



SPUR CORP.
PASSIONATE PEOPLE BUILDING GREAT BRANDS

ONLINE SUSTAINABILITY SUPPLEMENT



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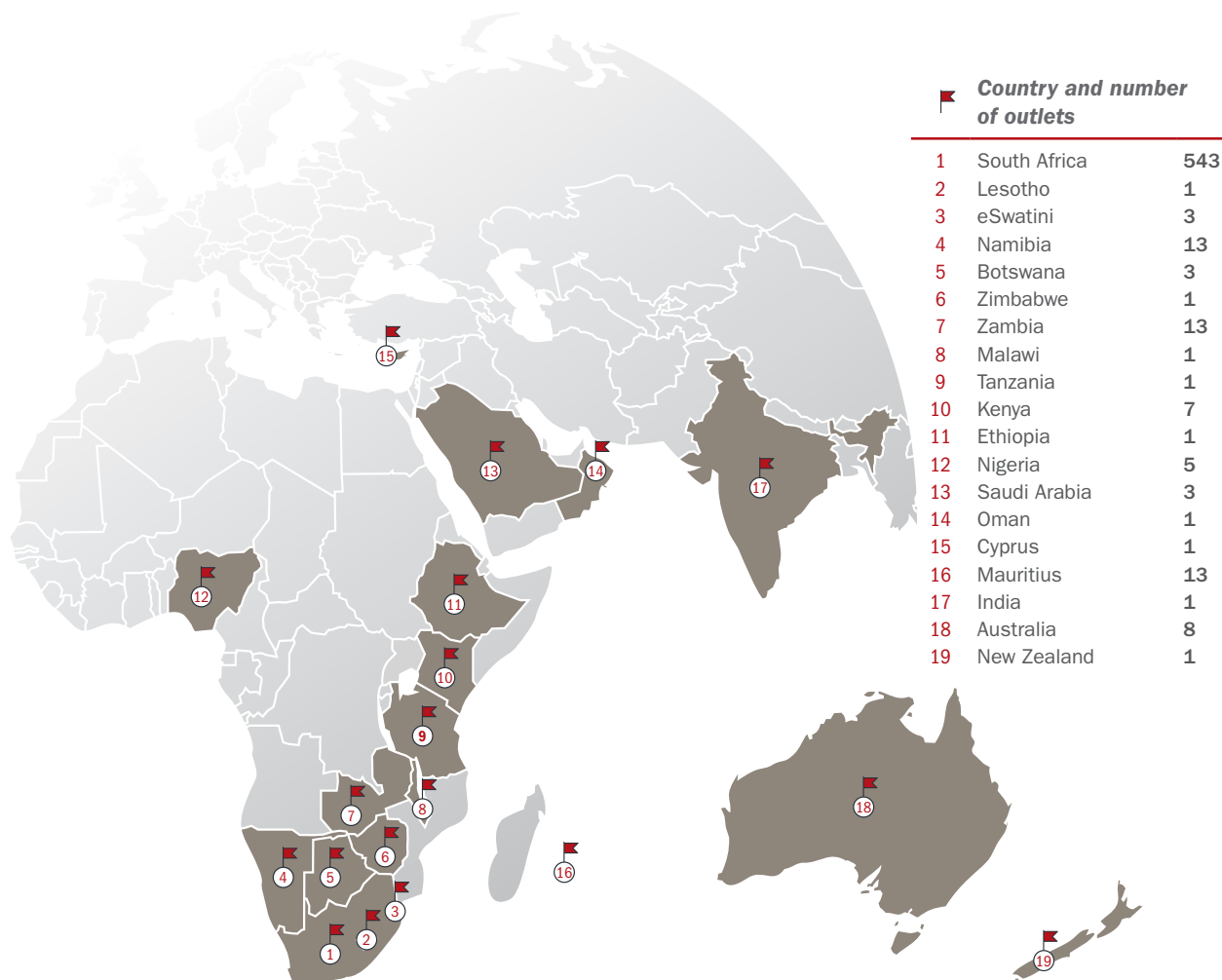


INTRODUCTION

ABOUT SPUR CORPORATION LTD

Spur Corporation is a diversified holding company, grounded in restaurant brands and related investment opportunities.

The group is headquartered in Cape Town, with franchisees trading through 620 outlets across South Africa, the rest of Africa (including Mauritius), Australasia and the Middle East. The group directly owns and runs five restaurants in South Africa ("retail" restaurants). Spur Corporation operates a sauce manufacturing facility and manages central procurement for the South African franchised restaurants.



OUR VISION

Passionate people growing great brands.

To achieve this, we will continue to build a sustainable business with great brands which makes a positive and lasting difference in the lives of our customers, employees, franchisees, communities and the environment.

REPORTING SUITE

This sustainability supplement is part of a suite of publications we produce to best meet the needs of various stakeholders:



Integrated report, including the consolidated and separate financial statements

Annual general meeting (“AGM”) notice and proxy form, available online at <https://www.spurcorporation.com/investors/results-centre/>

This online sustainability supplement

Online governance supplement, available at <https://www.spurcorporation.com/investors/results-centre/>

SUSTAINABLE BUSINESS PRACTICES SUPPORT FINANCIAL GROWTH

To sustain growth, the group understands it needs to look beyond business as usual. Sustainable business practices support financial growth by increasing efficiencies and cost reductions, and enabling the group to comply with regulations related to climate change, resource management and employment equity.

Brand reputation is an asset in today’s volatile trading environment. Customers, potential employees and investors are more likely to support brands that are active in their communities and have clear positions on sustainability and fair and just employment practices.

THE GROUP’S ACTIONS ARE GUIDED BY ITS STRATEGY

In October 2017, Spur Corporation celebrated its 50th birthday. The group used this opportunity to review and celebrate its achievements over 50 years, and to assess what is required to remain successful and relevant in the future. In 2018, this led to a process to redefine the group’s strategy, which can be adapted to each of Spur Corporation’s brands and operational divisions, named Vision 2023.

More detail on the group’s strategy and key business drivers is available in the 2019 integrated report.

The group defined its operating environment and identified global trends that will define the industry going forward. The group identified six driving forces specific to the group’s industry and business, with their associated challenges and opportunities. These key business drivers impact Spur Corporation’s performance and sustainability. They can significantly influence the group’s ability to create sustainable value and meet the strategic objectives. They are:



**SUSTAINABLE
LOCAL FRANCHISE
MODEL**



**THE DISPOSABLE
INCOME OF
CUSTOMERS**



**RESTAURANT
DESIGN AND
LOCATION**



**MENU
ENGINEERING**



**PRODUCT
RESPONSIBILITY**



BRAND EQUITY

Spur Corporation’s long-term financial sustainability depends how the group manages social and environmental risks, opportunities, legislative requirements and best practice. These informed the group’s strategic discussions. The group acknowledges that there is always room for improvement, and focuses on clearly defined targets and objectives to guide actions and outcomes.

Throughout this report, icons are used to show how the group’s social and environmental initiatives:

Respond to global trends



Support these key drivers



THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (“SDGs”)

In September 2015, the United Nations formally adopted the SDGs. These are 17 ambitious goals, disaggregated into 169 targets, which give a framework to end poverty and reverse human impacts on the environment for a more sustainable planet by 2030.

