INTEGRATED ANNUAL REPORT 2023

THE SPAR GROUP LTD

Welcome to the 2023 integrated annual report of The SPAR Group Ltd (SPAR or Group). This report focuses on information the Board believes to be material to our stakeholders' understanding of our business.

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

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

OUR PURPOSE
To inspire people to do and be more

OUR VISION
First-choice brand in the communities we serve

"SPAR is founded on strong relationships and an entrepreneurial spirit. It has been a year of change, uncertainty and challenges, but with so much promise and opportunity lying ahead.

We have a lot to do, but I look forward to guiding the business through the next phase of its growth."

Angelo Swartz
Group CEO
Appointed 1 October 2023

SALIENT FEATURES 2023

+10.1%
GROUP TURNOVER^
R149.3 BILLION
2022: R135.6 billion

+269 SITES
ADDITIONAL GROCERY AND LIQUOR SITES USING SPAR2U ON-DEMAND SHOPPING SOLUTION IN SOUTHERN AFRICA

(47.0%)
OPERATING PROFIT
R1 817.0 MILLION
2022: R3 428.7 million

R6.2 BILLION
CASH GENERATED FROM OPERATIONS

(47.7%)
DILUTED HEADLINE EARNINGS PER SHARE
606.3 CENTS
2022: 1 159.1 cents

+79 STORES
NET NEW STORES

CONTENTS

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

SPAR'S REPORTING APPROACH

OUR REPORTING SUITE

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

INTEGRATED ANNUAL REPORT

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

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

ENVIRONMENTAL, SOCIO-ECONOMIC AND GOVERNANCE (ESG) REPORT

This report sets out SPAR's ESG approach, strategy and performance. It also includes supplementary governance information, such as the Group's approach to taxation and the application of King IV[1] principles.

CLIMATE CHANGE REPORT

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

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

SCOPE AND BOUNDARY OF THIS REPORT

This report presents the integrated performance of the Group's operations for the period 1 October 2022 to 30 September 2023.

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

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

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

Improved application of materiality

For this year's report, we improved SPAR's materiality determination process. SPAR performed an informal materiality assessment based on desktop research and an internal workshop and review process with the support of external advisors. This process aimed to take the first step towards developing a formal and robust material matter determination process.

Refer to page 23 for the material themes.

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

Reporting framework, standards and guidelines

This report follows the principles and content elements of the International Integrated Reporting Framework, 2021 (<IR> Framework). In addition, it also applies the:

- International Financial Reporting Standards (IFRS)
- 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 rest of the reporting suite also considers the CDP, TCFD and United Nations (UN) Sustainable Development Goals (SDGs) guidance.

BOARD RESPONSIBILITY, APPROVAL AND ASSURANCE

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

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

- **Non-financial information:** accredited external service providers measured and provided assurance on our 2023 B-BBEE verification, independently evaluated by mPowerRatings. Scope 1 and 2 data submitted to the CDP were externally verified. Management verified the processes for collecting and measuring all non-financial information.
- **Financial information:** PricewaterhouseCoopers (PwC) has been the Group's appointed external auditor for six years. Summarised Group financial statements are available on page 139 of this report. PwC has audited and provided an opinion on the consolidated annual financial statements for 2023, which are available online.

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

Mike Bosman
Chairman

Angelo Swartz
Group Chief Executive Officer

Approval date: 14 December 2023

CONNECTIVITY

We use these icons to assist stakeholders in understanding connectivity within certain elements.

We have six key stakeholders (page 26).

- EMPLOYEES
- INDEPENDENT RETAILERS
- COMMUNITIES
- CONSUMERS
- SUPPLIERS
- SHAREHOLDERS AND FINANCIERS

We use six capital inputs to create and preserve value for our stakeholders (page 40).

- FINANCIAL CAPITAL
- INTELLECTUAL CAPITAL
- MANUFACTURED CAPITAL
- SOCIAL AND RELATIONSHIP CAPITAL
- HUMAN CAPITAL
- NATURAL CAPITAL

This report uses the term territories to define our operations, illustrated by the following icons:

- SOUTHERN AFRICA
- SWITZERLAND
- IRELAND AND SOUTH WEST ENGLAND
- POLAND

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.

REFLECTING ON 60 YEARS

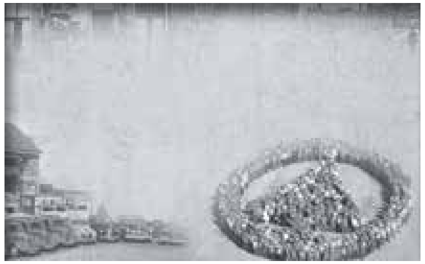

SPAR
SPAR

REFLECTING ON 60 YEARS

The Group has a rich legacy, starting in South Africa. SPAR South Africa was the first country outside of Europe to join the SPAR organisation.

1963

Established in Cape Town by eight wholesalers, servicing 500 small retailers.



1970

The SPAR logo evolved into the one we recognise today.

1975

The SaveMor brand was launched to serve more rural-based communities.

1979

SPAR distribution centre, KwaZulu-Natal (KZN).

1985

Delivered R2 billion in retail sales.

Launched the Build it brand (building materials business).

1990

SPAR central office was moved to Pinetown, Durban, and the KWIKSPAR format was introduced.

1993

SPAR Eastern Cape distribution centre established.

1998

SUPERSPAR brand, representing large supermarket formats, was launched.

2000

Delivered R10 billion in retail sales.

TOPS at SPAR liquor brand and store format introduced.

2004

The SPAR Group Ltd listed on the Johannesburg Stock Exchange.

2009

SPAR South Rand distribution centre established.

2011

Pharmacy at SPAR and SPAR Express (petro-convenience) brands launched.

2014

The Group acquired an 80% stake in the BWG Group in Ireland and South West England.

2016

The Group acquired a 60% stake in SPAR Switzerland.

2017

SPAR brand launched in Sri Lanka through a joint venture between SPAR and Ceylon Biscuits Limited, a Sri Lankan food manufacturing conglomerate.

2020

SPAR Poland was acquired. SPAR also purchased a controlling stake in its supplier of private label products in South Africa and renamed the business SPAR Encore.

2023

Purchased remaining stake in private label business, SPAR Encore.

The Board decided, having evaluated and considered all options, that it is in the best interests of the Group's stakeholders to dispose of its interests in Poland.

Celebrated 60 years. From servicing 500 retailers in South Africa 60 years ago, the Group proudly services 4 579 stores across multiple countries today. Refer to an overview of the Group on page 14.

UNDERSTANDING OUR BUSINESS


SUPERSPAR
COFFEE BAR

OUR VALUE CHAIN

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

SPAR INTERNATIONAL

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

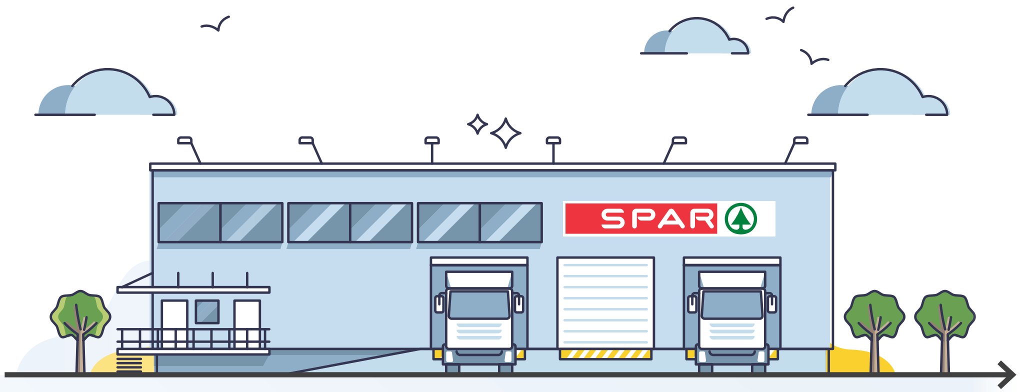
The SPAR brand is an internationally recognised brand, owned by SPAR International. It is the world's leading voluntary trade food retail chain and the largest independent supermarket retail network in the world. For more information about SPAR International, visit https://spar-international.com/

SPAR held nine country licences during 2023:

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

Farms and suppliers

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



Wholesale distribution centres and central offices

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

Independent retailers

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

Voluntary trading model

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

The SPAR Guild – unique to South Africa

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

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

Corporate stores

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

Retail network of stores

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

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

Consumers and communities

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

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

For more information refer to our business model on page 40.

OVERVIEW OF OUR NETWORK

SPAR is a sophisticated wholesaler offering products and value-added services to its independent retailers, assisting them in delivering the best customer experience to consumers.

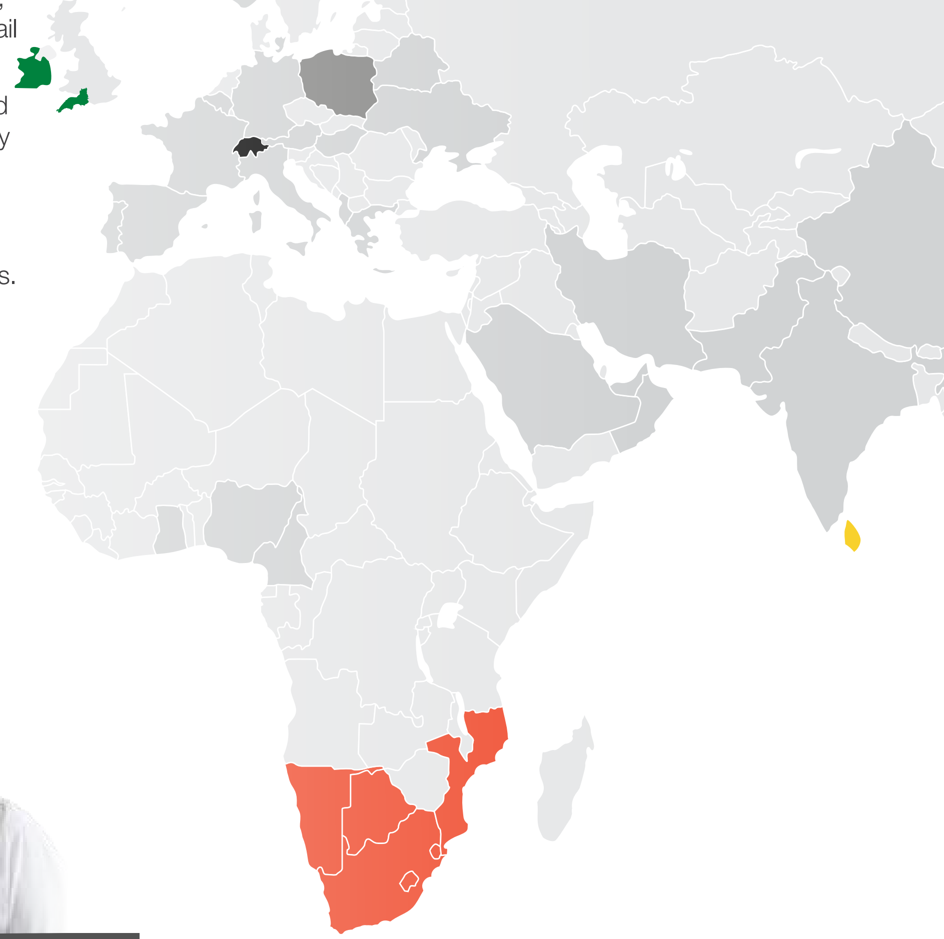
The SPAR banner in Southern Africa includes access to other entrepreneurial brands such as SaveMor, SPAR's emerging market grocery brand, TOPS at SPAR liquor offering, Pharmacy at SPAR and Build it, our building materials brand. The model offers a home for the independents, providing a network of retail peers and like-minded entrepreneurs driving comradery.

Our European regions include other retail brands in addition to the SPAR brand. Ireland and Switzerland have exposure to the hospitality industry, catering to hotels and restaurants through their cash and carry businesses, Value Centre and Top CC, respectively. The Irish business has been growing its food services business through several successful acquisitions in recent years. Our business in South West England has a significant independent retailer and corporately owned store portfolio.

The joint venture in Sri Lanka with Ceylon Biscuits Ltd has 26 (2022: 21) stores across various formats. These stores continue to set new standards and benchmarks for food retailers in Sri Lanka.

The total number of stores we serve	2023	2022	Net new 2023
Southern Africa	**2 523**	2 509	14
Ireland and South West England	**1 485**	1 439	46
Switzerland	**363**	372	(9)
Poland*	**208**	180	28
Total	**4 579**	4 500	79

* *At the end of September 2023, the Board strategically decided to sell its interests in SPAR Poland.*



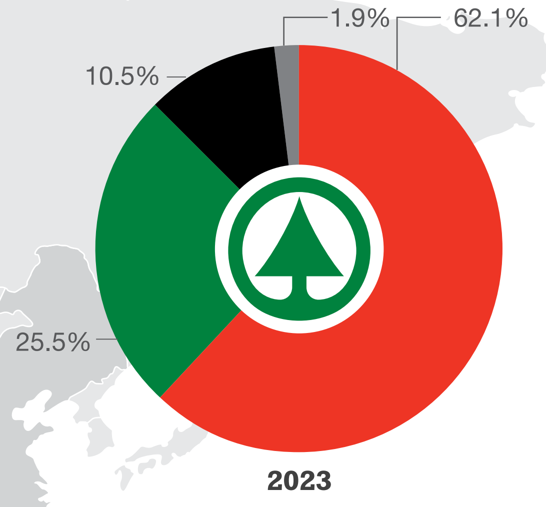
Country leader

Max Oliva
Southern Africa

Leo Crawford
Ireland and South West England

Rob Philipson
Switzerland and Poland

Turnover for the Group – R149.3 billion



Country	Distribution centres	Warehousing space m²	Retail stores	Employees
Southern Africa	8	307 530	2 523	4 622
Ireland and South West England	3	33 114	1 485	3 681
Switzerland	1	33 000	363	1 491
Poland	2	34 130	208	718
Total	**14**	**407 774**	**4 579**	**10 512**

UNPACKING THE FOUR TERRITORIES

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

SOUTHERN AFRICA

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

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

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

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

[1] *Build it stores are also included in-store numbers within each region, as these stores receive services from their regional distribution centre.*
[2] *Nature of pharmaceutical deliveries not comparable.*
[3] *Angelo Swartz was appointed Group CEO effective 1 October 2023 and Damon Harry was appointed as Divisional Managing Director of the KZN division shortly thereafter.*

The table below outlines the South African store formats.

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

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

IRELAND AND SOUTH WEST ENGLAND

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

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

BWG Foods supplies the SPAR, EUROSPAR, MACE, Londis and XL brands nationwide through the national distribution centre in Kilcarbery. It is the largest retailer in the Irish convenience retail market by market share. It also supplies 114 Gala and Fresh stores (2022: 56 stores) in Ireland.

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

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

* *Leo Crawford is the CEO of BWG Group.*

IRELAND AND SOUTH WEST ENGLAND

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

SWITZERLAND

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

The distribution and logistics centre in St Gallen services a range of independent retailers operating under the SPAR, MAXI and other brands. It also services 51 independent convenience retail brands not owned by SPAR.

The Divisional Managing Director for FY2023 was Rob Philipson.

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

	Store format overview	Number of stores
EUROSPAR	• 1 050 m^2 selling area • In-store Beantree cafe • Comprehensive range of groceries and fresh services departments • In-store butchery, deli and ready-to-eat products	**2023: 5** *2022: 4 | 2021: 1*
SPAR	• 220 m^2 to 430 m^2 average selling area • Neighbourhood stores • Includes a broad product range with a focus on Fresh • Provides a wide selection of quality meats and wines • Smaller SPAR stores focus on fresh and regional products as well as convenience food for immediate consumption	**2023: 147** *2022: 147 | 2021: 153 | 2020: 161*
SPAR express	• 125 m^2 total selling area • Forecourt convenience stores • Comprehensive offering of snacking, ready-to-eat and on-the-go products	**2023: 106** *2022: 100 | 2021: 65 | 2020: 31*
maxi	• Neighbourhood stores providing a limited convenience range of dry and fresh products	**2023: 54** *2022: 57 | 2021: 63 | 2020: 67*
TopCC	• Gastro, trade and business customers • 3 300 m^2 – 5 500 m^2 direct wholesale and cash and carry • Product listing of over 18 000 lines across liquor, confectionery, health and beauty, fresh produce, frozen goods, general merchandise, catering products and non-food items • Direct general wholesale supply service to the wider, independent, culinary-focused retail grocery market	**2023: 11** **CASH AND CARRY OUTLETS**

POLAND

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

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

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

The Country Head for FY2023 was Rob Philipson.

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

	Store format overview	Number of stores
SPAR	• 350 m^2 average selling area • Neighbourhood convenience • Groceries, fresh produce, baked goods, coffee and liquor • Comprehensive offering of snacking and ready-to-eat meals	**2023: 110** *2022: 71 | 2021: 124 | 2020: 107*
EUROSPAR	• 1 300 m^2 average selling area • Comprehensive range of groceries and general merchandise • Fresh produce, in-store bakery, butchery, deli, ready-to-eat products and home-meal replacements	**2023: 34** *2022: 35 | 2021: 39 | 2020: 26*
SPAR express	• 125 m^2 average selling area • Generally rural and small city stores • Forecourt convenience	**2023: 64** *2022: 74 | 2021: 63 | 2020: 61*


SPAR
Distribution Centre
SR182TR
SR169H
SPAR

THE GROUP'S MATERIAL THEMES

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

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

The Board approved the outcome of this assessment in August 2023 and contributed to the information in the integrated annual and ESG reports.

This is a first step towards developing a formal and robust material matter determination process for SPAR.

THEMES WHERE SPAR HAS A HIGH LEVEL OF CONTROL AND/OR INFLUENCE

Theme	Context	IAR	ESG report
1. **SPAR's reputation impacts all stakeholders' interests.**	A strong reputation increases stakeholder confidence, builds loyalty, and drives performance. SPAR's reputation helps the Group distinguish itself from competitors. It crafts a unique identity with which stakeholders can identify.	✓	
2. **Distribution and logistics are the cornerstone of SPAR's operations, requiring careful consideration of its environmental and other impacts.**	Continuous efficiency improvements in transport and cold chain systems can reduce financial and natural resource use. It is an important consideration for working capital management, emissions, water usage, food quality and safety, waste, etc.	✓	✓
3. **Expansion across geographies and retail formats adds diversity and complexity.**	We must pay attention to relevant developments in different regions and market sectors. A particular priority is ensuring the smooth execution of the Board's decision to exit the Polish market. We must consider how to build resilience in Switzerland.	✓	
4. **Technology, including e-commerce, changes how businesses operate and consumers purchase.**	Digital transformation, including consumer and retail data management and intelligence, brings risks and opportunities that require an innovative and integrated approach within the business and its value chain. It also necessitates a focus on cybersecurity. On-demand shopping is an especially competitive sector because consumers are highly price sensitive and can easily move between online retail platforms. SPAR must complete its SAP rollout and continually incorporate new technology (e.g., artificial intelligence) into its business without causing major disruption.	✓	

Theme	Context	IAR	ESG report
5. SPAR's relationship with its independent retailers and the success of these retailers are key to the Group's success.	SPAR stores are owned and operated by independent retailers who manage their stores. They are expected to adhere to SPAR's quality and brand standards and comply with local laws and regulations. The retailers' loyalty levels, sustainability practices, profitability and reputation directly impact SPAR's performance and reputation.	✓	
6. Growing awareness about nutrition, healthy living, and sustainability places increased demands on retailers.	These consumer trends, including the expectation to enhance environmentally sustainable practices, place increasing demand on retailers to provide healthy and fresh produce sustainably and at affordable prices. Meeting this demand can bolster SPAR's reputation as a responsible retailer, improve sales, and help SPAR achieve its goal of positively impacting the communities it serves.		✓
7. Diversity, transformation and inclusion foster a positive work environment.	In addition to being required in South Africa, transformation of the workforce and the independent retailer base has the potential to drive business success and align the Group with societal expectations and values.	✓	✓

THEMES WHERE SPAR HAS A MEDIUM LEVEL OF CONTROL AND/OR INFLUENCE

Theme	Context	IAR	ESG report
8. SPAR and its independent retailers must maintain food safety and quality.	Food safety and quality ensure the health and safety of consumers and compliance with food safety regulations. Issues with quality and/or retailer non-compliance with SPAR's food quality and safety standards can lead to product recalls, legal costs, and lost sales. This can have a significant financial and reputational impact on SPAR.		✓
9. The talent needed for SPAR to remain competitive is in short supply.	SPAR and its independent retailers must attract specialist skills from a small talent pool. It also requires fair, equitable and competitive remuneration policies. This is especially the case in Europe, where retention is challenging.	✓	✓
10. Packaging and waste, including food waste, have a material impact on the environment.	Management of fresh produce and food also requires preventing it from becoming waste. Single-use packaging is important to maintain health and safety standards. However, it is a major source of pollution and contributes to a buy-use-dispose culture.	✓	✓

Theme	Context	IAR	ESG report
11. Responsible procurement is becoming a non-negotiable.	Sourcing from local suppliers and those that incorporate sustainability practices, can enhance SPAR's resilience and socio-economic contributions. It can reduce the likelihood of undesirable practices (e.g., child labour, unsafe working conditions), which could have reputational impacts.		✓
12. Local infrastructure challenges such as loadshedding and water shortages impact operations, costs, retailers and environmental capital.	The electricity shortage in South Africa has numerous impacts on SPAR's operations. These include lost trading hours, increased inventory levels, operational and capital expenditure required to run generators and install solar infrastructure, and increased emissions related to using generators. Water supply in parts of South Africa is intermittent due to changing weather patterns and degraded municipal and government infrastructure. This impacts SPAR's value chain and increases costs related to alternative water sources.	✓	✓
13. Labelling and marketing have to be accurate and transparent.	Labelling and marketing directly impact sales, customer satisfaction, regulatory compliance, and brand reputation. Labels can provide transparency about product sourcing, ethical standards, and environmental impact, building customer trust and aligning with increasing customer demand for sustainable and ethical products.		✓

THEMES WHERE SPAR HAS A LOW LEVEL OF CONTROL AND/OR INFLUENCE

Theme	Context	IAR	ESG report
14. Cost pressures impact consumers' needs, expectations, and business costs.	High inflation, interest rates, fuel and utility costs have placed financial pressure on consumers and companies globally. Consumers have tightened spending, putting pressure on the Group to offer greater value while maintaining profit margins.	✓	
15. Extreme weather events influence supply chains and the way SPAR operates.	Extreme weather events such as floods, drought, hail, and gale-force winds driven by climate change are becoming less predictable. These events can cause delays, reduce the availability of produce and raw materials, damage infrastructure, etc. It also requires SPAR to be deliberate in its actions to combat climate change.	✓	✓
16. Business resilience in the context of geopolitical challenges and a strained South African landscape becomes challenging.	SPAR needs to be agile in considering the South African socio-economic conditions, including civil unrest, high unemployment, and geopolitical challenges in Europe. The Group must manage the related risks and leverage the opportunities to ensure long-term sustainability and profitability.	✓	

OUR STAKEHOLDERS' NEEDS

We recognise our stakeholders' role within the SPAR value chain and our ability to create and preserve sustainable value. It is critical to engage with all stakeholders to identify, understand and respond to their needs. We recognise they have objectives and goals and that our decisions as a Group impact them. Engaging with them can affect the Group and our ability to drive sustainability.

Our Social, Ethics and Sustainability Committee oversees stakeholder engagement and monitors our stakeholder-inclusive approach.

Our key stakeholders are listed below. However, our stakeholder universe also includes governments, regulatory bodies, unions, media, and non-governmental organisations.

We have a proactive stakeholder engagement approach with public commitments that enable positive and impactful societal change. We advocate for sustainable business practices in the retail sector – refer to the ESG report for more insight.

A SYNOPSIS OF OUR STAKEHOLDERS

Why they matter?

Employees

Our people are fundamental to the success of the Group. SPAR is a relationships business. These relationships are forged by our employees, upholding SPAR's values and living SPAR's purpose – to inspire people to do and be more.

What we want to deliver

- Healthy, safe and secure working environment
- Competitive remuneration
- Career development opportunities
- Attraction and retention of talent
- Excellent succession planning
- Diversity and transformation
- Employer recognition and support of employee concerns

Why they matter?

Independent retailers

Our independent retailers are our customers. The success of their businesses predominantly drives the success of the Group. We build retailer loyalty by providing excellent service and retail and marketing support.

What we want to deliver

- Flexibility and support through our voluntary trading model
- Efficient warehouse operations ensure reasonable lead times and reliable deliveries
- Guidance on regulation and changes thereto
- Marketing support through national and regional promotions
- Assistance in adapting for the future of retailing through, training, retail innovation, on-demand grocery shopping solution and improved consumer engagement
- Provision of aid and advice during challenging times

Why they matter?

Communities

SPAR is a community-focused business. Being part of the fabric of local communities is critical to the success of our brands. SPAR's retailers are in the heart of their local communities.

What we want to deliver

- Support community initiatives to drive nutrition, education and female equality reform and awareness
- Food security
- Support of local suppliers living within local SPAR communities
- Disaster relief when necessary
- Provide access to local job opportunities

Why they matter?

Consumers

This relationship is central to our retailers' and Group's operations and success. Through our retailers and brands, we have developed long-established, positive reputations for responsible, high-quality local retailing with a personal touch. Understanding consumers is a key driver of our retailers' mandate to operate.

What we want to deliver

- Affordable and nutritional food options
- Excellence in supermarket and convenience retail and foodservices
- Quality products and greater consideration for ethical sourcing and sustainable packaging
- Ability to compete effectively in the on-demand shopping space

Why they matter?

Suppliers

Our business is supported by a network of suppliers and service providers. Working with them ensures we serve our retailers' and consumers' needs regarding value, category insights and value-added services. By working closely with our suppliers, we can source responsibly and reduce waste. Through innovation and collaboration, we can continue to develop our range of house brands.

What we want to deliver

- Enterprise development
- Support of community-based suppliers
- Combine efforts to increase the consumer value proposition for mutual benefit
- Greater access for suppliers to the consumer through SPAR's expansive store network and use of customer insights

Why they matter?

Shareholders and financiers

Shareholders, bankers and other market participants provide capital for the business to grow. Understanding their priorities can assist in driving better outcomes for all stakeholders in the long term.

What we want to deliver

- Opportunity for satisfactory returns on investment
- Access to accurate, reliable and transparent information (financial and non-financial)
- Good corporate governance providing greater security and stability for providers of capital

SAFEGUARDING AGAINST POTENTIAL REPUTATIONAL DAMAGE

At the beginning of the financial year, SPAR faced serious allegations in the media. SPAR has addressed most of these allegations. However, it caused unfortunate and significant reputational damage to the business and the SPAR brand. Reputational damage negatively impacts our stakeholders.

We implemented changes from a governance point of view to safeguard against future potential reputational damage in the media. We also made the following improvements during 2023:

- SPAR appointed a new marketing executive. His team is responsible for managing and improving the Group's reputation.
- SPAR appointed a new in-house public relations (PR) manager and external PR agency to assist with its media strategy and reputational rebuild.
- We monitor all news using tools that automatically alert the team when SPAR is in the news across traditional print, broadcast, digital and social media platforms.
- In the event of negative news flow, this is flagged by the agency that works closely with the relevant departmental head or spokesperson to understand the matter and obtain the facts and relevant insights. They will determine a course of action to agree on an official response as a business. Depending on the severity of the matter, SPAR management will form a "war room" of key people and plan the way forward.
- A live register of potential key issues SPAR may potentially face in the future is updated regularly. This is a valuable risk management document to help SPAR proactively think through and address potential problems and crises before they arise.

Good governance is essential to safeguard a good corporate reputation. Refer to the Executive Chairman's report on page 64 regarding changes to leadership during the year, and page 76 for the detailed governance report.

STAKEHOLDER CONCERNS IN 2023

EMPLOYEES

How we engage:
Across all markets, management teams host employee briefings, providing business updates to keep lines of communication open and inform employees about developments and strategic initiatives.

Key areas of concern

Concerns around governance and ethics, on the back of reputational damage caused by media allegations.

Uncertainty caused by leadership changes.

Concerns in respect of the significant costs of living, especially in Southern Africa.

How we responded?

SPAR made significant changes at Board and executive level to restore faith in its governance. Management recognises this has been an unsettling time for the business and employees have been asked to share concerns and queries in live communication sessions.

We benchmark salaries to ensure we are in line with market rates. SPAR employees are entitled to discounts on all groceries purchased from SPAR stores. We also subsidise canteens at the distribution centres.

INDEPENDENT RETAILERS

How we engage:
Regional distribution centre operations teams engage with retailers to support and grow their businesses. Retailers are invited to SPAR retail conventions and "Look and Learn" trips to ensure retailers remain aware of top trends, new offerings, and best practice.

Key areas of concern

Margin improvement and profitability of their stores. Electricity loadshedding and inflationary cost pressures has placed retailer profitability under pressure.

The implementation of SAP and its impact on the retailers in the KZN region, and what this means for the rest of the regions and Group.

Support with on-demand shopping.

Earlier in the year, disputes with two retailers' groups were highlighted in the media.

How we responded?

SPAR's focus on the development of quality private label products is margin enhancing for SPAR retailers. Through its development fund, SPAR provides access to funding for investment in solar energy. It also offers advice on how to improve profitability.

By year end, SPAR2U was available in 356 sites with 269 new sites launched during the year.

The SAP implementation caused significant business interruption in the short term. For more information refer to page 54.

In respect of the two groups of retailers with grievances:

- All 10 retailers who declared serious disputes with SPAR have had all their matters settled amicably, with four of them back as SPAR retailers
- Significant progress has been made through formal mediation processes and informal discussions to rebuild the relationship with one of SPAR's largest retail groups

COMMUNITIES

How we engage:
How we engage: We invest in community development initiatives to address specific socio-economic and environmental challenges at Group and distribution centre levels.

Key areas of concern

Ongoing demand for SPAR's commitment to being a responsible corporate citizen and promoting sustainable environmental and socio-economic change.

How we responded?

SPAR and its retailers drive job creation by employing and upskilling people in their communities.

For more information about SPAR's Gender Based Violence campaign and other community-focused initiatives, please refer to SPAR's ESG Report on the corporate website.

CONSUMERS

How we engage:
We ensure the SPAR brand remains visible in local communities, enabling high levels of consumer engagement. Our customer care departments across all regions address consumers' concerns and provide additional support to our retailers.

Key areas of concern

Consumers are stretched financially. They are looking for value, promotions and all other ways to stretch limited cash resources more than ever before.

Price perception – SPAR is perceived to be more expensive than its peers in food retail.

That SPAR brand lacks consistency.

Access to affordable, nutritious food, given the higher costs of living.

Access to on-demand shopping and an improved customer rewards programme.

How we responded?

Continued to evolve our offering of private label range of products and meals, offering better value for consumers

We made progress in addressing price-perception challenges, which we view as a three-way strategy:

1. Negotiate, buy and trade as smartly as possible to ensure best pricing
2. Retail discipline and execution to land the right pricing in-store
3. Marketing and PR communication to improve the competitiveness of the right pricing

We made progress in addressing inconsistency, including:

- More centre-led marketing work and less "creation" work in the regions.
- Detailed design principles are in place for the likes of leaflet execution to ensure greater consistency across regions and formats.
- Greater collaboration and teamwork across regions and less "siloed" ways of working.
- A significant priority was the work done on our new multi-year campaign to drive more feet into stores in a cohesive, fresh and creative way. We launched this campaign in November 2023.

We launched 269 SPAR2U sites during the year, providing SPAR customers greater access to shopping on demand with their local SPAR.

We developed a new strategy for customer loyalty. Phase 1 kicked off in April with the launch of "New" SPAR Rewards. By year end we had 5.3 million customers registered for new card activations. We developed the new omnichannel strategy during 2023. This includes the new loyalty programme as mentioned above. Phase two entails a move towards more personalised and relevant content and promotions for SPAR Rewards customer's based of their shopper profile and buying behaviour. Personalised digital vouchers (starting out with segments of shoppers) will be enabled by the NielsenIQ Activate platform.

SUPPLIERS

How we engage:
Engagements include CEO and management meetings, ongoing supplier reviews and annual revision of trading terms. Purchasing managers engage regularly with suppliers across all markets, ensuring an optimised supply chain and a shared understanding of all challenges.

Key areas of concern

Concerns around innovation and the pressing need to use data more efficiently and to aid decision-making.

Complexities of doing business with SPAR due to six regional distribution centres with national and regional pricing structures in place.

