

SPAR INTERNATIONAL AND THE VOLUNTARY TRADING MODEL

The SPAR operating model is based on a voluntary retail network. We partner with people who want to work with us.

Based in the Netherlands where SPAR originated, SPAR International owns the SPAR brand. It allocates SPAR licences per country or region, making it the world's largest voluntary trade food retail chain, with stores in 48 countries.

As part of a global brand, retailers can leverage off international retail design and trends that keep the SPAR brand at the forefront of food retailing.

In 1963, SPAR and BWG Foods were licensed to trade under the SPAR brand in South Africa and Ireland respectively. SPAR Switzerland was licensed to trade under the SPAR brand in 1989. SPAR Ireland and SPAR Switzerland have been part of the group since 2014 and 2016 respectively. The SPAR Group Ltd obtained the licence for SPAR in Poland effective 1 March 2020. As a brand, SPAR has existed in Poland since 1995.

COUNTRY LICENCES

Country licences are awarded by SPAR International and direct or allow the use of the SPAR brand. SPAR held the following country licences in 2021:

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| • Botswana | • South Africa | • Poland |
| • Mozambique | • South West England | • Switzerland |
| • Namibia | • Ireland | • Sri Lanka |
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VOLUNTARY TRADING

The concept of voluntary trading is almost a century old and is based on mutually beneficial co-operation between the independent wholesaler (SPAR) and its independent retailers. Because SPAR applies the voluntary trading model, it is not a franchise business, nor do we operate chain stores. We are essentially a wholesaler and distributor of goods and services to our independently owned SPAR retail stores. In South Africa, this voluntary trading model is managed through Guilds.

Not all SPAR countries use the Guild model. In South Africa, the SPAR Guild of Southern Africa and the Build it Guild of Southern Africa are both non-profit companies governing the mutual interests of SPAR and our retailers. Each has a Social and Ethics Committee as part of its governance structure.



Independent retailers who elect to be part of the SPAR family sign a membership agreement with the Guild, which gives them access to the procurement and distribution expertise of the group and the associated support services that we offer. In turn, the independent retailers undertake to adhere to certain standards and procedures as laid out in the membership agreement. This arrangement is referred to as a voluntary trading relationship as opposed to a franchise arrangement.

This model relies on the quality of the relationship between SPAR and our retailers. We need to attract and retain retailers' businesses by leveraging our trading expertise. This means offering competitively priced products underpinned by superior warehousing and distribution capabilities. We also have world-class retail operations to support our retailers in running their businesses.

The voluntary trading model gives retailers access to our various brands and support structures and affords them the freedom to stock their stores from any supplier. This ensures that each SPAR store has its own 'personality' and a unique offering targeted at its specific consumer profile.

SPAR's primary source of income is selling goods to independently run stores. Their success is essential to our overall sustainability, particularly in tough economic conditions. We therefore place significant emphasis on supporting retailers to earn their business and loyalty.

Voluntary trading is an example of a model that balances the interests of different stakeholders. A singular focus on creating financial capital by any stakeholder would compromise the entire model. This is mitigated by initiatives and structures such as joint business planning with suppliers, and by the Guilds' platform shared with retailers, where any issues putting the model at risk can be resolved proactively.

What SPAR offers retailers as a listed wholesale distribution company:

- Guild custodianship
- Superior warehousing and distribution capability
- Single delivery source and purchasing convenience
- Competitive pricing

THE VOLUNTARY TRADING MODEL

What independent retailers licensing the SPAR brand gain from the model:

- SPAR brands
- Freedom to source local products
- Support from SPAR, including planning and procurement
- World-class retail operations services
- World-class distribution