

**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")

UPDATE REGARDING RECENT ALLEGATIONS AND GOVERNANCE RELATED MATTERS

SPAR shareholders ("**Shareholders**") are referred to the announcement published on SENS on Friday, 9 December 2022 whereby SPAR provided an update on the allegations imposed on the business. SPAR takes all allegations seriously, has received legal advice and would like to provide Shareholders with further information in this regard.

Allegations of discrimination against SPAR retailers

SPAR would like to reiterate its deep regret over the allegations of discrimination against certain of our retailers. According to the findings of the investigation by law firm Harris Nupen Molebatsi ("**HNM**"), the allegations of discrimination towards any retailers were unfounded. HNM prepared a report ("**HNM Report**"), containing highly confidential information. SPAR and eight retailers are involved in an ongoing mediation process relating to claims lodged by these retailers and every effort is being taken to resolve these issues as quickly and effectively as possible. The HNM Report did highlight certain areas of improvement and these areas are being addressed at our distribution centres.

Alleged fictitious and fraudulent loan

In respect of the fictitious and fraudulent loan, SPAR's auditors, PricewaterhouseCoopers Inc., notified the Company that they believed the loan to be a reportable irregularity, which required them to report the matter to the Independent Regulatory Board of Auditors (IRBA). The SPAR board of directors ("**Board**") then engaged a legal team together with an accounting expert to fully investigate and provide the Board with their professional opinions. Over the past month, SPAR and the external auditors have conducted investigations into the matter. At the end of the process, the Board agreed with SPAR's auditors that a reportable irregularity had occurred. SPAR's auditors are satisfied that this was an isolated matter and is no longer taking place, and adequate steps have been taken for the prevention of any loss as a result thereof.

The Board advises that a written loan agreement was entered into between a willing lender and borrower through a commercial bank, at normal interest rates with fixed terms of repayment. However, the Board concluded that the loan did not seem to have served any real commercial or economic purpose and should not have taken place. The Board confirms that the extensive review of all loans arranged by SPAR for retailers identified two other transactions of a similar nature. The combined value of the three loans totalled R11 million. These loans were isolated and occurred five years ago. This arrangement is not SPAR practice and there is no evidence to support any allegations of accounting irregularities with any other loan transactions.

Corporate Governance

The Board has met several times over the past few months to address concerns about the perceived shortcomings regarding the Board composition and independence of the former Chairman of the Board and prior to that, the chief executive officer of SPAR ("**CEO**"), Mr Graham O'Connor. The Board subsequently made significant changes to its composition,

including through the appointment of Mr Mike Bosman as an independent non-executive director and the new Chairman of the Board with effect from Thursday, 15 December 2022.

Furthermore, Shareholders are referred to the announcement published on SENS on Tuesday, 17 January 2023 wherein Shareholders were advised that:

- Mr O'Connor does not intend to make himself available for re-election and will therefore retire at the conclusion of the upcoming annual general meeting of Shareholders to be held on Tuesday, 14 February 2023 ("**2023 AGM**");
- Dr Phumla Mnganga, who served on the Board for 17 years, will be stepping down as an independent non-executive director of the Board immediately upon conclusion of the Board meeting to be held on Tuesday, 14 February 2023;
- Dr Shirley Anne Zinn and Mr Pedro Manuel Pereira da Silva have been appointed as independent non-executive directors, effective immediately following the 2023 AGM; and
- Mr Brett Botten will be retiring as CEO and member of the Board on Tuesday, 31 January 2023.

Mr Botten's retirement is pursuant to his request to the Board for an early retirement. Shareholders are advised that succession discussions are underway and the appointment of a new group CEO will be announced in due course.

The Board believes the changes in respect of non-executive directors adequately addresses any existing Shareholder concerns around independence.

By order of the Board

Pinetown
19 January 2023

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