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VALUE CREATING BUSINESS MODEL

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

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

The external environment represents all outside influences that could impact our operations across our regions and geographies. It includes the micro and macroenvironments in which we operate.

OUTPUTS

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

Examples of products we source from our suppliers for our independent retailers include:
Competitively priced fresh produce, dry goods and a range of house brands, including SPAR private label, enable small business owners (our independent retailers) to compete within their local markets.

Examples of services we provide for our independent retailers include:
World-class distribution and retail operational support services and promotional and marketing support.

CAPITAL INPUTS AT THE BEGINNING OF THE YEAR

FINANCIAL CAPITAL

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

Equity of R7.9 billion	Long-term borrowings of R6.7 billion	Net cash balance of R723.1 million
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Challenges during the year include the ongoing impact of pandemic-related dynamics across all of our regions as well as the retail bans on liquor in South Africa. Currency volatility over the past year has impacted overall performance on a reported basis. Supply chain labour shortages in the UK and Ireland put these businesses under additional cost pressure.

MANUFACTURED CAPITAL

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

4 357 stores across our regions at the start of the year	14 distribution centres	Four support offices	Logistics fleet across all regions
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Challenges during the year include losses related to retailers unable to survive the impact of two years of the pandemic (e.g. transport hub based stores). The civil unrest in South Africa led to the destruction of many stores with 53 stores still closed at year end. SPAR lost only one truck in the unrest. Fortunately, the central office and distribution centres remained unimpacted, other than the closure for a number of days for safety reasons.

HUMAN CAPITAL

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

10 168 employees*	Purpose and values-driven culture	Strong succession planning in place
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Challenges during the year include the ongoing pandemic and the impact this has had on employees both physically and mentally. The civil unrest in South Africa was extremely unsettling for our people – especially those directly affected by it in the provinces of KwaZulu-Natal and Gauteng.

INTELLECTUAL CAPITAL

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

Internationally recognised SPAR brand along with various brands across all markets	IT infrastructure	SPAR Rewards programme	Training and leadership programmes
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Challenges during the year include increased cyber security concerns.

SOCIAL AND RELATIONSHIP CAPITAL

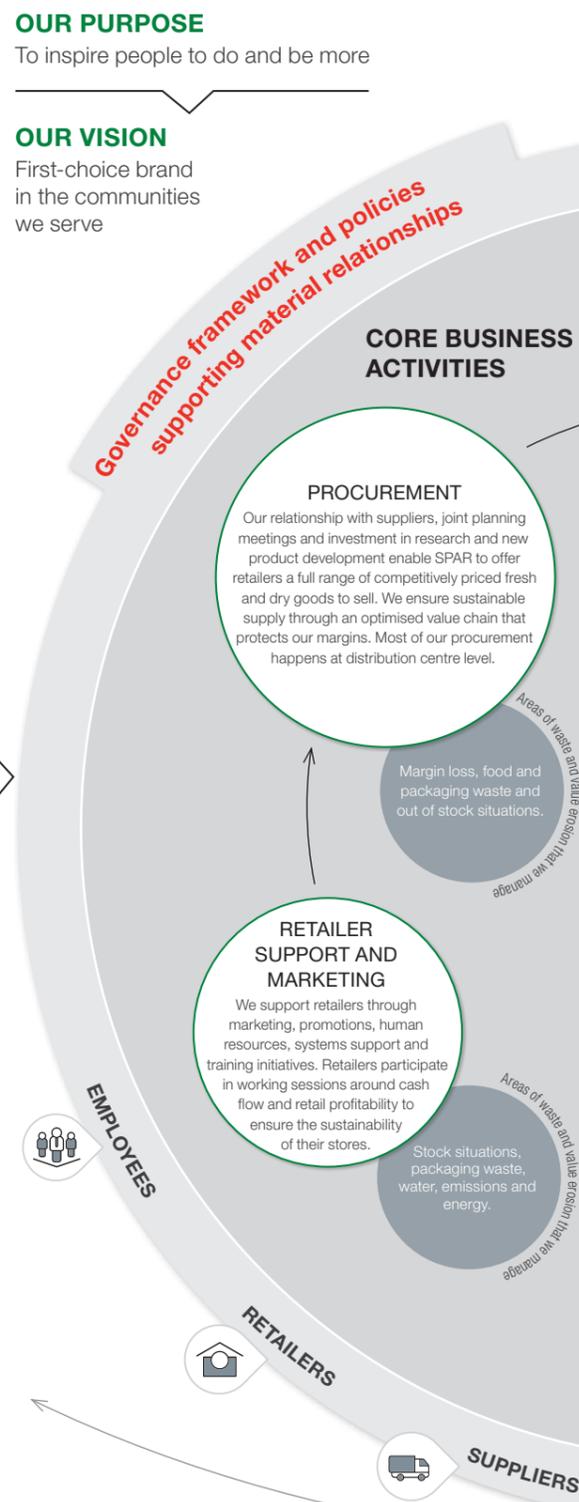
We use our ability to create and sustain relationships with material stakeholders to create an environment to perform our business activities, partner for shared value creation and ensure a sustainable food network.

