

**The SPAR Group Limited**

(Incorporated in the Republic of South Africa)

Registration number: 1967/001572/06

Share Code: SPP

ISIN: ZAE000058517

("SPAR" or the "Company" or the "Group")

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**UPDATE ON RECENT MEDIA ALLEGATIONS**

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Shareholders are referred to the recent allegations against the Company, as published in the media *via* a small minority of aggrieved retailers, regarding a fictitious and fraudulent loan, discrimination towards some of SPAR's retailers and the composition of the board of directors ("**Board**"). SPAR acknowledges and takes these allegations seriously and wishes to provide further information in this regard.

**Fictitious and fraudulent loan allegations**

The Board takes allegations of fictitious and fraudulent loans extremely seriously and is seeking legal opinion thereon. SPAR wishes to assure shareholders that this was an isolated matter and is neither SPAR's accounting policy nor practice. SPAR also denies the allegations that this is symptomatic of 'dodgy' accounting. An announcement will be published to update shareholders once the legal opinion has been received, considered by the Board and the Board has made the requisite decisions in this regard.

**SPAR denies any allegations of discrimination toward its retailers**

SPAR strongly denies the allegations of discrimination against some of our retailers based on race or store location. These allegations were first levelled against SPAR in 2021 and were independently and rigorously investigated by law firm Harris Nupen Molebatsi ("**HNM**") which prepared a report in this regard ("**HNM Report**"). HNM found that the allegations were not corroborated and there was no deliberate or intentional practice on the part of SPAR as alleged. The investigation did, however, highlight some internal business-related practices which needed to be reviewed and subsequent changes have been and continue to be implemented as a matter of priority.

Following the publication of the HNM Report, SPAR took pro-active steps to address the matters with the retailers in question. Some of these matters are currently being addressed through legal processes, others pursuant to confidential mediation and the balance through the normal course of business operations. All matters are receiving the highest attention with a view to finding commercially acceptable, equitable and lasting solutions aligned to our partnership values. The confidential mediation process is being undertaken with a small group of retailers. Each complaint is being dealt with thoroughly in order to ensure the best possible outcome for all parties. Unfortunately, one of the aggrieved retailers chose to withdraw from the process and has regrettably made public disclosures of confidential information concerning the retailers' positions.

SPAR prides itself on maintaining strong working relationships with its independent retailers through a voluntary trading model. Our retailers' success is SPAR's success and quite apart from certain reports in the media, bond perfections are only ever used to protect SPAR's rights as a creditor and form part of normal credit management processes in South Africa. It is inaccurate to claim that SPAR "takes back" these stores, as this process does not amount to legal ownership. It is also always a last resort, as every effort is made to ensure success and to support any retailer who may be struggling.

It must be emphasised that the vast majority of SPAR retailers continue to enjoy constructive and positive working relations with the Group.

### **Other material retailer legal matters**

The legal challenges between SPAR and a major retailer in our network have received wide media coverage. The SPAR board continues to rely on the advice of external counsel in guiding our approach to the claims laid, both against the Company and various executives. The focus of the Board is to reach an outcome that protects our commercial interests, and preserves our retailer relationships.

### **SPAR's Board composition**

SPAR acknowledges allegations relating to the structure of its Board. The Board comprises two executive directors and seven non-executive directors. Of the seven non-executive members, six are independent directors. The chairman is not independent. However, at the time of his appointment, SPAR engaged shareholders and appointed a lead independent director in line with the King IV code on corporate governance ("**King IV**"). Furthermore, and as previously advised to shareholders, the Board debated the advantages and disadvantages of appointing the current chairman to the Board (following his retirement as chief executive officer of SPAR) and believed that the benefits of Mr Graham O'Connor leading the Board from a position of extensive experience and firm integrity, far outweighed a more independence orientated solution as set out in King IV. SPAR has a broad stakeholder base and prides itself on high standards of governance and ethics.

Under the Board's direction, all matters are being dealt with rigorously, transparently and decisively to ensure the ongoing success and stability of the business. Further announcements in this regard will be published in due course.

SPAR regrets the anxiety and concern that the recent media coverage has caused members of the SPAR family and all its stakeholders.

By order of the Board

Pinetown

9 December 2022

Sponsor: One Capital

Corporate Broker: Rand Merchant Bank, a division of FirstRand Bank Ltd