

SPAR is a public company incorporated in South Africa and listed on the Main Board of the JSE, and accordingly adheres to the Companies Act and Regulations requirements, as amended, the JSE Listings Requirements and King IV Report on Corporate Governance.

For detailed information about the board's commitment to be the custodian of a sustainable business, its composition and application of Governance-related regulation, refer to SPAR's integrated annual report for 2022.

THE KING IV DISCLOSURE AND REFERENCE INDEX FOR THE 2022 SPAR INTEGRATED ANNUAL REPORT

The table below provides a brief summary of SPAR's application of the King IV principles, with references to where these are addressed in the integrated annual report.

PRINCIPLE	ARRANGEMENTS, ACHIEVEMENTS, MEASUREMENTS, AND FUTURE FOCUS AREAS	EXAMPLES AND REFERENCES IN THE INTEGRATED ANNUAL REPORT
<p>1 The governing body should lead ethically and effectively</p>	<p>The board of directors (board) acknowledges that ethics is the foundation of, and reason for, corporate governance. It endeavours to meet the highest ethical standards of business practice in all its dealings relating to SPAR, and that business decisions are made in the best interest of SPAR and free from any undue influence and conflict of interest.</p> <p>In setting and monitoring the strategy, policies and procedures, and risks and opportunities, the board ensures that it takes into consideration the impact of the six capitals that the company uses and affects.</p> <p>The board is responsible for ensuring that management actively cultivates a culture of ethical conduct and establishes the values we must uphold.</p> <p>We value independent judgement and require that each board member prepare, participate, and contribute at each meeting, in addition to informal discussions and interaction with the Chairman related to the SPAR business.</p> <p>The board meets formally four times a year, and on an <i>ad hoc</i> basis whenever the need may arise.</p>	<p>Chairman's message</p> <p>Group CEO's report</p> <p>Our governance system</p> <p>Nominations Committee report</p>

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<p>2 The governing body should govern the ethics of SPAR in a way that supports the establishment of an ethical culture</p>	<p>SPAR’s culture is informed by its values of entrepreneurship, family values and passion, in combination with the SPAR Code of Conduct and Code of Ethics. The board sets a leadership example through its adherence 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.</p> <p>The Social, Ethics and Sustainability Committee, which functions independently of the board, oversees SPAR’s actions and promotes a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public.</p> <p>The committee is responsible for monitoring and making recommendations in relation to the following:</p> <ul style="list-style-type: none"> • Social and economic development, including compliance with the United Nations Global Compact, the Organisation for Economic Co-operation and Development (OECD) recommendations on corruption, the Employment Equity Act, No. 55 of 1998 and 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, environmental and climate change risks, health and public safety as well as reputational risks and other related risks. During the financial year, SPAR secured the services of a third-party service provider, Change Pathways, to conduct a climate change scenario analysis for SPAR. During November 2022, Change Pathways presented their report on this to the board which also incorporated training on climate change risks. • Consumer relationships, including advertising, public relations, and compliance with Consumer Protection laws. <p>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 communication with the relevant manager of the store in question to address any issues.</p>	<p>Our governance system</p> <p>Social, Ethics and Sustainability Committee report</p> <p>Environmental, social and governance supplementary report</p> <p>Climate change supplementary report</p>

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- **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. A culture survey was conducted in 2021 in terms of which various initiatives were undertaken by the human resources divisions to improve the culture within the organisation. Another survey would be conducted in 2023 to gauge the success of the human resources initiatives carried out.

Employees are encouraged to utilise the internal human resources grievance process to report their complaints against line management or colleagues. The Social, Ethics and Sustainability Committee also recently approved the adoption of a workplace harassment policy, which is in the process of being communicated and implemented throughout the business.

- **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 in every three years, and the results and recommendations are presented to the Social, Ethics and Sustainability Committee. The last assessment was conducted in 2021 and enhancements to the ethics management programme continue to be implemented.

