APPROACH TO TAX STRATEGY

TAX GOVERNANCE

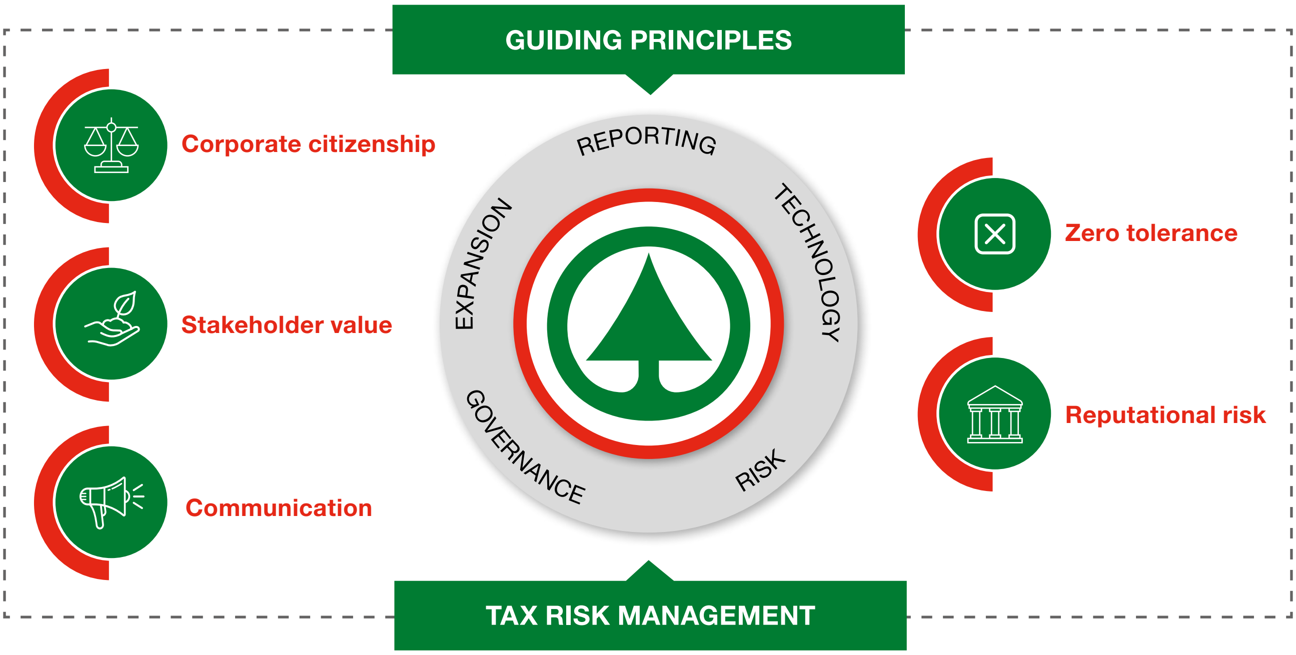
The group's approach to tax outlines the framework by which tax obligations are met from an operational and risk management perspective.

With consideration of the complexity of the evolving global tax landscape, the responsibilities for managing tax compliance obligations and tax risk are varied across the group.

The SPAR Group Ltd's group tax strategy was reviewed and approved by the board on 16 November 2021 and is aligned with the group's existing strategies, policies and overall purpose:

'To inspire people to do and be more'

Tax management is key in the group achieving its strategic objectives. The group's approach to tax governance is based on five principles:



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

The group tax strategy is supported by the group tax policy which was also approved by the board on 16 November 2021. This is an operational document outlining the group's approach to managing its tax compliance obligations and tax risks.

Based on the principles of good corporate tax citizenship, aligned to the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV), the group acknowledges its responsibility to its stakeholders, both internal and external, demonstrated through the group's decisions, actions and consideration of the impact thereof, on an ongoing basis. The global tax affairs of the group are managed in an efficient, transparent, responsible and sustainable manner in full compliance with the prevailing legislation in which the group operates.

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

EFFECTIVE TAX RATE (ETR) AND TOTAL TAX CONTRIBUTION (TTC)

ETR

The company ETR has increased by 2.5% in 2022 in comparison to the prior year. The main contributors to the movement are as follows:

- An unfavourable movement of 1.4% due to the liquidation distribution as a result of a corporate reorganisation transaction that took place in the prior year not recurring in the current year.
- An unfavourable increase of 1.1% relating to share plans as a result of a reduction in the actual costs incurred on the vesting of conditional share plan awards coupled by a reduction in the deferred tax asset raised on the share plans.
- An unfavourable increase of 0.2% relating to impairments of investments. This is largely attributable to the write-off of an inter-company loan with a South African subsidiary company that was dormant and is now in the process of deregistration.
- A favourable increase of 0.4% due to an under-provision of the deferred tax asset in FY2021. This is purely as a result of a deeper analysis of tax sensitive accounts during the tax return preparation process.
- An unfavourable increase of 0.2% arising from the tax rate adjustment to the closing deferred tax balance as a result of the corporate income tax rate decreasing to 27% in South Africa in FY2023.

The group ETR has increased by 0.2% in 2022 in comparison to the prior year. The main contributors to the movement are as follows:

- An unfavourable increase of 0.9% relating to share plans as a result of a reduction in the actual costs incurred on the vesting of conditional share plan awards coupled by a reduction in the deferred tax asset raised on the share plans.
- An unfavourable increase of 0.3% due to non-deductible interest incurred by SPAR Switzerland and TIL JV Ltd in respect of the acquisition of the minority interest in the Swiss and Irish groups.
- A decrease of 0.2% arising from the gain on the release of Heaney Meats contingent consideration.
- An increase of 0.2% relating to the impairment of Heaney Meats goodwill.
- A favourable increase of 0.2% as a result of prior year current and deferred tax over-provisions.
- A decrease of 0.4% relating to tax losses not being provided for. The majority of this amount relates to the reduction in current year tax loss in Poland resulting in a lesser amount not being provided for as a deferred tax asset.
- A 0.2% increase arising from the tax rate adjustment to the closing deferred tax balance as a result of the corporate income tax rate decreasing to 27% in South Africa in FY2023.
- A 0.4% favourable increase in the foreign tax rate differential.

