

W0. Introduction

W0.1

(W0.1) Give a general description of 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 replacements, 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).

W0.2

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

	Start date	End date
Reporting year	October 1 2018	September 30 2019

W0.3

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

South Africa

W0.4

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

ZAR

W0.5

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

Companies, entities or groups over which operational control is exercised

W0.6

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

Yes

W0.6a

(W0.6a) Please report the exclusions.

Exclusion	Please explain
Stores owned by the SPAR Group	The SPAR Group's focus is on supporting voluntary traders, however, the Group owns a few stores. These stores are purchased primarily to secure key retail sites and are not kept as long-term assets. Therefore, the Group only temporarily owns these stores when there is no immediate sale from one store owner to the next. This results in the Group's organisational boundary changing almost annually. The SPAR Group's sustainability journey has evolved over time and initially, efforts were focused on facilities, on which water-related issues could have the greatest impact, specifically, the Group's head office and distribution centres. This year, the Group has started considering impacts on the corporate owned stores from water-related issues and integrating them into the Group's strategy and risk assessments. The SPAR Group aims to include corporate owned stores in the Group's CDP Water Submission within the next two years.
SPAR Group operations outside of South Africa	The scope of the SPAR Group's disclosure is limited to the Group's operations within South Africa because SPAR's operations are predominantly located in South Africa and the Group can make an impact towards increased water security. Nonetheless, the SPAR Group anticipates extending the scope of reporting on business operations beyond South African borders in future.

W1. Current state

W1.1

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

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Important	Nutritious and affordable food is one of the strategic outcomes identified by the Group, and sufficient availability of good quality water is important to achieve this strategic outcome. Sufficient amounts of good quality freshwater is important to SPAR's direct operations in stores and distribution centres in order to maintain hygienic environment for storing and selling food products and to ensure clean water usage in refrigeration systems. SPAR is a food retailer, managing large volumes of fresh produce and prepared food, and therefore, the Group has to comply with food safety and hygiene requirements and standards. Sufficient amounts of good quality freshwater is also important across SPAR's value chain as access to constant, sufficient and good quality water supply is critical for the Group's agricultural activities. Insufficient amount of good quality water could negatively impact the amount and quality of produce supplied to SPAR stores and potentially lead to increased costs to the Group and the Group's customers. SPAR anticipates that dependency on sufficient amounts of good quality freshwater is likely to decrease in future, and SPAR has started investing in water efficient technologies and alternative water solutions. SPAR has implemented waterless solutions for cleaning of trucks and warehouses so that food safety requirements can continuously be met. The Group is working with suppliers to promote more sustainable farming methods, which encourage reduced water consumption. Such actions are aimed at reducing required amount of water for SPAR's suppliers for agricultural activities, therefore, reducing their dependency on required freshwater amount. SPAR considers importance rating for availability of sufficient amounts of good quality freshwater as 'Important' when insufficient availability could have an impact on business operations and as 'Vital' when it could have a critical impact and be considered as essential for continued business operations.
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Important	Having sufficient amounts of recycled and produced water available for use is important to the SPAR Group but would not necessarily have an impact on business operations. SPAR uses recycled water for activities such as washing trucks, ablution facilities and watering across SPAR's direct operations in some of its distribution centres. Sufficient amount of this type of water only becomes of importance when there is a shortage of water availability as was experienced in the Eastern Cape and Western Cape regions where SPAR's Eastern Cape and Western Cape distribution centres are located. During the recent drought, water filtration systems had to be installed in SPAR's Western Cape and Eastern Cape distribution centres so that recycled water can be purified to a standard that allows using such water for storage, washing trucks, cleaning warehouses and using in ablution blocks. The SPAR Group anticipates that dependency on sufficient amounts of recycled/produced water will increase in future as the Group operates predominantly in a water scarce country like South Africa where water shortages and droughts are projected to increase in scope and frequency. As a result, the Group foresees that it will have to adopt recycled/produced water technologies and create closed loop systems where all water is retained in the system. SPAR considers importance rating for availability of sufficient amounts of good quality freshwater as 'Important' when insufficient availability could have an impact on business operations and as 'Vital' when it could have a critical impact and be considered as essential for continued business operations. 'Neutral' is considered when insufficient amounts of recycled/produced water would have an impact on SPAR's business operations but not impact all the Group's distribution centres.

W1.2

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

	% of sites/facilities/operations	Please explain
Water withdrawals – total volumes	100%	This water aspect is measured and monitored for all SPAR's distribution centres and the Head Office. Water withdrawals from municipal water sources are measured and monitored monthly, capturing information from municipal bills. Rainwater, borehole and recycled water usage is measured using a water meter which is placed on the outlet of the rainwater tank, providing combined water withdrawal volumes for rainwater, borehole and recycled water.
Water withdrawals – volumes by source	100%	This water aspect is measured and monitored for all SPAR's distribution centres and the Head Office. Water withdrawals from municipal water sources are measured and monitored monthly, capturing information from municipal bills. Rainwater, borehole and recycled water usage is measured using a water meter which is placed on the outlet of the rainwater tank, providing combined water withdrawal volumes for rainwater, borehole and recycled water. Water used for food preparation is tested on an ad-hoc basis by an accredited laboratory to ensure that it is safe to use and meets food safety requirements. SPAR's suppliers are also required to test the quality of water to ensure that produce received by SPAR is safe to consume and meets stringent food safety requirements.
Entrained water associated with your metals & mining sector activities - total volumes [only metals and mining sector]	<Not Applicable>	<Not Applicable>
Produced water associated with your oil & gas sector activities - total volumes [only oil and gas sector]	<Not Applicable>	<Not Applicable>
Water withdrawals quality	100%	Water quality withdrawn from municipal sources currently is not measured by the SPAR Group because under the Water Services Act, municipalities must provide water that meets drinking water standards. SPAR monitors recycled water withdrawals quality at the Western Cape and Eastern Cape distribution centres, once the water has been through filtration plants in order to ensure that water meets food safety standards. Currently, it is not necessary to monitor water quality in other regions as municipalities provide water, which is of drinking water quality, and meets food safety standards. If the situation was to change, SPAR would review the process of water quality testing.
Water discharges – total volumes	100%	Water discharges volumes are measured for all distribution centres and the Head Office. SPAR captures discharged water volume monthly using estimates included in municipal water bills (estimated as a percentage of municipal withdrawals) as all water discharges are destined for municipal sewage networks. Only discharges for Western Cape distribution centre are captured as a percentage of both municipal and borehole water withdrawals volumes. For all distribution centres and the Head Office, discharges are estimated at 90% of municipal withdrawals, according to the average municipal disposal charges calculations, except for Western Cape distribution centre, where discharges are estimated at 90% of municipal withdrawals and borehole water withdrawals. For distribution centres where rainwater withdrawals are measured together with recycled water, discharges are not captured yet as recycled water constitutes larger share in the mix and it is difficult to account for rainwater withdrawals.
Water discharges – volumes by destination	100%	Water discharges by destination is measured and monitored for all SPAR's distribution centres and the Head Office. All wastewater is discharged directly to municipal sewerage systems. For all distribution centres and the Head Office SPAR captures monthly discharged water volume, using estimates included in municipal water bills (estimated as a percentage of municipal water withdrawals) as all water discharges are destined for municipal sewage networks. Only discharges for Western Cape distribution centre are captured as a percentage of both municipal and borehole water withdrawals volumes.
Water discharges – volumes by treatment method	100%	Water discharges volumes by treatment method are measured and monitored for all SPAR's distribution centres and the Head Office. Currently, all wastewater is discharged directly to municipal sewerage system and is then treated at municipal wastewater treatment plants. For all distribution centres and the Head Office SPAR captures monthly discharged water volume, using estimates included in municipal water bills (estimated as a percentage of municipal water withdrawals) as all water discharges are destined for municipal sewage networks. Only discharges for Western Cape distribution centre are captured as a percentage of both municipal and borehole water withdrawals volumes.
Water discharge quality – by standard effluent parameters	Not monitored	All wastewater is discharged directly to municipal sewerage systems and is then treated at municipal wastewater treatment plants. Therefore, SPAR does not monitor water discharge quality by standard effluent parameters. SPAR does not anticipate this water aspect to be relevant in future but should SPAR start discharging water into destinations other than municipal sewage networks, SPAR would review the process of water discharge quality testing.
Water discharge quality – temperature	Not monitored	All discharges are discharged directly to municipal sewerage systems and are then treated at municipal wastewater treatment plants. Therefore, SPAR does not monitor water discharge quality by temperature. SPAR does not anticipate this water aspect to be relevant in future but should SPAR start discharging water into destinations other than municipal sewage networks, SPAR would review the process of water discharge quality testing.
Water consumption – total volume	100%	This water aspect is estimated for all SPAR's distribution centres and the Head Office, based on the formula, where water consumption is total water withdrawals minus total water discharges.
Water recycled/reused	51-75	The SPAR Group has recycling systems implemented at five of its facilities, specifically, at Western Cape, Eastern Cape, South Rand, KwaZulu-Natal and Lowveld distribution centres. Recycled water in these distribution centres is measured together with rainwater and borehole water. As part of ongoing SPAR's efforts to improve water data accuracy and completeness, SPAR is in the process of installing meters that will allow measuring recycled water separately in distribution centres where water recycling systems are installed.
The provision of fully-functioning, safely managed WASH services to all workers	100%	WASH services data is measured and monitored to comply with the Occupational Health and Safety Act and its regulations. This water aspect is managed by each region's risk department and monitored internally and is a subject to regular health and safety audits, according to the requirements established by the Occupational Health and Safety Act. Data is collected for review annually.

W1.2b

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

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	224	Higher	This year, SPAR withdrew 212 MI from municipal sources, 9 MI from recycled water and 3 MI from groundwater source. Last year, 188 MI were withdrawn from municipal sources, 2 MI from rainwater, 1 MI from recycled water and 11 MI from groundwater sources. Total withdrawals have increased because of increased municipal water withdrawals in the Lowveld and Eastern Cape distribution centres because of better quality and more comprehensive data that is available this year. SPAR is currently focused on improving the quality of water data and going forward plans to install more water meters for more comprehensive and accurate water reporting. Overall, the SPAR Group anticipates total water withdrawals to continue decreasing in future. The Group has implemented a number of water-saving initiatives in all distribution centres to increase water efficiency and reduce water usage and will continue to implement water saving strategies in future. SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.
Total discharges	194	Higher	This year, total discharges were 194 MI and last year total discharges were 179 MI. The Group discharges water directly to municipal sewerage systems. Discharged water is treated by local municipalities. For four of SPAR's distribution centres sewage is estimated at 90% of municipal withdrawals, therefore water discharges are estimated at 90% for all SPAR's facilities (SPAR's distribution centres and the Head Office), except for Western Cape distribution centre, where discharges are estimated at 90% of municipal and borehole withdrawals volumes. For distribution centres where rainwater withdrawals are measured together with recycled water, discharges are not captured yet as recycled water constitutes larger share in the mix and it is difficult to account for rainwater withdrawals. Since discharges are estimated as a percentage of total municipal withdrawals, an increase in municipal withdrawals this year has resulted in an increase in total discharges. As total discharges are estimated using total withdrawal figures, the SPAR Group anticipates that the Group's total discharges will continue decreasing in future, in line with anticipated reductions in total withdrawals. The Group has implemented a number of water-saving initiatives in all distribution centres to increase water efficiency and reduce water usage and will continue to implement water saving strategies in future. SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.
Total consumption	30	Much higher	This year, total consumption was 30 MI and last year total consumption was 23 MI. Total water consumption is estimated using a formula, where total water discharges are subtracted from total water withdrawals. Total withdrawals are higher this year compared to last year and total discharges have also increased accordingly, leading to an overall increase in total consumption. Total consumption is calculated using total withdrawal and total discharge figures, and the SPAR Group anticipates that the Group's total consumption will continue decreasing in future, in line with anticipated reductions in total withdrawals and total discharges. The Group has implemented a number of water-saving initiatives in all distribution centres to increase water efficiency and reduce water usage and will continue to implement water saving strategies in future. SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.