While the scale and scope of the global goals are vast and the largest implementers of the SDGs are government entities, businesses can contribute by conducting business responsibly. The SDGs call for collaboration between all sectors, private, public, grass roots and government, to pursue opportunities to solve societal challenges through business innovation and collaboration.

The group initiated a process to determine how it can contribute to the advancement of the SDGs: which goals the group can affect most, and which ones affect the group the most. This helps the group to communicate and measure its sustainability performance effectively and strategically.

Given the industry, geographies and existing projects, Spur Corporation envisions aligning with the targets set out in the following goals:



2 | ZERO HUNGER



4 | QUALITY EDUCATION



8 | DECENT WORK AND ECONOMIC GROWTH



10 | REDUCED INEQUALITIES



12 | RESPONSIBLE CONSUMPTION AND PRODUCTION



13 | CLIMATE ACTION



14 | LIFE BELOW WATER



15 | LIFE ON LAND



17 | PARTNERSHIPS FOR THE GOALS

Alignment of the group's sustainability disclosures with the SDGs are indicated where appropriate.

HOW THE GROUP COMMUNICATES SUSTAINABILITY MATTERS TO STAKEHOLDERS

Employees

Internal communication, training videos and material, social media, human resource activities and the integrated report (including online supplements)

Shareholders

The integrated report (including online supplements), corporate and brand websites, SMS, social media and press publications

Franchisees

The green operations reports and toolkit, the extranet platform, roadshows and training videos

Suppliers

Supplier questionnaires and direct engagement with the procurement and eco teams

Customers, communities and potential customers

Spur Corporation's brand and corporate websites, social media, public relations and media campaigns

SPUR CORPORATION'S SOCIAL CONTEXT AND IMPACT

REGULATORY COMPLIANCE

Ensuring regulatory compliance is a fundamental aspect of the group's commitment to good governance. Failure to ensure regulatory compliance creates the risk of monetary fines, reputational damage and the loss of the group's legal and social licence to operate.

HOW THE GROUP MANAGES AND GOVERNS COMPLIANCE



FRANCHISEE COMPLIANCE

Although 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. The group keeps franchisees informed regarding regulatory developments, and operations teams provide guidance on implementing the required response.

A challenge: In this space, over-regulation can put pressure on franchisees' resources. The group's operations teams support franchisees to manage compliance efficiently and sustainably.

REGULATORY COMPLIANCE IN 2019

Food safety



Global trend: Consumer needs

Consumers have become more informed, more aware and more vocal. They want to know what goes into their food and require transparency in sourcing.



Key business driver: Product responsibility

The group's value proposition is to provide the highest quality meal at the most affordable price. This relies on the trust customers place in the produce the group can source.

Central procurement

All central procurement suppliers are required to comply with the group's Procurement Policy regarding food safety. Before they are included in the group's supplier base, suppliers must present a valid food safety certificate. The group accepts:

- Hazard Analysis and Critical Control Point ("HACCP");
- Global Food Safety Initiative intermediate and higher; and
- Foundation Food Safety System Certification 22000, which uses independent standards such as ISO 22000.

In terms of smaller suppliers, the Food Standards Agency audit related to food safety, with a planned roadmap to gain certification, is acceptable. The food safety certificate needs to be endorsed by a recognised certification body.

Major suppliers are regularly audited against HACCP and/or ISO 22000 standards, and all suppliers are encouraged to achieve full compliance. Environmental sustainability assessments are conducted at certain suppliers, and three qualified food technologists monitor quality control in the sauce manufacturing facility.

100%

of Spur Corporation's centrally
approved suppliers are certified in one
of the above food safety standards.

Storage and distribution

All Spur Corporation restaurants source the majority of their products through Vector, the group's third party logistics provider, from four major distribution hubs. Vector is ISO 22000 certified, with established and

certified food safety systems in place. Vector is compliant with Regulation R638, which governs general hygiene requirements for food premises, the transport of food and related matters, and extends to every delivery vehicle.



Target 2.1: Provide universal access to safe and nutritious food.

Franchisees' broad-based black economic empowerment ("B-BBEE") rating



Global trend: World of work

Effective transformation at all levels remains key to a thriving South African market.



Key business driver: Sustainable local franchise model

Spur Corporation's business model depends on the financial success of its franchisees. Non-compliant franchisees increase the group's risk of not achieving the group's strategy in terms of restaurant openings and revenue growth.

Spur Corporation urges franchisees to improve their B-BBEE status as part of the group's commitment to transformation. Due to the complex nature of franchisee ownership structures, it is difficult to determine exact transformation metrics.

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 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 at suppliers of the group's third party logistics provider.



Target 10.1: Achieve and sustain income growth of the bottom 40%.

Target 10.3: Ensure equal opportunity and reduce inequalities of outcome.

Prohibition on marketing food items deemed to be unhealthy



Global trend: Consumer needs

Consumers value their health and are now more aware of the health benefits of the foods they consume. They want fresher, healthier options.



Key business driver: Menu engineering

Ongoing menu engineering meets customer needs and enhances franchisee profitability by optimising a restaurant's sales mix and product range.

Guideline 14 of the Foodstuffs, Cosmetics and Disinfectants Act (Act No. 54 of 1972) was released in 2015 by the Department of Health ("DoH"). This guideline impacts the group because it prohibits marketing food items deemed to be unhealthy.

Spur Corporation continues to engage the DoH through the Consumer Goods Council of South Africa to explore ways in which the industry can self-regulate to address issues raised within the guidelines.

The DoH was satisfied with the levels of compliance of the "Better for You" meals and healthier swap-out recommendations for consumers. Spur Corporation remains committed to the undertakings made by the industry to the DoH, and the "Better for You" meals now feature on the children's and adult menus of Spur Steak Ranches, Panarottis and John Dory's.

1 665

Average of "Better for You"
meals and swap-outs sold per month

1 630

Average of "Better for You"
juices sold per month

Proposed changes to liquor licensing laws

The Department of Trade and Industry ("dti") issued the National Liquor Amendment Bill in 2016.

The bill includes proposals that will impact establishments serving alcohol and 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.

The group engaged with the dti on the release of the draft bill to articulate the unintended consequences and risks to the industry in which the group operates. No further action has been taken by the dti in this regard. The group will continue to monitor progress on this matter and engage further with the dti as necessary.



FASA
THE FRANCHISE ASSOCIATION
OF SOUTH AFRICA

**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 realise, but could significantly impact franchisors once finalised.

Spur Corporation engages with other industry players in the casual dining and quick-service restaurant franchising industries to monitor developments to proposed legislation and regulations. The FASA Franchisor Food Forum was launched in 2018, chaired by Spur Corporation and with the support of several notable restaurants.

Protecting consumers' personal information

The Protection of Personal Information Act (Act No. 4 of 2013) ("POPI") prescribes the way any personal information is to be collected, captured, stored, used and deleted.

As reported last year, POPI has been promulgated, but without an effective date and without any of the regulations to which POPI refers. A period of one year will be allowed from the effective date, once announced, after which everyone must comply with POPI.

