

## C0. Introduction

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### C0.1

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**(C0.1) Give a general description and introduction to your organization.**

Our purpose is to inspire people to do and be more. This is why we exist and why we want to be the first-choice brand in the communities we serve.

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. SPAR is a warehousing and distribution business striving to provide our independent retailers and their customers with the freshest fresh produce, bakery, home meal replacement, butchery and highest quality merchandise at the right price, every day.

The SPAR Group Ltd (SPAR) operates mainly in South Africa, Ireland, and Switzerland. We serve a network of independent retailers who trade under our brands and are supplied through our distribution centres on a voluntary basis.

We are a member of SPAR International which granted SPAR its South African licence in 1963. This has grown to include several country licences for the SPAR retail brand. Today we service 17 kinds of store formats in 15 countries, each with their network of distribution centres.

Of our turnover, 32.1% is generated in foreign currency. We have significant operations in South Africa, Ireland (which includes South West England) and Switzerland, with smaller business interest in Sri Lanka and Zambia. We own the SPAR licences for Namibia, Botswana, Mozambique and Angola, serviced through our 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. We distribute goods to stores with a fleet of trucks and trailers owned by the Group.

We have a total of 2 349 stores in the following formats in Southern Africa: SPAR, SUPERSPAR, KWIKSPAR, SPAR Express, Build it, SaveMor, Pharmacy at SPAR and TOPS at SPAR.

We acquire corporate-owned stores as they constitute strategically important sites. These stores are often refurbished and sold to new retailers. In the meantime, they offer the Group a unique opportunity to offer practical retail training and serve as a testing group for experimental products and services. We have 55 corporate-owned stores (2019).

### C0.2

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**(C0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	October 1 2018	September 30 2019	No	<Not Applicable>

### C0.3

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**(C0.3) Select the countries/areas for which you will be supplying data.**

South Africa

### C0.4

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**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

ZAR

C0.5

**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.**

Operational control

C1. Governance

C1.1

**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

Yes

C1.1a

**(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.**

Position of individual(s)	Please explain
Board-level committee	The Social and Ethics Committee of the Board has overall accountability for the sustainability and climate change agenda of the Group. The Committee comprises of executive and non-executive members. The Committee is mandated by the Board with specific functions and responsibilities.
Chief Sustainability Officer (CSO)	The direct responsibility for managing sustainability and climate change, including identification, assessment and management of climate-related risks, resides with the Group Risk and Sustainability Executive (also known as the Group Sustainability Officer). The Group Sustainability Officer is part of the Group's Executive management team and has a permanent invitation to the Social and Ethics Committee and to the Board.

C1.1b

**(C1.1b) Provide further details on the board's oversight of climate-related issues.**

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	<ul style="list-style-type: none"> <li>Reviewing and guiding strategy</li> <li>Reviewing and guiding major plans of action</li> <li>Reviewing and guiding risk management policies</li> <li>Reviewing and guiding annual budgets</li> <li>Reviewing and guiding business plans</li> <li>Setting performance objectives</li> <li>Monitoring implementation and performance of objectives</li> <li>Overseeing major capital expenditures, acquisitions and divestitures</li> <li>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</li> </ul>	<Not Applicable>	The Board has allocated the oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships to the Social and Ethics Committee. The Committee meets formally twice a year. The Chairman of the Board and the CEO attend meetings by invitation. The Committee oversees the SPAR Group's social and organisational activities relating to the environment and its stakeholders and monitors company's sustainability performance to ensure that company's ethics supports its culture, is seen as a responsible citizen and that there is a balance between the company and the needs, interest and expectations of all stakeholders.

C1.2

**(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.**

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Other committee, please specify (Social and Ethics Committee )	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Half-yearly

**C1.2a**

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).**

The SPAR Group's 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 Social and Ethics Committee and its Chairman are appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chairman of the Social and Ethics Committee. During the year under review, the Social and Ethics Committee comprised of two independent non-executive directors and one executive members. The Social and Ethics Committee meets formally twice a year. The Chairman of the Board, the CEO, the Group Sustainability and Risk Executive, the Group Human Resources Executive and the Group Company Secretary attend meetings by permanent invitation.

The Social and Ethics Committee oversees the Group's social and organisational activities relating to the environment and its stakeholders. The Committee monitors the Group's sustainability and climate change performance to ensure that the Group'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.

**C1.3**

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	SPAR has incentives for the management of climate-related issues and attainment of energy and emissions reductions targets, which are reviewed either annually or monthly, depending on the position. Incentives for management of climate-related issues are applicable across organisation, ranging from executive level positions to a middle level management and to skilled workers.

**C1.3a**

**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).**

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Executive officer	Monetary reward	Emissions reduction target	The Group Risk and Sustainability Executive is incentivised to drive adoption of business practices for which enable realisation of the Group's strategic outcomes and purpose. Achieving strategic outcomes requires managing climate-related issues, mitigating climate related risks and adapting business practices to achieve emissions reductions.
Executive officer	Monetary reward	Energy reduction project Efficiency target	The Group Logistics Executive has a monetary incentive based on achieving efficiencies, both in distribution centres and in the Group's fleet. Achieving operational efficiencies includes energy reduction, renewable energy and reduced fuel consumption.
Other, please specify (Fleet Drivers)	Monetary reward	Emissions reduction target	Fleet drivers are provided with monetary incentivises to reduce fuel consumption. A fuel consumption target is set for each vehicle and each driver's performance against target is measured using the number of litres of fuel that was saved. The total monetary savings value is then shared among drivers based on their contribution to fuel savings. These savings are calculated on a monthly basis.
Other, please specify (Outbound and Maintenance Managers)	Monetary reward	Emissions reduction target	The Outbound and some Maintenance Managers have fuel consumption as part of their annual targets and that is a % of their total target for incentive.

**C2. Risks and opportunities**

**C2.1**

**(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?**

Yes

**C2.1a**

**(C2.1a) How does your organization define short-, medium- and long-term time horizons?**

	From (years)	To (years)	Comment
Short-term	0	3	Short, Medium- and Long-term horizons are defined in SPAR's Enterprise and Risk Management (ERM) process.
Medium-term	3	10	Short, Medium- and Long-term horizons are defined in SPAR's Enterprise and Risk Management (ERM) process.
Long-term	10	30	Short, Medium- and Long-term horizons are defined in SPAR's Enterprise and Risk Management (ERM) process.

**C2.1b**

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**(C2.1b) How does your organization define substantive financial or strategic impact on your business?**

The SPAR Group identifies substantive financial or strategic impact, based on the likelihood and impact criteria. The Group has established eight categories and criteria for each category as to when an impact is deemed to be substantive. The categories are as follows:

- Financial impact - investment asset
- Financial impact – operating profit
- Health & Safety
- Environmental & Community
- Reputation & Brand
- Legal & Compliance
- Management Impact
- Operations

For example, criteria for an impact to be substantive is when financial impact around investments or operating profits is R150mill. Additionally, any impact that may negatively affect the Group's revenues by 3-5% or more, is defined as a substantive financial or strategic impact by the Group. Non-financial criteria for an impact to be substantive in 'Environmental & Community' category is when an 'Incident cases disastrous environmental or societal impact with long term effect requiring major remediation and will result in large scale class action'.

If identified impact meets at least one criterion in any of the categories, then such impact is identified as 'substantive'.

**C2.2**

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**(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.**

**Value chain stage(s) covered**

Direct operations  
Upstream  
Downstream

**Risk management process**

Integrated into multi-disciplinary company-wide risk management process

**Frequency of assessment**

More than once a year

**Time horizon(s) covered**

Short-term  
Medium-term  
Long-term

**Description of process**

The SPAR Group's risk management ability is integral to the achievement of strategic objectives. The Group utilises Enterprise Risk Management framework to identify, assess and respond to climate-related risks and opportunities, and monitor risk, strategy and relevant KPIs. The SPAR Group's Board through the Risk Committee provides overall guidance and direction in overseeing risk management across the Group. The South African executive and management teams provide structure for both processes and input into risk and strategy discussions by considering past performance and a changing operating landscape. Progress against the strategic focus areas and an updated Risk Register form part of the quarterly reports to the Board and relevant Committees. The Group's Sustainability and Risk Executive attends all the Risk Committee's and the Board's meetings by invitation. Monthly risk meetings are held with divisional risk teams to consider performance against risk and mitigation plans and identify any new strategic and operational risks. The SPAR Group's risk management process extends from the executive level (company level) down to functional levels at SPAR distribution centres (asset/business level). It allows various business units and functions to gain knowledge of strategic and operational risks and opportunities identified at the Group level and 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 existing risks and opportunities and assist in identifying potential new risks and opportunities in order to maintain the company's Risk Register. The Risk Committee identifies and reviews the key risk indicators (KRIs) which are assigned to each risk, including climate-related risks. Following SPAR's risk assessment process, 12 strategic risks are identified. These strategic risks are identified per SPAR's material relationship (retailers, consumers, communities, suppliers and employees), and the respective risk ranking, mitigation actions and linkage to the relevant strategic imperative is included in the Group's Integrated Annual Report. SPAR's identified climate-related opportunities seek to address climate-related risks and include actions to mitigate often more than one identified climate risk. Climate-related opportunities seek to promote the Group's sustainability commitments towards responsible living and resource stewardship. Furthermore, SPAR's Science Based Targets (SBTs) and the Carbon Reduction Framework guide climate-related opportunities identification and implementation. SPAR's climate change risk associated with reduced resilience to climate change impacts in the supply chain is linked to the identified Group's strategic risks. SPAR identifies that due to increased drought events and reduced precipitation, suppliers could be impacted, should they not undertake more sustainable practices. To address this risk, the SPAR Group trains suppliers on sustainable farming methods which reduce water requirements for farming and provide financial assistance to farmers to install water-efficient technologies such as hydroponic systems or tunnels. The Group further engages with suppliers to understand suppliers' environmental performance and to drive resource efficiency in suppliers' operations. Failure to address and mitigate SPAR's climate change risk associated with changing consumers perceptions, their expectations for the SPAR Group's to address the issue of climate change, drive resource efficiency and offer more sustainable products could result in financial and reputation damage for the Group. Adoption of circular economy approach to new product development, embedding resource stewardship across all business operations and driving sustainability practices in the supply chain allow the Group to mitigate identified climate risks whilst capitalising on new opportunities.

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C2.2a

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**(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?**

