



# KING IV DISCLOSURES

This table summarises salient points of how SPAR applies the relevant 16 principles of King IV. It should be read in conjunction with the integrated annual report and this ESG report. The governance chapter in the integrated annual report is on page 76 to 122.

Application summary	Further reading
<p><b>1. Leadership:</b> 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 the past conflict of interest issues that permeated at 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 that business decisions are made in the best interest of SPAR and free from any undue influence or conflict of interest.</p> <p>In setting and monitoring the strategy, policies and procedures, and risks and opportunities, the Board ensures that it considers the impact of the six capitals that the Group 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 strive to uphold. 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>Board and committee self-evaluations are performed every two years.</p>	<p>Integrated annual report</p> <ul style="list-style-type: none"> <li>• An interview with our Executive Chairman, page 62</li> <li>• Our governance system, page 82</li> <li>• Nominations Committee report, page 94</li> </ul> <p>ESG report</p> <ul style="list-style-type: none"> <li>• Ethical behaviour, page 83</li> </ul> <p>Code of Ethics, <a href="https://thespargroup.com/resource-centre/company-policies/">https://thespargroup.com/resource-centre/company-policies/</a></p>
<p><b>2. Organisational ethics:</b> Govern the ethics of the organisation 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 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.</p> <p>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.</p>	<p>Integrated annual report</p> <ul style="list-style-type: none"> <li>• Our governance system, page 82</li> <li>• Social, Ethics and Sustainability Committee report, page 120</li> </ul> <p>ESG report</p> <ul style="list-style-type: none"> <li>• Our values, page IV</li> <li>• Ethical behaviour, page 83</li> </ul> <p>Code of Ethics, <a href="https://thespargroup.com/resource-centre/company-policies/">https://thespargroup.com/resource-centre/company-policies/</a></p>



## Application summary

## Further reading

### 2. Organisational ethics: Govern the ethics of the organisation in a way that supports the establishment of an ethical culture. (continued)

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, and 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 utilise 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, and the results and recommendations are presented to the Social, Ethics and Sustainability Committee.



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Further reading

**3. Responsible corporate citizenship:** Ensure that the organisation is and is seen to be a responsible corporate citizen.

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 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.

Our strategic outcomes consider our internal and external interactions with stakeholders and the environment to support our commitment to being a responsible corporate citizen.

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.

- Integrated annual report
- Our governance system, page 82
  - Social, Ethics and Sustainability Committee report, page 120
- The full ESG report

**4. Strategy and performance:** The governing body should appreciate that the organisation's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

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.

Our material relationships provide input into our business activities and help us mitigate the risks – including waste and resource depletion – that are associated with a distribution and wholesale business.

- Integrated annual report
- Material themes, page 23
  - Stakeholders' needs, page 26
  - Value creation and strategy, page 38
  - Performance overview, page 60

- ESG report
- Driving ESG at SPAR, page 20

**5. 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.

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.

Our full reporting suite and archives are available on the SPAR website: <https://thespargroup.com>

- Integrated annual report
- SPAR's reporting approach, page 2
  - Material themes, page 23
- ESG report
- Our ESG reporting approach, page 3
  - Understanding SPAR's material themes, page 28



## Application summary

## Further reading

**6. 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.

The general powers of the Board and the directors are conferred in the Company's 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.

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 are provided with ample context, reports, and indicators, and may also seek independent external professional advice at the cost of the Group, to ensure that the Group acts ethically, performs according to expectations, maintains the necessary controls and is perceived as a responsible corporate citizen.

Additional conversations between Board members are encouraged for updates or when pertinent decisions require more deliberation.

Integrated annual report

- An interview with our Executive Chairman, page 62
- Board governance structure, page 85

ESG report

- ESG governance and risk management, page 26

**7. 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.

SPAR's core governance structure includes the Board and its committees. The wider governance ecosystem encompasses the guild and executive structures, country boards, and external assurance providers, who all assist the Board in discharging its governance role and responsibilities.

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.

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 those directors serving on the Board beyond nine years.