Volumes impacted by SAP issues at the KZN distribution centre having a negative sales impact on suppliers.

How we responded?

SPAR's digital transformation will improve innovation and business intelligence for improved decision-making purposes.

Our merchandising, marketing and omnichannel teams collaborate to align certain key lines with one national pricing structure. During 2023, we experienced pockets of success with this strategy across a few lines.

Our suppliers have been very supportive during the challenges experienced with the SAP implementation in KZN. SPAR has increased its promotional activity to win back retailer loyalty in the KZN region, given the challenges and disruption caused by the ERP system implementation.

SHAREHOLDERS AND FINANCIERS

How we engage:
The investor relations team continuously engages with current and potential investors and sell-side analysts through various engagements held during the year. The Group CFO and treasurer work closely with financiers to address any concerns throughout the year, monitoring covenants closely and renegotiating support as necessary.

Key areas of concern

- Improved overall approach to capital allocation.
- Concerns over high levels of Group debt and rising interest costs.

Southern Africa

- Ability to regain ground in the local market.
- Addressing of lost sales due to the SAP implementation issues.
- Ability to improve operating profit margins.

Offshore

- Decision around Poland and implications on debt and balance sheet.
- Understanding EBIT margin pressures and growth trajectory plan for Switzerland.
- New acquisitions versus cash preservation in Ireland.

How we responded?

Management has acknowledged the need for stronger capital allocation focus and investor and financier concerns around debt levels. Management negotiated additional headroom on Group covenants for FY2023.

Southern Africa embarked on an accelerated growth plan during 2023, enabling some market share recovery. Refer to page 49 for more information.

SPAR has been transparent in respect of the SAP issues. Plans to recover lost loyalty in the KZN region have progressed well, which speaks to the resilience of the model.

The Board announced its decision to engage in a process to dispose of its interests in Poland in the best interests of the Group and shareholders.

The Swiss business performance is under pressure, however the local team's strategy is focused on convenience and fresh and the continued growth and transformation in this space to deliver a more sustainable model.

One of BWG Group's strategic focus areas for FY2024 is preserving cash and reducing its net debt levels.

OUR OPERATING ENVIRONMENTS

All markets remained competitive during the year, dealing with persistent inflationary pressures in food, fuel and energy prices. The cost-of-living challenges have persisted for consumers. The real annual wage growth worldwide has not kept pace with inflation. In Southern Africa, the ongoing loadshedding has stunted economic growth. Globally, ongoing geopolitical challenges and concerns continue to impact operating environments.

IRELAND AND SOUTH WEST ENGLAND

Ireland

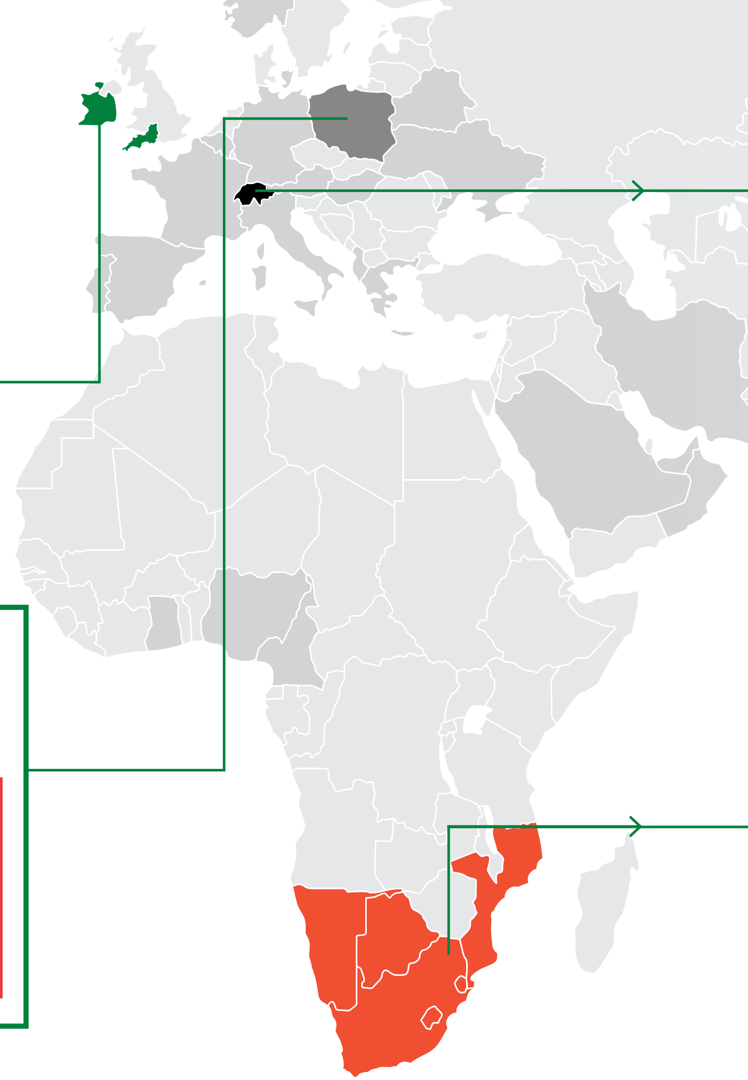
- Consumers experiencing double-digit food inflation
- Labour shortages still placing pressure on wages
- Foodservices has made a recovery post-pandemic

UK

- The annual rate of inflation reached 11.1% in October 2022, a 41-year high, before easing in subsequent months
- Labour shortages still a major concern with around 500 000 workers having left the workforce in recent years (Brexit and pandemic-related)

POLAND

- Inflation has surged over the past two years and reached its peak of +17.2% in February 2023
- Consumers under pressure with the shift towards hard discounters evident
- Elevated inflation, tightened financing conditions, low consumer and business confidence negatively impacted economic activity during FY2023



SWITZERLAND

- Although at low levels, inflationary pressures during 2023 were at their highest in 12 years
- Food and non-alcoholic beverages reached +6.4% in March 2023 (year-on-year) and +3.8% in September 2023
- Swiss retail market saw extraordinary gains during the pandemic while Swiss borders were closed
- Borders opening post-pandemic and with inflationary pressures persisting, Swiss residents are seeking cheaper products cross-border
- The gastronomy sector has not recovered to pre-pandemic levels

SOUTHERN AFRICA

- High levels of unemployment
- Inflation and interest rates place further pressure on consumers
- Food and non-alcoholic beverages inflation peaked at +14.0% in March 2023. In August 2023 it was +8.0% for the month year-on-year
- Unprecedented levels of loadshedding continue to impact economic growth and consumer shopping habits
- Levels of distressed borrowing accelerated during FY2023
- Approximately R1.1 billion spent by SPAR retailers on diesel in FY2023

TRENDS DRIVING RETAIL OPERATING ENVIRONMENTS

While SPAR is predominantly a wholesaler, its performance is driven by the success of its stores at a retail level and the ability of its retailers to adapt to key trends in the marketplace. McKinsey[1] identified the following key trends characterising European grocery retail markets for 2023. They resonated strongly with the Group's experience in Europe and Southern Africa.

1. GRADUAL NORMALISATION OF PRICE AND VOLUME
2. A FOCUS ON CHEAPER FOOD THROUGH PRIVATE LABEL
3. CONTINUED MARGIN AND COST PRESSURE
4. A RACE FOR ECONOMIES OF SCALE
5. THE QUEST FOR PROFITABLE ONLINE GROWTH
6. RETAIL MEDIA AS A CORE PROFIT CENTRE
7. SYSTEMATIC SCALING OF AUTOMATION AND TECHNOLOGY
8. SUPPLIER COLLABORATION TO SOLVE FOR SUSTAINABILITY

[1] *Source: McKinsey & Company*

1. Gradual normalisation of price and volume

We expect 2023 to be the turning point, after which volume will stay relatively stable and inflation will gradually normalise.

SPAR's view: While inflation has come off the peaks from the first half of 2023, the prolonged effects of rising inflation means consumers are spending more for less volumes. We expect muted volumes growth in the short to medium term.

2. A focus on cheaper food through private label

Saving money on food remains a top priority for high and low-income consumers in 2023.

SPAR's view: SPAR's private label growth continues to perform as consumers seek good quality and better value-for-money alternative products and meal deals.

3. Continued margin and cost pressure

Grocers' profitability has been hit hard by the pressure on margins, cash flows, and high costs of capital.

SPAR's view: Rising fuel, labour, and energy costs have placed operating margins under pressure across our markets. Loadshedding in South Africa has caused a significant increase in the use of diesel costs at retail level.

4. A race for economies of scale

Structural measures to achieve synergies and economies of scale will likely intensify as smaller grocery retailers are disproportionately affected by current market developments.

SPAR's view: Our Southern Africa and BWG Group businesses benefit from economies of scale in terms of dominant market share positions. A significant factor impacting the performance of our Swiss business and the decision to sell interests in the Polish market is the lack of scale SPAR has in these markets.

5. The quest for profitable online growth

McKinsey expects that e-grocery will return to moderate growth and that players will maintain a strong focus on profitability. Incumbents will face increasing pressure from pure players.

SPAR's view: SPAR's model of independent retailers has made the rollout of on-demand shopping more complex but not impossible. We have made significant progress, and customer reviews of the offering have been positive. Refer to page 56 for more information.

6. Retail media as a core profit centre

Top players are launching or expanding their retail media businesses, which will likely become a substantial EBIT driver for the grocery industry.

SPAR's view: SPAR's new omnichannel strategy includes leveraging consumer data for tailored advertising. This will entail a move towards more personalised and relevant content and promotions for SPAR Rewards customers based on their shopper profile and buying behaviour.

7. Systematic scaling of automation and technology

Technology remains an important driver of value creation for the industry. Generative artificial intelligence (AI) is emerging as a potential next frontier.

SPAR's view: Digitalisation is a major area of focus, hence the investment in a new ERP system to drive greater automation and efficiencies. Marketing is expected to benefit significantly from generative AI applications such as creating personalised creative content and messages and customer interaction (e.g. conversational chatbots).

8. Supplier collaboration to solve for sustainability

The importance of sustainability continues to increase for grocers. While the investments required to reduce Scope 1 and 2 emissions are substantial, the necessary actions are clear. In contrast, Scope 3 requires further understanding.

SPAR's view: SPAR recognises that it can bring about sustainable change by collaborating with suppliers, peers, public benefit organisations, government and private businesses to build a more inclusive economy. Refer to SPAR's ESG report for more information.

VALUE CREATION AND STRATEGY


Fresh
CHARCOAL

VALUE CREATING BUSINESS MODEL

SPAR's operations draw on six capitals. Our value creation process requires managing the trade-offs between them. Our business model demonstrates how we utilise the capital inputs across our wholesale operations to produce favourable capital outputs and outcomes for all stakeholders. It should be read in conjunction with the rest of the integrated annual report and the ESG report.

CAPITAL INPUTS AT THE BEGINNING OF THE YEAR

Financial capital

Financial capital is the funding from equity and debt providers and represents the Group's financial resources. It is used to procure goods and services, pay salaries and taxes, develop new products, invest in technology, facilities, operations and equipment, and to pay financiers and shareholders.

Equity R10.0 billion	**Long-term borrowings R7.6 billion**	**Net cash overdraft R1.9 billion**

Increasing inflation and consumers dealing with rising living costs continued into this year. Currency weakness and increased operating expenses impact ZAR Group debt levels and profitability, putting Group covenants under pressure. Higher interest rates across all markets added to the Group's funding costs. The implementation of SAP gave rise to necessary but increased IT spend, impacting overall profitability. The decision to sell interests in Poland and poor SAP implementation resulted in unexpected write-offs, placing further constraints on financial capital.

Manufactured capital

This capital includes our infrastructure regarding wholesale and logistics capabilities used to service our independent retailers. This includes our central offices, distribution centres (with cooling facilities, recycling and reclamation plants), warehouses, satellite hubs, trucks, forklifts, and information technology systems. It also includes the independent retailer store network.

4 500 stores across our territories	**15 distribution centres**	**Four central support offices**	**Logistics fleet and assets across all regions**	**SPAR Encore private label business and private label manufacturers**

Challenges include increased hours in loadshedding, which impacted operations and efficiencies at store level in South Africa. The SAP issues were a major setback, impacting local distribution within the KZN region. It also affected neighbouring distribution centres, which assisted with selected KZN stores until the SAP system was stable towards the end of 2023.

Human capital

Using the skills, capabilities and passion of employees and management teams to drive the culture, execute daily business activities and build relationships with key stakeholders. SPAR's Board holds executive management accountable for the day-to-day running of the business and the implementation of strategic focus areas.

10 281 employees	**Purpose and values-driven culture**

In 2023, the existing Chairman and Group CEO resigned and retired, respectively. A new non-executive independent director stepped in as Executive Chairman until the appointment of a new Group CEO. The extensive changes to the Board and leadership teams have been unsettling for employees in the short term. Another challenge is the sourcing of an experienced digital workforce.

Intellectual capital

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

Internationally recognised SPAR brand	**Additional Group brands and house brands recognised in local markets**	**Progress made in preparation for SAP implementation**	**Wholesale and retail IT infrastructure**	**SPAR rewards programme**	**Training and leadership programmes**

Operating within highly competitive markets with consumers trading down to discounters places our predominantly convenience-branded stores under pressure. Other challenges include the complexities around the model and competing as a united independent retail store network against peers who are predominantly corporate retail-focused when implementing consistent ideas across the network. Cyber security is an ongoing area of focus and remains a threat.

Social and relationship capital

Sustainable stakeholder relationships enable an environment to perform our business activities well and to ensure a sustainable food network.

Strong platforms in place for effective stakeholder engagement, including with our shareholders	**Strong retailer loyalty in South Africa, Ireland, South West England and Switzerland**	**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**

Loadshedding and geopolitical circumstances have affected economic growth across regions with high inflation and increased living costs. This affects the socio-economic welfare of the communities we serve. The SAP issues in KZN have negatively impacted service levels for the SPAR retailers in this region. The reputational damage caused by allegations in the media earlier in the year has also impacted social and relationship capital.

Natural capital

We use natural capital as input for the products we distribute and sell, our properties, and water and energy (electricity, diesel, fuel and gas) we use in our operations. We aim to become more climate-resilient by reducing our carbon and water footprints. This will ensure our natural resources are responsibly procured and protected.

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

CORE BUSINESS ACTIVITIES

Procurement

Our relationship with suppliers, joint planning meetings and investment in research and new product development enable SPAR to offer retailers a full range of competitively priced fresh and dry goods to sell. We ensure sustainable supply through an optimised value chain that protects our margins. Most of our procurement happens at distribution centre level.

Areas of waste and value erosion that we manage

Margin loss, food and packaging waste and out-of-stock situations.

Warehousing

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

Areas of waste and value erosion that we manage

Food and packaging waste, damaged goods and pilferage, waste water and emissions.

Distribution

To get the right products to our retailers at the right time, we ensure load optimisation, effective routing solutions, and managing our fleet through driver management and fuel-saving initiatives. Our transport partnerships provide access to a national system linking us to suppliers. We ensure the value of every truck on the road is as high as possible.

Areas of waste and value erosion that we manage

Fuel inefficiency, damaged goods and emissions.

Retailer support and marketing

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

Areas of waste and value erosion that we manage

Stock situations, packaging waste, water, emissions and energy.

Employees | Independent retailers | Communities | Consumers | Suppliers | Shareholders and financiers

OUTPUTS

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

Products we source from our suppliers for our independent retailers include competitively priced fresh produce, dry goods and a range of house brands, including SPAR private label. This enables these small business owners (our independent retailers) to compete within their local markets.

We provide world-class distribution and retail operational support services and promotional and marketing support to our independent retailers.

OUTCOMES

Financial capital

+10.1% turnover growth	R6.2 billion cash generated from operations	R10.2 billion Equity	R8.3 billion long-term borrowings

Manufactured capital

R2.2 billion of capital expenditure	SAP system customised for use at KZN distribution ahead of roll out to our regions	SPAR2U launched at over 250 new retail sites in Southern Africa	Cash and Carry customer list acquisitions in Ireland fully integrated into the business	4 579 stores (+79 net new stores for the Group)

Human capital

Composition of Board improved considerably	1.2% increase in employees from 10 385 to 10 512	Board diversity improvement	Major focus on ETHICAL BEHAVIOUR during 2023	Retail programme education continued across all markets

Intellectual capital

Implementation of SAP for the business	SPAR Engage merchandising business dedicated to SPAR Private label products in Southern Africa	SPAR2U "E-commerce as a service" solution for retailers	Private label product ranges across all markets

Social and relationship capital

Level 5 B-BBEE in South Africa	Ongoing Gender-based Violence campaign	R23.0 million CSI spend in South Africa	Empowerment of small suppliers through the SPAR supplier development programme

Natural capital

8 612 MWh of energy generated by distribution centres in South Africa	136 561 tonnes CO_2 equivalent total footprint Scope 1 and 2	17 387 tonnes of cardboard and plastic recycled through distribution centres in South Africa	Build it procured wood is 100% Forest Stewardship Council certified

OUR CAPITAL TRADE-OFFS

The following trade-offs examples between our capitals and our unique current circumstances provide insight into how we manage them to ensure long-term value creation for our stakeholders.

Selling of interests in Poland

The Board announced its decision to sell its interest in SPAR Poland in September 2023. The ongoing financial losses have created earnings pressure for the Group. We also recognised a significant impairment of goodwill and other assets in the 2023 financial year. The Group will continue to support the business until it finds an appropriate buyer. We expect the transaction to be completed by the end of the 2024 financial year. There is a trade-off between long-term financial capital against manufactured, human, and social and relationship capital as the Group chooses to sell its interests in this market.

MANUFACTURED CAPITAL
- Long term

FINANCIAL CAPITAL
- Short term
- Medium term
- Long term

HUMAN CAPITAL
- Long term

SOCIAL AND RELATIONSHIP CAPITAL
- Short term
- Long term

Implementation of ERP system

The Group launched its new ERP system at the KZN DC during the year. We incurred a significant amount of financial capital investment. We have allocated capital expenditure of approximately R1.8 billion towards the SAP investment. As at 30 September 2023, the capitalised balance relating to the SAP software asset was R896.7 million.

We expect this significant short to medium-term financial capital investment to drive greater efficiencies and cost savings in the long term, albeit the implementation has not gone as planned, prolonging the time period for expected associated economic benefits. The system modernisation to suit SPAR's model provides greater access to intellectual capital capabilities to leverage enhanced growth opportunities. The poor implementation has caused stakeholder concerns, weighing on relationship and social capital in the short-to-medium term.

FINANCIAL CAPITAL
- Short term
- Medium term
- Long term

INTELLECTUAL CAPITAL
- Short term
- Long term

SOCIAL AND RELATIONSHIP CAPITAL
- Short term
- Medium term

"E-commerce as a service" solution – SPAR2U

During the year, the omnichannel team continued the rollout of SPAR2U to retail sites. SPAR2U, SPAR's "E-commerce as a service" solution, is uniquely tailor-made for the SPAR interdependent retail model.

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

SOCIAL AND RELATIONSHIP CAPITAL	INTELLECTUAL CAPITAL	FINANCIAL CAPITAL	HUMAN CAPITAL
Short term (increase) Long term (increase)	Long term (increase)	Short term (decrease) Medium term (decrease) Long term (increase)	Short term (increase) Long term (increase)


UMHLANGA ROCKS
SUPERSPAR
COFFEE BAR
SMOOTHIES
SPAR

WHY INVEST IN SPAR

SPAR offers investors exposure to groceries, pharmaceuticals and building materials wholesale and retail, predominantly driven by the strength of entrepreneurial independent retailers at the heart of their communities in Southern Africa and parts of Europe. In Europe, the Group has exposure to corporate retail, Cash and Carry businesses and foodservices.

1

Improved governance, new leadership and new competencies

SPAR's Board changed considerably during 2023 under the leadership of a new Chairman

The addition of new and experienced Board members, including non-executive and executive directors, is driving improved governance, tough but necessary decision-making and positive change for a more sustainable Group

Read more on page 76

2

Strong optimised distribution infrastructure combined with a network of exceptional retailers

Operational expertise in wholesale supply chains and distribution to independent retailers, hospitality and other wholesale markets

Unique and differentiated model supporting and enabling independent retailers to focus on running their stores and playing an important role in the communities they serve

Read more on page 14

3

Leveraging one of the world's largest food retail brands and growing private label business

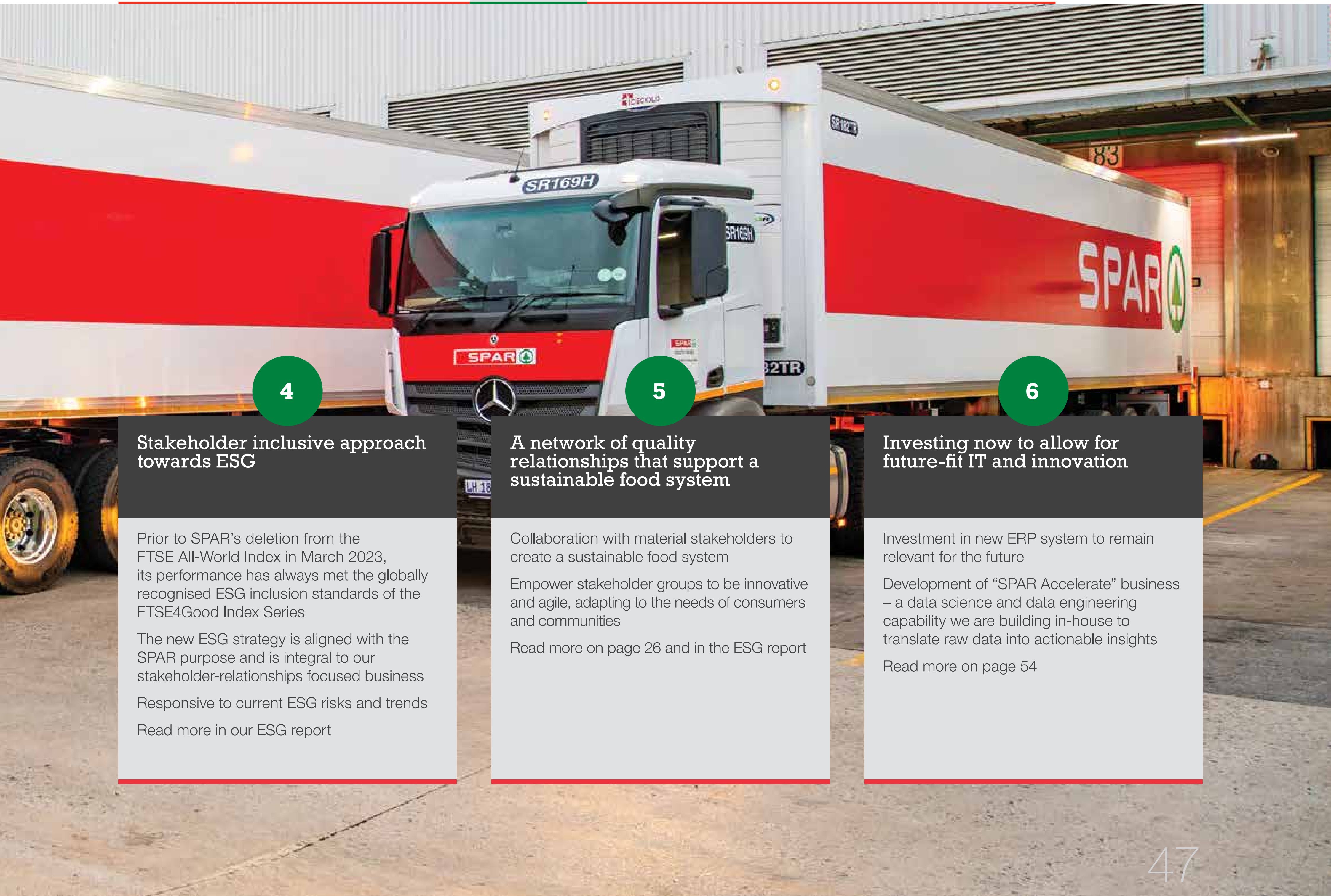
SPAR is a well-known, well-loved brand globally

SPAR member countries benefit from shared learnings in operational wholesale and retail excellence across countries

Growing range of value-added in-store concepts and quality private label products

SPAR has 60 years of proven wholesale and retail experience

Read more on page 12



4

Stakeholder inclusive approach towards ESG

Prior to SPAR's deletion from the FTSE All-World Index in March 2023, its performance has always met the globally recognised ESG inclusion standards of the FTSE4Good Index Series

The new ESG strategy is aligned with the SPAR purpose and is integral to our stakeholder-relationships focused business

Responsive to current ESG risks and trends

Read more in our ESG report

5

A network of quality relationships that support a sustainable food system

Collaboration with material stakeholders to create a sustainable food system

Empower stakeholder groups to be innovative and agile, adapting to the needs of consumers and communities

Read more on page 26 and in the ESG report

6

Investing now to allow for future-fit IT and innovation

Investment in new ERP system to remain relevant for the future

Development of "SPAR Accelerate" business – a data science and data engineering capability we are building in-house to translate raw data into actionable insights

Read more on page 54

SPAR'S STRATEGIC FRAMEWORK

SPAR's strategic framework is centred around three strategic outcomes, drawing on the values of entrepreneurship, family values and passion to remain true to our purpose – to inspire people to do and be more. By working towards our three outcomes, we aim to create and preserve long-term sustainable value for all stakeholders.

OUR VISION
First-choice brand in the communities we serve

OUR THREE STRATEGIC OUTCOMES

Sustainable stakeholder value
- Supply chain efficiency to compete effectively
- Stakeholder interests are balanced to ensure the entire system is sustainable in the long term
- Value includes the broad range of benefits we deliver to all our stakeholders due to our business activities and the actions we have taken to produce positive outcomes using the six capital inputs listed on page 40

Loved and respected as a brand
- Respected for the difference we make in communities
- Entrepreneurial retailers at the heart of their communities
- The SPAR brand has a strong emotional connection with all stakeholders

Nutritious and affordable food
- Buy better for our consumers and focus on ethical sourcing and food safety standards to ensure a sustainable supply chain
- Provide access to nutritious food at affordable and competitive prices
- Make a positive impact on the health of consumers

OUR VALUES

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

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

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

OUR PURPOSE
To inspire people to do and be more

STRATEGIC PROGRESS IN THE TERRITORIES

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

Southern Africa

With the appointment of a new Southern African CEO in August 2022, we introduced a 12 to 18 month accelerated growth plan. We made significant progress during 2023 regarding the six strategic enablers developed in collaboration with the South African National Guild of Retailers.

Strategic focus areas/accelerated growth plan	Progress in 2023
Marketing recalibration Reiterate SPAR's one coherent brand voice and increase brand salience	Appointed a new marketing executive, with a team focused on major recalibration of SPAR's marketing plan, which has been completely overhauled and will position the business well for 2024 Launched SPAR's new brand positioning campaign "we're for smiles" – well suited for a brand rooted within the communities it serves and an opportunity to win back the hearts and minds of our customers All campaigns reflected the new positioning and a hard push towards single-minded, consistent executions across the divisions (one brand, one voice) Appointed a new PR manager and PR agency, working closely with the marketing team to assist in creating a unified and consistent brand voice Launched a new sponsorship strategy. The hard decision was made to give notice to sponsorship beneficiaries not aligned with the three pillars of nutrition, education and female equality
Customer and format segmentation Shift to a consumer-centric approach, providing retailers with improved business intelligence and insights for making smarter decisions	We completed an extensive customer segmentation analysis project, helping to identify key gaps and opportunities in the market at a customer and retail level During 2023, we crafted a retail segmentation strategy that will start rolling out in 2024

Southern Africa continued

Strategic focus areas/accelerated growth plan	Progress in 2023
Fresh revival A renewed fresh focus, including new innovative ranges, and existing range review	Completed the rebranding of Freshline, Country Value, bakery, butchery and home meal replacement range. Improved product and packaging rebranding was well received by retailers and consumers Improved quality and shelf life of product has resulted in the reduction in food waste Reduced lug sizes launched, reducing wastage and improving gross profit margins at retail
Omnichannel Improved customer centricity means focusing on how we engage with consumers, meet their needs and make their lives easier	Development of a new omnichannel strategy. SPAR2U on-demand platform now in over 350 sites as at September 2023 A new loyalty strategy was developed, focusing on enriching consumer data, building out the SPAR Rewards partnership ecosystem and providing a more compelling value proposition for SPAR and TOPS at SPAR shoppers. Phase one kicked off in April with the launch of the new SPAR Rewards card. New card activations totalled 5.3 million at year end
Private label Advanced private label strategy from "as good as the best for less" to redefined product tiering categories and more disciplined in-store execution of private label products centricity means focusing on how we engage with consumers, meet their needs and make their lives easier	Acquisition of remaining stake in SPAR ENCORE approved by Competition Commission during the year Development of a new private label tiering strategy, aligned to our customer segmentation work, was completed and implemented towards the end of the year Innovation and speed to market is an essential competitive advantage. We have reduced the average research and development time for new products from 12 to six months (concept to shelf) New private label architecture agreed and ready for launch in the second half of the 2023 financial year SPAR private label sales increased by 11.0% to R18.0 billion, representing 25.3% of core grocery turnover
Retail excellence Our retailers know their communities and strive for retail excellence. However, important retailers execute well on the key areas to ensure consistency across the SPAR brand offering	The Guild completed the alignment and improvement of SPAR's development fund – this is critical to supporting reinvestment in stores to drive organic growth Launched customer experience (CX) programme to drive consistent customer experience in stores Launched review of store operations execution and management processes to align them nationally – includes customer resolution process

Ireland and South West England

Strategic focus areas	Progress in 2023
Implementation of a new EUROSPAR strategy	• Introduced a new management team and strategy in March 2023, which was well received by the EUROSPAR retailers • Introduced a renewed focus on price competitiveness, our shopper loyalty programme and new private label ranges – EUROSPAR operates a loyalty programme called EUROSPAR SuperEasy Rewards. This enables shoppers to receive benefits, including lower prices on certain products, the ability to accumulate points which can be cashed in against future shopping, and seasonal member-only activations • Launched a new strapline for the brand and an exciting new sponsorship programme aimed at young people and families • Revealed a new store image for EUROSPAR with a renewed focus on fresh foods and the liquor categories • Considerable progress made in digital use and a common electronic point of sales (EPOS) platform • Launched marketing initiatives, including new brand positioning supported by a multimedia campaign, community programmes, sponsorships, a charity partnership, a responsible retailing programme, a digital marketing plan and in-store communications
Leveraged SPAR's 60th anniversary in Ireland to drive a special programme of key stakeholder engagement, reinforcing SPAR as the leader of convenience retailing in Ireland	• SPAR's 60th anniversary celebrations have provided the backdrop for most of the brand's campaigns this year • A new tagline "SPAR under the tree since '63" was launched on New Year's Day, followed by successful campaigns such as a 60th anniversary radio advert voiced by Hollywood actor Colm Meaney and a week-long consumer cash giveaway in April • Corporate social responsibility projects included the SPAR 60th Anniversary Community Fund which provided €60 000 in funds to worthy groups, clubs and initiatives across the country, in a campaign fronted by brand ambassador and Olympic gold medallist Kellie Harrington, while a partnership with The Tree Council of Ireland saw SPAR plant 20 000 trees this year as part of the third SPAR national tree day • Other activities included TV and radio promotions advertising special offers at just 60c
Integration of newly acquired businesses	• The newly acquired businesses, McCarrick Brothers Wholesale Longford Limited (McCarrick) and Tuffy Wholesale Limited have been successfully integrated into the BWG supply chain network and sales retention has been above the budget expectation in all cases, driving the strong overall sales performance for the year
South West England – growth of Company-owned store estate	• Within Appleby Westward, the corporate stores estate now stands at 134 stores, with six stores acquired in the last 12 months. The retail division adds stability and scale to the organisation.

