FACT SHEET | APPROACH TO TAX STRATEGY

TAX GOVERNANCE

The group's approach to tax outlines the framework by which tax obligations are met from an operational and risk management perspective.

With consideration of the complexity of the evolving global tax landscape, the responsibilities for managing tax compliance obligations and tax risk are varied across the group.

The SPAR Group Limited's group tax strategy was approved by the board in November 2019 and is aligned with the group's existing strategies, policies and overall purpose:

> "To inspire people to do and be more"

Tax management is key in the group achieving its strategic objectives. The group's approach to tax governance is based on five principles:

1	**Zero tolerance**	The group has adopted a principle view and will maintain a zero-tolerance approach for tax non-compliance.
2	**Stakeholder value**	Tax is integral to all stakeholders, both internal and external.
3	**Reputational Risk**	The group's reputation is protected by managing its tax affairs in a manner that will not have a detrimental effect on the reputation or brand of the group.
4	**Corporate citizenship**	In the spirit of the group, tax corporate citizenship is underpinned by adherence to tax legislation and regulatory requirements within which it operates, demonstrable by compliance with tax laws and honesty in its dealings with relevant stakeholders both internal and external.
5	**Communication with tax authorities**	The group values a good working relationship with tax authorities in the jurisdictions in which it operates and maintains these relationships.

The group tax strategy is supported by the group tax policy which is in the process of being finalised. This is an operational document detailing processes and policies to ensure the effective implementation and compliance to the group tax strategy.

Based on the principles of good corporate tax citizenship, aligned to the principles of King IV, the group acknowledges its responsibility to its stakeholders, both internal and external, demonstrated through the group's decisions, actions and consideration of the impact thereof, on an ongoing basis. The global tax affairs of the group are managed in an efficient, transparent, responsible and sustainable manner in full compliance with the prevailing legislation in which the group operates.

The group will always aim to mitigate any adverse and/or unexpected financial consequences and protect its reputation, and accordingly, the overall strategy of the group is it will only engage in or promote tax planning that supports genuine commercial activity and will not enter into transactions that serve no commercial purpose other than the avoidance of tax.

EFFECTIVE TAX RATE (ETR) AND TOTAL TAX CONTRIBUTION (TTC)

ETR

The company ETR has reduced overall by 1.2% in 2019 from the prior year. The reduction is mainly attributable to a significant decrease (2.3%) in the accounting remeasurements of the financial liability relating to the future acquisition of minority shareholding in the BWG Group. These accounting adjustments fluctuate year-on-year as a result of foreign currency and fair value adjustments. However, the reduction in the ETR has been negated by 1% as a result of an intergroup loan provision that is not income tax deductible. At a consolidated group level, this loan provision effect is eliminated.

The group ETR has reduced by 3.7% in 2019 from the prior year. The main contributors to the reduction are as follows:

- A reduction in the remeasurements of financial liability recognised in respect of the BWG Group as outlined above
- A substantial positive rate change adjustment as a result of a 3.5% decrease in the corporate income tax rate in Switzerland effective from 1 January 2020, resulted in a 1.9% decrease in the group ETR

The effective tax rate of the group is detailed below:

	GROUP		COMPANY	
%	2019	2018	2019	2018
Reconciliation of effective taxation rate				
South African current income tax rate at 28% (2018: 28%)	**28.0**	28.0	**28.0**	28.0
Change in tax rate in Switzerland(1)	**(1.9)**			
Dividend income			**(0.6)**	(0.6)
Contribution to employee share trust(2)		(1.4)		(1.9)
Expected future profits, foreign exchange and finance cost adjustments on financial liabilities(3)	**1.6**	3.1	**1.5**	3.8
Non-deductible business acquisition costs	**0.1**	0.2	**0.1**	0.2
Non-deductible impairment of goodwill and assets	**0.1**	0.1	**0.1**	0.1
Other non-deductible operating costs	**0.2**	0.4	**0.1**	0.2
Assets not eligible for capital allowances	**0.1**	0.1		
Non-deductible – IFRS 9 loan provision	**0.1**		**1.0**	
Income tax allowances	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Withholding income tax	**0.1**	0.1	**0.1**	0.1
Prior year income tax (over)/underprovision	**(1.8)**	(0.1)	**(1.7)**	
Effect of foreign income tax rates	**(4.3)**	(4.3)		
Timing difference not provided for		(0.1)		
Effective rate of taxation	**22.2**	25.9	**28.5**	29.7

(1) Change in the corporate tax rate in Switzerland from 18.0% to 14.5% effective 1 January 2020.

(2) Contribution to employee share trust treated as a timing difference from the 2019 financial year with a deferred tax asset recorded accordingly for this change in treatment. This gave rise to a prior year underprovision of the deferred tax asset which is reflected in the above reconciling item – prior year income tax (over)/underprovision.

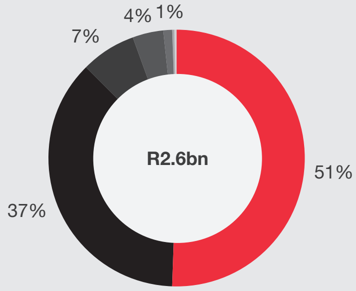
(3) Relating to Ireland, Switzerland and S Buys.

TTC

The SPAR Group contributes directly to tax authorities by way of taxes borne and taxes paid in the jurisdictions in which the group operates, enabling governments to provide social infrastructure and services.

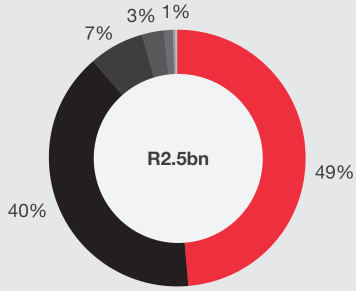
The TTC of the group is detailed below:

2019 Taxes paid by jurisdiction



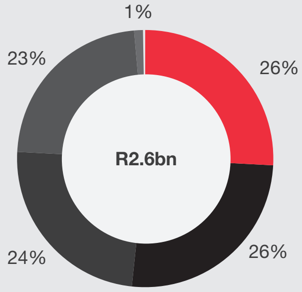
South Africa	51%
Ireland	37%
United Kingdom	7%
Switzerland	4%
Namibia	1%
eSwatini	<1%
Botswana	<1%
Netherlands	<1%
Mozambique	<1%
Luxembourg	<1%

2018 Taxes paid by jurisdiction



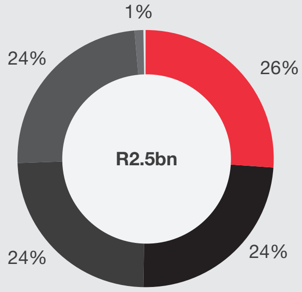
South Africa	49%
Ireland	40%
United Kingdom	7%
Switzerland	3%
Namibia	1%
Botswana	<1%
Netherlands	<1%
Mozambique	<1%
Luxembourg	<1%

2019 Taxes paid by type



Excise duties	26%
Corporate taxes	26%
Payroll taxes	24%
VAT	23%
Customes duties	1%
Withholding taxes	<1%
Environmental taxes	<1%

2018 Taxes paid by type



Excise duties	26%
Corporate taxes	24%
Payroll taxes	24%
VAT	24%
Customes duties	1%
Withholding taxes	<1%
Environmental taxes	<1%

In response and in adherence to Base erosion and profits shifting (BEPS), specifically action 13 and the South African Revenue Service (SARS) Country-by-Country (CbC) Reporting, Master File and Local File guidance, the group has submitted its CbC report for the 30 September 2018 year of assessment on 13 September 2019.