



SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

**ONLINE
SUSTAINABILITY
SUPPLEMENTS 2018**

ONLINE SUSTAINABILITY SUPPLEMENTS

Operating in a sustainable manner is crucial for Spur Corporation. Maintaining a viable business starts with ensuring financial sustainability. However, managing social and environmental risks and opportunities and demonstrating good corporate governance and ethical business practices are equally important.

The worldwide paradigm shift relating to social and environmental sustainability has been profound. Brand reputation is a valuable asset in today's volatile trading environment, and consumers are more likely to support brands that are active in their communities and with clear positions on sustainability and fair and just employment practices.

Additionally, sustainable business practices lead to efficiencies and cost reductions and enable the group to comply with regulation related to climate change, waste management and employment equity. This attracts the right talent and investors, ultimately enhancing the group's reputation and leading to sustained financial growth.

Spur Corporation focuses on financial, social and environmental sustainability and sets clearly defined targets and objectives to guide actions and outcomes. However, there is always room for improvement and the group's regular review of social and environmental risks, legislative requirements and best practice feeds into strategic discussions.

SOCIAL MATERIAL MATTERS

Regulatory compliance

Spur Corporation's activities and operations are regulated by a range of legislation. Ensuring regulatory compliance is a fundamental aspect of the group's commitment to good governance. Failure to ensure regulatory compliance in the group creates the risk of monetary fines, reputational damage and the loss of its legal and social license to operate.

While Spur Corporation is not directly responsible for the regulatory compliance of franchisees, compliance failures at franchisee level can have a direct reputational impact on the group and its brands.

Strategic response

The group chief financial officer, assisted by the legal and compliance officer, is responsible for monitoring compliance within Spur Corporation. Proactive and systematic management of compliance is the responsibility of the group's in-house legal and compliance officer. This includes assessing potential consequences or risks associated with new legislation, and reporting to the social, ethics and environmental sustainability committee. Significant non-compliance with mandatory laws and rules will be reported to this committee and escalated to the board as necessary.

Departments in the group affected by pending legislation monitor progress and likely impacts and report back to the board committees and the board. Franchisees are kept informed

regarding regulatory developments, and operations teams provide guidance on implementing the required response.

There are a number of proposed laws, guidelines and codes of conduct currently under discussion, several of which have the potential to affect the group's business and franchisees. We continue to monitor their development and engage proactively with the relevant authorities to ensure the practical implications for the industry are understood.

The primary regulatory concerns for the group currently include:

Food safety

Consistent quality of food is a critical issue in the restaurant industry. In June 2018, government amended parts of the hazards analysis and critical control points ("HACCP") legislation to ensure the submission of rapid information from the industry or food testing laboratories in the event of a food-borne illness outbreak. This was precipitated by an outbreak of listeriosis, which started in 2017 and prompted heightened consumer awareness around food safety.

Food safety is of critical importance to Spur Corporation and we take all issues regarding the production and preparation of our food extremely seriously. The group's centralised procurement function monitors suppliers' and the outsourced distributor's compliance with:

- HACCP: A systematic preventive approach to food safety from biological, chemical and physical hazards in the production process, which can cause the finished product to be unsafe.
- ISO 22000: The food safety management system which maps out what an organisation needs to do to demonstrate its ability to control food safety hazards in order to ensure that food is safe.

The group also engages independent parties to conduct specialised food safety audits of suppliers and franchisees. Franchisee employees receive training in food preparation, food safety and other relevant areas. Operations managers monitor food quality during store inspections.

B-BBEE rating of franchisees

Spur Corporation urges franchisees to improve their broad-based black economic empowerment ("B-BBEE") status as part of our commitment to transformation.

Where franchisees are unable to produce verified B-BBEE certificates of an acceptable level, there is a risk they may not be granted business licences, liquor licences or leases in strategic locations, or that they may be penalised by landlords. The group established a structured solution to assist franchisees to improve their B-BBEE ownership level, which we presented to franchisees around the country this year.

The B-BBEE status of suppliers can have a significant impact on those of franchisees and, wherever possible, Spur Corporation's procurement function uses its influence to effect transformation among suppliers of the outsourced distributor.

Guideline 14 of the Foodstuffs, Cosmetics and Disinfectants Act (Act No. 54 of 1972)

Guideline 14 was released in 2015 by the Department of Health (“DoH”). This guideline impacts on the group in that it prohibits the marketing of food items deemed to be unhealthy. Spur Corporation is engaging with the DoH through an industry body to explore ways in which the industry can self-regulate to address issues raised within the guidelines.