Switzerland

Strategic focus areas	Progress in 2023
Drive topline growth through new business and organically, through concept roll out and upgrades	Further development of SPAR EXPRESS offering in the petro-convenience space with AVIA and Tamoil fuel forecourt operators. Completed concept design for SPAR "GO24" unmanned box stores, operating 24 hours a day, seven days a week. This concept was launched in the second quarter on a trial basis. The automation of the store has been successful, and the software can be used to extend the shopping hours of selected SPAR Express stores going forward.
Private label range enhancement and deeper penetration	Private label growth has been strong during the year, increasing its contribution towards turnover from 16.9% in 2022 to 19.6%. The business has 1 620 stock-taking units across the three tiers of private label products namely: • SPAR No.1 (launched as the price value proposition and has been well received by consumers as the quality value alternative product) • SPAR Core (as good as the best for less) • SPAR Prime (premium product selection)
Complete the restructure of the distribution centre model to service the South West	The warehouse rebuild was completed by August 2023. This included the redesign of the fresh inbound area and an improvement in building requirements to better align with health and safety regulations. The internal chambers were restructured as part of the rebuild to ensure improved temperature control and energy efficiencies. The rebuild has enhanced the flow of the facility (inbound to outbound), providing for an improved cold chain allowing for picking efficiencies (higher pick rates / less employees) and better consistency in product quality. This is critical for our fresh strategy launched in 2023. A major benefit is that the rebuild complements the ERP system, reducing the delivery cycle into retail without impacting service levels.
Increase TopCC Cash and Carry customer base	The focus during the year was on retaining the existing Cash and Carry customer base via personalised advertising and deals and recruiting new private customers in-store and online, with key account managers driving this process. During the COVID-19 pandemic, the Cash and Carry business saw an increase in private sector customers. While the business has managed to retain these new customers post the pandemic, the on-average smaller basket size does not make up for the loss of gastro customers due to the closure of restaurants post the pandemic.

Poland

On 28 September 2023, the Board announced its decision to sell its interests in SPAR Poland. While the business has not achieved the necessary scale to break even, it has over 200 world-class stores, a central office, and two warehouse facilities, one of which was recently extended to improve the range in the south of the country.

Strategic focus areas	Progress in 2023
Drive turnover growth, improve gross profit margin and increase retailer loyalty	• Delivered less than expected turnover growth of 5.0% • 28 net new stores opened during the year • Optimisation of distribution centres and logistics, especially in the south of the country
Build loyal and passionate retailers	• Ongoing engagements and improved communication with independent retailers for relationship building purposes and to build trust • "Look and learn" trips hosted locally and internationally • Improvement of the assortment in both distribution centres, improving retailer loyalty • The expansion of the distribution centre in Czeladź was completed to assist with range improvements and, consequently higher levels of retailer loyalty in the south specifically
Drive organic growth at retail	• Introduced various concepts during the period, such as deli counter offerings • Continued to expand three-tier private label strategy with 765 products under the SPAR brand (2022: 600 products) • Rebranding and reformatting of certain stores to drive organic growth
Motivate and empower our people	• Improved HR policies, including the implementation of a new pay grading scheme • Conducted virtual and in-person employee training workshops • Conducted ongoing values-based workshops • On-the-job training delivered at new and existing stores, resulting in over 3 000 participant training hours (2022: 1 030 hours) • Held the second SPAR family fun day, which was well attended by SPAR employees and their families
Cement relationships with suppliers	• Held first trade show for SPAR Poland in Czeladź after a successful trade show in Poznan • Conducted numerous engagements to understand key concerns • Improved processes developed to assist the commercial teams • Increased communication with suppliers after Board's decision to exit the • Polish market, to ensure stability of supply chain for independent retailers
Drive lean operations through efficient logistics and cost management	• SPAR Poland's lack of scale and volumes made it challenging to derive optimum logistics efficiencies • Developed improved processes across the business and assisted with the reduction of costs • Continued pressure due to minimum wage increases • Energy costs challenges continued due to geopolitical circumstances, including the ongoing war in Ukraine

STRATEGIC CASE STUDIES

INVESTING FOR THE FUTURE | ERP IMPLEMENTATION

Why are we investing?

As part of its commitment to digitalisation, SPAR has made a significant investment in a new ERP system. The investment in new systems will bring future benefits to the business and will be key to its growth in the long term. The system will enable improved operational and reporting efficiencies impacting key business areas such as warehouse management, forecasting and replenishment, promotion management, contract and supplier management, merchandising and finance-related activities, and the integration with the store/point of sale (POS).

Once fully integrated, the new system is expected to provide the following benefits:

- A significant boost in productivity and operational efficiency.
- Supply chain cost savings.
- Data accuracy excellence.
- Improved business intelligence, allowing for better decision-making processes.
- Significant reduction in IT costs once the system rollout is complete and stable.
- An elevated customer experience for our retailers.

SAP Programme status

What went wrong?

The KwaZulu-Natal distribution centre in South Africa went live with SAP in February 2023, following the "go-live" of SAP at central office in October 2022. We experienced challenges in warehouse operations from the go-live date.

The reasons for the issues are complex. However, the three key reasons for the implementation setbacks were:

Solution readiness

Some key functionality necessary for the functioning of SPAR's warehouse operations (most notably, split orders) was not included in the warehouse solution at the time of go-live.

Our solution readiness problems should have been picked up at both solution sign-off stage and user acceptance testing, but were not.

Master data issues

At go-live, a larger number of articles had incorrect units of measure and cost price, and the inventory load into production did not work, extending the data migration timeline.

In addition, inadequate SAP master data integration resulted in the ERP and warehouse systems getting out of sync. These issues resulted in a big support load and the inability to dispatch orders.

Change management

User acceptance testing involving users, and later training, was limited in preparing for worst-case scenario options. It was siloed in that users did not get an end-to-end view of processes and the impact of their part of the process on others.

Where are we now?

During the implementation, certain KwaZulu-Natal stores were serviced by neighbouring distribution centres to limit disruption. However, the KwaZulu-Natal distribution centre again fully serviced all KwaZulu-Natal stores in September 2023. The SAP solution is stable, predictable, and performing consistently. The design is not yet optimal. The project team's focus has shifted from stabilisation to identifying and addressing optimisations. We have implemented several processes and systems optimisations, improving the warehouse effectiveness and order fulfilment rate. Master data accuracy has received close attention and focus. Merchandising and marketing teams made improvements regarding stock availability and the management of promotional stock.

Due to the abovementioned challenges, we have paused the South African implementation programme to focus on KwaZulu-Natal stabilisation. We have halted future deployment plans until management is satisfied with the system's design in KZN.

DRIVING GROWTH THROUGH OMNICHANNEL

SPAR's digital transformation continues to gather momentum through its omnichannel function. This growth-focused team is rebuilding consumer and retail data foundations and setting up new business models and revenue streams. This digital transformation augments and enhances the foundational overhaul that SAP delivers to our core technology stack.

The omnichannel strategy aligns with our vision to enable retailers to be the first-choice brand in the communities they serve. Through collaboration and partnerships, we will drive creative and innovative digital products and services. This will empower our retailers to capitalise on new growth opportunities, existing and new channels and business models and to be the champion of their customers and communities. The vision requires a flexible omnichannel ecosystem tailored for an interdependent retail model. This will enable retailers to offer relevant and personalised communication and a world-class customer experience.

SPAR's on-demand shopping solution in Southern Africa was developed in 2022. SPAR2U launched at 269 sites (SPAR and TOPS stores) during the year, with 356 sites at year end. The response from shoppers continues to be positive, with on-demand sales accelerating.

Given SPAR's independent retail and voluntary trading model, SPAR2U offers SPAR retailers a unique "E-commerce as a service" solution, eliminating a lot of effort for the retailers. The Group provides all technology, training, reporting, ordering and transport management, and last-mile services, leaving the retailer to focus on picking and packing consumer orders.

From a technology perspective, the focus was to stabilise the app and back-end infrastructure to support the complexities of the multi-store model. We added two new last-mile models to the standard "e-commerce-as-a-service" model.

- SUPERSPAR Malelane launched the "country model" pilot in August. It allows stores outside urban/suburban logistics hubs to leverage the SPAR2U app, infrastructure and processes but deliver using their own vehicles.
- The "kasi model" is where SPAR2U have partnered with last-mile providers in township areas to offer all South Africans access to on-demand grocery deliveries.

The team is focused on completely upgrading the user interface and experience, and integrating SPAR Rewards into the app.

SPAR rewards/loyalty programme

We crafted a new strategy for consumer loyalty in the first half of the year. We focused on enriching customer data, building out the SPAR Rewards partnership ecosystem and providing a more compelling value proposition for SPAR and TOPS at SPAR customers.

- Phase 1 kicked off in April 2023 with the launch of the new SPAR Rewards. We have over 5 million customers signed up for the new rewards programme.
- Phase 2 entails a move towards more personalised and relevant content and promotions for SPAR Rewards customers based on their shopper profile and buying behaviour. The NielsenIQ Activate platform will enable personalised digital vouchers (starting with segments of shoppers). This is an exciting new development for SPAR's retailers, suppliers and consumers.

Retailer enables Shopping
SPAR enables the retailer to plan and manage in-store and on-road resource capacity based on forecasted demand and available delivery slots

Retailer handles, picking and dispatch
SPAR provides the retailer with full order visibility and enables exception management. SPAR automates the order execution process and track performance KPIs and customer service level agreements.

SPAR provides a single invoice and pays the driver
SPAR wraps deliveries into a single invoice.

SPAR ensures drivers are trained and incentivised to deliver a best-in-class service.

SPAR plans the next available driver
SPAR selects the most suitable vehicle that is nearest.

SPAR optimises vehicle capacity and routing in geographical clusters (i.e. across multiple stores) to minimise overall network cost.

SPAR delivers on time
SPAR manages drivers and delivery exceptions.

SPAR provides on-road order updates and manages delivery locations.

STRATEGIC RISKS AND OPPORTUNITIES

SPAR's Group Chief ESG Officer leads the risk process and together with key executive management is responsible for the implementation and execution of the risk management process. An enterprise risk management (ERM) policy and framework are in place.

This section should be read in conjunction with the Risk Committee report on page 117.

Risk rank	Strategic risk description	Mitigations
1	Negative financial impact as a result of having to fund losses relating to the Group's exit from Poland.	• This is being dealt with as a priority by the newly appointed Group CEO and COO to finalise this process as soon as possible so as to minimise losses to the Group. • A local advisory partner has been appointed to facilitate this process. • Since the announcement to sell interests in the Polish territory, significant interest has been received from potential purchasers. Management are working through these.
2	Unsuccessful SAP rollout to the remaining business leading to business disruption and negative impact on financial performance.	• The project has been placed on hold following a detailed review conducted by an external service provider. • The project strategy and way forward are in the process of being reviewed. This includes a review of whether the technology solution as initially envisaged is correct for the business. • The Group has moved away from a Global Template solution for its ERP platform, preferring local solutions "in country" which will disperse and mitigate the risks as the various platforms are rolled out and/or evolved into. • Further roll outs will be reviewed and guided with advice from an independent service provider whose team include SAP implementation expertise.
3	Declining financial performance resulting in decreased stakeholder confidence and negative media coverage.	• Targeted turnover growth and cost management initiatives are being driven throughout the Group. • Greater focus on capital allocation policy from the Group, with a focus on reviewing and ensuring that investments into markets and businesses achieve returns in excess of the WACC.
4	Inability to sustain revenue and profit growth due to the downturn in the global economy, geo-political issues, socio-economic conditions and country infrastructure challenges (water and electricity) resulting in decreased shareholder returns.	• Development of local, in country, strategies to ensure the sustainability of each of our businesses in every territory. • Greater focus on capital allocation policy from the Group, with a focus on reviewing and ensuring that investments into markets and businesses achieve returns in excess of the WACC. • Increased focus on credit management, turnover growth and cost management initiatives. • In South Africa, as part of our membership with the CGCSA, we are participating in their initiative to address loadshedding as a collective. In addition thereto, each distribution centre have plans in place to ensure minimal impact on operations to address loadshedding consequences.

Risk rank	Strategic risk description	Mitigations
5	Unwillingness by financial institutions to extend banking facilities due to poor financial results and negative market sentiment.	• A strategic view of the Group's balance sheet/debt structure is underway, advisors have been appointed to provide management with options to optimise debt capacity. • Extensive engagement with lenders in all geographies which include continuous updates on forecast performance for the Group.
6	Damage to the SPAR brand as a result of independent retailer model and negative retailer actions such as compromised food safety standards leading to loss of consumers.	• MOUs/Membership agreements in place with retailers which include the requirement to comply with legislative requirements including food safety standards. • Proactive PR management strategy in place.
7	Loss of market share due to lack of innovation and non-timeous digital transformation and e-commerce initiatives resulting in decreased revenue.	• A digital transformation strategy is in place, which seeks to address revenue, income opportunities and driving efficiencies across the supply chain. • SPAR SA has created a dedicated Business Transformation Office, within the Omnichannel business unit. • Current focus, one of the key initiatives is on expanding the South African footprint relating to the SPAR2U offering.
8	Resistance to changing business processes to enable tangible contribution to environmental, sustainability and socio-economic development initiatives resulting in the failure of the Group ESG strategy.	• Targeted ESG strategy and initiatives to promote contribution to the achievement of SPAR's environmental, sustainability and socio-economic development.
9	Negative impact of foreign exchange fluctuations on the Group's performance resulting in significant forex losses.	• The Group raises debt in the relevant geographies and no material inter-company currency exposures are allowed, thereby minimising the risk of foreign exchange impacts on profit. • Each country is servicing its own debt, in that the debt is locally "ring-fenced" and no cross-border debt servicing is necessary. • Any product imports are currency hedged by exchange contracts.
10	Business disruption due to a cyber security breach resulting in lost revenue.	• There are some standard solutions for common infrastructure that has been leveraged in all countries. • The maturity of cyber security is different by territory, however, continued standardisation will require education, investment and focus. • IT opportunities have been identified to reduce the probability of potential IT risks from being realised and to enable the achievement of SPAR's strategic objectives.

PERFORMANCE OVERVIEW


SPAR

AN INTERVIEW WITH OUR EXECUTIVE CHAIRMAN

2023 was a very busy year for the SPAR business as we injected high levels of energy, urgency and focus into the Group.

We were also able to make great strides in our determination to improve diversity and transformation.

What are your reflections on your first year at SPAR?

I was invited to join SPAR in mid-December 2022 as the new independent non-executive Chairman. At that time there were serious allegations on many fronts being made against SPAR in the media. I joined SPAR as a complete outsider, and spent the first months coming to grips with understanding the business and the key issues.

The Board then requested me to step in as Executive Chairman at the beginning of February, following the early retirement of Brett Botten, the former CEO. My term as Executive Chairman came to an end on 30 September 2023 with the appointment of Angelo Swartz as the new Group Chief Executive Officer. My eight months as Executive Chairman were intensely busy but exceptionally productive.

We recognise that our success as a Group is driven by the success of our independent retailers. Without them, we do not have a business. They underpin everything that we do. They are the ones facing consumers and serving their communities every day. The Group has been built on the efforts of these entrepreneurs, who invest in the brand and live the brand. They create jobs and serve millions of people through our SPAR store network and help them build and improve homes through our Build it business. Our people operate in so many places enriching their communities.

> I have had the great pleasure of meeting many of our retailers during my short time so far with SPAR, and they have my greatest respect.

One might think that SPAR is mostly in the business of delivering groceries, liquor, building supplies and medicine. That is true, but more importantly we need to recognise that we are in the "relationships" business. SPAR is a terrific business, with huge potential. To get back on track, we had to inject a great deal of urgency, focus and change in the Group over the past several months. This has understandably been unsettling for all stakeholders, especially our employees, many of whom have never experienced this before.

The SPAR voluntary trading model is a good model for grocery retail entrepreneurs because of its flexibility and the freedom it offers the independent retailers. While the model works, there are elements of it that we are revisiting and improving. We will continue to challenge the thinking around how and why things are done and challenge the existing ways of doing things to ensure that they are appropriate. Since SPAR's success is built on retailer success, we need to think innovatively about how we recruit retailers and increase our support to them.

> Change is never easy, and I extend my sincere thanks to all of our people for their ongoing efforts in the business throughout this process.

Can you provide an update on the reputational and governance concerns the business was facing when you joined?

It was important that we dealt with the allegations as a matter of great urgency. This included the composition of the Board, which had come under severe criticism in the media during the period. We have made significant progress in this regard, in respect of governance, diversity and transformation.

> "SPAR prides itself on the values of entrepreneurship, family values and passion. There cannot be a trade-off between governance and entrepreneurship. They are not opposing concepts. Entrepreneurship should not compromise the highest standards of corporate governance, nor vice versa.

Six directors retired or resigned, including the former Chairman, Graham O'Connor; the former CEO, Brett Botten; and long-serving non-executive director, Dr Phumla Mnganga, who retired after 17 years of service. At 30 September 2023 Marang Mashologu resigned as a director due to a significant increase in her other full-time CEO professional commitments. More recently, Jane Canny and Andrew Waller resigned. We thank all of these directors for their many years of service to SPAR.

Three highly experienced individuals were appointed as new non-executive directors during the year:

- Shirley Zinn, a leading expert in people, leadership and culture issues, a former lead independent director of Shoprite Holdings, and former Head of HR at Woolworths Holdings Limited and Standard Bank Limited. Shirley Zinn has also been appointed Deputy Chairman and is the first woman to be appointed to this position on the SPAR Board.
- Pedro da Silva, the former Head of Retail at Pick n Pay Limited, the former CEO of Biedronka in Poland for 15 years and himself a nationally and internationally respected food retailer. Pedro da Silva has also led very large supermarket chains in Russa, Colombia and Portugal.
- Trudi Makhaya, an acclaimed South African economist, entrepreneur and writer and former Senior Economic Adviser for the last five years to the President of South Africa.

We recently welcomed two new executive directors to the Board:

- Angelo Swartz was appointed as Group CEO with effect from 1 October 2023. Angelo was also appointed as the Chairman of the SPAR Guild of Southern Africa with effect from 1 September 2023. He is the first person from a previously disadvantaged background to head up a major food retailer in South Africa and to head up the SPAR Guild. While I was Executive Chairman and Angelo headed the KZN distribution centre, I had the privilege of working very closely with him on a couple of projects. I am excited about the future of SPAR under his leadership as Group CEO and we have both worked very hard over the past couple of months to ensure a seamless transition.
- Megan Pydigadu was appointed Group Chief Operating Officer, with effect from 1 November 2023. She is the first woman to hold such a senior Group executive position in SPAR. She is a highly experienced executive and listed company director, and we extend a warm welcome to her.

In terms of our executive directors and Group Executive Committee, Mark Godfrey remains SPAR's long-serving CFO.

We appointed Ms Shana Ashokumar as Company Secretary, dedicated to supporting the Board and committees in further elevating governance standards within the Group. Shana is the first woman and the first previously disadvantaged person to be appointed to this role at SPAR.

The former company secretary, Kevin O'Brien, has been appointed as SPAR's Group ESG Executive and will focus on environmental, social and governance matters, driving SPAR's commitment to the future of our brand and our planet.

I am also pleased to report that an additional two non-executive directors, Liesbeth Botha and Marie Jamieson were appointed very recently with effective start dates of 1 February 2024. We extend a warm welcome to them both. All director profiles can be found on page 78 of this report.

Regarding allegations of discrimination towards SPAR retailers, we established, beyond any doubt, through the review of an independent 294-page report conducted by the law firm of Harris, Nupen, Molebatsi, that any allegations of racially discriminatory behaviour by SPAR towards any of its retailers were completely unfounded. We engaged with each of the 10 black retailers who had declared disputes with SPAR and we have resolved the matters with each of them in an amicable fashion. Four of the 10 retailers are now running SPAR stores again and we are extremely happy to be working with them.

> **Unethical behaviour of any kind will not be tolerated at SPAR.**

With regard to the fictitious loan claims, the Board took the allegations very seriously. We received different independent professional opinions. At the end of the process the Board agreed with our auditors, PwC, that it was a reportable irregularity. This took place in 2018 and the amount involved was R11 million.

The reportable irregularity was reported to the IRBA. While the value of the loan was immaterial, the transaction itself was unacceptable and the people involved are no longer working for SPAR.

Finally, we were able to resolve many of the matters, that have been in dispute for years with one of our largest retail groups. The remaining matters will be resolved in court or through arbitration in the months to come. We are confident of a very fair outcome for the retailer and for SPAR.

Lastly, we became aware of certain whistle blower reports earlier in the year. The investigation thereof resulted in two additional reportable irregularities, details of which have been disclosed in the full annual financial statements available on SPAR's corporate website.

What's your view on the business's performance?

Looking at this year's results, the BWG Group in Ireland and South West England performed excellently, but many other parts of our businesses are not performing as they should. We have a lot of work to do. We are focusing on the core of our business and what we must do well.

Having evaluated and considered all options, the Board believes that it is in the best interests of the Group and shareholders to dispose of its interests in Poland, which process is underway.

The Group reported a significant decrease in operating profit for the year to R1.8 billion, down from R3.4 billion in the prior year. Approximately R1.4 billion related to largely non-recurring items during the year – specifically ERP system implementation challenges and impairments arising on SAP in our foreign subsidiaries, in respect of SPAR Poland and in our meat processing business in Ireland. Adjusting for the effects of just these three matters, the operating profit for this year would have been R3.2 billion.

Profitability was further impacted by inflationary cost pressure during the year, with operating expenses growing ahead of turnover growth and a significant increase in net finance costs caused by increases in interest rates across all territories.

While the result is poor, it is important to note that it does not reflect the underlying health of the business. It reflects some tough decisions and changes that we have had to make to set the business up for future success.

Mike Bosman
Chairman
14 December 2023

MESSAGE FROM OUR NEW GROUP CEO

It is a privilege and an honour to be appointed the Group CEO of SPAR. I am grateful to the Board for their confidence in me to lead the Group. SPAR is a business founded on strong relationships and an entrepreneurial spirit. I believe my operational experience, deep knowledge and understanding of the SPAR culture, coupled with fresh outside perspectives from seasoned executives new to the business will position SPAR well on our path to modernise the business.

It has been roughly 75 days since I took up my new position as Group CEO. It has been an intensely busy period meeting with all our stakeholders. I valued these engagements for the opportunity they afforded for gauging stakeholders' key concerns and considering how we might best address these concerns going forward.

We have no time to waste in addressing key focus areas for the Group, and I believe the following priorities are critical for Group in the short to medium term:

PRIORITIES

1

The strategic sale of our interests in SPAR Poland

As difficult as this process was, I was involved in the discussions that got us to this point, and the Board and management are aligned that selling our interests in this market is in the best interests of all our stakeholders. We are seeking the best possible outcome for all stakeholders, in particular the many dedicated SPAR employees and retailers in Poland. Advisors have been appointed and we are aiming to have the process finalised by the end of the 2024 financial year. We remain committed to this business and will continue to support it until the sale process is complete.

2

Optimising our capital structure through debt restructuring

Finance costs from high levels of debt, but also from extraordinary interest rates with record highs in Europe, are placing a strain on SPAR's profitability. We are seeking the right balance between short and long-term debt and will implement the most appropriate facility structures to provide the Group with the flexibility it needs to reduce costs while enabling growth.

3

Completing the much-needed modernisation of our ERP system in South Africa

This strategic enabler will produce significant benefits to the Group in terms of the goal to reshape our business and become future-fit. The system is now stable in the KZN region and we are focused on optimising the design before rolling it out to our other regions within Southern Africa. Rich real-time reporting allows for better decision-making as a business. While we are not deriving maximum benefit at this stage, the automation of forecasting and replenishment will increase efficiency, lower costs, and boost productivity in the long run.

4

Recovery of the operating margin in Southern Africa to 3% by FY2025

The recovery of our home territory, Southern Africa needs to be delivered in the short to medium term. A large part of the increase in operating costs has been necessary in terms of securing future revenue streams. It is critical that we actively invest time and resources in areas that will help define the shape of the business for the future. Retailer profitability will be key in supporting SPAR with this priority. Our retailers are under increasing financial pressure from rising fuel and energy costs, exacerbated by high levels of loadshedding, but they have done an incredible job of managing the challenges.

There has been a rapid growth in costs in some areas of our business, to the extent that some of these costs have become structural in nature. If any of these costs have not supported better margin outcomes for the Group, they will be addressed appropriately.

ERP IMPLEMENTATION UPDATE

The Group commenced the launch of its new SAP software system at the South African central office in October 2022. The distribution centre in KZN was the first regional distribution centre to launch SAP, thereby limiting any risk to the rest of the regions. The go-live at KZN commenced in February 2023. The transition to SAP resulted in various go-live and integration issues, negatively impacting distribution operations in KZN.

Actions were taken to improve supply to our retailers' stores, including servicing these stores from the Eastern Cape, South Rand and North Rand DCs, direct-to-store deliveries, as well as the increased use of supplier dropshipment channels. The KZN DC resumed servicing all stores in the region as of August 2023.

While the SAP solution is stable and performing consistently at the KZN DC, the rollout of SAP has been delayed in other Southern African regions until management is satisfied with the optimisation of the system at the KZN DC. The learnings during this transition phase have been immense. The impact of the SAP implementation at KZN amounted to net estimated losses of R1.6 billion in turnover and R721.4 million in profits for the year ended 30 September 2023. Furthermore, as a result of the change in approach towards the SAP implementation rollout for the foreign regions, a write-off of R94.1 million in respect of the SAP "asset under construction" has been recognised.

We believe we have identified the key issues that resulted in the shortcomings of the KZN DC SAP rollout and that we have the right team and resources in place to appropriately plan for future implementations in Southern African regions.

LOOKING AHEAD

For the Group, significant changes were made at executive and Board level during the year. While this has been an unsettling time for the business and its stakeholders, especially our employees, the changes being made are focused on modernisation and the highest possible standards of corporate governance. We believe the changes position the business well for the future, benefitting all stakeholders. A recovery is underway and we are confident about the future of the Group.

Angelo Swartz
Group CEO
14 December 2023


EUROSPAR
Fruit & Veg
Deli
HALF PRICE

GROUP CFO REVIEW

The following financial review should be read together with the full set of annual financial statements available on the Group's corporate website – https://thespargroup.com/wp-content/uploads/2023/11/Annual_Financial_Statements_2023.pdf

SALIENT FEATURES

Rmillion	Year ended 30 Sep 2023	Year ended 30 Sep 2022	% Change
Turnover[1]	**149 324.3**	135 609.1	10.1
Operating profit	**1 817.0**	3 428.7	(47.0)
Earnings per share (cents)	**208.6**	1 118.2	(81.3)
Headline earnings per share (cents)	**606.6**	1 160.5	(47.7)
Diluted headline earnings per share (cents)	**606.3**	1 159.1	(47.7)
Dividend per share (cents)	**–**	400.0	(100)

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

The weighted average number of ordinary shares (net of treasury shares) is 192 379 568 shares (2022: 192 445 771). In respect of diluted headline earnings per share, the weighted average number of ordinary shares (net of treasury shares) is 192 450 389 (2022: 192 678 012).

PERFORMANCE OVERVIEW

The Group delivered turnover growth of 10.1%, increasing turnover to R149.3 billion (2022: R135.6 billion). This is a commendable trading performance amid challenging markets with consumers under persistent financial pressure. All geographies experienced the challenges brought on by consumers dealing with higher costs of living driven by ongoing food price inflation, higher interest rates, fuel and energy costs during the reporting period. The SAP implementation challenges at the KwaZulu-Natal (KZN) distribution centre (DC) and the impairment of goodwill and intangible assets associated with SPAR Poland significantly impacted overall profitability for the period. Consequently, the Group delivered an operating profit of R1.8 billion (2022: R3.4 billion). Of the factors negatively impacting operating profit, approximately R1.4 billion is considered non-recurring. Increased net finance costs due to rising interest rates significantly impacted profit before tax. Diluted headline earnings per share declined by 47.7% to 606.3 cents. Given the various challenges, the Board believes it prudent to not declare a final dividend for the year ended 30 September 2023.

Turnover by region

Rmillion	2023	2022	% Change
SPAR - core grocery business*	**71 168.7**	66 457.8	7.1
TOPS/Liquor sales	**10 197.4**	10 204.3	(0.1)
SPAR & TOPS – wholesale	**81 366.1**	76 662.1	6.1
Build it	**9 706.7**	10 137.9	(4.3)
South Africa	**91 072.8**	86 800.0	4.9
S Buys – Pharmaceutical business	**1 539.1**	1 290.9	19.2
Total Southern Africa	**92 611.9**	88 090.9	5.1
Ireland	**38 137.5**	31 295.6	21.9
Switzerland	**15 711.6**	13 834.7	13.6
Poland	**2 863.3**	2 387.9	19.9
Total Group	**149 324.3**	135 609.1	10.1

** Includes SPAR Encore*

SPAR Southern Africa reported an increase in turnover of 5.1%. Trading was negatively impacted by the general consumer environment as well as continued electricity load shedding. On a combined basis, core grocery and liquor turnover increased by 6.1% for the period. Core grocery turnover including SPAR Encore, increased by 7.1% and reflects the ERP system challenges experienced during the reporting period. Internally measured wholesale price inflation was 9.7% for the reporting period. Our building materials business, Build it, reported a decline in turnover of 4.3%, due to a shift in consumer spending towards the basic costs of living. The decline in turnover also reflects the state of the building sector, which continues to be severely impacted by electricity load shedding. The pharmaceutical business continued to deliver impressive sales performances from both Pharmacy at SPAR and Scriptwise (specialised pharmacy), delivering 19.2% turnover growth for the reporting period.

Ireland and South West England, represented by **BWG Group**, delivered strong trading performances across both markets. Turnover increased by 8.1% for the reporting period in EUR terms and by 21.9% in ZAR terms. All retail brands delivered strong performances throughout the year, notwithstanding difficult trading conditions, including an increased regulatory environment, staff shortages, rising operating costs and very strong competition. Our food services channel performed exceptionally well, boosted by a full recovery of the hospitality sector and a consolidation of the market, with BWG Foods growing ahead of the industry and taking market share. The successful consolidation of acquisitions boosted growth for the wholesale business. In the United Kingdom, Appleby Westward's corporate retail division continued to benefit from the acquisition of stores.

SPAR Switzerland's turnover declined by 3.3% in CHF terms (an increase of 13.6% in ZAR terms) against the prior comparative year as it contended with the dynamics of a post-pandemic marketplace, with consumers looking for better pricing either cross-border or locally with discounters. Furthermore, the transfer of a group of corporate stores to independent retailers during 2022 negatively impacted retail sales in the current financial year. Owing to the contraction in the restaurant industry, combined with consumers eating out less, turnover from the TopCC cash and carry business was adversely impacted and declined by 3.6% in CHF terms.

SPAR Poland continued to experience a tough consumer environment. While food inflation eased in the second half of the financial year, the Polish consumer remained under pressure and continued to shop around for the best deals. SPAR Poland delivered turnover growth of 5.0% in PLN terms (19.9% in ZAR terms) compared to the prior comparative year. At the end of September 2023, the Board announced its decision that it believes it is in the best interests of the Group and shareholders to engage in a process to sell its interests in Poland. Consequently, goodwill and other intangible assets for this business have been impaired for the year ended 30 September 2023.

Summary segment analysis

Rmillion	Southern Africa	Ireland	Switzerland	Poland	The SPAR Group Ltd
Profit/(loss)					
Turnover[1]	**92 611.9**	**38 137.5**	**15 711.6**	**2 863.3**	**149 324.3**
Gross profit	**8 828.5**	**5 756.5**	**2 792.9**	**567.8**	**17 945.7**
Gross profit margin %	***9.5***	***15.1***	***17.8***	***19.8***	***12.0***
Operating profit/(loss)	**1 217.6**	**1 062.3**	**236.8**	**(699.7)**	**1 817.0**
Operating margin %	***1.3***	***2.8***	***1.5***	***(24.4)***	***1.2***
Profit/(loss) before taxation	**942.0**	**773.3**	**113.1**	**(849.2)**	**979.2**
Financial position					
Total assets	**27 724.5**	**18 678.1**	**13 192.6**	**2 000.6**	**61 595.8**
Total liabilities	**23 451.9**	**14 409.5**	**10 174.3**	**3 338.5**	**51 374.2**
Stores	**2 523**	**1 485**	**363**	**208**	**4 579**
Net new/(lost) stores	**14**	**46**	**(9)**	**28**	**79**

[1] *Turnover represents revenue from the sale of merchandise.*

GROUP FINANCIAL REVIEW

Turnover for the Group, representing revenue from the sale of merchandise, increased by 10.1% to R149.3 billion (2022: R135.6 billion). This is an overall strong trading performance, given the challenges the business contended with during the period. Foreign currency denominated turnover contributed 38.0% (2022: 35.0%) of reported ZAR turnover. The Group has operations in Ireland and South West England (EUR-denominated), Switzerland (CHF-denominated) and Poland (PLN-denominated).