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Current regulation around climate change is always relevant to the SPAR Group and is always included in risks assessments to ensure compliance with existing legislation and to adapt to changing legislative and regulatory environment in order to ensure long-term business continuity. Understanding the associated risks and taking mitigating actions, can avoid reduced profitability and maintain the Group's competitive advantage. SPAR considers and manages current regulatory risks that is relevant to SPAR, introduced by policy changes around climate change, by staying up to date with current climate-related legislation. SPAR receives regular political insights from knowledgeable commentators who assist in creating scenarios to determine the potential impact on the Group's future business. SPAR has identified Carbon Tax and its liability as a current regulatory climate-related risk that may have a substantive impact on the Group's corporate-owned stores and suppliers. Carbon Tax came into effect in South Africa in June 2019, and SPAR is liable under the Carbon Tax for diesel and LPG usage in SPAR's distribution centres and corporate-owned stores. Furthermore, an increase in fuel and electricity prices introduced by the promulgation of Carbon Tax impacts SPAR's direct operations (corporate owned stores and distribution centres use fuels and electricity) and suppliers across the Group's supply chain, increasing cost of operations. Those costs then will have to be either absorbed by the Group, reducing the profitability, or passed onto consumers, potentially making SPAR products less competitively priced.
Emerging regulation	Relevant, always included	Emerging regulation is always relevant to the SPAR Group and is always included in risks assessments so that the Group can take action to prepare for future legislation, reduce the associated risks and mitigate potential impacts of future regulation on the Group's operations. Among the top 12 strategic Group's risks, SPAR has identified 'Political instability in SPAR's markets may hinder business through national or international political events and can cause fundamental shifts in the country's economy'. SPAR considers and manages emerging regulation that is relevant to SPAR, introduced by policy changes around climate change, by staying up to date with current climate-related national and global climate policies, legislation and climate related events. SPAR receives regular insights from knowledgeable commentators who assist in creating scenarios to determine the potential impact on our future business. SPAR monitors outcomes of international political events such as the UNFCCC COP as they drive climate legislation in South Africa such as the Carbon Tax. Carbon Tax has been identified among the climate-related risks by the Group for the impact that it could have on the Group's direct operations in corporate-owned stores and distribution centres through the increased carbon tax liability and across SPAR's supply chain through the increased diesel and electricity costs. Additionally, the Group also monitors international climate policies and climate-related reviews such as the Ratings Agency's Moody's Group review of the South Africa's response and preparedness to climate change. Such reviews could impact the country's macroeconomic environment and the environment that the SPAR Group operates in. SPAR has identified 'Macroeconomic factors may cause a decline in business' among the top 12 strategic business risks.
Technology	Relevant, sometimes included	Risks associated with technological innovations that support transition to a lower-carbon economy are always included in risks assessments. Leveraging technological innovations can help SPAR to mitigate risks associated with increasing operational costs due to changing climatic conditions, comply with current and emerging legislation and disclose climate-related information to the Group's stakeholders. Considering this risk type in the Group's risk assessments enables prioritisation of time and monetary resources towards research and development and trialling of new and emerging energy efficient/lower-carbon technologies. SPAR is a warehousing and distribution business, and as such, SPAR ensures that fresh and frozen produce is transported and delivered to the stores. Changing climatic conditions, specifically, increasing temperatures, will lead to an increased usage of refrigeration equipment, increased associated electricity and fuel consumption and costs. To reduce the Group's exposure to this risk, SPAR has started rolling out solar PV installations across its distribution centres, and currently solar PV installations already reduce electricity consumption in South Rand, North Rand and Western Cape distribution centres. For the SPAR Group, technological improvements which support transition to a lower-carbon economic system also include data collection tools and systems. Such systems enable monitoring and consolidation of the Group's climate change/environmental data and information and track the Group's performance against internal and external climate targets. There is an increasing pressure from governmental institutions and non-government bodies on companies to provide accurate and up to date climate-related information. South Africa's Department of Environment, Forestry and Fisheries (DEFF) is requiring information from SPAR on the Group's GHG Emissions and food waste. Furthermore, NGOs such as WWF South Africa expects organisations such as the SPAR Group to be disclosing to CDP Climate Change, have published Science Based Targets and openly and transparently report on the progress of the Group's climate change actions.
Legal	Relevant, always included	Climate-related litigation claims are always included in risk assessments as they could inflict negative financial impacts on the business and lead to a reduction in the Group's profitability. SPAR considers and manages climate-related litigation risks that are relevant to SPAR by staying up to date with current and emerging climate-related legislation and this way managing potential litigation claims that could arise due to non-compliance. SPAR's Company Secretary receives regular communication from a legal data service provider, which reviews all new relevant legislation (e.g. updates on the South African Carbon Tax and associated GHG Emissions Reporting regulations, the National Waste Management Act and accompanying waste regulations). Such information is shared with the relevant departments within the Group, which take actions to change and adapt business practices so that the Group complies with the latest legislation and avoids climate-related litigation claims.
Market	Relevant, always included	Market risks associated with shifts in supply and demand for products and services are always considered in SPAR's risk assessments as reduced demand for products in SPAR stores could reduce the Group's revenues, profitability and negatively influence the sustainability of the business. The SPAR Group recognises that shifting consumer perceptions around the Group's climate change actions as well as increasing public pressure to reduce emissions across the Group's operations and its product offering can influence the demand for the Group's products. SPAR has identified increased market demand for product labelling as an emerging climate-related risk. Recognising this risk enables the Group to monitor the latest global and national developments and take mitigating actions in anticipation for future changes. Globally, there is an increasing trend for product labels to display product's environmental impact, including emissions associated with a product's life cycle. A similar trend may be introduced in South Africa, where energy efficiency standards and ratings on product labelling may become obligatory. This may lead to a review of various product labels to include energy, water usage or carbon footprint information. Currently, some SPAR's paper packaging and timber is sourced from sustainable FSC forestries and seafood is sourced in compliance with WWF-SASSI sustainable seafood labeling. Additionally, the SPAR Group is engaging with local and international partners in efforts to procure sustainable and certified items such as Palm Oil, Wine and Eggs, timber and coffee.
Reputation	Relevant, always included	Risks associated with changing customers or community perceptions around SPAR's climate change actions are always included in risk assessments. SPAR recognises that the Group could lose market share due to changing customer or community perceptions on SPAR's actions (or inactions) around climate change and climate change impacts. 'New and existing competition may take market share' is currently identified among the top 12 strategic risks for the business. SPAR has identified shifting consumer perceptions as one of its climate-related risks. SPAR's biennial market research and analysis around SPAR's consumer perceptions has provided evidence that consumers' choice to shop at a retail store is influenced by the by the perceptions of retailer's actions to reduce climate change impacts. If SPAR is unable to demonstrate that the Group is addressing environmental and climate change issues, the reputation of SPAR brand might be negatively impacted over time. If the Group was unable to respond effectively to shifting consumer perceptions around climate change, the SPAR brand could be seen as out-of-date and undesirable. This could cause a decline in the demand for the opening of new SPAR's stores, and therefore, reduced demand for the SPAR Group's products. Among the actions and initiatives that have already been taken by the SPAR Group is adoption of Science Based Targets and installation of solar PV facilities in the Group's distribution centres. Additionally, SPAR has adopted circular economy approach to the development of new products, which reduces the impact and emissions from the Group's business operations. SPAR has rolled out campaigns to increase the amount of plastics diverted from landfills by creating 100% plastic recycled carrier bags and paper carrier bags. As a result, emissions from producing plastic bags were reduced by 40%. SPAR recognises that consumer perceptions constantly change, and inclusion of this risk in risk assessments enables the Group to proactively manage this risk.
Acute physical	Relevant, always included	Increased severity and frequency of extreme weather events are always included in risk assessments as they could disrupt business operations and negatively impact revenues and profitability of the Group, specifically, across distribution centres as well as corporate and independently owned stores. Considering this climate-related risk type enables the Group to allocate sufficient time and monetary resources towards the improved preparedness to natural disasters. Additionally, considering this risk type enables knowledge sharing between SPAR's business units (distribution centres) on other distribution centres' experiences and actions taken in preparation for extreme events. Drought in South Africa has been recognised among extreme weather events which will increase in frequency and potentially in magnitude over longer term. The SPAR Group has already experienced negative impact on business operations due to drought and associated water shortages and anticipates further impacts from future drought events. SPAR manages this risk by ensuring that distribution centres are prepared for natural disasters. For example, Western Cape distribution centre has installed adiabatic cooling systems and water collection measures such as drilling of boreholes to reduce vulnerability and exposure to drought. Eastern Cape distribution centre has drilled boreholes and installed water storage tanks. South Rand distribution centre has experienced strong wind events which damaged the roofing and in turn stock in the warehouse, and as a result, is removing clear roof sheeting as separate sheets make the roof vulnerable to high winds.
Chronic physical	Relevant, always included	Longer-term shifts in climate patterns (including temperature increases, reduced precipitation or sea level rise) can have longer term impacts on SPAR's operations and are always included in risk assessments so that the Group can take actions to adapt current business practices in anticipation of future changes. SPAR business operations in South Africa extend across all nine provinces of the country. Western Cape and Eastern Cape provinces in South Africa have been identified as water scarce areas where precipitation will decrease in future. Additionally, Gauteng province according to climate models has also been identified as a high-risk area as there are no local water sources as water comes in from other provinces. SPAR's distribution centres which are located in Western Cape, Eastern Cape and Gauteng regions are located in high-risk areas and therefore, are more likely to be exposed to chronic physical climate change risks. For this reason, SPAR's distribution centres in Western Cape, Eastern Cape and Gauteng have been prioritised for water efficiency and alternative water source solutions. Increasing temperatures caused by climate change will require more refrigeration in SPAR's distribution centres and in trucks delivering goods, therefore, leading to an increased fuel and energy consumption and associated costs. Mitigation actions that have been taken by the SPAR Group include installation of solar PV panels to all distribution centres. Additionally, SPAR's logistics team continues to research and trial various energy efficient refrigeration systems, particularly, in the trucks owned by the Group. The Group has successfully piloted the world's first commercially available battery-electric truck refrigeration system, which over time will be implemented in over 30% of the Group's fleet.

**C2.3**

**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

**Identifier**

Risk 1

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type & Primary climate-related risk driver**

Current regulation	Carbon pricing mechanisms
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**Primary potential financial impact**

Increased indirect (operating) costs

**Climate risk type mapped to traditional financial services industry risk classification**

<Not Applicable>

**Company-specific description**

Carbon Tax Act in South Africa came into effect on 1 June 2019. As a result of the Carbon Tax, the SPAR Group has experienced an increase in diesel and electricity prices, which increased SPAR's operational costs. The Group exceeds thresholds established by the Department of Environment, Fisheries and Forestry (DEFF), and SPAR is liable for Carbon Tax payments for LPG and diesel usage in distribution centres and in 55 SPAR's corporate stores. Current structure of the Carbon Tax provides companies with a certain level of carbon tax allowances, however, currently, the SPAR Group is a subject only to the basic tax-free threshold allowance. Furthermore, there is a risk to the SPAR Group that Carbon Tax calculations will continue to be re-evaluated and that the basic tax-free threshold allowance will be reduced over the next 2 years. This would lead to an increased price of carbon over the next 5-10 years. Additionally, the Group is liable to report to the DEFF on the Group's GHG Emissions as Carbon Tax payment calculations are based on the submitted GHG Emissions data. If the Group did not comply with the obligatory GHG Emissions reporting, SPAR could be liable to non-compliance/penalty costs.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-high

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

2626089

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Electricity tariff rate for 2018-2019 has increased by 9.41%, resulting in the average tariff rate to be 119.45 c/kWh (in 2017-2018, average tariff rate was 109.18 c/kWh). SPAR assumes that because of Carbon Tax and potential increase in pricing of GHG Emissions, the average tariff rate increase could be as high as 15% and average tariff rate could be 125.58 c/kWh. The current cost of electricity for 2018/2019 is R51 365 046 (43 001 294 kWh multiplied by an average tariff rate of 119.45 c/kWh. An average 15% increase for 2018-2019 period on the average tariff rate would result in electricity price to be R53 991 135, leading to an increase of R2 626 089.

**Cost of response to risk**

371159

**Description of response and explanation of cost calculation**

The SPAR Group has developed Science Based Targets (SBTs), which set out Scope 1 and Scope 2 emissions reductions targets, specifically, 59% for BUILDINGS and 41% TRANSPORT sectors by 2050. Additionally, the Group has developed Carbon Reduction Framework as a roadmap for reducing the Group's emissions and meeting emissions reductions targets, and therefore, reducing current and future carbon tax liability. The current SBTs have been developed to align SPAR's climate change targets with the global target of 2°C degrees, but SPAR is updating the Group's SBTs to be in line with the updated global target of 1.5°C. Both the Carbon Reduction Framework and SBTs identify reduction of energy usage through the installation of solar PV and LED lighting in various SPAR's distribution centres among key actions in achieving emissions reductions. In FY 2019, SPAR's solar PV facilities in South Rand, North Rand and Western Cape distribution centres were operational, already generating energy savings and reducing emissions. Additional solar PV facilities in Lowveld, KZN Dry Goods, KZN Perishables and Eastern Cape distribution centres will be operational next year. The Group aims to have all lighting to be 100% LED lighting. As an ongoing emissions reductions action, SPAR also continues trialling and developing more fuel-efficient trucks. The Group has successfully piloted the world's first commercially available battery-electric truck refrigeration system, which over time will be implemented in over 30% of the Group's fleet (more information is included in the Section on Risk 5, specifically, in Risk Response). Introduction of Carbon Tax has led to an increased energy consumption monitoring and performance tracking at 55 corporate stores, and the Group started investing in energy efficient technologies in those stores. Currently, smart energy meters are installed in 7 corporate stores, providing comprehensive and accurate energy consumption information to the Group in real time. The cost of response to this risk relates to the management of the Group's carbon footprint and tracking SPAR's emissions, which involves 10 internal staff members. Staff in regional distribution centres allocate about an hour monthly while the head office staff manages this risk full time, which amounts to 3 months spent managing this risk. The cost of management of this risk estimated to be R371 159.

**Comment**

**Identifier**

Risk 2

**Where in the value chain does the risk driver occur?**

Upstream

**Risk type & Primary climate-related risk driver**

Emerging regulation	Carbon pricing mechanisms
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**Primary potential financial impact**

Increased indirect (operating) costs

**Climate risk type mapped to traditional financial services industry risk classification**

&lt;Not Applicable&gt;

**Company-specific description**

SPAR's supply chain is also at risk of being impacted by the Carbon Tax. Currently, Carbon Tax is applicable to the Group's Scope 1 and Scope 2 emissions, and the Group has not noticed any major financial implications on SPAR's suppliers. Currently, Carbon Tax in South Africa is in the 1st Phase, which will conclude in 2022. Phase 2 could introduce additional carbon tax liabilities on Scope 3 emissions, and there is a risk that any future financial implications from Carbon Tax on SPAR's suppliers in the form of increased electricity and fuel costs will be passed on to the Group. This would mean that the Group has to absorb such costs or pass them on to the Group's retailers and ultimately to customers. As a result, consumers could opt to shop at competing retailers.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-high

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure – minimum (currency)**

219000000

**Potential financial impact figure – maximum (currency)**

328000000

**Explanation of financial impact figure**

Potential financial impact has been estimated assuming that no action to manage this risk could lead to 2-3% increase in the Group's operational expenses, which would amount to R219 million - R328 million.

**Cost of response to risk**

92400

**Description of response and explanation of cost calculation**

SPAR believes that potential negative impacts associated with Carbon Tax can be prevented or mitigated with supplier diversification and choice of suppliers. SPAR ensures that the Group has a 65 % primary supply and 35% secondary supply for various products and that there is always a secondary supplier. SPAR prioritises suppliers which work collaboratively, have goals/strategy and values that align with those of SPAR's and have prioritised climate change mitigation as part of their strategy. The SPAR Group has started working on a more detailed Scope 3 accounting process which allows identification of largest risk areas in the supply chain and where efforts should be targeted. For the 2018/2019 year, top 5 suppliers for Freshline and SPAR House brands completed a carbon calculator with some questions around climate change, water and energy usage. This provided SPAR with a deeper understanding of SPAR suppliers' resilience to climate change. Furthermore, SPAR continues creating a baseline around opportunities and risks that current SPAR house brands suppliers could have on the Group's operations. Additionally, SPAR works closely with the Group's suppliers to optimise efficiency of transportation and delivery. This includes backhauling agreement with a number of suppliers, reducing the number of trips for both SPAR and suppliers and ensuring that trucks never run empty. SPAR's focus on reducing plastics and reuse of plastic materials is promoted through the redesign of SPAR's plastic carrier bags to be made from 100% recycled plastic with 70% post-consumer waste. The initiative has brought positive impact on SPAR's supply chain as it enabled SPAR's packaging suppliers to reduce their electricity usage and mitigate potential carbon tax liability associated with increased electricity prices. The cost of response to this risk relates to consulting fees spent to calculate Scope 3 emissions (R45 000 was spent on identifying emissions sources with greatest reduction opportunities) and on internal staff working on this topic (R47 400 was dedicated to internal staff). 1 member of internal staff was involved in the management of this risk, dedicating an hour weekly. Provided cost is an annual figure.