Milestones and timelines have been set to satisfy the requirements for self-regulation, which include displaying the kilojoule content of meals and ceasing the use of toy-and-meal combos. The Consumer Goods Council of South Africa (“CGCSA”) recently convened a meeting between the industry and the DoH and are satisfied with the levels of compliance with the “Better for You” undertaking – a DoH initiative to provide healthier swap-out recommendations for consumers.

Spur Corporation remains committed to the undertakings made by the industry to the DoH, and our “Better for You” meals now feature on the kids’ and adult menus of Spur Steak Ranches, Panarottis and John Dory’s. The Spur adult menus include Choose Healthy Options Wisely (“CHOW”) accreditation, which links into the CHOW app to offer customers independent verification to influence behavioural change and promote healthier eating.

Proposed changes to liquor licensing laws

Spur Corporation continues to engage with the Department of Trade and Industry (“dti”) regarding the proposed Liquor Amendment Bill.

The bill includes proposals that will have a substantial impact on establishments serving alcohol, and on the people who work in them. These include limitations on liquor licence holders that operate within 500 metres of schools, places of worship, recreation facilities, rehabilitation or retreat centres, residential areas and public institutions. The extended liability clause could hold manufacturers, distributors and retailers responsible for all alcohol-related harm and damage caused when alcohol is consumed.

There has been no significant progress on the draft legislation since 30 September 2016, and the group continues to monitor developments in this regard.

The Franchise Association of South Africa (“FASA”) Code

FASA is a non-profit organisation that represents the interests of franchisors, service providers and franchisees in South Africa with the objective to promote ethical franchising. The draft FASA Code of Ethics and Business Practices provides for the establishment of a franchise industry ombud. The appointment of the ombud was gazetted in 2016; it is yet to happen, but could have a significant impact on franchisors once finalised.

Spur Corporation engages with other industry players in the casual dining and quick-service restaurant (“QSR”) franchising industries on an ongoing basis to monitor developments to

proposed legislation and regulations. The first quarter of 2018 saw the launch of the FASA Franchisor Food Forum, chaired by Spur Corporation and with the support of several notable restaurants.

Protection of Personal Information (“POPI”) Act (Act No. 4 of 2013)

POPI affects the management of confidential consumer information held by companies and prescribes the manner in which personal information is to be collected, captured, stored, used and deleted.

The POPI Act has been promulgated, but without an effective date and without any of the regulations to which the Act refers. A period of one year will be allowed from the effective date, once announced, after which companies will have to comply.

Spur Corporation has conducted extensive analysis of the impact POPI will have on the group. This includes assessing information flow and security at the group’s head office, corporate offices, and retail and ancillary operations, which include marketing, the call centre and the group’s customer loyalty programmes.

Revenue authorities

Tax compliance is a standard board agenda item, reflecting the rising complexity of local and international tax frameworks and the increased assertiveness of revenue authorities.

Health and safety

The health and safety of our employees and customers is a critical concern for the group. This matter is most relevant to the group’s manufacturing operations at the sauce and décor facilities.

While franchisees are responsible for health and safety at their operations, compliance at restaurants is a key concern for the group as this could pose a reputational risk for the group, particularly where kids’ facilities are concerned.

Strategic response

The group’s occupational health and safety structures are monitored by the health and safety committee.

Spur Corporation’s corporate offices and manufacturing facilities have health and safety systems in place that are audited by an external party. Manufacturing sites are audited monthly and non-production sites quarterly. Monthly health and safety reports are submitted to head office, and progress on health and safety compliance is reported to the chief executive officer on a quarterly basis.

No major injuries were reported during the year under review.

The group supports health and safety at franchise restaurants through occupational health and safety and first aid training. Franchisees’ health and safety procedures and policies are reviewed by the operations management teams to ensure these comply with the relevant legislation.

Customer service

Customer satisfaction and the growth and retention of a loyal customer base are important value drivers for Spur Corporation. Service excellence is a critical component of the brand promise at each restaurant.

Strategic response

Spur Corporation has a range of initiatives in place to improve customer service. These operate at different levels in the group and include:

- Franchisee training, which emphasises the importance of providing excellent customer service.
- Training of franchisee management through the modular Management Prestige Training Programme, which includes training on managing and resolving complaints quickly and efficiently. Franchisee employees also receive training in conflict management.
- Spur Corporation's in-house customer service centre is an important customer touchpoint and base for monitoring consumer relations. The service centre supports franchisees and provides customer feedback to franchisees to ensure any required operational improvements are addressed. Customer interactions increased by 16% to 115 481 in 2018. Of these interactions, 76% were queries, 18% were compliments and only 6% complaints.
- Spur Corporation's social media team monitors and responds to queries, compliments and complaints posted to sites such as TripAdvisor, GoReview, Facebook and Twitter. Negative comments are forwarded to the customer service centre for logging and resolution. In 2018, the group invested in social media tracking software and our social media team has grown to four dedicated social media ambassadors.