Gross profit margin for the Group remained flat at 12.0% against the prior comparative period. SPAR Southern Africa managed persistent high inflationary price increases, high commodity input prices and supply chain challenges well during the year. However, due to the impact of the SAP implementation, Southern Africa delivered a decline in its gross profit margin from 10.0% for the prior comparative year to 9.5%. BWG Group increased its overall gross margin from 14.3% to 15.1%, driven by a change in product mix to higher gross margin impulse products such as confectionary. SPAR Switzerland's gross margin declined from 18.4% to 17.8% due the loss of volume rebates, as well as the reduction in the proportion of higher margin retail sales arising on the transfer of corporate retail stores to independent retailers. SPAR Poland delivered an increase in gross profit margin from 18.3% to 19.8%, predominantly driven by improved terms with suppliers.

Operating expenses for the Group increased by 22.1% to R19.4 billion (2022: R15.9 billion). All regions experienced considerable increases in fuel and energy costs.

SPAR Southern Africa's operating expenses increased by 16.1%. The major cost drivers during the period were employee costs, IT costs, marketing costs, and fuel and distribution costs. Employee costs increased by 11.8%, mainly due to an increase in the number of employees at central office in departments driving strategic imperatives. IT costs increased by 52.2% due to additional operational costs and hyper care required for the ERP system implementation, as well as cloud-based licensing required to modernise the business. Marketing costs increased by 19.5%. This was due to increases in advertising and promotional costs to assist retailers in driving deep value promotions across all brands, and especially the retailers negatively impacted by the SAP implementation. Fuel and distributions costs increased by 12.8% during the period due to increases in the fuel price, as well as increased mileage travelled for deliveries between the KZN stores and South Rand, North Rand and Eastern Cape DCs servicing stores in the KZN region during the SAP challenges. Operating expenditure was again adversely impacted by the increase in net bad debts during the period, which in part demonstrates the continued financial pressure on SPAR retailers due to the impact of higher levels of electricity load shedding on retailer profitability.

BWG Group's operating expenses increased by 16.0% in EUR-denominated currency and 30.9% in ZAR terms, attributable to increases in fuel and energy costs and labour costs. Labour costs increased by 15.3% in local currency, due to the ongoing labour challenges in both Ireland and the United Kingdom. Excluding impairments of business assets amounting to R158.0 million due a change in operational strategy towards on-site meat processing, and the SAP change in approach for the Irish business, BWG Group operating expenses increased by 13.9% in EUR-denominated terms and 28.5% in ZAR-denominated terms.

SPAR Switzerland's operating expenses were well managed and down 0.1% in CHF-denominated terms but increased by 17.4% in ZAR terms. Two photovoltaic plants were commissioned during the year, which assisted in reducing energy costs.

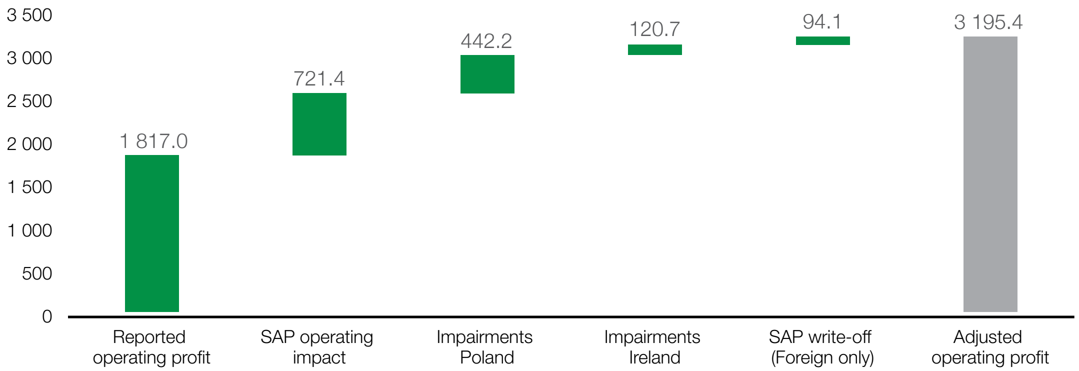
SPAR Poland's operating expenses increased by 31.4% in PLN-denominated currency and 50.1% in ZAR terms. This was due to general cost inflation in energy and fuel costs, but largely impacted by impairments to assets, as well as SAP system related write-offs.

Operating profit for the Group declined considerably during the period by 47.0% to R1.8 billion (2022: R3.4 billion). The following significant factors negatively impacted operating profit for the year ended 30 September 2023:

- The launch of SPAR's new ERP IT system (SAP) at the KZN distribution centre impacted the KZN trading performance severely, causing a net loss of Group turnover estimated at R1.6 billion. The operational impact amounted to an estimated R721.4 million in loss of profits for this region.
- The evaluation of SPAR Poland, following the Board's decision to engage in a process to sell the Group's interests, gave rise to impairments of associated goodwill and other assets amounting to R442.2 million
- As a result of the change in approach towards the SAP implementation rollout for the foreign regions, a write-off of R94.1 million in respect of the SAP "asset under construction" has been recognised
- The Group also made further impairments of business assets amounting to R120.7 million as a result of the change in operational strategy towards on-site meat processing in the Irish business
- Lower-than-expected turnover growth coupled with significant inflationary cost increases across all of our regions

The following table sets out the impact of factors mentioned above.

Adjusted Group operating profit for significant once-off items (Rmillion)



SPAR Southern Africa delivered operating profit of R1.2 billion, a decrease of 50.3% against the prior comparative year. BWG Group in Ireland and South West England reported a decline in operating profit of 2.9% in EUR currency and an increase of 9.5% in ZAR currency to R1 062.3 million (2022: R970.5 million). Excluding the impact of the above-mentioned impairments in the Irish business, operating profit for BWG Group increased by 6.4% in EUR currency, which is a solid performance for this business, amid tough conditions. SPAR Switzerland delivered an operating profit of R236.8 million (2022: R409.5 million), declining by 42.2% in ZAR currency and 50.8% in CHF-denominated currency. SPAR Poland delivered an increase in operating losses of 73.6% to R699.7 million (2022: R403.0 million). Excluding the impairments of assets in this region, operating losses improved by 51.6% in local currency and 44.7% in ZAR-denominated currency.

Profit before tax for the Group is R979.2 million (2022: R3 041.7 million), down 67.8% on the prior comparative year, heavily impacted by a substantial increase of R432.6 million in net finance costs, due to higher interest rates across all markets. The table below indicates the increase in the weighted average interest rates on borrowings during the 2022 and 2023 financial years.

Weighted average interest rates on borrowings (%)

	2023	2022
South Africa	**6.9%**	6.2%
Ireland	**4.2%**	1.7%
Switzerland	**2.1%**	1.4%
Poland	**4.8%**	2.2%

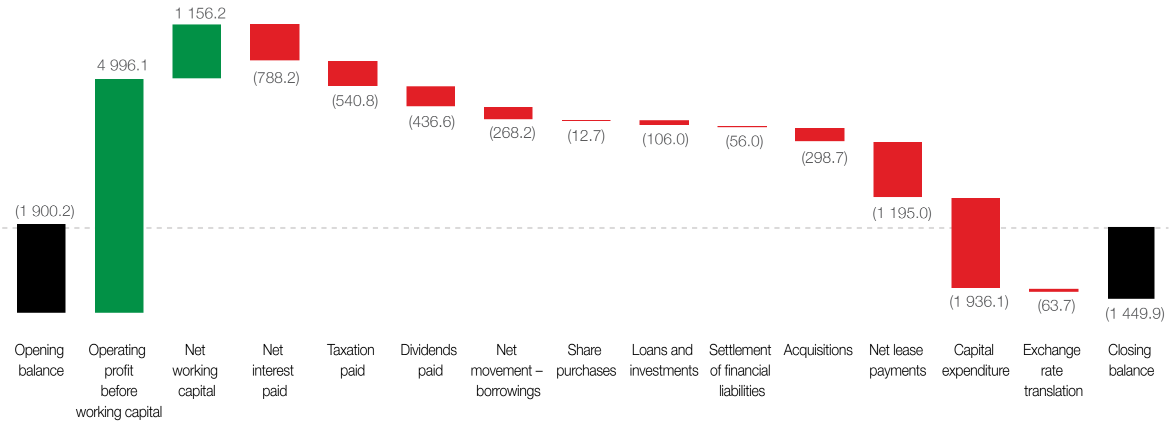
Profit after tax declined by 80.1% to R442.5 million (2022: R2 219.8 million), largely reflecting the unfavourable tax impact of the impairments arising in SPAR Poland. The effective tax rate increased to 54.8% (2022: 27.0%) and was significantly impacted by the non-deductible impairments made, unutilised tax losses and non-deductible temporary differences. In addition, the current assessment of the Polish business caused the reversal of the deferred tax asset.

Headline earnings per share declined by 47.7% to 606.6 cents (2022: 1 160.5 cents) and diluted headline earnings declined by 47.7% to 606.3 cents (2022: 1 159.1 cents).

Cash flow from operating activities totalled R4.4 billion (2022: R2.4 billion). Net working capital changes reflect an inflow of R1 156.2 million (2022: outflow of R789.7 million). A total of R0.4 billion (2022: R1.4 billion) was paid to shareholders during the year, reflecting the Board's decision to not declare dividends for the interim results. Owing to increases in interest rates across all regions, net finance costs of R788.2 million (2022: R366.3 million) were paid during the year.

The Group's cash outflow from investing activities was R1 234.3 million (2022: R1 168.6 million), which includes acquisitions of R307.4 million (2022: R349.2 million) for retail stores in South Africa and Ireland, as well as payments for two wholesale business in Ireland. It also reflects capital expenditure of R1.9 billion (2022: R1.6 billion). Cash outflows from financing activities of R2 638.4 million (2022: R2 439.5 million) predominantly reflects payments of R2 114.4 million (2022: R1 885.8 million) on the principal element of leases and R612.1 million (2022: R881.2 million) in net repayments of borrowings during the period. The Group finished the year with a net overdraft position of R1.4 billion (2022: R1.9 billion net overdraft).

Cash flow (Rmillion)



Group net debt

Rmillion	**2023**	2022
Bank overdrafts	**3 157.9**	3 013.0
Total borrowings	**8 265.2**	7 596.6
Financial liability	**–**	54.4
Bank balances (excluding Guilds and trusts)	**(1 421.7)**	(862.0)
Total net debt	**10 001.4**	9 802.0

Group net debt for covenant purposes totalled R10.0 billion (2022: R9.8 billion) as at 30 September 2023. The obligation to purchase the remaining shareholding in S Buys Holding (Pty) Ltd was settled during the financial year, eliminating the outstanding financial liability. Group net debt includes borrowings of R8.3 billion (2022: R7.6 billion). Group borrowings are mostly foreign currency denominated, with 56.6% EUR-denominated and 41.8% CHF-denominated.

All financiers remain supportive of the Group and have agreed to amendments to banking covenants. The Group is not in breach of any financing covenants at financial year end. At this stage, the Group does not intend to raise any capital from shareholders. The Group is currently considering various debt structuring options.

Borrowings per region

Rmillion	2023 local currency	2023	2022
Southern Africa (ZAR)	**129.8**	**129.8**	173.0
Ireland (EUR)	**165.2**	**3 309.5**	3 173.0
Switzerland (CHF)	**167.1**	**3 453.3**	2 941.6
Poland (EUR)	**68.5**	**1 372.6**	1 309.0
Total borrowings		**8 265.2**	7 596.6

Weighted average maturity – primary borrowings

Years	2023
South Africa	**1.65**
Ireland	**3.25**
Switzerland	**2.82**
Poland	**1.59**

GOING CONCERN

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

SHAREHOLDER DISTRIBUTION

The Group has faced various challenges during the year. Consequently, the Board believes it is prudent to not declare a dividend for the year ended 30 September 2023 (2022: 400.0 cents per share). The Board will consider future dividend payments after taking into account the prevailing macro and operating conditions going forward. Returning capital to shareholders in the form of dividends and responsible capital allocation remains a priority for the Board.

OUTLOOK

In Southern Africa we are encouraged to see the positive momentum that is building, due to the deliberate changes that have been made and the pleasing progress within the strategic focus areas, despite the various challenges the business has faced. The consumer environment is expected to remain constrained. However, SPAR's private label strategy is well placed to offer better value for our independent retailers and SPAR shoppers. The optimisation of the SAP system will be a key focus area for the business.

In Ireland and South West England, increasing costs are expected to challenge retail and hospitality operators' profitability. Despite the challenges, the local management teams look forward with confidence. All of our businesses and brands are in a strong position, and we will continue to have the benefit of wholesale acquisitions made in 2023, which will continue to deliver synergies as they are consolidated into our business.

The Swiss management team is focused on strategic enablers to drive growth in this market, including a revised fresh strategy to drive increased footfall to neighbourhood stores. This focus on factors within the business's control means that the management team is cautiously confident of an improved financial year ahead.

In respect of SPAR Poland, we are focused on achieving the best possible outcome for all stakeholders and remain focused on the process of finding an appropriate buyer for the business.

Mark Godfrey
Group CFO

14 December 2023

> The SPAR Board is the custodian of corporate governance and understands that adherence to the highest standards of corporate governance is fundamental to the sustainability of SPAR.

GOVERNANCE

77% BOARD AND COMMITTEE MEETING ATTENDANCE

80% BOARD INDEPENDENCE

50% RACE DIVERSITY

40% GENDER DIVERSITY

MAJOR BOARD DECISIONS AND CONSIDERATION

Governance

- Key Board and committee changes, including appointing a new Chairman, three new independent non-executive directors, and a Deputy Chairman
- Appointment of two new independent non-executive directors with effect from 1 February 2024
- Appointed a Group CEO and new Group COO
- Outsourced the internal audit function to EY
- Dealt with the three reportable irregularities involving members of management and non-executive directors relating to "fictitious" loans and issues relating to SAP
- Reached a settlement with a group of aggrieved retailers
- Recommended non-executive directors due to retire by rotation, and re-election of members of the Audit Committee, to shareholders for approval at the 2023 Annual General Meeting (AGM)

Strategic

- Analysed options on the Polish business. Decided to exit SPAR's interest in its Polish business following an analysis of the market in Poland and opportunities for the Polish business
- Placed the rollout of SAP to other regions on hold pending the post-implementation review of the KwaZulu-Natal (KZN) rollout
- Extended support to KZN retailers negatively impacted by the SAP implementation

Remuneration

- Changed the remuneration policy considering the engagement held with shareholders on their concerns
- Adopted a malus and clawback policy to ensure a clawback mechanism is in place for executive management, and amended the Minimum Shareholding Requirement policy applicable to executive management
- Commissioned work on wage gap disclosure and mandated the Executive to conduct an exercise on a living wage in South Africa
- Recommended non-executive directors' fees effective 1 March 2023 for approval by shareholders at the Special General Meeting held on 8 September 2023
- Recommended non-executive directors fees with effect from 1 March 2024 for approval by shareholders at the 2024 AGM

Compliance statement
The Board confirms that for the year ended 30 September 2023, the Group complied with the provisions of the Companies Act and operated in conformity with its Memorandum of Incorporation. The Board further confirms the application of the King IV™ Code of Corporate Governance.

The Board and committees operate in terms of charters and work plans set and reviewed annually by the Board. The last review took place in August 2023. The Board amended or updated charters and work plans where necessary based on King IV and the JSE Listings Requirements. It also considered key focus areas for the Board and each committee in light of governance concerns raised near the end of the previous financial year.

Board statement
The Board is satisfied that it fulfilled its responsibilities in accordance with its charter for 2023.

BOARD OF DIRECTORS as at 14 December 2023

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.

NON-EXECUTIVE DIRECTORS

Mike Bosman (63)

BCom (Hons), LLM (Cape Town), AMP (Harvard), CA(SA)

Independent non-executive chairman

Joined the group in 2022
Appointed as Chairman: December 2022

Nominations Committee Chairman
Remuneration Committee member

Mike holds a BCom (Accounting) Honours degree, a Masters of Law degree from the University of Cape Town and is a qualified Chartered Accountant (South Africa). He completed the Advanced Management Program at the Harvard Business School. He is independent non-executive chairman of Spur Corporation Limited. Mike is also an independent non-executive director of MTN South Africa Proprietary Limited (MTN) and the non-executive chairman of Vinimark Trading Proprietary Limited, the largest independent wine distribution company in South Africa. He also serves on the audit and risk committees of MTN.

Mike contributes entrepreneurship, finance, legal and governance skills and is expected to bring strong leadership to the Board.

N R

Shirley Zinn (62)

BEd, MEd, EdM, EdD (Harvard)

Independent non-executive Deputy Chairman

Appointed to the Board: February 2023
Appointed as Deputy Chairman: 13 June 2023

Shirley was the Group Head of Human Resources at Woolworths Holdings Limited, and the Head of Human Resources at Standard Bank of South Africa. She serves on the boards of listed entities including Sanlam Limited and Sanlam Life Insurance Limited (also Chair of the Human Resources and Remuneration Committee); and Spur Corporation Limited (also chairs the Remuneration and Nominations Committee). Shirley also serves as an independent non-executive director of MTN South Africa (Pty) Ltd and chairs their HR, Remuneration and Social and Ethics Committee. She is also the Chair of the V&A Waterfront in Cape Town. Shirley has served on various other boards including Shoprite Holdings Limited (Lead Independent Director).

Shirley contributes business acumen, governance, people, leadership, culture and HR skills to the Board.

SEC N R

Pedro da Silva (55)

BEcon, AMP (Harvard), EDP (IMD, Lausanne)

Independent non-executive director

Appointed to the Board: February 2023

Pedro is a Global Retail Advisor, board member at the Portuguese Diaspora Council in Lisbon and previously held various executive leadership positions in South Africa as Managing Director of Pick n Pay Retail and internationally as President of the Management Board and CEO of CEPD N.V (the retail holdings of the Pelion Group) and President of Dixy Group (the third largest Russian national food retailer). He also previously held various executive positions in the foreign listed entity, Jeronimo Martins Group, as Chief Operating Officer (COO): Country Manager for Portugal, Poland, Colombia; and previously as CEO of its Polish subsidiaries, Biedronka Discount Stores, Jeronimo Martins Dystrybucja for 10 years.

Pedro contributes business acumen, financial, sustainable dynamic growth strategies, retail and international retails skills to the Board.

R A

R Risk Committee | R Remuneration Committee | N Nominations Committee | SEC Social, Ethics and Sustainability Committee | A Audit Committee | Chairman

Lwazi Koyana (55)

BCom, CA(SA)
Independent non-executive director

Appointed to the Board: May 2019

Lwazi is the founder and Managing Director of Nations Capital Advisors (Pty) Ltd. He is a non-executive director of Mineworkers Investment Company (Pty) Ltd, Steve Biko Academic Hospital (Chairman), independent non-executive director of Concor Construction and member of the Rhodes University council. He is the former independent non-executive director of Afgri Ltd, SecureData and the W&RSETA.

Lwazi contributes business acumen, financial, auditing, governance and retail skills to the Board.

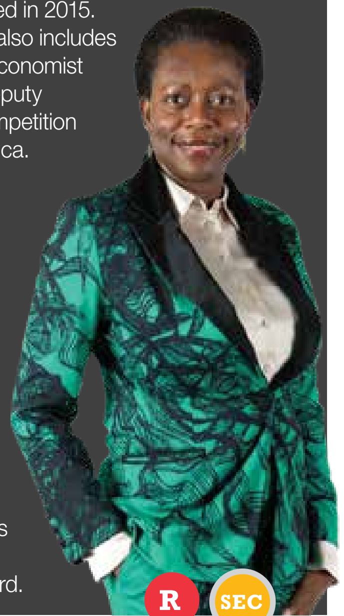
Trudi Makhaya (45)

BCom (Hons), MCom (Economics), MBA, MSc (Development Economics)
Independent non-executive director

Appointed to the Board: September 2023

Trudi is an acclaimed South African economist and has completed a five-year stint as the Special Economic Advisor to President Cyril Ramaphosa. She holds a portfolio of interests including being a Senior Advisor to the Boston Consulting Group, a member of the Investment Committee at the Jobs Fund, and an early-stage investor in Kasi Insight, a decision intelligence company. She was the Chief Executive Officer of Makhaya Advisory, a boutique consulting firm she founded in 2015. Her previous experience also includes serving as the Principal Economist and later acting as the Deputy Commissioner of the Competition Commission of South Africa. She has also held various management consulting and corporate positions at Deloitte South Africa, Genesis Analytics and AngloGold Ashanti. Trudi has served in non-executive director positions at the Vumelana Advisory Fund and at MTN South Africa from 2014 to 2018.

Trudi contributes business acumen, governance and ESG skills to the Board.



Sundeep Naran (56)

BSc (Mathematics), CFA® charter
Independent non-executive director

Appointed to the Board: February 2022

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

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

R Risk Committee | SEC Social, Ethics and Sustainability Committee | A Audit Committee | Chairman

EXECUTIVE DIRECTORS

Angelo Swartz (42)

Group CEO

Joined the Group in 2007

Appointed to the Board: October 2023
Appointed as Group CEO: 1 October 2023

Angelo has a deep knowledge of the South African market, having been with the Company for 16 years and at Woolworths before that. He has progressed through the Company, having held multiple positions across the business, including Senior Retail Operations Manager, Business Development Manager, Regional Executive and Divisional Director for Build it and Divisional Retail Operations Director. He was appointed as Divisional Managing Director of the SPAR Eastern Cape division in October 2019, a position he held until 1 August 2022 when he took on the role of Divisional Managing Director of the SPAR KZN division. In addition to his role as Group CEO, Angelo is Chairman of The SPAR Guild of Southern Africa NPC.

Angelo contributes business acumen and retail skills to the Board.

Mark Godfrey (58)

BCom, CA(SA)
Group CFO

Joined the Group in 1996

Appointed to the Board: October 2010

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

Mark contributes business acumen, financial, auditing and governance skills to the Board.

Megan Pydigadu (49)

BCom, CA(SA)
Group COO

Joined the Group in November 2023

Appointed to the Board: November 2023
Appointed as Group COO: 1 November 2023

Megan joined SPAR as Group COO on 1 November 2023. She started her career at Deloitte South Africa, serving her articles, and thereafter becoming an audit manager. In January 2002, she joined De Beers as a Senior Divisional Financial Manager and in September 2005 became the Group Financial Controller for Bateman Engineering. She joined MiX Telematics as Chief Finance Officer (CFO) in August 2010. In February 2017, she became the CFO of Eazi Access Rental before joining EOH Limited as the Group Finance Director and Executive Director in January 2019.

Megan contributes business acumen, financial, auditing, legal, governance, HR and IT skills to the Board.

R Risk Committee | SG The SPAR Guild of Southern Africa | Chairman

COMPANY SECRETARY

Shana Ashokumar (48)

GradCG
Company Secretary

Joined the Group in May 2021

Appointed Company Secretary: May 2023

Shana previously held the position of Senior Assistant Company Secretary. Prior to joining SPAR, she served as the Company Secretary and Head of Governance at Grindrod Bank Limited. Shana has also served in a private secretarial practice in the capacity of Senior Company Secretary and was responsible for managing client portfolios and consulting on technical governance and secretarial matters relating to listed and other regulated clients.

NON-EXECUTIVE DIRECTORS APPOINTED POST REPORTING DATE

Liesbeth Botha (61)

BEng (Electronics), MEng (Electronics), PhD (ECE)
Independent non-executive director

Effective date of appointment to the Board:
1 February 2024

Until June 2022, Liesbeth served as the Chief Digital Officer of PricewaterhouseCoopers (PwC) Africa where she worked for eight years and was responsible for digital business transformation and innovation strategy, as well as digital upskilling and championing the way the business uses digital technology. Preceding that, she was an Executive Director at the Council for Scientific and Industrial Research (CSIR) and chaired the board of UViRCO, a spin-off from the CSIR. Her previous experience also includes being Executive Director of Innovation and Commercialisation at the University of Stellenbosch, and founder of InnovUS, the holding company of the start-ups and other commercial ventures of the University of Stellenbosch. She served as a non-executive director of Venfin Limited and was a Council Member of the University of Pretoria. Prior to her executive roles, she was professor of electronic and computer engineering at the University of Pretoria. She specialised in Artificial Intelligence, data analysis and pattern recognition, including speech and image recognition, artificial neural networks and machine learning. She has published widely and supervised numerous graduate students in all these fields.

Liesbeth is expected to contribute business acumen, and IT skills to the Board.

Marie Jamieson (63)

BSSc (Hons), PGDip (International Management)
Independent non-executive director

Effective date of appointment to the Board:
1 February 2024

Marie was formerly an International Strategic Planning Director for TBWA where she worked in many countries around the world and is recognised globally as a strategic planning expert. Prior to that, Marie served as the Chief Executive Officer of TBWA\Hunt Lascaris in Johannesburg. She has vast experience in marketing and advertising in more than 60 categories, spanning a career of over 40 years including 10 years in FMCG management at Smithkline Beecham. Marie also served at Absa for six years as Head of Marketing and Corporate Relations: ARO (Absa's regional business outside South Africa). She was responsible for marketing and communication in 10 countries where she headed up the Brand and Name Change programme from Barclays to Absa in all of these countries.

Marie is expected to contribute business acumen and strategic planning in brand marketing and communications skills to the Board.

OUR GOVERNANCE SYSTEM

SPAR is a public Company incorporated in South Africa and listed on the JSE. It adheres to the Companies Act and Regulations requirements as amended, the JSE Listings Requirements and King IV. It conducts its business 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. We integrate our King IV disclosures in the reports set out below, and provide a King IV disclosure matrix in our ESG report https://thespargroup.com/pdf/Environmental_and_Social_Report_2023.pdf. The disclosure matrix summarises the King IV principles and provides stakeholders with supporting links and references in one place.

Principle cluster	Detail	Page
Leadership, ethics and corporate citizenship	Chairman's message	62
	Group CEO's report	66
	Group CFO's report	70
	Social, Ethics and Sustainability Committee report	120
	ESG report	Separate report
Strategy, performance and reporting	Value creation and strategy	38
	Group CFO's report	70
	ESG report	Separate report
Governing structures and delegation	Governance	76
	ESG report	Separate report
Governance functional areas	Committee reports	89
	ESG report	Separate report
Stakeholder relationships	Our material relationships	26
	ESG report	Separate report

BOARD COMPOSITION

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

The Board has a policy on promoting broader diversity at Board level. It sets voluntary targets in respect of race and gender, and applies the diversity indicators of field of knowledge, skill, experience, age, culture, race and gender in all its appointments.

As at 30 September 2023, the Board comprised two executive directors and eight non-executive directors classified as independent. Of the 10 directors, four were female (target: two) and five were black (target: three).

See a summary of the Board's diversity aspects below. Find more information in the Nominations Committee report on page 94. Board members' profiles as at 14 December 2023 are on pages 78 to 81

Board changes

This was an extraordinary year, marked by governance and leadership challenges that necessitated changes to various executive and Board roles.

Mike Bosman was appointed as independent non-executive Chairman of the Board with effect from 15 December 2022 after Graham O'Connor stepped down from the role. Following Brett Botten's retirement as Group CEO, effective 31 January 2023, the Board appointed Mike Bosman as Executive Chairman while the Nominations Committee proceeded to recruit a new Group CEO. This resulted in the Chairman of the Board being classified as executive from 1 February 2023 to 30 September 2023.

To strengthen governance during this period, the Board established a temporary Chairman's Committee comprising the lead independent director as Chairman and the chairs of the Board committees as members. It also appointed Shirley Zinn as the Deputy Chairman of the Board with effect from 13 June 2023.

Following the appointment of Angelo Swartz as the new Group CEO, Mike Bosman re-assumed his role as independent non-executive Chairman of the Board on 1 October 2023.

Other Board changes included:

- The resignation of Phumla Mnganga (effective 14 February 2023), Marang Mashologu (effective 30 September 2023) and Jane Canny and Andrew Waller (both effective 17 November 2023)
- The appointments of Shirley Zinn, Pedro da Silva (both effective 14 February 2023), Trudi Makhaya (effective 1 September 2023), Liesbeth Botha and Marie Jamieson (both with effect from 1 February 2024) as independent non-executive directors

The Board also recognised the need for a Group COO to strengthen the Group's executive team and support the CEO in co-ordination and oversight of operational and functional activities and retailer profitability. The Board approved appointing Megan Pydigadu in that role, effective 1 November 2023.

Board diversity

as at 30 September 2023

Board age profile

40% | 40% | 20%

- 50 – 59 years
- 60 – 71 years
- 40 – 49 years

AVERAGE AGE: **57 YEARS**

Executive vs non-executive vs independent profile

80% | 20%

- Independent non-executive
- Executive
- Non-executive (0%)

Board gender profile

60% MALE

40% FEMALE

Board race* profile

50% BLACK

50% WHITE

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

Board tenure profile

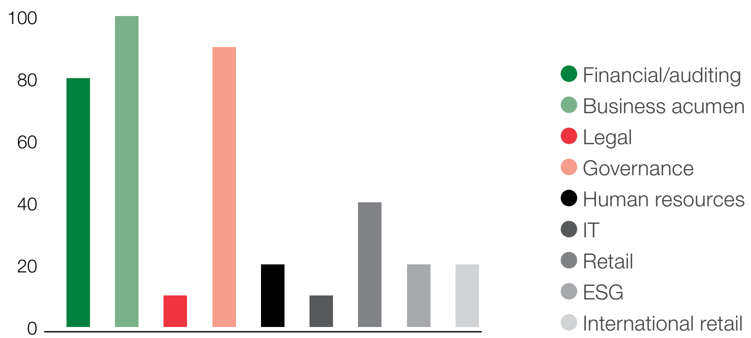
80% 0 – 5 YEARS

10% 6 – 9 YEARS

10% 10 – 19 YEARS

AVERAGE: **3 YEARS**

Board skills and expertise (%)



BOARD GOVERNANCE STRUCTURE

The general powers of the Board and 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 the Board reviews annually. The charter sets out the powers and authority of the Board and provides a clear and concise overview of the roles and responsibilities of Board members. The charter sets out the responsibility of the Board to ensure a clear balance of power and authority among directors, so that no director has unfettered powers of decision-making. No material changes were made to the Board charter.

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

The Board committees are governed by a delegation of authority framework that is reviewed annually. The framework sets out the matters reserved for determination by shareholders, by the Board, and those delegated to management and the executive committees. No material changes were made to the delegation of authority framework. However, it is undergoing a complete review for delegations to the Group and country structures.

Board statement

The Board is satisfied that the governance structure is appropriate and that the governance and authority frameworks provide clarity and contribute to effective control and performance of the Group.

To prevent conflicts of interest, Board members annually update the general disclosure of their personal financial interests in terms of the Companies Act. At the start of each Board or committee meeting, they are reminded of their obligation to declare any material personal financial interest they may have in contracts entered into or authorised by the Group.

Corporate governance framework

Our corporate governance framework sets out the structures, processes and practices the Board uses to direct and manage the Group's operations.

SHAREHOLDERS AND OTHER STAKEHOLDERS

Board

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

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

During the year, the newly constituted Board overturned the previous Board's decision to merge the Nominations Committee and Remuneration Committee. The Board felt that these committees have distinct mandates that are both important in the overall governance structure.

A Audit Committee

Provides oversight of the effectiveness of assurance functions and services. Focuses on combined assurance, including external assurance service providers, internal audit and the finance function, and the integrity of the annual financial statements and other external reports.

R Risk Committee

Provides oversight of risk governance, technology and information governance, and compliance governance.

SEC Social, Ethics and Sustainability Committee

Provides oversight of and reporting on organisational ethics, responsible corporate citizenship, sustainable development (including environmental and climate change) and stakeholder relationships.

N 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 performance evaluation of the Board, its committees and individual members.

R Remuneration Committee

Provides oversight of the Company's remuneration and implementation policy, and the remuneration of executive and senior management.

↓

Group executive

↓

Country Boards

↓

Country CEOs

↓

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 that this does not constitute a discharge of the Board's accountability. The Board committees' responsibilities and key focus areas are set out in each committee's report below. From time to time, the Board may appoint and authorise ad hoc committees, comprising the appropriate Board members, to perform specific tasks.

Each committee is chaired by an independent non-executive director and has its own terms of reference. These set out the committee's composition, roles and responsibilities, functions and authority. The committees report to the Board at each Board meeting and make recommendations according to their terms of reference.

The Board uses self-evaluation reviews to assess the effectiveness of the committees every two years. We performed our latest review this year, and will undertake the next one in 2025.

The committees' terms of reference are on our website at https://thespargroup.com/resource-centre governance/

Board statement

The Board is satisfied that the committees fulfilled their responsibilities in accordance with their respective terms of reference.

Meeting attendance

The Board values independent judgement and requires each Board member to prepare, participate and contribute at every meeting. Board members are given relevant information on the Group's strategies, plans and performance, and are expected to devote sufficient time and effort to preparing for meetings. The Company Secretary draws up meeting agendas in line with approved annual work plans and in consultation with the respective chairs.