W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Identification tool	Please explain
Row 1	Yes	11-25	Higher	WWF Water Risk Filter	SPAR's Eastern Cape and Western Cape distribution centres are located in water stressed areas. These sites withdrew 25% of total withdrawals compared to last reporting period when these facilities withdrew 23% of total Group's withdrawals. River Basins located in Eastern Cape and Western Cape provinces in South Africa have been identified as water scarce areas, using WWF Water Risk Filter tool. WWF Water Risk Filter tool was used as it is a readily available tool to provide an indication of potential risks with regards to water shortages. Water scarce areas and water basins within those areas were identified, evaluating the following risk indicators: • Rainfall amount • Access to renewable ground water resource • Proximity to the river • Physical access and proximity to the water source • Basin-level control over the quantity and quality of water flow levels. SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.

W1.2h

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

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Relevant but volume unknown	<Not Applicable>	<Not Applicable>	Rainwater is measured together with recycled water and borehole water in five SPAR's distribution centres, and therefore, there is no separate rainwater withdrawals figure available. Rainwater is included under the renewable groundwater withdrawals figure for Western Cape distribution centre and under recycled/produced water withdrawals figure for KwaZulu-Natal, Lowveld, Eastern Cape and South Rand distribution centres.
Brackish surface water/Seawater	Not relevant	<Not Applicable>	<Not Applicable>	SPAR does not withdraw water from this source.
Groundwater – renewable	Relevant	3	Much lower	SPAR withdraws water from renewable groundwater sources using a borehole in Western Cape distribution centre. Borehole water is measured together with rainwater and recycled water as a single figure and SPAR's Western Cape distribution centre is the only facility where renewable groundwater is used, therefore, withdrawals are included under 'Groundwater-renewable' source. SPAR's Western Cape distribution centre started withdrawing water from this source during the last reporting period as a response to drought, however, this year, drought impacts have eased and total withdrawals from this source have decreased from 11 MI last year to 3 MI this year. SPAR anticipates withdrawals from this source to increase as part of the Group's efforts to reduce reliance on municipal water sources and increase uptake of alternative water sources. SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.
Groundwater – non-renewable	Not relevant	<Not Applicable>	<Not Applicable>	SPAR does not withdraw water from this source.
Produced/Entrained water	Relevant	9	Much higher	SPAR measures recycled water together with rainwater as a single figure in KwaZulu-Natal, Lowveld, Eastern Cape and South Rand distribution centres. Mixed water (recycled and rainwater) is reported under recycled water source as recycled water constitutes larger part of mixed water. Total withdrawals from this water source have increased from 3 MI last year to 9 MI this year. Such increase is attributed to the Lowveld distribution centre where more comprehensive data is available for FY 2019. SPAR anticipates withdrawals from this source to increase as part of the Group's efforts to reduce reliance on municipal water sources and increase the uptake of alternative water sources. However, SPAR recognises that South Africa is a water scarce country, and drought events might become more frequent in future, reducing availability of rainfall water. SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.
Third party sources	Relevant	212	Much higher	Water withdrawals from third party sources have increased because of increased municipal water withdrawals in Lowveld and Eastern Cape distribution centres where better quality and more comprehensive data is available this year. SPAR is currently focused on improving the quality of water data and going forward plans to install more water meter for more comprehensive and accurate water reporting. Overall, the SPAR Group anticipates water withdrawals from third party sources to continue decreasing in future. The Group has implemented a number of water-saving initiatives in all distribution centres to reduce reliance on municipal water sources and increase the uptake of alternative water sources. SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.

W1.2i

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

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water	Not relevant	<Not Applicable>	<Not Applicable>	The SPAR Group does not discharge water into fresh surface water destinations.
Brackish surface water/seawater	Not relevant	<Not Applicable>	<Not Applicable>	The SPAR Group does not discharge water into brackish surface water or seawater destinations.
Groundwater	Not relevant	<Not Applicable>	<Not Applicable>	The SPAR Group does not discharge water into brackish surface water or seawater destinations.
Third-party destinations	Relevant	194	Higher	SPAR discharges water into municipal sewage systems and then water is treated by relevant local municipalities. For four of SPAR's distribution centres, sewage is billed as 90% of municipal withdrawals, and therefore water discharges were estimated for all sites as 90% of municipal withdrawals, except for Western Cape distribution centre, where discharges are estimated at 90% of municipal and borehole withdrawals volumes. As SPAR's water withdrawals from municipal sources have increased this year compared to last year, discharges to municipal sewage systems have also increased. SPAR anticipates discharges to this source to decrease as part of the SPAR Group's efforts to reduce reliance on municipal water sources and increase uptake of alternative water sources (discharges are estimated as a % of municipal water withdrawals). SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.

W1.4

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

Yes, our suppliers

Yes, our customers or other value chain partners

W1.4a

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

Row 1

% of suppliers by number

1-25

% of total procurement spend

26-50

Rationale for this coverage

One of SPAR's commitments in terms of a sustainable system is to innovate through the Group's House brands. SPAR continues engaging with SPAR House brand suppliers on a range of sustainability matters, and in 2018-2019, engaged with top 10 SPAR brand suppliers as they contribute more than 33% of total House brand sales. The SPAR Group has engaged with Top 5 SPAR House Brands and Top 5 Freshline Brands suppliers through the questionnaire on environmental management systems. SPAR conducts site visits and collects data on SPAR House brand suppliers' environmental management systems. Those suppliers have been asked to complete a questionnaire and provide information on water, waste and wastewater, energy, transport, emissions, pollution prevention and treatment of hazardous substances.

Impact of the engagement and measures of success

SPAR continues creating a baseline around opportunities and risks that SPAR brands suppliers could have on the Group's operations. SPAR has started including additional packaging suppliers to the pool of suppliers which were requested to submit environmental data. Collected data around suppliers' use of water resources and their preparedness for climate change and water risks has been integrated into the SPAR Group's Risk Register. Collected data has influenced development of the Group's Sustainability Policy and Environmental Plan, and the Group is developing specific targets for suppliers around water reduction and efficiency targets. The Group is also using collected suppliers' water and other environmental data in the ongoing process of the development of updated supplier selection criteria. The Group aims to incorporate suppliers' use of natural resources/climate change resilience as criteria for all new suppliers and for existing ones (through updated supplier agreements).

Comment

W1.4b

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

Type of engagement

Innovation & collaboration

Details of engagement

Educate suppliers about water stewardship and collaboration

% of suppliers by number

1-25

% of total procurement spend

1-25

Rationale for the coverage of your engagement

The SPAR Group recognises the importance of collective responsibility towards sustainable supply chain. SPAR engages with the Group's fresh produce suppliers that supply for SPAR's House Brand – Freshline. As fresh produce farmers are major water users, SPAR engages with suppliers around water saving practices and sustainable farming methods, providing training and assistance. With Freshline suppliers there are number of supplier agreements in place. Questions around those suppliers' business operations are not uncommon and suppliers are willing to provide information. Some of house brand suppliers already report to CDP and have information requested by SPAR available.

Impact of the engagement and measures of success

Among the key Group's actions around achieving resilience in the supply chain is training suppliers on sustainable farming methods. Such methods promote water efficiency and increased water retention through better soil management practices, resulting in reduced water usage in comparison to conventional farming practises. To date, 75% of the Group's Freshline suppliers have been trained in sustainable farming methods, and SPAR aims to train all SPAR house brands suppliers in these methods by the end of 2020. SPAR provides financial assistance to suppliers by offering loans for water efficient infrastructure and solutions. SPAR has offered loans for undercover hydroponic lettuce production system as it enables SPAR's lettuce producers to mitigate the impacts of climate change and reduced required water amounts to lettuce production. To date SPAR has offered R13 400 000 of financial assistance/loans towards hydroponic lettuce production systems.

Comment

W1.4c

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

SPAR's identifies customers and communities as material relationships for the Group, and value chain engagements aim to achieve improved water management practices and water resilience for those relationships. SPAR stores, especially, independently owned, are considered as SPAR's customers, and have been included in the development of SPAR's new Sustainability Policy and Environmental Plan to ensure their resilience to climate change.

From a reputational point of view, customers' perceptions around the SPAR Group's sustainability actions play an important role in the Group's engagement with its retailers. The SPAR Group is planning to prioritise focus on water efficient technologies, practices and data management tools in the corporate-owned stores over the next two years. Additionally, 5% of SPAR stores have been engaged with around green building practices, which include energy and water management.

The Group's stores play a key role in local communities and are committed to making difference to communities across South Africa. SPAR recognises that ecosystems within catchments areas affect quantity and quality of water available to communities living within those catchment areas and can have an impact on SPAR's operations. Therefore, SPAR engages with local community partners to contribute towards maintenance and rehabilitation of ecosystems.

SPAR's Eastern Cape distribution centre is a major stakeholder in the Bluewater Bay catchment, and a member of the community that uses water in the catchment. This distribution centre continues to invest in the rehabilitation of Zwartkops River and assists with the removal of plastics and other rubbish from the river through awareness campaigns and donations. SPAR's Western Cape distribution centre has engaged with the City of Cape Town municipality, local industry and businesses to create a plan which focuses on protecting the Table Mountain Ground Water Aquifer and surrounding wetlands.

W2. Business impacts

W2.1

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

Yes

W2.1a

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

Country/Area & River basin

South Africa	Berg-Olifants
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Type of impact driver & Primary impact driver

Physical	Drought
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Primary impact

Other, please specify (Increased capital costs)

Description of impact

South Africa has experienced an extreme drought in 2018, and the drought impacts continued to be experienced during 2019. The drought was experienced in the Western Cape and Eastern Cape provinces, and the Western Cape province was impacted significantly. In the City of Cape Town (where SPAR's Western Cape distribution centre is located) water restrictions have been eased to pre-drought levels only in July 2019. The SPAR Group continued monitoring water restrictions, specifically, water availability and water tariffs, as they were eased down to level 1 (level 6 water restrictions were reduced to level 3 water restrictions in December 2018 and to level 1 restrictions in July 2019). Furthermore, to mitigate the impact from drought due to water restrictions and to avoid disruptions to operations due to insufficient water availability, SPAR's Western Cape distribution centre had to increase the uptake of water efficiency technologies which reduce water usage and increase water supply from alternative sources. This has resulted in increased CAPEX allocation to water technologies, where CAPEX payback period is more than one year. For this reason, it is considered that drought impacts will be experienced in SPAR's Western Cape distribution centre over the next few years.

Primary response

Adopt water efficiency, water reuse, recycling and conservation practices

Total financial impact

5686000

Description of response

To address the risk of water supply disruptions and limited water availability in Western Cape DC, to date SPAR has invested R5.686 million into water efficiency technologies and increased water harvesting infrastructure. Western Cape distribution centre has implemented water harvesting from the defrost cycle, specifically diverting water from defrost drain to rainwater (JoJo) collection tanks at centralised water collection system. Such water is then put through water filtration system and then is used to clean trucks and in ablution facilities Western Cape distribution centre has also installed an adiabatic cooling system, which uses cooling pads made from organic material to cool surrounding air which in turn cools the ammonia (NH3), providing cool air for refrigeration. The system recycles water until the water quality is too poor to be used and then water is discharged. This allowed Western Cape distribution centre to go from using 50kl per condenser to 350 litres per condenser, achieving 98% reduction in water usage per condenser. SPAR's Western Cape distribution centre has also installed a borehole to withdraw water from groundwater sources and this way reduce municipal water withdrawals.