The group's IT business partner, supported by Mobius Consulting, is tasked with managing the analysis and implementation of POPI compliant provisions in the group.

Revenue authorities

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

In response to this, the group appoints outsourced tax specialists in all jurisdictions in which the group has a corporate presence. Tax specialists assist the group with compliance and provide advice on potential risk areas. In addition, as a risk management strategy, the group seeks formal written tax opinions and/or advice on new or potential contentious transactions.

HEALTH AND SAFETY

The health and safety of employees and customers are of critical concern to the group.



Key business driver: Product responsibility

Non-compliance with food safety standards at franchised restaurants and the group's manufacturing plants could harm the public, which could expose the group to financial liability and reputational harm.

The group's corporate offices and manufacturing facilities have health and safety systems in place that are audited by an external party. Health and safety are particularly relevant to the sauce and décor manufacturing operations. Manufacturing sites are audited monthly and non-production sites quarterly.

The group's occupational health and safety structures are monitored by the health and safety committee. Monthly health and safety reports are submitted to the group's compliance officer, and progress on health and safety compliance is reported to the chief executive officer quarterly.

R140 129

spent on head office and franchisee
employee health and safety
and first aid training

3

minor injuries reported

HEALTH AND SAFETY AT FRANCHISE RESTAURANTS

Franchisees are responsible for health and safety at their restaurants. Compliance is a key concern for the group as it could pose a reputational risk, particularly where children's facilities are concerned.

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.

Franchisee employees receive extensive training in food preparation and food safety. Kitchen and front-of-house employees are trained in the "clean as you go" principle. Every day, before restaurants open, the prescribed opening checklist covers food safety and hygiene. Kitchens have trained quality coordinators, who check meals before delivery to customers. Managers in each restaurant conduct food quality and hygiene checks several times a day.

At least every two months, corporate operations managers conduct detailed food, hygiene and safety audits on-site at restaurants. Regular service and standards audits are also conducted. CCTV cameras are in place in many restaurants to monitor front-of-house and back-of-house kitchen adherence to strict hygiene standards.

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.



Key business driver: Brand equity

Increased competition and limited disposable income mean that brand equity is central to customers' purchasing decision-making processes. Loss of brand equity could cause significant financial harm to franchisees and the group.

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

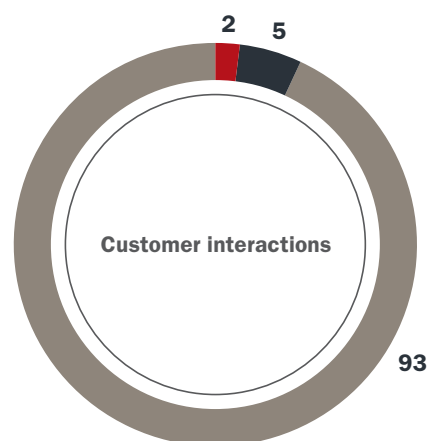
- franchisee training on the importance of providing excellent customer service; and
- training franchisee management through the modular management prestige training programme, which includes training on managing and resolving complaints quickly and efficiently. Franchisee employees receive training in conflict management.
- The in-house customer service centre is an important touchpoint and base for monitoring consumer relations.

Customer interactions

↑ 15.5%

to 114 519

The service centre supports franchisees and provides the business with analysis of customer interactions to ensure any required operational improvements are addressed.



■ Compliments (%) ■ Complaints (%) ■ Queries (%)

- The group's social media agents monitor and respond to interactions posted to the brands' social media sites.



Global trend: Innovation and technology

Social media means that all brands are under constant scrutiny. Consumers expect accountability and honesty. Consumers question the information available online, as it is perceived to be one dimensional.

2 800

interactions were from Facebook,
Instagram and Twitter

LOYALTY PROGRAMMES

The group's customer loyalty programmes are designed to grow sales and reward customer loyalty. They include:

Spur Family Card



John's Club Card (for John Dory's)



Panarottis Rewards Programme



Spur Corporation restaurants have local customer loyalty programmes in several African countries.



Global trend: Innovation and technology

The rise of loyalty data and marketing technology mean that consumers expect mass customisation. This means the group needs to be flexible and focused in what it offers.

Loyalty programmes in 2019

In 2019, the group migrated the Spur Family Card and John's Club Card to a new service provider. This allows for real-time customer and loyalty transactions and develops enhancements that keep the group ahead of the curve. There was a decline in active membership and loyalty turnover in these brands because the group migrated only known, active members to the new platform. However, this ensured the group retained only clean data, enabling the use of its marketing automation tool to leverage its data for hyper-personalised communication to drive frequency and increase spend.

Looking ahead

In the next financial year, the group will launch the RocoLove app, the RocoMamas "royalty" programme. This will be the group's first fully integrated app, which allows users to scan to pay via the app. The Spur, John Dory's and Panarottis apps will be upgraded to include the scan to pay feature and click and collect ordering.

	Loyalty membership ('000)	
	2019 target	Achieved
Spur Family Card	1 566	1 200
John's Club Card	169	226
Panarottis Rewards	400	470

COMMUNITY SUPPORT

One of Spur Corporation's core values is the spirit of generosity. The group is committed to making a positive and lasting difference in the lives of those with whom the group interacts, including communities.



Global trend: Consumer needs

Consumers want improved responsibility by companies in terms of social impact.



Key business driver: Brand equity

The value that strong brands bring to the group translates to real business benefits. Good corporate citizenship, a visible commitment to sustainability, corporate social investment ("CSI") initiatives and sponsorships give credibility to the group's brands and encourage customer loyalty.

THE SPUR FOUNDATION



The Spur Foundation was established on International Mandela Day, 18 July 2012. It aims to uplift and improve the lives of South African families, especially children. Managed by The Spur Foundation, the group's CSI initiatives reflect the foundation's motto "Nourish, Nurture, Now!" through feeding and education programmes for children and the provision of necessities and amenities.

In 2014, the group committed to funding The Spur Foundation through a donation of 100 000 treasury shares per year for five years. The last 100 000 shares were transferred to the Spur Foundation in December 2018. The dividends from these shares provide ongoing annuity income to help support The Spur Foundation's CSI

initiatives. Funding is further supplemented through restaurant campaigns, fundraising initiatives and a voluntary employee salary deduction donation scheme.

Total CSI spend:

R2.1 million

(2018: R2.6 million)

Many franchisees are active in their local communities through initiatives that support the people and environments in which they trade. In 2018 The Spur Foundation started a Franchisee Beneficiary Fund, which encourages franchisees to nominate a charity in which they are actively involved for additional support. Over the past financial year the group partnered with several franchisees to give back to their communities.

The Full Tummy Fund

The Full Tummy Fund, an initiative of The Spur Foundation, focuses on early childhood development (“ECD”) and nutrition for children from disadvantaged communities up to the age of six.



Shortfalls in ECD are difficult to correct as children grow older and the education gap between them and their peers widens over time.

According to the Centre on the Developing Child at Harvard University, healthy development in the early years provides the building blocks for educational achievement, economic productivity, responsible citizenship, lifelong health, strong communities, and successful parenting of the next generation.