To improve non-executive directors' understanding of the Group's operating divisions, the Board meets at a distribution centre at least once a year. It does this on a rotational basis, usually in August. This year's on-site Board meeting was held at the Lowveld distribution centre.

	Board	Audit Committee	Remuneration Committee	Nominations Committee	Risk Committee	Social, Ethics and Sustainability Committee	Chairman's Committee
Number of meetings held	**10**	**2**	**5**	**7**	**2**	**2**	**11**
Attendance by directors							
Non-executive directors							
Mike Bosman (1)	8/8		3/3	5/5			11/11
Jane Canny	10/10				2/2	2/2	11/11
Pedro da Silva (2)	5/5				1/1		
Lwazi Koyana	10/10	2/2			2/2	2/2	
Trudi Makhaya (3)	0/1						
Marang Mashologu (4)	9/10	2/2	5/5	6/7	1/2		7/11
Phumla Mnganga (5)	5/5		2/2	4/4		1/1	
Sundeep Naran (6)	9/10	1/2			2/2		
Graham O'Connor (7)	3/4		1/2	2/4			
Andrew Waller	10/10	2/2	5/5	7/7	2/2		8/11
Shirley Zinn (8)	5/5		3/3	3/3		1/1	10/11
Executive directors and officers							
Brett Botten (9)	4/4				1/1	1/1	
Mark Godfrey	10/10				2/2		
Kevin O'Brien (10)					1/1	1/1	

1 Mike Bosman replaced Graham O'Connor as Chairman of the Board on 15 December 2022 and was appointed as Chairman of the Nominations Committee on 10 January 2023 and as member of the Remuneration Committee on 15 February 2023.
2 Pedro da Silva was appointed as independent non-executive director and member of the Risk Committee on 14 February 2023.
3 Trudi Makhaya was appointed as independent non-executive director on 1 September 2023 and later as member of the Social, Ethics and Sustainability Committee and Risk Committee on 1 October 2023. The Board meeting not attended was an ad hoc meeting.
4 Marang Mashologu resigned as independent non-executive director with effect from 30 September 2023 and was replaced by Lwazi Koyana as Chairman of the Risk Committee with effect from 1 October 2023. The Nominations Committee and Board meetings not attended by Marang Mashologu were ad hoc meetings.
5 Phumla Mnganga resigned as independent non-executive director on 14 February 2023 and was replaced by Jane Canny as Chairman of the Social, Ethics and Sustainability Committee.
6 Sundeep Naran was not able to attend the Board and Audit Committee meetings due to an incident that was beyond his control.
7 Graham O'Connor stepped down as Chairman of the Board on 9 December 2022 and later retired as non-executive director and member of the Remuneration Committee and Nominations Committee on 15 February 2023.
8 Shirley Zinn was appointed as non-executive director, Chairman of the Remuneration Committee, and member of the Social, Ethics and Sustainability Committee on 14 February 2023. She was later appointed as Deputy Chairman of the Board on 13 June 2023.
9 Brett Botten retired as Group CEO and as member of the Risk Committee and Social, Ethics and Sustainability Committee on 31 January 2023.
10 Kevin O'Brien was appointed as a member of the Risk Committee and Social, Ethics and Sustainability Committee on 14 February 2023.

The attendance of permanent invitees was as follows:

- The Chairman of the Board, lead independent director/Deputy Chairman and Group CEO attended all committee meetings
- The Group CFO attended all Audit Committee meetings
- The Group CEO attends all Remuneration Committee meetings. He presented on executive and senior management performance and remuneration, and recused himself from the meeting during discussions and decisions relating to his own performance and remuneration

EXECUTIVE MANAGEMENT

The Group CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the link between executive management and the Board. The Group CEO is accountable to the Board, which evaluates his performance annually. He is supported by the Group CFO and Group COO.

During the year, the executive management committees underwent structural changes. As a result, the executive committees in the different territories now report directly into the Group CEO, Group CFO and Group COO. They previously reported into a Group executive committee, which has since been dissolved.

There are five executive committees responsible for implementing the Company's strategy and carrying out the Group's day-to-day activities:

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

The executive committees in the territories continue to comprise the respective Chief Executive Officer, Chief Financial Officer and any other executive role considered necessary for successfully executing the respective strategy in each territory. An IT Steering Committee is also constituted to oversee the Company's SAP programme implementation and digital transformation strategy. The IT Steering Committee met six times during the year. In light of the risks relating to the SAP programme, the Board was represented at IT Steering Committee meetings by non-executive director of the Board Jane Canny.

Refer to page 64 for more information on the leadership structure changes.

COMPANY SECRETARY

All directors have access to the services and advice of our dedicated Company Secretary, Shana Ashokumar. The Board assessed Shana Ashokumar on appointment on 3 May 2023, and again as part of its biennial evaluations, and found her to be competent, suitably qualified and experienced.

The Company Secretary is not a director of the Company and accordingly maintains an arm's length relationship with the Board. Her CV is on page 81.

Board statement

The Board is satisfied that the arrangements in place for providing it with access to corporate governance services are adequate.

AUDIT COMMITTEE REPORT

The Audit Committee (the committee) presents the following report for the 2023 financial year in accordance with section 94(7)(f) of the Companies Act.

COMMITTEE GOVERNANCE

Role and responsibilities

The committee has specific statutory responsibilities to the Company's shareholders in terms of the Companies Act. We assist the Board by advising and making recommendations on financial reporting, internal financial controls, internal and external audit functions, combined assurance and regulatory compliance. Our roles and responsibilities are governed by our terms of reference as reviewed and approved annually by the Board.

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

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

Committee statement

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Meetings

The committee met formally twice during the year. Members' attendance is on page 87.

The number of meetings have been increased to four per annum going forward.

Composition

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

As at 30 September 2023, the members of the committee were independent non-executive directors Andrew Waller (Chairman), Marang Mashologu, Sundeep Naran and Lwazi Koyana.

Marang Mashologu resigned as member on 30 September 2023 and Andrew resigned as Chairman on 17 November 2023.

Considering the vacancy created on the committee due to the resignation by Andrew Waller, the Board resolved to appoint Lwazi Koyana as interim Chairman and Pedro da Silva as interim member of the committee with effect from 20 November 2023.

The Group CEO, Group CFO, Internal Audit Manager, external auditor and Company Secretary (who also acts as secretary of the committee) are permanent invitees at committee meetings.

Shareholders will be asked to approve the election of committee members for the 2024 financial year at the Company's 2024 AGM. The Nominations Committee evaluated the independence and performance of the members, and based on their recommendation, the Board proposes the election of Lwazi Koyana (as interim chairman) and Sundeep Naran and Pedro da Silva as committee members. Lwazi Koyana will continue to serve as interim chairman of the committee up until the Board fills this role in permanent capacity, which is when Lwazi Koyana will revert to being a member of the committee.

Board statement

The Board is satisfied that the committee has the necessary financial literacy, skills and experience to execute its duties effectively. Members' qualifications and experience are on pages 78 to 81.

Evaluation of committee

The committee's effectiveness is assessed through a self-evaluation review every two years. We performed our latest review this year, with pleasing results.

The Board recognised the need to possibly appoint a fourth member of the committee to strengthen its succession planning. Apart from this, the Board and committee were satisfied that the committee was functioning effectively.

KEY FOCUS AREAS

External auditor

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

PricewaterhouseCoopers Inc. (PwC) has been the Company's appointed external auditor for six years, with Thomas Howatt as the designated audit partner from 19 May 2020. Thomas Howatt 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 of Thomas Howatt as the designated audit partner for 2024. 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, we have recommended to shareholders the re-election of PwC as external auditor and of Thomas Howatt as designated audit partner for the 2024 financial year. We confirm that the appointment of the auditor and designated individual audit partner is presented and included as a resolution for approval at the 2024 AGM in line with section 61(8) of the Companies Act.

The committee determined the terms of engagement and fees paid to PwC, and the nature and extent of the non-audit services PwC provides to the Company, as disclosed in note 3 of the annual financial statements. We continually monitor the extent of non-audit services provided, and no excessive engagements were approved during the year.

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

Non-audit services policy

The Group has a clearly defined non-audit services policy that it follows strictly. The external auditor may only be considered as a supplier of such services where there is no alternative supplier, where there is no commercially viable alternative, or where the non-audit services relate 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 on with management and were presented to the committee.

Key audit matters are those matters that, in the external auditor's judgement, were of most significance in their audit of the consolidated and separate financial statements of the current period. The auditors addressed these matters in the context of their audit of the consolidated and separate financial statements as a whole, and in forming their opinion thereon, and they do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill, indefinite life assets and the investment in Polish subsidiary As required by IAS 36, *Impairment of Assets*, management performs an annual impairment test, or more frequently, if there is an indicator of impairment, to assess the recoverability of the carrying value of goodwill and indefinite life assets as reflected in the consolidated financial statements, and if there is an indicator of impairment, to assess the recoverability of the investment in subsidiaries as reflected in the separate financial statements. Refer to the accounting policies for Goodwill and Intangible Assets and to note 13, *Goodwill and Intangible Asset* and the accounting policy for *Investment in Subsidiaries* and to note 14, *Investment in Subsidiaries*. As at 30 September 2023 the Group's consolidated statement of financial position included goodwill with a closing net book value of R4.7 billion and indefinite life intangible assets of R2.2 billion.	***Value-in-use calculation*** We performed the following audit procedures: • Assessed the reasonableness of the valuation methodology applied by management by comparing the valuation methodology to generally accepted valuation methodology, and found this to be consistent; • Tested the mathematical accuracy of the value-in-use calculation and the discounted cash flow model prepared by management, noting no material exceptions; • Performed stress testing on the value-in-use model which involved assessment of management's cash flow forecast 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 to which the key assumptions needed to change in order to trigger an impairment. We recalculated a range of values and compared this to the value calculated by management. Management's value fell within our independently calculated range of values;

Key audit matter	How our audit addressed the key audit matter
As at 30 September 2023 an impairment indicator existed for the investment in the Polish subsidiary. The Company's separate statement of financial position included an investment in the Polish subsidiary with a cost of R1.3 billion immediately prior to testing the investment for impairment. Management performed their annual impairment assessment of relevant cash-generating units (CGUs), to which goodwill and indefinite life intangible assets were allocated and based their assessment using a value-in-use calculation, which have been estimated using a discounted cash flow model. In determining the value-in-use of the CGU, the following key assumptions were used by management: • Discount rate; • Sales growth rate; and • Terminal value growth rate. The value-in-use calculations are sensitive to changes in future cash flows included in the model, and changes in the discount rate and long-term growth rate applied. Future cash flows are estimated based on financial budgets and approved business plans covering a five-year period. Management based the recoverable amount of the investment in the Polish subsidiary on the above-mentioned value-in-use calculation performed for the Polish CGU and deducted debt held by the Polish subsidiary to derive a free cash flow attributable to the investment. The impairment assessment of the goodwill, indefinite life intangible assets and investment in Polish subsidiary is considered to be a matter of most significance to the current year audit due to: • The significant judgement applied by management with regard to determining the key assumptions and future cash flows that are included in the value-in-use calculation, and • The magnitude of the goodwill and indefinite life intangible assets balance to the consolidated financial statements, and the magnitude of the investment in Polish subsidiary to the separate financial statements. Management's impairment test performed for the Polish CGU indicated that the carrying value of the investment was lower than the recoverable amount, resulting in a total impairment charge of R386.4 million. In the separate financial statements, management's impairment test performed for the investment in the Polish subsidiary, indicated that the carrying value of the investment was lower than the recoverable amount, resulting in a total impairment charge of R1.3 billion.	• Agreed management's cash flow forecasts to approved budgets. For differences noted we confirmed that differences were both valid adjustments to either increase or decrease the approved budgets, and that adjustments were appropriate to include in a value-in-use discounted cash flow model as envisaged by IAS 36, *Impairment of non-financial assets*, noting no material exceptions; • Assessed the reasonableness of the business plans and budgeting process by comparing current year actual results with the prior year budgeted results, where budgeted results did not approximate actual results, appropriate adjustments were made to the value-in-use discounted cash flow calculated. No material exceptions were noted; • Compared the projections applied by management to historically achieved sales growth rates, margins and working capital rates. Where past actual performance showed significant deviation from budgets the projections used by management were appropriately reduced to align to historically achieved sales growth rates, margins and working capital rates; • Compared the terminal value growth rate used by management to long-term inflation rates obtained from independent sources. The independently determined rate was incorporated into our stress testing referred to 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 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 any additional impairment charge; • Recalculated the allocation of the total Polish impairment charge to the respective asset categories of goodwill (R210.8 million) and indefinite life intangible assets (R175.6 million). ***Investment in Polish subsidiary*** We also compared the carrying value of the investment in the Polish subsidiary to the recoverable amount (less debt) of the underlying subsidiary that was tested as part of the impairment assessment of the associated goodwill and indefinite life intangible assets. We noted that the carrying value of the investment exceeded the recoverable amount (less debt) of the subsidiary and therefore concur with management's conclusion that an impairment charge be processed.

Annual financial statements

The committee reviewed the annual financial statements for the year ended 30 September 2023 and believes they comply in all material aspects with the relevant provisions of IFRS and the Companies Act. We also reviewed the 2023 integrated annual report and recommended both to the Board for approval. The Board subsequently approved the 2023 annual financial statements and integrated annual report, which will be presented at the AGM for discussion.

We also reviewed the ESG report, which was recommended to and approved by the Board.

Going concern status

The committee reviewed the solvency and liquidity assessment as part of the Company's going concern status. Based on this detailed review, we recommended to the Board that the Company adopt the going concern concept in preparing the financial statements.

Internal audit

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

During the year, the internal audit function was co-sourced with EY. With effect from the start of the 2024 financial year, it was fully outsourced to EY. EY was already appointed as the IT audit function to review the Group's SAP programme considering the risks associated with the project.

In addition, the committee:

- Approved the internal audit plan
- Reviewed the internal audit charter and recommended it to the Board for approval
- Confirmed that the Company's internal audit function met its objectives and that adequate procedures were in place to ensure the Group complies with its legal, regulatory and other responsibilities

Internal control

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

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

The committee:

- Satisfied itself that the evaluation of internal control procedures in the UK, Ireland, Switzerland, Sri Lanka and Poland supported the conclusion on the control environment
- Ensured that the appropriate financial reporting procedures existed and were working for all entities included in the consolidated Group IFRS financial statements
- Ensured access to all financial information to allow effective preparation and reporting of these financial statements

Committee statement

The committee is of the opinion that the Company's system of internal controls and risk management is effective and that the internal financial controls form a sound basis for the preparation of reliable financial statements. This is based on the results of the formal documented review of the Company's system of internal controls and risk management, including the design, implementation and effectiveness of internal financial controls conducted by the internal audit function during the financial year. It also considers information and explanations given by management and discussions with the external auditor on the results of the external audit assessed by the Audit Committee.

The Board's opinion is supported by the Audit Committee.

Group Chief Financial Officer and finance function

The committee is satisfied that Mark Godfrey has the appropriate expertise and experience to meet the responsibilities of his appointed position as the Group CFO. His qualifications and experience are available on page 80.

Committee statement

The committee considered the appropriateness of the expertise and adequacy of resources of the Group's finance function. It is 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. The interim Chairman of this committee is also the chairman 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 117.

Accordingly, the committee 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).

Committee statement

The committee is satisfied that the above areas have been appropriately addressed based on the processes and assurances obtained.

Combined assurance

Management are updating the combined assurance policy and framework. Once complete, the updated framework will be implemented. This will help ensure that assurance obtained adequately covers the five lines of assurance relating to the significant strategic and operational risk within the respective territories.

A Group tax strategy and policy are in place. The strategy outlines the framework by which tax obligations are met from an operational and risk management perspective. It is aligned with the Group's existing strategies, policies and overall purpose. The Group's approach to tax is included in the ESG report, and reflects the total tax contribution per tax jurisdiction.

Additional focus areas and actions

In addition to the key areas of focus detailed above, the committee reviewed:

Reporting

- Unaudited interim results report and associated reports and announcements.
- Summarised information issued to shareholders.
- JSE proactive monitoring of financial statements report.

Internal and external audit

- External auditor's audit report and key audit matters.
- Internal auditor's report and key audit matters and findings, including reports on IT internal audits.

Finance

- Appropriateness of the accounting policies and financial statement disclosures.
- The Company's capacity to distribute dividends during the reporting period.
- Adequacy of the Group's and Company's banking facilities.
- Monitoring of the Group's bank covenants.

Other

- 2024 budget guidelines and assumptions.
- Policies that fall under the committee's control and oversight. The Group's delegation of authority policy is being reviewed to consider the changes in the executive structures.
- Review of incidents of fraud that could have impacted the integrity of the financial results. No incidents of fraud were identified during the year.
- Whistle-blowing and industry complaints.

In addition to our regular focus areas, we will focus on the following key matters in 2024:

- Adequacy of the Group's banking facilities
- Monitoring of bank covenants

Thanks go to the members of the committee for their dedicated and constructive contributions to the committee's functioning, and particularly to Andrew Waller and Marang Mashologu for their contribution.

Lwazi Koyana

Interim Chairman of the Audit Committee

5 December 2023

NOMINATIONS COMMITTEE REPORT

The Nominations Committee (the committee) presents the following report for the 2023 financial year.

COMMITTEE GOVERNANCE

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 following to the committee: the process for nominating and electing Board members; Board member and senior management succession planning; performance evaluation of the Board, its committees and individual members; and induction and continuous training of the Board.

The committee oversees the composition of the Board and its committees. We do this by setting criteria for Board positions, identifying candidates and making recommendations to the Board on appointments – taking into consideration the Board's structure, size, diversity, demographics, skills and expertise, and balance between executive, non-executive and independent directors.

The committee also oversees:

- Succession planning for the Chairman, all Board members, Group CEO, Group CFO, Group COO and Company Secretary, including identifying, mentoring and developing future candidates
- Succession planning linked to all country CEOs, executive and senior management positions
- The induction of new directors and ongoing training and professional development of Board members, as required
- The effectiveness and ultimately the performance of the Board, its committees and individual members
- The evaluation of the process for determining the independence of non-executive directors
- The adequacy of directors' and officers' liability cover
- Human resources risks related to talent management and succession planning

Committee statement
The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Meetings

The committee met formally seven times during the year. Members' attendance is on page 87.

Evaluation of committee

The committee's effectiveness is assessed through a self-evaluation review every two years. We performed our latest review this year.

The committee was satisfied that it was functioning effectively and had met its delegated objectives as set out in its terms of reference.

Composition

As at 30 September 2023, the members of the committee were independent non-executive directors Mike Bosman (Chairman), Andrew Waller, Marang Mashologu and Shirley Zinn, the Board's Deputy Chairman.

Mike Bosman was classified as executive from the period 1 February 2023 to 30 September 2023 due to him temporarily acting as Executive Chairman.

The composition of the committee changed as follow:

- Graham O'Connor stepped down as Chairman on 10 January 2023 and as member following his retirement at the AGM on 14 February 2023
- Mike Bosman was appointed as Chairman on 10 January 2023
- Shirley Zinn replaced Phumla Mnganga as a member following Phumla's resignation from the Board on 14 February 2023
- Marang Mashologu resigned as a member on 30 September 2023
- Andrew Waller resigned as member on 17 November 2023

The current members' qualifications and experience are available on pages 78 to 81.

The Group CEO attends meetings by standing invitation to make proposals and provide such information as the committee requires.

KEY FOCUS AREAS

The committee operates in accordance with its annual work plan, which it sets annually in advance for the ensuing financial year. Our key focus areas for the year are discussed below.

Board and committee composition

The Company's Board appointment policy sets out a formal, rigorous and transparent procedure for appointing new members to the Board and its committees. The Board updated and approved the policy on 3 August 2023 to include details on the appointment, roles and responsibilities of a deputy chairman.

The following changes were made to the composition of the Board and committees during the year:

Appointments

- Mike Bosman was appointed as independent non-executive director and Chairman of the Board on 15 December 2022.
- Shirley Zinn and Pedro da Silva were appointed as independent non-executive directors effective 14 February 2023.
- Trudi Makhaya was appointed as an independent non-executive director on 1 September 2023.
- Angelo Swartz was appointed as Group CEO on 1 October 2023 and Megan Pydigadu was appointed as Group COO on 1 November 2023.
- Marie Jamieson and Liesbeth Botha were appointed as independent non-executive directors with effect from 1 February 2024

Resignations

- Graham O'Connor stepped down as Chairman of the Board on 9 December 2022, but remained as non-executive director until he retired at the AGM on 14 February 2023.
- Brett Botten retired as Group CEO and executive director on 31 January 2023. On approval by the JSE, an interim operating arrangement was implemented with effect from 1 February 2023 and ran for the rest of the financial year. Under this arrangement,
  Mike Bosman was appointed as Executive Chairman and a Chairman's Committee was constituted to strengthen governance during this time.
- Phumla Mnganga resigned as independent non-executive director, Chairman of the Remuneration and Social, Ethics and Sustainability committees and member of the Nominations Committee with effect from 14 February 2023.
- Marang Mashologu resigned as independent non-executive director, Chairman of the Risk Committee and member of the Audit, Remuneration and Nominations committees with effect from 30 September 2023.
- Andrew Waller resigned as independent non-executive director, and Chairman of the Audit Committee and member of the Risk, Remuneration and Nominations committees with effect from 17 November 2023.
- Jane Canny resigned as independent non-executive director, and Chairman of the Social, Ethics and Sustainability Committee and member of the Risk Committee with effect from 17 November 2023.

Other

- The Board appointed Shirley Zinn as Deputy Chairman on 13 June 2023.
- Mike Bosman replaced Graham O'Connor as Chairman of the Nominations Committee on 10 January 2023. Graham resigned as member of the Nominations and Remuneration committees on 14 February 2023.
- Shirley Zinn was appointed as Chairman of the Remuneration Committee and member of the Nominations and Social, Ethics and Sustainability committees effective 14 February 2023.
- Pedro da Silva was appointed as member of the Risk Committee effective 14 February 2023.
- Jane Canny was appointed as Chairman of the Social, Ethics and Sustainability Committee with effect from 14 February 2023.
- Lwazi Koyana replaced Marang Mashologu as Chairman of the Risk Committee on 1 October 2023.
- The Group Chief ESG Officer, Kevin O'Brien, was appointed as member of the Risk and Social, Ethics and Sustainability committees effective 14 February 2023.
- Angelo Swartz and Megan Pydigadu were appointed as members of the Risk Committee on 1 October 2023 and 1 November 2023, respectively.
- Trudi Makhaya was appointed as member of the Risk Committee and Social, Ethics and Sustainability Committee on 1 October 2023; and following the resignation of Jane Canny, she was appointed as interim chairman of the Social, Ethics and Sustainability Committee on 20 November 2023.
- Lwazi Koyana was appointed as Interim Chairman of the Audit Committee and Pedro da Silva as interim member with effect from 20 November 2023.

The committee assessed the eligibility of Shirley Zinn, Pedro da Silva, Trudi Makhaya, Liesbeth Botha, Marie Jamieson, Angelo Swartz and Megan Pydigadu, who were appointed as directors subsequent to the 2023 AGM. We recommended the confirmation of these appointments to the Board and shareholders for approval.

The committee provides newly appointed directors with a comprehensive induction pack that includes the Company's MOI, the Board charter and policies, and committees' terms of reference. We encourage directors to attend courses offering training and information related to their duties, responsibilities, powers and potential liabilities. Updates on legislation and regulations are provided at quarterly meetings.

Members of the Board and executives received regular training provided by the Institute of Directors in Southern Africa (IODSA) and other professional institutions. They also attended externally facilitated training on changes to the JSE Listings Requirements.

Board diversity

The Board recognises the benefits of a diverse Board and adopted a 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 30 September 2023, the Board comprised five black people (2022: four) and four women (2022: three). A copy of the Board diversity policy is available at:

https://thespargroup.com/resource-centre/company-policies/

The committee reviewed the Board diversity policy. We are comfortable with these voluntary targets and satisfied that the current Board diversity is adequate in every respect, including skills and expertise, race and gender.

30% Club Southern Africa

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 targeted networking initiatives that aim to broaden the pipeline of women at all levels, "from schoolroom to boardroom". Selected SPAR employees are encouraged to attend these initiatives, which provide valuable business insight and help them unlock their potential as future leaders.

Rotation of non-executive directors

The Company's MOI requires one-third of elected non-executive directors who have served in office longest since their last election to retire by rotation at each AGM. Provided they are eligible, these directors may seek re-election if they wish.

Lwazi Koyana and Sundeep Naran are required to retire by rotation at the 2024 AGM. Being eligible, they have offered themselves for re-election.

In accordance with the Board charter, the committee reviewed the independence and performance of the independent non-executive directors retiring by rotation. Based on the assessment results, the Board recommends to shareholders that Lwazi Koyana and Sundeep Naran be re-elected as non-executive directors of the Company.

Re-election of Audit Committee

The Companies Act requires shareholders to elect the Audit Committee at each AGM of the Company.

The committee rigorously assessed the eligibility of Lwazi Koyana, Pedro da Silva and Sundeep Naran to act as independent members of the Audit Committee. The Board accepted the assessment results and recommends their appointments to shareholders for approval at the 2024 AGM.

Independence

All directors have a duty to act with independence of mind and in the Company's best interests. In terms of the policy on independence of Board members, the committee must conduct an annual internally facilitated independence assessment for each non-executive director who has served on the Board beyond nine years. An externally facilitated independence assessment must be conducted every three years.

There are no independent non-executive directors serving on the Board beyond nine years. Nonetheless, the committee undertook an internal assessment of all independent non-executive directors. Based on the outcomes, the Board is satisfied that the independent non-executive directors continue to be independent of mind, act in the Company's best interest, and provide valuable insight and input into the Company's strategy.

The assessments were based on the guiding principles set out in King IV. They were also based on the directors having no interest, position, association or relationship which, from the perspective of a reasonable and informed third party, would be 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 effectiveness of:

- The Board's composition, governance processes and procedures
- The Board's committees in discharging their respective mandates
- The executive directors
- Contributions of each director

An evaluation was conducted this year, and will next be undertaken in 2025. The outcomes were presented to the Nominations Committee, Board, and chairs of the Board and respective committees to address any areas requiring improvement. The overall performance of the Board and its committees was pleasing across all areas. However, the assessments and recommendations for improvement were strongly informed by the governance concerns highlighted and dealt with during the year.

Succession planning

The committee reviewed Board, executive and senior management succession.

Committee statement

The committee is satisfied that the key roles on the Board have adequate succession plans for current members and that there are sufficient immediate and emergency succession plans for key executive and senior management roles. However, the Board is searching for an additional financial and auditing skill as part of its succession planning for the Audit Committee.

Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning, the previous Chairman, Graham O'Connor, and members Phumla Mnganga, Andrew Waller and Marang Mashologu for their contributions.

Mike Bosman

Chairman of the Nominations Committee

14 December 2023

REMUNERATION COMMITTEE REPORT

The Remuneration Committee (the committee) presents the following report for the 2023 financial year.

SECTION 1 – BACKGROUND STATEMENT

Committee governance

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 committee's mandate is to ensure the Company remunerates fairly, responsibly and transparently across all levels. In executing this, we annually review the Company's remuneration policy to ensure it promotes the achievement of strategic objectives and encourages individual performance.

Committee statement

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Composition

During the year, the newly constituted Board overturned the previous Board's decision to merge the Nominations Committee and Remuneration Committee. The Board felt that these committees have distinct mandates that are both important in the overall governance structure.

As at 30 September 2023, the committee's members were independent non-executive directors Shirley Zinn (Chairman), Andrew Waller, Marang Mashologu and Mike Bosman, the Chairman of the Board.

Phumla Mnganga resigned as Chairman and was replaced by newly appointed independent non-executive director and member of the committee, Shirley Zinn, on 14 February 2023. Mike Bosman was appointed as a member of the committee on 14 February 2023. Graham O'Connor, Marang Mashologu and Andrew Waller stepped down as members on 14 February 2023, 30 September 2023 and 17 November 2023, respectively.

Members' qualifications and experience are available on pages 78 to 81.

The Group CEO attends meetings by standing invitation to make proposals and provide such information as the committee requires. He recused himself from the meeting during discussions and decisions relating to his own performance and remuneration.

Evaluation of committee

The effectiveness of the committee is assessed through a self-evaluation review every two years. We performed our latest review this year. The result was positive with no areas of concern highlighted.

Meetings

The committee met five times during the year. Members' attendance is on page 87.

The additional meetings were focused on the concerns raised by investors on the Company's remuneration policy, remuneration implementation report and the non-executive directors' fees and also covered the review of the Company's LTI and STI plans.

Key focus areas

During the year the committee focused on the following:

Stakeholder engagement and other matters

- Considered the comments by investors on the Company's remuneration policy and implementation report. We recommended changes to the policy and implementation report for approval by the Board. These will be put to non-binding advisory votes by shareholders at the 2024 AGM.
- Facilitated the shareholder consultation process and provided oversight of the non-executive director fees benchmarking process, following the failed binding vote at the 2023 AGM on non-executive directors' fees, leading up to the Special General Meeting convened on 8 September 2023
- A preliminary analysis of the wage gap between the highest and lowest paid employee in each country was conducted and was being developed further for future reporting and to address any gaps requiring attention.
- Considered an analysis of the living wage in South Africa. Management was given a mandate to do more work on the possibility of aligning all staff earning below the living wage to the living wage. This will remain a focus area for the committee going forward with significant emphasis being placed on the further development of a robust fair pay policy.

Increases and incentives

- Approved annual remuneration increases for employees outside the bargaining unit. Increases averaging 6.5% were approved (2022: between 5% and 6%), dependent on employee grades.
- Approved annual remuneration increases for employees within the bargaining unit. Increases of between 7.0% and 7.5% (2022: between 7.0% and 7.5%) were approved for the multi-year deals that are ending in 2023 and 2024.
- Reviewed and approved the salaries of the executives in each country.
- Approved the remuneration of the Executive Chairman and the new Group CEO, considering an independent benchmark performed by Remchannel.
- Approved the remuneration of E Upper band executives appointed or promoted during the year.
- Reviewed executive directors' and Executive Committee members' performance and approved their remuneration and incentive bonuses.
- Approved the annual award of shares in terms of the Group's long-term Conditional Share Plan (CSP) for executive management. As the long-term incentive plan was extensively reviewed, these awards were delayed and only approved in November 2023.

Non-executive directors

- Submitted the fees payable to non-executive directors, effective 1 March 2023, for approval by shareholders at the Special General Meeting held on 8 September 2023, considering an independent benchmark performed by Remchannel.
- Proposed the fees payable to non-executive directors, effective 1 March 2024, for approval by shareholders at the 2024 AGM (page 129).

Policies and rules

- Review of the short-term incentive rules, which the committee was satisfied were adequate.
- Performed an in-depth review of the performance conditions and targets for the short- and long-term incentives.
- Review of the performance conditions for the CSP, specifically the returns measure.
- Review of the quantum of the CSP award to deliver effective performance lock-in.
- Reviewed and approved the Minimum Shareholding Requirement (MSR) policy.
- Adopted the Malus and Clawback policy.
- The committee undertook the annual review of the terms of reference and annual work plan.

Group CEO transition process

With the retirement of Brett Botten as the Group CEO effective 31 January 2023, the Board implemented a Group CEO transitioning process, and approved Mike Bosman (the newly appointed independent non-executive Chairman of the Board), to fulfil an interim role as Executive Chairman, while the Board ran a recruitment process to appoint a suitable Group CEO candidate for the Group.

The main purpose of the interim appointment of Mike Bosman as an Executive Chair was to provide stability to the Group and its stakeholders. To ensure that Mike Bosman's independence as a non-executive Chairman of the Board would not be negatively impacted as a result of this arrangement, the Board agreed that the governance process should be strengthened through the establishment of the Board Chairman's Committee, to oversee the responsibilities of the Executive Chair, with this committee being chaired by the Board's lead independent director (Andrew Waller).

Furthermore, the committee was tasked with structuring an interim package for Mike Bosman in his role as Executive Chair and determined that, to further safeguard his independence, the package should only consist of fixed remuneration with no exposure to variable pay. The committee sought to ensure that the interim package was fair and reasonable and reflective of the magnitude of the responsibility that the Executive Chair role required to deliver stability to the Group during this critical transition period while actively driving a recruitment process to fill SPAR's Group CEO vacancy.