**Comment****Identifier**

Risk 3

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type & Primary climate-related risk driver**

Current regulation	Enhanced emissions-reporting obligations
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**Primary potential financial impact**

Increased indirect (operating) costs

**Climate risk type mapped to traditional financial services industry risk classification**

&lt;Not Applicable&gt;

**Company-specific description**

Under the current South African Carbon Tax regime, emission reporting obligations became mandatory for companies, conducting certain activities. SPAR's installed capacity exceeded the thresholds established by the Department of Environment, Fisheries and Forestry (DEFF), and SPAR is liable for carbon tax payment for LPG and diesel usage in distribution centres and corporate owned stores. Additionally, the Group is now liable to report Group's GHG Emissions under the South Africa's Greenhouse Gas Emissions Reporting Regulations as Carbon Tax payment calculations are based on the submitted GHG Emissions information. Even though SPAR is

actively calculating its carbon footprint, reporting obligations might place an additional burden on the company to report and have emissions verified in accordance with different methodologies and reporting standards. Additionally, changes to the National Environmental Management: Waste Act and impending promulgation of Industrial Waste Management Plans is likely to impact SPAR's Scope 3 emissions, specifically, emissions associated with waste, and how information around waste management is reported.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

49737600

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

If SPAR was allocated and exceeded the carbon budget, a higher tax rate of R600/tCO<sub>2</sub>e could be applied as a penalty for non-compliance with carbon budget and no tax-free allowances would be applicable. Carbon tax liability could be R49 737 600 (Scope 1 and Scope 2 emissions of 82 896 tCO<sub>2</sub>e multiplied by R600/tCO<sub>2</sub>e tax rate).

**Cost of response to risk**

326276

**Description of response and explanation of cost calculation**

SPAR is actively managing the risk through updating its carbon footprint annually and continuously tracking its emissions. The Group externally verifies its Scope 1 and 2 emissions and is considering enhancing the scope of verification in future. SPAR continues to improve energy, water and waste data management practices. SPAR has installed smart energy and alternative water sources meters across all distribution centres to provide more accurate data for energy and water usage. Additionally, the Group has installed 129 smart energy meters across corporate and independently owned stores so that accurate and up to date energy consumption information is available for performance monitoring. Currently, the Group is creating a baseline of all food waste produced within the Group at an individual retailer level. The cost of response to this risk relates to consulting fees for calculating carbon footprint and emissions tracking (R206 276 was spent). Additionally, R120 000 was spent on internal staff dedicated to this activity. This includes internal staff involved in tracking carbon emissions: eight maintenance managers who spend 1 hour each month, a full-time sustainability specialist who spends 2 months on these activities, a sustainability manager and a sustainability executive, both of whom spend 1 hour a month for six months.

**Comment**

**Identifier**

Risk 4

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type & Primary climate-related risk driver**

Market	Changing customer behavior
--------	----------------------------

**Primary potential financial impact**

Increased indirect (operating) costs

**Climate risk type mapped to traditional financial services industry risk classification**

<Not Applicable>

**Company-specific description**

The SPAR Group is under increasing pressure from stakeholders, including consumers and the broader public, to address environmental issues, particularly climate change. SPAR's biennial market research and analysis has identified that SPAR's high LSM consumers expect to see that SPAR is actively involved in pursuing carbon and waste management programmes and implements water saving initiatives at a store level. SPAR's market research analysis on consumer perceptions has also demonstrated that most of SPAR's consumers are increasingly aware of where their products are sourced from. The analysis has provided further evidence that consumers' choice to shop at a retail store is influenced by the perceptions of retailer's actions to reduce climate change impacts. Internationally, a trend to disclose and display environmental impact associated with a product life cycle or sustainable product certifications on product labels is increasing. A similar trend may be introduced in South Africa, where energy efficiency standards and sustainability certifications on product labels may become obligatory. This may lead to a review of various labels to include energy, water usage or carbon footprint information. For the SPAR Group, initially that would be the most applicable to paper (from FSC certified forests) and seafood (compliance with WWF-SASSI food labelling) that the Group sources. This could introduce additional costs which would have to be potentially absorbed by the Group.

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

10000

**Potential financial impact figure – maximum (currency)**

80000

**Explanation of financial impact figure**

The Group has investigated potential labelling and marketing licensing costs and estimated costs vary between R10 000 - R80 000.

**Cost of response to risk**

508000

**Description of response and explanation of cost calculation**

The SPAR Group undertakes various actions to offer SPAR's customers more sustainable products which have smaller negative environmental impact and reduced product emissions. SPAR has adopted the circular economy approach which aims that all products and packaging eliminate unnecessary plastic items, ensures that plastics are reusable, recyclable or compostable and keeps plastics out of the environment. SPAR has introduced 100% recycled plastic carrier bag in 2018 together with brown paper carrier bags, which are made from 100% renewable resource, both bags are 100 % recyclable. To date, SPAR's 100% recycled plastic bag has resulted in 3 500 tonnes of used plastic being diverted from landfills annually and 40% reduction in emissions associated with producing the bag. The #RethinkTheBag campaign promotes bringing your own bag, buying SPAR's paper bag, buying SPAR's canvas bag, carrying groceries without a bag and only as a last resort buying a plastic bag. The Group also takes action to increase the amount of waste that is recycled, therefore, reducing the amount of raw virgin materials required for its products. Recycled plastic/cardboard from participating retail stores are brought to distribution centres, and stores are paid for their waste. Plastics are then sold to a waste service provider. The cardboard is sold to the Group's cardboard box suppliers and then recycled cardboard is made into tertiary packaging for SPAR brand products. Furthermore, SPAR milk cartons have been replaced with unbleached board to ensure that the cardboard is recyclable, reducing the necessary ink and bleach required to make the cardboard; the closure is made from bioplastic and is 100 % recyclable. SPAR is in the process of conducting various studies to reduce the environmental impact of its products; these include sustainable sourcing and redesigning of packaging. Currently, SPAR's paper packaging is sourced from sustainable FSC forestries. Furthermore, SPAR is currently engaging with WWF and SPAR international around sustainable procurement of certain items, including Palm Oil, Wine and Eggs. Introduction of alternative and more sustainable packaging has been well received by consumers, increasing brand loyalty. The cost of response to this risk relates to 2 members of internal staff, who are dedicated to managing this risk full time and an executive working on the risk for an hour each month. Monthly cost is estimated to be R42 333 and annual cost - R508 000.

**Comment****Identifier**

Risk 5

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type & Primary climate-related risk driver**

Chronic physical	Rising mean temperatures
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**Primary potential financial impact**

Increased indirect (operating) costs

**Climate risk type mapped to traditional financial services industry risk classification**

&lt;Not Applicable&gt;

**Company-specific description**

SPAR operates refrigeration equipment both in distribution centres and in trucks transporting goods to stores. Increasing mean atmospheric temperatures will require this equipment to work harder, increasing the energy consumption (electricity in distribution centres) and diesel consumption in fleet to ensure that refrigeration temperatures remain below set points. SPAR's internal modelling which projects the number of cold days for the next 10-20 years demonstrates that the number of cold days will decrease, requiring an increased usage of refrigeration in the Group's fleet and for air conditioners in office buildings, increasing fuel and electricity consumption.

**Time horizon**

Medium-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

9562689

**Potential financial impact figure – minimum (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure – maximum (currency)**

&lt;Not Applicable&gt;

**Explanation of financial impact figure**

If electricity consumption was to increase by 5% due to increased refrigeration and air conditioning requirements, electricity consumption instead of current 43 001 294 kWh would be 45 151 358 kWh. At a current average tariff rate for this year (119.45 c/kWh), the average current cost is R5 136 505. At 5% increase in consumption, the cost would be R5 393 330, making the financial impact R256 825. Additionally, if fuel consumption was to increase also by 5% due to increased refrigeration and air conditioning requirements, fuel consumption instead of current 13 309 238 litres would be 13 974 700. At the average cost of fuel for 2019 of R14.37/litre, this would result in an increased cost of R200 816 439 (current cost is R191 253 750), leading to R9 562 689 increase in the financial impact.

**Cost of response to risk**

3200000

**Description of response and explanation of cost calculation**

Mitigation of climate change risks drives the Group's continuous research and development around trucking and refrigeration in trucks. The Group has implemented initiatives for reducing energy requirements in refrigeration equipment through installation of timers on lighting and air-conditioning units, installation of high-speed doors

and air curtains as well as the monitoring and adjusting of set point temperatures. Over the past 18 months, the KwaZulu-Natal distribution centre successfully piloted various prototypes for the world's first commercially available, battery-electric truck refrigeration system. SPAR's KwaZulu-Natal distribution centre was the first in Africa to build and trial a hybrid fuel and battery powered rigid truck in collaboration with the engineering department of the University of KwaZulu-Natal. The battery-electric truck refrigeration system will replace the standard diesel truck fridge and could save up to 90% of monthly fuel and servicing costs. The system results in a significant emissions reduction while recharging batteries at an average of 30 minutes and running for up to 18 hours between charges. About 30% of the SPAR fleet consists of refrigerated trucks to be converted to the new system over time. SPAR purchases fuel for the Group directly from fuel suppliers to ensure a better price and supply for the fleet. SPAR vehicle fleet's continuous improvement is a core, long-term focus. SPAR's logistics team continues to analyse alternative ways to get products to market to ensure load optimisation and effective routing solutions. The Group continues to prioritise delivery from source where possible, reducing the distance, cost and administration requirements to transport goods to regional distribution centres. SPAR trains its warehouse and administrative personnel to be aware of energy losses when operating refrigeration equipment through annual awareness campaigns across all regions. The Group also trains fleet drivers to improve fuel efficiency and provides remuneration incentives for achieved reductions in fuel consumption. The cost of response to this risk relates to is estimated to be R3.2 million. This cost has been estimated using R265 000 monthly figure, which is the cost of all maintenance managers across all regions. This is based on assumption that achieving efficiencies falls under the job scope of maintenance managers.

**Comment**

**Identifier**

Risk 6

**Where in the value chain does the risk driver occur?**

Upstream

**Risk type & Primary climate-related risk driver**

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns
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**Primary potential financial impact**

Decreased revenues due to reduced production capacity

**Climate risk type mapped to traditional financial services industry risk classification**

<Not Applicable>

**Company-specific description**

Extreme weather events like extreme rainfall and drought can have a severe impact on SPAR's supply chain. These events will have negative impact on agricultural sector which can lead to increased food prices and potential disruptions to the of delivery of goods. This could lead to SPAR losing its competitive advantage or reduced availability of certain products to SPAR's customers. During 2018-2019, drought continued in Limpopo and Eastern Cape provinces. This has limited the type and number of crops that some of SPAR's commercial and small-scale suppliers were able to produce, resulting in reduced stock availability and increase in price for available products. 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, and therefore, have incurred additional logistics expenses for SPAR's distribution centres. Such additional costs ultimately have been passed on to SPAR's stores and consumers. Drought has affected SPAR's Limpopo cabbage producers in such a way that the number of hectares available for growing cabbages was reduced and growing season was shorter, reducing the cabbage yield.

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

89000000

**Potential financial impact figure – maximum (currency)**

149000000

**Explanation of financial impact figure**

SPAR might need to absorb some of the cost increases of food products to stay competitive. If this were to result in a 3-5% loss in operating profit, it could cost SPAR between R89 million - R149 million per year.

**Cost of response to risk**

19581491

**Description of response and explanation of cost calculation**

SPAR recognises that to ensure uninterrupted supply of produce in future, the Group has to work in collaboration with its suppliers to increase their resilience to changing climatic conditions. During the current reporting period, SPAR has continued engaging with local farmers to assist them in sustainable farming practices and training on sustainable farming processes, thereby enabling suppliers to become more resilient to climate change impacts. SPAR's Freshline team assists local farmers in the Freshline supply chain to adopt more sustainable farming methods. When evaluating new suppliers, to be able to supply to SPAR Brands farmers must be using sustainable farming practices. As a result of the ongoing drought, potential new sites for farming development were reconsidered for more preferential sites that have more consistent access to water. SPAR has offered loans for water efficient infrastructure to its suppliers, specifically, for undercover hydroponic lettuce production system, as it enables SPAR's lettuce producers to mitigate the impacts of climate change and require reduced water amounts for lettuce production. SPAR has continued facilitating development of small-scale farming sector through the SPAR's Rural Hub Programme (currently there are 2 rural hubs – Mopani and Ikwezi). Small scale emerging farmers are mentored by commercial farmers and technical service providers, providing support around farming techniques, spraying, harvesting and regulations. In 2019, 12 small scale farmers were trained by the Group. The SPAR Group diversifies its supplier base and prioritises suppliers, using environmental criteria. SPAR house brands suppliers were asked to complete a questionnaire around their environmental management systems, focusing on energy, transport, waste and wastewater, water use and emissions. The SPAR Group has started working on a more detailed Scope 3 accounting process which allows identification of largest risk areas in the supply chain and where efforts should be targeted. To date SPAR has offered R13.4 million of financial assistance/loans to lettuce producers and has provided R2.8 million in financial assistance /loans to small emerging farmers in Mopani and R0.76 million to Ikwezi. The cost of training local farmers amounted to R821.491 and the cost of 3 members of

internal staff who manage small scale farmers full time amounted to R1.8 million.

#### Comment

#### Identifier

Risk 7

#### Where in the value chain does the risk driver occur?

Direct operations

#### Risk type & Primary climate-related risk driver

Reputation	Shifts in consumer preferences
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#### Primary potential financial impact

Decreased revenues due to reduced demand for products and services

#### Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

#### Company-specific description

There is increasing pressure from stakeholders, including consumers and the broader public, for large corporates to address environmental issues, particularly climate change. It is becoming more important over time in the South African food retail industry that players play an active role in driving change throughout the value chain. SPAR's market research and analysis has shown that SPAR's consumers in high LSM category (customer segmentation measure, which utilises standard of living and disposable income) would like to see that SPAR is actively involved in pursuing carbon and waste reduction techniques, including Solar PV panels, waste management programmes and water saving initiatives at the store level. SPAR's biennial market research and analysis around SPAR's consumer perceptions has provided evidence that consumers choice to shop at a retail store is influenced by the by the perceptions of retailer's actions to reduce climate change impacts. If SPAR was unable to demonstrate that the Group is addressing environmental and climate change issues, the overall SPAR brand could suffer over time. These issues could result in a decline in the demand for SPAR retail outlets and therefore for the SPAR Group's goods and services. This risk could have greater impact on SPAR's stores with consumers in the higher income segment. In addition to this, Western Cape and Eastern Cape consumers are more sensitive to climate change, specifically, to water-related issues, because of the extreme drought in the previous financial year.