The group's customer loyalty programmes include the Spur Family Card, John's Club Card (for John Dory's) and the Panarottis Rewards Programme. These programmes have been designed to grow sales and reward customer loyalty. There are also local customer loyalty programmes at Spur Corporation restaurants in several countries across Africa.

Spur Corporation invests heavily in building its information technology ("IT") capability as a key enabler of achieving excellent customer service. This investment supports the group's ability to influence purchase behaviour across all target markets through platforms such as digital loyalty, e-gifting, business-to-business e-commerce/loyalty, GPS locations, generator notifications and social network management.

The group consolidated the loyalty and gifting programmes into a single platform during the year to improve innovation, customer-reward capabilities and fraud detection. This platform provides our brands' customers with an in-restaurant experience that can quickly evolve and adapt according to their needs. The new platform enables brands to implement:

- progressive loyalty programmes;
- consumer-to-consumer and business-to-business gifting capabilities;
- scan to pay (customers pay through Spur Corporation brand apps in-restaurant and at home);
- online ordering; and
- table ordering.

The John's Club app was launched in June and the Spur Family app in July 2018. These provide a seamless customer experience to earn and redeem vouchers and will be further developed to include mobile payments, online and table ordering. The Panarottis Rewards app will launch toward the end of the 2018 calendar year.

A team of loyalty card fraud agents monitors suspicious activities and trends, and these are reported to franchisees for follow-up.

Loyalty programme performance:

- The main focus during 2018 was the establishment of the new platform rather than member acquisition; subsequently, active members of the Spur Family Card declined to 1 456 000, below our target of 1 848 000.
- Spur Family Card loyalty spend reached R1.7 billion for the year and the redemption rate of the Spur Family Card vouchers remains healthy at 64%.
- The eGift Card delivered good results, with sales of over R10.1 million for the year and a redemption rate of 92%.
- Secret Tribe birthday vouchers received renewed focus and their redemption rate increased by 14.7%.
- We introduced a monthly SMS application, which sent just over 3 000 000 text messages during the financial year.
- Panarottis Rewards has continued to perform well, with over 147 000 members.
- John Dory's loyalty portfolio called "John's Club" reached R161 million in loyalty spend for the year, with a redemption rate of 60%.

	Loyalty membership ('000)			Loyalty spend (R'000)		
	2018 target	Achieved	2019 target	2018 target	Achieved	2019 target
Spur Family Card	1 848	1 456	1 572	2 100	1 712	1 848
John's Club Card	230	157	169	178	161	174
Panarottis Rewards	370	147	158	300	176	190

Community support

Spur Corporation's vision commits the group to make a positive and lasting difference in the lives of those we interact with, including communities. This commitment aligns with the spirit of generosity, which is one of the group's core values.

Spur Corporation is active in communities through various corporate social investment ("CSI") initiatives. Managed by the Spur Foundation, our CSI initiatives reflect its motto "Nourish, Nurture, Now!" through feeding and education programmes for children and the provision of basic necessities and amenities.

Many of our franchisees are active in their local communities through a range of initiatives, that give back and support the people and environments in which they trade.

Strategic response

In 2014, Spur Corporation committed to funding the Spur Foundation through a donation of 100 000 treasury shares per year for five years. To date, four tranches of shares have been transferred. The dividends from these shares will provide ongoing annuity income to help support the Spur Foundation's CSI initiatives. Funding is further supplemented through restaurants campaigns and event contributions. Spur Corporation has a voluntary employee salary deduction donation scheme and employees are encouraged to make a difference in their communities. Total CSI spend for 2018 was R2.6 million (2017: R2.9 million), including voluntary employee salary deductions.

The Spur Foundation supported a number of initiatives in 2018 including:

The Full Tummy Fund

The Full Tummy Fund, a Spur Foundation initiative, primarily focuses on Early Childhood Development ("ECD") and nutrition for children from disadvantaged communities up to the age of six.

Early childhood is a critical stage of development that forms the foundation for children's future well-being and learning. In South Africa, no reliable data exists on the number of sites providing early childhood development services, but estimates suggest that as few as 10% of preschoolers are catered for properly. Statistics indicate that approximately 4.5 million children under the age of four have no access to quality early childhood care and education facilities.