The committee is satisfied that it was able to achieve pay fairness relative to responsibility for this interim Executive Chairman period. Furthermore, the committee is satisfied that Mike Bosman successfully executed on his interim Executive Chairman mandate through his effective contribution in providing stability to the Group while simultaneously executing on the strategic recruitment drive that resulted in the appointment of a Group CEO as well as a Group COO. The fees paid to Mike Bosman during this interim period (February 2023 to 30 September 2023) are disclosed on page 112 of this report.

Engagement with shareholders

At the 2023 AGM of the Company, our 2022 remuneration report was presented and voted on in sections, namely:

- Remuneration policy – supported by 64.84% (2022: 93.56%) of the Company's shareholders who voted
- Remuneration implementation report – supported by 68.35% (2022: 62.51%) of the Company's shareholders who voted

Pursuant to King IV and the JSE Listings Requirements, shareholders were invited to submit their comments on the Company's remuneration implementation report, in writing via email to the Company Secretary.

Matters raised	Actions taken
• The need for enhanced disclosure on comparator information, short-term incentive (STI) metrics, STI financial and non-financial annual targets, and explicit ESG metrics. • The need to review the long-term incentive (LTI) scheme disclosures and targets.	• Initiated a comprehensive review of the remuneration policy and the STI and LTI schemes, including the performance measurements, and • Approved the adoption of a Minimum Shareholding Requirement (MSR) Policy.

At the 2024 AGM, the remuneration policy and the remuneration implementation report will be tabled separately for non-binding advisory votes by shareholders. If either the policy or the implementation report or both are voted against by 25% or more of the voting rights exercised, the committee commits to engage with shareholders on the reasons for their dissenting votes and to appropriately address any legitimate and reasonable objections or concerns raised.

Priorities for 2024

Our key focus areas for 2024 are:

- Verification of executive directors and executive management grading based on the Paterson grading system.
- Further development of a fair and responsible pay policy including the performance of a robust fair pay analysis.
- Finalise amendments to the long-term incentive plan to cater for a post-vesting holding period in support of effectively executing the MSR policy.
- Refinement of the Minimum Shareholding Requirement policy to align with leading market practice.

Conclusion

The fundamental policies and practices have remained substantially unchanged during the 2023 financial year, but these have been reviewed for the reporting periods going forward and the remuneration policy and implementation reports are tabled for non-binding advisory votes at the 2024 AGM.

Committee statement

The committee is satisfied that remuneration in all forms accruing to employees at all levels is market-related and equitably awarded. The committee believes SPAR's remuneration philosophy and policy support the Company's strategic objectives by incentivising short- 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. We also thank the shareholders for their robust feedback and willingness to engage on required enhancements to the Company's remuneration philosophy and practices. We are confident that the revised framework will be beneficial to all SPAR stakeholders.

Shirley Zinn

Chairman of the Remuneration Committee

14 December 2023

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 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. These schemes are 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) up to the 75th percentile of the market, and the rest of the positions on at least the 50th percentile of the market. The Company again identified a shortage of qualified senior managers and executives, not only in the same sector but in the greater local market and considers the premium for these management skills to be warranted to retain talent. In addition, in instances where employees are promoted into an executive management position the employee's remuneration will be enhanced over a three-year period following a performance-linked pay progression approach.

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 approving salary increases for the executive directors and executive management.

The Group CEO, Group CFO and Group COO, together with the Executive Committee, are 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

	Fixed remuneration	Short-term incentives (STIs)	Long-term incentives (LTIs)
		Variable remuneration	
Objective	To help attract and retain the best talent.	To motivate and incentivise delivery of performance, financial and non-financial, consistent with the Group's strategy over the financial year.	To motivate and incentivise delivery of long-term, sustainable performance.
Type	Salary.	Performance Bonus Plan.	CSP Share Option Plan (closed)
Policy	Based on the Paterson grading methodology and determined by level of skill and experience, and scope of responsibilities.	Solely at the discretion of the Company and can be changed or withdrawn at any time. STIs are only paid to individuals who are in employ of the Company at the end of the financial year.	Annual or ad hoc awards approved by the Board are granted to employees graded EL and above, and to selected other staff on merit. These may be either performance or retention awards. However, retention awards will not typically be granted to executive directors unless exceptional circumstances require a mechanism to secure executive lock-in.

The Paterson grading of executives and management is outlined below:

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

Fixed remuneration

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

Bands A to CU (Non-management)

- Salary
- Guaranteed 13th cheque payable in December of each year. This amount forms part of the employee's pensionable remuneration
- Benefits

Bands D to F (Management)

- Salary
- Other pensionable remuneration, such as car allowance, vehicle insurance and fuel, which is paid by the Company
- Benefits

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

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

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

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

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

Variable remuneration

Short-term incentives (STIs)

All employees participate in the STI scheme, as follows:

Bands A to CU (Non-management)

Performance bonus of up to 50% of one month's salary or part thereof, based on the achievement of set targets. The targets are based on key issues in the business strategy and are mainly financial targets.

Bands D to F (Management)

Performance bonus, as follows:

Grade	% of basic annual salary (maximum)	Bonus split financial: functional & transformational
EU to F	120	75:25
EL	60	60:40
DU	30	30:70
DL	15	30:70

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

STI formula and cap

The formula for determining STIs is as follows:

STI = [Basic Salary x applicable % as per table above] x [(Financial Performance Score x applicable Weighting) + (Functional Performance Score x applicable Weighting) + (Transformational Performance Score x applicable Weighting)]

The STI policy and plan rules were amended during the year, to increase the bonus cap (maximum) to 120% of basic salary, to incentivise executives to drive outperformance.

Financial Performance Score

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

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

In both cases, the financial target threshold commences at profit achieved for the previous year (adjusted for extraordinary items if necessary) and increases incrementally until the maximum stretch achievement level is reached at a profit level approximately equal to the Board-approved internal budget. The budgets are determined with reference to the historic baseline of earnings, which is adjusted for extraordinary impacts and increased by CPI projections, together with real growth of 2% – 3% taking into account current market conditions.

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

The budget process and key considerations are scrutinised and reviewed by the Board. The budgeted profit targets are considered to be commercially sensitive, but these details will be retrospectively disclosed in the report on performance.

This approach therefore drives a performance environment where management is rewarded when shareholders obtain a real growth in earnings from a stabilised representative baseline earnings level, which ties into a value-accretive performance culture.

Functional Performance Score

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

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

Transformational Performance Score

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

Remuneration Committee discretion

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

Change of control and termination of employment

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

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

Malus and clawback

Malus and clawback provisions apply to all STI payments. Clawback of the STI can be imposed (in whole or part on the pre-tax value) for a period of three years following payment of the STI in the event that a trigger event takes place.

Long-term incentives (LTIs)

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

Share Option Plan (SOP) (legacy plan)

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

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

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

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

Options previously granted to executive directors, options exercised during the year under review and unexercised options as at 30 September 2023 are provided in the remuneration implementation report on page 112.

Conditional Share Plan (CSP) (current plan)

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

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

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

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

Salient features of the CSP remain as follows:

Details	CSP
Description	Participants receive a conditional right to receive a share in the Company on the vesting date and will have no shareholder rights prior to the date of settlement.
Company limit	The cumulative aggregate number of shares that may be allocated under the CSP shall not exceed 5 200 000 shares (approximately 3% of issued share capital). This limit excludes share purchased in the market (which is the preferred approach) and shares forfeited and not settled. The aggregate number of retention shares that may be allocated under the CSP may not exceed 1 300 000 shares.
Individual limit	The cumulative aggregate number of shares that may be allocated to any one individual may not exceed 570 000 shares (approximately 0.33% of issued share capital). To prevent these numbers being exceeded, the annual awards are capped at a percentage of gross annual basic salary, for example, the Group CEO at a maximum of 120%.
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.

Details	CSP
Change of control	In the event of a change of control of the Company occurring before the vesting date, a portion of the award held by a participant will vest on such date. The portion of the award that will vest will be determined based on (1) the extent to which the performance conditions are satisfied, and (2) the number of completed months served over the total number of months of the award.
Allocation methodology	The CSP is used for annual allocations. The Company will define annual allocation levels expressed as a percentage of gross annual basic salary. In defining these levels, the Company will assess market benchmarks, the ideal level of lock-in it wants to attain, as well as the level of outperformance it wants to drive. To this end, allocations that may be made on an annual basis (expressed as a percentage of gross annual basic salary) are as follows: • Group CEO: 60% to 120% • Group COO and Group CFO: 60% to 100% • Executive Committee members: 50% • Senior managers: 35%
Grant price	Not applicable.
Dividends	No dividends are paid on CSP awards; employees will only receive dividends to the extent that shares vest and they become shareholders.
Vesting/ employment period	The scheme rules set this at three years for annual award of performance shares and in equal parts after years three, four and five for retention shares. Prior to vesting, executive directors may elect to subject settled shares to an additional holding period of three years to assist in reaching minimum shareholding requirement targets.
Malus and clawback	Applicable to all awards. Clawback of any vested LTI award can be imposed (in whole or part on the pre-tax value) for a period of three years following vesting of the LTI if a trigger event takes place.

Performance conditions

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

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

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

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

Performance condition	Defined as	Detail	Threshold	On-target	Stretch	Weighting
Return on Capital Employed (ROCE)	Earnings before interest and taxes (EBIT) expressed as a percentage of total assets minus current liabilities at the relevant year end.	The average ROCE over the performance period will be compared to the targets set.	3 to 5-year long bond +[1% to 2%] – *spread will be dependent on economic conditions*	3 to 5-year long bond +[3% to 4%] – *spread will be dependent on economic conditions*	3 to 5-year long bond +[5% to 6%] – *spread will be dependent on economic conditions*	40%
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. This was historically set at 30% growth, which approximated an annualised growth in HEPS at CPI + 3% (assuming a 6% baseline CPI)	Target plus 9% over the performance period.	50%

Performance condition	Defined as	Detail	Threshold	On-target	Stretch	Weighting
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 2023 award (as adjusted from the 2019 award). All future awards will continue to apply this vesting percentage until further review.	Weighted average TSR of peer group. The committee recognised the shareholder concern and retained the adjusted vesting percentage at 40% for on-target for the 2023 award (as adjusted from the 2019 award). All future awards will apply this vesting percentage until further review.	160% of the on-target. The committee retained the amended stretch target at 160% for the 2023 award (as adjusted from the 2019 award). Previous awards will continue to be measured at the original 120%.	10%

For the 2023 LTI award, the peer group for purposes of the TSR measurement is comprised as follows:

- Shoprite Holdings Ltd
- Pick n Pay Stores Ltd
- Woolworths Holdings Ltd
- Dis-Chem Pharmacies Ltd
- Cashbuild Ltd
- Clicks Group Ltd

The committee added Dis-Chem Pharmacies Ltd to the peer group to replace Massmart Holdings Ltd.

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

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

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

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

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

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

Minimum shareholding requirement (MSR)

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

The policy was implemented in the previous financial year and was reviewed by the committee in the current year. The Group CFO has commenced with his compliance with the policy. As the Group CEO and Group COO were only recently appointed in their positions, they will only start complying with the policy in the 2024 financial year.

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

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

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

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

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

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

Malus and clawback policy

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

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

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

Current CSP in-flight awards

Performance conditions, targets, information and allocations

The interim measures against the targets for the unvested awards issued in 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	2020	2021
Grant date	17 November 2020	11 August 2022
Vesting date	18 February 2024	11 August 2025
Performance period	1 October 2020 to 30 September 2023	1 October 2021 to 30 September 2024
HEPS condition		
Threshold (expected CPI growth)	18.19%	19.36%
On-target growth (based on approved budget)	30.00%	30.00%
Stretch growth	39.00%	39.00%
Base year HEPS measure	1 326.8 cents	1 195.1 cents
On-target HEPS required	1 724.8 cents	1 553.6 cents
Expected vesting outcome	Below Threshold	Below Threshold
RONA condition		
Threshold (80% target)	32.00%	32.00%
On-target RONA (average for three years)	40.00%	40.00%
Stretch	48.00%	48.00%
Base year RONA measure	39.01%	34.65%
Expected vesting outcome	Below Threshold	Below Threshold

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 2023

The awards for 2023 were delayed as the committee engaged with shareholders on concerns raised around the 2022 remuneration implementation report and reviewed the LTIs to take into consideration shareholder concerns.

The committee confirmed the awards at November 2023 and these will be detailed in the 2024 remuneration report.

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

Awards that vested during 2023

On 13 February 2023 the sixth tranche of CSP awards issued in November 2019 vested. The final performance conditions for the grant were measured and again externally verified by ZAQ Actuaries. The results of the calculation of the actual vesting percentage were as follows:

Description	HEPS growth over performance period Threshold	On-target	Stretch	Actual	Vesting percentage	Weighted x 50%
HEPS condition	16.21%	30.00%	39.00%	0.54%	0.00%	**0.00%**

Description	RONA growth over the performance period Threshold	On-target	Stretch	Actual	Vesting percentage	Weighted x 30%
RONA condition	32.00%	40.00%	48.00%	34.37%	40.35%	**12.11%**

Description	Compound annual growth rate Threshold	On-target	Stretch	Actual	Vesting percentage	Weighted x 20%
TSR condition	10.46%	13.08%	20.92%	4.19%	0.00%	**20.00%**
					Total to vest	**12.11%**

Of the total number of awards in effect at the measurement date, 128 435 vested, comprising 31 526 performance awards and 96 909 retention awards.

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

All the retention awards issued in November 2017 have vested. Two thirds of the retention awards granted in November 2018 have already vested with a remaining balance of 17 343 still to vest. One third of the retention awards granted in November 2019 have already vested with a remaining balance 55 337 still to vest.

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

	2023	2022	2021
HEPS growth	**0.00%**	0.00%	88.27%
RONA growth	**40.35%**	55.60%	62.08%
TSR	**0.00%**	100.00%	100.00%
Final vesting	**12.11%**	36.68%	82.76%

Executive and non-executive directors' remuneration

The committee engaged the services of Remchannel for insights into current remuneration practices and trends and continually engages with Remchannel 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 that Remchannel is independent and objective in giving advice.

The comparator group used for benchmarking purposes is outlined below:

- Clicks Group Ltd
- Dis-Chem Pharmacies Ltd
- Mr Price Group Ltd
- Pepkor Holdings Ltd
- Pick n Pay Stores Ltd
- Shoprite Holdings Ltd
- The Foschini Group Ltd
- Tiger Brands Ltd
- Truworths International Ltd
- Woolworths Holdings Ltd

Executive directors' remuneration

Executive directors receive a monthly salary and benefits based on the role of each executive, their performance and contribution to the Group's overall results. Benefits include other pensionable remuneration, allowances such as a car allowance, pension fund, medical aid, vehicle insurance and fuel, which is paid by the Company. Details of executive directors' remuneration for the financial year are provided in the remuneration implementation report on page 112.

Executive directors' terms of service

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

Non-executive directors' remuneration

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

Details of non-executive directors' remuneration for the financial year are provided in the remuneration implementation report on page 115.

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.

The fees for non-executive directors were benchmarked in 2023, and a decision was taken to align those fees below the market to the 62.5th percentile (the midpoint between the median and the upper quartile) and for inflationary increases to be implemented on those fees above the market. The reference group used in the benchmark consists of a comparator group with constituents comparable to SPAR in terms of size and complexity and includes sector-appropriate competitors. The fees proposed on this basis were approved by shareholders at the September 2023 Special General Meeting and were effective from 1 March 2023 for all Board members and 1 October 2023 for the Board Chair.

For the proposed fees effective from 1 March 2024, the Board recommends that an inflationary increase of 5% be implemented as outlined in the table below. With the exception of the fees for the Chairman and Deputy Chairman of the Board (who will be paid purely on a retainer basis) and the ad hoc meeting fees, the total annual fees for all other Board and Board Committee roles will be paid on a retainer and attendance per meeting basis (based on a 40% retainer and 60% for the scheduled meetings during the year).

	Current per annum VAT exclusive	**Proposed per annum VAT exclusive**	Increase %
Board			
Chairman (representing an all-inclusive fee for participation in all scheduled meetings of the Board and committees)	R2 763 867	**R2 902 060**	5.0%
Deputy Chairman (representing an all-inclusive fee for participation in all scheduled meetings of the Board and committees)	R1 446 900	**R1 519 245**	5.0%
South African resident member	R513 450	**R539 123**	5.0%
Non-South African resident member (representing an all-inclusive fee for membership and participation in scheduled meetings of the Board and committees)	€80 000	**€84 000**	5.0%
Audit Committee			
Chairman	R403 274	**R423 438**	5.0%
Member	R215 154	**R225 912**	5.0%
Risk Committee			
Chairman	R291 696	**R306 281**	5.0%
Member	R144 160	**R151 368**	5.0%
Social, Ethics and Sustainability Committee			
Chairman	R218 310	**R229 226**	5.0%
Member	R129 320	**R135 786**	5.0%
Remuneration Committee			
Chairman	R277 440	**R291 312**	5.0%
Member	R129 320	**R135 786**	5.0%
Nominations Committee			
Chairman	R207 130	**R217 487**	5.0%
Member	R129 320	**R135 786**	5.0%
Ad hoc meetings and other assignments			
South African resident members (including the Chairman and Deputy Chairman of the Board)			
Daily fee (if meeting exceeds four hours)	R31 164	**R32 722**	5.0%
Hourly fee	R5 300	**R5 565**	5.0%
Non-South African resident members			
Daily fee (if meeting exceeds four hours)	€3 007	**€3 157**	5.0%
Hourly fee	€511	**€537**	5.0%

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 101.

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

In the current year, Brett Botten retired as Group CEO on 31 January 2023 and as a result a temporary operating arrangement was implemented, whereby Mike Bosman was appointed by the Board as Executive Chairman while the Nominations Committee ran its processes to appoint a suitable successor for the Group CEO role.

Angelo Swartz was appointed as the new Group CEO effective 1 October 2023. The remuneration paid to Mike Bosman for his interim role as Executive Chairman, and the remuneration offered to Angelo Swartz for his role as the new Group CEO as well as the remuneration offered to Group CCO Megan Pydigadu and CFO, Mark Godfrey, were determined in accordance with a benchmark conducted by Remchannel that was commissioned by the Remuneration Committee.

The Group CFO received the mandated salary increase of 6.5%. The committee remains satisfied that the Group CFO's basic salary is appropriate for his increased role and responsibilities.

R'000	Basic salary	Performance-related bonus[2]	Retirement funding contributions	Allowance and other benefits[1]	Lump sum payment	Share option gains	Total
Emoluments							
2023							
Executive directors							
BW Botten*	**2 835**	**–**	**330**	**1 806**	**12 721**	**7 351**	**25 043**
MW Godfrey	**6 710**	**–**	**784**	**632**	**–**	**1 149**	**9 275**
M Bosman (Executive Chairman)*	**14 400**	**–**	**–**	**469**	**–**	**–**	**14 869**
Total emoluments	**23 945**	**–**	**1 114**	**2 907**	**12 721**	**8 500**	**49 187**
Emoluments							
2022							
Executive directors							
BW Botten	7 950	–	928	906	–	–	9 784
MW Godfrey	6 300	–	738	596	–	3 388	11 022
Total emoluments	14 250	–	1 666	1 502	–	3 388	20 806

* *BW Botten retired as Group CEO on 31 January 2023 and as a result a temporary operating arrangement was implemented, whereby MJ Bosman was appointed by the Board as Executive Chairman effective 1 February 2023.*

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

[2] *The performance-related bonuses relate to amounts earned in the current year.*

Executive STIs

The STI policy is summarised on page 103.

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

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

	Bonus cap (% of annual salary)	Executive directors' average performance achievement %
Group financial results	75	0%
Transformation targets	10	6.4%
Key performance	15	12.5%
Total	**100**	**0%**

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

Performance bonus scorecard

	Weighting (as a % of total annual bonus opportunity)	Achieved as a % of maximum: Threshold	Achieved as a % of maximum: On-target	Achieved as a % of maximum: Stretch	Actual achievement	Payout (as a % of total annual bonus opportunity)
Performance measure						
Group financial						
Profit after tax, adjusted for exceptional items	75%	15% R2.22 billion	80% R2.38 billion	100% R2.45 billion	R0.44 billion	0%
Strategic scorecard						
Transformation objectives	10%					
Employment equity management appointments	5%	50% of all management positions filled (scaled vesting, in equal 3rds, if this was achieved for all 3 management bands – namely DL, DU and EL)			30/43	3.66%
Enterprise development – store ownership	5%	Weighted points awarded for stores owned by equity groups, with bonus points if stretch exceeded			net +6	2.72%
Other measures						
Personal objectives	15%				Average	12.50%

Profit after tax, adjusted for exceptional items

The profit after tax for the 2023 financial year was R0.4 billion, a substantial decrease of 80% on the previous year. This result was severely impacted by the unsuccessful SAP implementation at the KZN distribution centre and compounded by the disappointing results in both Switzerland and Poland. The South African business also failed to deliver forecast results as inflationary cost pressures caused operating profit to decline. Even after considering the impairments and other headline earnings adjustments, the measured result for 2023 failed to achieve the profit threshold and as the minimum entry hurdle was not achieved, the STI was disqualified and no bonuses were paid, irrespective of achievements in functional measures.

Employment equity management appointments

To achieve the Group transformation objectives, management has targeted to fill at least 50% of all available management positions (graded DL to EU) with equity candidates. During the year 43 positions were identified at the Group's head office and 30 of these were successfully filled with designated managers. Despite this being more than 50% of the total positions filled, the measurement also considers each of the grade bands, i.e. DL, DU and E, and, as the required E and DU appointments were not achieved, only one third of the available score was attained, but bonus points were allocated as more than 65% of the appointments were equity candidates.

Enterprise development – store ownership

Management has strategically focused on developing equity ownership within the South African retail formats. This objective awards points on a weighted format basis to all stores owned by designated groups. This has been another very satisfying result, as reported ownership increased to 439 (2022: 433) stores across all retail formats, an increase of 6 stores in the year.

Personal objectives

The executive directors' personal performance objectives are fundamentally set to drive strategic initiatives. Each contracts a minimum of three personal objectives with the committee. These are generally equally weighted but may be adjusted to recognise more significant matters.

As a result of the extraordinary scenario whereby the Group CEO suddenly retired, the Chairman stepped in as Executive Chairman from February 2023 until September 2023. Personal objectives for the Group CFO were impacted significantly by major SAP implementation setbacks that required a change in focus. The Group CFO's objectives were revised to the following for the year:

- Review Group banking arrangements and ensure facilities are adequate for operational requirements;
- Obtain lenders' consents to breaches of bank covenants and obtain their approval for short-term increased covenants for financial year measurement;
- Provide assessment of Polish business options to the Board for evaluation; and
- SAP implementation to achieve financial goals.

Executive LTIs

SOP

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

Options held over shares in the Company

	Date of option issue	Option price R	Number of options held 2023	2022
Executive directors				
BW Botten*	12/11/2013	126.43	–	10 000
Total			–	10 000
MW Godfrey	13/11/2012	122.81	–	30 000
	12/11/2013	126.43	**30 000**	30 000
Total			**30 000**	60 000
Total options held by directors			**30 000**	70 000

* *BW Botten retired as Group CEO effective 31 January 2023*

Options exercised

	Date of options exercised	Number of options exercised	Option price R	Market price on exercise R	Gain R'000
MW Godfrey	30/09/2022	15 000	122.81	141.65	283
MW Godfrey	23/11/2022	15 000	122.81	135.00	183
BW Botten	31/03/2023	10 000	126.43	141.04	146

CSP

The CSP is summarised on page 104.

Details of unvested CSP awards held by directors

	Award date	Share price on date of grant R	Number of shares 2023	2022
BW Botten	07/02/2018	170.70	–	1 668
	12/02/2019	175.20	–	3 334
	11/02/2020	198.01	–	16 600
	16/02/2021	181.15	–	30 500
	11/08/2022	142.83	–	35 000
Total			–	87 102
MW Godfrey	07/02/2018	170.70	–	2 334
	12/02/2019	175.20	**2 677**	5 334
	11/02/2020	198.01	**5 600**	20 800
	16/02/2021	181.15	**30 000**	30 000
	11/08/2022	142.83	**23 100**	23 100
Total			**61 367**	81 586
Total directors' interest in the CSP			**61 367**	168 670

CSP gains

	Date vested	Gain R'000
MW Godfrey	20/02/2023	683
BW Botten	20/02/2023	1 034
BW Botten	06/04/2023	6 171

Details of vested award shares held by directors

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

	Award date	Total number granted	% vested	Total vested
2023				
BW Botten	**–**	**–**	**–**	**–**
MW Godfrey	**11/02/2020**	**12 400**	**12.11%**	**1 501**
	11/02/2020	**8 400**	**33.33%**	**2 800**
	12/02/2019	**8 000**	**33.33%**	**2 666**
	07/02/2018	**7 000**	**33.33%**	**2 334**
2022				
BW Botten	12/02/2019	8 900	36.68%	3 265
	12/02/2019	5 000	33.33%	1 666
	07/02/2018	5 000	33.33%	1 666
MW Godfrey	12/02/2019	12 800	36.68%	4 695
	12/02/2019	8 000	33.33%	2 666
	07/02/2018	7 000	33.33%	2 333

Non-executive directors' remuneration

The policy for non-executive directors' fees is summarised on page 111.

R'000	2023	2022
Fees for services as non-executive directors		
MJ Bosman (Chairman)[b]	**221**	–
SA Zinn (Deputy Chairman)[bd]	**706**	–
GO O'Connor (Chairman)[b]	**1 205**	2 734
HK Mehta[abc]	**–**	415
JA Canny[cd]	**1 385**	920
M Mashologu[abc]	**1 093**	981
P Mnganga[bd]	**379**	947
AG Waller[abc]	**1 522**	1 338
LM Koyana[acd]	**972**	842
ST Naran[ac]	**873**	502
PMP da Silva[c]	**979**	–
GB Makhaya[cd]	**25**	–
Total fees	**9 360**	8 679

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

MJ Bosman was appointed as independent non-executive director and Chairman of the Board on 15 December 2022.

GO O'Connor retired at the AGM on 14 February 2023. Included in the 2023 amount paid to GO O'Connor are fees for other services of R708 334 (2022: R1 000 000).

P Mnganga resigned on 14 February 2023.

SA Zinn and PMP da Silva were appointed as independent non-executive directors on 14 February 2023.

GB Makhaya was appointed as an independent non-executive director on 1 September 2023.

M Mashologu resigned on 30 September 2023.

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

Number of shares	2023	2022
Directors' interests in the share capital of the Company		
Executive directors		
BW Botten – direct beneficial holding[1]	**–**	17 153
MW Godfrey – direct beneficial holding	**78 984**	44 333
Non-executive directors		
GO O'Connor – direct beneficial holding[2]	**–**	41 664
AG Waller – direct beneficial	**16 200**	3 200

[1] *BW Botten retired effective 31 January 2023*
[2] *GO O'Connor retired at the AGM in 14 February 2023*

As at the date of this report, the directors' interests in the share capital of the Company remained unchanged.

Indication of executive directors' shareholding against the proposed target MSR

MW Godfrey	
Direct beneficial holding	**78 984 shares**
Market value at 30 September 2023	**R9 184 260**
As a percentage of 2023 guaranteed basic salary	**136%**
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 GO O'Connor, or his direct family members, have both a controlling interest or significant influence. These interests are in the form of shareholdings in food-service and retail stores and are disclosed in an annual declaration of directors' interests in the Company. Transactions between the Company to businesses where control has been demonstrated by GO O'Connor, or his direct family members, for the period ended 30 September 2023 comprise wholesale sales of R224.3 million (2022: R229.2 million), distribution centre canteen purchases of R35.7 million (2022: R33.1 million) and trade account balances at year end of R17.9 million (2022: R18.6 million).

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

Other than that disclosed above and in note 37 to the annual financial statements, no consideration was paid to or by any third party, or by the Company itself, in respect of the services of the Company's directors, as directors of the Company, during the year ended 30 September 2023.

RISK COMMITTEE REPORT

The Risk Committee (the committee) presents the following report for the 2023 financial year.

COMMITTEE GOVERNANCE

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 that could affect the Company or its operations. Management implement effective policies and plans to mitigate any risks, enhance the Company's ability to achieve its strategic objectives, and support the Company in being ethical and a good corporate citizen.

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

- Audit Committee
- Social, Ethics and Sustainability Committee

Committee statement

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Composition

As at 30 September 2023, the members of the committee were independent non-executive directors Marang Mashologu (Chairman), Lwazi Koyana, Sundeep Naran, Jane Canny, Pedro da Silva and Andrew Waller, and Group executives Mark Godfrey and Kevin O'Brien.

The following changed during the year:

- Brett Botten resigned as a member on 31 January 2023 in terms of his retirement as Group CEO
- Pedro da Silva and Kevin O'Brien were appointed as members on 14 February 2023
- Lwazi Koyana replaced Marang Mashologu as Chairman on 1 October 2023 following Mrs Mashologu's resignation from the Board on 30 September 2023
- Trudi Makhaya and Angelo Swartz were appointed as members on 1 October 2023
- Megan Pydigadu was appointed as a member on 1 November 2023
- Andrew Waller and Jane Canny resigned as members on 17 November 2023

Members' qualifications and experience are available on pages 78 to 81.

The Group Risk Manager, Group Chief Information Officer, Group Internal Audit Manager, external auditor and Company Secretary (who also acts as secretary of the committee) were permanent invitees at committee meetings held during the financial year.

Meetings

The committee met formally twice during the year. Members' attendance is on page 87.

The number of meetings have been increased to three per annum going forward.

Evaluation of committee

The committee's effectiveness is assessed through a self-evaluation review every two years. We performed our latest review this year, and were satisfied with the outcome.

KEY FOCUS AREAS

Risk governance

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

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

During the year, we made progress in the following strategic areas:

- Reviewed and updated the ERM policy and risk appetite and tolerance framework with a Group approach in mind. The Board approved both documents in August 2023.
- The process to address SPAR's specific requirements from the ERM software that was previously approved for roll out has been completed. Users are being trained on the software. We aim to complete the software rollout to all territories and South African distribution centres by January 2024.
- Ongoing monitoring and reporting of strategic risks across the territories at Board Risk Committee level.

Our strategic focus areas for 2024 are to:

- Continue with the roll out of the ERM software solution.
- Refinement of the ERM framework to support the policy approved at the August 2023 meeting.
- Enhance risk management awareness throughout the Group.
- Strengthen the strategic risk management process in all territories.
- Embed risk management processes at operational level across all territories.
- Implementation of key risk indicator reporting at a strategic risk level.
- Operationalisation of the combined assurance policy and framework.
- Conduct of risk culture surveys at the international territories.

IT governance

The Chief Information Officer in each country is responsible, together with executive management, for the implementation and execution of effective technology and information management in their country.

In 2023 we focused on delivering the objectives we set for the six goals and solution areas within our existing IT strategy framework. These goals and solution areas are underpinned by an established IT risk tolerance framework that sets tolerance levels to ensure that business is conducted within acceptable risk boundaries. We actively monitor all IT-related risks and highlight material IT-related risks to be appropriately mitigated. This includes assessing any potential IT-related risks and opportunities affecting SPAR's products, services and operating models.

We are revamping the IT strategy in line with the Group strategy and structure.

The following table outlines our challenges and achievements against the six goals in 2023 and our focus areas for 2024:

Goal	2023 in review	2024 focus areas
Goal 1: Deliver the SAP programme via an effective deployment strategy and ensure global business adoption.	• Central office went live on the new SAP platform on 3 October 2022 as planned. • Significant challenges were experienced in the KZN distribution centre implementation. • The system is now stable in KZN and distribution centre operations have returned to normal.	• Conduct a review of the SAP design and implementation approach. The outcome of the review will inform the way forward for the programme.
Goal 2: Enable and manage all data assets to facilitate business growth for SPAR and retail partners and drive a truly customer-centric focus.	• A core data foundation has been built on the SAP platform. • Development of a framework for master data governance and management is in progress.	• Finalise the master data governance and management framework, and implement in accordance with the SAP programme. • Implement a data insights hub to improve access to information and decision-making.