#### Time horizon

Short-term

#### Likelihood

About as likely as not

#### Magnitude of impact

High

#### Are you able to provide a potential financial impact figure?

Yes, an estimated range

#### Potential financial impact figure (currency)

<Not Applicable>

#### Potential financial impact figure – minimum (currency)

3284000000

#### Potential financial impact figure – maximum (currency)

5473000000

#### Explanation of financial impact figure

The quantification assumes that if SPAR was too slow to take into account consumers' feedback on climate change action, this would reduce the number of customers in store as they would opt to shop at a competitor which is actively reducing impact on the environment. This could make owning a SPAR store less desirable, resulting in a reduced number of purchased stores and a reduction in goods and services purchased from the SPAR Group. If this were to result in a 3 - 5% loss in revenue, it could cost SPAR between R3.284 billion – R5.473 billion per year.

#### Cost of response to risk

380000

#### Description of response and explanation of cost calculation

Reputational risks are managed through improving communication processes related to environmental issues that SPAR is addressing. SPAR's Annual Guild Report which is shared with all SPAR retailers and distribution centres contains information around actions to address climate change. SPAR's Integrated Annual Report also contains a section dedicated to the Group's responses to climate change. SPAR is planning for increased communication around climate change with its retailers and consumers through active participation of members in guild meetings and with consumers in store and online through social media. Sustainability has been integrated into SPAR's business strategy, increasing exposure and awareness. SPAR's strategy has recently been revised and climate change is integrated through active pursue of initiatives which reduce SPAR's carbon footprint. SPAR evaluates new suppliers considering suppliers' commitments towards sustainable practices such as reduced energy and water usage, reduced waste and emissions. Reduction of waste and sustainable sourcing have also been included in the strategy. SPAR is working actively with house brand suppliers to identify and introduce more environmentally friendly products. Existing examples are SPAR's seafood range which complies with WWF-SASSI guidelines and reduction of weight for SPAR PET bottles which reduces associated emissions. SPAR has introduced 100% recycled plastic carrier bag in 2018 together with brown paper carrier bags, which are made from 100% renewable resources. To date, SPAR's 100% recycled plastic bag has resulted in 3 500 tonnes of used plastic being diverted from landfills annually, and in producing the bag, 40% reduction of associated emissions has been achieved. SPAR also promotes the uptake of paper bags, and while the price of a paper bag is double that of the plastic bag, SPAR is trialling various measure to encourage consumers to reduce the usage of single use plastics. The #RethinkTheBag campaign promotes bringing your own bag, buying SPAR paper bag, buying SPAR canvas bag, carrying groceries without a bag and only as a last resort buying a plastic bag. SPAR is a founding member of the South African Plastic Pact which aims to reduce problematic plastics and plastic pollution through industry collaboration and innovation. The cost of responding to this risk relates to 1 member of staff, who continuously monitors the above outlined activities at an estimated cost of R380 000.

#### Comment

#### Identifier

Risk 8

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type & Primary climate-related risk driver**

Reputation	Other, please specify (Brand damage)
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**Primary potential financial impact**

Decreased revenues due to reduced demand for products and services

**Climate risk type mapped to traditional financial services industry risk classification**

<Not Applicable>

**Company-specific description**

Stores operating under SPAR Brand in South Africa are either corporate-owned or independently owned stores. The SPAR Group is responsible for operations and performance of corporate owned stores, however, the Group has been experiencing increased pressure to be responsible for all stores' performance in terms of food waste as well as energy and water usage, irrespective of ownership. Consumers and government cannot always differentiate between corporate and independently owned stores, presenting a risk to the Group when stores continue to operate in a business as usual manner without investing in energy and water efficiency technologies. Poor individual retailer performance and the Group's failure to respond to changing customer perceptions and expectations could lead to damaged Brand reputation, and as a result, reduced financial returns. Additionally, without taking action to increase resilience to climate change impacts and increased preparedness for climate-related events, in case of such events occur and depending on their impact, corporate owned stores might have to be closed for a period of time, therefore, reducing the Group's revenues.

**Time horizon**

Medium-term

**Likelihood**

More likely than not

**Magnitude of impact**

Medium-high

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

1100000000

**Potential financial impact figure – maximum (currency)**

2200000000

**Explanation of financial impact figure**

The Group estimates that damage to brand reputation could lead to a decrease in revenue. 1–2% decrease in 2019 revenues would be estimated at R1.1 billion–R2.2 billion.

**Cost of response to risk**

84000

**Description of response and explanation of cost calculation**

Risk is incorporated into the risk management analysis and scenarios. Required actions and desired outcomes are attributed to a risk champion. This is driven by an executive and the risk champion with an estimate cost of R84 000. It is assumed that an executive and a risk champion each spend one day a month working on this risk.

**Comment**

C2.4

**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

C2.4a

**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Primary potential financial impact**

Increased revenues resulting from increased demand for products and services

**Company-specific description**

Introduction of Carbon Tax and the associated increased diesel costs as well as the possibility for a compulsory biofuel regulation in future present the SPAR Group with an

opportunity to reduce costs and generate new revenue streams. The SPAR Group already utilises biofuels in Lowveld, KwaZulu-Natal and Eastern Cape distribution centres, and in future, current biofuels programme could be expanded to include more vehicles, larger volumes and potentially offer biofuels to external customers. As demand increases, SPAR's independently owned stores would be in a good position to provide used cooking oil as a feedstock for biodiesel production. SPAR stores sell their used cooking oil back to distribution centres which is then then sold on to a supplier. Such oil is collected by the SPAR's regional distribution centres through a backhauling process. As a result of selling used oil to suppliers, biofuels can be provided to SPAR at a reduced rate.

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

70300000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Biodiesel could be an additional revenue stream for SPAR or reduce the cost of fuel for SPAR's fleet as biodiesel is already cheaper diesel. If the impact from reduced fuel costs and increased revenue due to an external market demand for SPAR biodiesel was realised, a 2% increase in operating profit could be achieved - an additional R70.3 million per year.

**Cost to realize opportunity**

132000

**Strategy to realize opportunity and explanation of cost calculation**

The SPAR Group is continuously working with the Group's suppliers to address supply, costing and quality issues with biodiesel. This includes working more closely with SPAR retailers to integrate circular economy approach within the biodiesel sector of the business. Biodiesel could be an additional revenue stream for SPAR or reduce the cost of fuel for SPAR fleet, as biodiesel is already cheaper for SPAR than fossil fuel diesel. The cost/litre of biodiesel fluctuates between the regions with different pricing, on average, biodiesel is R2-R3 cheaper/litre than the current diesel price. The Group utilised 266 251 litres of biodiesel in the last financial year, reducing the Group's Scope 1 diesel emissions. Implementation of infrastructure, specifically, hanging the onsite pumps to allow for pumping both fuels into the trucks amounted to R132 000.

**Comment**

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**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

Upstream

**Opportunity type**

Resource efficiency

**Primary climate-related opportunity driver**

Other, please specify (Increased resources efficiency in supply chain operations)

**Primary potential financial impact**

Reduced indirect (operating) costs

**Company-specific description**

The SPAR Group recognises that achieving resource efficiency in the Group's supply chain can increase suppliers' resilience to climate change impacts. Climate change projections for South Africa suggest that more frequent and intense drought events could occur, making SPAR's suppliers at risk of reduced water availability. SPAR engages with suppliers to understand suppliers' environmental performance and to drive resource efficiency in suppliers' operations through the promotion of water conservation and better water management practices in farming operations. Promotion of sustainability principles and practices across the supply chain also enables the Group to reduce environmental impact associated with products that are supplied to SPAR stores.

**Time horizon**

Long-term

**Likelihood**

About as likely as not

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

109000000

**Potential financial impact figure – maximum (currency)**

219000000

**Explanation of financial impact figure**

It has been estimated that as a result of increased resource efficiency, operating costs could decrease by 1-2% (2019 operating costs are R10 939 million), amounting to a decrease of R109 million – R219 million in operating costs.

**Cost to realize opportunity**

16021491

**Strategy to realize opportunity and explanation of cost calculation**

SPAR continues engaging with local farmers to assist them in sustainable farming practices and training on sustainable farming processes to promote reduced water and chemicals techniques in order to ensure consistent produce during periods of drought. SPAR's Freshline team assists local farmers in the Freshline supply chain to adopt more sustainable farming methods. All new suppliers to SPAR Brands must be using sustainable farming practices. Furthermore, potential new sites for farming development were reconsidered for more preferential sites that have more consistent access to water. SPAR has offered loans for water efficient infrastructure, specifically, for undercover hydroponic lettuce production system as it enables SPAR's lettuce producers to mitigate the impacts of climate change and require reduced water amounts for lettuce production. The Group's intention to increase procurement programmes as far as possible to support water, fertilizer, chemical savings by the Group's suppliers and make the farming and production process more sustainable. Undercover/protected farming is a big focus for SPAR's suppliers as they provide more consistent growing climate and protect crops during extreme events. To date SPAR has offered R13.4 million of financial assistance/loans to lettuce producers. The cost of training local farmers amounted to R821 491 and the cost of 3 members of internal staff who manage small scale farmers full time amounted to R1.8 million.

**Comment**

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**Identifier**

Opp3

**Where in the value chain does the opportunity occur?**

Downstream

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Shift in consumer preferences

**Primary potential financial impact**

Increased revenues resulting from increased demand for products and services

**Company-specific description**

There is an increasing pressure from stakeholders, including consumers and broader public, for large corporates to address environmental issues, particularly climate change. It is becoming more important over time in South African food retail industry that players play an active role in driving change across the value chain. If SPAR is able to demonstrate that it is addressing environmental and climate change issues, SPAR brand is likely to benefit over time. If the company is perceived to be able to respond effectively to consumer shifts as a result of climate change, then SPAR brand would be seen favourably by the market. Such perceptions could result in an increased demand for SPAR retail outlets, and therefore for the SPAR Group's products. SPAR stores which serve customers from a higher income segment are more likely to benefit from demonstrating that the Group is addressing environmental and climate change issues as consumers from a higher income segment are more aware of issues around climate change.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-high

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

2180000000

**Potential financial impact figure – minimum (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure – maximum (currency)**

&lt;Not Applicable&gt;

**Explanation of financial impact figure**

A 2% increase in revenue as a result of this opportunity will result in additional revenue of around R2 180 million per year.

**Cost to realize opportunity**

254000

**Strategy to realize opportunity and explanation of cost calculation**

SPAR is actively reporting its actions on climate change issues in the Group's annual integrated report and responds to the CDP Climate Change, Water and Forests Projects. SPAR's product strategy and innovation process actively considers consumer trends and matches products with consumer needs. SPAR conducts consumer surveys/questionnaires every 2-3 years to gauge perceptions around SPAR Brand, operations and products. Currently work in underway to increase the frequency and to start including internal staff in the questionnaires to gauge perceptions of the Group both externally and internally. SPAR has adopted circular economy as part of the Group's strategy for all products and packaging. SPAR's product innovation process which has delivered over 650 new products over the past few years, prioritises resource efficiency and waste reduction, including identifying opportunities to reduce packaging and to include recyclable, biodegradable and sustainably sourced materials in both new and existing products. Sustainability aspects such as energy and water efficiency and natural resource use (for example, for seafood, there are procurement guidelines to ensure that the seafood procured is from sustainable source) are integral considerations in SPAR's product innovation process. The Group is a founding member of the WWF Plastics Pact and is committed to removing problematic plastics from the Group's supply chain and increasing recycled content in packaging. SPAR has introduced 100% recycled plastic carrier bag in 2018 together with brown paper carrier bags, which are made from 100% renewable resource. To date, SPAR's 100% recycled plastic bag has resulted in 3 500 tonnes of used plastic being diverted from landfills annually, and in producing the bag, 40% reduction of associated emissions has been achieved. SPAR's Long-Life milk cartons are 100% recyclable and are made from 87% renewable materials including a bio-based plastic lid which is made from sugar cane. Furthermore, SPAR milk cartons have been replaced with unbleached board to ensure that the cardboard is recyclable, reducing the necessary ink and bleach required to make the cardboard. R254 000 was spent on internal staff managing this opportunity, including the SPAR Group's brands manager and brands team, which consists of 3 team members who continuously work on this. The figure is an annual figure for internal staff working on the management of this opportunity.

**Comment**

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**Identifier**

Opp4

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Energy source

**Primary climate-related opportunity driver**

Use of lower-emission sources of energy

**Primary potential financial impact**

Reduced indirect (operating) costs

**Company-specific description**

SPAR invested in renewable energy (solar PV) at the South Rand, North Rand and Western Cape distribution centres. Total installed capacity across the three sites is 3.448 MWPeak. Solar PV installations in South Rand, North Rand and Western Cape distribution centres were operational during 2019 financial year. These solar PV installations have generated 5 218 MWh of energy during 2019 financial year, and 9 978 MWh since the installation date. Solar PV installations in Eastern Cape, Lowveld and KwaZulu-Natal distribution centres will become operational in 2020 financial year.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-high

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

6457723

**Potential financial impact figure – minimum (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure – maximum (currency)**

&lt;Not Applicable&gt;

**Explanation of financial impact figure**

SPAR's South Rand, North Rand and Western Cape distribution centres achieved financial savings of R6 457 723 in 2019. Savings achieved from solar PV facilities in other distribution centres will be reported next year.

**Cost to realize opportunity**

37595362

**Strategy to realize opportunity and explanation of cost calculation**

SPAR has invested in renewable energy, specifically, solar PV facilities, at a cost of R37 595 362 at three distribution centres (Capital cost). SPAR's South Rand, North Rand and Western Cape distribution centres saved R6 457 723 and generated 5 218 MWh of energy in FY2019. Furthermore, SPAR is commissioning further 4 solar PV facilities in the Group's distribution centres, and further energy and cost savings will be reported next year.

**Comment****Identifier**

Opp5

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Resilience

**Primary climate-related opportunity driver**

Participation in renewable energy programs and adoption of energy-efficiency measures

**Primary potential financial impact**

Other, please specify (Reduced exposure to GHG emissions and reduced sensitivity to changes in cost of carbon.)