Country/Area & River basin

South Africa	Mzimvubu-Tsitsikamma
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Type of impact driver & Primary impact driver

Physical	Drought
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Primary impact

Other, please specify (Increased capital costs)

Description of impact

South Africa has experienced an extreme drought in 2018, and the drought impacts continued to be experienced during 2019. Eastern Cape province was not impacted significantly as Eastern Cape distribution centre was not affected by the shortage of water as no water restrictions were imposed, and water tariffs were not increased. However, SPAR's Eastern Cape distribution centre continues saving water where possible, including using greywater in ablution facilities and water runoff from cooling towers to wash trucks. To mitigate the impact from drought and to prepare for future drought events, SPAR's Eastern Cape distribution centre had to increase the uptake of water efficiency technologies which reduce water usage and increase water supply from alternative sources. This has resulted in increased CAPEX allocation to water technologies, where CAPEX payback period is more than one year. For this reason, it is considered that drought impacts will be experienced in SPAR's Eastern Cape distribution centre over the next few years. Drought has caused reductions in water availability in the Eastern Cape province within the Mzimvubu-Tsitsikamma river basin and some SPAR stores were left without water for up to 2 weeks. Those stores had to install boreholes and water storage tanks to be able to continue operating. Such costs were born by individual retailers, and therefore it is difficult for the Group to quantify.

Primary response

Adopt water efficiency, water reuse, recycling and conservation practices

Total financial impact

0

Description of response

South Africa has experienced an extreme drought in 2018, and the drought impacts continued to be experienced during 2019. Eastern Cape province was not impacted significantly as Eastern Cape distribution centre was not affected by the shortage of water as no water restrictions were imposed, and water tariffs were not increased. However, SPAR's Eastern Cape distribution centre continues saving water where possible, including using greywater in ablution facilities and water runoff from cooling towers to wash trucks. To mitigate the impact from drought and to prepare for future drought events, SPAR's Eastern Cape distribution centre had to increase the uptake of water efficiency technologies which reduce water usage and increase water supply from alternative sources. This has resulted in increased CAPEX allocation to water technologies, where CAPEX payback period is more than one year. For this reason, it is considered that drought impacts will be experienced in SPAR's Eastern Cape distribution centre over the next few years. Drought has caused reductions in water availability in the Eastern Cape province within the Mzimvubu-Tsitsikamma river basin and some SPAR stores were left without water for up to 2 weeks. Those stores had to install boreholes and water storage tanks to be able to continue operating. Such costs were born by individual retailers, and therefore it is difficult for the Group to quantify.

Country/Area & River basin

South Africa	Pongola-Uzimkulu
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Type of impact driver & Primary impact driver

Physical	Flooding
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Primary impact

Disruption to sales

Description of impact

The SPAR Group has experienced severe flooding, caused by a torrential rain, in parts of the KwaZulu-Natal province. While SPAR's KwaZulu-Natal distribution centre was not affected, some of SPAR's stores, particularly, those located in Pinetown, experienced disruption to sales. A major roadway bridge in Pinetown was washed away and the road was closed for 7 weeks, making it difficult for consumers to access the store. This has resulted in one store losing R1 200 000 in sales and R233 000 in profit. The impact on the roads caused traffic congestions at another SPAR store, making it too difficult for customers to get to the store, resulting in the store losing R500 000 in sales and R100 000 in profit. Furthermore, those stores were unable to claim insurance as they were technically still open and were able to operate but experienced reduced number of customers.

Primary response

Engage with customers

Total financial impact

2033000

Description of response

SPAR's retailers, especially, independently owned stores, are considered as customers of the SPAR Group. The SPAR Group has been engaging with regional distribution centres and retailers about climate change and water risks through the guild system, where matters that could affect SPAR's retailers are discussed. SPAR has planned for the Sustainability Day to take place in the KwaZulu-Natal province with retailers and distribution centres to present an exhibition with solutions to climate change and water risks. Furthermore, the SPAR Group will use flood impacts on stores in KwaZulu-Natal region as a case study in the Group's risk reviews. The Group's strategic risks currently are being realigned to ensure that climate change and associated extreme weather events are considered and planned for accordingly. The total impact has been estimated using the lost sales and profit figures for two affected SPAR's stores, located in KwaZulu-Natal province.

W2.2

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

No

W3. Procedures

W3.3

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

Yes, water-related risks are assessed

W3.3a

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

Direct operations

Coverage

Full

Risk assessment procedure

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

Frequency of assessment

More than once a year

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Enterprise Risk Management

Tools and methods used

Other, please specify (Internal Company methods – BarnOwl Enterprise Risk Management process)

Comment

Supply chain

Coverage

Partial

Risk assessment procedure

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

Frequency of assessment

Annually

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Enterprise Risk Management

Tools and methods used

Other, please specify (Internal Company Methods)

Comment

The supply chain (suppliers) is considered in the risk analysis, however, mitigation and adaption solutions are not always prioritised.

Other stages of the value chain

Coverage

Partial

Risk assessment procedure

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

Frequency of assessment

Annually

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Enterprise Risk Management

Tools and methods used

Other, please specify (Internal Company Methods)

Comment

The value chain (SPAR stores) is considered in the risk analysis, however, mitigation and adaption solutions are not always prioritised.

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

	Relevance & inclusion	Please explain
Water availability at a basin/catchment level	Relevant, always included	Water availability at a basin/catchment level is a highly relevant issue for the SPAR Group across all stages of value chain. The SPAR Group utilises WWF Water Risk tool and has identified Berg-Olifants and Mzimvubu-Tsitsikamma river basins in South Africa as catchment areas where water availability at the catchment level is at risk. The areas which the Group has identified as water scarce areas in South Africa (Western Cape and Eastern Cape provinces) use water from Berg-Olifants and Mzimvubu-Tsitsikamma river basins, and therefore, SPAR's Western Cape and Eastern Cape distribution centres have been prioritised for water efficiency initiatives and alternative water source technologies. Information from the WWF Water Risk tool is fed to the SPAR's Risk Committee and Social and Ethics Committee to provide contextual information for decision making, and then is incorporated into the Group's Risk Registry, where water-related risks are evaluated against likelihood and impact criteria. To establish whether the matter or issue should be included as an operational or strategic Group's risk, any potential risk is assessed against financial impact on operating profits and environmental & community impacts that would be experienced by the Group. This contextual issue is relevant and always included in water-related risks assessments as insufficient water availability would negatively impact on the business operations, specifically, reduce the Group's ability to comply with food safety and health requirements, reduce the amount of water available for cooling towers, washing trucks/in ablation facilities as well as impact on employees' ability to safely perform their duties. For SPAR's suppliers, this could introduce reduced yield and loss of revenue as insufficient water amounts could affect growing conditions for crops. Retailers could also be affected by insufficient water availability as they would not be able to maintain food safety and health requirements in SPAR stores and might have to reduce operational capacity or close stores for a period of time.
Water quality at a basin/catchment level	Relevant, not included	Water quality at a basin/catchment level is relevant, however, it is not always considered/included in risk assessments. Risks associated with water quality at a basin/catchment level are assessed on an ad-hoc basis as issues arise. Water quality is not always considered as it was determined that the likelihood of poor water quality at the basin/catchment level is low. However, the SPAR Group is in the process of reassessing the Group's risk management process and plans for this contextual issue to be included in the Group's risk assessments within next 3-5 years. The quality of water can impact the cost of operations as low-quality water needs to undergo an additional water purification process so that it can be used for ozone and adiabatic cooling systems for SPAR's refrigeration plants. This could lead to the increased electricity consumption and increased operational costs. Low quality water would also require additional cleaning or purchase of drinking water to ensure that there is sufficient drinking water onsite for SPAR's employees. Water quality at a basin/catchment level could impact all stages of SPAR's value chain, including direct operations, supply chain as well as other parts of the value chain through increased costs and decreased efficiencies. SPAR's supply chain could be impacted as SPAR suppliers in order to comply with food safety standards would have to invest in water purifiers, which could lead to potentially increased cost of products.
Stakeholder conflicts concerning water resources at a basin/catchment level	Not considered	Current stakeholder conflicts concerning water resources have not yet been evaluated in risk assessments. This issue has not yet arisen, however, should this change or should SPAR see a decrease in water resources available within catchments, this contextual issue would be reassessed. SPAR is not a big upstream water user and does not have a major impact on downstream water users. SPAR would most likely be affected through the Group's suppliers as some of them are large water users affecting stakeholders and downstream water users within the catchment. If this issue was to affect the productivity of SPAR's suppliers, this could lead to produce shortages and SPAR would have to find alternative produce sources, potentially leading to increased costs. Under such scenario, SPAR would have to then absorb increased costs or pass increased costs onto retailers and consumers. Increased costs could impact the demand for products from SPAR and affect the overall revenue for the Group. SPAR has included water usage and suppliers' geographical location as a question in supplier questionnaires to be able establish the likelihood of conflicts due to insufficient water resources in the near future.
Implications of water on your key commodities/raw materials	Relevant, always included	SPAR is a food provider and water risk assessments always include considerations that insufficient water availability/quality could have on growing produce and food availability. Using the WWF Water Risk Filter, the SPAR Group has identified that 4 out of 6 regions, where SPAR's distribution centres are located, namely, Eastern Cape, Western Cape, KwaZulu-Natal and Mpumalanga provinces, are at a high risk for water quantity (due to drought or flooding). The Group has already observed some impacts from reduced water availability on crops produced, specifically, among cabbage producers, and on the amount of land with sufficient water available for crop production. Going forward, the SPAR Group is considering doing modelling/projections on how produce availability will be impacted by water quantity (because of drought or flood events) in these identified four high-risk regions in South Africa. The SPAR Group collects data around suppliers' preparedness for climate change and water issues, and actions suppliers take to mitigate those risks through supplier questionnaires. Such information is then integrated into the SPAR Group's Risk Register, where it is evaluated against likelihood and impact criteria. To establish whether the matter or issue should be included as an operational or strategic Group's risk, any potential risk is assessed against financial impact on operating profits and environmental & community impacts that would be experienced by the Group. Following risk assessments, the Group has prioritised vulnerable farmers in the high-risk areas to provide training in sustainable farming practices and funding of undercover (shade netting) infrastructure.
Water-related regulatory frameworks	Relevant, always included	Water regulatory frameworks are always relevant and are continuously monitored within SPAR business. Existing and potential regulatory frameworks for water withdrawals, discharges, tariff costs, water restrictions and any drought management plans are important consideration for SPAR's operations to ensure business operations continuity without increases in operational costs. SPAR considers and manages existing and emerging regulation that is relevant to SPAR, introduced by policy changes around water, by staying up to date with current water-related national and global climate policies. SPAR Company Secretary receives regular updates from legal data service provider and such information is then integrated into the SPAR Group's risk register, where it is evaluated against likelihood and impact criteria. To establish whether the matter or issue should be included as an operational or strategic Group's risk, any potential risk is assessed against legal and compliance impact that would be experienced by the Group. City of Cape Town (where SPAR's Western Cape distribution centre is located) experienced an extreme drought in 2018, which impacts continued in 2019, and water restrictions have been eased to pre-drought levels only in July 2019. The SPAR Group continues monitoring water restrictions, specifically, water availability and water tariffs, as they were eased down to level 1 (level 6 water restrictions were reduced to level 3 water restrictions in December 2018 and to level 1 restrictions in July 2019) in order to continuously evaluate operational risks associated with water disruptions in the Western Cape distribution centre.
Status of ecosystems and habitats	Relevant, always included	Current status of ecosystems and habitats at a local level has been evaluated and are always included in risk assessments. Where ecosystems and natural habitats have been impacted by SPAR's business operations, SPAR ensures that status of ecosystems and habitats is tracked. SPAR recognises that ecosystems within catchment areas affect the quantity and quality of water that is used by SPAR's operations, impacting SPAR's direct operations and suppliers.
Access to fully-functioning, safely managed WASH services for all employees	Relevant, always included	Access to fully functioning WASH services for all employees is highly relevant and is always included in risk assessments as it could have an impact on SPAR's business continuity, should employees not be able to work in SPAR stores or distribution centres. The SPAR Group is a food provider, and not being able to ensure fully-functioning, safely managed WASH services for all employees could pose a risk of non-compliance with food health and safety standards. SPAR has integrated the Sustainable Development Goals (SDGs) into its organisational strategy, and access to fully functioning, safely managed WASH is in line with the SDG commitments of 'Access to clean water and sanitation' (SDG6), 'Good health and wellbeing' (SDG3). Compliance with WASH practices is ensured through regular health and safety assessments and regular monitoring through workplace audits. Data is monitored and managed by regional OHS departments/officers, and any significant non-compliance or operational risks are considered by divisional/regional risk teams. Such information is then integrated into the SPAR Group's Risk Register, where it is evaluated against likelihood and impact criteria. To establish whether the issue should be included as an operational or strategic Group's risk, any potential risk is assessed against legal and compliance as well as health and safety impacts that would be experienced by the Group.
Other contextual issues, please specify	Not considered	No other water issues have been evaluated in risk assessments.