Investing in ECD provides excellent returns for human capital, because building blocks are laid down during this time when the rate of physical and mental growth is rapid.

The organisations the group supports focus on training ECD practitioners, equipping ECD centres with educational material, and ensuring children receive proper nutrition while at school.



Target 4.2: Ensure universal access to ECD.

The Full Tummy Fund’s primary beneficiary partners include:



The Early Care Foundation



Joint Aid Management



The Lunchbox Fund



Reach for a Dream



The Teddy Bear Clinic



Sisanda FunDaytion

“The most important period of life is not the age of university studies, but the first one, the period from birth to the age of six.”

Maria Montessori

The Full Tummy Fund initiatives in 2019

The Early Care Foundation

The Early Care Foundation (formerly known as the ASHA Trust) provides basic ECD training, business and financial management, and childhood development and inclusion training programmes to principals and practitioners at informal day care centres.



The Spur Foundation has enjoyed a successful partnership with The Early Care Foundation since 2014. The group adopted 39 day care centres in Alexandra (Gauteng) and funded the training of 78 women, comprising 39 principals and 39 practitioners.

In the day care centres where principals and teachers received training and support, there have been remarkable improvements. Assistance from The Early Care Foundation enabled many of these schools to add classrooms and renovate and upgrade facilities such as bathrooms, toilets and sick bays.

Most of the initial 20 centres the group adopted have registered with the Department of Social Development and are receiving grants that enable them to increase employee salaries and the number of employees. The 20 centres the group adopted in 2018 are undergoing training.

To watch the story of Emily, one of the first principals the group started training in 2014, click here: <https://bit.ly/2KiATqK>

Joint Aid Management and The Lunchbox Fund



More than 20% of South African children under the age of six are underdeveloped due to malnutrition. Through partnerships with JAM South Africa and The Lunchbox Fund, the group feeds 817 children at 19 day care centres.

The funding provides these children with one nutritious meal every school day. In some cases, this might be the only meal they receive. Nine of these centres are in the Eastern Cape and 10 are in the Langeberg region of the Western Cape.

By providing nutritional support to these centres, the group allows them to redirect funding to infrastructure to upgrade their facilities. This should enable them to register and receive grants from the Department of Social Development.

The Spur Foundation Employee Initiatives Fund and Franchisee Fund

The Spur Foundation's employee and franchisee CSI initiatives programme provides limited funding to employees and franchisees who are actively involved with charitable work in their communities.

Many Spur Corporation employees are actively involved in their communities and request The Spur Foundation to support their charities. Some of these initiatives include donations of groceries to various soup kitchens that feed children or the homeless, sanitary wear to organisations that support young girls, JoJo tanks to schools in need, and cricket and soccer kits to development teams. The group partnered with **seven** franchisees who nominated the charities they support for additional funding support from The Spur Foundation:

- Panarottis Jean Avenue: Club 21, a school for children with Down syndrome received a donation of occupational therapy and educational equipment.
- RocoMamas Cresta Crossing: Growing Champions received a cash donation toward the purchase of a food truck. Proceeds from the food truck are used to fund their development soccer team.
- RocoMamas Liberty Mall: The Spur Foundation funded occupational therapy and purchased specialised equipment at Thandi House.
- Soaring Eagle Spur: Little Eden, a home for persons with severe intellectual disability, received a sound system used for concerts and other activities.
- Two Tomahawks Spur: The Spur Foundation donated furniture, occupational therapy and educational equipment, kitchen equipment and utensils to Siyathokoza Special Centre.
- Steyn Group: Sowle Centre, a school for children with Down syndrome, received a donation of occupational therapy and educational equipment.

R170 982

**disbursed through The Spur Foundation
Employee Initiatives Fund
and Franchisee Fund**

Grassroots development programmes throughout South Africa

Spur Soccer Masidlale

Since the launch of the Spur Soccer Masidlale programme in 2005, Spur Steak Ranches has invested over R23 million and the programme has touched the lives of over 33 000 children across South Africa.

The programme started with annual soccer clinics and became a seven-week programme where children aged 10 to 12 years enjoy weekly league games ending in regional finals. Spur Steak Ranches provides lunch for players during the programme and Spur-branded soccer kit, equipment and trained soccer coaches. Winning teams enjoy a Spur meal and become player mascots at a PSL soccer game.

A life skills mentorship initiative, carried out by Love Life South Africa, is attached to the Spur Soccer Masidlale programme to empower the children to make good life choices. This programme consists of various storytelling and feedback sessions focused on empowering fundamentals.

Ithembelihle rugby

Since 2008, Spur has invested in the Ithembelihle Comprehensive High School rugby teams. This CSI initiative is for children with a love for rugby from previously disadvantaged areas in and around Port Elizabeth. It is managed by head coach, Theo Pieterse, who has coached at Ithembelihle since 1979.

Every year, players participate in the Grey High School festival, which sees them battle against top schools in the Eastern Cape and other rugby festivals around the country. Spur assists with transport, accommodation, meals and kits.

The team has won the annual KwaZulu-Natal Sharks Talent ID tournament for six consecutive years and the programme has seen many players flourish, including the late Solly Tyibilika.

R607 140

disbursed through *ad hoc* grass roots initiatives

34

events held in 2019

460

children reached

HUMAN CAPITAL AND SKILLS DEVELOPMENT

Spur Corporation's business model is anchored in the talent, skills and expertise of employees.

481

employees
(2018: 581)

Connecting to the group's strategy

The group's employees are central to Vision 2023. Superior customer experiences in restaurants can only be achieved with a happy and engaged workforce. Spur Corporation's goal is to be an employer of choice at group and brand level. Each brand and operational division's strategy is underpinned by the commitment to "empower teams and individuals to deliver and grow".

The human resources ("HR") function develops employees in their training needs and career aspirations. HR policies ensure employees are equitably remunerated and appropriately incentivised to develop and progress in their careers. The group continues to invest in an active employee assistance programme given the social challenges experienced by many employees.

Throughout the year, the group held themed month-end employee events across the country, where employees connected with each other and group management in a fun and engaging manner.

The group received qualitative and quantitative feedback from employees on Spur Corporation's mission, vision and values. As a result, the group created a group culture team, which facilitates group-wide workshops to redefine the group's mission, vision and values in a way that resonates with its people.

The group appointed a new HR executive who will establish a talent management framework and identify a suitable performance review process. The group has employed an industrial psychologist to focus on talent development and ensure the group recruits individuals that enhance the existing pool of talent.

The group is committed to the principles of B-BBEE. The group has appointed a strategic transformation manager who will formulate an integrated transformation strategy and plan, with implementation and measurement goals. The immediate focus is on developing black and female employees.

The group's management succession plan aligns with the group's transformation goals.

LOOKING AHEAD

Once the workshops to redefine the group's mission, vision and values are complete, the group will communicate the amended versions with employees at group and franchise level, and test acceptance.

The group will reassess all roles to improve remuneration benchmarking and establish a formal talent management framework and performance review process. To improve engagement, the group will optimise its internal business communication systems.

TRAINING

Investing in skills development is crucial to ensuring the group supports and harnesses the best from its human capital.