Goal	2023 in review	2024 focus areas
Goal 3: Provide leading "business prioritised" suites of technology services and innovative solutions that create value for now and the future.	• Most significant on-premise infrastructure transitioned to Azure cloud. • Cyber security practices matured. • The SPAR Digital Platform (SDP) enhanced with greater variety of offerings for our retailers. • Portal allowing for visibility, management and selection of services by distribution centres and retailers delivered. • Service operations and delivery management processes matured.	• Investigate and design a settlement engine for retail-based services. • Create a single point of entry for retail recon queries and reporting. • Drive usage of retail portal to improve visibility and quality of decision-making for SDP services. • Continue to innovate at retail, focusing on improvements for infrastructure and security.
Goal 4: Invest in and renew core IT capabilities that enable business sustainability and partnering.	• Appointed a South African IT Executive. • Matured the SAP Customer Centre of Excellence. • Continued to improve skills base with training and mentorship.	• Align objectives and ways of work across divisional and Group technology functions. • Better align business and technology objectives through a product-focused approach. • Review of partner capabilities to ensure these will meet SPAR's future requirements.
Goal 5: Create an IT governance framework and environment that facilitates security, compliance, risk mitigation and cost optimisation.	• Reached agreement with retailers to improve security posture at stores. • Matured risk management process and standardised contracting. • Improved efficiency of technology services through cost optimisation practices.	• Commence implementation of retail cyber security management programme. • Mature programme management practices and deliver greater alignment between business and IT through a product focus. • Continue cost optimisation initiatives to improve value proposition of IT to the Group.
Goal 6: Implement digital retail solutions to facilitate multichannel e-commerce including mobile and transform customer engagement.	• Improved customer experience in relaunched SPAR2U app. • Focus on innovation through quarterly SPAR2U feature releases. • Drove acquisitions of customers via relaunched Rewards card using new digital registration channels. • Investment in omnichannel skills via external appointments.	• Continue developing our SPAR2U online solution. • Refresh and improve in-store technology experience. • Rewards card feature roadmap to drive customer loyalty.

Compliance governance

The executive management of SPAR is responsible for implementing effective compliance management.

A software solution is in place at all South Africa distribution centres to help monitor SPAR SA's compliance with legislation and regulations. SPAR is updating the regulatory universe and compiling frameworks to facilitate compliance. Given the vast regulatory landscape, this is being conducted using a risk-based approach.

Our focus areas for 2024 will be to:

- Roll out SA regulatory frameworks to all SA distribution centres with a view to commencing compliance control monitoring in the last quarter
- Risk rank the regulatory universe for international territories and compile compliance frameworks for high-risk legislation
- Start with the roll out of compliance frameworks identified as high risk in international territories

The committee also reviewed the Group's strategic risks and opportunities. We received feedback from management on the Group's insurance, current litigation, incidents of fraud and corruption, emerging risks and opportunities, and operational risk and opportunities (logistic risks, human resource risks, food safety risks, climate change risks and financial risks). Strategic risks and opportunities are disclosed on page 58.

IN CONCLUSION

Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning, and particularly to Marang Mashologu, Brett Botten, Jane Canny and Andrew Waller for their contribution.

Lwazi Koyana

Chairman of the Risk Committee

14 December 2023

SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT

The Social, Ethics and Sustainability Committee (the committee) presents the following report for the 2023 financial year, in accordance with the requirements of the Companies Act.

COMMITTEE GOVERNANCE

Role and responsibilities

The committee's role and responsibilities are governed by its terms of reference as reviewed and approved annually by the Board. The Board allocated oversight of and reporting on organisational ethics, responsible corporate citizenship, environmental and climate change risks, sustainable development and stakeholder relationships to the committee.

The committee oversees the Company's social and organisational activities relating to the environment and its stakeholders. We monitor the Company's sustainability performance and ensure that the Company is seen as a responsible citizen, that its ethics support its culture, 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

Committee statement

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Composition

As at 30 September 2023, the members of the committee were independent non-executive directors Jane Canny (Chairman), Lwazi Koyana and Shirley Zinn, and Group ESG Officer Kevin O'Brien.

The composition of the committee changed as follow:

- Jane Canny replaced Phumla Mnganga as Chairman effective 14 February 2023 following Mrs Mnganga's resignation from the Board
- Brett Botten resigned as a member on 31 January 2023 in terms of his retirement as Group CEO
- Shirley Zinn and Kevin O'Brien were appointed as members on 14 February 2023
- Trudi Makhaya was appointed as a member effective 1 October 2023 and was subsequently appointed as Interim Chairman on 20 November 2023 following the resignation of Jane Canny on 17 November 2023.

The current members qualifications and experience are available on pages 78 to 81.

The Board Chairman, lead independent director/deputy chairman, Human Resources Executive and Company Secretary (who acts as the committee's secretary) were permanent invitees at committee meetings held during the financial year.

Meetings

The committee met twice during the year. Members' attendance is on page 87.

The number of meetings has been increased to three per annum going forward.

Evaluation of committee

The committee's effectiveness is assessed through a self-assessment evaluation review every two years. We performed our latest review this year.

The committee was satisfied that it was performing effectively and in accordance with its mandate.

KEY FOCUS AREAS

Policy review

The committee reviews the Group's policies on ethics, social and economic development, good corporate citizenship, sustainable development and stakeholder relationships. During the year, we considered and recommended the following to the Board for approval:

- Sustainability policy
- Code of Ethics
- Conflict of interest policy
- Code of Conduct
- Corporate social investment policy
- Employment equity policy
- Workplace harassment policy

The committee will continue to review the various policies dealing with ethics, social and economic development, good corporate citizenship and sustainable development. During 2024, the committee will ensure that all relevant group policies will have corresponding territory policies reflecting those territories' specific needs.

Organisational ethics

At Spar, we strive to embed ethics in all that we do, in the best interests of all stakeholders.

Ethics within the Company is addressed through SPAR's Code of Ethics, which applies to all employees and directors. The code is supported by detailed policies on conflict of interest, receiving and giving gifts, bribery and corruption, fraud prevention, processing and protecting information, appropriate use of technology, and human resources including workplace harassment.

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

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

In addition, there were two whistleblowing reports received outside of the Tip-offs Anonymous system, comprising various allegations against different people in the organisation. These allegations are in varying degrees of investigations, some of which have already resulted in disciplinary action and dismissal of the individuals concerned. Where necessary, the investigations into whistleblowing reports are outsourced to independent forensic investigation teams and recommendations from the reports are implemented and the necessary action taken.

The Ethics Institute (TEI) conducted an ethical culture assessment in October 2021. The results were presented to the committee in November 2021, showing an improvement over the assessment conducted in 2018, and recommended improvements to the ethics management programme were implemented. The next assessment will be conducted in 2024.

During the year, we also reviewed reports submitted and dealt with through the internal human resources grievance process, and alleged incidents of fraud and concerns not reported through the whistle-blowing hotline. Our aim was to identify outstanding matters impacting the Group's ethical culture that might require remediation. We resolved all grievances lodged during the year and took disciplinary action where mistreatment of employees was proven.

Corporate citizenship

The committee is mandated to consider the impact of the Group's performance on all stakeholders, society, the economy and the natural environment. Detailed information relating to this is included in our environmental, social and governance supplementary report.

The committee received feedback from management on the following:

Human resources

- **B-BBEE |** The Company was granted a level six contributor rating under the new generic codes for 2021/22. This certificate expired in December 2023. Following the completion of an audit in December 2023, the Company was awarded a level five contributor rating for 2022/23.
- **YES programme |** The Group participated in the YES programme in 2023. 484 learners participated across SPAR and Build it stores. We will continue to focus on this in 2024.
- **Trade union activity |** The unionised divisions are: South Rand (SACCAWU and Thorn), North Rand (SACCAWU and Thorn), KwaZulu-Natal (SACCAWU and Thorn) and Build it imports (SACCAWU). We successfully concluded wage negotiations on multi-year deals with three major SPAR distribution centres in 2022, with no major disruptions to operations experienced. No negotiations were held this year. The next negotiation, for the Build it Imports Warehouse, commenced in November 2023.
- **Staff development programmes |** These range from learnerships to programmes for graduates and leadership development for senior managers. Our new approach to learning and development involves a hybrid online and face-to-face model. This has enabled us to make training accessible to more people than previously.
- **Culture |** We concluded a culture survey in 2021 and gave feedback to all divisions and central office. The agreed improvement plans were implemented, and we conducted a further survey in September 2023. Once we have processed and analysed the data, we will share it with all parties and action plans per division will be agreed. The culture survey will be conducted every second year.
- **Transformation |** The Executive Committee developed and adopted a transformation strategy in 2022 to guide transformation of the South African business. During this year, the committee monitored progress in the change management process related to the strategy. As part of this process, an

Accelerated Management Development Programme was introduced to build capacity in identified areas of the business. The 2023 intake focused on Marketing and Merchandise, and these individuals will have the capacity to become managers on successfully completing the programme. Transformation will remain a key focus area, and we will continue to monitor progress on the strategy at Group and division level.

Socioeconomic development

- The socioeconomic development strategy and plans were presented to the committee.
- Feedback on internally and externally focused socioeconomic development initiatives. Focus areas include gender-based violence; implementation and awareness of the workplace harassment policy at central office, distribution centre and retail level; employee wellness; and small-scale supplier development.
- CSI contributions for the year amounted to R23.0 million (2022: R29.0 million).

Environmental

- The environmental strategy and action plans for the next 12 months were presented to the committee
- Monitoring of energy use and decarbonisation, focusing on:
  - Science-based targets
  - Phasing our climate change work
  - Climate change impact on revenue under different scenarios
  - Anticipated carbon tax impacts
  - Energy efficiency
  - Just transition
- We submitted SPAR's CDP climate change, water and forests reports timeously in 2023
- Monitoring sustainability initiatives, including water efficiency, climate resilience, circular economy, responsible sourcing, and the Rural Hub

Detailed feedback on the above matters can be found in our ESG report.

Stakeholder relationships

The committee has oversight of stakeholder engagement and monitors a stakeholder-inclusive model throughout SPAR.

During the year, we reviewed and recommended further enhancements to the policy and framework governing the management of stakeholder relationships. This revised policy will be presented to the Board for approval in February 2024. We engaged extensively with investors, employees, retailers, financiers and regulators on concerns around business performance and governance issues reported in the media.

We also engaged a group of independent retailers on complaints they lodged in 2021. These were successfully resolved.

SPAR continues to:

- Engage its investors, employees, retailers and financiers on the concerns regarding business performance and governance issues.
- Engage its independent retailers to support and build the businesses owned by independent retail.
- Engage with suppliers to form strategic alignments where possible.
- Collaborate with government and industry bodies to address various sustainable development issues through its membership of the Consumer Goods Council of South Africa and directly with the National Prosecuting Authority and the Department of Health with regards to the work being done on ending gender-based violence.

In addition to the key focus areas above, the committee considered the ESG report 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. The AGM will be held on 21 February 2024. Any questions relating to this report may be sent to the Company Secretary before the meeting.

IN CONCLUSION

2023 has been a challenging year for the business. An increase in whistleblowing reports has resulted in numerous investigations having to be done. Some of these investigations are still ongoing. The committee is comfortable with the progress being made with addressing the issues raised in the whistleblowing reports and constantly monitors progress being made in finalising these matters.

Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning, particularly to Phumla Mnganga for her exceptional leadership of the committee over many years, and Brett Botten and Jane Canny for their contribution.

GB Makhaya

Trudi Makhaya

Interim Chairman of the Social, Ethics and Sustainability Committee

14 December 2023

SHAREHOLDER INFORMATION

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 29 September 2023

	Number of Shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
Shareholder Spread				
1 – 1 000	21 990	81.52%	5 495 391	2.85%
1 001 – 10 000	4 010	14.87%	11 373 046	5.90%
10 001 – 100 000	772	2.86%	25 129 867	13.05%
100 001 – 1 000 000	171	0.63%	43 226 037	22.44%
Over 1 000 000	33	0.12%	107 378 014	55.75%
Total	26 976	100.00%	192 602 355	100.00%
Distribution of Shareholders				
Assurance Companies	104	0.39%	7 549 697	3.92%
Close Corporations	148	0.55%	223 009	0.12%
Collective Investment Schemes	440	1.63%	80 174 677	41.63%
Control Accounts	1	0.00%	703	0.00%
Custodians	42	0.16%	1 380 568	0.72%
Foundations & Charitable Funds	163	0.60%	1 505 198	0.78%
Hedge Funds	5	0.02%	629 320	0.33%
Insurance Companies	19	0.07%	769 151	0.40%
Investment Partnerships	64	0.24%	151 700	0.08%
Managed Funds	79	0.29%	1 668 979	0.87%
Medical Aid Funds	35	0.13%	2 256 701	1.17%
Organs of State	16	0.06%	49 452 511	25.68%
Private Companies	628	2.33%	2 299 193	1.19%
Public Companies	12	0.04%	446 580	0.23%
Public Entities	5	0.02%	29 913	0.02%
Retail Shareholders	21 729	80.55%	12 431 469	6.45%
Retirement Benefit Funds	515	1.91%	20 130 837	10.45%
Scrip Lending	10	0.04%	985 684	0.51%
Share Schemes	1	0.00%	12 989	0.01%
Sovereign Funds	5	0.02%	1 478 719	0.77%
Stockbrokers & Nominees	27	0.10%	2 688 053	1.40%
Treasury	1	0.00%	35 893	0.02%
Trusts	2 924	10.84%	6 300 025	3.27%
Unclaimed Scrip	3	0.01%	786	0.00%
Total	26 976	100.00%	192 602 355	100.00%
Shareholder Type				
Non-Public Shareholders	4	0.01%	119 765	0.06%
Directors and Associates	2	0.01%	70 883	0.04%
Treasury	1	0.00%	35 893	0.02%
Share Schemes	1	0.00%	12 989	0.01%
Public Shareholders	26 972	99.99%	192 482 590	99.94%
Total	26 976	100.00%	192 602 355	100.00%

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

	Number of Shares	% of issued Capital
Beneficial Shareholders with a Holding Greater than 5% of the Issued Shares		
Government Employees Pension Fund	48 083 160	24.96%
Allan Gray	15 498 025	8.05%
Old Mutual Group	12 189 580	6.33%
Coronation Fund Managers	11 858 767	6.16%
M & G Investments	11 588 061	6.02%
Total	**99 217 593**	**51.51%**

	Number of shareholdings
Total number of shareholdings	26 976
Total number of shares in issue	192 602 355
Share Price Performance	
Opening Price 03 October 2022	R143.36
Closing Price 29 September 2023	R116.28
Closing High for period	R165.33
Closing Low for period	R91.30
Number of shares in issue	192 602 355
Volume traded during period	359 454 628
Ratio of volume traded to shares issued (%)	186.63%
Rand value traded during the period	R45 419 034 107
Price/earnings ratio as at 29 September 2023	12.04
Earnings yield as at 29 September 2023	8.31
Dividend yield as at 29 September 2023	1.55
Market capitalisation at 29 September 2023	R22 395 801 839

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 Wednesday, 21 February 2024 at 09:00 (South African Standard Time) (subject to any cancellation, postponement or adjournment) to consider and if deemed appropriate, approve with or without modification, the ordinary and special resolutions as set out in this notice of AGM (notice) and deal with such other business as may lawfully be dealt with at the AGM.

A hybrid AGM will take place allowing shareholders and/or 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, No 71 of 2008 (the Act) and the Company's Memorandum of Incorporation (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 Proprietary Limited (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 Proprietary Limited (JIS), 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 forms of proxy 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 to attend, participate in and vote at the AGM either in person or 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 a regular website.

Shareholders will not be able to vote via the electronic platform if their voting instructions/proxy forms have been submitted prior to the AGM.

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

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 2023, incorporating the directors' report, Audit Committee report and independent auditor's report, in accordance with section 61(8) of the Act.

To present the report of the Social, Ethics and Sustainability Committee on the matters within its mandate, in accordance with regulation 43 of the Companies Regulations, 2011.

The Company's annual financial statements are available on the Company's website at https://thespargroup.com/, and the report of the Social, Ethics and Sustainability Committee is set out on pages 120 to 122 of the integrated annual report of which this notice forms part.

Ordinary resolution number 1 – Confirmation of appointment of directors

"Resolved, each by way of a separate vote, that the following appointments be and are hereby confirmed:

- Shirley Zinn and Pedro da Silva as independent non-executive directors with effect from 14 February 2023,
- Trudi Makhaya as independent non-executive director with effect from 1 September 2023,
- Angelo Swartz and Megan Pydigadu as executive directors with effect from 1 October 2023 and 1 November 2023, respectively.
- Marie Jamieson and Elizabeth (Liesbeth) Botha as independent non-executive directors with effect from 1 February 2024."

The Nominations Committee conducted an assessment of the eligibility of Shirley Zinn, Pedro da Silva, Marie Jamieson, Liesbeth Botha and Trudi Makhaya as independent non-executive members and of Angelo Swartz and Megan Pydigadu as executive members of the Board and the Board accepted the results of the assessments. Accordingly, the Board recommends their appointments to shareholders.

Brief curriculum vitae for Shirley Zinn, Pedro da Silva, Marie Jamieson, Liesbeth Botha, Trudi Makhaya, Angelo Swartz and Megan Pydigadu can be found on pages 78 to 81 of the integrated report of which this notice forms part.

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

It is recorded that

- Lwazi Koyana and Sundeep Naran retire as non-executive directors of the Company in terms of the Company's Memorandum of Incorporation (MOI),
- Lwazi Koyana and Sundeep Naran, being eligible, offer themselves for re-election.

"Resolved, each by way of a separate vote, that Lwazi Koyana and Sundeep Naran are hereby re-elected as non-executive directors of the Company."

The Nominations Committee conducted an assessment of the performance and independence of Lwazi Koyana and Sundeep Naran and the Board accepted the results of the assessment. Accordingly, the Board recommends their re-elections to shareholders.

Brief curricula vitae for Lwazi Koyana and Sundeep Naran can be found on page 79 of the integrated annual report of which this notice forms part.

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

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

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

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

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

- Lwazi Koyana, subject to adoption of the proposed ordinary resolution number 2.1
- Sundeep Naran, subject to adoption of the proposed ordinary resolution number 2.2
- Pedro da Silva, subject to adoption of the proposed ordinary resolution number 1.2"

Reason and effect

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

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

Brief curricula vitae for Lwazi Koyana, Sundeep Naran and Pedro da Silva can be found on pages 78 to 79 of the integrated annual report of which this notice forms part.

Ordinary resolution number 5 – 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 an issue of shares for these purposes.

Ordinary resolution number 6 – 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 101 to 111 of the integrated annual report of which this notice forms part.

Ordinary resolution number 7 – 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 112 to 116 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, with effect from 1 March 2024, directors of the Company, in terms of section 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."

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

"Resolved that with effect from 1 March 2024, the fees payable to the non-executive directors be increased by 5% as outlined in the table below. With the exception of the fees for the Chairman and Deputy Chairman of the Board (who will be paid purely on a retainer basis) and ad hoc meeting fees, the total annual fees for all other Board and Board Committee roles will be paid on a retainer and attendance per meeting basis (based on a 40% retainer and 60% for the scheduled meetings during the year)."

	Current per annum Vat exclusive	Proposed per annum VAT exclusive	Increase %
Board			
Chairman (representing an all-inclusive fee for participation in all scheduled meetings of the Board and committees)	R2 763 867	**R2 902 060**	5.0%
Deputy Chairman (representing an all-inclusive fee for participation in all scheduled meetings of the Board and committees)	R1 446 900	**R1 519 245**	5.0%
South African resident member	R513 450	**R539 123**	5.0%
Non-South African resident member (representing an all-inclusive fee for membership and participation in scheduled meetings of the Board and committees)	€80 000	**€84 000**	5.0%
Audit Committee			
Chairman	R403 274	**R423 438**	5.0%
Member	R215 154	**R225 912**	5.0%
Risk Committee			
Chairman	R291 696	**R306 281**	5.0%
Member	R144 160	**R151 368**	5.0%
Social, Ethics and Sustainability Committee			
Chairman	R218 310	**R229 226**	5.0%
Member	R129 320	**R135 786**	5.0%
Remuneration Committee			
Chairman	R277 440	**R291 312**	5.0%
Member	R129 320	**R135 786**	5.0%
Nominations Committee			
Chairman	R207 130	**R217 487**	5.0%
Member	R129 320	**R135 786**	5.0%
Ad hoc meetings and other assignments			
South African resident members (including the Chairman and Deputy Chairman of the Board)			
Daily fee (if meeting exceeds four hours)	R31 164	**R32 722**	5.0%
Hourly fee	R5 300	**R5 565**	5.0%
Non-South African resident members			
Daily fee (if meeting exceeds four hours)	€3 007	**€3 157**	5.0%
Hourly fee	€511	**€537**	5.0%

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.

An externally facilitated benchmarking exercise was performed in the 2023 financial year given the Company's significant growth in complexity, and increases in the non-executive directors' fees with effect from 1 March 2023 were approved at a Special General Meeting held on 8 September 2023 to align the fees to market.

Other than the fees relating to the Chairman and Deputy Chairman of the Board, the fee structure was also changed from a full retainer to comprise a retainer portion (comprising 40% of the total annual fees) and a per meeting fee for scheduled meetings (for the remainder 60% of the total annual fees).

The Chairman and Deputy Chairman of the Board continues to be remunerated on a full retainer basis, as they are required to attend and participate in all Board and committee meetings irrespective of whether they are members.

Considering the recent adjustment in the non-executive directors fees, the Board recommends an inflationary increase of 5% to the non-executive directors' fees with effect from 1 March 2024.

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 Thursday, 14 December 2023 (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, 9 February 2024. Accordingly, the last day to trade for a shareholder to be eligible to vote at the AGM is Tuesday, 6 February 2024.

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 at the AGM. The person so appointed need not be a shareholder.

Forms of proxy should be forwarded to reach the Company's transfer secretaries, JIS, P.O. Box 4844, Johannesburg, 2000, or meetfax@jseinvestorservices.co.za, by no later than 09:00 (South African Standard Time) on Monday, 19 February 2024. 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 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. The Company 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 attend, participate in and/or vote at the AGM by way of electronic participation, must contact TMS at proxy@tmsmeetings.co.za or on 084 433 4836 or 081 711 4255 as soon as possible, and for administrative purposes, by no later than 09:00 (South African Standard Time) on Monday, 19 February 2024.

   This is in order for TMS to arrange such participation for the shareholder and 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.

   Any person wishing to attend the AGM as an observer, must contact TMS on the details provided above to register to attend the meeting, by no later than 9:00 (South African Standard Time) on Monday, 19 February 2024. Such attendance may be allowed at the discretion of the Company Secretary of the Company.

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 and 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

Shana Ashokumar

Company Secretary

14 December 2023

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 Wednesday, 21 February 2024 at 09:00 (South African Standard Time) 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 or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

		Insert an 'X' or the number of shares with which you wish to vote		
		For	Against	Abstain
Ordinary business				
1.	**Confirmation of directors appointed since the last AGM**			
1.1	Shirley Zinn as independent non-executive director			
1.2	Pedro da Silva as independent non-executive director			
1.3	Trudi Makhaya as independent non-executive director			
1.4	Angelo Swartz as executive director			
1.5	Megan Pydigadu as executive director			
1.6	Marie Jamieson as independent non-executive director			
1.7	Liesbeth Botha as independent non-executive director			
2.	**Re-election of directors retiring by rotation**			
2.1	Lwazi Koyana			
2.2	Sundeep Naran			
3.	**Re-election of independent external auditor**			
3.1	PricewaterhouseCoopers Inc. as external auditor			
3.2	Thomas Howatt, as designated audit partner			
4.	**Election of members of the Audit Committee**			
4.1	Lwazi Koyana (subject to passing of resolution 2.1)			
4.2	Sundeep Naran (subject to passing of resolution 2.2)			
4.3	Pedro da Silva (subject to passing of resolution 1.2)			

		Insert an 'X' or the number of shares with which you wish to vote		
		For	Against	Abstain
5.	Authority to issue shares for the purpose of the CSP			
6.	Non-binding advisory vote on the remuneration policy			
7.	Non-binding advisory vote on the remuneration implementation report			
Special business				
1.	Financial Assistance to related and inter-related companies			
2.	Non-executive directors' fees			

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 Standard Time) on Monday, 19 February 2024. Thereafter, a shareholder or his proxy must deliver the form of proxy to the chairman of the AGM before the appointed proxy may exercise any rights of the shareholder at the AGM.

- A member's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he/she deems fit. A member may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the member's votes exercisable at the AGM.
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the Company's share registrar or waived by the chairman of the AGM.
- Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
- A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the company's transfer secretaries.
- The chairman of the AGM may accept any form of proxy that is completed other than in accordance with these notes if the chairman of the AGM is satisfied as to the manner in which the member wishes to vote.

Summary of rights of shareholders

In terms of section 58 of the Companies Act:

- A shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of such shareholder
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder
- A proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's MOI, or the instrument appointing the proxy, provides otherwise
- If the instrument appointing a proxy has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice required in terms of the Companies Act or such company's MOI to be delivered to a shareholder must be delivered by such company to:
  - The relevant shareholder, or
  - The proxy or proxies, if the relevant shareholder has (i) directed such company to do so, in writing; and (ii) paid any reasonable fee charged by such company for doing so
- If a company issues an invitation to its shareholders to appoint 1 (one) or more persons named by the company as a proxy, or supplies a form of proxy instrument:
  - The invitation must be sent to every shareholder entitled to receive 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

Any shareholder (or a representative or proxy for a shareholder) who wishes to attend, participate in and/or vote at the AGM by way of electronic participation, must contact TMS at proxy@tmsmeetings.co.za or on 084 433 4836 or 081 711 4255 as soon as possible, and for administrative purposes, by no later than 09:00 (South African Standard Time) on Monday, 19 February 2024.

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 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 Proprietary Limited (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.
- Alternatively, if you would like to address the meeting directly, please click on the raise your hand icon. Once the chairman of the AGM has identified you, please unmute your microphone and address the meeting.

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 of the AGM 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.

> The following financial appendices have been extracted from the Group's Annual Financial Statements and should be read in conjunction with the full set of Annual Financial Statements available on the Group's corporate website – www.thespargroup

FINANCIAL APPENDICES

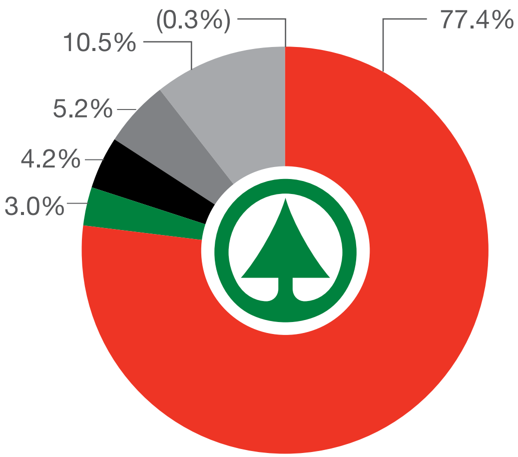
FIVE YEAR REVIEW

Rmillion	2023	2022	2021	2020	2019
CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Revenue – sale of merchandise	**149 324**	135 609	127 941	124 277	109 477
Operating profit	**1 817**	3 429	3 393	3 443	2 979
Other non-operating items	**(13)**	(9)	(6)	(279)	(28)
Finance income	**607**	599	573	618	186
Finance costs	**(1 425)**	(984)	(936)	(1 023)	(344)
Share of equity-accounted associate (losses)/profit	**(7)**	7	(7)	(63)	(11)
Profit before taxation	**979**	3 042	3 017	2 696	2 782
Taxation	**(536)**	(822)	(808)	(740)	(618)
Profit after taxation	**443**	2 220	2 209	1 956	2 164
Remeasurement of retirement funds net of tax	**50**	475	461	164	(395)
Remeasurement of post-retirement medical aid net of tax	**4**	–	(7)	15	(2)
Gain/(loss) on cash flow hedge net of tax	**–**	–	–	3	–
Exchange differences from translation of foreign operations	**531**	374	(219)	295	76
Total comprehensive income	**1 028**	3 069	2 444	2 433	1 843
CONDENSED STATEMENTS OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	**10 378**	8 997	8 193	8 725	7 184
Right-of-use assets	**8 974**	8 320	7 136	6 606	–
Finance lease receivable	**4 564**	5 007	5 121	4 713	–
Goodwill and intangible assets	**8 241**	7 576	6 837	6 983	5 064
Loans and investments	**994**	970	896	1 120	1 620
Operating lease receivables	**6**	8	8	6	269
Deferred taxation asset	**219**	254	228	223	75
Current assets	**28 208**	25 963	23 618	24 324	19 767
Assets classified as held for sale	**12**	23	30	39	74
Total assets	**61 596**	57 118	52 067	52 739	34 053
Equity and liabilities					
Capital and reserves	**10 222**	10 009	8 379	7 890	7 467
Deferred taxation liability	**545**	435	312	278	297
Post-employment benefit obligations	**254**	249	811	1 270	1 268
Financial liability	**–**	–	50	50	1 521
Long-term borrowings	**7 337**	7 091	7 346	6 896	5 009
Provisions	**–**	–	–	–	8
Other non-current financial liabilities	**–**	–	–	–	3
Operating lease payable	**–**	–	–	–	299
Finance lease payable	**13 260**	13 018	12 052	11 200	–
Current liabilities	**29 978**	26 316	23 117	25 155	18 181
Total equity and liabilities	**61 596**	57 118	52 067	52 739	34 053
CONDENSED STATEMENTS OF CASH FLOWS					
Cash flows from operating activities before dividends	**4 823**	3 831	3 620	5 221	1 127
Dividends paid	**(437)**	(1 387)	(1 837)	(1 378)	(1 431)
Cash flows from investing activities	**(1 234)**	(1 169)	(658)	(1 502)	(1 943)
Cash flows from financing activities	**(2 638)**	2 439	(2 541)	(1 821)	558
Net movement in cash and cash equivalents	**514**	(1 164)	(1 416)	520	(1 689)

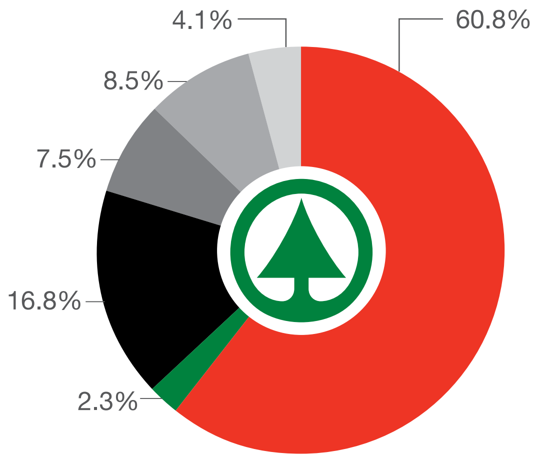
VALUE ADDED STATEMENT

	2023 Rmillion	% of revenue	% wealth created	2022 Rmillion	% of revenue	% wealth created
Revenue	149 324			135 609		
Less:						
Net cost of product and services	139 186			124 783		
Value added	10 138			10 826		
Add:						
Income from investments and associates	150			141		
Wealth created	10 288	6.9	100.0	10 967	8.1	100.0
Applied to:						
Employees						
Salaries, wages and other benefits	7 966	77.4		6 770	61.7	
Providers of capital	738	7.2		1 656	15.1	
Interest on borrowings	304	3.0		288	2.6	
Dividends to ordinary shareholders	434	4.2		1 368	12.5	
Taxation	537	5.2		822	7.5	
Replacement of assets	1 080	10.5		935	8.5	
Retained in the Group	(32)	(0.3)		784	7.1	
Wealth distributed	10 288	100.0		10 967	100.0	

Wealth created (%)



2023



2022

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

RATIOS AND STATISTICS

		2023	2022	2021	2020	2019
SHARE PERFORMANCE						
Number of ordinary shares (net of treasury shares)	millions	**192.5**	192.5	192.5	192.5	192.5
Headline earnings per share	cents	**606.6**	1 160.5	1 196.2	1 135.3	1 129.1
Normalised headline earnings per share	cents	**613.1**	1 165.3	1 187.3	1 266.9	1 166.3
Dividends per share	cents	**–**	400.0	816.0	855.0	800.0
Dividend cover	multiple	**–**	2.9	1.47	1.33	1.41
Net asset value per share	cents	**5 313.2**	5 201.0	4 350.5	4 102.2	3 879.9
COMPREHENSIVE INCOME INFORMATION						
Gross margin	%	**12.0**	12.0	12.0	11.9	10.7
Operating profit margin	%	**1.2**	2.5	2.7	2.8	2.7
Headline earnings	Rmillion	**1 166.9**	2 233.4	2 303.9	2 183.6	2 173.0
SOLVENCY AND LIQUIDITY						
Return on equity	%	**4.0**	23.4	27.9	27.0	29.7
Return on net assets	%	**17.8**	34.3	40.5	43.6	39.9
EMPLOYEE STATISTICS						
Number of corporate office and distribution centre employees at year end		**10 512**	10 385	10 281	10 168	8 206
STOCK EXCHANGE STATISTICS						
Market price per share						
– at year end	cents	**11 628**	14 336	19 642	18 965	19 101
– highest	cents	**16 533**	20 323	20 884	21 622	21 072
– lowest	cents	**9 130**	12 909	19 334	15 562	16 418
Number of shares in issue	millions	**192.6**	192.6	192.6	192.6	192.6
Number of shares traded	millions	**359.5**	231.8	189.2	231.8	189.2
Number of shares traded as a percentage of total issued shares	%	**186.6**	120.4	98.3	120.4	98.3
Value of shares traded	Rmillion	**45 419.0**	37 200.2	35 956.0	42 204.0	35 956.0
Earnings yield at year end	%	**8.3**	8.5	6.1	6.0	6.1
Dividend yield at year end	%	**1.5**	5.0	4.2	4.5	4.2
Price earnings ratio at year end	multiple	**12.0**	11.8	16.4	16.7	16.4
Market capitalisation at year end net of treasury shares	Rmillion	**22 396**	27 584	37 818	36 509	36 765
Market capitalisation to shareholders' equity at year end	multiple	**2.2**	2.8	4.5	4.6	4.9

SUMMARISED FINANCIAL STATEMENTS

DIRECTORS' APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, No. 71 of 2008 (as amended) (Companies Act). The group's independent external auditors, PricewaterhouseCoopers Inc., have audited the full financial statements and their unmodified report is enclosed therein. 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 2023, changes in equity 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 05 December 2023 and are signed on its behalf by:

MJ Bosman
Chairman

05 December 2023

AP Swartz
Chief Executive Officer

CERTIFICATE BY THE COMPANY SECRETARY

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

S Ashokumar
Company Secretary

05 December 2023

DIRECTORS' REPORT

The directors of the company have the pleasure of submitting their report on the audited annual financial statements of the company for the year ended 30 September 2023.

