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REGULATORY COMPLIANCE

Spur Corporation’s activities and operations are regulated by a range of legislation. Ensuring compliance with these regulations is an essential aspect of the company’s commitment to good governance. Excessive regulation, or a volatile regulatory environment, can affect the viability of the operating models, increase the difficulty of strategic planning and discourage potential franchisees.

Failure to ensure regulatory compliance in the group creates the risk of monetary fines, reputational damage and the loss of its legal and social licence 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.

There are also 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. While it is not clear when these laws will be promulgated or what their exact final nature and impact will be, we continue to monitor their development and engage proactively with the relevant authorities to ensure that the practical implications for the industry are understood.

Strategic response

Proactive and systematic management of compliance is the responsibility of the group’s in-house legal and compliance officer. The group chief financial officer, assisted by the legal and compliance officer, is responsible for monitoring compliance within the organisation, assessing potential consequences or risks associated with new legislation, and reporting to the social, ethics and environmental sustainability committee in this regard. 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 the likely impacts in their areas of the legislation, 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.

The primary regulatory concerns for the group currently include:

Food safety

Consistent quality of food is a critical issue in the restaurant industry. Spur Corporation’s centralised procurement function monitors suppliers’ and the outsourced distributor’s compliance with HACCP and/or ISO 22000, the food safety management system, and 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

The group encourages 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 that they may not be granted business licences, liquor licences, leases in strategic locations such as casinos and airports, or 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 among suppliers of the outsourced distributor. We have established a structured solution to assist franchisees to improve their B-BBEE ownership level and this is currently being presented to franchisees around the country.

Guideline 14 of the Food and Cosmetics Act

Guideline 14 was released in 2015 by the Department of Health (“DOH”) and 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 and Spur Corporation is committed to achieving these. Requirements include displaying the kilojoule content of meals, and ceasing the use of toy-and-meal combos.

The Spur adult menus include Choose Healthy Options Wisely (“CHOW”) accreditation, which links into the CHOW app to offer customers independent verification that aims to influence behavioural change and promote healthier eating. “Better for You” meals have been introduced to the kids’ menu in the form of healthier side options.

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.
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.

Protection of Personal Information (“POPI”) Act

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. Spur Corporation has conducted extensive analysis of the impact POPI will have on the group, including assessing information flow and security at the group’s head office, corporate offices, 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 since 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. Monthly health and safety reports are made to head office, and progress on health and safety compliance is reported to the chief executive officer on a quarterly basis.

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. No major injuries were reported during the year under review.

CUSTOMER SERVICE

Customer satisfaction is an important value driver for the group that supports the growth and retention of a loyal customer base. Service excellence is a critical component of the brand promise at each restaurant in the group.

Strategic response

Spur Corporation has a range of initiatives in place to address 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 staff through the modular Management Prestige Training Programme, which includes training on managing and resolving complaints quickly and efficiently in-store. Franchisee staff also receive training in conflict management.
– Spur Corporation’s in-house customer service centre achieved nearly 100 000 interactions during the year and is an important customer touchpoint and base for monitoring consumer relations. The service centre also supports franchisees and provides customer feedback to franchisees to ensure any required operational improvements are addressed. Around 6% of all interactions in 2017 related to complaints, 10% to compliments and 84% to queries.
– 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.

The group’s customer loyalty programmes include the Spur Family Card, John’s Club Card (John Dory’s) and the Panarottis Rewards Programme, which 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 is in the process of consolidating the loyalty and gifting programmes into a single platform to improve innovation, customer-reward capabilities and fraud detection.

### 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 also aligns with the spirit of generosity, which is one of the group’s core values.

Many of our franchisees are active in their local communities with a range of initiatives, some of which are discussed on page 21 of the Integrated Report available at www.spurcorporation.com.

The Spur Foundation runs corporate social investment ("CSI") initiatives at a group level. These projects focus on feeding and educational programmes for children, and on the provision of basic necessities, in line with the Foundation’s motto of: "Nourish, Nurture, Now!".

