re-election of non-executive directors retiring by rotation

It is recorded

- That Harish Mehta, Phumla Mnganga and Lwazi Koyana retire as independent non-executive directors of the company in terms of the company's Memorandum of Incorporation (MOI)
- That Harish, although being eligible, does not offer himself for re-election and will retire as an independent non-executive director with effect from the conclusion of the AGM
- That Phumla and Lwazi, being eligible, offer themselves for re-election

"Resolved, each by way of a separate vote, that Phumla Mnganga and Lwazi Koyana are hereby re-elected as independent non-executive directors of the company."

The Nominations Committee conducted an assessment of the performance and independence of Phumla and Lwazi, and the board accepted the results of the assessment. In addition, Phumla's independence was confirmed in terms of an external independence assessment conducted during the year, due to her serving more than nine years on the board. Accordingly, the board recommends both their re-elections to shareholders.

Brief *curricula vitae* for Phumla and Lwazi can be found on pages 98 and 96 of the integrated annual report of which this notice forms part.

Ordinary resolution number 4 – Re-election of the independent external auditor

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

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

Ordinary resolution number 5 – Election of the members of the Audit Committee

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

- Marang Mashologu
- Lwazi Koyana, subject to the adoption of the proposed ordinary resolution number 3
- Sundeep Naran, subject to adoption of the proposed ordinary resolution number 1
- Andrew Waller (chairman)"

REASON AND EFFECT

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

The board recommends the appointment of Lwazi to replace Harish as member of the Audit Committee, due to the retirement of Harish from the board.

The board further proposes the appointment of Sundeep Naran as an additional member of the committee, subject to the shareholders approving his appointment to the board as an independent non-executive director. This would allow for sufficient succession planning and to mitigate the risk of the membership of the committee ever falling below the statutory minimum number of members required, in the event of any resignations.

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

Brief *curricula vitae* for Marang, Lwazi, Sundeep and Andrew can be found on pages 97, 96, 114 and 98 of the integrated annual report of which this notice forms part.

Ordinary resolution number 6 – Authority to issue shares for the purpose of share options

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

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

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

REASON AND EFFECT

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

Ordinary resolution number 7 – Authority to issue shares for the purpose of the CSP

"Resolved that such number of the ordinary shares in the authorised but unissued capital of the company, required for the purpose of The SPAR Group Ltd Conditional Share Plan (CSP), be and is hereby placed under the control of the directors, who are hereby, as a specific authority, authorised to issue those shares in terms of the rules of the CSP."

REASON AND EFFECT

This resolution is required to facilitate, in terms of the requirements of the MOI, the issue of the requisite number of ordinary shares in terms of the rules of the CSP. The intended settlement method of the CSP is a market purchase of shares, which will result in no dilution to shareholders. However, the rules of the CSP are flexible to allow for settlement by way of a market purchase of shares, the use of treasury shares, or the issue of shares. This resolution, if passed, will facilitate an award under the CSP being made by an issue of shares if, for whatever reason, this least preferred settlement method is used.

The company has not previously had to resort to a fresh issue of shares for these purposes.

Ordinary resolution number 8 – Non-binding advisory vote on the remuneration policy

"Resolved that, by way of a non-binding advisory vote, the remuneration policy of the company, as contained in the Remuneration Committee report, be and is hereby endorsed."

Should 25% or more of the votes cast be against this non-binding advisory resolution, the Remuneration Committee undertakes to engage with shareholders as to the reasons therefore. It undertakes to make recommendations based on the feedback received.

The remuneration policy report can be found on pages 117 to 127 of the integrated annual report of which this notice forms part.

Ordinary resolution number 9 – Non-binding advisory vote on the remuneration implementation report

"Resolved that, by way of a non-binding advisory vote, the remuneration implementation report of the company, as contained in the Remuneration Committee report, be and is hereby endorsed."

Should 25% or more of the votes cast be against this non-binding advisory resolution, the Remuneration Committee undertakes to engage with shareholders as to the reasons therefore. It undertakes to make recommendations based on the feedback received.

The remuneration implementation report can be found on pages 128 to 133 of the integrated annual report of which this notice forms part.

SPECIAL BUSINESS

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

The percentage of voting rights required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders:

Special resolution number 1 – Financial assistance to related or inter-related parties

"Resolved that directors of the company, in terms of provision 45 of the Companies Act, No. 71 of 2008 (as amended) (Companies Act), be and are hereby authorised to cause the company to provide any financial assistance, whether by lending money, guaranteeing a loan or other obligation and/or securing any debt or obligation, to any of its subsidiary companies or other related or inter-related companies or persons, during the period from 1 March 2022 to 28 February 2023."

REASON AND EFFECT

This resolution is required to comply with the requirements of section 45 of the Companies Act, which provides that a special resolution is required to provide such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category.