The development of Spur Corporation's employees ensures they are equipped with the skills needed to meet the group's business objectives. Ongoing training and development of group and franchisee employees is an important way to ensure the long-term sustainability of the group and its brands. Through soft skills and technical training, the group ensures employees receive cutting-edge learning opportunities.

The group's training programmes support the highest standards of food quality and service in restaurants and contribute to the personal development of franchisee and corporate employees. As content changes, and methodologies evolve, the group has adapted its style of interventions from lecture based to facilitation based. This approach encourages learning through exploration, team activities and outcomes-based interventions.

The group holds regular career discussions with employees to align individuals with their core skills and capabilities. Transformation is a critical consideration in training initiatives for group employees, and the group prioritises upskilling and promoting appropriate equity candidates.



Target 8.5: Achieve full, productive employment.

Target 8.6: Reduce the proportion of youth not in employment.

Target 8.8: Protect labour rights and promote safe working environments.

R1.9 million

invested in employee
development initiatives
(2018: R1.8 million)

Training in 2019



Global trend: World of work

There is a continued shortage of critical skills in the food services industry. Skills need to become more specialised, and cross-skilling is important.

The Spur Training Academy assists other departments in the group with special projects as required. These included Spur master griller workshops, customer loyalty programme refresher training and new employee training for the marketing, IT and customer care departments.

The Spur Training Academy coordinated workshops on amendments to Regulation R638 regarding hygiene. The new requirements are included in the hygiene intellectual property of all the brands.

The Spur Training Academy assists the operations department with updating intellectual property to ensure that training material remains up to date and relevant. The group overhauled all supplementary courses offered at the head office and regional training sessions. It adapted the content to facilitate the cultural shift of the group and the ever-changing demographic of attendees.

	2019 target	Achieved	2020 target
Corporate employee rotation	10%	15%	10%
Employee training costs (R'000)	2 933	1 901	1 642

Looking ahead

The group began the process of accrediting the Spur Training Academy with the Services Sector Education and Training Authority (SETA) so that, in time, the group can open this facility to the rest of the industry.

FRANCHISE EMPLOYEE TRAINING

Franchise employee training and development initiatives ensure that quality and service are maintained at the highest standard.



Key business driver: Sustainable local franchise model

The group supports franchisee profitability by providing training to franchisee employees to ensure high standards of food quality and service.

Franchisee employee training in 2019

Skills development of franchisee employees is one of the most important ways the group assists franchisees to run successful businesses. It also helps build the group's brands and foster consumer support by ensuring that every visit to Spur Corporation's restaurants is a satisfying experience.

Training courses for franchisee employees take place at training centres in Johannesburg, Durban and Cape Town. Skills development areas include food preparation and safety, operational efficiencies, financial management, sales techniques, management skills, environmental awareness and customer safety.

The Spur Training Academy provides learning and development to international franchisees, through the online training portal, and quarterly scheduled interventions in all the major hubs across Africa. The Spur Training Academy's focus this year was to create regional training hubs where management in identified regions can attend training.

The group designed a practical training methodology to ensure franchise management can operate all aspects of a franchise business. This is delivered at accredited training restaurants in Gauteng, KwaZulu-Natal and the Western Cape. A total of 261 people completed this training during the year.

There was a significant increase in people trained during the year due to the strategic drive behind loyalty programmes and the ongoing digitisations of many of the group's marketing activities. 2 702 and 1 230 individuals were trained on Spur Loyalty and Go Bookings respectively. An additional 2 014 trainees completed specialised programmes over and above the 10 392 individuals who received standard training from Spur's Training Academy.

14 844

**franchisee employees were trained
at internal and regional training facilities
(2018: 8 040)**

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

The group updated its online learning facility to incorporate the new facilitation style and learning through exploration philosophies. 16 338 franchise employees are active on this online learning facility, which continues to gain traction.

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.



Global trend: World of work

To ensure that the group's people thrive, South Africa needs transformation that opens a path to inclusive economic growth and development.

The group's transformation initiatives support the development of historically disadvantaged individuals at franchises and corporate offices. The group provides in-house development opportunities and mentoring programmes.

Transformation is monitored by the transformation committee and progress is measured against the dti Codes of Good Practice. Spur Corporation is required to comply with the Tourism Charter of the BEE codes.

TRANSFORMATION IN 2019

Transformation is a key pillar of Spur Corporation's growth strategy. It is critical that the group contributes to the development of South Africa.

B-BBEE level

Non-compliant

According to the group's analysis of the 2019 B-BBEE review process, which includes internal assessments of the available evidence against the stringent demands of the codes, the group is non-compliant.

In the next financial year the group aims to enhance its B-BBEE strategy to grow its market share and the economy, rather than simply earning points. Because the group views transformation as a strategic matter and not a governance-driven, box-ticking exercise, the group moved this portfolio to group strategy and appointed a dedicated transformation manager during the year. Key initiatives include:

- The group is developing a transparent and intentional transformation plan to set the group on a path that enhances career growth and assists emerging enterprises to gain sustainable access to the economy. This plan will be implemented in the 2020 financial year.
- The transformation manager will incorporate key implementation and measurement goals into the plan.

The group decided to negotiate an amicable separation from its B-BBEE relationship with Grand Parade Investments ("GPI") and re-acquire the 10% stake of the group, sold to GPI in 2014.

In light of the imminent new transformation strategy, the appointment of a new transformation manager and the fact that the group falls below the minimum score required for recognition in terms of the B-BBEE Codes, the group elected not to obtain a detailed verified B-BBEE compliance certificate for the 2019 financial year. Following the implementation of the transformation strategy, a verified compliance certificate will be sourced.

EMPLOYMENT EQUITY

Employment equity (“EE”) is an important aspect of transformation and a priority for Spur Corporation.

The EE plan aligns the group's Recruitment Policy with the EE requirements of the Codes of Good Practice. Improvements in EE are supported over time by skills development initiatives and the group's recruitment policy, which support greater transformation in the group's workforce.

The employee composition in Spur Corporation's South African operations is as follows:

Occupational level	2019					2018				
	Male	Female	Total	Black	White	Male	Female	Total	Black	White
Top management	3	–	3	–	3	4	–	4	–	4
Senior management	29	7	36	6	30	20	4	24	3	21
Professionally qualified and experienced specialists and mid-management	51	30	81	40	41	28	21	49	18	31
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	43	78	121	82	39	71	96	167	105	62
Semi-skilled and discretionary decision-making	89	97	186	157	29	137	132	269	206	63
Unskilled and defined decision-making	17	37	54	54	–	24	44	68	68	–
Total	232	249	481	339	142	284	297	581	400	181

SPUR CORPORATION'S ENVIRONMENTAL CONTEXT AND IMPACT

HOW THE GROUP MANAGES AND GOVERNS ENVIRONMENTAL SUSTAINABILITY

The group is committed to sustainable environmental practices as a core aspect of the group's role as a responsible corporate citizen, to safeguard the long-term sustainability of its business.

