

Welcome to your CDP Water Security Questionnaire 2019

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

The SPAR Group Ltd (SPAR or the group) is a warehousing and distribution business listed on the Johannesburg Stock Exchange (JSE) in the Food and Drug Retailers sector. The group owns SPAR retail brand, but, essentially, supports a network of independent retailers who trade under our brand through our distribution centres.

We form part of SPAR International, which is present in 48 countries and has 242 distribution centres that serve 13.5 million customers every day. The SPAR Group Ltd, headquartered in Durban, South Africa, is present in ten countries, has 8 distribution centres and serves 3 768 retail members through 8 store formats every day. SPAR international granted the South African licence to SPAR in 1963. Today, we have similar SPAR operations in Ireland (including South West England) and Switzerland. We are also a joint shareholder in SPAR Sri Lanka and SPAR Zambia, and own SPAR licences for Namibia, Botswana, Mozambique and Angola, which are all serviced through the South African distribution centres.

Our most significant income is from South Africa where we operate six distribution centres, one Build it distribution centre and S Buys distribution centre which supply building and pharmaceutical products respectively. These supply and service 909 independently owned SPAR stores within South Africa. We distribute goods to stores with a fleet of trucks and trailers owned by the group.

We have a total of 2 236 stores in the following formats in Southern Africa:
SPAR, SUPERSPAR, KWIKSPAR, SPAR Express Build it, SaveMor, Pharmacy at SPAR and TOPS at SPAR.

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date
Reporting year	October 1 2017	September 30 2018

W0.3

(W0.3) Select the countries/regions for which you will be supplying data.

South Africa

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.

ZAR

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.

Companies, entities or groups over which operational control is exercised.

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?

Yes

W0.6a

(W0.6a) Please report the exclusions.

Exclusion	Please explain
SPAR Group owned stores	While the Group's focus is on supporting voluntary traders, the Group does own a few stores. These stores are purchased primarily in order secure key retail sites and are therefore are not kept as long-term assets of the organisation.
SPAR Group operations outside of South Africa	The scope of SPAR Group's disclosure is limited to organisation's operations within South Africa because SPAR organisation's operations are predominantly located in South Africa, and as such, the Group can make an impact towards increased water security in South Africa. Nonetheless, SPAR Group anticipates extending the scope of reporting on foreign business operations in the future.

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

	Direct use importance rating	Indirect use importance rating	Please explain

Sufficient amounts of good quality freshwater available for use	Important	Important	<p>Sufficient amount of good quality freshwater is important to SPAR's direct operations, specifically, in SPAR stores and distribution centres, in order to maintain food safety and ensure clean water usage in the refrigeration systems. SPAR is a food retailer, managing large volumes of fresh produce as well as prepared food, in compliance food safety requirements and standards therefore freshwater is essential for safe handling and preparation of food. If a retailer uses water in the preparation of food, such water quality is tested on ad-hoc basis by an accredited laboratory to ensure that it is safe to consume. SPAR's suppliers are also required to test the quality of water to ensure that the produce SPAR receives is safe to consume.</p> <p>Sufficient amounts of good quality freshwater is also important to SPAR's value chain as insufficient amounts of good quality freshwater could have a negative impact on agricultural activities and on the amount of produce supplied to SPAR stores, with the potential for increased costs both to SPAR and its consumers.</p> <p>Future dependency on sufficient amounts of good quality freshwater available for use is likely to decrease as SPAR has seen that regions are purifying their own water. A number of trials have been conducted with the use of waterless cleaning solutions for cleaning the trucks and warehouses that are able to meet the food safety audits.</p> <p>SPAR has chosen this importance rating as it considers water quantity and quality to be important when insufficient amounts would have an impact on business, and to be vital when insufficient amounts would have a critical impact on business operations.</p>
Sufficient amounts of recycled, brackish and/or produced water	Neutral	Have not evaluated	<p>SPAR uses recycled water for activities such as washing trucks, ablution facilities and watering across SPAR's direct operations in some of its facilities. This type of water quality and quantity only becomes of significant importance when there is a shortage of water availability, as experienced in the Eastern Cape and Western Cape Regions where SPAR's Eastern Cape and Western Cape distribution centres are</p>

available for use			<p>located. Otherwise, the importance of recycled water is not evaluated as it is not essential for the continued business operations.</p> <p>At the Western Cape and Eastern Cape distribution centres, SPAR experienced that recycled water and brackish water became of importance. Both facilities had water filtration systems installed in order to purify recycled water to a standard that allowing to use such water for storage and for use in washing trucks as well as for cleaning warehouses and in ablution blocks.</p> <p>SPAR Group has not evaluated the importance of recycled, brackish and/or produced water available for use across its indirect operations and value chain as this is not as material as direct operations.</p> <p>SPAR anticipates that as it operates predominantly in a water scarce country like South Africa where water shortages and droughts are projected to increase in scope and frequency, the organisation will have to adapt and increase water efficiency across its operations as well as create closed loop systems where all water is retained in the system.</p> <p>SPAR has chosen this importance rating as it considers water quantity and quality to be important when insufficient amounts would have an impact on business, and to be vital when insufficient amounts would have a critical impact on business operations.</p>
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W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

	% of sites/facilities/operations	Please explain
Water withdrawals – total volumes	100%	This water aspect is measured and monitored for all SPAR's distribution centres and the Head Office.

		<p>Water withdrawals from municipal water sources are measured and monitored monthly, capturing information from municipal bills. Rainwater, borehole and recycled water usage is measured by use of a water meter which is placed on the outlet of the rainwater tank, providing at some sites a combined water withdrawal from rainwater, borehole and recycled water.</p>
Water withdrawals – volumes from water stressed areas	100%	<p>This water aspect is measured and monitored for all SPAR distribution centres which are situated in water stressed areas, specifically, distribution centres in Western Cape and Eastern Cape Provinces.</p> <p>Water withdrawals from municipal water sources are measured and monitored monthly, capturing information from municipal bill. Rainwater, borehole and recycled water usage is measured by use of a water meter which is placed on the outlet of the rainwater tank, providing at some sites a combined water withdrawal from rainwater, borehole and recycled water.</p>
Water withdrawals – volumes by source	100%	<p>This water aspect is measured and monitored for all SPAR's distribution centres and the Head Office.</p> <p>Water withdrawals from municipal water sources are measured and monitored monthly, capturing information from municipal bills. Rainwater, borehole and recycled water usage is measured by use of a water meter which is placed on the outlet of the rainwater tank,</p>

		<p>providing at some sites a combined water withdrawal from rainwater, borehole and recycled water.</p>
Water withdrawals quality	1-25%	<p>Water withdrawals from municipal sources quality data is currently not measured by SPAR Group for water withdrawals from municipal water sources because under the Water Services Act, municipalities must provide water that meets drinking water standards.</p> <p>SPAR monitors recycled water withdrawals quality at the Western Cape and Eastern Cape distribution centres, once the water has been through filtration plants in order to ensure that water meets food safety standards. Currently, it is not necessary to monitor water quality in other regions as municipalities provide water, which is of drinking water quality and as such, meets food safety standards. If the situation was to change, SPAR would review water quality testing.</p> <p>Currently, recycled water quality is monitored at an ad-hoc basis.</p>
Water discharges – total volumes	100%	<p>This water aspect is estimated for all distribution centres and the Head Office. Discharges are estimated at 90% of municipal withdrawals, according to the average municipal disposal charges calculations.</p> <p>SPAR captures estimated discharge water volume monthly using estimates included in municipal water bills (estimated at a percentage of municipal water</p>

		withdrawals) as all water discharges are destined for municipal sewage networks.
Water discharges – volumes by destination	100%	<p>This water aspect is measured and monitored for all SPAR’s distribution centres and the Head Office. All wastewater is discharged directly to municipal sewerage systems.</p> <p>SPAR captures estimated discharge water volume monthly using estimates included in municipal water bills (estimated at a percentage of municipal water withdrawals) as all water discharges are destined for municipal sewage networks.</p>
Water discharges – volumes by treatment method	100%	<p>This water aspect is measured and monitored for all SPAR’s distribution centres and the Head Office. All wastewater is discharged directly to municipal sewerage system and is then treated at municipal wastewater treatment plants.</p> <p>SPAR captures estimated discharge water volume monthly using estimates included in municipal water bills (estimated at a percentage of municipal water withdrawals) as all water discharges are destined for municipal sewage networks.</p>
Water discharge quality – by standard effluent parameters	Not monitored	<p>All wastewater is directly to municipal sewerage systems and then treated at municipal wastewater treatment plants. Therefore, SPAR does not monitor water discharge quality by standard effluent parameters. At the same time, SPAR Group ensures that wastewater</p>

		discharged from its operations is in line with effluent parameters that a wastewater treatment facility can accommodate. SPAR does not anticipate this water relevant aspect to be relevant in future but should SPAR start discharging water into destinations other than municipal sewage networks, SPAR would review water discharge quality testing.
Water discharge quality – temperature	Not monitored	All discharges are discharged directly to municipal sewerage systems and is then treated at municipal wastewater treatment plants. Therefore, SPAR does not monitor water discharge quality by temperature. SPAR does not anticipate this water relevant aspect to be relevant in future but should SPAR start discharging water into destinations other than municipal sewage networks, SPAR would review water discharge quality testing.
Water consumption – total volume	100%	This water aspect is estimated for all SPAR's distribution centres and the Head Office, based on the formula, where water consumption is total water withdrawals minus total water discharges.
Water recycled/reused	1-25%	SPAR Group has recycling systems implemented at five of its facilities, specifically, at its Western Cape, Eastern Cape, South Rand, KwaZulu-Natal and Lowveld distribution centres. Currently, recycled water is measured only at the Western Cape distribution centres while at the remaining five facilities, recycled water is measured together with rainwater.

		Additionally, as part of ongoing SPAR's efforts to improve water data accuracy and completeness, SPAR is in the process of installing meters that will allow measuring recycled water for each facilities where water recycling systems are installed.
The provision of fully-functioning, safely managed WASH services to all workers	100%	WASH services data is measured and monitored to comply with the Occupational Health and Safety Act and its regulations. This water aspect is managed by each region's risk department and monitored internally. Data is collected for review annually.