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

	Relevance & inclusion	Please explain
Customers	Relevant, always included	SPAR's customers, which include independently owned stores and consumers, are always included in the Group's risk assessments. SPAR customers are one of the material relationships for SPAR's business model. They enable achievement of the Group's strategy, and the strategy guides all strategic and in turn operational Group's risks. Achieving one of the Group's strategic outcomes 'Loved and respected as a brand' requires that the Group considers customers in the water-related risks assessments, including how water risks and SPAR's actions affect SPAR's customers, and how customers, in turn, influence the Group's strategic outcomes. Customers are always relevant to the Group's risk assessments because reduced demand for products in SPAR stores could reduce the Group's revenues, profitability and negatively influence the sustainability of the business. Furthermore, reduced demand in stores would discourage retailers from opening new independently owned SPAR stores. Customer perception is influenced by the communication of the Group's environmental performance. The SPAR Group is under increasing pressure from stakeholders, including consumers, to address environmental issues. SPAR's market research and analysis has identified SPAR's high LSM consumers like to see that SPAR is actively involved in pursuing carbon and waste management projects and implements water saving initiatives at store level. SPAR's Annual Guild Report, which is shared with all SPAR retailers contains information on the actions the Group takes to mitigate water related risks. SPAR's Integrated Annual Report also contains a section dedicated to the Group's responses to climate change and its environmental responsibilities. SPAR is planning for increased communication around climate change and environmental risks responsibilities with its retailers and consumers. SPAR anticipates communication with retailers to improve over time through guild meetings and with consumers in store and online through social media.
Employees	Relevant, always included	Employees are always considered in SPAR's water risk assessments as they enable identification of current and emerging water-related risks for the SPAR Group and take mitigation actions for the identified strategic and operational water risks. Provision of hygienic working conditions and WASH services to the Group's employees is required under the Operational Health and Safety Act (OHS) in South Africa. Therefore, when considering water supply risks to the Group's operations, SPAR always considers the impact that such risks would pose on employees. If employees were unable to work due to insufficient WASH services, this could lower productivity, increase business inefficiencies or reduce the number of dispatched cases, in turn impacting all stages of SPAR's value chain.
Investors	Relevant, always included	Investors are factored into SPAR's water risk assessments as they influence the Group's share price and long-term viability of the business. SPAR's actions around water-related risks are shared with investors through public disclosure responses and the Group's Integrated Annual Report. Investors indirectly influence SPAR water risk assessments. If investors perceive that there is a significant strategic or operational risk to business operations such as was 'Day Zero' in Cape Town (extreme drought event) in 2018 when there was a possibility that the City of Cape Town could run out of municipal water and SPAR has not adequately mitigated such risk, they could lose confidence in the Group's ability to deliver profitability, resulting in reduction in the shareholder price. Therefore, the Group takes action to ensure that investors are informed of any risk mitigation or contingency plans that SPAR has in place to manage water-related risks.
Local communities	Relevant, not included	Local communities have not yet been considered in SPAR's water risk assessments, however, this stakeholder is relevant to the Group's water risk assessments as local communities constitute the broader community, which is one of the Group's material relationships. Considering this stakeholder would enable the Group to collect additional information and identify further water-related risks that the Group could face in the longer-term. Furthermore, mitigation of additional water risks in future could require collaborative work with this stakeholder to reduce the Group's water risks within value chain. This stakeholder will be considered and included as part of the revised Sustainability Policy and Environmental Plan, which will be implemented over the next 3-5 years.
NGOs	Relevant, not included	NGOs have not yet been considered in SPAR's water risk assessments, however, this stakeholder is relevant to the Group's water risk assessments as NGOs constitute the broader community, which is one of the Group's material relationships. Considering this stakeholder would enable the Group to collect additional information and identify further water-related risks that the Group could face in the longer-term. Furthermore, mitigation of additional water risks in future could require collaborative work with this stakeholder to reduce the Group's water risks within value chain. This stakeholder will be considered and included as part of the revised Sustainability Policy and Environmental Plan, which will be implemented over the next 3-5 years.
Other water users at a basin/catchment level	Not considered	Other water users at a basin/catchment level have not yet been considered in SPAR's water risk assessments, however, this stakeholder is relevant to the Group's water risk assessments as other water users at a basin/catchment level constitute the broader community, which is one of the Group's material relationships. Considering this stakeholder would enable the Group to collect additional information and identify further water-related risks that the Group could face in the longer-term. Furthermore, mitigation of additional water risks in future could require collaborative work with this stakeholder to reduce the Group's water risks within value chain.
Regulators	Relevant, not included	Regulators have not yet been considered in SPAR's water risk assessments, however, this stakeholder is relevant to the Group's water risk assessments as regulators constitute the broader community, which is one of the Group's material relationships. Considering this stakeholder would enable the Group to collect additional information and identify further water-related risks that the Group could face in the longer-term. Furthermore, mitigation of additional water risks in future could require collaborative work with this stakeholder to reduce the Group's water risks within value chain. This stakeholder will be considered and included as part of the revised Sustainability Policy and Environmental Plan, which will be implemented over the next 3-5 years.
River basin management authorities	Relevant, not included	River basin management authorities have not yet been considered in SPAR's water risk assessments, however, this stakeholder is relevant to the Group's water risk assessments as river basin management authorities constitute the broader community, which is one of the Group's material relationships. Considering this stakeholder would enable the Group to collect additional information and identify further water-related risks that the Group could face in the longer-term. Furthermore, mitigation of additional water risks in future could require collaborative work with this stakeholder to reduce the Group's water risks within value chain. This stakeholder will be considered and included as part of the revised Sustainability Policy and Environmental Plan, which will be implemented over the next 3-5 years.
Statutory special interest groups at a local level	Relevant, not included	Statutory special interest groups at a local level have not yet been considered in SPAR's water risk assessments, however, this stakeholder is relevant to the Group's water risk assessments as statutory special interest groups at a local level constitute the broader community, which is one of the Group's material relationships. Considering this stakeholder would enable the Group to collect additional information and identify further water-related risks that the Group could face in the longer-term. Furthermore, mitigation of additional water risks in future could require collaborative work with this stakeholder to reduce the Group's water risks within value chain. This stakeholder will be considered and included as part of the revised Sustainability Policy and Environmental Plan, which will be implemented over the next 3-5 years.
Suppliers	Relevant, always included	Suppliers are one of the material relationships to the SPAR Group and to the achievement of the Group's strategic outcomes, and therefore are always included in the Group's water risk assessments. SPAR has been engaging with suppliers to collect data around suppliers' use of water resources and their preparedness for climate change impacts, including reduced water availability and increased weather events such as drought and floods. Collected information is then integrated into the SPAR Group's Risk Register to establish strategic and operational risks for the Group.
Water utilities at a local level	Relevant, not included	Water utilities at a local level have not yet been considered in SPAR's water risk assessments, however, this stakeholder is relevant to the Group's water risk assessments as water utilities at a local level constitute the broader community, which is one of the Group's material relationships. Considering this stakeholder would enable the Group to collect additional information and identify further water-related risks that the Group could face in longer-term. Furthermore, mitigation of additional water risks in future could require collaborative work with this stakeholder to reduce the Group's water risks within value chain. This stakeholder will be considered and included as part of the revised Sustainability Policy and Environmental Plan, which will be implemented over the next 3-5 years.
Other stakeholder, please specify	Not considered	No other stakeholders have been considered.

W3.3d

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

The SPAR Group's risk management ability is integrated to the achievement of strategic objectives. The Group utilises Enterprise Risk Management framework to identify, assess and respond to water-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 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 on 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 of 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 water-related risks. KRIs determine the likelihood and the impact of risks within the Risk Register. The impacts of risks are assessed based on the following criteria:

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

All water-related risks are identified and assessed within SPAR's long-term horizon, between 10- and 30-years' timeframe. 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. The Group's risks management process links strategic risks to operational risks, assigns a risk owner to each risk and establishes a mitigation plan (after discussions with relevant parties and once a way forward is agreed). The risk owner is then responsible for the monitoring the possibility that the risk will occur and taking required mitigation steps to manage the risk.

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

All water-related risks are considered in the context of all value chains stages for the SPAR Group, namely direct operations, supply chain as well as other stages of the value chain.

Water risks were identified and evaluated as long-term infrastructure failure could negatively affect business as well as have a negative impact on these retailers, suppliers, consumers and communities. Primary water risks assessed and prioritised for the Group and the value chain include reduced water availability in the short-, medium- and long-term and disruptions to business activities associated with reduced water availability.

W4. Risks and opportunities

W4.1

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

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

W4.1a

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

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. 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 above specified categories, then such impact is identified as 'substantive'.

W4.1b

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

	Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
Row 1	4	26-50	The SPAR Group has identified provinces in South Africa, where the likelihood of extreme flooding events or extreme droughts events is high, and this covers Eastern Cape and Mpumalanga provinces (drought events or water scarcity), Western Cape provinces (drought events and flooding) and KwaZulu-Natal provinces (flooding). SPAR's Western Cape, Eastern Cape, KwaZulu-Natal and Lowveld distribution centres would be substantively impacted because of droughts or floods as business operations would be disrupted.

W4.1c

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

Country/Area & River basin

South Africa	Berg-Olifants
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Number of facilities exposed to water risk

1

% company-wide facilities this represents

1-25

Production value for the metals & mining activities associated with these facilities

<Not Applicable>

% company's annual electricity generation that could be affected by these facilities

<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities

<Not Applicable>

% company's total global revenue that could be affected

11-20

Comment

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

Country/Area & River basin

South Africa	Mzimvubu-Tsitsikamma
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Number of facilities exposed to water risk

1

% company-wide facilities this represents

1-25

Production value for the metals & mining activities associated with these facilities

<Not Applicable>

% company's annual electricity generation that could be affected by these facilities

<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities

<Not Applicable>

% company's total global revenue that could be affected

1-10

Comment

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

Country/Area & River basin

South Africa	Pongola-Uzimkulu
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Number of facilities exposed to water risk

1

% company-wide facilities this represents

1-25

Production value for the metals & mining activities associated with these facilities

<Not Applicable>

% company's annual electricity generation that could be affected by these facilities

<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities

<Not Applicable>

% company's total global revenue that could be affected

11-20

Comment

SPAR's KwaZulu-Natal distribution centre is located within Pongola-Uzimkulu river basin.

Country/Area & River basin

South Africa	Inkomati-Usuthu
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Number of facilities exposed to water risk

1

% company-wide facilities this represents

1-25

Production value for the metals & mining activities associated with these facilities

<Not Applicable>

% company's annual electricity generation that could be affected by these facilities

<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities

<Not Applicable>

% company's total global revenue that could be affected

1-10

Comment

SPAR's Lowveld distribution centre is located within Inkomati-Usuthu river basin.