Integrated programmes that target children in their early years are, therefore, critical for their mental and psychosocial development. Over the past six years the Spur Foundation has supported a number of beneficiaries focused on children, predominantly on teacher training (education) and feeding programmes.

John Dory's has been supporting the Full Tummy Fund since 2016 by adding an automatic donation of R2 to selected kids' meals on their menu. In 2017, Panarottis opted to also add a R2 donation to their kids' grilled chicken strips meal. Spur Steak Ranches joined the campaign in April 2018, selecting to donate R2 from every kids' beef burger meal and R1 from every canyon cup sold nationally.

The Full Tummy Fund's primary beneficiary partners include:

		
		
		

For more information on these and other beneficiaries, please visit www.fulltummyfund.co.za and Spur Foundation www.spurcorporation.com/governance-sustainability/spur-foundation/.

The Full Tummy Fund supported a school in Knysna:

Spur Corporation urged customers to make a donation in aid of those affected by the Knysna Fires in 2017. A total of R81 000 was raised and matched by the Full Tummy Fund. All funds were used to assist Tinkerland Nursery School in Concordia, an informal settlement in Knysna. The school, which was damaged by the storm that fanned the fires, received a new ceiling, renovations to existing walls, and access to plumbing and electricity. This included a solar geyser, shelving, a new fridge and other kitchen equipment, a new coat of paint and a sand pit with a shade cloth.

The ASHA Trust

The Spur Foundation has enjoyed a successful partnership with The ASHA Trust since 2014 when 10 informal preschools in Alexandra were selected to benefit from basic ECD training, business and financial management, as well as child development and inclusion training programmes provided by ASHA and funded by the Foundation.

Over the past five years, donations from the Spur Foundation totalling more than R1 million have enabled the ASHA Trust to make a very real difference in the lives of vulnerable children and the teachers who look after them. Our initial investment gave 10 principals and 10 teachers the opportunity to participate in the training. In 2016 we increased the number of preschools receiving training to 20, bringing the total number of educators receiving training to 40.

In the preschools where principals and teachers have received training and support, there have been remarkable improvements. Assistance from the Foundation has enabled many of these schools to add classrooms, do renovations and upgrade facilities such as bathrooms, toilets and sick bays. The majority of these preschools have registered with the Department of Social Development and are receiving grants that enable them to increase employee salaries as well as the number of employees.

Children are more school ready and perform better in grades R and one as a result, while their parents or guardians are able to work or seek employment in the knowledge their children are receiving quality education in a safe and secure environment, and nutritious daily meals.

The Spur Foundation Employee Initiatives Fund and Franchisee Fund

The Foundation's Employee Initiatives programme provides limited funding to employees who are actively involved with charitable work in their communities. This initiative has been well received by employees and has benefitted numerous charities across the country.

In 2018 the Foundation created a Franchisee Fund which enables franchisees to apply for additional funding in aid of the charitable organisations they currently support.

Grass roots development programmes throughout South Africa**The Spur Soccer Masidlale programme**

Over 33 000 boys and girls aged between 10 and 12 have been through the Spur Soccer Masidlale programme since its inception in 2005. The programme runs in the Western Cape, Eastern Cape, KwaZulu-Natal, the Free State, Tshwane and Gauteng. R1.3 million was spent on this seven-a-side soccer and life skills initiative in 2018. This investment goes a long way as the Spur Soccer Masidlale programme which is our flagship CSI initiative fills a void and provides children within previously disadvantaged areas with an opportunity to take part in competitive sport.

The seven-week programme incorporates physical activity as well as life skills, since boys and girls at this age need to be empowered to make sensible decisions in life. Each participant is provided with a full Spur branded soccer kit to keep and use during the weekly league phase. Spur also provides food at every match.

Ithembelihle High School first team rugby sponsorship

Ithembelihle High School, based in New Brighton informal settlement in Port Elizabeth, has a deep-rooted history in rugby. Spur Corporation provides the Ithembelihle first rugby team with kit, accommodation, meals and transport to various tournaments across the country. This has been Spur's investment towards Ithembelihle Comprehensive high school's 1st rugby teams since 2010 and a sure indication of our dedication towards the development of rugby within previously disadvantaged communities.

In addition to these initiatives, Spur Corporation also funds a range of community-focused events that encourage families and children to improve their health while having fun and experiencing the Spur "taste for life". More than 64 events were supported during the year to uplift communities through sport.