**Company-specific description**

The SPAR Group has developed Science Based Targets (SBTs), which set out Scope 1 and Scope 2 emissions reductions targets, 59% for BUILDINGS and 41% TRANSPORT sectors by 2050. Additionally, the Group has developed Carbon Reduction Framework as a roadmap for reducing the Group's emissions and meeting emissions reductions targets, and therefore, reducing current and future carbon tax liability. The current SBTs have been developed to align SPAR's climate change targets with the global target of 2°C degrees temperature increase above pre-industrial levels. However, since the IPCC publication of the refined 1.5°C degrees temperature increase above pre-industrial levels target in 2019, SPAR is in the process of updating the Group's SBTs to be in line with the updated global target of 1.5°C degrees.

**Time horizon**

Long-term

**Likelihood**

Very likely

**Magnitude of impact**

Medium-high

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

3979008

**Potential financial impact figure – maximum (currency)**

9947520

**Explanation of financial impact figure**

Financial impact is estimated by multiplying SPAR's Scope 1 and 2 emissions and carbon tax rate range between R48 - R120 per tCO2e. If SPAR implemented emissions reductions actions and reduced the Group's carbon tax liability, the potentially avoided liability could be R3 979 008 – R9 947 520 (Scope 1 and Scope 2 emissions multiplied by the carbon tax range).

**Cost to realize opportunity**

132000000

**Strategy to realize opportunity and explanation of cost calculation**

SPAR's Carbon Reduction Framework outlines emissions reduction opportunities up to 2050. This framework provides a roadmap for opportunities which would save the Group over 158 000 000 kWh's of energy and cost around R132 000 000. Identified opportunities include: • Battery charging (changing batteries to more efficient ones which ensure longer usage and reduced charge time; also charging batteries during off-peak hours to reduce the associated costs). • Lighting and HVAC • Refrigeration • Solar PV • Biodiesel • Electricity metering The SPAR Group has already implementing various opportunities identified in the Carbon Reduction Framework, specifically Solar PV (for more detail refer to Opportunity 4 in this CDP response) and Biodiesel (Opportunity 1). Furthermore, the Group has smart energy meters installed in all SPAR's distribution centres and in 129 SPAR stores. The cost to realise this opportunity includes implementation of all emission reduction opportunities until 2050.

**Comment**

**C3. Business Strategy**

**C3.1**

**(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?**

Yes, and we have developed a low-carbon transition plan

**C3.1a**

**(C3.1a) Does your organization use climate-related scenario analysis to inform its strategy?**

Yes, quantitative

**C3.1b**

**(C3.1b) Provide details of your organization's use of climate-related scenario analysis.**

Climate-related scenarios and models applied	Details
2DS	The SPAR Group has undertaken a quantitative climate-related scenario analysis, using IEA 2DS model, to develop the Group's Science Based Targets (SBTs). The 2Ds is built on a projected limit of 2°C above pre-industrial levels, and the SPAR Group has adopted emissions reductions targets that are in line with the level of decarbonisation required to keep global temperature increase below 2°C above the pre-industrial levels. SPAR has committed to science-based targets for two sectors: buildings and transport, and has developed a number of scenarios for setting targets, i.e. at 1% growth versus 2.5% growth and at intervals from 2016 (base year), to 2025, 2035 and 2050 on both absolute and intensity emissions. Science-based targets and Carbon Reduction Framework (a roadmap to meet the Group's climate targets) guide the SPAR Group's strategic decisions around the implementation of low-carbon technologies, prioritisation of financial planning elements and resources. SPAR's climate-related scenario analysis and science-based targets for buildings and transport sectors have been developed using the Sectoral Decarbonisation Approach methodology. This methodology makes use of the IPCC's assessment reports to identify the temperature increase thresholds, representative concentration pathways as well as the global carbon budget. This information was then translated using the IEA's Energy Technology Perspectives reports which assist with developing sectoral carbon budgets, sectoral activity projections and sectoral intensities. The scenario analysis process incorporated SPAR's base year (2016) and target year (2050), activity data (at base year and projection in the target year), emissions data (Scope 1 and Scope 2 at base year) and sectorial classification. SPAR's fleet has been categorised under the Transport sector and SPAR's distribution centres under the Buildings sector. SPAR's Carbon Reduction Framework was developed to support the Group's journey in meeting the SBTs. The Framework incorporates quantitative targets, outlines emissions reductions opportunities that are available to the SPAR Group and evaluates financial feasibility of each opportunity. The current SBTs have been developed to align SPAR's climate change targets with the global target of 2°C degrees temperature increases. In 2019, the IPCC published a refined target of publication of 1.5°C temperature increase above the pre-industrial levels, and SPAR is currently updating the Group's SBTs to be in line with the updated 1.5°C target.

**C3.1d**

**(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.**

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	One of the SPAR Group's overarching strategic outcomes is creation of sustainable stakeholder value, which is inextricably linked to the Group's commitment to responsible living and resource stewardship. These elements of SPAR business model are embedded and guide all the Group's business activities, including products and services that the Group offers. Achieving this strategic outcome and meeting SPAR's commitment to responsible living and resource stewardship compels the Group to take actions to preserve natural capital and mitigate any negative environmental impact from SPAR's business activities. SPAR has adopted a circular economy approach to the development of new product packaging to assist the Group in reducing its plastic waste, therefore, reducing the requirements for raw plastic materials and reducing the associated emissions. SPAR has introduced 100% recycled plastic carried bag in 2018 together with brown paper carrier bags, which are made from 100% renewable resource. To date, SPAR's 100% recycled plastic bag has resulted in 3 500 tonnes of used plastic being diverted from landfills annually, and in producing the bag, 40% reduction in associated emissions has been achieved. The SPAR Group recognises that shifting consumer perceptions around actions the Group is taking to address climate change and environmental issues and around products it offers could impact SPAR's commitment towards creation of sustainable stakeholder value. SPAR's market research around SPAR's consumer perception has provided evidence that consumers will choose to shop at retail stores based on actions retailers are taking to reduce climate change impacts. If consumers chose to shop at other retailers, this could cause a decline in SPAR stores and therefore, a reduced demand for the SPAR Group's goods and services. One of the product categories that SPAR identifies could be significantly impacted is seafood. Changes in climatic conditions could pose a risk across seafood supply chain. All seafood procurement for SPAR house brands is executed following the sustainable sourcing policy and SPAR has extended its SASSI commitment across the entire supply chain. As SPAR is a SASSI participant, SPAR's Brands have started sourcing SPAR prawns from a more sustainable source.
Supply chain and/or value chain	Yes	SPAR recognises the importance of relationships for the Group's business, and suppliers have been identified among the material relationships for the Group. Suppliers are critical to operations as they provide SPAR with goods and services and are critical to the Group's long-term business sustainability. Supply chain's efficiency and resilience is one of strategic focus areas that enable the Group to achieve its strategic outcomes. SPAR identifies that climate-related risks such as changes in precipitation patterns and increased variability in weather patterns can severely impact SPAR's supply chain. Therefore, SPAR engages with farmers across its supply chain to encourage and promote the uptake of sustainable farming practices. SPAR screens its suppliers using environmental criteria. 75% of farmers in the Freshline brand's supply chain have been trained in sustainable farming methods, allowing for farmers to deliver consistent supply of produce, reduce water consumption and decrease costs. SPAR's lettuce suppliers with the assistance from SPAR set up a new hydroponic system, allowing lettuce to be grown with 90% reduced water requirements. Additionally, SPAR trains farmers in the localg.a.p. Standard, which incorporates sustainable agricultural practices. Localg.a.p is a stepping stone to safe and sustainable agriculture, and is a capacity building program with three levels of assessment. Food safety is non-negotiable, and farmers must adhere to SA's food safety legislation and regulations. To achieve these requirements, small scale farmers must participate in a capacity building program, like Localg.a.p. The training has allowed for emerging farmers to build technical knowledge on how to farm during various conditions, and as seen from farmers in Limpopo province, enabled those farmers to continue supplying SPAR during the prevalent drought. 12 small scale farmers have been trained in the localg.a.p standard at a cost of R821 491. Increased efficiency in SPAR's supply chain pertain to a shortened supply chain and reduced number of trucks on the roads. This can help SPAR reduce fuel consumption and associated emissions. SPAR also continues investing in the development of the Rural Hub Model, which enable smallholder farmers to supply local SPAR stores with fresh produce, reducing transportation requirements.
Investment in R&D	Yes	SPAR's strategic focus area of increased supply efficiency guides the Group's decisions around investment in R&D. The Group places focus on researching and development of energy efficient/low carbon technologies around refrigeration and trucks as they can enable the Group to achieve of reduced use of resources and operating costs. Increased refrigeration and air-conditioning requirements and subsequent increase in energy and fuel consumption is one of the climate risks that have been identified as a result of increasing temperatures. The SPAR Group has implemented initiatives for reducing energy requirements in refrigeration equipment through installation of timers on lighting and air-conditioning units, installation of high-speed doors and air curtains as well as the monitoring and adjusting of set point temperatures to reduce electricity consumption. Over the past 18 months, the KwaZulu-Natal distribution centre successfully piloted various prototypes for the world's first commercially available, battery-electric truck refrigeration system. SPAR's KwaZulu-Natal distribution centre was the first in Africa to build and trial a hybrid fuel and battery powered rigid truck in collaboration with the engineering department of the University of KwaZulu-Natal. The battery-electric truck refrigeration system will replace the standard diesel truck fridge and could save up to 90% of monthly fuel and servicing costs. The system results in significant emissions reductions while recharging batteries at an average of 30 minutes and running for up to 18 hours between charges. About 30% of SPAR's fleet consists of refrigerated trucks which will be converted to the new system over time.
Operations	Yes	Achieving the SPAR Group's strategic outcome of sustainable stakeholder value compels the Group to keep minimising cost where possible. Cost of inputs such as electricity and fuels continue increasing in South Africa, and current and emerging climate legislation and compliance requirements might further escalate the costs. Reduced carbon footprint together with reduced input costs and tonnes of recycled plastic and cardboard are among the Group's operational indicators, which are tracked monthly alongside the Group's financial indicators. To mitigate these rising costs, the SPAR Group has undertaken supply chain optimisation and energy management actions. SPAR has started rolling out solar PV installations in all distribution centres. In FY 2019, in South Rand, North Rand and Western Cape distribution centres, cumulatively 5 218 MWh of renewable energy was produced while monetary savings amounted to R6 457 723. Additionally, the Group has rolled out LED energy efficiency initiatives. The SPAR Group has implemented further energy management actions through employee awareness campaigns, aimed at reducing electricity consumption. To further promote energy efficiency and integrate sustainability across the Group, SPAR has started assessing current roles and job descriptions for the Group's employees to align performance KPIs with the Group's sustainability objectives.

**C3.1e**

**(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.**

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Indirect costs Capital expenditures Capital allocation	The SPAR Group recognises that unmitigated climate-related risks could incur significant costs to the business. At the same time, capitalising on climate-related opportunities can enable SPAR to derive cost savings and promote new revenue generating opportunities. Identified climate-related risks and opportunities influence the SPAR Group's financial planning. When considering various financial planning elements, medium to long-term horizons are considered (3-10 years and 10-30 years). The SPAR Group has identified that climate-related risks arising from Carbon Tax liability and extreme weather events could affect the Group's revenues as well as direct and indirect costs. Promulgation of Carbon Tax has impacted SPAR's indirect costs as the Group's distribution centres and corporate-owned stores are liable for diesel and LPG consumption under the Carbon Tax as well as experience increased fuel and electricity prices. Increased in fuel and electricity prices from Carbon Tax also impact suppliers in SPAR's supply chain, and those indirect costs then have to be either absorbed by the Group, reducing the profitability, or passed onto the consumer, making SPAR products less competitively priced. Additionally, if SPAR's corporate-owned stores are not prepared for natural disasters or increased frequency and severity of extreme weather events, stores might have to be closed for a period of time, resulting in reduced revenues, which would negatively impact the Group's financial returns. Capitalising on climate-related opportunities requires capital expenditure. Currently, SPAR considers return on investment and payback period. However, the Group has developed an internal carbon pricing methodology, which is aimed to encourage investments in low-carbon technologies and to incorporate future carbon pricing and the associated increased operational costs into the Group's long-term financial planning. With this methodology the Group aims to determine a carbon shadow price which would promote low-carbon investment decisions for new build projects and major capital investments and carbon fee which would elevate energy efficiency projects and OPEX/maintenance-type investment decisions. The Group anticipates fully incorporating this methodology into the Group's financial planning within the next 3-5 years. To meet the Group's SBTs, SPAR has developed Carbon Reduction Framework. The Framework includes MACC (Marginal Abatement Cost Curve) for each identified low carbon option, which estimates investment required to achieve a tonne of CO2e emissions savings. The Group anticipates fully incorporating this tool into the Group's financial planning also within the next 3-5 years. SPAR has identified renewable energy to be an opportunity which can help the Group to reduce increasing electricity costs and to mitigate the Group's Carbon Tax liability. SPAR has already installed solar PV facilities in three of SPAR distribution centres, specifically, South Rand, North Rand and Western Cape distribution centres. The capital expenditure of the facilities was R37 595 362, which the projected project lifetime of 16-20 years and projected payback time of 4-6 years. To date, solar PV facilities have produced 9 978 MWh and generated electricity and demand savings of R12 293 090.

**C3.1f**

## C4. Targets and performance

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### C4.1

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#### (C4.1) Did you have an emissions target that was active in the reporting year?

Absolute target

#### C4.1a

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##### (C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

**Target reference number**

Abs 1

**Year target was set**

2016

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 2 (location-based)

**Base year**

2016

**Covered emissions in base year (metric tons CO2e)**

48632

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

59

**Target year**

2050

**Targeted reduction from base year (%)**

91

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

4376.88

**Covered emissions in reporting year (metric tons CO2e)**

44721

**% of target achieved [auto-calculated]**

8.83739553751069

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

**Please explain (including target coverage)**

SPAR has developed to science-based targets for two sectors: buildings and transport, and has developed a number of scenarios for setting targets, i.e. at 1% growth versus 2.5% growth and at intervals from 2016 (base year), to 2025, 2035 and 2050 on both absolute and intensity emissions. We have reported on our 1% growth, absolute emission reduction by 2050 SBT's in this question for the BUILDINGS sector. The SPAR Group is updating Science Based Targets to align them with the revised 1.5°C instead of 2°C target, and these will be reported in the next year's disclosure.

