



Application of King IV principles by the SPAR Group Ltd (SPAR)

Our board of directors (Board) commitment to sustainable business practices is demonstrated in SPAR’s application of 16 of the 17 principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)*. Principle 17 is not relevant to SPAR as it relates to the responsibilities of institutional investors.

* Copyright and trademarks are owned by the Institute of Directors South Africa NPC and all of its rights are reserved.


The following table summarises salient points of SPAR’s application of the relevant 16 King IV principles. It should be read in conjunction with SPAR’s 2024  **integrated annual report** (including the governance chapter on pages 54 to 77) and  **sustainability report**.

Leadership, ethics and corporate citizenship		
1.	<p>Leadership: The governing body should lead ethically and effectively.</p> <p>The Board acknowledges that ethics is the foundation of, and reason for, corporate governance. It acknowledges past conflict of interest issues that permeated Board and executive level. The new Board endeavours to meet the highest ethical standards of business practice in all its dealings relating to SPAR and to ensure business decisions are made in the best interests of SPAR and free from any undue influence or conflict of interest.</p> <p>In setting and monitoring the strategy, policies and procedures, as well as risks and opportunities, the Board ensures it considers the impact of the six capitals the Group uses and affects.</p> <p>The Board is responsible for ensuring management actively cultivates a culture of ethical conduct and establishes the values we strive to uphold. We value independent judgement and require each Board member to prepare for, participate in and contribute to each meeting in addition to informal discussions and interactions with the Chairman related to the SPAR business.</p> <p>Board and committee self-evaluations are performed every two years.</p>	<p> Sustainability report</p> <p>Ethical business practices, pages 53–55</p> <p> Integrated annual report</p> <p>Reflections from our Chairman, page 15</p> <p>Understanding our governance ecosystem, page 54</p> <p>Organisational ethics, page 57</p> <p>Nominations Committee report, page 68</p> <p>The Group’s material themes, page 102</p> <p>Value-creating business model, page 104</p> <p> Code of Ethics</p>

Application of King IV principles by the SPAR Group Ltd (SPAR) continued

Leadership, ethics and corporate citizenship (continued)

2. Organisational ethics: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

SPAR’s culture is informed by entrepreneurship, family values and passion in combination with the SPAR  **Code of Conduct** and **Code of Ethics**. The Board sets a leadership example by adhering to the relevant guidelines, regulations and benchmarks for good corporate governance and ethics. This includes adherence to the Universal Declaration of Human Rights and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.

The Social, Ethics and Sustainability Committee oversees SPAR’s actions and, through its activities, promotes a positive impact on the Group’s stakeholders and the environment. The committee is responsible for monitoring and making recommendations in relation to the following:

- Social and economic development, including compliance with the United Nations Global Compact, the Organisation for Economic Co-operation and Development recommendations on corruption, the Employment Equity Act, No. 55 of 1998 and the Broad-based Black Economic Empowerment Act, No. 53 of 2003.
- Good corporate citizenship, including the promotion of equality, prevention of unfair discrimination, reduction of corruption, contribution to community development, sponsorship, donations and charitable giving as well as mitigation of environmental and climate change risks, health and public safety risks and reputational and other related risks.
- Consumer relationships, including advertising, public relations and compliance with consumer protection laws. SPAR has a customer care line, which directs complaints to the relevant distribution centres from where these are relayed to retailers. The distribution centres take ownership of complaints and are responsible for communicating with the relevant store managers to address any issues.
- Labour and employment, including employment relationships and contributions towards the educational development of employees. This also includes compliance with standards such as the International Labour Organization Protocol on decent work and working conditions. Employee recruitment, onboarding and training interventions contain elements that relate to expected behaviours aligned to SPAR’s values and culture. Employees are encouraged to use the internal human resources grievance process to lodge any complaints against line management or colleagues.
- Ethics management, including recognising the importance of all stakeholders while minimising the negative impacts and maximising the positive impacts of SPAR on the communities within which it operates.

The committee exercises oversight by reviewing the programme to monitor compliance with the SPAR Code of Ethics annually.

The independent whistleblowing hotline provides a mechanism for stakeholders to report any ethics breaches. These are reported to the Social, Ethics and Sustainability Committee and appropriate action is taken where necessary.