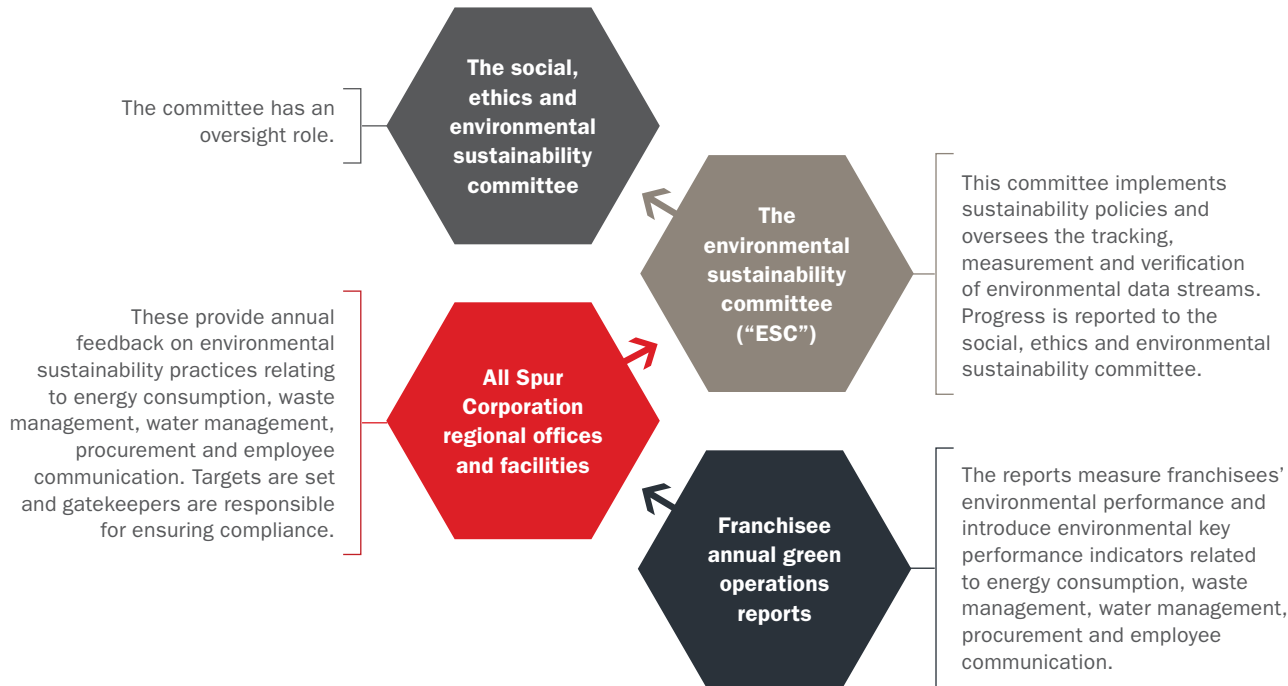


Global trend: Consumer needs

Consumers want improved responsibility by companies in terms of environmental impact.

Although the direct environmental impact of operations at corporate-level is relatively small, the group monitors its use of energy and water, and waste produced, to reduce these responsibly. The environmental impact of franchisees and of the supply chain is considerably bigger, and the group uses its influence to promote positive environmental practices in this regard.

Being a sustainable business requires full engagement, continuous training and ongoing tracking and measurement of risks and targets. The group manages sustainability as follows:



FRANCHISEE ENVIRONMENTAL SUSTAINABILITY

The franchisee annual green operations reports enable monitoring and improve the group's understanding of its total environmental impact.

The data is interpreted by the Spur Corporation eco team and an external partner, Steadfast Greening. This provides input into future projects and areas of risk, which the ESC addresses as required to assist franchisees to reduce resource consumption, waste and output costs.

6

group brands reported
(2018: 6)

92%

average participation
(2018: 87%)

50%

average score
(2018: 57%)



Green Feather Rewards

The Spur Corporation's Green Feather Rewards recognise franchisees for improvement on their green operations reports, particularly regarding 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, and marketing content for use on digital platforms and in the media.

OPERATIONAL AND STRATEGIC RESOURCE MANAGEMENT

The impact of climate change on the group's natural resources could have severe consequences for the long-term sustainability of the group.



Global trend: Consumer needs

Consumers focus more and more on ethical sourcing and the responsible use of resources.



Key business driver: Product responsibility

Unavailability of natural and other resources will adversely impact the produce the group can source and, in turn, short-term franchisee profitability.

Spur Corporation's brand family requires a continual supply of inputs, such as meat, vegetables, fish, clean water, energy and building materials. The effects of global warming are 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 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 the group is continually challenged by availability of sustainable supply. The group is faced with the reality of species decline as green-listed sustainable products dwindle. Water unavailability is becoming a reality in South Africa, increasing production and resource costs and impacting franchisees' profitability.

Resource efficiency also promotes cost savings and there is a notable paradigm shift worldwide relating to environmental sustainability.



Target 12.3: Halve per capita global food waste.

Target 12.5: Sustainably reduce waste generation.

Target 12.6: Encourage companies to adopt sustainable practices.



Target 13.3: Build capacity to counteract climate change.



Target 15.1: Ensure the sustainable use of freshwater ecosystems.

OPERATIONAL AND STRATEGIC RESOURCE MANAGEMENT IN 2019



The group has significantly reduced its use of plastic

There has been a shift in the quick service food industry to reduce single-use plastic items. Non-renewable items include condiment packaging, food containers and lids, cutlery, straws, trays, wax paper bags, wet wipes and plastic bags.

The group reduced plastic straws and bags at all brands, replacing them with paper straws and brown paper bags. Balloons are the next single-use item that will be removed from the procurement list.

Because the group has been monitoring these items over the past few years, the group can confirm the impact of interventions, such as removing plastic straws, bags and balloons from restaurants. The procurement and marketing teams are exploring options for products made from renewable materials.

↓ **70%**

**Procurement of plastic bags,
from 81 tons in 2018
to 24 tons in 2019**

↓ **76%**

**Procurement of plastic straws,
from 58 tons in 2018
to 14 tons in 2019**



Energy

Retrofitting to energy-efficient LED lighting and proactive electricity monitoring have absorbed energy cost increases in the Cape Town, Johannesburg and Durban regional offices. Since installing the PowerStar based energy-saving solution in the Cape Town offices in 2016, the buildings have had stable energy consumption, despite significant growth in the number of employees.

The new head office building in Cape Town, which was completed in 2017 to certified green building standards, has significantly lower average energy consumption than the older buildings. This provides a positive argument for future investment in green building and design.

**982 761
kWh**

**total electricity consumption
at corporate offices and
manufacturing facilities
(2018: 1 062 622 kWh)**

**Corporate offices
electricity consumption**

↓ **7.2%**

**to 538 567 kWh
(2018: 580 133 kWh)**

**Manufacturing facilities
electricity consumption**

↓ **8.0%**

**to 444 194 kWh
(2018: 483 000 kWh)**

**Average kWh per person per
month in corporate offices**

↓ **15.4%**

**energy consumption
per person
2019: 176 kWh/pm
(2018: 208 kWh/pm)**



Water

Water is a scarce resource and the group prioritises the ongoing measurement and management of water use.