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**Target reference number**

Abs 2

**Year target was set**

2016

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1

**Base year**

2016

**Covered emissions in base year (metric tons CO2e)**

34351

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

41

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**Target year**

2050

**Targeted reduction from base year (%)**

4

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

32976.96

**Covered emissions in reporting year (metric tons CO2e)**

36325

**% of target achieved [auto-calculated]**

-143.663939914413

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

**Please explain (including target coverage)**

SPAR has developed to science-based targets for two sectors: buildings and transport, and has developed a number of scenarios for setting targets, i.e. at 1% growth versus 2.5% growth and at intervals from 2016 (base year), to 2025, 2035 and 2050 on both absolute and intensity emissions. We have reported on our 1% growth, absolute emission reduction by 2050 SBT's in this question for the TRANSPORT sector. As per SPAR's Science Based Targets emissions projections, emissions for TRANSPORT sector would continue to increase until 2035 in line with business growth, with significant reductions in emissions achieved only from 2035-2050. The SPAR Group is updating Science Based Targets to align them with the revised 1.5°C instead of 2°C target, and these will be reported in the next year's disclosure.

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**C4.2**

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**(C4.2) Did you have any other climate-related targets that were active in the reporting year?**

Target(s) to increase low-carbon energy consumption or production

**C4.2a**

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**(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.**

**Target reference number**

Low 1

**Year target was set**

2018

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: energy carrier**

Electricity

**Target type: activity**

Production

**Target type: energy source**

Renewable energy source(s) only

**Metric (target numerator if reporting an intensity target)**

MWh

**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2018

**Figure or percentage in base year**

0

**Target year**

2050

**Figure or percentage in target year**

10235

**Figure or percentage in reporting year**

5218

**% of target achieved [auto-calculated]**

50.9819247679531

**Target status in reporting year**

Underway

**Is this target part of an emissions target?**

Abs 1: Building sector

**Is this target part of an overarching initiative?**

Science-based targets initiative

**Please explain (including target coverage)**

SPAR has a target as part of its SBT to install renewable energy producing 10 235 MWh of energy by 2050. SPAR has installed three solar PV plants and in 2018-2019 reporting period, the installed solar PV plants have produced 5 218 MWh.

**C4.3**

**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

**C4.3a**

**(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation		
To be implemented*		
Implementation commenced*	4	4909
Implemented*	2	5427
Not to be implemented		

**C4.3b**

**(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.**

**Initiative category & Initiative type**

Low-carbon energy generation	Solar PV
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**Estimated annual CO2e savings (metric tonnes CO2e)**

5427

**Scope(s)**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

6457723

**Investment required (unit currency – as specified in C0.4)**

37595362

**Payback period**

4-10 years

**Estimated lifetime of the initiative**

16-20 years

**Comment**

Solar PV facilities have been installed in SPAR South Rand, North Rand and Western Cape distribution centres.

**C4.3c**

**(C4.3c) What methods do you use to drive investment in emissions reduction activities?**

Method	Comment
Compliance with regulatory requirements/standards	Compliance with current regulation and anticipated future regulation around climate change drive emissions reductions activities. The Greenhouse Gas Emissions Regulations in South Africa came into effect in 2017 and Carbon Tax Act came into effect in 2019. Under the current legislation, SPAR is liable to report on and pay Carbon Tax for the use of diesel and LPG in stationary combustion sources. Investment in emissions reductions activities are driven by the reduced carbon tax liability for the Group, and to mitigate the risk associated with non-compliance payments and fines, should the Group fail to comply with the legislation. The current framework for Carbon Tax provisions for a tax-free threshold and a number of allowances, which could reduce the Group's financial liability under the Carbon Tax. Therefore, achieving emissions reductions would lead to lower Carbon Tax payments. The first phase of the Carbon Tax in South Africa will conclude in 2022, and tax-free thresholds could be reduced or removed altogether in the subsequent phases of the Carbon Tax, thus increasing SPAR's tax liability.
Employee engagement	Employees are one of the material relationships for the SPAR Group and are critical for the achievement of the Group's strategic objectives. SPAR recognises that while leadership in the sustainability space is crucial for strong performance, successful integration of sustainability principles and practices into business operations heavily relies on staff engagement. Investments geared towards achieving greater staff awareness and engagement around sustainability and climate change can promote emissions reductions activities. Sustainability has been promoted at the senior and executive management levels through the Senior and Executive Leadership Development Programme and the Management Growth Programme. SPAR is also investing in developing a formal sustainability-training programme for staff within key functions within the organisation. The Group had a sustainability and food safety day where regional staff and retailers through presentations and product display were engaged around sustainable packaging options. SPAR also runs employee campaigns which aim to raise awareness about the benefits of reducing electricity consumption and encourage behavioural change among staff. The SPAR Group provides monetary incentives to staff across various levels in organisation, specifically, to executive officers, fleet drivers and outbound and maintenance managers for the attainment of emissions and energy reduction targets for fuel and energy consumption. The Group is also currently in the process of reviewing personal KPIs for different roles to align them with Group's sustainability objectives.
Financial optimization calculations	Reduced operational costs drive emissions reductions activities and savings achieved from already implementation actions motivate further investments in emissions reduction activities. Successful implementation of solar PV facilities and derived financial and energy consumption savings at South Rand, North Rand and Western Cape distribution centres have motivated for construction of additional solar PV facilities at Eastern Cape, Lowveld and KwaZulu-Natal distribution centres. Implemented energy efficiency and solar PV initiatives have reduced energy consumption and energy costs (operational costs) for the Group. A 14% reduction in electricity consumption has been achieved in South Rand, North Rand and Western Cape distribution centres between FY2018 and FY2019, and such a decrease in electricity consumption has been largely attributed to the installation of solar PV facilities. Reduced electricity consumption directly translates to savings achieved on operational costs (for example, an average increase on electricity tariffs rate in South Africa in 2019 was 9.41%).
Other (Capital allocation)	Once strategic and operational objectives relating to climate change and sustainability as well as target dates are set, the Group allocates required capital. In order to meet SPAR's commitments to SBTs and to implement Carbon Reduction Framework, the required capital was diverted from other activities. For example, monetary and emissions savings achieved from North Rand, South Rand Western Cape distribution centres motivated solar PV installations in Eastern Cape, Lowveld and KwaZulu-Natal distribution centres. Furthermore, emergency capital might be diverted to avoid short term disruptions from climate change events as was experienced in the Western Cape distribution centre during drought. It was necessary to invest in an adiabatic cooling system to ensure that refrigeration would be able to continue running, in case there was water supply disruptions.

**C4.5**

**(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?**

Yes

**C4.5a**

**(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.**

**Level of aggregation**

Group of products

**Description of product/Group of products**

SPAR has introduced 100% recycled plastic carrier bag in 2018 together with brown paper carrier bags, which are made from 100% renewable resource. To date, SPAR's 100% recycled plastic bag has resulted in 3 500 tonnes of used plastic being diverted from landfills annually, and in producing the bag, 40% reduction of associated emissions has been achieved. SPAR also promotes the uptake of paper bags, and while the price of a paper bag is double that of the plastic bag, SPAR is trialling various measure to encourage consumers to reduce the usage of single use plastics. The SPAR Group also takes action to increase the amount of waste that is recycled and therefore, reducing the amount of raw virgin materials required for its products. Recycled plastic/cardboard from participating retail stores are brought to distribution centres, and stores are paid for their waste. Plastics are then sold to a waste service provider. The cardboard is sold to our cardboard box supplier and the recycled cardboard is made into tertiary packaging for SPAR brand products. Furthermore, SPAR milk cartons have been replaced with unbleached board to ensure that the cardboard is recyclable, reducing the necessary ink and bleach required to make the cardboard.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Low-carbon product

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Climate Bonds Taxonomy

**% revenue from low carbon product(s) in the reporting year**

0

**% of total portfolio value**

<Not Applicable>

**Asset classes/ product types**

<Not Applicable>

**Comment**

No revenues were generated from reduced emissions packaging.

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## C5. Emissions methodology

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### C5.1

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**(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).**

**Scope 1**

**Base year start**

October 1 2015

**Base year end**

September 30 2016

**Base year emissions (metric tons CO2e)**

39010

**Comment**

The SPAR Group has been in the process to update the Group's Science Based Targets to align them with the global target of 1.5°C increase in the global temperatures. The updated base year emissions and updated targets will be reported next year.

**Scope 2 (location-based)**

**Base year start**

October 1 2015

**Base year end**

September 30 2016

**Base year emissions (metric tons CO2e)**

43974

**Comment**

The SPAR Group has been in the process to update the Group's Science Based Targets to align them with the global target of 1.5°C increase in the global temperatures. The updated base year emissions and updated targets will be reported next year.

**Scope 2 (market-based)**

**Base year start**

October 1 2015

**Base year end**

September 30 2016

**Base year emissions (metric tons CO2e)**

0

**Comment**

There were no Scope 2 emissions (market-based).

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## C5.2

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### (C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

IPCC Guidelines for National Greenhouse Gas Inventories, 2006  
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)  
Other, please specify (Defra Voluntary 2019 Reporting Guidelines)

## C5.2a

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### (C5.2a) Provide details of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

SPAR's carbon footprint was calculated following the Greenhouse Gas Protocol, using emission factors from the IPCC and DEFRA 2019 Voluntary Reporting Guidelines, which are publicly available and are updated annually.

## C6. Emissions data

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### C6.1

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#### (C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

##### Reporting year

##### Gross global Scope 1 emissions (metric tons CO2e)

38175

##### Start date

<Not Applicable>

##### End date

<Not Applicable>

##### Comment

### C6.2

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#### (C6.2) Describe your organization's approach to reporting Scope 2 emissions.

##### Row 1

##### Scope 2, location-based

We are reporting a Scope 2, location-based figure

##### Scope 2, market-based

We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure

##### Comment

We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure. SPAR's distribution centres are located in South Africa, where all grid electricity is supplied by a public electricity utility Eskom, and therefore, there are no alternative choices for grid supplied electricity.

### C6.3

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#### (C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

##### Reporting year

##### Scope 2, location-based

44721

##### Scope 2, market-based (if applicable)

<Not Applicable>

##### Start date

<Not Applicable>

##### End date

<Not Applicable>

##### Comment

## C6.4

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**(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?**

Yes

## C6.4a

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**(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.**

**Source**

Emissions from corporate stores owned by the SPAR Group. Emissions associated with stores are from electricity usage, diesel consumption for generators and leakage of refrigeration gasses.

**Relevance of Scope 1 emissions from this source**

Emissions are relevant but not yet calculated

**Relevance of location-based Scope 2 emissions from this source**

Emissions are relevant but not yet calculated

**Relevance of market-based Scope 2 emissions from this source (if applicable)**

No emissions from this source

**Explain why this source is excluded**

The SPAR Group only temporarily owns corporate stores when there is no direct sale from one store owner to the next. This results in the Group's organisational boundary changing almost annually. Furthermore, due to the temporary ownership, emissions associated with corporate stores were established to be immaterial (less than 5% of the Group's total emissions) and were excluded in the development of the Group's Science Based Targets. The SPAR Group's sustainability journey has evolved over time and initially The Group's efforts were focussed on facilities which have the greatest impact, namely, head office and distribution centres. SPAR's Science Based Targets were developed accounting for emissions and projected emissions trajectory, considering only distribution centres and the head office. This year, the Group has started looking at qualitative impacts on the corporate-owned stores associated with climate change risks and opportunities. With the introduction of Carbon Tax in South Africa, the Group has to report on emissions from corporate stores, with the first reporting period having concluded at the end of 2019. The Group started collecting non-financial data (energy, fuels) for corporate stores and emissions from corporate stores will be included in the Group's carbon footprint next year.

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## C6.5

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**(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.**

**Purchased goods and services**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

72

**Emissions calculation methodology**

GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. DEFRA Emission factors.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

0

**Please explain**

Purchased goods and services specifically, emissions from water supply.

**Capital goods**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

Capital goods are limited in our industry. We periodically purchase new vehicles and office equipment, but upstream emissions associated with these goods are estimated to be very small and therefore are not relevant.

## Fuel-and-energy-related activities (not included in Scope 1 or 2)

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

14564

### Emissions calculation methodology

GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. DEFRA Emission factors

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Please explain

Emissions associated with extraction and refining of fuels the Group uses and upstream emissions from electricity, including network transmission and distribution losses as well as extraction and refining of fuels to generate electricity.

## Upstream transportation and distribution

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Suppliers are responsible for delivering the produce to SPAR's distribution centres.

## Waste generated in operations

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

802

### Emissions calculation methodology

GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. DEFRA Emission factors.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Please explain

Different waste volumes are recorded at all SPAR facilities, including waste treatment type, and emissions associated with waste are calculated for specific waste streams. emissions associated with landfilling and recycling of specific waste streams.

## Business travel

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

3619

### Emissions calculation methodology

GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Defra emission factors.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

This includes emissions associated with car hire, flights and vehicle allowances when vehicles are used for business travelling purposes.

## Employee commuting

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

6089

### Emissions calculation methodology

GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Defra emission factors.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Please explain

Employee commute survey was conducted during the FY 2018-2019 to calculate emissions associated with SPAR's staff commuting to work.

## Upstream leased assets

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO<sub>2</sub>e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

SPAR has no upstream leased assets, and therefore, does not quantify emissions from this source.

## Downstream transportation and distribution

### Evaluation status

Relevant, calculated

### Metric tonnes CO<sub>2</sub>e

5188

### Emissions calculation methodology

GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. DEFRA Emission factors.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

This includes supply of goods from SPAR's distribution centres to SPAR stores.