W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	202	Lower	<p>During the current reporting period, SPAR withdrew 188 megalitres from municipal sources, 2 megalitres from rainwater, 1 megalitre from recycled water and 11 megalitres from groundwater. In last reporting period, 227 megalitres were withdrawn from municipal sources and 8 megalitres from rainwater.</p> <p>SPAR Group has implemented a number of water saving initiatives at all its distribution centres to increase water efficiency, mitigate impacts of droughts and reduce water usage. SPAR recognises the importance of achieving water efficiencies in all its distribution centres and head offices and will continue to implement water saving strategies. As such, SPAR Group anticipates its total water withdrawals to continue being reduced in future.</p> <p>SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.</p>

<p>Total discharges</p>	<p>179</p>	<p>Lower</p>	<p>The Group discharges water directly to municipal sewerage systems. Discharged water is treated by local municipalities. The Group does not measure its water discharges volume. For four of SPAR's facilities sewage is billed at 90% of its municipal withdrawals, therefore water discharges were estimated at 90% for all facilities. The same methodology was used to estimate discharges during last reporting period. For Western Cape distribution centre, an estimated 90% discharge was applied to municipal withdrawals as well as renewable groundwater withdrawals to ensure that all discharges (both from municipal water sources and borehole water sources) are accounted for. In last reporting period, total discharges were 204 megalitres.</p> <p>SPAR Group has implemented a number of water saving initiatives at all its distribution centres to increase water efficiency, mitigate impacts of droughts and reduce water usage. SPAR recognises the importance of achieving water efficiencies in all its distribution centres and head offices and will continue to implement water saving strategies. Since, total discharges are estimated using total withdrawal figures, SPAR Group anticipates its total discharges to continue being reduced in future, in line with reductions in total withdrawals.</p> <p>SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.</p>
<p>Total consumption</p>	<p>23</p>	<p>Much lower</p>	<p>Total water consumption is estimated using a formula, where total water discharges are subtracted from total water withdrawals. Total withdrawals are lower this year compared to last year. Total discharges are estimated at 90% of municipal withdrawals, and as total withdrawals were reduced, total discharges were also reduced, leading to a reduction in total consumption. In last reporting period, total discharges were 31 megalitres.</p> <p>SPAR Group has implemented a number of water saving initiatives at all its distribution centres to</p>

			<p>increase water efficiency, mitigate impacts of droughts and reduce water usage. SPAR recognises the importance of achieving water efficiencies in all its distribution centres and head offices and will continue to implement water saving strategies. Since, total consumption is estimated using total withdrawal and total discharges figures, SPAR Group anticipates its total consumption to continue being reduced in future, in line with reductions in total withdrawals and total discharges.</p> <p>SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.</p>
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W1.2d

(W1.2d) Provide the proportion of your total withdrawals sourced from water stressed areas.

% withdrawn from stressed areas	Comparison with previous reporting year	Identification tool	Please explain
23	Lower	WWF Water Risk Filter	<p>SPAR's Eastern Cape and Western Cape distribution centres are located in water stressed areas. These sites withdrew 23% of total withdrawals compared to last reporting period where these facilities withdrew 26% of total withdrawals.</p> <p>SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.</p> <p>WWF Water Risk Filter was used as it is a readily available tool to provide an indication of potential risks with regards to water shortages. Water stressed areas were identified as per WWF Water Risk methodology.</p>

W1.2h

(W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Relevant	2	Much lower	<p>SPAR Group has rainwater harvesting installed at several of its facilities, specifically, South Rand, Eastern Cape, KwaZulu-Natal, Lowveld and Build It distribution centres as well as in the Head Office. Data provided here includes data that was available and is measured.</p> <p>A reduction in withdrawal of rainwater during the current reporting period compared to previous reporting period, could be attributed to drought, experienced in Western Cape and Eastern Cape provinces, therefore, reducing rainwater availability for rainwater harvesting.</p> <p>SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.</p> <p>SPAR anticipates withdrawals from this source to increase as part of SPAR Group's efforts to reduce reliance on municipal water sources and increase uptake of alternative water sources.</p>
Brackish surface water/seawater	Not relevant	<Not Applicable>	<Not Applicable>	SPAR does not withdraw water from this source.
Groundwater – renewable	Relevant	11	This is our first year of measurement	SPAR Group withdraws water from a renewable ground water source using a borehole at its Western Cape distribution centre. SPAR started withdrawing water from this source during the current reporting period as a response to drought experienced

				<p>and associated water restrictions from municipal water sources in Western Cape province during the current reporting period.</p> <p>SPAR anticipates withdrawals from this source to increase as part of SPAR Group's efforts to reduce reliance on municipal water sources and increase uptake of alternative water sources.</p>
Groundwater – non-renewable	Not relevant	<Not Applicable>	<Not Applicable>	SPAR does not withdraw water from this source.
Produced water	Relevant	1	This is the first year of measurement.	<p>SPAR withdraws recycled water in its South Rand Distribution Centre. Recycled water data for this facility was not available during the previous reporting year.</p> <p>SPAR anticipates withdrawals from this source to increase as part of SPAR Group's efforts to reduce reliance on municipal water sources and increase uptake of alternative water sources.</p>
Third party sources	Relevant	188	Much lower	<p>Due to drought in Western Cape and Eastern Cape provinces and imposed water restrictions as a result of drought, Eastern Cape and Western Cape distribution centres have significantly reduced the amount of water that was withdrawn from municipal sources. Additionally, as part of ongoing SPAR's efforts to improve water data accuracy and completeness, it was identified that in last year's submission, water data from municipal sources for Western Cape distribution centre was underreported, but now has been corrected.</p> <p>SPAR anticipates withdrawals from this source to decrease as part of SPAR Group's efforts to reduce reliance on municipal water sources and increase uptake of alternative water sources.</p> <p>SPAR defines comparison 'lower/higher' when there is <15%</p>

				change and 'much lower/much higher' when there is $\geq 15\%$ change.
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W1.2i

(W1.2i) Provide total water discharge data by destination.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Not relevant	<Not Applicable>	<Not Applicable>	SPAR Group does not discharge water into fresh surface water destinations.
Brackish surface water/seawater	Not relevant	<Not Applicable>	<Not Applicable>	SPAR Group does not discharge water into brackish surface water or seawater destinations.
Groundwater	Not relevant	<Not Applicable>	<Not Applicable>	SPAR Group does not discharge water into ground water destinations.
Third party destinations	Relevant	179	Lower	<p>SPAR discharges water into municipal sewage systems and then water is treated by the relevant local municipality. The Group does not meter its water disposal. For four of SPAR's sites sewage is billed as 90% of its municipal withdrawals, therefore water disposal was estimated for all sites as 90%. As SPAR's water withdrawals from municipal sources decreased this reporting period compared to last reporting period, discharges to municipal sewage systems also decreased.</p> <p>SPAR anticipates discharges to this source to decrease as part of SPAR Group's efforts to reduce reliance on municipal water sources and increase uptake of alternative water sources (discharges are estimated at a % of municipal water withdrawals).</p> <p>SPAR defines comparison 'lower/higher' when there is <15%</p>

				change and 'much lower/much higher' when there is $\geq 15\%$ change.
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W1.2j

(W1.2j) What proportion of your total water use do you recycle or reuse?

% recycled and reused	Comparison with previous reporting year	Please explain
Less than 1%	About the same	<p>SPAR Group has recycling systems implemented at six of its facilities, specifically, at its Western Cape, Eastern Cape, South Rand, KwaZulu-Natal and Lowveld distribution centres. Currently, recycled water is measured only at the Western Cape distribution centre together with borehole water extracted while at the remaining five facilities, recycled water is measured together with rainwater. Additionally, as part of ongoing SPAR's efforts to improve water data accuracy and completeness, SPAR continues to install meters across the DCs to provide more accurate water usage and collection data.</p> <p>SPAR anticipates withdrawals from this source remain the same as recycled water is only reduced through improved efficiencies in cooling equipment and is unaffected by municipal water supply. SPAR defines comparison 'lower/higher' when there is $< 15\%$ change and 'much lower/much higher' when there is $\geq 15\%$ change.</p>

W1.4

(W1.4) Do you engage with your value chain on water-related issues?

Yes, our suppliers

Yes, our customers and other value chain partners.

W1.4a

(W1.4a) What proportion of suppliers do you request to report on their water use, risks and/or management information and what proportion of your procurement spend does this represent?

Row 1

% of suppliers by number

51-75%

% of total procurement spend

51-75

Rationale for this coverage

During the 2017-2018 reporting period, SPAR has continued engaging with SPAR's house brand suppliers (SPAR brand labels), specifically with top 5 suppliers, since they contribute more than 79% of total house brand sales on a range of sustainability matters. House brand suppliers were prioritised over other suppliers as SPAR has direct control over them. All suppliers were asked to complete a questionnaire around their environmental management systems, specifically focusing on water use, energy use, transport, greenhouse gases, waste and wastewater, emissions, pollution prevention and treatment of hazardous substances.

SPAR engages with its fresh produce supplier that supply SPAR's House Brand – Freshline. As produce farmers are major water users, SPAR engages with the supplier around water saving practises and sustainable farming methods. Suppliers which SPAR has engaged with are major suppliers of SPAR house brands, and as such, there is already a number of supplier agreements in place. Queries around house brand suppliers' business operations are not uncommon, and therefore, suppliers are willing to provide information. Some of SPAR's major house brand suppliers already report to CDP and therefore have the information requested by SPAR at hand.

Impact of the engagement and measures of success

As part of this engagement SPAR has continued to create a baseline around work that suppliers currently have in place, including identification of opportunities and risks that current house brands operations pose. No additional data was collected in addition to the data that was collected in previous reporting period, however, SPAR has started including additional packaging suppliers to the pool of suppliers which were requested to submit environmental data. SPAR is in the process of development environmental targets and goals that would best influence suppliers and anticipates incorporating such goals and targets into supplier agreements. SPAR anticipates reporting additional feedback on opportunities that have been identified and optimised in the CDP Water reporting next year.