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

Country/Area & River basin

South Africa	Other, please specify (South Africa Water Management Areas)
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Type of risk & Primary risk driver

Physical	Drought
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Primary potential impact

Disruption to sales

Company-specific description

Drought and associated reduced water availability is a risk to the SPAR Group. In 2018, South Africa experienced the worst in 1000 years drought, and the Western Cape and Eastern Cape provinces were the most affected. In the current reporting year, the impacts of the drought started to ease, however, impacts associated with extreme drought continue. Climate change projections for South Africa, which is a water scarce country, suggest that more frequent and intense drought events would recur. SPAR has used WWF Water Risk Filter to establish risk exposure to drought in different provinces in South Africa, using drought frequency and projected change in drought occurrence risk indicators. Reduced water availability due to drought and potential water supply disruptions pose a significant risk to SPAR's distribution centres located in the Eastern Cape (Eastern Cape distribution centre), Western Cape (Western Cape distribution centre) and Mpumalanga (Lowveld distribution centre) provinces. In Eastern Cape and Western Cape provinces because those provinces have been identified as water scarce areas, and in Mpumalanga province because of poor municipal management of water infrastructure. City of Cape Town (where SPAR's Western Cape distribution centre is located) experienced an extreme drought in 2018, which impacts continued in 2019, and water restrictions have been eased to pre-drought levels only in July 2019. The SPAR Group continues monitoring water restrictions as they were eased down to level 1 (level 6 water restrictions were reduced to level 3 water restrictions in December 2018 and to level 1 restrictions in July 2019). The Western Cape distribution centre was also required to truck products from other regions to provide stock to stores, and due to increased transportation costs, product prices have increased. Due to drought SPAR has experienced that in Western Cape and Eastern Cape regions products such as stone fruit and pome fruit have increased in prices, as such products had to be sourced from inland regions, resulting in increased prices passed onto retailers and ultimately consumers.

Timeframe

Current up to one year

Magnitude of potential impact

Medium-high

Likelihood

Virtually certain

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)

1000000

Potential financial impact figure - maximum (currency)

3000000

Explanation of financial impact

Due to eased water restrictions and reduced water tariffs, the SPAR Group has estimated financial impact to have been reduced by R1 000 000 – R3 000 000.

Primary response to risk

Adopt water efficiency, water reuse, recycling and conservation practices

Description of response

The SPAR Group has taken immediate action to mitigate the impacts of extreme drought in the Western and Eastern Cape provinces as well as to adapt business practices to minimise the impact from future drought events. The SPAR has implemented water efficiency systems which allow to reduce water usage and increase water supply from alternative sources. SPAR has already completed water assessments for two of its facilities, specifically, Western Cape and KwaZulu-Natal distribution centres, and has begun doing on site water assessments for other distribution centres. SPAR has installed rainwater collection systems in all distribution centres and water recycling systems installed in five distribution centres. Furthermore, Western Cape distribution centre has installed a borehole to withdraw water from groundwater sources and this way reduce municipal water withdrawals. Lowveld distribution centre is in the process of drilling borehole to start withdrawing groundwater and is awaiting relevant permits from the local municipality. Other distribution centres are exploring this water saving option but have not yet installed it either because of poor water quality or issues with local municipalities. Western Cape distribution centre has an adiabatic cooling system installed which reduces the amount of water required for cooling by 98%. SPAR's Western Cape distribution centre has also installed a water monitoring tool to detect any leaks on site so water wastages can be resolved timeously. SPAR's Eastern Cape distribution centre has a water system installed which collects water from the ozone system in the NH3 plant and then the distribution centre uses such water to wash trucks and in ablutions facilities. Furthermore, Eastern Cape distribution centre has installed more efficient water condensers, which previously were used in the Western Cape distribution centre. SPAR stores in Eastern Cape installed boreholes and rainwater tanks. The SPAR Group is in the process of implementing a revised Sustainability Policy and Environmental Plan, which will include water reduction goals and targets and establish personnel responsibilities together with personal KPIs for achievement of those goals.

Cost of response

5686000

Explanation of cost of response

To date, the cost of risk response includes drilling a borehole in the Western Cape distribution centre at a cost of R186 000 and installation of purchase and installation of adiabatic cooling system at R5 500 000.

Country/Area & River basin

South Africa	Other, please specify (South Africa Water Management Areas)
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Type of risk & Primary risk driver

Regulatory	Higher water prices
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Primary potential impact

Increased operating costs

Company-specific description

Emerging legislation around water has been identified as a risk to the SPAR Group, especially, in the form of significant changes to water tariffs. Currently, the average tariff rate is relatively low across the country, however, should water tariffs increase significantly, they would negatively impact on SPAR's operating costs. During the height of drought in Western Cape province, specifically, in the City of Cape Town (where SPAR's Western Cape distribution centre is located), local municipality has introduced level 6 water restrictions to reduce water consumption among businesses and residents. With each level of restrictions, the cost per unit of water consumed has also increased. While level 6 water restrictions were in place during the height of the drought, water restrictions and water tariffs have been eased to pre-drought levels only in July 2019 (level 3 water restrictions returned in December 2018 and level 1 restrictions in July 2019). Such water restrictions and water tariff increases in future could pose a significant operational risk to the SPAR Group. An increase in water tariffs would increase operating costs for business and this would mean that the SPAR Group has to absorb increased costs or pass them onto retailers or customers. SPAR considers that a 5% increase in water tariffs would have a material impact on the operating costs of the business. At the same time, an increase in water tariffs would encourage investment in water collection, harvesting and/or recycling practices as any water-related capital expenditures would have a shorter payback period. SPAR facilities located in areas identified as water scarce are likely to be more impacted than others. This is mostly applicable to Western Cape and Eastern Cape distribution centres (located in Western Cape and Eastern Cape provinces which have already experienced negative impacts from drought) as well as Lowveld distribution centre. Lowveld distribution centre, which is in the Mpumalanga province, falls under a municipality which manages its water resources poorly resulting in further strain and reduction of water availability.

Timeframe

4-6 years

Magnitude of potential impact

High

Likelihood

More likely than not

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

269788

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial impact

Average cost of water tariffs for regions where SPAR's distribution centres are located was R25.73/kl during the current reporting period. During this period, SPAR has used a total of 212 432kl, which resulted in the estimated cost of R5 465 876. If tariffs were to increase by 5% up to R27/kl, an estimated cost of water would be R5 735 664, and water cost would increase by R269 788.

Primary response to risk

Engage with regulators/policymakers

Description of response

The SPAR Group responds to this risk by monitoring any legislative changes and staying up to date with the latest water legislation and regulations. SPAR's Company Secretary receives regular communication from a legal data service provider, which reviews all new relevant legislation. Such information is shared with relevant departments within the Group, which take actions to change and adapt business practices so that the Group complies with the latest water legislation. If the Group identified that that tariffs might increase significantly or regulation may change materially, SPAR would start to actively engage with policy makers. SPAR's response to the risk of higher water prices could lead to more engagement and discussions with policy makers around water regulation and best ways to protect water resources while ensuring continuity in business operations. Collaboration and stakeholder engagement would provide improved resilience across SPAR's value chain.

Cost of response

950000

Explanation of cost of response

Currently one internal person is managing this risk by monitoring the latest legislation at the cost of R950 000 annually.

Country/Area & River basin

South Africa	Other, please specify (South Africa Water Management Areas)
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Type of risk & Primary risk driver

Reputation & markets	Changes in consumer behavior
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Primary potential impact

Brand damage

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 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 retailer's actions to reduce climate change impacts. It was identified that all regions where SPAR's distribution centres are located (Western Cape, Eastern Cape, KwaZulu-Natal, Mpumalanga and Gauteng provinces) would be at risk from reputational damage if no actions around water-related and broader environmental issues were taken.

Timeframe

More than 6 years

Magnitude of potential impact

Medium-high

Likelihood

About as likely as not

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)

3283000000

Potential financial impact figure - maximum (currency)

5472000000

Explanation of financial impact

If consumers perceived that SPAR was damaging the environment within which it is situated or not contributing significantly towards the improvement of the local environment, this could lead to negative impact or damage to the brand image. It is estimated that this could result in 3 - 5% loss in total revenue, amounting to R3 283 000 000 – R5 472 000 000.

Primary response to risk

Support river basin restoration

Description of response

Communities are one of the material relationships for the SPAR Group, and the Group itself as a member of communities, in which it operates. Therefore, the Group recognises the importance of contributing towards improving the environment in which SPAR's communities are located. Sufficient availability of quality water is a risk to the SPAR Group, and therefore, SPAR focuses on the rehabilitation of a river in the Eastern Cape to mitigate this risk and to improve status of the environment in the region. SPAR Eastern Cape distribution centre is a major stakeholder in the Bluewater Bay catchment. As a member of the community that uses that natural resources in the surrounding environment SPAR invests in rehabilitating the local environment of the Zwartkops River. The Zwartkops River experiences algal blooms and is polluted with sewage from an ineffective wastewater treatment plant upstream from the Kwanagxabi river, which then pollutes the wetland downstream. The wetland is of an ecological importance, providing home to a number of species and reducing the impact of flooding and storm surges. SPAR Eastern Cape distribution centre assists with the removal of plastics and other rubbish from the river through awareness campaigns and donations. To date, SPAR has collected over 43 000 bags of plastics. Furthermore, funding received from the SPAR Group has enabled the Zwartkops conservancy to employ 2 full time interns that work with litters collectors and identify highly problematic plastics.

Cost of response

400000

Explanation of cost of response

SPAR contributes R20 000/month to the project as well as additional contributions towards equipment such as surfboats for collection and awareness campaigns. The total estimated cost for the current reporting period is R400 000.

Country/Area & River basin

South Africa	Other, please specify (South Africa Water Management Areas)
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Type of risk & Primary risk driver

Physical	Flooding
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Primary potential impact

Supply chain disruption

Company-specific description

SPAR's operations rely on transportation of perishable goods to and from distribution centres. Flooding, which could affect transportation networks, could impact SPAR's supply chain distribution network, causing delays and potentially resulting in a loss of perishable items reaching SPAR's retailers in time. SPAR operates nationally and therefore, flood in any region could affect logistical operations. Distribution centres that are more isolated or with stores located in remote regions would be more impacted than others. SPAR's North Rand, South Rand and Lowveld DCs are within a close proximity to each other, and therefore, would be able to provide support to each other should a flooding occur. On the other hand, in the Eastern Cape region, where SPAR's Eastern DC is located, stores are more remotely located and trucks from this distribution centre would have to travel longer distances to reach remote stores. This is also applicable to suppliers delivering product to SPAR's distribution centres. SPAR's Eastern Cape distribution centre has already been impacted by weather conditions such as snow and this may continue to intensify as climate change impacts become increasingly prevalent. Increase in snow could lead to trucks being unable to deliver products. This could cause increased fuel usage to due longer time taken to deliver products, loss of perishable goods or shortages in store. Customers might not want to shop where a range of products is not available, and this could lead to a loss of customers and revenue.

Timeframe

4-6 years

Magnitude of potential impact

Medium

Likelihood

About as likely as not

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)

1094000000

Potential financial impact figure - maximum (currency)

2189000000

Explanation of financial impact

Flooding and its impacts could lead to an estimated 1-2% reduction in total revenue, which would amount to R1 094 million – R2 189 million.

Primary response to risk

Engage with suppliers

Description of response

SPAR's strategy is to establish high risk flood areas and mitigate potential impacts on the Group's operations associated with flooding. SPAR's used WWF Water Risk Filter Data and methodology to identify areas which have the highest risk of flooding, incorporating occurrence of floods and projected change in occurrence of floods risk indicators. Western Cape and KwaZulu-Natal provinces have been identified as areas under high risk to flooding. Mitigation of potential impacts on the Group's operations includes addressing potential disruptions to the supply chain. SPAR engages with suppliers to understand around their preparedness for natural disasters such as flooding and to use their site location to identify areas most vulnerable to flooding. Through this engagement SPAR can mitigate flooding risks by utilising alternative routes, minimising the volume of perishables transported and assisting vulnerable suppliers. SPAR is considering running scenarios for stores and regions to better understand which areas of the business would be most impacted by flooding over the next 3-5 years and is creating an overarching plan that would enable SPAR to mitigate impacts in case extreme flooding events occur. Investment in the surrounding catchment areas allows ensuring that ecosystem services, including river systems, are sustainably managed. SPAR has started discussions with local municipalities through various forums such as the Durban Chamber of Commerce and the National Business Initiative (NBI) on how to assist municipalities in meeting their climate change mitigation and adaptation goals and increase resilience.