Human capital and skills development

Spur Corporation's business model is anchored in the talent, skills and expertise of our employees. Significant emphasis and value are placed on ensuring we have a skilled and diverse workforce. The group's investment in skills development is crucial to ensure we support and harness the best from our human capital. Training and development initiatives provided to franchisee employees further ensure that quality and service are maintained at the highest standard.

In the last financial year we invested extensively in research and benchmarking of our reward and remuneration practices, and in our leadership development, organisational culture and employee engagement programmes.

As at 30 June 2018, 581 people were employed at Spur Corporation's South African operations (2017: 528).

Strategic response

Spur Corporation's human resource ("HR") function incentivises, motivates and provides opportunities for advancement through our Employee Value Proposition, which ensures an agile and fit-for-purpose workforce.

The group values the diversity in its workforce and seeks to create equal opportunities for all employees. We do not tolerate discrimination of any kind and have formalised disciplinary and grievance policies and procedures that are communicated to all employees. We facilitated "Unconscious Bias" training in the financial year to enhance diversity and inclusion across the group.

HR roadshows are held twice a year to increase employee engagement and to enable the group to access real-time feedback and concerns.

An active Employee Assistance Programme funds counselling for employees, provides emergency employee loans of small amounts at affordable interest rates, and offers wellness-at-work initiatives. These include free sight assessments, flu inoculations and talks on basic personal financial management.

The group's succession plan aligns with our transformation goals, differentiating between actual and earmarked successors and identifying the need for external appointments. Corporate employee rotation – a measure of employee turnover – has remained at 12%. This is largely as a result of the higher employee turnover in corporate-owned retail outlets, which is typical of the retail restaurant industry.

Training

The learning and development of Spur Corporation employees ensures they are equipped with the skills needed to meet the group's business objectives. Transformation is a critical consideration in training initiatives for group employees, and upskilling and promotion of appropriate equity candidates is prioritised.

Regular career discussions are held with employees to align individuals with their core skills and capabilities. Through soft skills and technical training we ensure our employees receive cutting-edge learning opportunities.

The group invested R1.8 million in employee development across a number of initiatives including:

- Adult Education and Training ("AET") numeracy and literacy programmes, which are being expanded to facilitate completion of an online Matric qualification.
- A bursary scheme for the children of employees, which allocated R597 603 in bursaries in 2018.
- Financial support for business-related studies.
- A Management Development Programme hosted at the University of Stellenbosch Business School.

- An outsourced Leadership Development Programme, which starts with tests to identify individual areas of strength and weaknesses, along with a structured programme to support and address these areas.
- Group funding of tertiary studies for employees.

	2018 target	Achieved	2019 target
Corporate employee rotation	10%	12%	10%
Employee training costs (R'000)*	2 057	1 811	2 933

* Includes dependents' bursaries.

Franchisee employee training

To support franchisees in running successful businesses, the group provides training to franchisee employees. Improving restaurant employees' skills ensures the highest standard of food quality and service at restaurants, thus building consumer loyalty and strengthening the group's brands.

Given the group's commitment to investing in skills development, our well-trained franchisee management are attractive to competitors and the high level of turnover at this level is a concern.

Franchisee employee training initiatives include:

- Training centres in Johannesburg, Durban and Cape Town offer Spur Training Academy workshops in food preparation and food safety, operational efficiencies, financial management, sales techniques, management skills, environmental awareness and customer safety. In total, 8 048 franchisee employees were trained at internal workshops and regional training in major centres.
- Practical training is offered at training restaurants around the country to ensure franchisees and restaurant management are capable of managing all aspects of a franchise business. A total of 265 people received practical training in 2018.
- Practical product workshops for all restaurant brands are run through the Management Prestige Training Programme. The programme features modules of two weeks each and focuses on improving the manufacturing skills of the various franchisee management teams and production employees.
- Online testing and assessment enables franchisees to test waitron product knowledge in restaurants and to complete Management Prestige Training Programme assessments. New modules are loaded every six months and, to date, more than 16 105 registered users have accessed this. Video training material is being developed to enhance this programme.
- The training centre delivered several special interventions during 2018, a compulsory hygiene training session (830 attendees) were conducted with a further 4 778 franchisee employees being trained by their management in the restaurants.

	2018 target	Achieved	2019 target
Employees trained (franchise)	13 750	8 048	9 000

Transformation

Spur Corporation believes that the long-term success of South Africa is critically dependent on transformation and the group is committed to the principles of B-BBEE. Our transformation initiatives support the development of historically disadvantaged individuals at franchises and Spur Corporation corporate offices. The group takes transformation further by providing in-house development opportunities and mentoring programmes.

