

BOARD CHARTER

1. INTRODUCTION

The board of directors of The SPAR Group Limited (the Company) acknowledges the need for a board charter as recommended in the King IV Code on Corporate Governance (King IV). This board charter is also subject to:

- the provisions of the Companies Act 2008, as amended;
- the Companies regulations, 2011;
- the company's Memorandum of Incorporation (Mol);
- the JSE Listings Requirements; and
- any other applicable law or regulatory provision.

2. CODE ON CORPORATE GOVERNANCE (King IV)

King IV states that:

“the governing body should ensure that its role, responsibilities, membership requirements and procedural conduct are documented in a charter, which it regularly reviews to guide its effective functioning”.¹

3. SCOPE

3.1 Membership

- 3.1.1 The company shall not have less than eight directors, of which at least two shall be executive directors. The chief executive and financial director shall be members of the board.
- 3.1.2 The board shall comprise of a mix of executive, non-executive and independent non-executive members, most of whom should be independent and have the appropriate mix of knowledge, skills and experience, including the business, commercial and industry experience, needed to govern the company.²
- 3.1.3 Members of the board, its chair and a lead independent non-executive director³ are to be nominated through a formal process by the nomination committee to the board for approval.⁴

¹ Principle 6(2) of King IV

² Principle 7(7)(a)&(b) of King IV

³ Article 5.3(5) of the Mol

⁴ Principle 7(14) & 31(1) of King IV

- 3.1.4 Non-executive members are appointed for a period of three years and can make themselves available for re-election in terms of the Company's MoI. The age limit for non-executive members is 70 years.
- 3.1.5 The age limit for executive directors will be the normal retirement age of the relevant executive director in terms of the directors' condition of employment with the company.
- 3.1.6 Members of the executive, senior management and external advisors may be invited to attend for all or part of the meeting, as and when appropriate and necessary to provide pertinent information and insights in their areas of responsibility.

3.2 **Secretary**

The company secretary of the company is the secretary to the board.

3.3 **Quorum**

The quorum requirement for a board meeting to begin is a majority of the board members.⁵

3.4 **Meetings**

- 3.4.1 The board must hold sufficient scheduled meetings to discharge all its duties as set out in this charter, but subject to a minimum of four meetings per year.
- 3.4.3 Meetings of the committee shall be called by the secretary of the company in accordance with the year planner. Meetings in addition to those scheduled may be held at the request of the chair of the board or any two board members.⁶
- 3.4.4 Unless otherwise agreed, notice of the meeting confirming venue, time date together with agenda items to be discussed, shall be forwarded to each member of the board, any other person required to attend, no later than five (5) working days before the date of the meeting. Supporting papers shall be sent to board members and to other attendees at the same time.
- 3.4.5. Board members must attend all scheduled meetings, including meetings called on an ad hoc-basis, unless prior apology, with reasons, has been submitted to the committee chair or secretary.
- 3.4.6 Board members must be fully prepared for the committee meeting and should provide appropriate and constructive input on matters discussed.
- 3.4.7 In the absence of the committee chair, the remaining members present shall elect one of themselves to chair the meeting.
- 3.4.8 The board shall on an annual basis establish work plan to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The work plan must ensure proper coverage of the duties laid out in this charter. The more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis

⁵ Article 4.3(4) of the MoI

⁶ Article 5.3(1) of the MoI

over a three-year period. The number, timing and length of meetings, and the agendas are to be determined in accordance with the work plan.

3.4.9 The secretary shall minute the proceedings of all meetings of the committee.

3.4.10 Draft minutes of meetings shall be circulated promptly to all members of the board. The minutes must be formally approved by the committee at its next scheduled meeting.

3.5 **Annual General Meeting**

All board members should attend the annual general meeting to answer any shareholder questions on the boards activities.

3.6 **Duties**

The role and responsibilities of the board are to: -

3.6.1 cultivate the following characteristics and exhibit them in their conduct: **Integrity, Competence, Responsibility, Accountability, Fairness and Transparency** in order to offer effective leadership that results in achieving strategic objectives and positive outcomes over time.