Comment

W1.4b

(W1.4b) Provide details of any other water-related supplier engagement activity.

Type of engagement

Innovation and Collaboration

Details of engagement

Educate suppliers about water stewardship and collaboration

% of suppliers by number

51-75%

% of total procurement spend

1-25%

Rationale for the coverage of your engagement

SPAR has engaged with suppliers and trained them on biological farming methods, including water efficient farming methods which has reduced water usage in comparison to conventional farming practises. SPAR has also made an investment through a form of a loan in water efficient infrastructure, namely an undercover hydroponic lettuce production system, to mitigate the impacts of climate change and reduced water availability to its lettuce producers.

Impact of the engagement and measures of success

75% Freshline suppliers have been trained in biological farming methods.

To date SPAR to has invested through loan financing R 13.4 million into the hydroponic lettuce production system, which has reduced water consumption by 90% for SPAR farmers producing lettuce.

Comment

(W1.4c) What is your organization's rationale and strategy for prioritizing engagements with customers or other partners in its value chain?

SPAR stores are considered to be one group of SPAR's customers. Stores have been considered in the development of the Group's new strategy to ensure that stores are equipped and resilient to climate change. Otherwise, if stores are not sufficiently equipped to deal with climate change, the Group would lose business. Additionally, 15% of SPAR stores have been engaged with around green building practices, which include among other aspects, water management. SPAR recommends metering and energy and water saving technology to the retailers through various touch points, however it is ultimately at the retailers discretion whether they would like to install or make use of these technologies. Many of SPAR's corporate stores have real time metering installed.

SPAR recognises that ecosystems within catchments areas affect the quantity and quality of the water that is used by SPAR's operations, having an impact on SPAR's direct operations and suppliers. As such, SPAR engages with its value chain partners in order contribute towards the maintenance and rehabilitation of local ecosystems.

SPAR Eastern Cape distribution centre is a major stakeholder in the Bluewater Bay catchment. As a member of the community that uses that natural resources in the surrounding environment,

it is in SPARs best interest to invest in rehabilitation of the local environment of the Swartkops River. The Swartkops River is polluted by sewage from an ineffective sewage depot upstream from the Kwanagxabi river and pollutes the wetland downstream. The wetland is of an ecological importance, providing a home for a number of species and reducing the impact of flooding and storm surges. The Swartkops River is also polluted with plastics which are polluting the ecosystem and the ocean, and as a result ecosystem services are diminished. As part of SPAR Eastern Cape strategy to Rethink the bag, SPAR assists with the removal of plastics and other rubbish from the river through awareness campaigns and donations.

SPAR's Western Cape distribution centre has engaged with City of Cape Town local municipality , local surrounding industry and business to create plan to contribute towards protecting local ecosystems. The focus of the plan is to engage with industry and municipality about protecting water resources, in particular the Table Mountain Ground Water Aquifer and surround wetlands, however, further detailed information will be included in future reporting.

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?

Yes

W2.1a

(W2.1a) Describe the water-related detrimental impacts experienced by your organization, your response, and total financial impact.

Country/Region

South Africa

River basin

Berg-Olifants

Type of impact driver

Physical

Primary impact driver

Drought

Primary impact

Increased capital costs

Description of impact

South Africa has experienced drought which significantly impacted the Western Cape and Eastern Cape Regions. City of Cape Town (SPAR's Western Cape Distribution Centre is

located within the City of Cape Town) implemented scaling water restrictions and increased water tariffs to reduce water consumption by business and residents. This has resulted in the increased cost of business for SPAR's operations.

As a result of a threat for the City of Cape Town to run out of water, SPAR's Western Cape distribution centre had to increase the uptake of water efficiency technologies which reduce water usage and increase water supply from alternative sources.

Additionally, because of water shortages, Western Cape distribution centre was not able to use municipality supplied water to clean its trucks and warehouses and had to invest in more expensive chemical-based waterless solutions.

Primary response

Adopt water efficiency, water re-use, recycling and conservation practices

Total financial impact

R7 000 000

Description of response

To address the risk of water supply disruptions and limited water availability in Western Cape Distribution Centre, SPAR has invested R7 million into water efficiency technologies and increased water harvesting infrastructure. As a result of the investment in infrastructure, Western Cape distribution centre has significantly increased its water security as now less than half of its water supply (47%) comes from municipal water sources/ Western Cape distribution centre is limited by space in order to recover and store additional water as rainwater catchment plans have been delayed until additional storage space and adequate recovery can be put in place. Currently, it is difficult to collect rainwater in the Western Cape Distribution Centre as downpipes have been built into concrete columns and alternative arrangements for water collection are being explored.

Additionally, Western Cape distribution centre has implemented water harvesting from the defrost cycle, specifically diverting water from defrost drain to rainwater (JoJo) collection tanks at centralised water collection system. Such water is then put through water filtration system and then is used to clean trucks and in ablution facilities. Western Cape distribution centre has also installed an adiabatic cooling system, which uses cooling pads made from organic material to cool surrounding air which in turn cools the NH₃, providing cool air for refrigeration. The system recycles water until the water quality is too poor to be used and then water is discharged. This allowed Western Cape distribution centre to go from using 50kl per a condenser to 350l per condenser, achieving 98 % reduction in water usage per condenser.

Country/Region

South Africa

River basin

Mzimvubu-Tsitsikamma

Type of impact driver

Physical

Primary impact driver

Drought

Primary impact

Increased capital costs

Description of impact

SPAR's Eastern Cape Distribution Centre (located in the Eastern Cape region) has also been affected by the impact of drought, during the current reporting period. Eastern Cape Distribution Centre has also been impacted by water restrictions but managed to stay below the limit due to water harvesting and rainwater collection practices implemented in the Eastern Cape Distribution Centre.

Primary response

Adopt water efficiency, water re-use, recycling and conservation practices

Total financial impact

0

Description of response

Eastern Cape distribution centre in order to address the impacts of drought had to ensure that all pipe leaks have been fixed as well as increased recovery of water through water harvesting techniques (rainwater collection). This has resulted in 20% reduction in water consumption in current reporting period compared to the previous reporting period. Additional reductions are anticipated to be achieved and reported in the next reporting period.

In the Eastern Cape distribution centre, rainwater is collected from the roof and is now used to wash trucks. Wastewater from truck wash station goes through a 6-chamber stormwater drain before it is released. This distribution centre currently has to clean municipal water through reverse osmosis and UV lighting in order to use water in the plant room. Additionally, Eastern Cape distribution centre is receiving and installing new condensers which will be more water efficient.

Eastern Cape distribution centre currently in the process of constructing a new facility on a new site, and therefore, have chosen not to invest further on the current site such as water efficient technologies because they will be adapted into the new site. The Nelson Mandela Bay municipality where SPAR's Eastern Cape distribution centre is located decided that industry would not have increased tariffs for businesses despite decreased water availability.

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

No

W3. Procedures

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?

Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Direct operations

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of other company-wide risk assessment system

Frequency of assessment

Six-monthly or more frequently

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Enterprise Risk Management

Tools and methods used

Other, please specify

Internal Company methods – BarnOwl Enterprise Risk Management process

Comment

Supply chain

Coverage

Partial

Comment

Water risks are assessed for all distribution centres and are considered from the current state up until six years into the future. Water risks are considered under the primary concern that long-term infrastructure failure would negatively affect the business. The supply chain including suppliers are considered in the risk analysis however mitigation and adaption solutions are not always prioritised.

Other stages of the value chain

Coverage

Partial

Comment

Water risks are assessed for all distribution centres and are considered from the current state up until three years into the future. Water risks are considered under the primary concern that long-term infrastructure failure would negatively affect business. The value chain including SPAR stores are considered in the risk analysis however mitigation and adaption solutions are not always prioritised.

W3.3b

(W3.3b) Which of the following contextual issues are considered in your organization's water-related risk assessments?

Contextual issue	Relevance & inclusion	Please explain
Water availability at a basin/catchment level	Relevant, always included	<p>Water availability at a basic/catchment level is a highly relevant issue for SPAR Group across its operations and value chain. This contextual issue is relevant and always included in water-related risks assessments.</p> <p>Water availability at a basin/catchment level influences the effectiveness of Group's operations in terms of compliance, specifically in relation to health and safety guidelines that are necessary to abide by as a food retailer, in terms of ensuring that staff are able to operate on site, in terms of use of water for the cooling tower as well as ensuring and improving safety of the site.</p> <p>This contextual issue is considered as risk associated with limited or insufficient water availability would have a negative impact on the business operations.</p> <p>Water availability at a basic/catchment level could also have an impact on SPAR's value chain. It could impact SPAR's suppliers, especially SPAR's suppliers of fresh produce, as they would be unable to grow crops, and this could lead to shortage of produce and result in increased prices. Transportation operations within SPAR's supply chain would also be impacted as was in the Western Cape during drought when there was a shortage of municipal water. Demand for bottled water has increased, yet this product is heavy and of low value. Additional trips had to be made to transport and stock sufficient amount of water to meet increased demand. This has increased emissions and decreased revenue as additional transportation has incurred additional costs.</p> <p>Retailers could also be affected by a shortage of water as they would not be able to maintain health and safety within SPAR</p>

		stores with no water, and therefore, couldn't operate or would have to further invest in water storage or purchase water.
Water quality at a basin/catchment level	Relevant, not included	<p>Water quality at a basin/catchment level is relevant, however, it is not always considered/included in risk assessments. Risks associated with water quality at a basin/catchment level are assessed on an ad-hoc basis as issues arise.</p> <p>Water quality is not always considered as it was determined that the likelihood of this occurring was low. However, SPAR recognises that should this issue become more frequent in occurrence or in magnitude, it would be included in risk assessments.</p> <p>The quality of water can impact the effectiveness and cost of operations since low quality water needs to be purified in order to be used for a number of operations such as ozone and adiabatic cooling systems for SPAR's refrigeration plants. Low quality water would also require additional cleaning or purchase of drinking water to ensure that there is sufficient drinking water onsite.</p> <p>Water quality at a basin/catchment level could impact all stages of SPAR's value chain, including direct operations, supply chain as well as other parts of the value chain through increased costs and decreased efficiencies. Impact on direct operations has already been mentioned above. SPAR's supply chain could be impacted as SPAR suppliers in order to comply with food safety standards would have need to invest in water purifiers and potentially introduce an increase to the cost of product. Additionally, this could lead to increased use of electricity and associated emissions.</p> <p>Water quality at a basin/catchment level could have the largest impact on retailers as they are most reliant on the supply of good clean drinking water to maintain food safety standards in store when preparing food.</p>
Stakeholder conflicts concerning water resources at a basin/catchment level	Not considered	<p>Current stakeholder conflicts concerning water resources has not yet been evaluated in risk assessments.</p> <p>This issue has currently not arisen; should this change or should SPAR see a decrease in water resources available within catchments this will be reassessed.</p> <p>SPAR is not a big upstream user and does not have a major impact on downstream users. SPAR would most likely be affected by suppliers as some of them are large water users affecting stakeholders within the catchment as well as downstream water users. If this was to affect the productivity of SPAR's suppliers, there could be a shortage in produce from supplier. Then SPAR would have to source products and produce elsewhere, and this could increase associated cost.</p>