The effective tax rate of the group is detailed below:

Rmillion	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
TAXATION				
Current taxation				
– Current year	**843.9**	822.9	**630.6**	608.8
– Prior year (over)/under-provision	**(4.1)**	(10.6)	**6.6**	10.9
Deferred taxation				
– Current year	**(14.7)**	(6.2)	**(5.8)**	(12.0)
– Prior year (over)/under-provision	**(9.5)**	1.1	**(9.1)**	(4.8)
– Change in tax rate	**5.5**		**4.3**	
Foreign withholding income tax	**0.8**	1.4	**0.8**	1.4
Taxation expense for the year	**821.9**	808.6	**627.4**	604.3
Reconciliation of effective taxation rate (%)				
South African current income tax rate at 28% (2021: 28%)	**28.0**	28.0	**28.0**	28.0
Non-taxable income relating to:				
Dividends received			**(0.4)**	(0.4)
Capital reorganisation – liquidation dividend				(1.4)
Gain on release of Heaney Meats contingent consideration	**(0.2)**			
Employee tax incentives	**(0.1)**		**(0.1)**	(0.1)
Share plans[(1)]	**0.2**	(0.7)	**0.2**	(0.9)
Non-deductible expenses relating to:				
Fair value adjustments, foreign exchange and finance costs on financial liabilities[(2)]		(0.1)		
Impairments	**0.2**		**0.2**	
IFRS 9 ECL allowances				0.1
Non-deductible interest costs	**0.4**	0.1		
Share of associates losses		0.1		
Accounting profit on disposal of associates				(0.1)
Other operating costs	**0.4**	0.4	**0.2**	0.1
Other items:				
Assets not eligible for capital allowances	**0.1**			
Accounting profit on disposal of assets				(0.1)
Income tax allowances	**(0.2)**	(0.1)	**(0.1)**	(0.1)
Withholding income tax				0.1
Prior year income tax (over)/under-provision	**(0.5)**	(0.3)	**(0.1)**	0.3
Capital gains tax		0.1		0.1
Unutilised tax losses	**2.7**	3.1		
Non-deductible temporary differences	**(0.1)**	(0.1)		
Change in tax rate	**0.2**		**0.2**	
Foreign tax rate differential	**(4.1)**	(3.7)		
Effective taxation rate	**27.0**	26.8	**28.1**	25.6

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

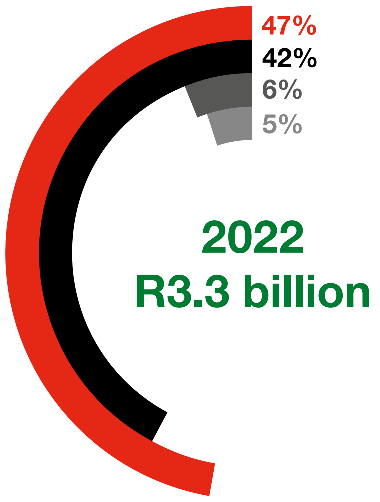
(2) *Relating to Ireland, Switzerland and S Buys.*

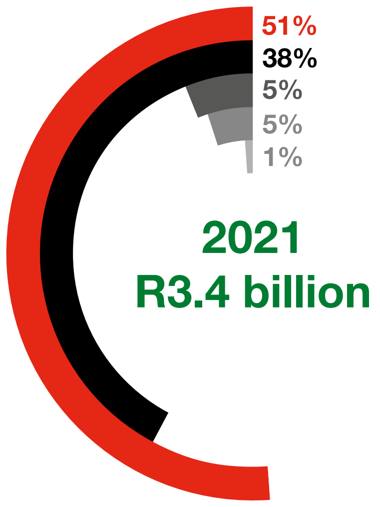
TTC

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

The TTC of the group is detailed below:

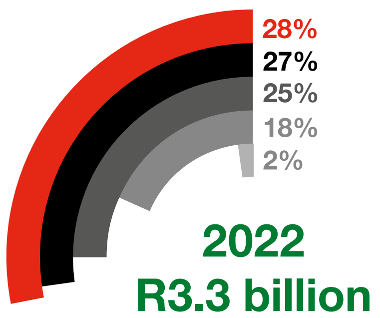
Taxes paid by jurisdiction

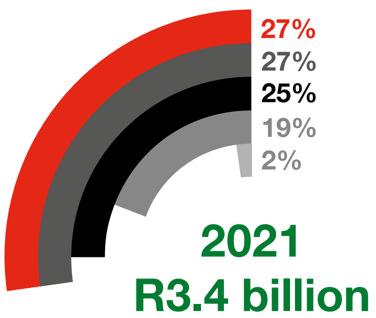




South Africa · Ireland · United Kingdom · Switzerland · Namibia · Botswana · Eswatini · Luxembourg · Netherlands · Mozambique · Poland

Taxes paid by type





Payroll taxes · Excise duties · Corporate taxes · VAT · Customs duties · Withholding taxes · Environmental taxes · Property taxes

In response and in adherence to base erosion and profits shifting (BEPS), specifically action 13 and the South African Revenue Service Country-by-Country (CbC) Reporting, Master File and Local File guidance, the group has submitted its CbC report for the 30 September 2021 year of assessment on 29 September 2022.