3.6.2 set the direction for how ethics and corporate citizenship should be approached and addressed in the company;

3.6.3 approve codes of conduct and ethics policy;

3.6.4 approve the company's short term, medium and long-term strategy, including the policies and operational plans developed by management to give effect to the approved strategy;

3.6.5 approve management's determination of the reporting frameworks (including reporting standards) to be used, taking into account legal requirements and the intended audience and purpose of each report;

3.6.6 approve management's bases for determining materiality for the purpose of deciding which information should be included in external reports;

3.6.7 approve the protocol to be followed in the event that it or any of its members or committees need to obtain independent, external professional advice at the cost of the organisation on matters within the scope of their duties, as well as protocol to be followed by its non-executive members for requisitioning documentation from, and setting up meetings with management;

3.6.8 approve the nomination of candidates for election as members of the board;

3.6.9 approve the methodology to be followed for evaluation the performance of the board, its committees, its chair and its individual members at least every two years;

3.6.10 serve as the focal point for and custodian of corporate governance by steering the company and setting its strategic direction, approving policy and planning that give effect to the direction provided, overseeing and monitoring of implementation and execution by

management and ensuring accountability for organisational performance by means of, among others, reporting and disclosure;⁷

- 3.6.11 approve the appointment of the chief executive officer (CEO), who is accountable to the board and who should be responsible for leading the implementation and execution of approved strategy, policy and operational planning and should serve as the chief link between management and the board;⁸
- 3.6.12 formally evaluate annually the performance of CEO against agreed performance measures and targets;
- 3.6.13 approve the delegation of authority framework that articulates its set direction on reservation and delegation of power;
- 3.6.14 approve the appointment of the company secretary, including the his or her employment contract and remuneration, including his or her removal;
- 3.6.15 formally evaluate annually the performance and independence of the company secretary;
- 3.6.16 approve policy that articulates and gives effect to its set direction on risk, the employment of technology and information and gives effect to its direction on compliance, and that identifies which non-binding rules, codes and standards the organisation has adopted;
- 3.6.17 approve policy that articulates and gives effect to its direction on fair, responsible and transparent remuneration;
- 3.6.18 approve an internal charter that defines the role and associated responsibilities and authority of internal audit, including addressing its role within combined assurance and the internal audit standards to be adopted;
- 3.6.19 approve the appointment of the internal audit manager, including his or her employment contract and remuneration;
- 3.6.20 approve policy that articulates and gives effect to its direction on stakeholder relationships;
- 3.6.21 act in the best interests of the company by ensuring that individual directors: -
- 3.6.21.1 adhere to legal standards of conduct;
- 3.6.21.2 disclose real or perceived conflicts to the board and deal with them accordingly;
- 3.6.21.3 deal in securities only in accordance with the policy adopted by the board; and
- 3.6.22 do everything necessary to fulfil its role and responsibilities set out above.

⁷ Principle 6(1) of King IV

⁸ Principle 10(76to78) of King IV

3.7 **Delegation**

3.7.1 The board shall delegate particular roles and responsibilities to an individual member or members of the board or to standing or ad hoc-committees but without abdicating its own responsibilities.⁹ Delegation is formal and involves the following: -

3.7.1.1 Formal terms of references established and approved for each committee of the board;¹⁰

3.7.1.2 Each committees' terms of reference is to be reviewed and approve annually;¹¹

3.7.1.3 The committees are appropriately constituted with due regard to the skills required by each committee;

3.7.1.4 The board establishes a framework for the delegation of authority to management;

3.7.2 The board shall delegate to management:

2.7.2.1. the responsibility for implementation and execution of the codes of conduct and ethics policies;

3.7.2.2 the formation and development of the organisation's short, medium and long-term strategy;

3.7.2.3 the responsibility to implement and execute the approved policies and operational plans;

3.7.2.4 the responsibility to implement and execute effective risk management;

3.7.2.5 the responsibility to implement and execute effective technology and information management;

3.7.2.6 the responsibility for implantation and execution of effective compliance management; and

3.7.2.7 the responsibility for implementation and execution of effective stakeholder relationship management.

3.8 **Reporting responsibilities**

3.8.1 The board shall ensure that provisions regarding disclosure of information are fulfilled and produce a report to be included in the company's annual report.