Cost of response

1081200

Explanation of cost of response

The cost of 3 internal staff, including a risk and strategy project manager, a sustainability manager and a sustainability specialist, amounts to R1 081 200 annually. SPAR anticipates that going forward there will be additional costs, involving cost of data monitoring tool and undertaking scenario modelling, however, these costs have not been calculated yet.

W4.2a

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

Country/Area & River basin

South Africa	Other, please specify (South Africa Water Management Areas)
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Stage of value chain

Supply chain

Type of risk & Primary risk driver

Physical	Drought
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Primary potential impact

Other, please specify (Water supply disruption)

Company-specific description

Drought and associated reductions in water availability is a risk to SPAR's supply chain. In 2018, South Africa experienced the worst in 1000 years drought, and the Western Cape and Eastern Cape provinces were the most affected. This year, the impacts of the drought started to ease, however, the impacts associated with extreme drought continue. Climate change projections for South Africa, which is a water scarce country, suggest that more frequent and intense drought events would recur. SPAR has used WWF Water Risk Filter to establish risk exposure to drought in different provinces in South Africa, using drought frequency and projected change in drought occurrence risk indicators. Reduced water availability due to drought and potential water supply disruptions pose a significant risk to SPAR's suppliers located in the Eastern Cape, Western Cape and Mpumalanga provinces. In Eastern Cape and Western Cape provinces because those provinces have been identified as water scarce areas, and in Mpumalanga province because of poor municipal management of water infrastructure. Furthermore, in Limpopo province the type of crops that could be grown were impacted and area of land (in ha) with sufficient amounts of water was reduced, mainly due to reduced water availability for SPAR's suppliers. As a result, SPAR had to source produce from other regions and suppliers. SPAR's cabbage suppliers reported a reduction in the quality and number of cabbages produced because of reduced access to land as a result of limited water supply.

Timeframe

4-6 years

Magnitude of potential impact

High

Likelihood

More likely than not

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)

3283410000

Potential financial impact figure - maximum (currency)

5472350000

Explanation of financial impact

If SPAR has done no engagement and training of its suppliers, it is estimated that SPAR could have lost as much as 3 – 5% of total revenue. Applying 3-5% to 2018-2019 turnover, it has been estimated that drought impacts could have cost SPAR between R3 283 410 000– R5 472 350 000.

Primary response to risk

Supplier engagement	Promote investment in infrastructure and technologies for water saving, re-use and recycling among suppliers
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Description of response

To mitigate potential drought impacts across the supply chain, the SPAR Group engages with the Group's suppliers to increase their resilience to reduced water availability. During the current reporting period, SPAR has continued engaging with local farmers to assist them in sustainable farming practices and training them on sustainable farming processes. SPAR's Freshline team assists local farmers in the Freshline supply chain to adopt more sustainable farming methods. To date, SPAR has trained 75% of Freshline suppliers and continues to offer training around sustainable farming. When new suppliers are selected, farmers must demonstrate that they are using sustainable farming practises to be able to supply to SPAR Brands. Additionally, potential new sites for farming development that have more consistent access to water were reassessed. SPAR has also assisted suppliers with R13 400 000 to investment in water efficient infrastructure. 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 reduced required water amounts to lettuce production. The Group's seeks 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. Tunnels are a big focus for SPAR's suppliers as they can provide more consistent growing climates and protect crops during extreme climatic events.

Cost of response

16255000

Explanation of cost of response

To date training of small scale farmers on localgap Standard amounted to R440 000 while training of Freshline suppliers on biological farming methods R315 000. Investment in the form of a loan in infrastructure for suppliers amounted to R 13 400 000. Two internal staff managing Freshline and SPAR House Brands amount to R2 100 000 annually.

Country/Area & River basin

South Africa	Other, please specify (South Africa Water Management Areas)
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Stage of value chain

Supply chain

Type of risk & Primary risk driver

Physical	Flooding
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Primary potential impact

Supply chain disruption

Company-specific description

The SPAR Group identifies increased occurrence of flooding events and disruptions to the supply chain as one of the water-related risks. SPAR's supply chain relies on transportation of perishable goods to and from distribution centres. Flooding, which could affect transportation networks, could impact SPAR's supply chain distribution network, causing delays and potentially resulting in a loss of perishable items reaching SPAR's retailers in time. SPAR operates nationally and therefore, flood in any region could affect logistical operations. In April 2019, SPAR has experienced a flooding event in the KwaZulu-Natal province, and while the distribution centres and distribution network have not been affected (only 2 stores were impacted), increased frequency and magnitude of flooding events could result in more detrimental impacts for the SPAR Group. SPAR's Eastern distribution centre has already been impacted by weather conditions such as snow and this may continue to intensify as climate change impacts become increasingly prevalent. Increase in snow could lead to trucks being unable to deliver products. This could cause increased fuel usage to due longer time taken to deliver products, loss of perishable goods or shortages in store. Customers might not want to shop where a range of products is not available, and this could lead to a loss of customers and revenue.

Timeframe

4-6 years

Magnitude of potential impact

Medium

Likelihood

About as likely as not

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)

3000000

Potential financial impact figure - maximum (currency)

6000000

Explanation of financial impact

If SPAR stores were unable to trade, on average R600 000 a month could be lost by each store. If 5-10 SPAR stores were unable to trade because of flooding, stores could lose between R3 000 000 – R6 000 000 in sales.

Primary response to risk

Downstream	Other, please specify (Map suppliers water risk)
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Description of response

SPAR's strategy is to establish high risk flood areas and mitigate potential impacts on the Group's operations associated with flooding. SPAR's used WWF Water Risk Filter Data and methodology to identify areas which have the highest risk of flooding, incorporating occurrence of floods and projected change in occurrence of floods risk indicators. Western Cape and KwaZulu-Natal provinces have been identified as areas under high risk to flooding. Mitigation potential impacts to the Group's supply chain operations requires the SPAR Group to address potential disruptions across the supply chain. SPAR engages with suppliers to understand their preparedness for natural disasters such as flooding and to use their site location to identify areas most vulnerable to flooding. Through this engagement SPAR can mitigate flooding risks by utilising alternative routes, minimising the volume of perishables transported and assisting vulnerable suppliers. SPAR is considering running various scenarios for stores and regions to better understand which areas of the business would be most impacted by flooding over the next 3-5 years and is creating an overarching plan that would enable SPAR to mitigate impacts in case of extreme flooding events. Investment in the surrounding catchment areas also promotes that ecosystem services, including river systems, are sustainably managed. SPAR has started discussions with local municipalities through various forums such as the Durban Chamber of Commerce and the National Business Initiative (NBI) on how to assist municipalities in meeting their climate change mitigation and adaptation goals and increase resilience.

Cost of response

1081200

Explanation of cost of response

The cost of 3 internal staff, including a risk and strategy project manager, a sustainability manager and a sustainability specialist, amounts to R1 081 200 annually. SPAR anticipates that going forward there will be additional costs, involving cost of data monitoring tool and undertaking scenario modelling, however, these costs have not been calculated yet.

W4.3

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

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

W4.3a

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

Type of opportunity

Efficiency

Primary water-related opportunity

Improved water efficiency in operations

Company-specific description & strategy to realize opportunity

The SPAR Group has identified and implemented various practices to improve water efficiency and reduce costs associated with procuring water from local municipalities. SPAR has rainwater collection systems implemented in all distribution centres and water recycling systems installed in five distribution centres. Western Cape distribution centre has installed a borehole to withdraw water from groundwater sources and this way reduce municipal water withdrawals. Lowveld distribution centre is in the process of drilling borehole to start withdrawing groundwater and is awaiting relevant permits from the local municipality. Other distribution centres are exploring this water saving option but have not yet installed it either because of poor water quality or issues with local municipalities. Western Cape distribution centre has installed an adiabatic cooling system which reduces the amount of water required for cooling by 98%. SPAR's Western Cape distribution centre has also installed a water monitoring tool to detect any leaks on site so water wastage can be resolved timeously. SPAR's Eastern Cape distribution centre has installed a water system which collects water from the ozone system in the NH3 plant (during the cooling process the NH3 plant creates excess water) and utilises such water to wash trucks. Water is also collected during refrigeration frost cycle and stored in tanks for further use. Furthermore, Eastern Cape distribution centre has installed more efficient water condensers, which previously were used in the Western Cape distribution centre. SPAR stores in Eastern Cape installed boreholes and rainwater tanks.

Estimated timeframe for realization

1 to 3 years

Magnitude of potential financial impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

2700000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact

If SPAR was to reduce total municipal water withdrawals by 50% across the Group's operations, assuming that an average water tariff is at R25.73kl, SPAR could save R2.7 million annually.

Type of opportunity

Resilience

Primary water-related opportunity

Increased resilience to impacts of climate change

Company-specific description & strategy to realize opportunity

The SPAR Group reports water withdrawals as part of SPAR's Scope 3 emissions. Therefore, water savings can be expressed as kilolitres saved as well as emissions reduced. SPAR measures and monitors water withdrawals, including volume and sources, and therefore, is able to manage water usage and identify opportunities for water efficiencies. A reduction in SPAR's emissions is a reduction in the Group's impact on the environment. SPAR anticipates reporting on emissions savings achieved from water savings within next 2 years.

Estimated timeframe for realization

Current - up to 1 year

Magnitude of potential financial impact

Low-medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

293785

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact

During the current reporting period, 11 418 kl water came from non-municipal supply (borehole, rainwater or recycling) and assuming that an average water tariff is R25.73/kl, savings amount to R293 785.

Type of opportunity

Resilience

Primary water-related opportunity

Increased supply chain resilience

Company-specific description & strategy to realize opportunity

The SPAR Group continues monitoring the impact of water availability and quality across the Group's supply chain, specifically, among perishable goods suppliers. The SPAR Group conducts site visits and collects data on suppliers' environmental management systems, by asking suppliers to provide information around water, waste and wastewater, energy, transport, emissions, pollution prevention and treatment of hazardous substances practices. This information is used to develop a baseline for SPAR's suppliers and the Group will be tracking suppliers' performance over the next 2-3 years. The SPAR Group offers training and provides financial assistance to suppliers to help them reduce their water usage in crop production and reduce reliance on municipal water sources. Such actions help SPAR's suppliers to increase their resilience to long-term water scarcity. To date, SPAR has trained 75% of Freshline suppliers and continues to offer training around sustainable farming. When new suppliers are selected, farmers must be using sustainable farming practices in order to be able to supply SPAR Brands. 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 reduced required water amounts to lettuce production. As a result of the SPAR Group's actions in promoting water efficiency across the supply chain, SPAR's Brand milk suppliers have set ambitious goals to reduce water usage across their operations. One of the suppliers in the Eastern Cape province, where drought impacts were severe, has installed a wastewater treatment plant and in the first year was able to reduce water usage from the municipality by 53%.

Estimated timeframe for realization

1 to 3 years

Magnitude of potential financial impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact

The impact has not quantified financially.