		<p>SPAR would need to absorb increased cost or pass the cost onto the retailer and in turn to consumers.</p> <p>Such increased cost could impact the demand for goods and services from SPAR and affect the overall revenue for the Group. SPAR has included water usage as a question for suppliers and their geographical location to conduct a risk assessment on the likelihood of conflicts to occur as a result of insufficient water resources.</p>
Implications of water on your key commodities/raw materials	Relevant, always included	<p>Implications of water on key commodities/raw materials risks are assessed as issues arise.</p> <p>2017 was the first time that a major drought has impacted SPAR's business operations and some key commodities and raw materials. As a result, larger focus has been placed on suppliers at risk, including vulnerable farmers in water risk areas, to provide consultation and assist with training and investment in infrastructure. This helps SPAR to ensure a secure supply chain and that implications of limited water resources on SPAR's key commodities and raw materials are kept to a minimum</p>
Water-related regulatory frameworks	Relevant, not included	<p>Regulatory frameworks are relevant, however, they are not yet included in risk assessments.</p> <p>Regulatory frameworks are continuously monitored within SPAR's business. SPAR's data analytics consultants ensure that SPAR Group is kept informed of any relevant changes to regulations and legislation that may affect/impact the business. Current regulatory frameworks have not impacted SPAR's business operations but will be reassessed should this change in the future.</p>
Status of ecosystems and habitats	Relevant, always included	<p>Current status of ecosystems and habitats at a local level have been evaluated and are always included in risk assessments.</p> <p>Where ecosystems and natural habitats have been impacted by SPAR's business operations, SPAR ensures that status of ecosystems and habitats is tracked. SPAR recognises that ecosystems within catchment areas affect the quantity and quality of water that is used by SPAR's operations, impacting SPAR's direct operations and suppliers.</p>
Access to fully-functioning, safely managed WASH services for all employees	Relevant, always included	<p>Access to fully functioning WASH services for all employees have been evaluated and included in risk assessments as it can have an impact on SPAR's direction operations.</p>

Other contextual issues, please specify	Not considered	No other water risks have been evaluated in risk assessments.
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W3.3c

(W3.3c) Which of the following stakeholders are considered in your organization’s water-related risk assessments?

Stakeholder	Relevance & inclusion	Please explain
Customers	Relevant, always included	<p>SPAR’s customers, a current SPAR’s stakeholder, are factored into SPAR’s water risk assessments.</p> <p>Customers directly impact the demand for goods and services from the group. A reduction in demand would negatively impact the success of SPAR. Customers are therefore included in water risk assessments as they could make a significant impact and have direct influence on SPAR’s. As demand from customers could have an impact on the entire supply chain, it is considered that it could affect all three stages of the value chain.</p> <p>Customers are relevant to SPAR in all regions where it has business operations.</p>
Employees	Relevant, always included	<p>Employees are factored into SPAR’s water risk assessments.</p> <p>Employees enable achievement of business efficiencies as well enable SPAR business to operate. Should there be hinderance to employees’ ability to work (for example, having to collect drinking water for their household as was proposed in the Western Cape province during drought), this could lower employee productivity, increase business inefficiencies or reduce the number of dispatched cases. Therefore, this could have an impact on all stages of SPAR’s value chain, especially on SPAR’s direct operations.</p>
Investors	Relevant, always included	Investors are factored into SPAR’s water risk assessments
Regulators	Relevant, always included	Regulators are factored into SPAR’s water risk assessments.
River basin management authorities	Relevant, not included	River basin management authorities are relevant to SPAR’s water risk assessments, however, they have not yet been included. This stakeholder will be considered and integrated in SPAR’s climate change plan, which will consider risks related to climate change and water resources. The plan will be developed in the near future.

Statutory special interest groups at a local level	Relevant, not included	Special interest groups impact on water risks has not yet been evaluated. This stakeholder will be considered and integrated in SPAR's climate change plan, which will consider risks related to climate change and water resources. The plan will be developed in the near future.
Suppliers	Relevant, always included	Suppliers are relevant to SPAR's water risk assessments.
Water utilities at a local level	Relevant, not included	Water utilities / suppliers / municipalities are relevant to SPAR's water risk assessments, however, they have not yet been factored into water risk assessments.
Other stakeholder, please specify	Not considered	Other stakeholder impacts on water risks has not yet been evaluated.

W3.3d

(W3.3d) Describe your organization's process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

SPAR Group's water-related risks are identified and assessed through the Enterprise Risk Management process. The process extends from the Executive level (company level) down to functional levels at SPAR distribution centres (asset/business level). The current risk management process allows various business units and functions to get exposure to critical risks and opportunities identified at the company level as well as for specific risks and opportunities that have been identified at the Distribution Centre level to feed back into the group level risk management framework. Regular feedback sessions are held at internal conferences (company level) and executive meetings at distribution centres (business unit/asset level) throughout the year to communicate to the management of existing risks and opportunities and assist in identifying potential new risks and opportunities in order to maintain the company's Risk Register.

Risks are managed by the Board through the Risk Committee to ensure that risks are managed and mitigated. The Committee bi-annually identifies and reviews the key risk indicators (KRIs) which are assigned to each risk, including climate-related risks. KRIs determine the likelihood and the impact of risks within the Risk Register and devises detailed action plan to mitigate key risks. Group Strategy, Sustainability and Risk Executive attends all risk committee and board meetings by invitation.

All water-related risks are identified and assessed within SPAR's long-term horizon, between 10- and 30-years timeframe. Water-related risks which are identified at the Distribution Centre level

are consolidated at the Group level before being assessed. Severity of the risk is based on the financial impact on investment/asset, financial impact on operating profit, the impact on health and safety, environment and community as well as effect on the reputation of the brand. A risk owner is assigned to each risk. A mitigation plan will be discussed with relevant parties and a way forward agreed. The risk owner is then responsible for the monitoring the possibility that the risk will occur and taking required mitigation steps to manage the risk.

Outcomes from the risk assessments are reviewed by the risk committee and presented to the board. These risks are used to guide strategy and influence budgeting of CAPEX and OPEX, in line with the Group's strategy.

All water-related risks are identified and assessed within SPAR's long-term horizon, between 10- and 30- years timeframe. All water-related risks are considered in the context of all value chains stages for SPAR Group, namely direct operation, supply chain as well as other stages of the value chain.

Water risks were identified and evaluated as long term infrastructure failure could negatively affect business as well as have a negative impact on these retailers, suppliers, consumers and communities. Primary water risks assessed and prioritized for the Group and the value chain include water rationing implemented across distribution centres as well as impact from El Nino driven drought in South Africa.

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes, both in direct operations and the rest of our value chain

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

SPAR Group has identified four material relationships which have a substantive impact on the group's sustainability, namely retailers, suppliers, consumers and communities. These four relationships are vital to the growth of the organisation.

SPAR defines a direct substantial change as an impact that affects SPAR's distribution centres, for example, affected operating expenses, number of cases dispatched or revenues.

SPAR defines an indirect substantial change as an impact affecting SPAR's independent retailers, supplier, consumers and communities. Substantive impact is measured using a risk rating model which considers financial impact on investment/assets and operations, impact on health and safety, environment and communities as well as brand reputation. For example, if a

risk has a financial impact of more the R120 million on operating profit, it is classified as a catastrophic risk.

W4.1b

(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?

Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
2	1-25	South Africa remains a water scarce country and as such SPAR's facilities across the country remain exposed to water risks. SPAR's Western Cape and Eastern Cape distribution centres were affected by the El Nino driven drought. These facilities had to implement water reduction and water efficiency interventions to ensure that operations could continue unhindered.

W4.1c

(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive impact on your business, and what is the potential business impact associated with those facilities?

Country/Region

South Africa

River basin

Berg-Olifants

Number of facilities exposed to water risk

1

% company-wide facilities this represents

1-25

% company's total global revenue that could be affected

1-25

Comment

Western Cape distribution centre is located within Berg-Olifants river basin.

Country/Region

South Africa

River basin

Mzimvubu-Tsitsikamma

Number of facilities exposed to water risk

1

% company-wide facilities this represents

1-25

% company's total global revenue that could be affected

1-25

Comment

SPAR Eastern Cape distribution centre is located within Mzimvubu-Tsitsikamma river basin.

W4.2

(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Region

South Africa

River basin

Other, please specify
South Africa Water Management Areas

Type of risk

Physical

Primary risk driver

Drought

Primary potential impact

Supply chain disruption

Company-specific description

During the reporting period, drought was experienced across South Africa, with the Western Cape and Eastern Cape provinces being most affected. As a result of reduced water availability in the Western Cape, SPAR installed infrastructure to the cost of R7 million, allowing for SPAR to reduce its reliance on municipal water sources, additional costs were incurred through sourcing waterless cleaning solutions as well as the cost of transporting additional water to its

stores. The Western Cape distribution centre was also required to truck product from other regions to provide stock to stores, as a result of additional transport costs, there was an increase in product costs and prices. As a result of reduced rainfall, 45% of SPAR's commercial farmers, where 18 % in the Western Cape and 27% in the Eastern Cape experienced lower crop yields and reduced availability. Less than 5% of the commercial farmers were able to rent land in less drought stressed geographical locations. 40 % of SPAR's small-scale farmers were unable to provide sufficient produce as a result of the drought and therefore had to leave the SPAR's Rural Hub programme. As a result of reduced crop yield, the price of products has increased, many of the business operations including retail tried to absorb this cost by reducing their margins.