SPAR undergoes an externally facilitated ethics cultural assessment once every three years. The results and recommendations are presented to the Social, Ethics and Sustainability Committee.

Sustainability report

Ethical business practices, pages 53–55

Corporate culture, page 56

Integrated annual report







Organisational ethics, page 57

Social, Ethics and Sustainability

Committee report, page 73

Code of Ethics

Application of King IV principles by the SPAR Group Ltd (SPAR) continued




Leadership, ethics and corporate citizenship (continued)		
<p>3.</p>	<p>Responsible corporate citizenship: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p> <p>SPAR’s vision positions the Group as a responsible corporate citizen: to be the first choice brand in the communities we serve. Strong community focus is supported by SPAR encouraging entrepreneurship, living our family values and demonstrating passion in our leadership as well as through our relationships. Where we can create authentic shared value, as per our sustainability pledge, we build our reputation as a good corporate citizen and strengthen the material relationships that enable value creation.</p> <p>Our strategic outcomes consider our internal and external interactions with stakeholders and the environment to support our commitment to being a responsible corporate citizen.</p> <p>Corporate citizenship is one of the elements monitored by the Social, Ethics and Sustainability Committee (see principle 3 above) and is based on SPAR’s stakeholder-inclusive approach.</p>	<p> Sustainability report</p> <p>Entire report</p> <p> Integrated annual report</p> <p>Progressing sustainability, page 50</p> <p>Understanding our governance ecosystem, page 54</p> <p>Social, Ethics and Sustainability Committee report, page 73</p>
Strategy, performance and reporting		
<p>4.</p>	<p>Strategy and performance: The governing body should appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.</p> <p>The Board provides overall guidance and direction for the development and annual review of the strategy, which articulates the key imperatives and enablers required to deliver on the Group’s outcomes. Progress in implementing the strategy is measured according to financial and non-financial indicators, combined with an enterprise risk management programme that considers SPAR’s entire value chain.</p> <p>Our material relationships provide input into our business activities and help us mitigate the risks – including waste and resource depletion – associated with a distribution and wholesale business.</p>	<p> Sustainability report</p> <p>Driving sustainability, pages 19–25</p> <p> Integrated annual report</p> <p>Our value chain, page 6</p> <p>SPAR’s strategic framework, page 11</p> <p>Our stakeholder universe, page 12</p> <p>Reflections from our Chairman, page 15</p> <p>Key Board deliberations and outcomes, page 19</p>
<p>5.</p>	<p>Reporting: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation’s performance and its short-, medium- and long-term prospects.</p> <p>The Board takes responsibility for the full reporting suite, supported by internal and external assurance mechanisms. SPAR is guided by several local and international reporting frameworks, standards and guidelines as well as regulatory requirements in preparing the reports and disclosures contained in its interim and annual reporting suites.</p> <p> Our full reporting suite and archives are available on the SPAR website.</p>	<p> Sustainability report</p> <p>Our sustainability reporting approach, pages 2–5</p> <p> Integrated annual report</p> <p>Ensuring the integrity of this report, page 1</p> <p>Key Board deliberations and outcomes, page 19</p>