#### Strategic response

Initiatives funded through the Spur Foundation emphasise support in the first 2 000 days of a child’s life, particularly Early Childhood Development ("ECD") and nutrition. We believe that South Africa can only grow if we, as a nation, are able to address the developmental challenges facing its citizens. By providing support over the critical phase in a child’s early development, the supported initiatives help to lay a strong educational foundation on which a healthier, more prosperous and better society can be built.

In 2014, Spur Corporation committed to funding the Foundation through a donation of 100 000 treasury shares per year for five years. To date, three tranches of shares have been transferred. The dividends from these shares will provide ongoing annuity income to sustain the Spur Foundation’s CSI initiatives. Funding is further supplemented by contributions from Spur Advertising and franchisees, and event contributions.

The Foundation also has a Staff Initiatives programme providing limited funding to staff who are actively involved with charitable work in their communities. This programme has been well received by staff.

In 2017, we launched the Full Tummy Fund initiative as a programme of the Spur Foundation and the vehicle used to invest in educational development and nutritional programmes. John Dory’s already supports the Full Tummy Fund by adding an automatic donation of R2 to a selected kids’ meal on their menu; Panarottis went live early in the 2018 financial year and other restaurants in the group are in the process of implementing similar initiatives. We also launched the new Full Tummy Fund website (www.fulltummyfund.co.za), which highlights the work done by the Foundation, introduces our various beneficiaries and lists ways in which the public can get involved. The website also hosts a gallery of images, news articles and has an online donation portal allowing donors to make a secure online donation.

The Spur Foundation supported a number of initiatives in 2017 including:

- The ASHA Trust: establishes holistic, age-appropriate learning centres for children aged nought to four in Alexandra, Gauteng, benefitting 830 children.
- Ikamva Labantu: works with over 380 preschools, which positively affect over 17 000 babies, toddlers and children, directly assists over 240 children and youth at risk and 134 vulnerable families.
- Joint Aid Management (JAM) South Africa: helps establish food gardens at more than 1 700 ECD centres that feed over 84 000 children every school day.
- Spur Foundation’s 2016 Charity Golf Tour raised R400 000, which was donated to two of our official beneficiary partners: JAM South Africa and the ASHA Trust.
- Spur Corporation’s Mandela Day focus for 2017 was on seven ECD facilities in Durban, Johannesburg and the Western Cape. Each was given a mini-makeover by the Foundation’s willing volunteers. Full Tummy Fund gardens were established at three of the centres – two in Gauteng and one in the Western Cape.
- Spur Corporation has a voluntary employee salary deduction donation scheme and employees are encouraged to make a difference in their communities.
- Spur Corporation funds a range of community-focused events support feeding schemes as highlighted below.

Total CSI spend for 2017 was R2.9 million (2016: R2.2 million), including voluntary employee salary deductions, representing 2.1% of net profit after income tax.
Official beneficiary partners:

ASHA  
Early Childhood Development

ikamvaLabantu

JAM  
South Africa

Associate beneficiary partners include:

Sanitary Sistas

Sicanda FunDaytion

The Sunflower Fund

For more information on these and other beneficiaries, please visit www.fulltummyfund.co.za.

CSI INVESTMENTS* (R’m)

<table>
<thead>
<tr>
<th>Year</th>
<th>0.0</th>
<th>0.5</th>
<th>1.0</th>
<th>1.5</th>
<th>2.0</th>
<th>2.5</th>
<th>3.0</th>
<th>3.5</th>
<th>4.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 TARGET</td>
<td>3.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017 TARGET</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Includes voluntary employee salary deductions.
HUMAN CAPITAL AND SKILLS DEVELOPMENT

Spur Corporation’s business model centres around people, and the group’s employees are critical components in the group’s ability to create value for all stakeholders. The group continues to invest time and resources in growing and retaining its human capital. In a fast growing global economy, the war for talent continues to drive the need to ensure the best in talent management practices across the group. We accordingly review and improve our talent acquisition practices continually, benchmarking our reward and remuneration practices while ensuring the retention of critical talent across the group.