An analysis of the group's top suppliers was concluded during the financial year and continuous discussions are in place to improve black ownership and black-female ownership of suppliers.

Strategic response

Transformation is monitored by the transformation committee and progress is measured against the dti Codes of Good Practice. Spur Corporation falls under the Tourism Charter of the BEE codes.

dti Codes of Good Practice category	Score 2018
Ownership	17.72
Management control	4.16
Skills development	3.27
Enterprise and supplier development	4.15
Socio-economic development	5.00
Codes of Good Practice Level	non-compliant

Employment equity

Employment equity ("EE") is an important aspect of transformation and an area of significant focus for Spur Corporation. The group's EE Plan aligns the recruitment policy with the EE requirements of the Codes of Good Practice. Improvements in EE will be supported over time by the group's skills development initiatives and recruitment policy, which support greater transformation in Spur Corporation's management and workforce.

The employee composition in Spur Corporation's South African operations at 30 June 2018 was as follows:

Occupational level	2018					2017				
	Male	Female	Total	Black	White	Male	Female	Total	Black	White
Top management	4	-	4	-	4	6	1	7	-	7
Senior management	20	4	24	3	21	21	4	25	4	21
Professionally qualified and experienced specialists and mid-management	28	21	49	18	31	27	22	49	13	36
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	71	96	167	105	62	68	86	154	91	63
Semi-skilled and discretionary decision-making	137	132	269	206	63	116	124	240	179	61
Unskilled and defined decision-making	24	44	68	68	-	18	35	53	53	-
Total	284	297	581	400	181	256	272	528	340	188

ENVIRONMENTAL MATERIAL MATTERS

Global warming and the visible impacts of climate change are becoming ever-increasing concerns for Spur Corporation. There is a notable paradigm shift worldwide relating to environmental sustainability and the way that businesses are dealing with pertinent sustainability concerns.

In 2018 a number of factors pointed to the importance of environmental sustainability. Globally, the biggest social conscience trend was a significant shift in awareness around plastic pollution. In South Africa, this global movement and the severe water shortages in the Western and Eastern Capes initiated consumer pressure across the group's brands to tackle environmental issues.

Spur Corporation's vision is built around the concept of a sustainable business and we are committed to sustainable environmental practices as a core aspect of our role as a responsible corporate citizen. Although our direct environmental impact is relatively small, the group monitors its use of energy and water, as well as waste produced, to reduce these responsibly. The environmental impact of franchisees and of the group's supply chain is considerably bigger, and Spur Corporation uses its influence to promote positive environmental practices.

In 2019, our focus will be on:

- Leadership engagement and capacity building to support strategic environmental sustainability requirements pertinent to the business.
- Development of green building principals for new restaurant development and related gatekeeper engagement.
- Supply chain engagement.
- Review and update of the Environmental Legislation Toolkit.
- Ongoing annual Green Ops Reports and Green Feather Rewards*.
- Ongoing stakeholder engagement and training.

* Read more about these rewards in our integrated report on page 21.

Operational and strategic resource management

Spur Corporation and its brand family would not have been able to grow as it has without a continual supply of inputs, such as meat, vegetables, fish, clean water, energy and building materials. The effects of global warming are becoming a major concern in the industry as extreme weather events, droughts, degradation of fishing resources and wildfires impact on food production, the availability of locally-sourced products and the increasing costs of manufacturing.

Red meat in particular is a significant contributor to global environmental concerns, such as climate change, pressure on water resources and deforestation for feed. Fish resources are under extreme pressure and we are continually challenged by availability of sustainable supply that also supports our financial model. We are faced with the reality of species

decline as we witness the reduction of green-listed sustainable products. Water availability is becoming a desperate reality in South Africa, increasing production and resource costs and impacting franchisees' profitability, which indirectly affects Spur Corporation's bottom line.

Strategic response

Being a sustainable business requires full engagement, continuous training on and ongoing tracking and measurement of risks and targets. Environmental sustainability is overseen by the environmental sustainability committee ("ESC"), including the implementation of sustainability policies and the tracking, measurement and verification of environmental data streams. Progress is reported to the social, ethics and environmental sustainability committee and to the board.

The green operations assessment measures franchisees' environmental performance and, together with the eco checklist, introduces environmental key performance indicators to enable monitoring and improve the understanding of the group's total environmental impact. Modules covering environmental responsibility and awareness are included in Spur Training Academy courses provided to franchisee management and employees.