Special resolution number 2 – Non-executive directors' fees

2.1 "Resolved that the exclusive of VAT (if applicable) annual fees payable to non-executive directors of the company for their membership to the board and its committees for the 12-month period from 1 March 2022 to 28 February 2023, be and are hereby approved, as follows:

	Current R	Proposed R
Board		
Chairman (including his participation in all committees)	1 685 000	1 769 250
Lead independent (including his participation in all committees)	1 300 000	1 365 000
Member	489 000	513 450
Audit Committee		
Chairman	274 000	328 000
Member	132 000	158 000
Risk Committee		
Chairperson	161 000	193 000
Member	114 000	136 000
Social and Ethics Committee		
Chairperson	157 000	188 000
Member	103 000	122 000
Remuneration Committee		
Chairman	157 000	188 000
Member	102 000	122 000
Nominations Committee		
Chairman	157 000	188 000
Member	102 000	122 000

2.2 "Resolved that an exclusive of VAT (if applicable) fee of R300 000 per annum be payable to non-executive directors for their membership to the IT Steering Committee for the 12-month period from 1 March 2022 to 28 February 2023."

2.3 "Resolved that an exclusive of VAT (if applicable) daily fee of R29 400 be payable to non-executive directors for their attendance at *ad hoc* meetings of the board and board committees for the 12-month period from 1 March 2022 to 28 February 2023."

REASON AND EFFECT

This resolution is required to comply with the requirements of sections 65(11)(h) and 66(9) of the Companies Act, which provide that a special resolution is required to authorise the basis for compensation to directors of a profit company.

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

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

The fees for the board roles are proposed to be increased by an inflation factor in 2022.

The board recognises the need to have non-executive member representation with specialised IT skills on the IT Steering Committee, for the duration of the SAP programme implementation, given the risks relating to this project. The introduction of a fee payable to non-executive directors for their membership to the IT Steering Committee is accordingly recommended for approval.

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

To transact such other business as may be transacted at an AGM

RECORD DATE

The record date set by the board to determine which shareholders are entitled to:

- Receive this notice is Friday, 10 December 2021 (the date on which a shareholder must be registered in the company's securities register to receive this notice).
- Participate in, and vote at, the AGM is Friday, 4 February 2022. Accordingly, the last day to trade for a shareholder to be eligible to vote at the AGM is Tuesday, 1 February 2022.

COVID-19 PROTOCOLS

The following COVID-19 protocols will be observed at the AGM:

- Do not attend the meeting if you are unwell, have a fever, cough or respiratory symptoms
- Undertake regular preventative measures such as cough etiquette and regular handwashing and sanitising
- A COVID-19 visitors form will be completed upon arrival, and your temperature will be taken; should your temperature exceed 37.3°C, entrance to the office park will be denied
- Masks are compulsory
- Social distancing guidelines will be enforced

VOTING AND PROXIES

Shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration are entitled to attend and vote at the AGM and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder.

Forms of proxy should be forwarded to reach the company's transfer secretaries, JSE Investor Services (Pty) Ltd, P.O. Box 4844, Johannesburg, 2000, or meetfax@jseinvestorservices.co.za, by no later than 09:00 AM Friday, 11 February 2022. Thereafter, a form of proxy must be handed to the chairman of the AGM before the appointed proxy may exercise any rights of the shareholder at the AGM. Forms of proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised shares with own name registration.

A form of proxy is attached.

Subject to the rights and other terms associated with any class of shares, on a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own name registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- To furnish them with their voting instructions
- Should they wish to attend the meeting, to obtain the necessary letter of authority to do so

IDENTIFICATION

Section 63(1) of the Companies Act requires meeting participants to provide the person presiding over the meeting with satisfactory identification.

ELECTRONIC COMMUNICATION

1. SPAR has secured the services of TMS to host the AGM on an interactive platform, in order to facilitate electronic participation and voting by shareholders. The online shareholder meeting guide contains detailed information in this regard and is attached to this notice.
2. All shareholders are entitled to attend and participate via the use of the electronic platform. Any shareholder (or a representative or proxy for a shareholder) who wishes to participate in and/or vote at the AGM by way of electronic participation, must either:
   - Register online using the online registration portal at meetingreg – TMS (tmsmeetings.co.za), prior to the commencement of the AGM, or
   - Contact TMS at proxy@tmsmeetings.co.za or on +27 11 520 7950/1/2 as soon as possible, and for administrative purposes, by no later than 09:00 South African time on Friday, 11 February 2022. This is in order for them to arrange such participation for the shareholder and for TMS to provide the shareholder with the details as to how to access the AGM by means of electronic participation. Shareholders may still register/apply to participate in and/or vote electronically at the AGM after this date, provided, however, that those shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the AGM).
3. Shareholders participating in the AGM by way of electronic communication may still appoint a proxy to vote on their behalf at the AGM.
4. The cost of electronic participation in the AGM is for the expense of the shareholder so participating will be billed separately by the shareholder's own service provider.
5. Each shareholder by their participation in the AGM acknowledges that the electronic communication services are provided by third parties and indemnifies the company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the shareholder or anyone else. In particular, but not exclusively, each shareholder that participates in the AGM acknowledges that they will have no claim against the company, the directors or any employees or representatives of the company for any direct or indirect damages or for consequential damages or otherwise, arising from the use of the electronic services or any defect in them or from total or partial failure of the electronic services and connections linking the shareholder who participates or wishes to participate via the electronic services to the AGM. The company does not and cannot guarantee there will not be a break in electronic communication.

