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

		Variable remuneration	
	Fixed remuneration	**Short-term incentives (STIs)**	**Long-term incentives (LTIs)**
Objective	To help attract and retain the best talent.	To motivate and incentivise delivery of performance, financial and non-financial, consistent with the Group's strategy over the financial year.	To motivate and incentivise delivery of long-term, sustainable performance.
Type	Salary.	Performance Bonus Plan.	CSP Share Option Plan (closed)
Policy	Based on the Paterson grading methodology and determined by level of skill and experience, and scope of responsibilities.	Solely at the discretion of the Company and can be changed or withdrawn at any time. STIs are only paid to individuals who are in employ of the Company at the end of the financial year.	Annual or ad hoc awards approved by the Board are granted to employees graded EL and above, and 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 bonus²	Retirement funding contributions	Allowance and other benefits¹	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	On-target	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.