Strong platforms in place for effective stakeholder engagement, including with our shareholders	75% to 80% SPAR food retailer loyalty rate in South Africa and growing loyalty in other regions	Procuring goods and services from hundreds of suppliers across the group	Rural hub programme collaborating with small-scale farmers and communities to improve food security, affordability and nutrition for rural communities in South Africa
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Challenges include high unemployment rates in Southern Africa as well as the civil unrest during July 2021.

NATURAL CAPITAL

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



OUTCOMES

FINANCIAL CAPITAL

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

R1.4 billion capital expenditure	15 distribution centres One additional distribution centre in Poland
4 459 stores 101 net new stores across the group (includes 53 stores still closed due to civil unrest)	

HUMAN CAPITAL

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

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

SPAR retailers are owner managed by individuals who engage with their local communities	Ongoing GBV campaign continued to provide awareness and support for victims
R23.0 million CSI spend in South Africa	Development of our SPAR rural hub programme
Feeding the vulnerable through food drives and collaboration with Too Good To Go in foreign regions	

NATURAL CAPITAL

Based on the TCFD recommendations, SPAR has embarked on a climate scenario analysis to assess the resilience of the business to different climate change scenarios	Reduced food wastage through FoodCloud and Too Good To Go initiatives in our European regions
79 556 tonnes of CO₂ equivalent (Scope 1 and 2) – reduction of 8.6% on prior year	9 348 MWh of energy generated by distribution centres in South Africa
>16 000 tonnes recycled through distribution centres in South Africa	Build it procured wood that is 100% FSC certified

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

OUR CAPITAL TRADE-OFFS

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

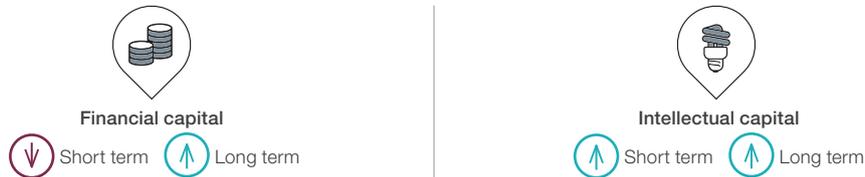
The following examples of trade-offs between our capitals and our unique current circumstances provide insight into how they are managed to ensure long-term value creation for our stakeholders.

SAP IMPLEMENTATION

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

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

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



DEVELOPING OUR SPAR POLAND BUSINESS

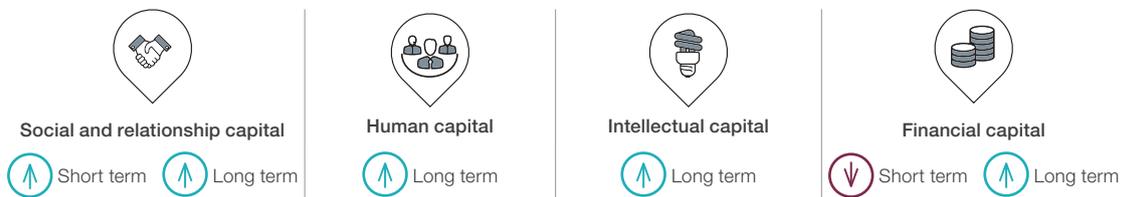
Investment in our Polish business continues to create short-term financial losses for the group as we restructure and develop the opportunity within this market. This investment is expected to unlock future potential for long-term value creation and growth due to our distribution centres and store network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



DEVELOPING E-COMMERCE FOR A UNIQUE OPERATING MODEL

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

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



RESPONDING TO THE COVID-19 PANDEMIC

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