The SPAR policy for Board appointments is implemented by the Nominations Committee. The committee ensures that 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 and approval by shareholders thereafter (where required).

Integrated annual report

- An interview with our Executive Chairman, page 62
- Board of directors, page 78
- Board composition, page 83
- Nominations Committee report, page 94



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Further reading

**8. 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.

The Board delegates specific roles and responsibilities to the Group CEO and the Board committees. Each committee has terms of reference that 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 country boards.

The Group CEO and chairmen of each committee report back 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, advisors, attendance, and key areas of focus.

Integrated annual report

- Board governance structure, page 85
- Board committees, page 87
- Executive management, page 88
- Individual committee reports, page 89 to page 122

**9. 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.

Board and committee performance evaluations are conducted biannually, led by the Nominations Committee through the Chairman of the Board. The evaluation of the Chairman is led by the Deputy Chairman.

The assessment criteria are set by the Nominations Committee and include the effectiveness of the Board's composition, governance processes and procedures, the effectiveness of the Board's committees in discharging their mandates, the effectiveness of the executive directors, and the effectiveness and contributions of each director. The Chairman of the Board and committees present the results of the self-assessments to the Board.

Integrated annual report

- Nominations Committee report, page 94

**10. Appointment and delegation to management:** The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.

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.

The Group CEO is accountable to the Board for daily management of the Group and co-ordinates the implementation of Board policy and strategy through the executive committees. The Group CEO's responsibilities include ensuring that 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.

The Nominations Committee is responsible for overseeing succession planning for the Group CEO and the rest of the executive management team.

SPAR's 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.

Integrated annual report

- An interview with our Executive Chairman, page 62
- Board governance structure, page 85
- Executive management, page 88
- Company Secretary, page 88
- Nominations Committee report, page 94



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## Further reading

**11. Risk governance:** The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

Risk is governed and managed through the Risk Committee. The committee oversees the Group's risk management, information technology (IT) and compliance processes to ensure that management identifies potential risks which 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 it being ethical and a good corporate citizen.

Integrated annual report

- Strategic risks and opportunities, page 58
- Audit Committee report, page 89
- Risk Committee report, page 117

ESG report

- ESG governance and risk management, page 26

**12. 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.

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 Chief Information Officer in each country is responsible, together with executive management, for the implementation and execution of effective technology and information management in their respective countries.

Integrated annual report

- An interview with our Executive Chairman, page 62
- SAP ERP implementation, page 54
- Risk Committee report, page 117

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.

**13. 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.

The executive management of SPAR is responsible for implementing and executing effective compliance management, with oversight provided by the Risk Committee.

Integrated annual report

- Audit Committee report, page 89
- Risk Committee report, page 117

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.

ESG report

- Food safety, page 84
- Approach to tax, page 87

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 a newly appointed Head of Legal, who is supported by a boutique of law firms, for any advice on legal matters relating to SPAR.

Annual financial statements

- Directors' report, page 12

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.



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Further reading

**14. 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.

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 can attract, retain and motivate top-quality and talented employees.

- Integrated annual report
- Remuneration Committee report, page 98
- ESG report
- People development, page 66

**15. Combined 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.

The Board relies on internal and external assurance providers for effective control, in terms of the SPAR combined assurance policy and framework including the five lines of defence, which the Audit Committee oversees.

- Integrated annual report
- SPAR's reporting approach, page 2
- Audit Committee report, page 89
- ESG report
- Our ESG reporting approach, page 3

**16. Stakeholders:** 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.

The Social, Ethics and Sustainability Committee has oversight of stakeholder engagement and monitors our stakeholder-inclusive approach.

The SPAR guilds also have social, ethics and sustainability committees.

We aim that decisions taken by SPAR actively seek to create and preserve value for all six capitals in our ecosystem – ensuring that 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.

- Integrated annual report
- Stakeholders' needs, page 26
- Social, Ethics and Sustainability Committee report, page 120
- ESG report
- Driving ESG at SPAR, page 20