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<p>3 The governing body should ensure that SPAR 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. A strong community focus is supported by the SPAR values of demonstrating passion, living our family values, and encouraging entrepreneurship in our leadership as well as through our relationships. Where we are able to 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>Our sustainability pledge aims to create authentic shared value through the following outcomes:</p> <ul style="list-style-type: none"> • Contribution to societal change • Contribution to responsible living • Opportunity creation • Resources stewardship <p>The report contains extensive context and commentary on SPAR’s material relationships, including interfaces with SPAR International and the guilds.</p> <p>SPAR’s voluntary trading model is furthermore based on relationships of trust and co-operation between SPAR and our retailers, for mutual benefit. For the voluntary trading model to operate effectively, all parties must display responsible corporate citizenship.</p> <p>Corporate citizenship is one of the elements monitored by the Social, Ethics and Sustainability Committee and is based on SPAR’s stakeholder-inclusive approach. The committee approves and monitors corporate social development spend and impact, for example, in the case of the emerging farmer programme. It also tracks progress with SPAR’s B-BBEE rating.</p>	<p>Our governance system</p> <p>Social, Ethics and Sustainability Committee report</p> <p>Environmental, social and governance supplementary report</p>

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<p>4 The governing body should appreciate that SPAR's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process</p>	<p>The board recognises that SPAR creates value on a global scale through the voluntary trading model. It creates significant value for our independent retailers, who benefit from the economies of scale gained by our buying efficiencies, and the cost savings through operational efficiency and a wide scope of products offered and distributed through our distribution centres. 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>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 with the implementation of the strategy is measured according to financial and non-financial indicators, combined with an enterprise risk management programme which considers SPAR's entire value chain.</p> <p>The board formally considered the going concern assertion of SPAR and is of the opinion that it is appropriate for the forthcoming financial year.</p>	<p>Strategic risk and opportunities</p> <p>Group FD's financial review</p> <p>Audit Committee report</p> <p>Risk Committee report</p> <p>Environmental, social and governance supplementary report</p>

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<p>5 The governing body should ensure that reports issued by SPAR enable stakeholders to make informed assessments of SPAR's performance, and its short-, medium-, and long-term prospects</p>	<p>The board takes responsibility for SPAR's financial and integrated annual reporting, supported by internal and external assurance mechanisms.</p> <p>SPAR's integrated annual reports aim to provide our readers with a broad understanding of the group's past performance in the context of the external environment, demonstrated through a wide range of activities, interactions, and relationships. This should enable readers to gauge the prospects and future trajectory of SPAR's value creation abilities.</p> <p>Our commitment to reporting according to the <IR> Framework means that we only report on what is material for SPAR to be able to create value over the short, medium, and long term, and this is structured according to our material relationships.</p> <p>Our full reporting suite and archives are available on the SPAR website: https://thespargroup.com</p>	<p>Our reporting approach</p>
<p>6 The governing body should serve as the focal point and custodian of corporate governance at SPAR</p>	<p>The board works according to an annual board plan which ensures a structured and formal approach to governance. There are at least four formal board meetings per annum and board members are provided with ample context, reports, and indicators, and may also seek independent external professional advice at the cost of the organisation, to be able to ensure that the group acts ethically, performs according to expectations, maintains the necessary controls and is being perceived as a responsible corporate citizen. Board meeting attendance is high and additional conversations between board members are encouraged for updates or when pertinent decisions require more deliberation.</p> <p>The board is satisfied that it has fulfilled its responsibilities according to its board charter for the year.</p>	<p>Our governance system</p> <p>Environmental, social and governance supplementary report</p>

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<p>7 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; however, the wider governance ecosystem also encompasses the guild structures and external assurance providers, who all assist the board in discharging its governance role and responsibilities.</p> <p>The board member profiles in the integrated annual report summarise the demographics, qualifications, capacity, status and memberships of each board member and indicate their respective tenures.</p> <p>The board has a policy on the promotion of broader diversity at board level, and 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. The voluntary targets in terms of this policy, there are a minimum of four black people and three females. The Nominations Committee reviewed the policy and was comfortable with these voluntary targets and that the diversity of the current board composition, in every respect, was adequate.</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.</p> <p>The SPAR policy for board appointments is implemented by the Nominations Committee, which ensures that there is an appropriate balance of diversity, skills and experience, and independence within the board’s ranks to fulfil its mandate and covers both financial and sustainability roles and responsibilities. The Nominations 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 and approval by shareholders thereafter (where required).</p>	<p>Chairman’s message</p> <p>Our governance system</p> <p>Nominations Committee</p>