By order of the board

Kevin O'Brien

Acting Company Secretary

15 December 2021

FORM OF PROXY

The SPAR Group Ltd

Registration number 1967/001572/06

JSE code: SPP

ISIN: ZAE000058517

(SPAR or the company)

For use by certificated and own name dematerialised SPAR shareholders (shareholders) at the AGM of the company to be held via electronic communication and in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 15 February 2022 at 09:00 for the purpose of conducting the following items of business:

I/We ____

of ____ (address)

being the holder/s of ______________________ shares, appoint (see note 1)

1. ____________________________________ or failing him/her/it;

2. ____________________________________ or failing him/her/it;

3. the chairman of the AGM

as my/our proxy to act for me/us on my/our behalf at the AGM, which will be held for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

		Insert an 'X' or the number of shares with which you wish to vote		
		For	**Against**	**Abstain**
ORDINARY BUSINESS				
1.	Appointment of Sundeep Naran as an independent non-executive director			
2.	Confirmation of appointment of Jane Canny as an independent non-executive director			
3.	Re-election of non-executive directors retiring by rotation			
3.1	Phumla Mnganga			
3.2	Lwazi Koyana			
4.	Re-election of the independent external auditor			
4.1	PricewaterhouseCoopers Inc. as external auditor			
4.2	Thomas Howat, as designated audit partner			
5.	Election of the members of the Audit Committee			
5.1	Marang Mashologu			
5.2	Lwazi Koyana (subject to passing of resolution 3)			
5.3	Sundeep Naran (subject to passing of resolution 1)			
5.4	Andrew Waller (chairman)			
6.	Authority to issue shares for the purpose of share options			
7.	Authority to issue shares for the purpose of the CSP			
8.	Non-binding advisory vote on the remuneration policy			
9.	Non-binding advisory vote on the remuneration implementation report			
SPECIAL BUSINESS				
1.	Financial assistance to related or inter-related companies			
2.1	Non-executive directors' fees			
2.2	Non-executive directors' fees for IT Steering Committee			
2.3	Non-executive directors' fees for *ad hoc* meetings			

Signed at ______________________ on this ________ day of ______________________

Signature ____

Notes to the form of proxy

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

Completed forms of proxy must be received at the office of the company's transfer secretaries, JSE Investor Services (Pty) Ltd, P.O. Box 4844, Johannesburg, 2000, or meetfax@jseinvestorservices.co.za, by no later than 09:00 South African time on Friday, 11 February 2022. Thereafter, a shareholder or his proxy must deliver the form of proxy to the chairman of the AGM before the appointed proxy may exercise any rights of the shareholder at the AGM.

- A member's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he/she deems fit. A member may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the member's votes exercisable at the AGM.
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the chairman of the AGM.
- Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
- A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the company's transfer secretaries.
- The chairman of the AGM may accept any form of proxy that is completed other than in accordance with these notes if the chairman of the AGM is satisfied as to the manner in which the member wishes to vote.

Summary of rights of shareholders

In terms of section 58 of the Companies Act:

- A shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of such shareholder
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's MOI, or the instrument appointing the proxy, provides otherwise
- If the instrument appointing a proxy has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice required in terms of the Companies Act or such company's MOI to be delivered to a shareholder must be delivered by such company to:
  - The relevant shareholder, or
  - The proxy or proxies, if the relevant shareholder has (i) directed such company to do so, in writing; and (ii) paid any reasonable fee charged by such company for doing so
- If a company issues an invitation to its shareholders to appoint 1 (one) or more persons named by the company as a proxy, or supplies a form of proxy instrument:
  - The invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised
  - The invitation or form of proxy instrument supplied by the company must:
    - Bear a reasonably prominent summary of the rights established in section 58 of the Companies Act
    - Contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name and, if desired, an alternative name of a proxy chosen by the shareholder
    - Provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting
- The company must not require that the proxy appointment be made irrevocable
- The proxy appointment remains valid only until the end of the meeting at which it was intended to be used

MEETING GUIDE FOR SHAREHOLDERS: HOW TO ACCESS OUR VIRTUAL AGM

In order to electronically attend, participate and vote at the AGM, each shareholder must have an internet-enabled device (e.g. phone, laptop, or a desktop) capable of browsing to a regular website (in order to vote and participate).