Application of King IV principles by the SPAR Group Ltd (SPAR) continued

Governing structures and delegation

<p>6.</p>	<p>Primary roles and responsibilities of the governing body: The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p> <p>The general powers of the Board and the directors are conferred in the Memorandum of Incorporation. The Board's terms of reference are set out in the Board Charter, which is reviewed annually by the Board. The charter sets out the powers and authority of the Board and provides a clear and concise overview of the roles and responsibilities of Board members. It sets out the responsibility of the Board to ensure a clear balance of power and authority of directors of the Board so that no single director has unfettered powers of decision-making.</p> <p>The Board works according to an annual Board plan that ensures a structured and formal approach to governance. There are at least four formal Board meetings per annum. Board members receive ample context, reports and indicators and may also seek independent external professional advice at the cost of the Group to ensure the Group acts ethically, performs according to expectations, maintains necessary controls and is perceived as a responsible corporate citizen.</p> <p>Additional conversations between Board members are encouraged for updates or when pertinent decisions require further deliberation.</p>	<p> Sustainability report</p> <p>Sustainability governance, page 21</p> <p>Sustainability risk management, pages 22–23</p> <p> Integrated annual report</p> <p>Reflections from our Chairman, page 15</p> <p>Board governance structure, page 55</p>
<p>7.</p>	<p>Composition of the governing body: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p> <p>SPAR's core governance structure includes the Board and its committees. The wider governance ecosystem encompasses the guild and executive structures, territory boards and external assurance providers who all assist the Board in discharging its governance role and responsibilities.</p> <p>The Board has a policy on promoting broader diversity at Board level. The Board promotes diversity through the diversity indicators of knowledge, skill, experience, age, culture, race and gender and sets voluntary targets in respect of race and gender.</p> <p>An internally facilitated independence assessment is conducted annually by the Nominations Committee for each non-executive director who has served on the Board beyond nine years. An externally facilitated, independent assessment is conducted every three years for directors serving on the Board beyond nine years.</p> <p>The SPAR policy for Board appointments is implemented by the Nominations Committee. The committee ensures there is an appropriate balance of diversity, skills and experience and independence within the Board's ranks to fulfil its mandate including financial and sustainability roles and responsibilities. The committee continually assesses the effectiveness of the composition of the Board and its committees and, if it deems it necessary, recommends Board or committee changes to the Board for approval by the Board and shareholders (when required).</p>	<p> Integrated annual report</p> <p>Reflections from our Chairman, page 15</p> <p>Board of directors, page 58</p> <p>Board composition, page 61</p> <p>Nominations Committee report, page 68</p>





Application of King IV principles by the SPAR Group Ltd (SPAR) continued

Governing structures and delegation (continued)		
8.	<p>Committees of the governing body: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.</p> <p>The Board delegates specific roles and responsibilities to the Group CEO and the Board committees. Each committee has terms of reference, which are reviewed annually, and operates according to an annual plan approved by the Board. In addition to the Board committees, there are executive committees, guilds and territory boards.</p> <p>The Group Chief Executive Officer and chairs of each committee report at every Board meeting on all matters delegated by the Board. Diverse backgrounds and cross-membership between committees, including guild memberships, ensure there is an appropriate balance in judgement and influence. The committee reports contain details of membership, responsibilities, advisers, attendance and key focus areas.</p>	<p> Integrated annual report</p> <p>Board governance structure, page 55</p> <p>Board committees, page 62</p> <p>Executive management, page 63</p> <p>Individual committee reports, pages 64–84</p>
9.	<p>Evaluation of the performance of the governing body: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.</p> <p>Board and committee performance evaluations, led by the Nominations Committee through the Chairman of the Board, are conducted biannually. Evaluation of the Chairman is led by the Deputy Chairman.</p> <p>The assessment criteria are set by the Nominations Committee and include the effectiveness of the Board's composition, governance processes and procedures, committees in discharging their mandates, executive directors and each director (including their individual contributions). The Chairman of the Board and committees present the results of the self-assessments to the Board.</p>	<p> Integrated annual report</p> <p>Nominations Committee report, page 68</p>
10.	<p>Appointment and delegation to management: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p> <p>The SPAR governance bodies are all governed by a delegation of authority framework. The framework is reviewed annually and sets out the matters reserved for determination by shareholders, the Board and those matters delegated to management and the executive committees.</p> <p>The Group Chief Executive Officer is accountable to the Board for daily management of the Group and co-ordinates implementation of Board policy and strategy through the executive committees. The Group Chief Executive Officer's responsibilities include ensuring the Group conducts its affairs within the rule of law and in line with its Code of Ethics and keeping the Board informed of all the Group's major business proposals and developments, by way of specific reports, within limits set by the Board.</p> <p>The Nominations Committee is responsible for overseeing succession planning for the Group Chief Executive Officer and the rest of the executive management team.</p> <p>SPAR's Interim Company Secretary is a suitably qualified and experienced employee who can provide the Board with the requisite support for its efficient functioning and discharge of duties, including relevant advice on corporate governance.</p>	<p> Integrated annual report</p> <p>Reflections from our Chairman, page 15</p> <p>Board governance structure, page 55</p> <p>Group Company Secretary, page 63</p> <p>Executive management, page 63</p> <p>Nominations Committee report, page 68</p>