Timeframe

Current up to 1 year

Magnitude of potential impact

Medium-high

Likelihood

Virtually certain

Potential financial impact

R 1 - 5 million

Explanation of financial impact

As a result of water rationing, an increase in water tariffs, investment in infrastructure, increased transport costs, we have accepted this as a material issue and therefore estimate financial impact to be between R 1 – 5 million.

Primary response to risk

Water-related capital expenditure

Description of response

Drought was experienced by the Western Cape distribution centre in 2018 while Eastern Cape distribution centre is still affected by restricted water usage, and as such, drought response is still ongoing. As a result, SPAR continues to implement water efficiency systems which allow to reduce water usage and increase water supply from alternative sources. SPAR has already completed water assessments for two of its facilities, specifically, Western Cape and KwaZulu-Natal distribution centres, and has begun doing on site water assessments for any outstanding sites to optimise water usage and increase water efficiencies. SPAR has either a water recycling or rainwater collection systems implemented at all distribution centres to mitigate impacts of the drought and to continue reducing organisation's exposure to water-related risks.

SPAR Group has started to develop a specific climate change plan and policy with water reduction goals and targets. Drought response has improved SPAR's resilience and

reduced dependence on external water resources because of investments in infrastructure and training of suppliers. Additionally, drought response has increased water security for SPAR, especially for its Western Cape distribution centre (only 47% of used water is supplied by municipality).

SPAR's response to drought simultaneously contribute towards the achievement of UN Sustainable Development Goals, namely Goal 6 – by 2030 increase water use efficiencies across all sectors, ensure sustainable withdrawals, Goal 11 – by 2030, enhance inclusive and sustainable urbanization and participatory, Goal 12 – by 2030 achieve sustainable management and efficient use of natural resources and Goal 13 Integrate Climate Change measures into natural polices and strategies and planning.

Cost of response

R 5 500 000

Explanation of cost of response

To improve its reliance and reduce its reliance on municipal water supply, each of the sites have installed water saving initiatives including water recycling and rainwater collection. In the Western Cape site, a borehole was drilled in June 2017 at a cost of R186 000 with additional cost of testing the water and installing water storage tanks. The borehole provides the site with 10 000l/hour. This water is purified and stored in tanks and is then used in the adiabatic cooling system, ablutions and the cleaning of the trucks and warehouse. The adiabatic cooling system has reduced the amount of water required for cooling by 98 %, the installation and purchase of the site cost R5.5 million. The Western Cape also installed a water monitoring tool to detect any leaks on site so that the issue can be resolved timeously. Other sites including the Eastern Cape Site, collect water from the ozone system in the NH3 plant, this water is used to wash trucks and in the facilities ablutions.

Country/Region

South Africa

River basin

Other, please specify

South Africa Water Management Areas

Type of risk

Regulatory

Primary risk driver

Higher water prices

Primary potential impact

Increased operating costs

Company-specific description

There is uncertainty around the future of water legislation in South Africa, specifically relating to water tariffs. Currently, water tariffs are low and this does not motivate for water efficiency. Should water tariffs increase significantly, it will impact SPAR's operating costs.

An increase in water tariffs would increase operating costs for business and this would mean that SPAR Group would need to absorb the cost or pass the cost onto its retailer. SPAR considers that a 5% increase in water tariffs would have a material impact on the operating costs of the business. At the same time, an increase in water cost would encourage investment in water collection, harvesting and/or recycling practices as the payback period would be reduced.

SPAR facilities located in areas identified as water scarce are likely to be more impacted than others. This is mostly applicable to Western Cape and Eastern Cape distribution centres (located in Western Cape and Eastern Cape provinces which already experienced negative impacts from drought) as well as potentially North Rand and South Rand distribution centres (located in Gauteng region).

Timeframe

1 - 3 years

Magnitude of potential impact

High

Likelihood

More likely than not

Potential financial impact

R 242 319

Explanation of financial impact

Average cost of water tariffs for regions where SPAR's distribution centres are located were R 25.73/kl during the current reporting period. During this period, SPAR has used a total of 188 355 kl, which resulted in the estimated cost of R 4 846 374. A 5% increase in the tariff, up to R 27/kl, would make the estimated cost of water to be R 5 088 693. Water cost would increase by R 242 319, if 5% increase in water tariff was introduced.

Primary response to risk

Engage with regulators/policymakers

Description of response

SPAR Groups remains up to date with latest water legislation and regulations. Should the Group establish that tariffs are increasing or regulation may change significantly, SPAR would engage with policy makers.

An ongoing SPAR's response to this risk involves monitoring for any legislative changes. A consulting data analytics company tracks all new legislation and regulations, and if changes are relevant to SPAR, the company's secretary is informed. Subsequently, this person informs all relevant parties and bodies within SPAR that are likely to be affected by changes in legislation.

SPAR's response to the risk of higher water prices could lead to more engagement and discussions with policy makers around water regulation and best ways to protect water resources while ensuring continuity in business operations. Collaboration and stakeholder engagement would provide improved resilience for the ecosystem and improved reliance for SPAR, therefore reducing future impacts. However, it is not possible to determine at this point how SPAR's current response to the risk of higher water prices has improved water security to SPAR or other users.

Cost of response

R 900 000

Explanation of cost of response

Currently one internal person is managing this risk through monitoring latest legislation at the cost of R 900 000 annually.

W4.2a

(W4.2a) Provide details of risks identified within your value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Region

South Africa

River basin

Berg-Olifants

Stage of value chain

Supply chain

Type of risk

Physical

Primary risk driver

Drought

Primary potential impact

Other, please specify
Water supply disruption

Company-specific description

In 2018 South Africa experienced the worst drought since 1982 and five provinces were declared as agriculture disaster areas. This drought in South Africa has had a significant impact on the agricultural sector. Increased cost of production due as a result of reduced yield has been partially absorbed by suppliers, direct operations and retailers as well as customers. SPAR's supply chain was affected by increased demand for bottled water which is a low-cost product but is heavy to transport, therefore prompting increased transport costs and increased emissions. A drier climate enabled a rapid spread of avian bird flu, which has resulted in many of SPAR's farmers and suppliers having to cull their stock, with SPAR's suppliers located in the Western Cape particularly hard hit.

Due to drought SPAR has experienced in Western Cape and Eastern Cape regions that products such as stone fruit and pome fruit have increased in prices, however, these increases were only quantified in the later part of 2018 and quantitative impact will be reported in the next reporting period. In Limpopo province, SPAR's small-scale emerging suppliers have reported reduced yields due to reduced water availability, and therefore, SPAR therefore had to source produce from other regions and suppliers. Subsequently, these small-scale emerging left SPAR's Rural Hub Development Programme

Fortunately for SPAR, drought to an extent was localised and SPAR was able to source products available from other geographical regions, therefore, minimally impacting SPAR's supply chain. With SPAR Branded products and Freshline there is a national pricing structure so not one particular region was significantly negatively impacted.

Timeframe

1 - 3 years

Magnitude of potential financial impact

High

Likelihood

More likely than not

Potential financial impact

R 3030.54 million – R 5050.9 million

Explanation of financial impact

Should SPAR has done no engagement and training with its suppliers and if drought had impacted the entire country, it is estimated that SPAR could have lost as much as 3 – 5% of total revenue. Taking 2017/2018 turnover as a baseline, the impact could cost SPAR between R 3030.54 million – R 5050.9 million.

Primary response to risk

Other, please specify

Promote best practice and awareness

Description of response

The impact from drought in South Africa on the agricultural sector is significant. As a retailer, SPAR Group and its independently owned stores are at risk. In response to this risk, SPAR Group promotes awareness around water efficiency. Additionally, SPAR engages with its suppliers to assist those which are the most significantly impacted.

SPAR's ongoing response to impact of drought across its supply chain has involved working with and training its suppliers to ensure that farmers are prepared for adverse climate change conditions such as drought. SPAR has trained 75% of Freshline suppliers and continues to offer training. In addition, to date 44 emerging farmers that are part of the Rural Hub Programme have completed training on local GAP Standard. As a result, farmers have adopted more sustainable farming practices and invested in infrastructure, which enables water to be used more efficiently and effectively. SPAR has invested in the form of a loan R13.4 million to assist lettuce suppliers with new infrastructure, specifically, undercover hydroponic lettuce production systems, which has allowed lettuce suppliers to reduce water usage by 90%, and as such, SPAR has improved water security to its suppliers. At the same time, reduction of water usage by 90% by lettuce suppliers has freed up that amount of water that would have been used otherwise to other downstream users within the catchment, reducing pressure on this resource.

SPAR communicates to its House Brand suppliers supply chain opportunities and risks, and when these risks and opportunities are identified and communicated to SPAR, SPAR is able to assist its suppliers/retailers with investment in equipment/infrastructure where necessary. SPAR has a big enough buying power to benefit from discounts of bulk buying, which is passed onto the suppliers, allowing to derive monetary savings.

SPAR ensures that impacts for suppliers which are significantly impacted are mitigated and its supply chain less vulnerable. SPAR has engaged with its SPAR Brand suppliers, specifically, with top 5 SPAR Brand suppliers (as they contribute towards 79% of total house brand sales) SPAR engages with its House Brand produce suppliers, Freshline, to date 75% of Freshline suppliers have attended sustainable farming methods. SPAR has commenced with an internal survey to create a baseline on what suppliers considered as their water and energy risks and what measures they put in place to mitigate those risks.

Cost of response

R 16 255 000

Explanation of cost of response

To date training of farmers on local GAP Standard amounted to R 440 000, training of Freshline suppliers – R 315 000. Investment in the form of a loan in infrastructure for suppliers amounted to R 13.4 million. 2 internal staff managing Freshline and SPAR Brands amounts to R 2.1 million annually.