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 2023 financial year.

Directorate and Company Secretary

During the financial year under review, the following changes to the composition of the board occurred:

- Mike Bosman was appointed as independent non-executive director and Chairman of the board effective 15 December 2023
- Brett Botten retired as Group CEO and executive director effective 31 January 2023
- Graham O'Connor retired by rotation and did not offer himself for re-election at the Annual General Meeting held on 14 February 2023
- Phumla Mnganga resigned as independent non-executive director effective 14 February 2023
- Shirley Zinn and Pedro da Silva were appointed as independent non-executive directors with effect from 14 February 2023
- Trudi Makhaya was appointed as an independent non-executive director with effect from 1 September 2023
- Marang Mashologu resigned as independent non-executive director on 30 September 2023

In light of the retirement of the Group CEO and in terms of an interim arrangement approved by the Johannesburg Stock Exchange, Mike Bosman assumed the role of Executive Chairman for the period 1 February 2023 until 30 September 2023 when the new Group CEO assumed his position. A Chairman's Committee was also constituted to strengthen governance during this interim period, comprising the lead independent director of the board as its Chairman and the Chairmen of the board committees as members.

Shana Ashokumar was appointed as Company Secretary effective 3 May 2023. Particulars relating to the directors' remuneration and interests and directors' share scheme interests are set out in notes 36 and 37 of the full annual financial statements.

Post the financial year under review, the following changes to the composition of the board occurred:

- Andrew Waller and Jane Canny resigned as independent non-executive directors with effect from 17 November 2023.

Corporate governance

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

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

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

Financial results

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

Going concern

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

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

SPAR Poland was issued a letter of support from the company to ensure it remains a going concern for the next 12 months.

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 full annual financial statements.

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

Dividends

The Group has faced various challenges during the year. Consequently, the board believed it was prudent not to declare a dividend for the year ended 30 September 2023 (2022: 400.0 cents per share). The board will reconsider this decision, depending on the prevailing macro and operating conditions going forward. Returning capital to shareholders in the form of dividends and responsible capital allocation remains a priority for the board.

Share scheme

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

Subsidiaries

The interest of the company in the aggregate net profit/loss after taxation of subsidiaries was a loss of R97.6 million (2022: profit of R561.5 million). Details of the company's principal subsidiaries are set out in note 14 of the full annual financial statements.

Special resolutions

The company passed the following special resolutions at the annual general meeting held on 14 February 2023:

- Special resolution number 1 – Financial assistance to related or inter-related companies and persons
- Special resolution number 2.3 – Non-executive director fees for ad hoc meetings

The company passed the following special resolutions at the special general meeting held on 8 September 2023:

- Special resolution number 1.1 to 1.17 – 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. Refer to note 10 below for further details.

Subsequent events

Matters or circumstances arising since the end of the 2023 financial year, which have or may significantly affect the financial position of the company or the results of its operations are disclosed in note 9 below.

Reportable irregularities

In accordance with their responsibilities in terms of sections 44(2) and 44(3) read with Section 45 of the APA, the Company's external auditors, PwC, reported to the IRBA that, in their view, three suspected Reportable Irregularities may have occurred, following which the company was informed of these reports. The details of these Reportable Irregularities are further described in note 11 below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2023

	GROUP	
Rmillion	**2023**	**2022**
Revenue – sale of merchandise	**149 324.3**	135 609.1
Cost of sales	**(131 378.6)**	(119 310.1)
Gross profit	**17 945.7**	16 299.0
Revenue – other	**2 991.5**	2 727.5
Other income	**292.9**	298.7
Net operating expenses	**(19 413.1)**	(15 896.5)
Warehousing and distribution expenses	**(5 873.1)**	(5 184.5)
Marketing and selling expenses	**(7 907.1)**	(6 971.8)
Administration and information technology expenses	**(4 938.2)**	(3 302.1)
Impairment of assets	**(632.3)**	(68.9)
Net ECL movement on financial assets	**(62.4)**	(369.2)
Operating profit/(loss)	**1 817.0**	3 428.7
Other non-operating items	**(13.0)**	(9.1)
Finance income	**607.1**	599.0
Finance costs	**(1 424.9)**	(984.2)
Share of equity-accounted associate (losses)/profits	**(7.0)**	7.3
Profit/(loss) before taxation	**979.2**	3 041.7
Taxation	**(536.7)**	(821.9)
Profit/(loss) after taxation	**442.5**	2 219.8
Attributable to:		
Equity holders of the company	**401.3**	2 152.0
Non-controlling interests	**41.2**	67.8
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of post-retirement medical aid	**6.0**	(0.3)
Deferred tax relating to remeasurement of post-retirement medical aid	**(1.6)**	0.1
Remeasurement of retirement funds	**56.8**	551.0
Deferred tax relating to remeasurement of retirement funds	**(6.9)**	(76.3)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from translation of foreign operations	**530.8**	374.2
Total comprehensive income/(loss)	**1 027.6**	3 068.5
Attributable to:		
Equity holders of the company	**986.4**	3 000.7
Non-controlling interests	**41.2**	67.8
Earnings per share (cents)		
Basic	**208.6**	1 118.2
Diluted	**208.5**	1 116.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2023

	GROUP	
Rmillion	**2023**	2022
ASSETS		
Non-current assets	**33 376.5**	31 132.5
Property, plant and equipment	**10 378.1**	8 996.7
Right-of-use assets	**8 974.2**	8 320.5
Lease receivable	**4 564.1**	5 006.8
Goodwill and intangible assets	**8 241.3**	7 575.6
Investment in subsidiaries		
Investment in associates and joint ventures	**150.2**	130.7
Other investments	**17.8**	15.7
Operating lease receivable	**5.9**	8.2
Loans and other receivables	**807.9**	777.2
Block discounting loan receivable	**18.3**	47.5
Deferred taxation asset	**218.7**	253.6
Current assets	**28 207.6**	25 962.8
Inventories	**6 760.2**	6 554.0
Trade and other receivables	**18 313.3**	16 881.5
Prepayments	**282.8**	257.4
Loans and other receivables	**146.0**	207.2
Current portion of block discounting loan receivable	**14.0**	53.8
Income tax receivable	**38.3**	
Current portion of lease receivable	**945.0**	896.1
Cash and cash equivalents – SPAR	**1 421.7**	862.0
Cash and cash equivalents – Guilds and trusts	**286.3**	250.8
Assets held for sale	**11.7**	22.9
Total assets	**61 595.8**	57 118.2
EQUITY AND LIABILITIES		
Capital and reserves	**10 221.6**	10 009.1
Stated capital	**2 231.5**	2 231.5
Treasury shares	**(1.5)**	(30.9)
Reserves	**1 213.7**	937.1
Non-controlling interests	**6.5**	226.7
Retained earnings	**6 771.4**	6 644.7
Non-current liabilities	**21 396.0**	20 792.4
Deferred taxation liability	**545.4**	435.5
Employment benefit obligations	**254.2**	248.8
Long-term borrowings	**7 318.2**	7 041.9
Block discounting loan payable	**18.7**	48.4
Lease liability	**13 259.5**	13 017.8
Current liabilities	**29 978.2**	26 316.7
Trade and other payables	**23 692.0**	20 553.1
Current portion of financial liabilities		54.4
Current portion of long-term borrowings	**947.0**	554.7
Current portion of block discounting loan payable	**15.2**	55.6
Provisions	**51.8**	45.9
Current portion of lease liability	**2 100.5**	1 976.6
Income tax payable	**13.8**	63.4
Bank overdrafts	**3 157.9**	3 013.0
Total equity and liabilities	**61 595.8**	57 118.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2023

Rmillion	Stated capital	Treasury shares	Currency translation reserve	Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Total equity
GROUP									
Balance at 30 September 2021	2 231.5	(13.3)	332.1	299.3	5 406.9	(26.8)	(28.2)	177.6	8 379.1
Profit for the year					2 152.0			67.8	2 219.8
Remeasurement of post-retirement medical aid					(0.2)				(0.2)
Remeasurement of retirement funds					474.7				474.7
Recognition of share-based payments				(1.9)					(1.9)
Take-up of share options		17.3		(7.6)					9.7
Transfer arising from take-up of share options				7.6	(7.6)				–
Settlement of share-based payments		24.7		(11.6)	(13.1)				–
Treasury shares acquired		(59.6)							(59.6)
Dividends paid					(1 368.0)			(18.7)	(1 386.7)
Exchange rate translation			374.2						374.2
Balance at 30 September 2022	**2 231.5**	**(30.9)**	**706.3**	**285.8**	**6 644.7**	**(26.8)**	**(28.2)**	**226.7**	**10 009.1**
Profit for the year					**401.3**			**41.2**	**442.5**
Remeasurement of post-retirement medical aid					**4.4**				**4.4**
Remeasurement of retirement funds					**49.9**				**49.9**
Recognition of share-based payments				**8.8**					**8.8**
Take-up of share options		**38.0**		**(9.5)**					**28.5**
Transfer arising from take-up of share options				**9.5**	**(9.5)**				**–**
Settlement of share-based payments		**32.6**		**(32.9)**	**0.3**				**–**
Treasury shares acquired		**(41.2)**							**(41.2)**
Dividends paid					**(433.5)**			**(3.1)**	**(436.6)**
Additional shareholding acquired from non-controlling interest					**(116.3)**			**(258.3)**	**(374.6)**
Share based payments transferred to retained earnings				**(230.1)**	**230.1**				**–**
Exchange rate translation			**530.8**						**530.8**
Balance at 30 September 2023	**2 231.5**	**(1.5)**	**1 237.1**	**31.6**	**6 771.4**	**(26.8)**	**(28.2)**	**6.5**	**10 221.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2023

Rmillion	GROUP 2023	GROUP 2022
CASH FLOWS FROM OPERATING ACTIVITIES	**4 386.7**	2 444.3
Cash generated from operations	**6 152.3**	5 026.9
Finance income received	**585.7**	566.5
Finance costs paid	**(1 373.9)**	(932.8)
Taxation paid	**(540.8)**	(829.6)
Dividend income		
Dividends paid	**(436.6)**	(1 386.7)
CASH FLOWS FROM INVESTING ACTIVITIES	**(1 234.3)**	(1 168.6)
Acquisition of businesses/subsidiaries	**(307.4)**	(349.2)
Proceeds from disposal of businesses	**8.7**	9.6
Proceeds on disposal of assets held for sale		1.8
Investment to expand PPE and intangible assets	**(1 269.3)**	(1 190.8)
Investment to maintain operations	**(666.8)**	(454.8)
– Replacement of PPE and intangible assets	**(765.1)**	(592.6)
– Proceeds on disposal of PPE and intangible assets	**98.3**	137.8
Principal element of lease receipts	**919.4**	819.8
Cash inflows on loans and investments	**413.2**	364.7
Cash outflows on loans and investments	**(332.1)**	(369.7)
CASH FLOWS FROM FINANCING ACTIVITIES	**(2 638.4)**	(2 439.5)
Sale of treasury shares	**28.5**	9.7
Principal element of lease payments	**(2 114.4)**	(1 885.8)
Proceeds from borrowings	**343.9**	377.4
Principal element of repayments of borrowings	**(612.1)**	(881.2)
Non-controlling interest share repurchases	**(187.1)**	
Settlement of financial liability	**(56.0)**	
Treasury shares acquired	**(41.2)**	(59.6)
Net increase/(decrease) during the year	**514.0**	(1 163.8)
Net overdrafts at beginning of year	**(1 900.2)**	(770.9)
Exchange rate translation	**(63.7)**	34.5
Net overdrafts at end of year	**(1 449.9)**	(1 900.2)

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

1. Statement of compliance and basis of preparation

The summarised consolidated group results for the year ended 30 September 2023 have been prepared in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The report contains the information required by International Accounting Standard IAS 34: Interim Financial Reporting and is in compliance with the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act, No. 71 of 2008 (as amended) (Companies Act). The accounting policies as well as the methods of computation used in the preparation of the results for the period ended 30 September 2023 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 30 September 2022.

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

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

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

2. Headline earnings

		GROUP	
Rmillion		**2023**	**2022**
Headline earnings reconciliation			
Profit for the year attributable to equity holders of the company		**401.3**	2 152.0
Adjusted for:			
Loss on sale of PPE and intangible assets		**35.8**	8.9
Write-off of SAP asset under construction		**94.1**	
Impairment of assets held for sale		**2.1**	4.9
Impairment of goodwill		**344.5**	46.3
Impairment of PPE and intangible assets		**229.3**	10.2
Impairment to right of use asset		**56.4**	7.5
Loss on disposal of businesses		**3.4**	3.6
Headline earnings		**1 166.9**	2 233.4
Headline earnings per share:			
Basic	cents	**606.6**	1 160.5
Diluted	cents	**606.3**	1 159.1

3. Segment reporting

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

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

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

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

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

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

Analysis per reportable segment:

Rmillion	Southern Africa	Ireland	Switzerland	Poland	Consolidated total
2023					
Statement of profit or loss					
Revenue from contracts with customers	**93 630.6**	**38 742.2**	**17 073.1**	**2 869.9**	**152 315.8**
Impairment of PPE and intangible assets		**53.7**		**175.6**	**229.3**
Depreciation and amortisation	**472.2**	**722.1**	**964.2**	**107.8**	**2 266.3**
Total employment costs	**3 232.5**	**2 501.2**	**1 855.6**	**376.5**	**7 965.8**
Impairment of goodwill	**66.7**	**67.0**		**210.8**	**344.5**
Delivery costs – fuel	**948.3**	**620.9**	**175.6**	**108.6**	**1 853.4**
Advertising	**1 176.2**	**247.5**	**319.7**	**40.7**	**1 784.1**
Operating profit/(loss)	**1 217.6**	**1 062.3**	**236.8**	**(699.7)**	**1 817.0**
Profit/(loss) before tax	**942.0**	**773.3**	**113.1**	**(849.2)**	**979.2**
Finance income	**557.0**	**9.2**	**11.0**	**29.9**	**607.1**
Finance costs	**835.4**	**275.4**	**134.7**	**179.4**	**1 424.9**
Share of equity-accounted associate gains/(losses)	**3.0**	**(10.0)**			**(7.0)**
Taxation	**313.6**	**125.2**	**26.4**	**71.5**	**536.7**
Statement of financial position					
Total assets	**27 724.5**	**18 678.1**	**13 192.6**	**2 000.6**	**61 595.8**
Total liabilities	**23 451.9**	**14 409.5**	**10 174.3**	**3 338.5**	**51 374.2**
2022					
Statement of profit or loss					
Revenue from contracts with customers	89 076.1	31 815.5	15 052.3	2 392.7	138 336.6
Impairment of PPE and intangible assets		9.6		0.6	10.2
Depreciation and amortisation	462.4	624.4	825.2	82.9	1 994.9
Total employment costs	2 890.8	1 950.8	1 618.7	309.3	6 769.6
Impairment of goodwill		46.3			46.3
Delivery costs – fuel	840.4	535.1	163.2	95.4	1 634.1
Advertising	984.4	215.7	291.6	38.2	1 529.9
Operating profit/(loss)	2 451.7	970.5	409.5	(403.0)	3 428.7
Profit/(loss) before tax	2 335.6	810.4	351.1	(455.4)	3 041.7
Finance income	552.4	10.6	7.8	28.2	599.0
Finance costs	671.6	165.8	66.2	80.6	984.2
Share of equity-accounted associate profits	3.1	4.2			7.3
Taxation	682.7	89.6	53.8	(4.2)	821.9
Statement of financial position					
Total assets	26 968.1	16 104.4	12 018.1	2 027.6	57 118.2
Total liabilities	21 784.8	12 883.4	9 494.0	2 946.9	47 109.1

3. Segment reporting continued

Rmillion	GROUP 2023	2022
Disaggregated Revenue as reviewed by the CODM		
Southern Africa		
Revenue – sale of merchandise	**92 611.9**	88 090.9
SPAR	**70 749.1**	65 946.9
TOPS at SPAR	**10 197.4**	10 204.3
Build it	**9 706.7**	10 137.9
S Buys	**1 539.1**	1 290.9
Encore	**419.6**	510.9
Revenue – other	**1 018.7**	985.2
Revenue from contracts with customers	**93 630.6**	89 076.1
Ireland		
Revenue – sale of merchandise	**38 137.5**	31 295.6
BWG	**32 476.5**	26 672.0
Appleby Westward	**5 661.0**	4 623.6
Revenue – other	**604.7**	519.9
Revenue from contracts with customers	**38 742.2**	31 815.5
Switzerland		
Revenue – sale of merchandise	**15 711.6**	13 834.7
Wholesale	**7 526.1**	6 268.5
TopCC	**5 957.8**	5 256.6
Retail	**2 227.7**	2 309.6
Revenue – other	**1 361.5**	1 217.6
Revenue from contracts with customers	**17 073.1**	15 052.3
Poland		
Revenue – sale of merchandise	**2 863.3**	2 387.9
Wholesale	**2 478.8**	2 072.8
Retail	**384.5**	315.1
Revenue – other	**6.6**	4.8
Revenue from contracts with customers	**2 869.9**	2 392.7
Total Revenue – sale of merchandise	**149 324.3**	135 609.1
Total Revenue – other	**2 991.5**	2 727.5
Total Revenue from contracts with customers	**152 315.8**	138 336.6

4. Cash generated from operations

Rmillion	GROUP 2023	2022
Operating profit	**1 817.0**	3 428.7
Adjusted for the following items recognised in profit or loss:		
Depreciation and amortisation	**2 266.3**	1 994.9
Net loss on disposal of PPE and Intangible assets	**35.8**	10.5
Write-off of SAP asset under construction	**94.1**	
Movement in employee benefit provisions – Medical aid	**94.7**	6.8
Movement in employee benefit provisions – Retirement fund	**(19.1)**	(27.3)
Share-based payment expenses	**14.2**	2.0
Movement in provisions raised against trade receivables and loans	**62.4**	369.2
Gain on lease modification	**(18.5)**	(76.2)
Lease smoothing adjustment	**0.2**	(0.7)
Loss/(gain) on disposal of businesses	**3.4**	3.6
Impairment of goodwill	**344.5**	46.3
Impairment of PPE and Intangible assets	**229.3**	10.2
Impairment to right-of-use asset	**56.4**	7.5
Impairment of lease receivable		1.5
Loan write-off	**120.5**	
Fair value adjustment – other investments	**(2.7)**	1.0
Impairment of assets held for sale	**2.1**	4.9
Dividend income		
Gain on settlement of contingent consideration		(59.3)
Other	**8.2**	4.2
Foreign exchange adjustments	**(112.7)**	88.8
Cash generated from operations before:	**4 996.1**	5 816.6
Net working capital changes	**1 156.2**	(789.7)
Decrease/(Increase) in inventories	**262.0**	(1 049.0)
Increase in trade and other receivables	**(868.1)**	(2 196.4)
Increase in trade payables and provisions	**1 762.3**	2 455.7
Cash generated from operations	**6 152.3**	5 026.9

5. Business combinations

5.1 Acquisitions

Retail stores acquired

During the financial year, SPAR acquired the assets of seven retail stores in South Africa (2022: 11), one of which is leased to an independent retailer trading the store for his account. The BWG Group acquired the assets of seven stores in the United Kingdom (UK) (2022: 16 stores in the UK) and two grocery wholesale businesses. The principal activity of these acquisitions is that of retail trade and all its aspects. The retail stores were purchased as part of the strategy for growth in the UK, and the goodwill arising on the business combinations is indicative of future turnover expected to be made by the group as a result of wholesale sales to these acquired stores as well as net profits to be made by the stores. The wholesale businesses were acquired to access their customer base and new markets, and to avail of economies of scale and synergies. These acquisitions were funded from available cash resources.

Acquisition of Tunderosa Ltd

On 10 October 2022, BWG Group acquired the entire share capital of Tunderosa Ltd, a company that manages and operates four Dublin city centre retail stores and associated off-licences.

Ireland wholesale businesses

During the 2023 financial year, the BWG group purchased two wholesale businesses in Ireland, McCarrick Brothers Wholesale Longford Limited (McCarrick) on 1 December 2022 for R89.1 million and Tuffy Wholesale Limited (Tuffy) on 26 May 2023 for R273.1 million. The contingent consideration for these acquisitions is based on the performance of these companies during the measurement period. McCarrick's measurement period is for 12 months commencing on 1 April 2023 and Tuffy's measurement period is for 12 months commencing on 1 September 2023.

SPAR Engine (Pty) Ltd

During the financial period, SPAR Encore registered a company with the name SPAR Engine (Pty) Ltd (SPAR Engine). On 1 October 2022, SPAR Engine acquired the entire assets of SMC Food Concepts(Pty) Ltd t/a Souvlaki Meat Company. SPAR Engine is a South African commercial food production and packaging facility based in Springs, Johannesburg. The acquisition of the assets includes a contingent consideration which may be subject to change depending on the entity's performance during the measurement period.

Assets acquired and liabilities assumed at date of acquisition

	GROUP						COMPANY
	2023						2023
Rmillion	**SA retail stores**	**UK retail stores**	**Ireland wholesale businesses**	**Tunderosa Ltd**	**SPAR Engine (Pty) Ltd**	**Total**	**SA retail stores**
Assets	**27.2**	**61.5**	**325.0**	**107.8**	**4.5**	**526.0**	**27.2**
Property, plant and equipment	27.2	0.5	9.2	105.8	4.5	147.2	27.2
Right-of-use assets		59.6		1.8		61.4	
Trade and other receivables			139.3	0.2		139.5	
Cash and cash equivalents			118.1			118.1	
Inventories		1.4	58.4			59.8	
Liabilities		**(59.6)**	**(144.7)**	**(1.9)**		**(206.2)**	
Lease liability		(59.6)		(1.8)		(61.4)	
Trade and other payables			(144.7)	(0.1)		(144.8)	
Total identifiable net assets at fair value	27.2	1.9	180.3	105.9	4.5	319.8	27.2
Gain on bargain purchase	(0.4)				(0.5)	(0.9)	(0.4)
Goodwill arising from acquisition	30.0	21.2	181.9			233.1	30.0
Purchase consideration	56.8	23.1	362.2	105.9	4.0	552.0	56.8
Cash balances acquired			(118.1)			(118.1)	
Business acquisition costs		2.0	10.7	0.1	0.2	13.0	
Contingent consideration			(143.8)		(1.5)	(145.3)	
Net cash outflow on acquisition	**56.8**	**25.1**	**111.0**	**106.0**	**2.7**	**301.6**	**56.8**

5. Business combinations continued

5.2 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to three South African retail stores (2022: Four retail stores).

	GROUP	COMPANY
Rmillion	**2023 SA retail stores**	**2023 SA retail stores**
Assets	**12.1**	**12.1**
Property, plant and equipment	4.1	4.1
Trade and other payables	(0.2)	(0.2)
Goodwill	8.2	8.2
Loss on disposal of businesses	(3.4)	(3.4)
Proceeds	**8.7**	**8.7**
Net cash inflow on disposal	8.7	8.7

5.3 Contribution to results for the year

	GROUP						COMPANY
Rmillion	**SA retail stores**	**UK retail stores**	**Ireland wholesale businesses**	**Tunderosa Ltd**	**SPAR Engine (Pty) Ltd**	**Total**	**SA retail stores**
Revenue	78.1	124.7	581.3	6.6	46.9	837.6	78.1
Operating profit/(loss)	(5.1)	0.4	15.0	5.7	1.6	17.6	(5.1)

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

	GROUP						COMPANY
Rmillion	**SA retail stores**	**UK retail stores**	**Ireland wholesale businesses**	**Tunderosa Ltd**	**SPAR Engine (Pty) Ltd**	**Total**	**SA retail stores**
Revenue	266.2	158.0	1 297.2	6.8	46.9	1 775.1	266.2
Operating profit/(loss)	(13.9)	4.2	33.4	5.8	1.6	31.1	(13.9)

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

5. Business combinations continued

5.4 Cash flow on acquisition of business/subsidiaries

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

	GROUP		COMPANY	
Rmillion	**2023**	2022	**2023**	2022
Net cash outflow	**301.6**	276.5	**56.8**	121.3
Contingent consideration cash outflow on prior year business combinations	**5.8**	72.7		
Total net cash outflow relating to acquisitions	**307.4**	349.2	**56.8**	121.3

5.5 Contingent and deferred consideration

McCarrick's contingent consideration of R35.3 million will be payable in May 2024 and is based on the 12 month sales performance in the measurement period.

Tuffy's contingent consideration of R108.5 million will be payable in September 2024 and is based on the 12 month gross margin performance in the measurement period.

SPAR Engine's contingent consideration of R1.5 million will be payable in October 2023. This is based on the 12 month profit before tax during the measurement period ending 30 September 2023.

In the current period, the contingent consideration on the Ireland cash and carrys purchased in 2022 was increased by R24.3 million in line with their performance expectations. This will be payable in June 2024.

6. Financial risk management

	GROUP	
Rmillion	**2023**	2022
Financial instruments classification		
Financial assets held at amortised cost		
Loans and other receivables	**953.9**	984.4
Block discounting loan receivable	**32.3**	101.3
Lease receivable	**5 509.1**	5 902.9
Trade and other receivables	**18 313.3**	16 881.5
Financial liabilities at amortised cost		
Net bank overdrafts	**(1 449.9)**	(1 900.2)
Block discounting loan payable	**(33.9)**	(104.0)
Lease liability	**(15 360.0)**	(14 994.4)
Trade and other payables	**(23 692.0)**	(20 553.1)
Borrowings	**(8 265.2)**	(7 596.6)
Financial assets and liabilities at fair value through profit or loss		
Financial liabilities at fair value through profit or loss		(54.4)

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 instrument's valuation, is not based on observable market data.

The obligation to purchase the remaining shareholding in S Buys Holdings (Pty) Ltd was settled during the current financial year. No other financial instruments are measured at fair value through profit or loss.

Liquidity risk

The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 30 September 2023, the group was in a net illiquid position largely as a consequence of the extraordinary impacts suffered during the current financial year, which included the KZN SAP implementation challenges, as well as future funding of Polish operational losses.

The SA business is currently reviewing with lenders the full debt facilities. This is expected to focus on restructuring of debt as well as to consider short- to medium-term requirements.

Concentrations of risk are assessed by considering financial instruments with similar maturity profiles and those which are payable in foreign currencies.

The group has the following overdraft/call facilities at its disposal:

	Southern Africa		Ireland		Switzerland		Poland	
Rmillion	2023	2022	2023	2022	2023	2022	2023	2022
Unsecured bank overdraft facilities, reviewed annually, and at call:								
– Utilised as at year end	**2 601.8**	2 299.9	**15.9**	313.0			**688.7**	504.4
– Unutilised	**2 987.2**	2 399.1	**906.5**	511.5	**355.5**	427.1	**2.2**	207.8
Total available overdraft/ call and borrowing facilities	**5 589.0**	4 699.0	**922.4**	824.5	**355.5**	427.1	**690.9**	712.2

7. Commitments

	GROUP	
Rmillion	2023	2022
Capital commitments		
Contracted	**377.7**	810.5
Approved but not contracted	**984.1**	1 018.1
Total capital commitments	**1 361.8**	1 828.6
Analysed as follows:		
Property, plant and equipment*	**567.8**	670.3
Intangible assets	**779.7**	1 158.3
Investments	**14.3**	

Capital commitments will be financed from group resources.

* *Included in the company capital commitments are amounts relating to a business purchase agreement. The effective date is subject to the fulfilment of both regulatory and commercial suspensive conditions which include Competition Commission approval.*

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 SPAR Group has a facility with Wesbank where SPAR undertook to stand guarantee for loans issued to retailers up to a limit of R1.0 billion. This 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 2023 relate to the full recourse deals.

The board has limited the guarantee facility to R250.0 million (2022: R220.0 million) relating to Numlite (Pty) Ltd. In 2009 the company sold its investment in retail computer equipment and ceded its right to receive payment of the existing and future rental streams to Numlite (Pty) Ltd, who in turn raises finance via a loan facility with an independent financial institution. The group has provided a limited guarantee relating to this loan facility, exposing the group to credit risk in the event that Numlite (Pty) Ltd defaults on its loan facility payments. At year end, 1 079 SPAR stores (2022: 1 052), 764 TOPS at SPAR stores (2022: 725), 57 Pharmacy at SPAR stores (2022: 66) and 120 Build it stores (2022: 114) were participants in the IT retail scheme, with an average debt of R115 680 (2022: R106 342) per store.

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

	GROUP	
Rmillion	2023	2022
Guarantee of Wesbank direct deal loan agreements	**495.0**	428.2
Guarantee of retailer finance obligation	**34.8**	36.5
Guarantee of Numlite (Pty) Ltd finance obligations	**233.7**	208.1
	763.5	672.8

9. Events after the reporting period

Resignations of two non-executive directors of SPAR

Ms Jane Canny and Mr Andrew Waller resigned as independent, non-executive directors of the board of SPAR, effective 17 November 2023.

10. Contingent liability

As was reported in 2022, summons were served on the company by one of its larger retailers, the Giannacopoulos Group, for alleged damages of R2.1 billion arising from a membership dispute. The company denied any liability and has filed a plea to defend the matter.

Management have engaged extensively with the retailer and while many issues have been successfully resolved, a few major dispute matters could not be finalised. The parties have agreed that the dispute be dealt with through a legal or formal arbitration process. The company remains satisfied that, based on legal counsel opinion, it has a strong defence and does not recognise any liability for damages.

11. Reportable irregularities

In accordance with their responsibilities in terms of sections 44(2) and 44(3) read with Section 45 of the APA, the Company's external auditors, PwC, reported to the IRBA that, in their view, three suspected Reportable Irregularities may have occurred, following which the company was informed of these reports. The details of these Reportable Irregularities are further described in note 42 of the full annual financial statements.

CORPORATE INFORMATION

DIRECTORS

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

* *Independent non-executive.*

Company Secretary

S Ashokumar

THE SPAR GROUP LTD (SPAR) or (the Company) or (the Group)

Registration number: 1967/001572/06
ISIN: ZAE000058517
JSE share code: SPP

Registered office

22 Chancery Lane
PO Box 1589
Pinetown
3600

Transfer secretaries

JSE Investor Services (Pty) Ltd
PO Box 4844
Johannesburg
2000

AUDITOR

PricewaterhouseCoopers Inc.
Waterfall City Heliport
4 Lisbon Lane
Jukskei View, Midrand
2090

Sponsor

One Capital
17 Fricker Road
Illovo
2196

BANKERS AND CORPORATE BROKERS

Rand Merchant Bank, a division of FirstRand Bank Ltd
PO Box 4130
The Square
Umhlanga Rocks
4021

Attorneys

Garlicke & Bousfield
PO Box 1219
Umhlanga Rocks
4320

Website

https://thespargroup.com/

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WWW.THESPARGROUP.COM