Application of King IV principles by the SPAR Group Ltd (SPAR) continued

Governance functional areas		
<p>11.</p>	<p>Risk governance: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p> <p>Risk is governed and managed through the Risk Committee. The committee oversees the Group's risk management, information technology and compliance processes to ensure management identifies potential risks that may affect the Group strategically or operationally. It implements effective policies and plans to mitigate any risks, enhance the Group's ability to achieve its strategic objectives and support its ethical conduct and good corporate citizenship.</p>	<p> Sustainability report</p> <p>Sustainability governance, page 21</p> <p>Sustainability risk management, pages 22–23</p> <p> Integrated annual report</p> <p>Our strategic trade-offs, page 25</p> <p>Audit Committee report, page 64</p> <p>Risk Committee report, page 70</p> <p>The Group's material themes, page 102</p>
<p>12.</p>	<p>Technology and information governance: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p> <p>Technology and information at SPAR are governed through the Risk Committee mandate, which ensures information technology (IT) is managed as an integral and strategic part of the business. The Chief Information Officer in each territory is responsible, together with executive management, for implementation and execution of effective technology and information management in their respective territories.</p> <p>The IT strategy supports and enables the business strategy and delivers value through cost and resource management, risk management and regulatory compliance. Any significant IT investments form part of the budget process and are submitted to the Board for final approval. The Board subsequently oversees the return on investment from these projects.</p>	<p> Integrated annual report</p> <p>Risk Committee report, page 70</p>
<p>13.</p>	<p>Compliance governance: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p> <p>SPAR's executive management is responsible for implementing and executing effective compliance management with oversight provided by the Risk Committee.</p> <p>A software solution is in place for all the South African distribution centres to assist in monitoring compliance with legislation and regulation within SPAR Southern Africa. SPAR is updating the regulatory universe and compiling frameworks to facilitate compliance with legislation. Given the vast regulatory landscape, this is being conducted using a risk-based approach.</p> <p>One Capital is SPAR's sponsor and advises the Board, through the Company Secretary, on compliance with the JSE Listings Requirements. Any changes to the JSE Listings Requirements or the Companies Act are reported to the Board through the Company Secretary's governance report. The Board also has access to the Head of Legal, who is supported by a boutique of law firms, for any advice on legal matters relating to SPAR.</p> <p>The operations in Ireland, Switzerland and Poland rely, to a larger extent, on government inspectors who enforce food safety regulations, enhanced by an internal SPAR audit programme.</p>	<p> Sustainability report</p> <p>Tax management, pages 53–55</p> <p>Food safety, pages 57–59</p> <p> Integrated annual report</p> <p>Audit Committee report, page 64</p> <p>Risk Committee report, page 70</p> <p> Annual financial statements</p> <p>Directors' report, page 12</p>

Application of King IV principles by the SPAR Group Ltd (SPAR) continued

Governance functional areas (continued)		
14.	<p>Remuneration governance: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.</p> <p>SPAR's employees are pivotal in meeting our strategic objectives. The Board is committed to paying fair, competitive and market-related remuneration to ensure SPAR can attract, retain and motivate top-quality and talented employees.</p>	<p> Integrated annual report</p> <p>Explaining remuneration practices and outcomes, page 78</p>
15.	<p>Assurance: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p> <p>The Board relies on internal and external assurance providers for effective control in terms of SPAR's combined assurance policy and framework including the five lines of defence, which the Audit Committee oversees.</p>	<p> Sustainability report</p> <p>Ensuring the integrity of this report, page 1</p> <p>Our reporting boundary, page 3</p> <p> Integrated annual report</p> <p>Audit Committee report, page 64</p> <p>Explaining the reporting process, page 101</p>
Stakeholders		
16.	<p>In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p> <p>The Social, Ethics and Sustainability Committee has oversight of stakeholder engagement and monitors our stakeholder-inclusive approach.</p> <p>The SPAR guilds also have social, ethics and sustainability committees.</p> <p>We aim for decisions that actively seek to create and preserve value for all six capitals in our ecosystem – ensuring the interests of our stakeholders are considered and well-balanced to promote the long-term sustainability of the entire system. Our commitment to creating authentic shared value is inherently linked to our values.</p>	<p> Sustainability report</p> <p>Stakeholder engagement, pages 24–25</p> <p> Integrated annual report</p> <p>Our stakeholder universe, page 12</p> <p>Employees, page 24</p> <p>Independent retailers and consumers, page 29</p> <p>Shareholders and financiers, page 37</p> <p>Social, Ethics and Sustainability Committee report, page 73</p>