Country/Region

South Africa

River basin

Mzimvubu-Tsitsikamma

Stage of value chain

Supply chain

Type of risk

Reputation & markets

Primary risk driver

Other, please specify
Brand damage

Primary potential impact

Brand damage

Company-specific description

Sufficient availability of quality water is a risk to the SPAR Group, therefore SPAR focuses on the rehabilitation of a river in the Eastern Cape as a method to mitigate this risk as well as to improve our environmental performance in the region. SPAR anticipates brand damage to be a potential risk if the organisation doesn't engage with local communities or attend to environmental concerns in the regions it operates.

Customer perception and brand image is influenced by the communication of organisation's environmental performance. As such, SPAR communicates that it is driven by the communities needs and is a member of the community, and therefore needs to contribute towards to the environment in which it is situated. SPAR's environmental performance is communicated online through social media and through instore point of sales. We aim to improve this communication going forward.

Timeframe

1 - 3 years

Magnitude of potential financial impact

Medium-high

Likelihood

About as likely as not

Potential financial impact

R 3030.54mill – 5050.9mill

Explanation of financial impact

If it was perceived that SPAR was damaging the environment within which it is situated or not contributing significantly towards the improvement of the local environment, this

could lead to negative impact or damage to the brand image. It is estimated that this could result in 3 - 5% loss of total revenue, amounting to R 3030.54 million – 5050.9 million.

Primary response to risk

River basin restoration

Description of response

SPAR Eastern Cape distribution centre is a major stakeholder in the Bluewater Bay catchment. As a member of the community that uses that natural resources in the surrounding environment it was in SPARs best interest to invest in rehabilitating the local environment of the Swartkops River. The Swartkops River is polluted by sewage from an ineffective sewage depot upstream from the Kwanagxabi river and pollutes the wetland downstream. The wetland is of an ecological importance, providing a home for a number of species and reducing the impact of flooding and storm surges. The Swartkops River is also polluted with plastics which are polluting the ecosystem and the ocean, and as a result ecosystem services are diminished. As part of SPAR Eastern Cape strategy to Rethink the bag, SPAR assists with the removal of plastics and other rubbish from the river through awareness campaigns and donations.

Cost of response

R 400 000

Explanation of cost of response

SPAR contributes R 20 000/month to the project as well as additional contributions towards equipment such as surfboats for collection and awareness campaigns. The total estimated cost for the current reporting period is R 400 000.

Country/Region

South Africa

River basin

Other, please specify

South Africa Water Management Areas

Stage of value chain

Supply chain

Type of risk

Physical

Primary risk driver

Flooding

Primary potential impact

Supply chain disruption

Company-specific description

SPAR's supply chain relies on transportation of perishable goods to and from distribution centres. Flooding, which could affect transportation networks, could impact SPAR's supply chain distribution network, causing delays and potentially resulting in a loss of perishable items reaching SPAR's retailers in time. SPAR operates nationally and therefore, flood in any region could affect logistical operations. Distribution centres that are more isolated or with stores located in remote regions would be more impacted than others.

For example, SPAR's North Rand, South Rand and Lowveld distribution centres are within a close proximity to each other, and therefore, would be able to provide support to each other should a flooding occur. On the other hand, in the Eastern Cape region, where SPAR's Eastern Cape distribution centre is located, stores are more remotely located and trucks from this distribution centre would have to travel longer distances to reach remote stores.

This is also applicable to suppliers delivering product to SPAR's distribution centres. SPAR's Eastern Cape and South Rand distribution centre has already been impacted by weather conditions such as snow and this may continue to intensify as climate change impacts become increasingly prevalent. Increase in snow could lead to trucks being unable to deliver products. This could cause increased fuel usage due to longer time taken to deliver products, loss of perishable goods or shortages instore. Customers might not want to shop where a range of products is not available, and this could lead to a loss of customers and a loss of revenue.

Timeframe

4 - 6 years

Magnitude of potential financial impact

Medium

Likelihood

About as likely as not

Potential financial impact?

0

Explanation of financial impact

Potential financial impact has not been quantified

Primary response to risk

Map supplier water risk

Description of response

SPAR's strategy is to analyse high risk flood areas and potential impacts on the Group. SPAR's has completed an initial data collection on projected areas that are vulnerable to flooding, using the research compiled by Department of Science and Technology on South African Risk and Vulnerability Atlas. Additionally, SPAR aims to continue researching this risk to be used to run models on various scenarios.

SPAR also engages with suppliers, in preparation for an extreme flooding event to occur. An ongoing response to this risk by SPAR Group has been to communicate with suppliers and understand their maturity in relation to climate change risks and opportunities as well as to use their site location to identify areas that are most vulnerable to flooding, drought, etc. Through the engagement SPAR can mitigate flooding risks by utilising alternative routes, minimising the volume of perishables transported, assisting vulnerable suppliers, among other actions. SPAR is considering running scenarios for stores and regions to better understand which areas of the business would be most impacted by flooding and is creating an overarching plan that would enable SPAR to mitigate impacts in case of extreme flooding events. Investment in the surrounding catchment areas to ensure that ecosystem services, including river systems, are sustainably managed could be considering as an example of a mitigation measure taken manage risk associated with floods. SPAR has already started discussions with local municipalities on how to assist municipalities in meeting their climate change mitigation and adaptation goals and targets

SPAR has identified this risk as material one for its business, and as result, SPAR has begun putting together proposal for mitigation impacts of flooding, with the aim to improve SPAR's resilience to future events. The outlined actions would lead to an improvement in water security for SPAR and other users.

Cost of response

R1 020 000

Explanation of cost of response

The cost of 3 internal staff, including a risk and strategy project manager, a sustainability manager and a sustainability specialist, amounts to R1 020 000 annually. SPAR anticipates that going forward there will be additional costs, involving cost of the data monitoring tool as well as undertaking scenario modelling, however, these costs have not been calculated yet.

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity

Efficiency

Primary water-related opportunity

Improved water efficiency in operations

Company-specific description & strategy to realize opportunity

SPAR Group has identified various methods to improve water efficiency and to reduce costs associated with procuring water from local municipalities. These methods include rainwater harvesting and recycling of water. SPAR collects water condensate from Ammonia plants (during the cooling process the NH₃ plant creates excess water) and utilises it to wash trucks. Water is also collected during refrigeration frost cycle and stored in tanks for further use.

These methods allows SPAR to collect and reuse water that would otherwise go to waste, increasing water availability, improving water security, increasing resilience to water shortages and future water tariff increases as well as decreasing reliance on water from municipal water sources.

Estimated timeframe for realization

1 to 3 years

Magnitude of potential financial impact

Medium

Potential financial impact

R2 500 000

Explanation of financial impact

If SPAR was to reduce total municipal water usage by 50% across the business, assuming that the average water tariff is at R 25.73 kl, SPAR could save R2.5 million annually.

Type of opportunity

Resilience

Primary water-related opportunity

Increased resilience to impacts of climate change

Company-specific description & strategy to realize opportunity

SPAR Group reports water withdrawals as part of SPAR's scope 3 emissions. Therefore, water savings can be expressed as kilolitres saved as well as GHG emissions reduced. SPAR measures and monitors water withdrawals, including volume and sources, and therefore, is able to manage water usage and identify opportunities for water efficiencies. A reduction in SPAR's emissions is a reduction in the Group's impact on the environment. SPAR contributes towards a more sustainable environment and mitigates effects of climate change so that SPAR is able to continue operating in the long term.

Estimated timeframe for realization

Current - up to 1 year

Magnitude of potential financial impact

Low-medium

Potential financial impact

R351 69

Explanation of financial impact

During the current reporting period, 13 656 kl water came from non-municipal supply (borehole, rainwater or recycling) and assuming that the average water tariff is at R25.73 kl, totalling to a saving of R351 369.

Type of opportunity

Resilience

Primary water-related opportunity

Increased supply chain resilience

Company-specific description & strategy to realize opportunity

SPAR Group continues to monitor the impact of water across its supply chain, specifically, in relation to perishable suppliers. Assisting suppliers with their water efficiency results in minimised water usage and reduced reliance on municipal water sources, therefore increasing resilience for SPAR's value chain.

By increasing resilience of SPAR's suppliers, SPAR increases reliability of its supply chain by ensuring consistent supply of produce and reducing the risk of shortage of produce and products. SPAR offers training to its Freshline farmers on more sustainable farming methods that are less reliant on water and this includes the SPAR Rural Hub farmers. SPAR has also begun to create a baseline for SPAR Brands suppliers to identify risk and opportunities with regards to water usage. Freshline suppliers that adopted learnings from water reduction techniques 10 years ago have managed to survive recent droughts and continue to supply SPAR Freshline with produce.

Estimated timeframe for realization

1 to 3 years

Magnitude of potential financial impact

Medium

Potential financial impact

0

Explanation of financial impact

The impact has not quantified financially

W5. Facility-level water accounting

W5.1

(W5.1) For each facility referenced in W4.1c, provide coordinates, total water accounting data and comparisons with the previous reporting year.

Facility reference number

Facility 1

Facility name (optional)

Western Cape distribution centre

Country/Region

South Africa

River basin

Berg-Olifants

Latitude

34

Longitude

18.34

Total water withdrawals at this facility (megaliters/year)

20

Comparison of withdrawals with previous reporting year

Lower

Total water discharges at this facility (megaliters/year)

18

Comparison of discharges with previous reporting year

Lower

Total water consumption at this facility (megaliters/year)

2

Comparison of consumption with previous reporting year

About the same

Please explain

Western Cape distribution centre as a result of drought which was ongoing during the reporting period, in order to meet water restrictions had to reduce water withdrawals from municipal sources. At the same time, SPAR Western Cape distribution centre increased the amount of water withdrawn from groundwater to ensure business continuity, despite

water restrictions. As a result of drought, total water withdrawals were reduced by 3 megalitres. For four of SPAR's sites sewage is billed as 90% of its municipal withdrawals, therefore water discharges were estimated for all sites as 90%. The same methodology was used to estimate discharges during the last reporting period. For Western Cape distribution centre, an estimated 90% discharge was applied to municipal withdrawals as well as renewable groundwater withdrawals to ensure that all discharges (both from municipal water sources and borehole water sources) are accounted for.

SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.

Facility reference number

Facility 2

Facility name (optional)

Eastern Cape distribution centre

Country/Region

South Africa

River basin

Mzimvubu-Tsitsikamma

Latitude

33.28

Longitude

25.4

Total water withdrawals at this facility (megaliters/year)

25

Comparison of withdrawals with previous reporting year

Much lower

Total water discharges at this facility (megaliters/year)

22

Comparison of discharges with previous reporting year

Much lower

Total water consumption at this facility (megaliters/year)

4

Comparison of consumption with previous reporting year

Much lower

Please explain

Eastern Cape distribution centre as a result of drought which was ongoing during the reporting period, in order to meet water restrictions had to significantly reduce water withdrawals from municipal sources. Additionally, water withdrawals from rainwater were also reduced as drought has resulted in reduced rainfall. Therefore, total water withdrawals were reduced by 12 megalitres. As water discharges are estimated at 90% of water withdrawn from municipality, reduction in water withdrawn from municipal sources has resulted in lower discharges, and therefore, much lower consumption.

SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.

W5.1a

(W5.1a) For each facility referenced in W5.1, provide withdrawal data by water source.

Facility reference number

Facility 1

Facility name

Western Cape distribution centre

Fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

Brackish surface water/seawater

0

Groundwater - renewable

11

Groundwater - non-renewable

0

Produced/Entrained water

0

Third party sources

10

Comment

Groundwater withdrawals come from installation of a borehole. Borehole in the Western Cape distribution centre was installed as a result of a drought, and this is the first year of measurement for withdrawals from renewable groundwater sources. Third party sources are municipality supplied water.

Facility reference number

Facility 2

Facility name

Eastern Cape distribution centre

Fresh surface water, including rainwater, water from wetlands, rivers and lakes

1

Brackish surface water/seawater

0

Groundwater - renewable

0

Groundwater - non-renewable

0

Produced/Entrained water

0

Third party sources

24

Comment

Freshwater sources are from rainwater harvesting. Collected rainwater is measured together with recycled water in this facility. Third party sources are municipality supplied water.

W5.1b

(W5.1b) For each facility referenced in W5.1, provide discharge data by destination.

Facility reference number

Facility 1

Facility name

Western Cape distribution centre

Fresh surface water

0

Brackish surface water/Seawater

0

Groundwater

0

Third party destinations

18

Comment

Municipal discharge volume is estimated as 90% of water withdrawals from municipal sources and all water discharges are only discharged municipal sewage networks. For Western Cape distribution centre, an estimated 90% discharge was applied to municipal withdrawals as well as renewable groundwater withdrawals to ensure that all discharges (both from municipal water sources and borehole water sources) are accounted for.

Facility reference number

Facility 2

Facility name

Eastern Cape distribution centre Fresh surface water

0

Brackish surface water/Seawater

0

Groundwater

0

Third party destinations

22

Comment

Municipal discharge volume is estimated as 90% of water withdrawals from municipal sources and all water discharges are only discharged municipal sewage networks.

W5.1c

(W5.1c) For each facility referenced in W5.1, provide the proportion of your total water use that is recycled or reused, and give the comparison with the previous reporting year.

Facility reference number

Facility 1

Facility name

Western Cape distribution centre

% recycled or reused

Not monitored

Comparison with previous reporting year

About the same

Please explain

Water recycling system is installed but recycled water is not measured separately as it is measured together with borehole water.

Facility reference number

Facility 2

Facility name

Eastern Cape distribution centre

% recycled or reused

Not monitored

Comparison with previous reporting year

About the same

Please explain

Water recycling system is installed but recycled water is not measured separately as it is measured together with borehole water.

W5.1d

(W5.1d) For the facilities referenced in W5.1, what proportion of water accounting data has been externally verified?

Water withdrawals – total volumes

% verified

Not verified

What standard and methodology was used?

Not verified

Water withdrawals – volume by source

% verified

Not verified

What standard and methodology was used?

Not verified

Water withdrawals – quality

% verified

Not verified

What standard and methodology was used?

Not verified

Water discharges – total volumes

% verified

Not verified

What standard and methodology was used?

Not verified

Water discharges – volume by destination

% verified

Not verified

What standard and methodology was used?

Not verified

Water discharges – volume by treatment method

% verified

Not verified

What standard and methodology was used?

Not verified

Water discharge quality – quality by standard effluent parameters

% verified

Not verified

What standard and methodology was used?

Not verified

Water discharge quality – temperature

% verified

Not verified

What standard and methodology was used?

Not verified

Water consumption – total volume

% verified

Not verified

What standard and methodology was used?

Not verified

Water recycled/reused

% verified

Not verified

What standard and methodology was used?

Not verified

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?

No, but we plan to develop it within the next 2 years.

W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual	Please explain
Board-level committee	The Social and Ethics Committee of the Board has overall accountability for the sustainability and water agenda for SPAR Group. The Committee is made up of executive and non-executive members. The committee is mandated by The Board with specific functions and responsibilities.
Other C-suite officer	The direct responsibility for managing sustainability and water-related matters, including identification, assessment and management of water-related risks, resides with the Group Strategy, Sustainability and Risk Executive. The Group Strategy, Sustainability and Risk Executive is part of the Group's Executive management team and has a permanent invitation to the social and ethics committee and The Board.

W6.2b

(W6.2b) Provide further details on the board's oversight of water-related issues.

Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Scheduled - all meetings	Overseeing major capital expenditures Reviewing and guiding annual budgets	<p>Group Strategy, Sustainability and Risk Executive identifies key risk areas in relation in water, and these risks are reported at the Group Social and Ethics Committee level, Executive Committee level and at National Logistics Meeting. The risk committee consults with various departments and committees to find suitable solutions and mitigation methods to the identified risks. Identified risks and risk mitigation measures are then delegated to relevant heads of departments. For example, Logistics executive will manage water related risk associated with the operations side of the business.</p> <p>To ensure that SPAR Group's stakeholders are protected against water risks, SPAR undertakes due diligence process, which includes engaging with retailers and suppliers to identify threats posed by water related risks and propose mitigation and adaption methods. SPAR has undertaken water risk assessments in all regions within the Group to assess where increased efficiencies and savings are available. Such recommendations are then taken to executive level to be considered before being implemented.</p>

		Water related risks are currently being reassessed in order to better align with climate change strategic risks and to align with the group's revised strategy.
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W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)

Other committee, please specify
Social and Ethics Committee

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Half-yearly

Please explain

The board has allocated an oversight of, and reporting of organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relations to the Social and Ethics committee. Members of the committee and its Chairman are appointed by the board on the recommendation of the Nomination Committee and in consultation with the Chairman of the committee. During the year under review, the Social and Ethics Committee comprised of two independent non-executive directors and one executive members. The committee meets formally twice a year. The Chairman of the board the CEO, The Group Strategy, Sustainability and Risk Executive, The Group Human Resources Executive and the Group's Company Secretary attend meetings by permanent invitation.

The committee oversees the company's social and organisational activities relating to the environment and its stakeholders, and monitors the company's sustainability performance to ensure that the company's ethics supports its culture, it is seen as a responsible citizen and that there is a balance between the company and the needs, interest and expectations of all stakeholders.

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

- Yes, direct engagement with policy makers
- Yes, trade associations

W6.5a

(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?

SPAR has integrated Sustainable Development Goals (SDGs) into its organisational strategy, which now guides its public policy engagements and activities seeking to influence policy. SPAR's water commitments are guided by its strategy and therefore, by the SDGs. As such, SPAR ensures that all its public policy engagements are aligned with its commitments, and specifically, commitments towards water. While the Group does not have procedures or guidelines for actions that have to be taken if a breach or a nonconsistency with the strategy (or SDGs) occur in place yet, the Group is actively considering and anticipates to have them in place in the near future.

Currently, SPAR engages with the Consumer Goods Council of South Africa (CGCSA), which in turn engages with government and policy makers on all issues relating to the industry, among which is water security. Through the CGCSA, SPAR advocates for sustainable business practices in the retail sector that would benefit both the environmental and business through increased water and energy, reduced waste and reduce emissions. One of the SPAR Group's executives is on the board of the CGCSA.

The CGCSA supports systems, processes and principles that will enable trade to be better, faster, more efficient and environmentally friendly. The National Business Initiative (NBI) engages with government on water regulation and policy, voicing the comments and concerns of its business members and assisting government where it can in the transition to a low carbon economy. As a member of the NBI, SPAR attends discussions on water regulation, uses NBI as a platform to make comments around relevant current and emerging water and climate change legislation and enables learning from SPAR's experiences to other NBI members.

The NBI links business practise with national and global goals, objectives and commitments. The NBI bridges the gap between government and industry by representing both parties. Issues that have been undertaken by the NBI in the last financial year was identifying SDGs that South Africa needs to focus on in order to meet commitments and creating a space for industry to understand how to go about doing business to contribute towards national goals.

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

Yes (integrated annual report will be attached).