We are encouraged to see how resource efficiency promotes cost savings and we continue to engage with franchisees and employees on these issues.

Key sustainability highlights for 2018:

- *Plastic pollution:* Packaging, especially single use items such as takeaway containers, plastic bags and plastic straws, provide a convenience to our customers. However, they also contribute to waste and landfill and environmental pollution if not managed properly. The group takes a proactive yet considered approach to plastic pollution. We are conducting a review of all single-use plastic items in all restaurants across our brands. The group participates in the #NoToPlasticStraws, #BanThePlasticBag and #OceansNotPlastic movements. Our packaging contains relevant information to educate and encourage customers to recycle or dispose of takeaway containers and related items in a responsible manner. Plastic straws in particular are not always necessary and cause pollution and physical harm to marine life. We have been working closely with our suppliers since early 2017 to introduce viable alternatives and are currently running trials with paper and other materials. We are further redesigning our operational processes to minimise wasteful behaviour by not automatically handing out a straw with every drink, with the view to phase out plastic straws completely by 2019 as the main objective. Three of the group's brands already make use of paper bags and the remaining plastic bags are in the process of being phased out of Spur Steak Ranches and Panarottis Pizza Pasta restaurants. Consumers are also being given a choice as to whether or not they would like to use plastic straws. It is important to us that we ensure our customers, franchisees and suppliers are part of this process to ensure long-term buy-in and effect real change.

- *Responsible water consumption:* Spur Corporation engaged with government and the City of Cape Town regarding the Western Cape water crisis to develop business continuity plans for our head office, production facilities and franchisees. The group also launched a “Water Savings” employee and consumer campaign and held workshops with franchisees around responsible water consumption.
- *The Ocean View Football Club Annual Environment Day:* This annual Spur Corporation initiative is aimed at inspiring young volunteers to look after their environment, save water and appreciate marine life by contributing to the conservation of our oceans for generations to come. The theme for 2018 was “water-wise” and the day was hosted at the Soetwater Environmental Centre in Cape Town, in collaboration with the Two Oceans aquarium and Cape Town Water Conservation. <https://youtu.be/SHf4kjiJKzs>
- *Sustainability training:* We continue to train new operations and franchisee employees on a variety of aspects around environmental sustainability. The group provides full access to all our resources in this regard on our Extranet and inTouch platforms.
- *Green Feather Rewards:* Spur Corporation’s commitment to creating a sustainable business involves collaboration with our business partners, specifically our franchisees. The Spur Corporation “Green Feather Rewards” recognise franchisees for improvement in energy consumption, water conservation, waste management and eco procurement of non-centralised produce. The winners and runners-up receive additional financial support to further encourage their sustainability journey, a plaque of recognition to display in their restaurant, training, an eco intervention, social media artwork, the Green Feather icon on the brand’s website and marketing content for use on digital platforms and in the media.
- *Green operations reports:* Six of the group’s brands reported on the green operations digital platform in 2018. Average participation reached 87% (2017: 88%) and the median score increased to 57% (2017: 48%).

Energy

While Spur Corporation’s offices do not consume significant amounts of electricity, various energy-saving initiatives have been implemented at group regional offices and facilities and consumption is closely monitored and reported on. There has been a notable decline in overall consumption measured year on year. The significant increase in the cost of electricity has sensitised franchisees to the financial benefits of sustainable environmental initiatives.

Most restaurants have converted to LED lighting and many use natural light whenever possible. However, there is still potential for implementation of these and other energy-efficiency measures to be rolled out, including motion sensors, timers and energy monitoring systems. More restaurants are investing in monitoring systems which is encouraging since it is proving to be the most effective method to manage energy consumption. The Durban and Johannesburg regional offices and the Cape Town head office building have energy monitoring systems installed.

Total electricity consumption measured through the energy monitoring systems for the past twelve months at corporate sites was 1 062 622 kWh (2017: 1 178 053 kWh). Regional office data showed a significant decline of 14% year on year to 580 133 kWh; (2017: 679 845 kWh). At our Cape Town head office, consumption per person decreased, but due to an increase in employee numbers, overall consumption increased to 343 351 kWh in 2018 (2017: 329 559 kWh). Regional corporate offices consumed 54% of the total electricity used by the group.

Water

Water use is tracked at the Cape Town and Johannesburg offices, at the Baker Street premises in Cape Town (décor manufacture, training centre and call centre) and at the sauce manufacturing facility.