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<p>8 The governing body should ensure that its arrangements for delegation with 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 Chief Executive Officer (CEO) and the board committees. Each committee has terms of reference that are reviewed annually and operate according to an annual plan approved by the board. In addition to the four committees, there are six Executive Committees comprising a Group Executive Committee and an Executive Committee according to each of our geographies, each with very specific functions and responsibilities. Report back on all matters delegated by the board is received at every board meeting, from the CEO and chairpersons of each committee.</p> <p>Diverse backgrounds and cross-membership between committees, including guild memberships, ensure that there is appropriate balance in judgement and influence.</p> <p>The committee reports contain details of membership, responsibilities, advisors, attendance, and key areas of focus.</p>	<p>Our governance system</p> <p>Nominations Committee report</p>
<p>9 The governing body should ensure that the evaluation of its own performance and that of its committees, its Chairperson and its individual members, support continued improvement in its performance and effectiveness</p>	<p>Board and committee performance evaluations are conducted bi-annually, led by the Nominations Committee through the Chairperson of the board. In the case of the evaluation of the Chairperson, this is led by the lead independent director. The assessment criteria are set by the Nominations Committee and includes the effectiveness of the board's composition, governance processes and procedures, the effectiveness of the board's committees in discharging their respective mandates, the effectiveness of the executive directors, and the effectiveness and contributions of each of the directors. The Chairman of the board and committees present to the board the results of the respective self-assessments.</p>	<p>Our governance system</p> <p>Nominations Committee report</p>

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<p>10 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, which 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 board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.</p> <p>The CEO is accountable to the board for the daily management of the company and co-ordinates the implementation of board policy and strategy through the executive committees. The CEO's responsibilities include, among other things, ensuring that the company conducts its affairs within the rule of law and abides by the company's Code of Ethics, keeping the board informed of all its major business proposals and developments by way of specific reports, within limits set by the board.</p> <p>The CEO's notice period is three months, and his performance is measured as per the remuneration policy.</p> <p>The Nominations Committee is responsible for overseeing succession planning for the CEO and the rest of the executive management team. Succession planning is an ongoing focus area and will become important in the medium term as a number of senior management members will be reaching retirement age.</p> <p>SPAR's Company Secretary is a suitably qualified and experienced employee who is able to provide the board with the requisite support for its efficient functioning and discharge of its duties. He contracts the necessary service providers to provide specialist input or guidance on board matters, including, for example, PwC, the Chartered Governance Institute of Southern Africa, Garlicke & Bousfield, the Institute of Directors in South Africa, The Ethics Institute and the company's JSE sponsors. We believe these arrangements are effective and appropriate for the efficient functioning of the board.</p>	<p>Group CEO's report</p> <p>Our governance system</p> <p>Nominations Committee report</p> <p>Audit Committee report</p> <p>Remuneration Committee report</p>

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<p>11 The governing body should govern risk in a way that supports SPAR in setting and achieving its strategic objectives</p>	<p>Risk is governed and managed through the Risk Committee. The committee oversees the company's risk management, information technology (IT) and compliance processes to ensure that management identifies potential risks which may affect the company strategically or operationally. It implements effective policies and plans to mitigate any risks, enhance the company's ability to achieve its strategic objectives, and support the company in being ethical and a good corporate citizen.</p> <p>A detailed risk roadmap was approved by the Risk Committee at its meeting held in August 2022. Execution of the activities detailed therein are in progress and once complete, the continued application of these activities will be critical to the assistance of the Risk Committee in the successful execution of their mandate.</p> <p>During the 2022 financial year, a risk culture survey was conducted within the distribution centres in South Africa to determine any gaps in terms of the culture of risk within the South African operation. Actions have been identified to address these gaps and are in the execution process. The plan is for the risk culture survey to be conducted within the international operations early next year.</p> <p>A risk management system to facilitate a central repository for recording of and reporting on risks at a strategic, operational, and functional level, has been approved for implementation. The rollout of the system within the SA territory is anticipated to commence in February 2023.</p>	<p>Risk Committee report</p>