528 people were employed at Spur Corporation’s South African operations as at 30 June 2017 (2016: 490).

Strategic response

Spur Corporation’s human resource (“HR”) function is responsible for incentivising, motivating and providing opportunities for advancement through the Employee Value Proposition to ensure 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. Diversity and inclusion workshops were held during the year.

The group holds employee roadshows twice a year to increase employee engagement and to enable the group to access real-time feedback and concerns. A comprehensive employee engagement survey was held in the financial year and targets to address areas for improvement have been established across all business units.

A Line Manager’s Development Forum is in place in Johannesburg and Cape Town to provide a platform for managers to learn from each other through experience and feedback.

An active Employee Assistance Programme is in place that funds counselling for employees in need, small emergency staff loans at affordable interest rates and 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 goal, differentiating between actual and earmarked successors and identifying the need for external appointments.

An external benchmarking review of operations management employees, completed in June 2016, indicated a shortfall against the group’s stated remuneration policy and adjustments were made in 2017 to bring these in line.

Corporate employee rotation – a measure of employee turnover – increased to 12% (2016: 6%), largely as a result of the higher employee turnover in corporate owned retail outlets, which is typical of the retail restaurant industry.

TRAINING

Spur Corporation focuses on employee learning and development, and regular career discussions are held with employees to align individuals with their core skills and capabilities. Transformation is a critical consideration in training initiatives for group employees and upskilling and promotion of appropriate equity candidates is prioritised.

Employee development is supported through a number of initiatives including:

- The Multi-Store Leadership Programme attended by all operations managers and certain head office employees to grow their knowledge and sharpen their franchisee management skills.
- 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 R564 263 in bursaries in 2017.
- Financial support for business-related studies.
- A Management Development Programme hosted at the University of Stellenbosch Business School. Nine managers successfully completed the programme during the year and one additional manager completed a New Manager Development Programme also hosted by 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.

The group invested R2.2 million in employee training across the above and other projects, including group funding of tertiary studies for employees and bursaries for employees’ dependants.

<table>
<thead>
<tr>
<th>2017 target</th>
<th>Achieved</th>
<th>2018 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>2 000</td>
<td>2 248</td>
<td>2 057</td>
</tr>
</tbody>
</table>

* Includes dependents’ bursaries.
**FRANCHISEE EMPLOYEE TRAINING**

The group provides training to franchisee employees to support franchisees in running successful businesses. Improving skills in restaurant employees strengthens the group’s brands and builds consumer loyalty through ensuring the highest standard of food quality and service at restaurants. Given the group’s commitment to investing in skills development, well-trained management staff at franchisees 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, 11,835 franchisee employees were trained at internal workshops and regional training in major centres.

- The Management Prestige Training Programme is a modular training programme with six modules of two weeks each that includes theoretical and practical components. Employees receive recognition for each level passed as their skills develop.

- 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 256 people received practical training in 2017.

- Online testing and assessment enables franchisees to test waitron product knowledge in-store and to complete Management Prestige Training Programme assessments. New modules are loaded every six months and, to date, more than 18,000 registered users have accessed this. Video training material is being developed to enhance this programme.

- The training centre also delivered several special interventions during 2017, including play canyon attendant training (1,198 attendees), a conflict and aggression short course (1,135 candidates) and the Panarottis loyalty programme (1,367 candidates).

---

**2017**

<table>
<thead>
<tr>
<th>2017 target</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees trained (franchise and corporate)</td>
<td>12,500</td>
</tr>
<tr>
<td>Spur College of Excellence graduates(^1)</td>
<td>40</td>
</tr>
</tbody>
</table>

\(^1\) The Spur College of Excellence was closed during 2017.