Type of opportunity

Markets

Primary water-related opportunity

Increased shareholder value

Company-specific description & strategy to realize opportunity

The SPAR Group is under increasing pressure from stakeholders, including consumers and the broader public, to address environmental issues, including water issues. The SPAR Group recognises that shifting consumer perceptions around the Group's environmental actions and increasing public pressure to reduce environmental impact from the Group's operations and its product offering can influence the demand for the Group's products. Achieving water resource efficiency and promoting water stewardship practices across the Group's operations and communicating water-related actions to SPAR customers and the public could enhance SPAR brand and increase demand for the Group's products. Furthermore, the customers might opt to shop at a retailer which takes proactive approach to managing environmental and water issues. The SPAR Group continues to implement water saving technologies across SPAR distribution centres and is actively diversifying water sources to utilise alternative water sources. 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. SPAR has planned for the Sustainability Day to take place in the KwaZulu-Natal province with retailers and

distribution centres to present an exhibition with solutions to climate change and water risks.

Estimated timeframe for realization

1 to 3 years

Magnitude of potential financial 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)

1094000000

Potential financial impact figure – maximum (currency)

2189000000

Explanation of financial impact

If this opportunity was realised, it could result in estimated 1-2% increase in the Group's revenue, amounting to R1 094 million – R2 189 million.

W5. Facility-level water accounting

W5.1

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

Facility reference number

Facility 1

Facility name (optional)

Western Cape distribution centre.

Country/Area & River basin

South Africa	Berg-Olifants
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Latitude

34

Longitude

18.34

Located in area with water stress

Yes

Primary power generation source for your electricity generation at this facility

<Not Applicable>

Oil & gas sector business division

<Not Applicable>

Total water withdrawals at this facility (megaliters/year)

20

Comparison of total withdrawals with previous reporting year

About the same

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

Withdrawals from brackish surface water/seawater

Withdrawals from groundwater - renewable

3

Withdrawals from groundwater - non-renewable

Withdrawals from produced/entrained water

Withdrawals from third party sources

17

Total water discharges at this facility (megaliters/year)

18

Comparison of total discharges with previous reporting year

About the same

Discharges to fresh surface water

Discharges to brackish surface water/seawater

Discharges to groundwater

Discharges to third party destinations

18

Total water consumption at this facility (megaliters/year)

2

Comparison of total consumption with previous reporting year

About the same

Please explain

Water withdrawals, discharges and consumption has been about the same this year compared to last year. Last year due to an ongoing drought SPAR's Western Cape distribution centre withdrew 10 MI from municipal sources and 10 MI from renewable groundwater sources, using a borehole. This year, drought impacts have diminished, and water restrictions have been eased. As a result, Western Cape distribution centre withdrew 17 MI from municipal water sources and 3 MI from renewable water sources. Borehole water is measured together with rainwater and recycled water as a single figure. Western Cape distribution centre is the only SPAR's facility where renewable groundwater is used, and water withdrawals from recycled, borehole and rainwater are reported under Renewable groundwater figure. Third party sources are municipality supplied water. For four of SPAR's sites sewage is billed as 90% of municipal withdrawals, therefore water discharges are estimated for all sites at 90%, except for Western Cape distribution centre, where an estimated 90% discharge was applied to both municipal as well as renewable groundwater withdrawals.

Facility reference number

Facility 2

Facility name (optional)

Eastern Cape distribution centre.

Country/Area & River basin

South Africa	Mzimvubu-Tsitsikamma
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Latitude

33.28

Longitude

25.4

Located in area with water stress

Yes

Primary power generation source for your electricity generation at this facility

<Not Applicable>

Oil & gas sector business division

<Not Applicable>

Total water withdrawals at this facility (megaliters/year)

35

Comparison of total withdrawals with previous reporting year

Much higher

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

Withdrawals from brackish surface water/seawater

Withdrawals from groundwater - renewable

Withdrawals from groundwater - non-renewable

Withdrawals from produced/entrained water

1

Withdrawals from third party sources

34

Total water discharges at this facility (megaliters/year)

30

Comparison of total discharges with previous reporting year

Much higher

Discharges to fresh surface water

Discharges to brackish surface water/seawater

Discharges to groundwater

Discharges to third party destinations

30

Total water consumption at this facility (megaliters/year)

5

Comparison of total consumption with previous reporting year

Much higher

Please explain

This year, SPAR's Eastern Cape distribution centre withdrew 34 MI of water from municipal sources and 1 MI from recycled water sources compared to last year, when the distribution centre withdrew 24 MI of water from municipal sources and 1 MI from recycled water sources. Eastern Cape distribution centre has displayed an increase in municipal water withdrawals because of better quality and more comprehensive data that is available this year. As water discharges are estimated at 90% of water

withdrawals from the municipality, an increase in water withdrawn from municipal sources has resulted in much higher discharges, and therefore, much higher consumption. Total water consumption increased by 1 Ml. Collected rainwater is measured together with recycled water in the Eastern Cape distribution centre and is reported under recycled water (produced water) figure. Third party sources are municipality supplied water. All water discharges are discharged to municipal sewage networks. SPAR is currently focused on improving the quality of water data and going forward plans to install more water meter for more comprehensive and accurate water reporting. SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.

Facility reference number

Facility 3

Facility name (optional)

KwaZulu-Natal distribution centre.

Country/Area & River basin

South Africa	Pongola-Uzimkulu
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Latitude

29.72

Longitude

31

Located in area with water stress

No

Primary power generation source for your electricity generation at this facility

<Not Applicable>

Oil & gas sector business division

<Not Applicable>

Total water withdrawals at this facility (megaliters/year)

53

Comparison of total withdrawals with previous reporting year

Lower

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

Withdrawals from brackish surface water/seawater

Withdrawals from groundwater - renewable

Withdrawals from groundwater - non-renewable

Withdrawals from produced/entrained water

0.5

Withdrawals from third party sources

53

Total water discharges at this facility (megaliters/year)

47

Comparison of total discharges with previous reporting year

Lower

Discharges to fresh surface water

Discharges to brackish surface water/seawater

Discharges to groundwater

Discharges to third party destinations

Total water consumption at this facility (megaliters/year)

6

Comparison of total consumption with previous reporting year

About the same

Please explain

Total water withdrawals have decreased by 2 Ml between FY 2018 and FY 2019 from 55 to 53 Ml. This year, KwaZulu-Natal distribution centre withdrew 53 Ml of water from municipal sources and 0.5 Ml from recycled water sources. As water discharges are estimated at 90% of water withdrawn from municipality, a decrease in water withdrawn from municipal sources has resulted in lower discharges (a decrease of 2 Ml, from 49 Ml in FY 2018 to 47 Ml in FY 2019). Total water consumption remained the same at 6 Ml. Collected rainwater is measured together with recycled water in the KwaZulu-Natal distribution centre and is reported under recycled water (produced water) figure. Third party sources are municipality supplied water. All water discharges are discharged to municipal sewage networks. SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.

Facility reference number

Facility 4

Facility name (optional)

Lowveld distribution centre.

Country/Area & River basin

South Africa	Inkomati-Usuthu
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Latitude

25.46

Longitude

30.97

Located in area with water stress

No

Primary power generation source for your electricity generation at this facility

<Not Applicable>

Oil & gas sector business division

<Not Applicable>

Total water withdrawals at this facility (megaliters/year)

27

Comparison of total withdrawals with previous reporting year

Much higher

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes**Withdrawals from brackish surface water/seawater****Withdrawals from groundwater - renewable****Withdrawals from groundwater - non-renewable****Withdrawals from produced/entrained water**

6

Withdrawals from third party sources

21

Total water discharges at this facility (megaliters/year)

19

Comparison of total discharges with previous reporting year

Much higher

Discharges to fresh surface water**Discharges to brackish surface water/seawater****Discharges to groundwater****Discharges to third party destinations**

19

Total water consumption at this facility (megaliters/year)

8

Comparison of total consumption with previous reporting year

Much higher

Please explain

This year Lowveld distribution centre has displayed an increase in municipal water withdrawals because of better quality and more comprehensive data that was available. Last year, total withdrawals were 15 MI and this year they are 27 MI. This year, Lowveld distribution centre withdrew 21 MI of water from municipal sources and 6 MI from recycled water sources. As water discharges are estimated at 90% of water withdrawn from municipality, an increase in water withdrawn from municipal sources has resulted in much higher discharges - an increase of 2 MI, from 13 MI last year to 19 MI this year. Total water consumption increased accordingly from 1 MI last year to 8 MI this year. Collected rainwater is measured together with recycled water in the Lowveld distribution centre and is reported under recycled water (produced water) figure. Third party sources are municipality supplied water. All water discharges are discharged to municipal sewage networks. SPAR is currently focused on improving the quality of water data and going forward plans to install more water meter for more comprehensive and accurate water reporting. SPAR defines comparison 'lower/higher' when there is <15% change and 'much lower/much higher' when there is ≥15% change.

W5.1a

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

Water withdrawals – total volumes

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water withdrawals – volume by source

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water withdrawals – quality

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water discharges – total volumes

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water discharges – volume by destination

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water discharges – volume by treatment method

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water discharge quality – quality by standard effluent parameters

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water discharge quality – temperature

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water consumption – total volume

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water recycled/reused

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

W6. Governance

W6.1

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

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

W6.2

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

Yes

W6.2a

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

Position of individual	Please explain
Board-level committee	Social and Ethics Committee of the Board which is made up of executive and non-executive members has overall accountability for the sustainability and water agenda for the Group. The Committee is mandated by the Board with specific functions and responsibilities around sustainability and water management, among which is the oversight and reporting of the Group's activities relating to the environment and its stakeholders. The Committee reviews the SPAR Group's Sustainability Policy, which outlines SPAR's approach to the management and integration of sustainability issues, including water-related issues.
Chief Sustainability Officer (CSO)	The direct responsibility for managing sustainability and water-related matters, including identification, assessment and management of water-related risks, resides with the Group's Risk and Sustainability Executive (also known as the Group Sustainability Officer). The Chief 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.

W6.2b

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

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - all meetings	Overseeing major capital expenditures Reviewing and guiding annual budgets	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 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, 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. The Group's Risk and Sustainability Executive identifies key risk areas in relation in water, and these risks are reported at the Group's Social and Ethics Committee, Risk Committee, Executive Committee and at the National Logistics Meeting. Water related risks are currently being reassessed in order to better align them with climate change strategic risks and to align with the Group's revised Sustainability Policy.

W6.3

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

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

Other committee, please specify (Social and Ethic Committee)

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Half-yearly

Please explain

The 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 Committee. 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 Committee oversees the Group's social and organisational activities relating to the environment and its stakeholders. The Committee monitors the Group's sustainability 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.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	

W6.4a

(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive	Performance indicator	Please explain
Monetary reward	Chief Sustainability Officer (CSO)	Supply chain engagement Other, please specify (Implementation and execution of the Group's strategy and Climate resilience)	The Group's 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 water-related issues. For example, providing nutritious and affordable food requires a resilient supply chain, where water usage is managed at a regional and supplier level.
Non-monetary reward	Other C-suite Officer (Group's Logistics Executive)	Reduction in water withdrawals Reduction in consumption volumes Improvements in efficiency - direct operations Improvements in efficiency - supply chain	The Group's Logistics Executive is incentivised to achieve reduction in water withdrawals and consumption as well achieving efficiencies across direct operations and supply chain.

W6.5

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

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

W6.5a

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

Sustainable Development Goals (SDGs) are integrated into SPAR's Sustainability Policy and underpin the Group's Strategy, guiding all SPAR's public policy engagements and activities seeking to influence policy. SPAR's water commitments are guided by the Group's strategy and therefore, by the SDGs. As such, SPAR ensures that all its public policy engagements are aligned with the Group's strategic commitments, including, commitments towards water. While the Group does not have procedures or guidelines for actions that have to be taken if a breach or an inconsistency with the strategy (or the SDGs) occur in place yet, SPAR is actively considering the process and anticipates to have it in place in the near future.

Currently, SPAR engages with the Consumer Goods Council of South Africa (CGCSA), and through the CGCSA engages with government and policy makers on all issues relating to the industry, among which is water security. One of the SPAR Group's executives is on the board of the CGCSA.