## Processing of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO<sub>2</sub>e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

SPAR operates largely as a wholesaler of consumer goods that are sold on directly to consumers through SPAR retail stores. The impact on emissions of products sold by SPAR into retail store kitchens is considered immaterial.

## Use of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO<sub>2</sub>e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

SPAR's retail stores sell a wide variety of products. It is difficult to quantify indirect emissions associated with the use of SPAR products, and therefore, emissions from the use of sold products are not quantified and reported at this point.

## End of life treatment of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO<sub>2</sub>e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

SPAR's retail stores sell a wide variety of products. It is difficult to quantify indirect emissions associated with the use of SPAR products, and therefore, emissions from the end life treatment of sold products are not quantified and reported at this point.

#### Downstream leased assets

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

SPAR from time to time leases buildings to independent retailers but associated emissions are very small and are accounted for under independent retailers.

#### Franchises

**Evaluation status**

Relevant, not yet calculated

**Metric tonnes CO2e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

Emissions associated with the independent SPAR stores have not been calculated. SPAR anticipates calculating emissions from this emissions source within next 3-5 years.

#### Investments

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

SPAR has no material investments and therefore, does not quantify emissions from this emissions source.

#### Other (upstream)

**Evaluation status**

Not evaluated

**Metric tonnes CO2e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

Not applicable.

#### Other (downstream)

**Evaluation status**

Not evaluated

**Metric tonnes CO2e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

Not applicable.

C6.7

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(C6.7) Are carbon dioxide emissions from biogenic carbon relevant to your organization?

No

## C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO<sub>2</sub>e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

**Intensity figure**

0.76

**Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO<sub>2</sub>e)**

82896

**Metric denominator**

Other, please specify (Unit of Revenue (R' Mill))

**Metric denominator: Unit total**

109477

**Scope 2 figure used**

Location-based

**% change from previous year**

6

**Direction of change**

Decreased

**Reason for change**

SPAR's revenue increased due to business growth by 8% while Scope 1 and Scope 2 emissions increased only by 1.39%.

**Intensity figure**

0.00034

**Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO<sub>2</sub>e)**

82896

**Metric denominator**

Other, please specify (Number of Cases Dispatched)

**Metric denominator: Unit total**

243900000

**Scope 2 figure used**

Location-based

**% change from previous year**

4

**Direction of change**

Decreased

**Reason for change**

Number of dispatched cases have increased due to business growth by 5% while Scope 1 and Scope 2 emissions increased only by 1.39%.

## C7. Emissions breakdowns

### C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?

Yes

### C7.1a

(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).

Greenhouse gas	Scope 1 emissions (metric tons of CO <sub>2</sub> e)	GWP Reference
CO <sub>2</sub>	36006	IPCC Fourth Assessment Report (AR4 - 100 year)
CH <sub>4</sub>	5	IPCC Fourth Assessment Report (AR4 - 100 year)
N <sub>2</sub> O	463	IPCC Fourth Assessment Report (AR4 - 100 year)
HFCs	1701	IPCC Fourth Assessment Report (AR4 - 100 year)

## C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
South Africa	38175

## C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

- By business division
- By facility
- By activity

### C7.3a

(C7.3a) Break down your total gross global Scope 1 emissions by business division.

Business division	Scope 1 emissions (metric ton CO2e)
Head Office	89
Distribution Centres	38086

### C7.3b

(C7.3b) Break down your total gross global Scope 1 emissions by business facility.

Facility	Scope 1 emissions (metric tons CO2e)	Latitude	Longitude
Head Office	89	-29.819594	30.861389
Western Cape Distribution Centre	1097	-34.010027	18.477246
South Rand Distribution Centre	11273	-26.177395	28.216182
North Rand Distribution Centre	4308	-25.972252	28.232412
Lowveld Distribution Centre	2724	-25.463142	30.970154
KZN Distribution Centre	11540	-29.721837	31.003911
Eastern Cape Distribution Centre	6976	-33.950531	25.60762
Build It	167	-29.815828	30.868396

### C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO2e)
Mobile Combustion	36326
Stationary Combustion	148
Fugitive Emissions	1701

## C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted for in Scope 2 market-based approach (MWh)
South Africa	44721	0	43001	0

## C7.6

**(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.**

By business division

By facility

By activity

**C7.6a**

**(C7.6a) Break down your total gross global Scope 2 emissions by business division.**

Business division	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Head Office	655	
Distribution Centres	44066	

**C7.6b**

**(C7.6b) Break down your total gross global Scope 2 emissions by business facility.**

Facility	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Head Office	655	
Western Cape Distribution Centre	10433	
South Rand Distribution Centre	6988	
North Rand Distribution Centre	4474	
Lowveld Distribution Centre	2832	
KZN Distribution Centre	13818	
Eastern Cape Distribution Centre	5487	
Build It	33	

**C7.6c**

**(C7.6c) Break down your total gross global Scope 2 emissions by business activity.**

Activity	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Purchased Electricity	44721	0

**C7.9**

**(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?**

Remained the same overall

**C7.9a**

**(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.**

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	5427	Decreased	7	Change in Scope 1 and Scope 2: 5 427 tCO2e (i.e. the total emissions saved as a result of SPAR's solar PV installations). Previous years Scope 1 and Scope 2: 81 762. Emission value percentage = (5 427 / 81 762) x 100%.
Other emissions reduction activities	0	No change	0	Not applicable
Divestment	0	No change	0	Not applicable
Acquisitions	0	No change	0	Not applicable
Mergers	0	No change	0	Not applicable
Change in output	0	No change	0	Not applicable
Change in methodology	4300	Increased	5	Last year source for electricity emission factor that was used was NBI (0.94 tCO2e/MWh), this year – Eskom's (public electricity utility in South Africa) grid emission factor (1.04 tCO2e/MWh). The main reason for change in emission factor was because Eskom updates its emission factor annually and it reflects electricity mix in the country during that year. This year Scope 2 emissions: 44 721 tCO2e. If this year's Scope 2 emissions were calculated using NBI emission factor: 40 421 tCO2e. Difference between Scope 2 emissions using NBI and Eskom's emission factors: 4 300. Previous years Scope 1 and Scope 2: 81 762. Emission value percentage = (4 300 / 81 762) x 100%.
Change in boundary	0	No change	0	Not applicable
Change in physical operating conditions	0	No change	0	Not applicable
Unidentified	0	No change	0	Not applicable
Other		<Not Applicable >		

## C7.9b

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Location-based

## C8. Energy

### C8.1

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 25% but less than or equal to 30%

### C8.2

**(C8.2) Select which energy-related activities your organization has undertaken.**

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

### C8.2a

**(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.**

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	137841	137841
Consumption of purchased or acquired electricity	<Not Applicable>	0	43001	43001
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	5218	<Not Applicable>	5218
Total energy consumption	<Not Applicable>	5218	180842	186060

**C8.2b**

**(C8.2b) Select the applications of your organization's consumption of fuel.**

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	Yes
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

**C8.2c**

**(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.**

**Fuels (excluding feedstocks)**

Diesel

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

137224

**MWh fuel consumed for self-generation of electricity**

559

**MWh fuel consumed for self-generation of heat**

136665

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self-cogeneration or self-trigeneration**

<Not Applicable>

**Emission factor**

2.68697

**Unit**

kg CO2e per liter

**Emissions factor source**

DEFRA 2019.

**Comment**

100% mineral diesel.

**Fuels (excluding feedstocks)**

Petrol

**Heating value**

LHV (lower heating value)

**Total fuel MWh consumed by the organization**

616

**MWh fuel consumed for self-generation of electricity**

0

**MWh fuel consumed for self-generation of heat**

616

**MWh fuel consumed for self-generation of steam**

<Not Applicable>

**MWh fuel consumed for self-generation of cooling**

<Not Applicable>

**MWh fuel consumed for self-cogeneration or self-trigeneration**

<Not Applicable>

**Emission factor**

2.31495

**Unit**

kg CO2e per liter

**Emissions factor source**

DEFRA 2019

**Comment**

100% mineral petrol

**C8.2d**

**(C8.2d) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.**

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	5777	5777	5218	5218
Heat	137282	137282	0	0
Steam	0	0	0	0
Cooling	0	0	0	0

## C9. Additional metrics

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### C9.1

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(C9.1) Provide any additional climate-related metrics relevant to your business.

**Description**

Energy usage

**Metric value**

43001294

**Metric numerator**

kWh

**Metric denominator (intensity metric only)**

Not applicable

**% change from previous year**

4

**Direction of change**

Decreased

**Please explain**

SPAR monitors total kWh consumption in its distribution centres and head offices as emissions associated with electricity consumption account for 54% of the Group's Scope 1 and Scope 2 emissions. Electricity consumption (kWh) decreased by 4% in 2019. This was due to installation of Solar PV facilities in South Rand, North Rand and Western Cape distribution centres and retrofitting of LED light fittings across the distribution centres.

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**Description**

Other, please specify (Water usage)

**Metric value**

212432

**Metric numerator**

kilolitres

**Metric denominator (intensity metric only)**

**% change from previous year**

11

**Direction of change**

Increased

**Please explain**

During last reporting period, Western and Eastern Cape Provinces, where SPAR's Eastern Cape and Western Cape distribution centres are located, were at the height of drought, with reduced water availability and imposed water restrictions. As the drought eased during the FY2019, water restrictions were eased, and water withdrawals from municipal sources have increased in Western Cape and Eastern Cape distribution centres.

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## C10. Verification

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### C10.1

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(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	No third-party verification or assurance

### C10.1a

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**(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.**

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

SPAR Group\_CFA Verification\_Statement.pdf

**Page/ section reference**

1-3

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

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**C10.1b**

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**(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.**

**Scope 2 approach**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

SPAR Group\_CFA Verification\_Statement.pdf

**Page/ section reference**

1-3

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

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**C10.2**

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**(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?**

Yes

**C10.2a**

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**(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?**

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C6. Emissions data	Other, please specify (Outside of Scopes: Non-Kyoto Gases)	ISO 14064 - 3: 2006	100% Non-Kyoto gases emissions verified. SPAR Group_CFA Verification_Statement.pdf

**C11. Carbon pricing**

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**C11.1**

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**(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?**

Yes

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### C11.1a

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**(C11.1a) Select the carbon pricing regulation(s) which impacts your operations.**

South Africa carbon tax

### C11.1c

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**(C11.1c) Complete the following table for each of the tax systems you are regulated by.**

**South Africa carbon tax**

**Period start date**

July 1 2019

**Period end date**

December 31 2019

**% of total Scope 1 emissions covered by tax**

96

**Total cost of tax paid**

0

**Comment**

Carbon tax was introduced in June 2019, and the first tax reporting period ended in 31 December 2019. Given that this CDP Reporting period covers 1 October 2018 – 31 September 2019, carbon tax liability will be reported next year. 96% SPAR's Scope 1 emissions are covered by the Carbon Tax as emissions associated with refrigerant gases are not covered by the Carbon Tax. Only emissions associated with diesel in generators (direct carbon tax liability) and mobile fuel consumption (through increased fuel prices) are covered by the carbon tax.

### C11.1d

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**(C11.1d) What is your strategy for complying with the systems you are regulated by or anticipate being regulated by?**

SPAR is collecting monthly data for its carbon footprint, which is calculated annually. This enables the Group to report on its emissions to comply with the mandatory GHG Emissions Regulations. Carbon Tax is calculated based on the emissions reported to the DEFF as part of GHG Emissions Regulations.

Additionally, the SPAR Group continues monitoring current legislative updates and any future legislation pertaining to climate change, that could impose obligatory requirements on the Group.

Reduction of carbon footprint is included as one of the Group's operational performance indicator, which is tracked on a monthly basis.

The Group has developed Science Based Targets (SBTs), based on 2°C global temperatures increase, but with the revised IPCC targets for 1.5°C, SPAR is updating its Science Based Targets to be in line with 1.5°C increase. Furthermore, the SPAR Group has developed Carbon Reduction Framework, which provides a roadmap to achieve SBTs and guides emissions reduction actions. The Group has also designed an Internal Carbon Pricing methodology (see question 11.3a).

### C11.2

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**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

No

### C11.3

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**(C11.3) Does your organization use an internal price on carbon?**

Yes

### C11.3a

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**(C11.3a) Provide details of how your organization uses an internal price on carbon.**

**Objective for implementing an internal carbon price**

Navigate GHG regulations  
Change internal behavior  
Drive energy efficiency  
Drive low-carbon investment  
Identify and seize low-carbon opportunities

**GHG Scope**

Scope 1  
Scope 2

**Application**

SPAR has developed an Internal Carbon Pricing methodology in 2019. The aim of internal Carbon pricing methodology is as follows: • Facilitate SPAR Group in reaching its proposed GHG emission reduction targets (such as SBTs) • Protect SPAR Group against risks relating to compliance with future carbon pricing systems proposed by Government, such as a Carbon Tax • Encourage SPAR Group to make investments in low-carbon technologies • Encourage SPAR Group to make sound investment decisions in terms of energy efficiency projects and future operational changes. SPAR anticipates starting using Internal Carbon Pricing methodology at distribution centres- and Group- level in making any climate-related decisions and evaluating feasibility of climate actions in the near future.

**Actual price(s) used (Currency /metric ton)**

120

**Variance of price(s) used**

R48 - R1300 / tonne CO2e

**Type of internal carbon price**

Shadow price  
Internal fee

**Impact & implication**

Carbon Tax was promulgated in South Africa in June 2019 at R120 per tonne of CO2e, with the provision of tax-free thresholds and allowances, aimed at reducing carbon tax liability. SPAR has considered evolutionary pricing to evaluate price variance over time. This pricing is based on the assumption that Carbon Tax allowances will increase over time. SPAR anticipates that in 10 – 15 years time the price per tonne of CO2e could be as high as R1300. The pricing is consistent across the entire company, including retail stores and distribution centres. The internal carbon price will be used to determine: • A Carbon Shadow Price will promote low-carbon investment decisions for new build projects and major capital investments • A Carbon Fee will elevate energy efficiency projects and OPEX/maintenance-type investment decisions The Group has developed a methodology for internal price of carbon, however, it is only being considered internally, and not incorporated into decision making around climate change risks and opportunities. Currently the cost of carbon is not material to SPAR business, however, the Group anticipates this to change significantly in the next 5-10 years.