PRINCIPLE	ARRANGEMENTS, ACHIEVEMENTS, MEASUREMENTS, AND FUTURE FOCUS AREAS	EXAMPLES AND REFERENCES IN THE INTEGRATED ANNUAL REPORT
<p>12 The governing body should govern technology and information in a way that supports SPAR in setting and achieving its strategic objectives</p>	<p>Technology and information at SPAR are governed through the Risk Committee mandate, which ensures that IT is managed as an integral and strategic part of the business. The IT strategy supports and enables the business strategy and delivers value through cost and resource management, risk management and regulatory compliance.</p> <p>The IT strategy has been enhanced to align with the new group strategy and structure. The goals and solution areas in the IT strategy are underpinned by an established IT risk tolerance framework which sets the tolerance levels to ensure that business is conducted within acceptable risk boundaries. All IT-related risks are actively monitored. It is the responsibility of the executive management to ensure that all material IT-related risks are highlighted and appropriately mitigated. This includes assessing any potential IT-related risks and opportunities affecting SPAR's products, services, and operating models.</p> <p>IT serves all aspects, components, and processes of SPAR in South Africa, and continues to grow services and relevant standard processes with the international entities. The SPAR Group Information Technology (SGIS) team creates synergies between the group operations where possible and provides the teams in Ireland, Switzerland, Poland, Sri Lanka and UK with guidance and support to ensure that acceptable governance measures are in place. SGIS's objective is to create a centre of excellence capability within the group.</p> <p>IT is therefore leveraged to create opportunities and to gain a competitive advantage. The board is cognisant that, as much as IT is a strategic asset within the group, it also presents the organisation with potential significant risks, opportunities and disruptions associated with IT investments and leveraging digital and data assets.</p> <p>IT is represented on the SPAR Group Executive Committee and attends and presents on IT activities at all meetings of the board and the Risk committee. This generates continual information management dialogue, aligned to the short-, medium-, and long-term business requirements. Significant investments in IT are approved by the board. Demands placed on IT resources are expected to exceed the capacity of these resources for the foreseeable future. It is therefore crucial that the limited resources available are put to optimal use.</p>	<p>Risk Committee report</p>

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To this end, proposed projects will be selected and ranked by the Executive Committee according to their value to SPAR. Application maintenance is limited to necessary fixes and selected change requests for which a convincing business case exists. All projects have an owner outside the IT department, responsible for the overall project delivery, acceptance by the business and implementation. IT work is divided in major projects, minor projects, and maintenance. Each type is dealt with according to its risk profile.

The regulatory and industry standards that have a direct impact on IT are:

- The Electronic Communications and Transactions Act, No. 25 of 2002
- The Promotion of Access to Information Act, No. 2 of 2002
- The Regulation of Interception of Communications and Provision of Communications Related Information Act, No. 70 of 2002
- Payment Card Industry Data Security Standard
- Protection of Personal Information Act, No. 4 of 2003

Non-compliance with these legislations exposes SPAR to unnecessary risk and is appropriately managed. It is the specific responsibility of the IT Information Security Officer, Privacy Officer and Group IT Technology Manager to keep abreast of legislative developments by subscribing to a suitable legal service.

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.