Water consumption at the Cape Town head office rose, but remains lower than previous years. This new baseline can be attributed to drastic measures taken to reduce water consumption during the drought in the Western Cape in 2017 and 2018. The Johannesburg regional office and decor manufacturing facility achieved lower consumption due to water saving initiatives.

Water measurement and management is particularly important at the sauce manufacturing facility, where consumption is relatively high due to the production processes for sauces. The ESC has recommended that the facility invests in additional water monitoring systems to manage resource consumption efficiently and economically.

In addition, the ESC recommended that, where applicable, alternate water sources such as boreholes should also be monitored for all group-owned and managed facilities in unit consumption and cost.



Waste management

The group had waste management data available for the third consecutive year in 2019.

Waste generated by Spur Corporation's head office has been stable for the past two years because of continuous waste minimisation practices. The total amount of waste decreased by 7%, but the amount of waste landfilled increased from 442kg to 892kg, which can be attributed to the increase in number of employees.

The Durban regional office established multiple informal solutions for waste management through local initiatives. Unfortunately, the total amount of waste generated and the landfill diversion rate were not measured.

There was no recycling at the decor manufacturing facility during the past year. This facility successfully started recycling in 2011 and increased the rate of landfill diversion. However, as a result of a lack of resource, following the retrenchment of a number of employees during the year, 100% of the waste went to landfill this year.

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

46%

recycled and

45%

composted

(over a period of 9 years)

Cape Town head office:

92%

waste diverted from landfill (2018: 96%)

All regional offices:

72%

waste diverted from landfill (2018: 72%)

Sauce manufacturing facility:

20%

waste diverted from landfill (2018: 21%)



Waste management (continued)

Palm oil recycling

Used oil management and safe disposal are high-risk priorities for the group. There are seven approved companies that collect spent oil for the group nationally. According to the green operations reports, they service 93% of restaurants.

The group reports on the volume of oil used and the volume collected by approved collectors for recycling to allow for calculation of the percentage of oil recycled or converted into biofuels. While it is not possible to determine the exact volume of spent oil available for collection, the group has determined, based on historic usage and collection statistics, that approximately 30% of oil issued to restaurants is available for collection at the end of its useful life. The group therefore targets to collect 30% of total issued oil. The total volume of oil collected increased by 7% on the prior year and equates to 28% (2018: 30%) of total oil issued to restaurants, or 93% (2018: 100%) of the targeted proportion of oil estimated to be available for recycling.

More regular filtering and testing of oil will provide a longer lifespan and could reduce the amount of oil that needs to be discarded.

28%

of total palm oil blend
issued to restaurants,
was recycled (929 kℓ)
(2018: 30%, 844 kℓ)



Travel

The reduction in car hire and overnight accommodation bookings is attributed to same-day flights and related savings on accommodation and vehicle booking.

Overall fuel consumption is measured across the group's operational and employee transport requirements. This data is captured to provide insights into the group's carbon footprint report. There was a slight decline in litres of fuel purchased, although the cost of fuel increased.

Employee data indicated a total of 23 525 km travelled for work purposes in privately owned vehicles.

Fuel purchased for the fleet
of vehicles for operations
managers across all brands

↓ 4.6%

to 225 225 £
(2018: 236 009 £)

Total number of flights

↑ 9.7%

to 1 509
(2018: 1 376)

Distance travelled in hired cars

↓ 35.3%

to 143 608 km
(2018: 221 853 km)

Number of hotel nights booked

↓ 24.6%

to 3 532
(2018: 4 684)

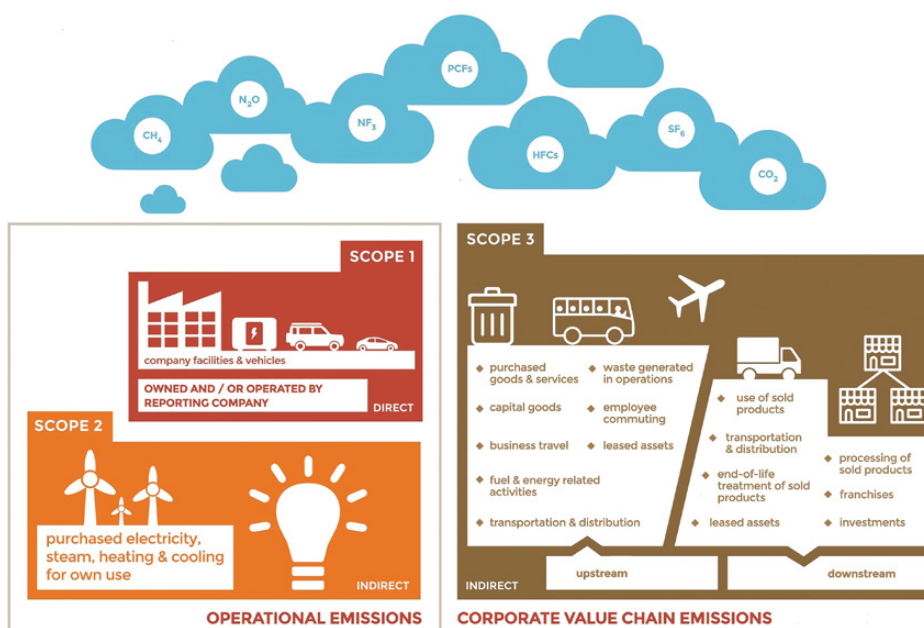


Greenhouse gas emissions

The group conducted its second carbon footprint assessment in 2019, following its baseline assessment in 2017. This independent assessment is based on the Greenhouse Gas ("GHG") Corporate Reporting Protocol as developed by the World Business Council for Sustainable Development and the World Resource Institute. The GHG Protocol is the most widely recognised greenhouse gas accounting methodology used.

The group reported on all corporate owned and operated facilities and vehicles (Scope 1), and on electricity used (Scope 2). The group also reported on the corporate value chain emissions, both upstream and downstream (Scope 3). The latter emissions include those resulting from business travel activities, employee commuting, upstream transportation and distribution, the consumption of office and marketing paper and board, electricity transmission and distribution losses, water and waste.

The infographic below provides a detailed breakdown of scopes and emission categories.



Source: Carbon Calculated _ Spur Corporation Carbon Footprint report 2019

The group's reported emissions for Scope 1 and 2 equates to 1 158.75 metric tonnes CO₂e for the 2019 reporting period (2017: 1 308.4 tCO₂e). The reduction in emissions is mostly due to the group's efforts to manage and reduce energy consumption at regional offices and facilities, which resulted in a 17% reduction of electricity consumption (156t CO₂e) between 2017 and 2019.

Due to the growing concern around extended corporate responsibility related to single use packaging production, the group investigated the impact in greater detail under Scope 3 (voluntary) indirect emissions reporting. Although outside of Spur Corporation's direct material use, reported consumable materials reflects the operational impact of the franchise model, and is under the group's operational control.

The group's reported emissions for Scope 3 is 4 860.57 metric tonnes CO₂e for the 2019 reporting period. The group is considering expanding the baseline further to include the group's retail operations. The next corporate carbon footprint assessment will be conducted for the 2020/21 financial year.

