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

COMMITTEE GOVERNANCE

Composition

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

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

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

Members' qualifications and experience are available on page 96.

Meetings

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

Evaluation of the committee

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

Role and responsibilities

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

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

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

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

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

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

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

SECTION 1 – BACKGROUND STATEMENT

Engagement with shareholders

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

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

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

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

Changes in the remuneration policy

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

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

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

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

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

Harish Mehta
Chairman of the Remuneration Committee

15 December 2021

SECTION 2 – REMUNERATION POLICY

Philosophy

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

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

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

This also assists in attracting and retaining key employees.

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

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

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

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

Process to determine remuneration

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

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

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

Remuneration structure

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

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

* *The Paterson grading methodology works as follows:*

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

Fixed remuneration

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

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

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

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

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

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

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

Variable remuneration

SHORT TERM INCENTIVE (STI)

All employees participate in the STI scheme, as follows:

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

The financial component of the STI is based on:

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

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

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

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

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

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

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

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

LONG TERM INCENTIVES (LTI)

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

Share Option Plan (SOP)

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

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

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

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

Conditional Share Plan (CSP)

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

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

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

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

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

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

Salient features of the CSP remain as follows:

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

PERFORMANCE CONDITIONS

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

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

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

The peer group for purposes of the TSR measurement is:

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

and remain unchanged.

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

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

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

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

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

MINIMUM SHAREHOLDING REQUIREMENT (MSR)

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

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

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

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

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

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

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

Malus and clawback policy

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

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

The summarised trigger events for malus and clawback include:

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

Current CSP awards

PERFORMANCE CONDITIONS, TARGETS, INFORMATION AND ALLOCATIONS

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

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

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

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

AWARDS MADE DURING 2021

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

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

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

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

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

AWARDS THAT VESTED DURING 2021

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

	HEPS growth over performance period					
	Threshold	On-target	Stretch	Actual	Vesting percentage	Weighted x 50%
HEPS condition	11.63%	30.00%	39.00%	35.98%	88.27%	44.14%

	RONA growth over the performance period					
	Threshold	On-target	Stretch	Actual	Vesting percentage	Weighted x 30%
RONA condition	32.00%	40.00%	48.00%	39.33%	62.08%	18.62%

	Compound annual growth rate					
	Threshold	On-target	Stretch	Actual	Vesting percentage	Weighted x 20%
TSR condition	(10.00%)	(8.33%)	(6.66%)	6.15%	100.00%	20.00%
					Total to vest	82.76%

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

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

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

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

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

Executive and non-executive directors' remuneration

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

EXECUTIVE DIRECTORS' REMUNERATION

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

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

EXECUTIVE DIRECTORS' TERMS OF SERVICE

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

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

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

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

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

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

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

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

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

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

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

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

NON-EXECUTIVE DIRECTORS' TERMS OF SERVICE

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

SECTION 3 – REMUNERATION IMPLEMENTATION REPORT

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

Executive remuneration

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

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

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

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

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

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

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

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

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

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

Executive STIs

The STI policy is summarised on page 119.

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

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

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

PERFORMANCE BONUS SCORECARD

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

PROFIT AFTER TAX, ADJUSTED FOR EXCEPTIONALS

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

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

EMPLOYMENT EQUITY MANAGEMENT APPOINTMENTS

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

ENTERPRISE DEVELOPMENT – STORE OWNERSHIP

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

PERSONAL OBJECTIVES

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

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

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

Executive LTIs

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

SOP

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

Options held over shares in the company

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

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

Options exercised

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

CSP

The CSP is summarised on page 125.

Details of unvested CSP awards held by directors

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

[1] *Awarded in 2021: 10 500 performance shares and 20 000 retention shares.*

[2] *Awarded in 2021: 30 000 performance shares.*

* *GO O'Connor retired as the CEO in February 2021 and was appointed as non-executive chairman of the board on 1 March 2021.*

CSP gains

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

DETAILS OF VESTED AWARD SHARES HELD BY DIRECTORS

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

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

Non-executive directors' remuneration

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

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

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

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

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

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

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

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

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

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

Indication of executive directors' shareholding against the proposed target MSR

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

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

Declaration of disclosure

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

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

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