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<p>13 The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports SPAR in being ethical and a good corporate citizen</p>	<p>The Company Secretary is responsible for monitoring and reporting on SPAR’s compliance to the board and Audit Committee. One Capital is SPAR’s sponsor and advises the board, through the Company Secretary, on compliance with the JSE Listings Requirements, and any new legislation or changes to other legislation is reported to the board through the Company Secretary’s compliance and governance reports. The Company Secretary also has access to the group’s attorneys should the need arise.</p> <p>A software solution has been implemented within the South African distribution centres, to better assist management with the monitoring of compliance throughout the group.</p> <p>SPAR has had no regulatory penalties, sanctions or fines and has not had any inspections by environmental regulators.</p> <p>SPAR adheres to the Code of Commercial Conduct of the Industry Association for Responsible Alcohol Use and is a co-signatory to industry and government bodies on issues relating to fishery improvements. We are aligning our seafood procurement to be within the parameters of the World Wide Fund for Nature (WWF) South African Sustainable Seafood Initiative (SASSI) guidelines on how seafood should be caught and sold.</p> <p>Food safety at SPAR remains of the highest standards and utmost importance. The food safety team objective is to be the industry leader in food safety culture, which will protect and promote the SPAR brand. While SPAR has always had robust food safety management systems in place across the three main areas of the supply chain, namely, suppliers, distribution centres and the SPAR retail stores, we believe that having the correct food safety culture to underpin our food safety management system leads to a great success.</p> <p>Included in the SPAR food safety management system is a quarterly microsampling routine undertaken at the time of the SPAR food safety audit. Food samples across the entire product range is tested in Microchem Laboratories.</p>	<p>Risk Committee report</p> <p>Audit Committee report</p> <p>Environmental, social and governance supplementary report</p> <p>Directors’ report</p>

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13	<p>Rapid testing methods are used for microdetection into the African countries of Botswana, Namibia, Eswatini, and Mozambique. These testing initiatives have proven to be very effective and have increased awareness around hygiene standards in retail stores. We also have a routine product sample process in place for all SPAR Brand products and a random product sampling process for distribution centre and dropshipment suppliers.</p> <p>South African retailers rely on SPAR’s supplier management and audits to ensure food safety compliance for the products provided by the distribution centres. Where retailers elect to source their own products from smaller suppliers, they take responsibility for food safety. Since this poses a risk to SPAR and retailers alike, we work with retailers and hold them accountable to ensure that the appropriate controls are in place and documented. Our supplier development programme also assists small suppliers to improve and align with programmes such as the Global Food Safety Initiative (GFSI).</p> <p>An additional food safety control takes the form of quarterly inspections of all stores by a SPAR service provider.</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>		
14	<p>The governing body should ensure that SPAR 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 that SPAR is able to attract, retain and motivate top-quality and talented employees.</p> <p>The Remuneration Committee report contains details on SPAR’s approach to remuneration policy and implementation.</p>	Remuneration Committee report

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<p>15 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 SPAR's external reports</p>	<p>The board relies on internal and external assurance providers for effective control, in terms of the SPAR combined assurance policy and framework comprising the six lines of defence, which the Audit Committee oversees. Financial information contained in the 2022 integrated annual report was independently audited by PwC and external assurance was sought on non-financial data. This includes the group's 2022 B-BBEE verification, which was evaluated independently by mPowerRatings.</p> <p>The SPAR group board applied its collective mind to the contents of the integrated annual report and is satisfied that it provides a fair account of the business's performance, risks, opportunities and prospects.</p>	<p>Audit Committee report</p>
<p>16 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 board takes SPAR's responsibility as a corporate citizen seriously, which means that we continually evaluate the group's impact on stakeholders and the environment. The Social, Ethics and Sustainability Committee is mandated to provide guidance on, and oversight of, SPAR's activities regarding the environment, consumers, employees, communities and other stakeholders, and to monitor the company's sustainability and governance performance in this regard. The committee also ensures that these activities take place in a compliant and ethical manner that contributes to the welfare of the business and our stakeholders.</p> <p>To further expand on the group's legitimacy, the SPAR guilds also have Social, Ethics and Sustainability Committees.</p> <p>Our sustainability pledge is to create authentic shared value through the following outcomes:</p> <ul style="list-style-type: none"> • Contribution to societal change • Contribution to responsible living • Opportunity creation • Resources stewardship <p>Our commitment to creating authentic shared value is inherently linked to our values.</p>	<p>Our governance system</p> <p>Social, Ethics and Sustainability Committee report</p> <p>Environmental, social and governance supplementary report</p>