- Closer to the AGM date or on the day of the virtual AGM, you will receive a link and a password to enter the virtual meeting room.
- Click on the link and you will be directed to the AGM platform.
- An additional unique link will be sent, individually, to each shareholder who has made contact with The Meeting Specialist (Pty) Ltd (TMS) on proxy@tmsmeetings.co.za and who has successfully been validated to vote at the AGM.
- Guests will only be allowed to observe and listen to the proceedings of the AGM.

Navigating the meeting platform

- Shareholders who would like to pose questions, click on the Q&A icon on the bottom of your screen to ask your question.
- If you have a question on a particular resolution, type the resolution number, followed by your question and press enter or send.

How to exercise your votes

- All shareholders or their representatives, who have requested to vote, would have received a link from Digital Cabinet TMS to either their phone number or email address.
- The voting will be available on all the resolutions when the chairman opens the AGM.
- Click on the vote now link and it will direct you to the voting platform.
- You will notice that the voting platform contains all the resolutions that have been published in the notice of AGM, with your votes automatically defaulted to Abstain.
- Note that once you click submit, your votes cannot be retracted and revoted.
- You may vote on all the resolutions simultaneously by defaulting all your votes as either 'For' or 'Against' or keeping it as an 'Abstained' vote and then clicking on the submit button on the bottom of the electronic ballot form.
- You may also indicate your votes individually, per resolution, by selecting the relevant option ('For', 'Against' or 'Abstain'), on a resolution-by-resolution basis.
- Once you have voted on all the resolutions, scroll down to the bottom of the page and click 'submit'.
- You will receive a message on your screen confirming that your votes have been received.
- Once again, please ensure that you have selected the correct option on a resolution. Either, 'For' or 'Against' or 'Abstain' before clicking the submit button. You will be able to access both the meeting platform and the voting platform approximately 10 minutes prior to the commencement of the virtual AGM.

DIRECTORATE AND CORPORATE INFORMATION

DIRECTORS: GO O'Connor* (Chairman), BW Botten (Group CEO), MW Godfrey (Group CFO), JA Canny**, LM Koyana**, M Mashologu**, HK Mehta**, P Mnganga**, AG Waller***

** Non-executive.*
*** Independent non-executive.*
**** Lead independent.*

ACTING COMPANY SECRETARY:
KJ O'Brien

THE SPAR GROUP LTD (SPAR, THE COMPANY, OR THE GROUP)
Registration number: 1967/001572/06
ISIN: ZAE000058517
JSE share code: SPP

REGISTERED OFFICE
22 Chancery Lane
PO Box 1589
Pinetown
3600

TRANSFER SECRETARIES
JSE Investor Services (Pty) Ltd
PO Box 4844
Johannesburg
2000

AUDITOR
PricewaterhouseCoopers Inc.
PO Box 1274
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Support our digital drive

This is why we are going digital:

- To provide stakeholders with more detailed and interactive content, clustered around topical matters
- To save money and resources (which we can use for other value creating purposes) by not printing or distributing reports

Please help us by signing up for electronic communication only. To register, go to https://jseinvestorservices.co.za/, which is a secure platform provided by our transfer secretaries, JSE Investor Services (Pty) Ltd. Under the investor section, you can register and log in to update your communication details and preferences. All you need is your shareholder number or identity number.

Discontinuation of dividend payments by cheque

During the course of the previous financial year, the banking industry commenced a process of phasing out cheques in a bid to combat the increase in cheque fraud. The discontinuation of cheque transactions was thereafter formalised in terms of joint communication issued to the public by the South African Reserve Bank (SARB), Financial Sector Conduct Authority (FSCA), Payments Association of South Africa (PASA) and the Banking Association South Africa (BASA) that cheques will not be supported by the country's national payment system from 1 January 2021.

As a result, The SPAR Group Ltd has discontinued payments by cheque effective from the distribution of its 2020 final dividends, and accordingly, payment of any cash dividend to certificated shareholders will be processed via electronic funds transfer (EFT) which is dependent on the transfer secretaries being in possession of such certificated shareholder's banking details.

Investors are therefore informed that The SPAR Group Ltd dividend payments will be withheld until such time as they furnish JSE Investor Services (Pty) Ltd with their bank details.

Forward looking statements

Certain statements in this report may constitute forward looking statements. Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the group to be materially different from the future results, performance or achievements expressed or implied by such statements. These forward looking statements have not been reviewed or reported on by the external auditor.

SPAR undertakes no obligation to update publicly or release any revisions to these statements that reflect events or circumstances after the date of this report, or to reflect the occurrence of anticipated events.

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