**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.

**Strategic response**

Transformation is monitored by the transformation committee and progress is measured against the dti Codes of Good Practice. The revised codes led to a decline in the group’s B-BBEE rating from level 5 to a non-compliant score due to the more stringent requirements of the revised codes and the introduction of subminima which we were unable to achieve. A gap analysis against the revised codes has been completed and the transformation committee has approved the BEE targets proposed by management. A detailed plan has been developed to improve the group’s B-BBEE rating in the medium term.

Spur Corporation will fall under the Tourism Charter of the BEE codes.

**dti Codes of Good Practice category**

<table>
<thead>
<tr>
<th>dti Codes of Good Practice category</th>
<th>Score 2016</th>
<th>Score 2015*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>11.48/27</td>
<td>8.59/20</td>
</tr>
<tr>
<td>Management control</td>
<td>4.35/19</td>
<td>4.24/12</td>
</tr>
<tr>
<td>Employment equity</td>
<td>N/A</td>
<td>2.13/12</td>
</tr>
<tr>
<td>Skills development</td>
<td>10.71/20</td>
<td>16.50/18</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>N/A</td>
<td>18.09/20</td>
</tr>
<tr>
<td>Enterprise and supplier development</td>
<td>9.36/40</td>
<td>0.28/10</td>
</tr>
<tr>
<td>Socio-economic development</td>
<td>5/5</td>
<td>6.92/10</td>
</tr>
<tr>
<td>Codes of Good Practice Level</td>
<td></td>
<td>Non-compliant Level 5</td>
</tr>
</tbody>
</table>

* Measured in terms of the previous dti Codes of Good Practice before revision.
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 2017 was as follows:

<table>
<thead>
<tr>
<th>Occupational level</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td>Male 6</td>
<td>Male 5</td>
</tr>
<tr>
<td></td>
<td>Female 1</td>
<td>Female 1</td>
</tr>
<tr>
<td></td>
<td>Total 7</td>
<td>Total 6</td>
</tr>
<tr>
<td></td>
<td>Black –</td>
<td>Black –</td>
</tr>
<tr>
<td></td>
<td>White 7</td>
<td>White 6</td>
</tr>
<tr>
<td>Senior management</td>
<td>Male 21</td>
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</tr>
<tr>
<td></td>
<td>Female 4</td>
<td>Female 4</td>
</tr>
<tr>
<td></td>
<td>Total 25</td>
<td>Total 28</td>
</tr>
<tr>
<td></td>
<td>Black 4</td>
<td>Black 3</td>
</tr>
<tr>
<td></td>
<td>White 21</td>
<td>White 25</td>
</tr>
<tr>
<td>Professionally qualified and experienced specialists</td>
<td>Male 27</td>
<td>Male 19</td>
</tr>
<tr>
<td>and mid-management</td>
<td>Female 22</td>
<td>Female 19</td>
</tr>
<tr>
<td></td>
<td>Total 49</td>
<td>Total 38</td>
</tr>
<tr>
<td></td>
<td>Black 13</td>
<td>Black 10</td>
</tr>
<tr>
<td></td>
<td>White 36</td>
<td>White 28</td>
</tr>
<tr>
<td>Skilled technical and academically qualified workers,</td>
<td>Male 68</td>
<td>Male 66</td>
</tr>
<tr>
<td>junior management, supervisors, foremen and</td>
<td>Female 86</td>
<td>Female 82</td>
</tr>
<tr>
<td>superintendents</td>
<td>Total 154</td>
<td>Total 148</td>
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<tr>
<td></td>
<td>Black 91</td>
<td>Black 83</td>
</tr>
<tr>
<td></td>
<td>White 63</td>
<td>White 65</td>
</tr>
<tr>
<td>Semi-skilled and discretionary decision-making</td>
<td>Male 116</td>
<td>Male 107</td>
</tr>
<tr>
<td></td>
<td>Female 124</td>
<td>Female 119</td>
</tr>
<tr>
<td></td>
<td>Total 240</td>
<td>Total 226</td>
</tr>
<tr>
<td></td>
<td>Black 179</td>
<td>Black 180</td>
</tr>
<tr>
<td></td>
<td>White 61</td>
<td>White 46</td>
</tr>
<tr>
<td>Unskilled and defined decision-making</td>
<td>Male 18</td>
<td>Male 14</td>
</tr>
<tr>
<td></td>
<td>Female 35</td>
<td>Female 30</td>
</tr>
<tr>
<td></td>
<td>Total 53</td>
<td>Total 44</td>
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<tr>
<td></td>
<td>Black 53</td>
<td>Black 44</td>
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<td></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>Male 256</td>
<td>Male 236</td>
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<td></td>
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<td>Total 490</td>
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<td></td>
<td>Black 340</td>
<td>Black 320</td>
</tr>
<tr>
<td></td>
<td>White 188</td>
<td>White 170</td>
</tr>
</tbody>
</table>
ENVIRONMENTAL MATERIAL MATTERS