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	11-15	<p>Water related issues, specifically ensuring water supply and quality, are to be integrated into Group's Climate Change Action Plan. SPAR's long-term business objectives aim to ensure that business achieves operational efficiency, including achieving sustainable use of natural resources. Through business strategy, SPAR Group continues to improve on its operational performance standards through the following initiatives:</p> <ul style="list-style-type: none"> • Tighter operational performance standards and establishment of sustainability goals. <p>SPAR Group is currently working on creating a climate change plan, which will integrate water related risks and opportunities in order to identify opportunities to increase business efficiency. This plan will set out specific goals and objectives which SPAR anticipates reporting during the next reporting period. For example, reduction in fleet fuel consumption as well as energy and water reduction targets will be established.</p> <ul style="list-style-type: none"> • Greater due diligence <p>SPAR Group aims to implement an improved risk management tool which will assist in managing and accessing strategic risks. SPAR is also trialling a tool to assess and monitor various natural resources consumption across its supply chain.</p> <ul style="list-style-type: none"> • Water resource considerations are factored into new product development <p>The long-term horizon stipulated is consistent with SPAR's risk management framework.</p>

<p>Strategy for achieving long-term objectives</p>	<p>Yes, water-related issues are integrated</p>	<p>11-15</p>	<p>SPAR Group continues to reduce its municipal water consumption to ensure that business operates efficiently and optimises the use of natural resources. SPAR continuously investigates and implements innovative ways to harvest and reuse water.</p> <p>SPAR Group has identified four material relationships which have a substantive impact on SPAR's sustainability, namely retailers, suppliers, consumers and communities. These four relationships are vital to the growth of organisation. To ensure that Group's stakeholders are protected against water risks, the Group undertakes enhanced due diligence in its procurement process. Water risks and opportunities are assessed as part of due diligence process. This includes investment into new opportunities, expanding to new retailers and engagement with potential suppliers.</p> <p>All SPAR's distribution centres have either water recycling or rainwater collection systems installed, and the Group continues with water assessment for its distribution centres (currently, water assessments have been completed for 2 distribution centres) to optimise water usage and increase water efficiencies.</p> <p>SPAR Group is currently working on creating a climate change plan which will integrate water-related risks and opportunities in order to identify opportunities to increase business efficiency. This plan will set out specific goals and objectives which SPAR anticipates reporting on during the next reporting period. Revised water targets and goals (along with energy, waste and fuel) will be included in the climate change plan as part of the Group's aim to improve its sustainability performance.</p> <p>The long-term horizon stipulated is consistent with SPAR's risk management framework.</p>
<p>Financial planning</p>	<p>Yes, water-related issues are integrated</p>	<p>11-15</p>	<p>Water-related issues, specifically ensuring water supply and quality, are considered in financial planning. They are integrated into the organisations business strategy as significant risks arise. For example, water crisis in the Western Cape region has impacted allocation of budgets. Crisis in the Western Cape required that water efficient infrastructure and alternative water sources were installed at a cost of approximately R7 million. Initially this was not</p>

			<p>budgeted for but as this requirement was established as a priority, the national CAPEX budget was reallocated to allow for additional expenditure at the Western Cape facility.</p> <p>The long-term horizon stipulated is consistent with SPAR's risk management framework.</p>
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W7.2

(W7.2) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

100%

Anticipated forward trend for CAPEX (+/- % change)

3-5%

Water-related OPEX (+/- % change)

6%

Anticipated forward trend for OPEX (+/- % change)

4-6%

Please explain

As climate change persists and SPAR begins to see its impact through increase extreme weather events such as drought and flooding, SPAR anticipates that the Group will increase the annual budget for CAPEX expenditure on water efficient infrastructure at a 3 – 5%. There is a 100% increase in water-related CAPEX this reporting period compared to last reporting period as in this reporting period, water-related CAPEX amount to R5.5 million whereas in previous reporting period it was stated that SPAR Group does not track water-related CAPEX. During this reporting year, the water tariffs increased by an average 6% compared to the previous reporting period, and therefore, water related OPEX has increased by 6%. SPAR anticipates that there will be a minimum increase in tariffs of 6% for the following financial year, yet due to the increased awareness around water scarcity across the country, the increases could be even larger. To mitigate this impact, SPAR continues to invest in water efficient technologies and infrastructure to reduce water usage and reliance on municipal water supply, and as such, anticipates OPEX to increase by 4-6%.

W7.3

(W7.3) Does your organization use climate-related scenario analysis to inform its business strategy?

Use of climate-related scenario analysis	Comment
IEA Sustainable development scenario	SPAR has revised its strategy such that the strategy is aligned with the 17 Sustainable Development Goals (SDGs) and the work that is being implemented within SPAR Group ensures that SPAR remains true to its values which are underpinned by the SDGs. Objectives and targets that are currently set are guided by the SDGs.

W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?

No, but we are currently exploring water valuation practices

Please explain

SPAR's operations are situated in a water scarce country, several facilities have been directly affected by water shortages caused by drought within the country. SPAR Group has identified water rationing as a high risk to the company's operations. SPAR Group is exploring water valuation practices that the Group could use to help inform best practice.

W8. Targets

W8.1

(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.

Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Company-wide targets and goals	Targets are monitored at the corporate level Goals are monitored at the corporate level	Targets and Goals are monitored at corporate level.

W8.1a

(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.

Target reference number

Target 1

Category of target

Water withdrawals

Level

Business activity

Primary motivation

Cost savings

Description of target

30% reduction in use of municipal water

Quantitative metric

% reduction of water withdrawals from municipal supply

Baseline year

2012

Start year

2012

Target year

2018

% achieved

34%

Please explain

SPAR's water target is 30% reduction in use of municipal water by 2017. While the target covers 2012-2017 period, in order to continue tracking performance tracking against the target has been extended to 2018. In 2018, SPAR has achieved 34% reduction of water withdrawals from municipal supply against 2012 baseline. SPAR currently does not have updated water targets and goals for 2018 but the Group is working on setting new goals and targets as part of a new climate change plan (which will be developed in near future) and aligning those targets with Groups' strategy. Water goals and targets will be managed by the relevant departments and managers to be incentivised by related KPIs.

W8.1b

(W8.1b) Provide details of your water goal(s) that are monitored at the corporate level and the progress made.

Goal

Other, please specify
Rainwater collection

Level

Business activity

Motivation

Recommended sector best practice

Description of goal

All distribution centres to have rainwater collection facilities.

Baseline year

2012

Start year

2012

End year

2018

Progress

SPAR's water goal is to have all distribution centres have rainwater collection facilities by 2017. While the goal covers 2012-2017 period, in order to continue tracking performance tracking against the target has been extended to 2018. In 2018, 70% of distribution centres have rainwater collection facilities. SPAR currently does not have updated water targets and goals for 2018 but the Group is working on setting new goals and targets as part of a new climate change plan (which will be developed in near future) and aligning those targets with Groups' strategy. Water goals and targets will be managed by the relevant departments and managers to be incentivised by related KPIs.

Goal

Other, please specify
Recycling and reuse of water

Level

Business activity

Motivation

Cost savings

Description of goal

All distribution centres to implement recycling and the reuse of water

Baseline year

2012

Start year

2012

End year

2018

Progress

SPAR's water goal is to have all distribution centres have implement recycling and the reuse of water by 2017. While the goal covers 2012-2017 period, in order to continue tracking performance tracking against the target has been extended to 2018. In 2018, All 8 distribution centres have either a recycling and/ or rainwater collection system implemented. SPAR currently does not have updated water targets and goals for 2018 but the Group is working on setting new goals and targets as part of a new climate change plan (which will be developed in near future) and aligning those targets with Groups' strategy. Water goals and targets will be managed by the relevant departments and managers to be incentivised by related KPIs.

Goal

Engaging with local community

Level

Business activity

Motivation

Reduced environmental impact

Description of goal

Caring for local water systems where the SPAR Group operates.

Baseline year

2012

Start year

2012

End year

Ongoing project

Progress

Eastern Cape distribution centre has undertaken a project involving the rehabilitation of the Swartskops River. This is ongoing project which SPAR continues to be involved with.

Goal

Other, please specify

Water preservation

Level

Business activity

Motivation

Cost savings

Description of goal

Preserve water in all distribution centres

Baseline year

2012

Start year

2012

End year

2018

Progress

SPAR's water goal is to have all distribution centres have preserve water in all distribution centres by 2017. While the goal covers 2012-2017 period, in order to continue tracking performance tracking against the target has been extended to 2018. In 2017-2018, SPAR has continued installing water efficiency systems and implementing initiatives, which allowed to achieve 14% reduction in total water withdrawals, compared to previous reporting period and 34% reduction in municipal water withdrawals compared to 2012 water usage. SPAR currently does not have updated water targets and goals for 2018 but the Group is working on setting new goals and targets as part of a new climate change plan (which will be developed in near future) and aligning those targets with Groups' strategy. Water goals and targets will be managed by the relevant departments and managers to be incentivised by related KPIs.

W9. Linkages and trade-offs

W9.1

(W9.1) Has your organization identified any linkages or tradeoffs between water and other environmental issues in its direct operations and/or other parts of its value chain?

Yes

W9.1a

(W9.1a) Describe the linkages or tradeoffs and the related management policy or action.

Linkage or tradeoff

Tradeoff

Type of linkage/tradeoff

Increased energy use

Description of linkage/tradeoff

Often solutions to water shortages are energy and infrastructure intensive. With South Africa's current energy 'crisis', SPAR Group is aware that energy intensive water distribution may push water tariffs and further increase South Africa's GHG emissions and environmental impacts. SPAR anticipates that such a scenario would impact all elements of SPAR's value chain as all parts of the supply chain rely on water as a critical component for the functioning of its operations. Certain regions where there is less availability of water requiring more energy intensive water distribution such as SPAR's inland regions may be more affected than SPAR's coastal regions.

Policy or action

The linkage between water and energy further drives SPAR's motivation for enhancing water supply from alternative sources such as rainwater harvesting and water recycling. Currently 63% of direct operations have installed a water recycling operation at their facility, 75% of SPAR's operations have installed a rainwater harvesting infrastructure. There are still several regions without sufficient metering on all sources of water, making it difficult to monitor progress at this time. SPAR has identified this as an area in which to improve during the next reporting period.

SPAR is actively managing this tradeoff by implementing solar PV facilities in its distribution centres and LED lighting across its facilities in order to reduce its energy consumption while simultaneously reducing consumption of and reliance on municipal

water sources through achieving water efficiency and increased use of alternative water sources. As such, SPAR is reducing this tradeoff and the impact on business operations.

W10. Verification

W10.1

(W10.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1d)?

No, but we are actively considering verifying within the next two years

W11. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

W11.1

(W11.1) Provide details for the person that has signed off (approved) your CDP water response.

Job title	Corresponding job category
Group Strategy, Sustainability and Risk Executive	Board/Executive Board

W11.2

(W11.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

Yes

Submit your response

In which language are you submitting your response?

Please confirm below