Total water use across group premises decreased year on year to 7 300 kℓ (2017: 10 401 kℓ). Cape Town saw a significant decrease of 61% on the back of the “Water Savings” campaign and training initiatives year on year to 1 074 kℓ (2017: 2 788 kℓ). The sauce manufacturing facility uses most of the water consumed by the group, but saw a 26% decrease in water use during the period, using only 4 683 kℓ (2017: 6 313 kℓ).

While 66% of franchised restaurants report having employee awareness programmes in place to encourage water conservation, there is still considerable opportunity for franchisees to install water savings devices such as self-closing taps, aerators and water-efficient dishwashers.

Waste management

Formal waste reduction and recycling programmes have been implemented at the group’s corporate offices in Cape Town and Johannesburg, and at the Baker Street premises in Cape Town.

Overall, 72% of waste was diverted from landfill, compared to 71% in 2017.

The Cape Town offices currently divert 96% of their waste from landfill (2017: 94%), with 39% recycled and 57% composted. In total, 10 217 kg (2017: 12 850 kg) of waste was diverted from landfill and recycled during the year. There was a small reduction in the total amount of recycling and organic waste. This can be attributed to better procurement and less food wastage (40 tonnes of organic waste have been diverted from landfill since 2010).

The green operations reports show that most restaurants have recycling initiatives in place, although there is an opportunity to improve waste management.

Used cooking oil that is not disposed of in a responsible manner can clog drains, contaminate groundwater and affect plants and animals. The group pro-actively reports on oil usage and disposal and used oil collection data is included in the green operations reports. 444 restaurants participate in the spent oil collection programme, in which restaurants sell their spent oil to reputable oil recycling companies to ensure

that it is removed from the food chain. Across the group, 30% (2017: 32%) of the spent palm oil blend used during the period was recycled, mostly through conversion to biodiesel.

Travel

The Environmental Committee continues to monitor and capture travel data to allow for input into the group's biannual carbon footprint report. Total flights decreased by approximately 11% year on year, car hire increased by 43%, and accommodation bookings and bed nights increased by 16% year on year. Fuel purchased for the fleet of vehicles for operations managers across all brands was 236 009 ℓ (2017: 240 754 ℓ).

Greenhouse Gas ("GHG") emissions

In 2017, an independent party was engaged to perform a carbon footprint assessment across the organisation's head office, regional offices, production facilities and restaurants in Southern Africa. The assessment was based on the Greenhouse Gas Corporate Reporting Protocol as developed by the World Business Council for Sustainable Development and the World Resources Institute.

Inclusion of the GHG emissions into the ESC's reporting structure enables Spur Corporation to analyse results and develop an internal GHG emission strategy and a programme to encourage the reduction in GHG emissions. This will be measured and reported on biannually, with the next measurement due in the 2020 financial year.

Procurement

Franchised restaurants in the Spur Corporation group purchase significant quantities of raw materials and we aim to ensure our suppliers share our commitment to sustainable practices. Sustainable supply is an important consideration given that changing weather patterns from climate change are projected to negatively affect food production over the medium term as global population growth increases demand.

Strategic response

Supplier assessments include green procurement and ethical sourcing considerations. Our outsourced logistics partner has an ISO 14001-aligned environmental management programme, and all three distribution hubs are fully ISO 14001 accredited.

The ESC will continue to work with the procurement team to fully unpack and explore the value chain to continue to develop resilience, reduce risk and identify new opportunities for growth. Through this ongoing focused approach the group aims to unlock green business value for the organisation in order to position our brands as prominent thought leaders and implementers of sustainable practices from farm-to-fork.

Sustainable seafood

The group, and particularly John Dory's, faces a significant challenge in securing a reliable supply of seafood from sustainable sources. John Dory's is committed to demonstrating the brand's commitment to sustainability leadership with a specific focus on preservation of our oceans and the natural seafood resources, while proactively managing unexpected cost implications. John Dory's set a commitment to source 100% of its seafood from Aquaculture Stewardship Council or Marine Stewardship Council certified sources, species that are on the WWF-SASSI Green List or from sources that are involved in a credible improvement project.

John Dory's currently procures trawled hake from Namibia and uses it in various dishes on our menu. Although this hake is currently on the WWF-SASSI Orange-list and does not meet John Dory's commitments to sustainable seafood, we are proactively engaged with the Namibian Hake Association and they have committed to MSC certification. John Dory's believes that by staying engaged with this fishery beyond our seafood sustainability target date we can play a role in incentivising the fishery to continue to improve.

Spur Corporation's procurement and sustainability team is currently working with WWF-SASSI to ensure that all seafood procured for the group meets this commitment.



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