OPERATIONAL AND STRATEGIC RESOURCE MANAGEMENT

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, availability of locally sourced products and increasing costs of manufacture.

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.

Within this necessary, yet fragile relationship, the group faces many challenges. 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, as we face the driest weather conditions recorded in many regions of our country. This ongoing crisis increases production and resource costs and has an impact on franchisees’ profitability, which indirectly affects Spur Corporation’s bottom line.

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 and 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 as franchisor to promote positive environmental practices.

Being a sustainable business requires full engagement, continuous training and on-going tracking and measurement. We are encouraged to see how resource efficiency promotes cost savings and we continue to engage with franchisees and staff on these issues.

**Strategic response**

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.

**Key sustainability highlights for 2017**

- Environmental legislation toolkits were developed to build understanding around certain legislative aspects of environmental sustainability and requirements specific to waste management, extended user responsibility, carbon emission declaration and sustainable procurement best practice.
- Green operations reports were revised and reformatted into an easy to use digital platform. All operations teams received comprehensive retraining on the updated content and training videos were launched in support of the main sustainability themes impacting the environment and affecting operational performance and profitability. Six of the group’s brands reported on the digital platform from April 2017. Average participation reached 87% and, as we expected, the increased scope and detail required to be reported led to a decline in the average score to 48% (2016: 65%).
- The ESC engaged with stores in Tanzania, Namibia and Mauritius to provide training and assess sustainability awareness.
- A Youth Day 2017 initiative with the youth of Ocean View at the environmental centre in Soetwater in the Western Cape, which included eco-aligned activities.
- 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. Inclusion of the Greenhouse Gas (“GHG”) emissions into the ESC’s reporting structure will enable Spur Corporation to analyse results, with the potential to develop an internal GHG emission strategy and a programme to encourage the reduction in GHG emissions.
- The carbon footprint 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.

**Energy**

While Spur Corporation’s offices do not consume significant amounts of electricity, various energy-saving initiatives have been implemented at group facilities. Energy monitoring systems have been installed at the Durban and Johannesburg regional offices and also at the new Cape Town office building.
Total electricity consumption at corporate sites for the 2017 reporting period was 1,178,053 kWh. A decline was noticed in regional office data year on year (2017: 679,591 kWh; 2016: 705,040 kWh), despite the growth in staff members nationally and the addition of the new Cape Town office building. Regional offices consumed 58% of the total electricity used in the group. There is no comparative data available for the head office for the 2016 period. (2017: 498,462 kWh).

The significant increase in the cost of electricity has sensitised franchisees to the financial benefits of sustainable environmental initiatives. Most stores have converted to LED lighting and many use natural in-store light whenever possible although 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.