The National Business Initiative (NBI) engages with the government on water regulation and policy. As a member of the NBI, SPAR attends discussions on water regulation, uses NBI as a platform to make comments around relevant current and emerging water legislation and enables other NBI members to learn from SPAR's experiences. Among matters that have been undertaken by the NBI in the last financial year was identifying the SDGs that South Africa needs to focus on in order to meet commitments.

W6.6

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

- Yes (you may attach the report - this is optional)
SPAR_Annual_Abridged_IR_2019_WEB.pdf

W7. Business strategy

W7.1

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

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	11-15	One of the SPAR Group's overarching strategic outcome is creation of sustainable stakeholder value, which is inextricably linked to the Group's commitment to responsible living and resource stewardship, guiding all the Group's business activities, including products that SPAR offers. Achieving of this strategic outcome in the long-term (11-15 years) and meeting SPAR's sustainability commitment compels the Group to take actions to preserve natural capital and mitigate negative environmental impact from business activities. SPAR recognises water importance to operations and takes actions to achieve water efficiency. Simultaneously, uninterrupted water supply is critical for the continued business operations, and SPAR continuous to invest and implement alternative water solutions and closed loop systems where no water is wasted. Ensuring nutritious and affordable food is another long-term strategic outcome that the Group has set out. This long-term strategic objective is also considered for the time period of 11-15 years. Sufficient availability and good quality water are paramount for ensuring nutritious and affordable food and SPAR plays an active role in building resilience among SPAR's suppliers to changing climate conditions and water scarcity. The Group is working with suppliers to increase their preparedness to water risks, offers sustainable farming training and provides financial assistance to implement water savings technologies such as hydroponic systems.
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	11-15	The SPAR Group believes that there is an extricable link between the Group's strategy, risk and sustainability and performance management. Identifying and mitigating identified water risks enables business continuity in the short, medium and long-term. Water-related issues such as water availability could significantly disrupt direct operations and supply chain. The Group is developing new Sustainability Policy and Environmental Plan, with updated water goals and KPIs. The Group requires good quality water to comply with food safety standards in food preparation processes. SPAR's distribution centres require water for washing of trucks, in cooling facilities and to provide hygienic working environment for employees. Sufficient quantity of water is required for the supply chain to grow fresh produce which is sold at SPAR stores. Decreasing water supply can introduce increased water pricing in South Africa, which would increase the Group's operational costs. Addressing such water risks requires SPAR to take actions to achieve water efficiencies and build resilience around water scarcity in the supply chain. All SPAR's distribution centres have either water recycling or rainwater collection systems installed to optimise water usage. To mitigate impacts from reduced water availability in the supply chain, the Group prioritises suppliers using environmental criteria and assesses potential new sites for farming development that have more consistent access to water.
Financial planning	Yes, water-related issues are integrated	11-15	SPAR is addressing water-related issues and mitigating water-risks requires ensuring availability of financial capital, dedicated to water-related matters. The Group's strategy, sustainability policy and related KPIs guide water-related CAPEX. Water-related issues, specifically ensuring water supply and quality, are considered in the Group's financial planning. These issues are integrated into the Group's Risk Register and capital expenditure is allocated to mitigate long-term (11-15 years) water issues. As the Group anticipates water tariffs to continue rising in future, prioritising CAPEX for water efficient infrastructure can reduce the Group's operational water costs in the long-term. Furthermore, during the drought last year, national CAPEX budget had to be reprioritised for water efficient infrastructure and alternative water solutions. Water scarcity and supply in the supply chain has been considered by providing financial assistance in the form of loans to SPAR's suppliers so that water efficient solutions and infrastructure can be taken up across the supply chain. To date, R13.4 million worth of loans were provided. Also, the Group recognises the importance of R&D around water-related issues. Financial resources are made available for R&D and currently the focus is around better water data management systems and tools, where the Group is exploring smart water metering technologies to be implemented across SPAR's distribution centres, the Head Office and stores.

W7.2

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

Row 1

Water-related CAPEX (+/- % change)

0

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

5

Water-related OPEX (+/- % change)

6

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

6

Please explain

SPAR anticipates that an annual budget for CAPEX expenditure on water efficient infrastructure will increase at 3–5%. There is minimal increase in water-related CAPEX this year as water-related CAPEX amounted to R5.5 million last year. During this reporting year, the water tariffs increased by an average 6% compared to the previous reporting period, and therefore, water related OPEX has increased by 6%. SPAR anticipates that there will be a minimum increase in tariffs of 6% for the following financial year, yet due to the increased awareness around water scarcity across the country, the increases could be even larger. To mitigate this impact, SPAR continues to invest in water efficient technologies and infrastructure to reduce water usage and reliance on municipal water supply, and as such, anticipates OPEX to increase by 4-6%.

W7.3

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

	Use of climate-related scenario analysis	Comment
Row 1	Yes	The SPAR Group considers 2DS climate-related scenario in the Group's strategy as the strategy is underpinned by environmental and sustainability issues and guides the SPAR's strategic decisions. The Group considers how the projected global temperature increases of 2°C above pre-industrial levels would impact on the Group's strategic and operational risks, including the probability of occurrence of drought and flood events under the pre-industrial and 2°C scenarios, and what actions and resources (financial, human and natural capital) the Group would require to adapt to the changing operating conditions. With the refinement of the global goal to limit temperature increase limited to the 1.5°C above pre-industrial levels to avoid significant climatic impacts, the Group is taking into consideration the updated global goal to integrate into SPAR's strategy and risk assessments.

W7.3a

(W7.3a) Has your organization identified any water-related outcomes from your climate-related scenario analysis?

Yes

W7.3b

(W7.3b) What water-related outcomes were identified from the use of climate-related scenario analysis, and what was your organization's response?

	Climate-related scenarios and models applied	Description of possible water-related outcomes	Company response to possible water-related outcomes
Row 1	2DS	The SPAR Group is a food provider and the Group's main business activities relate to procurement, distribution and warehousing of food and produce. Outcomes from climate-related scenarios are considered to understand what operating landscape might look like in the medium- to long-term. For example, due to increasing temperatures, under the 2°C global temperature increases above pre-industrial levels, drought events are projected to be more frequent and more intense in water scarce areas in South Africa (Eastern Cape and Western Cape provinces). Such projected changes to extreme weather events compel the Group to start taking actions and changing business practices to mitigate potential impacts. Outcomes from climate-related scenario analysis, specifically, projected changes to water availability, supply, quality or extreme water-related weather events under the 2DS scenario, are also considered when identifying and evaluating strategic and operational risks that could impact the SPAR Group and its supply chain. An example of water specific risk is SPAR's supply chain's resilience to water availability where reduced water availability could limit the yield of crops, reduce the area of land suitable for growing crops and as a result, lead to an increase in the cost of produce and food prices.	SPAR has taken actions to improve the Group's (distribution centres) preparedness for the increased frequency and magnitude of extreme weather events such as droughts and floods. The Group mitigates the risk of reduced water supply, increased water pricing and disruptions to operations through actively implementing water saving technologies and alternative water source solutions. To increase resilience to reduced water availability across the Group's supply chain, the Group works with suppliers to provide them with training on water-saving farming techniques and provide financial assistance to uptake water savings technologies and food production methods. More detailed information on the Group's response is included in W4.2 and W4.3 (sections on the Group's risk response) as well as in W4.3a.

W7.4

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

Row 1

Does your company use an internal price on water?

No, but we are currently exploring water valuation practices

Please explain

SPAR's operations are situated in a water scarce country, and several facilities have been directly affected by water shortages caused by drought that was experienced in some provinces last year. The SPAR Group has identified reduced water availability as a high risk to the company's operations, and the Group is exploring water valuation practices that could be used in financial planning and strategic decision making.

W8. Targets

W8.1

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

	Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Row 1	Company-wide targets and goals	Targets are monitored at the corporate level Goals are monitored at the corporate level	Targets and Goals are monitored at corporate level.

W8.1a

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

Target reference number

Target 1

Category of target

Water withdrawals

Level

Business activity

Primary motivation

Cost savings

Description of target

30% reduction in use of municipal water.

Quantitative metric

% reduction of water withdrawals from municipal supply

Baseline year

2012

Start year

2012

Target year

2019

% of target achieved

53

Please explain

SPAR's water target is 30% reduction in use of municipal water by 2017. While the target covers 2012-2017 period, the Group is in the process of developing new Sustainability Policy and Environmental Plan, with updated environmental and water targets. Until new water targets are implemented, the Group continues tracking performance tracking against 2017 water target. In 2019, SPAR has achieved 53% of water withdrawals from municipal supply against 2012 baseline target.

W8.1b

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

Goal

Other, please specify (Rainwater collection)

Level

Business activity

Motivation

Recommended sector best practice

Description of goal

All distribution centres aim to have rainwater collection facilities.

Baseline year

2012

Start year

2012

End year

2019

Progress

SPAR's water goal is to have all distribution centres have rainwater collection facilities by 2017. While the goal covers 2012-2017 period, in order to continue tracking performance tracking against the target has been extended to 2019. In 2019, all SPAR's distribution centres have rainwater collection facilities. SPAR currently does not have updated water targets and goals for 2019 but the SPAR Group is working on setting new goals and targets as part of a new Environmental Plan (which will be developed in near future) and aligning those targets with the Group's strategy. Water goals and targets will be managed by relevant departments and managers will be incentivised by related KPIs.

Goal

Other, please specify (Recycling and reuse of water)

Level

Business activity

Motivation

Cost savings

Description of goal

All distribution centres aim to implement recycling and the reuse of water.

Baseline year

2012

Start year

2012

End year

2019

Progress

SPAR's water goal is to have all distribution centres have implemented recycling and the reuse of water by 2017. While the goal covers 2012-2017 period, in order to continue tracking performance tracking against the target has been extended to 2019. In 2019, All SPAR's distribution centres have either a recycling and/ or rainwater collection system implemented. SPAR currently does not have updated water targets and goals for 2019 but the SPAR Group is working on setting new goals and targets as part of a new Environmental Plan (which will be developed in near future) and aligning those targets with the Group's strategy. Water goals and targets will be managed by relevant departments and managers will be incentivised by related KPIs.

Goal

Engaging with local community

Level

Business activity

Motivation

Reduced environmental impact

Description of goal

Caring for local water systems where SPAR Group operates.

Baseline year

2012

Start year

2012

End year

Progress

Eastern Cape distribution centre has undertaken a project involving the rehabilitation of the Zwartkops River. The Zwartkops River is polluted with sewage from an ineffective sewage depot upstream from the Kwanagxabi river and pollutes the wetland downstream. The Zwartkops River is also polluted with plastics. SPAR Eastern Cape distribution centre assists with the removal of plastics and other rubbish from the river through awareness campaigns and donations. To date, SPAR has collected over 43 000 bags of plastics. Furthermore, funding received from the SPAR Group has enabled the Zwartkops conservancy to employ 2 full time interns that work with litter collectors and identify highly problematic plastics.

Goal

Other, please specify (Water preservation)

Level

Business activity

Motivation

Cost savings

Description of goal

Preserve water all distribution centers.

Baseline year

2012

Start year

2012

End year

2019

Progress

SPAR's water goal is to preserve water in all distribution centres by 2017. While the goal covers 2012-2017 period, in order to continue tracking performance tracking against the target has been extended to 2019. In 2018-2019, SPAR has continued installing water efficiency systems and implementing initiatives, which allowed to achieve 53% of water withdrawals from municipal supply against 2012 baseline target. SPAR currently does not have updated water targets and goals for 2019 but the Group is working on setting new goals and targets as part of the new Environmental Plan (which will be developed in near future) and aligning those targets with the Group's strategy. Water goals and targets will be managed by relevant departments and managers will be incentivised by related KPIs.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?

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

W10. Sign off

W-FI

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

W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

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

W10.2

(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

Yes

Submit your response

In which language are you submitting your response?

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