**Reduction on
Scope 1 and 2:**

↓ 11.4%

tCO₂e
(2017: 1308 tCO₂e)
(2019: 1159 tCO₂e)

PROCUREMENT

Franchised restaurants in the group purchase significant quantities of raw materials, therefore sustainable supply is an important consideration.



Global trend: Environmental sustainability

Changing weather patterns from climate change are projected to negatively affect food production over the medium term as global population growth increases demand. The global food shortage is a recognised challenge, due to a shortage of water and land for sustainable farming. Food production will become more specialised, with improved logistics and planning. There will be greater automation in the farm-to-plate food production and distribution chain.



Key business driver: Product responsibility

Unavailability of raw materials will adversely impact franchisee profitability. Food security is a potential risk of which the group is cognisant. Spur Corporation engages with other industry players on mitigating actions.

The group's ethical sourcing supplier requirement encompasses the principles of the Ethical Trading Initiative Base Code and international standards set out in the International Labour Organisation Conventions. The group's supplier declaration commits suppliers and licensees to adhere to guiding principles that cover human rights issues, labour practices, health, safety and environmental practices, business ethics and intellectual property rights.

The group ensures suppliers share its commitment to sustainable practices. Supplier assessments include green procurement and ethical sourcing considerations.

The group's outsourced logistics partner has an ISO 14001-aligned environmental management programme, and all four distribution hubs are fully ISO 14001 accredited.



Target 12.3: Halve per capita global food waste.

Target 12.6: Encourage companies to adopt sustainable practices.

PROCUREMENT IN 2019

Palm oil

Spur Corporation is removing palm oil as a frying fat from all brands. RocoMamas and John Dory's predominantly use locally sourced seed oil as a frying agent. Spur Steak Ranches will stop using palm oil as a frying fat by December 2019.

40%

Alternative to palm oil used

Sustainable seafood

The group, and especially John Dory's, is committed to sustainable business practices with a specific focus on the preservation of the world's oceans and natural seafood resources, minimising single-use plastic waste and ocean pollution.

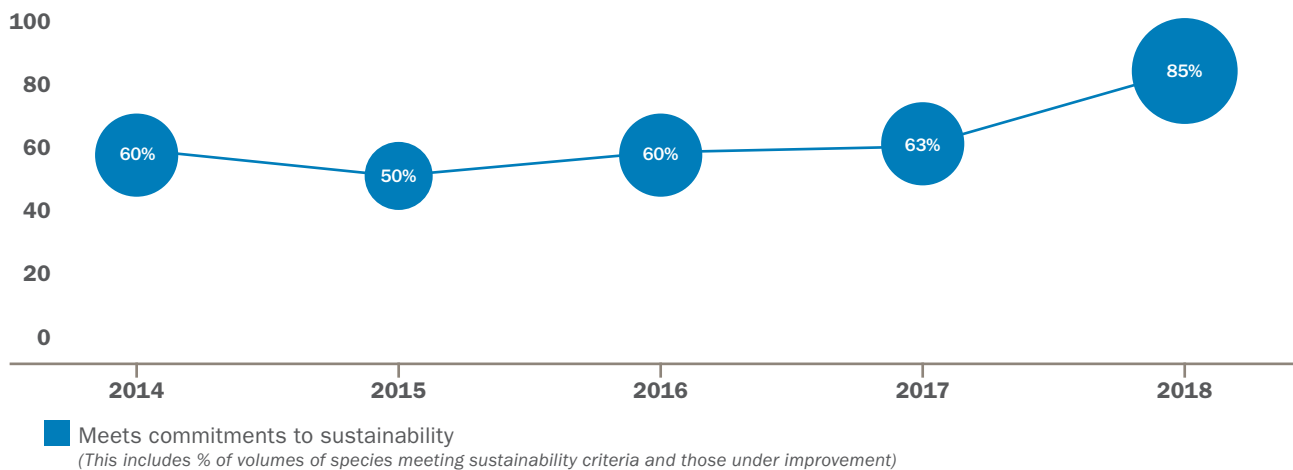
The group procures sustainable seafood products that are Marine Stewardship Council and Aquaculture Stewardship Council certified. Through the partnership with the World Wide Fund for Nature's South African Sustainable Seafood Initiative ("SASSI") the group has taken major steps

towards reviving the state of fish stocks by supporting sustainable fishing practices. The group is fully compliant with the SASSI "Seafood Promise" and does not procure or sell any species that are on the SASSI red list or from fisheries that are not in a fish improvement project.

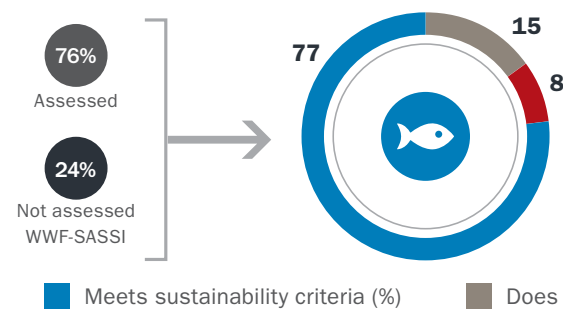


Target 14.4: Effectively regulate harvesting and end over-fishing.

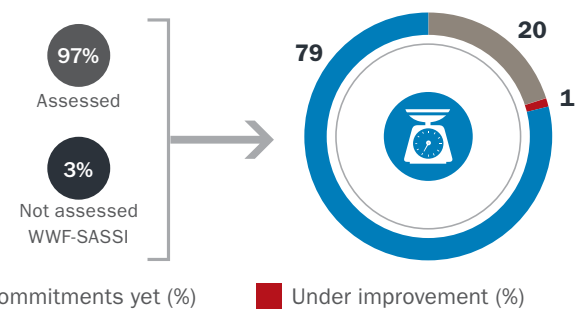
Progress throughout the years (species):



Progress by species:



Progress by volume: (January 2018 – January 2019)



The group will address the 15% of fish species that do not meet the sustainability criteria, specifically salmon and tuna species that are not centrally procured.

Cage-free eggs

There is an international mandate to shift from battery caged eggs to more humane conditions for egg laying birds. Public opposition to battery cage confinement is a driver for change. The group recognises that best practice in this regard aligns with Spur Corporation's position regarding sustainable and humane procurement. The group will partner with the Humane Society International to engage with the relevant stakeholders and identify farms that are independently audited by certification programmes.

LOOKING AHEAD

The 2017 water crisis in the Western Cape, and persistent drought and severe heat conditions in other areas around South Africa raise concerns about the impact on commodity prices and how the supply chain and consumers will be affected.

The group will navigate the various shifts related to environmental sustainability and the impacts of climate change. The ESC will develop a sustained and informed approach to global warming, climate change, environmental impact and the potential risk to the group's supply chain and future viability. The group will drive thought leadership through a process of enablement and support with the group's gatekeepers and stakeholders. The group will build long-term sustainable frameworks in order to mitigate impact and overcome barriers.

The outcome of these actions will be an environmental strategy, with key actions, which will be incorporated into the group's Vision 2023 strategy. The core of the environmental strategy will be the following nine green economic focus areas:





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