Chip fryers at 35 restaurants were retrofitted with energy saving elements at an estimated average saving of over R100,000 per store per year.

Water
Water use is tracked at the Cape Town and Johannesburg offices as well as at the Baker Street premises in Cape Town (décor manufacture, training centre and call centre) and the sauce manufacturing facility. The sauce manufacturing facility uses most (2017: 59%) of the water consumed by the group. Despite a 20% increase in water use at the sauce manufacturing facility, total water use across these premises increased by only 9.8% year on year to 10,401 kℓ.

While 68% of franchisee stores report having staff 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. A water saving training video was developed to support in-store communication to drive the water savings message.

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. The Cape Town offices currently divert 94% of their waste from landfill, with 45% recycled and 49% composted. In total, 12,850 kg (2016: 11,210 kg) of waste was diverted from landfill and recycled during the year. It is proposed that going forward a new baseline is established to include all regional offices, as well as other group facilities (décor and sauce manufacturing facilities) into the reporting structure. Current available data reflects that overall 71% (57,754 kg) of waste (excluding the sauce manufacturing facility) was diverted to landfill.

The green operations reports show that most restaurants have recycling initiatives in place, although there is an opportunity to improve waste management. Detailed information on waste management has been included in the 2017 eco toolkit update, as well as in the digital green operations report and training videos. A recycling trial was conducted at six Western Cape freestanding stores but unfortunately proved to be unviable. Waste management projects such as this one are often complicated by challenging operational logistics around waste collection at store level.

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 report. 97% of stores participate in the spent oil collection programme, in which stores sell their spent oil to reputable oil recycling companies to ensure that it is removed from the food chain. Across the group, 32% of the spent palm oil blend used during 2017 was recycled, mostly through conversion to bio-diesel.

Travel
Total flights, car hire and accommodation bookings decreased by approximately 25% year on year. The group procured a fleet of vehicles for operations managers across all brands during the latter half of the 2016 calendar year. Diesel consumption will be monitored and reported on in future periods.

In 2018, our focus will be on raising the profile of environmental sustainability to a strategic and future-proofing level, delivering training, ensuring the effective roll-out of the environmental policy, and developing programmes and training that can assist franchisees to reduce resource consumption and minimise waste.

The activities of the environmental sustainability team aim to identify risk and drive innovation that supports shared value and generates opportunities that could lead to total value creation through natural capital, human capital and financial capital. These activities can help to build processes and policies that support continued availability of and access to sustainable natural resources that feed into our day-to-day operations, ensuring the continued success and profitability of our business.

PROCUREMENT

Franchised restaurants in the Spur Corporation group purchase significant quantities of raw materials and we aim to ensure that 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 developed an electronic supplier questionnaire in 2017 to assist the procurement team with data collection. The feedback highlights the environmental commitment of various suppliers and how they produce various products supplied to the group. The results demonstrated that basic compliance is being met although there are some challenges that require further engagement.
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 suppliers or from within a fishing improvement project by the end of 2015, but was unable to achieve this for the reasons discussed below.

For commercial reasons, the group procures certain seafood products from Namibia. The Namibian fishing industry no longer adheres to sustainable fishing practices. Spur Corporation’s procurement team is currently working with the World Wide Fund for Nature, the South African Sustainable Seafood Initiative ("SASSI"), and Namibian authorities to ensure that seafood sourced from that country, particularly hake, complies with SASSI requirements.

The group remains committed to the SASSI “Seafood Promise” and anticipates that full compliance will be attained in 2018. The group does not procure or sell any species that are on the SASSI red list.

The ESC is initiating a supplier mapping exercise to build knowledge about the group’s supply chain and potential for circular opportunities. The first priorities will be around raw material supply with specific drivers being seafood and beef. The purpose is to evaluate risks and opportunities by mapping out our supply chain. This will help us to develop a greater understanding of second and third tier suppliers, potential collaborations and procurement themes to underpin our environmental strategies.