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**C12. Engagement**

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**C12.1**

**(C12.1) Do you engage with your value chain on climate-related issues?**

Yes, our suppliers  
Yes, our customers

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**C12.1a**

**(C12.1a) Provide details of your climate-related supplier engagement strategy.**

**Type of engagement**

Information collection (understanding supplier behavior)

**Details of engagement**

Collect climate change and carbon information at least annually from suppliers

**% of suppliers by number**

13

**% total procurement spend (direct and indirect)**

33

**% of supplier-related Scope 3 emissions as reported in C6.5**

0

**Rationale for the coverage of your engagement**

SPAR's business model depends on relationship with key stakeholders, among which are suppliers, for the management of natural resources. Therefore, to ensure business longevity, it is important to SPAR to understand the impact that suppliers have on natural resources and how SPAR can reduce this impact going forward. SPAR engages with Top 5 SPAR House Brands and Top 5 Freshline Brands suppliers to collect information around suppliers' sustainability practices and maturity of suppliers' approach towards sustainability. Through this engagement, SPAR collects information around suppliers' energy use, transport, greenhouse gasses, waste and wastewater and water use. Currently, suppliers respond to an internal questionnaire once a year, however, the Group is in the process to develop an online tool which will allow suppliers to track their sustainability performance. The engagement, which started during the last reporting period, continued during the current reporting period, and it enables SPAR to prioritise suppliers which SPAR provides support and assistance to.

**Impact of engagement, including measures of success**

The scope of engagement relates to supplier operations and potential environmental impacts, including identification of suppliers to prioritise for training and support. This

engagement has enabled SPAR to collect environmental information for the Group's supply chain which has been used in the development of the Group's updated Sustainability Policy, sustainability targets and goals. SPAR's aim is to contribute to efficiency improvements and ensure that SPAR's suppliers are resilient to climate change impacts in the long term. 10% of questioned suppliers have set climate related targets on their own accord and not because it is a requirement imposed by the SPAR Group – this is viewed as a successful outcome of this engagement by the Group. Ultimately, SPAR aims to drive and demonstrate improvement across the supply chain, and therefore, to be able to advance from compliance to industry-leading performance. SPAR measures the success of this engagement through the increased supplier engagement, which will allow SPAR to better account for its Scope 3 emissions and be able to drive Scope 3 emissions reductions in future.

#### Comment

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##### Type of engagement

Engagement & incentivization (changing supplier behavior)

##### Details of engagement

Other, please specify (Emerging farmer development programme)

##### % of suppliers by number

1

##### % total procurement spend (direct and indirect)

1

##### % of supplier-related Scope 3 emissions as reported in C6.5

0

##### Rationale for the coverage of your engagement

SPAR seeks to create shared value for stakeholders through contribution to responsible living and resources stewardship and suppliers' sustainability journey is crucial for SPAR to achieve those outcomes and be industry leader around sustainability. SPAR as a food retailer is prioritising serving its communities with food that is nutritious, affordable and accessible. SPAR's Rural Hub model supports local emerging farmers that supply produce to local stores. The model is developed so that supply chain is shortened, reducing transport and logistics costs as well as providing consumers with affordable and fresh produce. SPAR's farmer selection criteria for the Rural Hub Model are: • The farmer has farmed vegetables for 1 year or more • The farmer has been able to list vegetables that they grew and harvested last season • The farmer will be available to manage and take responsibility for the required production. • The farm has been localg.a.p. assessed or GlobalGAP accredited or is prepared to undergo an annual localg.a.p. training and assessment • There is adequate water available of sufficient quality and an operational irrigation All participating small-scale farmers are trained in the following modules: • Financial management • Land preparation • Planting • Integrated pest and disease management • Fertilization • Irrigation • Harvesting

##### Impact of engagement, including measures of success

SPAR measures the success of rural hubs and its supplier engagement model by the number of farmers that are able to successfully deliver produce to stores and farmer productivity, specifically, the amount of produce as well as area (ha) farmed. The success of the small-scale farming development model requires support from a range of stakeholders, including farmers, communities, government, food manufacturers and wholesalers, retailers, financial institutions, and funders. Following extensive planning and collaboration, the first rural hub was opened in Ofcolaco, Mopani, Limpopo province, in June 2016 and by September 2017, 5 emerging farmers were supplying produce to 10 SPAR retailers. A permanent packhouse has been operational since August 2017. During 2017, SPAR contributed a full mechanisation plan, the purchase of two delivery vehicles and refrigeration upgrade for the packhouse facility in Ofcolaco. The second hub, which commenced operations in October 2017, is in Ikwezi, Mpumalanga province. During the current reporting period there were 10 Mopani and 20 Ikwezi small scale farmers, who supply produce to SPAR's Freshline brand.

#### Comment

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##### Type of engagement

Innovation & collaboration (changing markets)

##### Details of engagement

Run a campaign to encourage innovation to reduce climate impacts on products and services

##### % of suppliers by number

13

##### % total procurement spend (direct and indirect)

1

##### % of supplier-related Scope 3 emissions as reported in C6.5

0

##### Rationale for the coverage of your engagement

SPAR is conducting research to improve packaging materials, which involves the engagement of packaging material suppliers to reduce impact that packaging materials have on environment as well as lifecycle impact of final products. Engagements with packaging material suppliers are prioritised due to the large role that packaging materials play in SPAR brand products. This engagement included 13% of SPAR branded suppliers as SPAR engaged with top 5 (out of 37) of its house-branded suppliers.

##### Impact of engagement, including measures of success

As part of this engagement, SPAR encourages its suppliers to uptake R&D to find ways to reduce the amount of packaging used in SPAR brand products and to redesign packaging to increase recyclability. Engagement with suppliers has resulted in a development of a plastic carrier bag that is made from 100% recycled plastic with 70% post-consumer waste. SPAR measures the success of this engagement by % of packaging products that are recyclable. This includes products that contribute towards the circular economy or allow waste to be diverted from landfill as well as % of SPAR Brands products with packaging that is 100% recyclable and % made from a renewable resource. SPAR has diverted 3 500 tonnes of plastic waste from landfill annually Furthermore, 100% of SPAR House Brand packaging boxes are made from recycled cardboard and paper, which is backhauled from stores back to distribution centres, creating a closed loop system for cardboard.

#### Comment

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C12.1b

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**(C12.1b) Give details of your climate-related engagement strategy with your customers.**

**Type of engagement**

Collaboration & innovation

**Details of engagement**

Other, please specify (Engagement with stores to promote smart energy and water metering and management technologies and drive efficiencies)

**% of customers by number**

100

**% of customer - related Scope 3 emissions as reported in C6.5**

0

**Portfolio coverage (total or outstanding)**

<Not Applicable>

**Please explain the rationale for selecting this group of customers and scope of engagement**

SPAR further engages with independently owned retailers (customers of the SPAR Group) to assist them in reducing their carbon footprint. This is done by making recommendations on green building practices and assisting them with purchases of energy efficient technologies. Currently, 5% of SPAR stores have been engaged with around green building practices and the SPAR Group has rolled out of SMART metering to 129 SPAR stores. This engagement has been prioritised given that independent retailers are the 'face' of the SPAR Group that the public sees.

**Impact of engagement, including measures of success**

Stores' SMART metering energy benchmark reports are monitored on a monthly basis where stores' energy consumption is anonymously benchmarked in terms of efficiency. SPAR stores which have been using smart energy monitoring system for the last 2 years have reduced their electricity consumption by 2%, from 66 725 069 kWh to 65 671 758 kWh.

**C12.3**

**(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?**

Direct engagement with policy makers

Trade associations

Funding research organizations

Other

**C12.3a**

**(C12.3a) On what issues have you been engaging directly with policy makers?**

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Adaptation or resilience	Support	The SPAR Group's stakeholder focus was driven by a strategy for increased local sourcing from emerging smallholder farmers. This programme includes assisting such farmers in achieving sustainable farming practices. SPAR has engaged with the Department of Environment, Fisheries and Forestry (DEFF) to share knowledge and gain support for the programme, which can assist in wider adaptation resilience in South African agriculture. SPAR has engaged with DEFF through regular visits to farms for information sharing sessions. Additionally, SPAR engages with DEFF around the National Waste Management plan and the involvement of industry in the extended producer responsibility.	SPAR in conjunction with the GLOBALG.A.P has developed the Localg.a.p Standard. The current standard for farmers providing retailers is GLOBALG.A.P, yet it was found that it is an incredibly high standard and costly for local farmers and therefore, was hindering small scale farmers from entering the market. SPAR recognised that the GLOBALG.A.P standard was developed by European countries and therefore, did not sufficiently accommodate for circumstances in South Africa. As a result, a local standard was developed so that it could be adopted as a steppingstone towards gaining the GLOBALG.A.P certification.

**C12.3b**

**(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?**

Yes

**C12.3c**

**(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.**

**Trade association**

Consumer Goods Council of South Africa (CGCSA)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The CGCSA engages with government and policy makers on all issues relating to the industry, one of which is climate change. The CGCSA supports systems, processes and principles that will enable trade to be better, faster, more efficient and environmentally friendly. The CGCSA has engaged with its members that include large industry stakeholders in South Africa, around the adoption of the Sustainable Development Goals (SDGs). Industry meets regularly to discuss the SDGs and create action plans to help the industry to adopt the SDGs. The CGCSA facilitates such workshops and gets industry expertise to advise and guide members on how best to implement sustainable business practises. Other examples include water efficiency within businesses, particularly during the drought experienced in the Western Cape province, when a number of key stakeholders including government, retailers, suppliers and water experts presented cases studies on how to reduce water usage. Other topics include the Amendment to the National Waste Act as well as responsible packaging workshops and climate actions plans, including integration and reporting under the Carbon Tax.

**How have you influenced, or are you attempting to influence their position?**

One of the SPAR Group's Executive is on the board of the CGCSA. Through the CGCSA, SPAR advocates for sustainable business practices in the retail sector through increased efficiencies (water and energy), reduced waste and reduced emissions.

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**Trade association**

National Business Initiative (NBI)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The NBI engages with the government on climate change regulation and policy, voicing the comments and concerns of its business members and assisting the government with the transition to a low carbon economy. The NBI links business practises with national and global goals and objectives/commitments. The NBI bridges the gap between the government and industry by representing both parties. Issues that have been undertaken by the NBI in the last financial year was identifying the Sustainable Development Goals (SDGs) that South Africa needs to focus on in order to meet commitments and creating a space for industry to understand how to conduct business while contributing towards national goals.

**How have you influenced, or are you attempting to influence their position?**

As a member of the NBI, SPAR attends discussions on climate regulation, uses NBI as a platform to make comments around relevant current and emerging climate change legislation and share SPAR's experiences to other NBI members. The SPAR Group as a founding member of the Plastics Pact has extensively consulted with DEFF around plastic waste. Furthermore, as a champion of the Localg.a.p Programme, the Group consults with DEFF around the issue of food waste. While the Industry Waste Management Plan Regulations accompanying the National Waste Management Act are still in the draft phase, the SPAR Group actively comments on regulations during the public consultation process

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**C12.3d**

**(C12.3d) Do you publicly disclose a list of all research organizations that you fund?**

No

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**C12.3e**

**(C12.3e) Provide details of the other engagement activities that you undertake.**

SPAR acknowledges that there is a global concern over the over-exploitation of seafood resources and environmental impacts from fishing and aquaculture activities on marine ecosystems. Retailers and wholesalers which are major role players in the South African seafood industry can help drive positive change in fisheries by supporting sustainable seafood choices from responsibly managed sources and creating market-driven incentives. SPAR aims to ensure that all its seafood is responsibly procured and supports sustainable fisheries and aquaculture operations.

SPAR together with other retailers, food wholesalers, fisheries suppliers and government wrote a letter of support to the Namibian government, requesting that better management practises be adopted by the Namibian Hake Industry (NHI). As a result of the letter and pressure from all retailers and suppliers, the NHI is currently undergoing an audit by the Marine Stewardship Council (MSC) to ensure that good fishing practises have been adopted and that fisheries are managed responsibly. This is a part of SPAR's commitment to improve business practices by incorporating sustainability. Once the Namibian Hake Industry has been MSC certified, SPAR's Private Label will have all its species either listed as Green or under Improvement, in compliance with the WWF South Africa Sustainable Seafood Initiative (WWF-SASSI).

SPAR has also advocated through DEFF with a letter of support from all South African retailers and suppliers, requesting that the Indian Ocean Tuna Commission (IOTC) adopts a 20% reduction in the catch of Yellowfin Tuna, in response to a recent research that indicates that the stock could collapse within five years, if immediate steps were not taken. As a result of this letter and engagement with the IOTC, the IOTC adopted better management practises and now there is a harvest rule in place. Although this is not a resource that SPAR as a retailer relies on, this is a globally shared resource that was at risk due to poor management and overfishing. SPAR continues to show its support for sustainable management practises within the IOTC by being a signatory to an advocacy letter through the IOTC annually.

The SPAR Group also engages with small scale fishers in South Africa and provide them with an opportunity to trade independently in SPAR's stores. Furthermore, in 2019, SPAR has trained small scale fishers on sustainable fishing.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

The Social and Ethics Committee, responsible for climate policy and strategy, reviews activities and engagements that influence policy and checks their alignment to overall strategy.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In mainstream reports

Status

Complete

Attach the document

SPAR\_Annual\_Abridged\_IR\_2019\_WEB.pdf

Page/Section reference

28-39, 70-71.

Content elements

- Governance
- Strategy
- Risks & opportunities
- Emissions figures
- Other metrics

Comment

Publication

In voluntary communications

Status

Complete

Attach the document

SPAR\_fact\_sheet\_our\_carbon\_footprint\_2019.pdf

Page/Section reference

1-2

Content elements

- Strategy
- Emissions figures
- Emission targets
- Other metrics

Comment

C15. Signoff

C-FI

(C-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.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Group Sustainability and Risk Executive	Chief Sustainability Officer (CSO)

Submit your response

**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

**Please confirm below**

I have read and accept the applicable Terms