3.9 **Other matters**

The board shall:

⁹ Principle 8(39) of King IV

¹⁰ Principle 8(41) of King IV

¹¹ Principle 8(42) of King IV

- 3.9.1 have reasonable access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;
- 3.9.2 be provided with appropriate and timely training, both from an induction programme for new members and on an on-going basis;
- 3.9.3 give due consideration to laws, regulations and any published guidelines or recommendations as appropriate;
- 3.9.4 oversee any investigation of activities which are within this charter;
- 3.9.5 arrange for biennial review of its own performance;
- 3.9.6 at least annually, review its charter to ensure it is operating at maximum effectiveness; and
- 3.9.7 form and delegate authority to sub-committees or to one or more designation members of the committee.

3.10 **Authority**

The board is authorised:

- 3.10.1 to obtain any information it requires from any employee/director of the company in order to perform its duties;¹²
- 3.10.2 to obtain, at the company's expense, outside legal or otherwise professional advice on any matters within this charter;¹³ and
- 3.10.3 to request the attendance of any executive, senior management or employee at a meeting of the committee as and when required.

4. **ADMINISTRATION OF THE CHARTER**

The custodian of this charter is the company secretary who will be responsible for its administration, revision, interpretation and application. Any alternation to this charter is subject to approval by the board.

This charter was approved by the board on **2 August 2017** and becomes effective immediately on approval.

¹² Principle 6(4) of King IV

¹³ Principle 6(3) of King IV



BOARD WORK PLAN FOR THE 2018 FINANCIAL YEAR END

To be read in conjunction with the board charter:

ITEM	ACTION	NOV	FEB	MAY	AUG	RP
1.	FORMALITIES	✓	✓	✓	✓	-
1.1	Appointment of Chair for the ensuring year	-	✓	-	-	Cosec
2.	COMMITTEE REPORTS	✓	✓	✓	✓	Cosec
2.1	Note the minutes and receive feedback on the various committee meetings held prior to the board meeting					
3.	FINANCIAL REPORTING					
3.1	Presentation of Results for the Period under review	✓	✓	✓	✓	MWG
3.2	Presentation for approval of Interim Results/Annual Financial Statements	✓	-	✓	-	MWG
3.3	Approval of Press Release/SENS announcement	✓	-	✓	-	MWG
3.4	Review Going Concern Status	✓	-	✓	-	MWG
3.5	Declaration of Dividend	✓	-	✓	-	MWG
3.6	Review Budget Parameters for the new financial year	-	-	-	✓	MWG
3.7	Note Directors valuation of properties	✓	-	-	-	MWG
3.8	Review and approve the Budget for the new financial year	✓	-	-	-	MWG
3.9	Review and approve Capital Expenditure	-	-	✓	-	MWG
3.10	Review and approve any Offshore Major Capital Expenditure	✓	✓	✓	✓	MWG
4.	CORPORATE GOVERNANCE					
4.1	Resolutions	✓	✓	✓	✓	Cosec
4.1.1	Ratification of Round Robin Resolutions passed during the period under review					
4.1.2	Review Summary of Leases, Administration and Store Loan Resolutions passed during the period					
4.2	Review Corporate Governance Report	✓	✓	✓	✓	Cosec
4.2.1	Review the Board Charter and Work Plan	-	-	-	✓	Cosec
4.2.2	Review the various Committees' Terms of Reference and Work Plans	✓	-	-	✓	Cosec

ITEM	ACTION	NOV	FEB	MAY	AUG	RP
4.2.3	Receive Evaluation Feedback	✓	-	-	✓	Chairs
5.	LEGAL MATTERS	✓	✓	✓	✓	Cosec
6.	POLICIES	✓	✓	✓	✓	Cosec
6.1	Review Delegation of Authority	✓	-	-	-	MWG
6.2	Approve the various policies recommended by the respective committees					
7.	INTEGRATED REPORT					
7.1	Approve Integrated Report	✓	-	-	-	Cosec
7.2	Review Mock-up of Integrated Report and receive information on the content of the report	-	-	-	✓	Cosec
8.	GROUP STRATEGY					
8.1	Review the Group's Strategy	-	✓	-	-	GOC
9.	CHIEF EXECUTIVE OFFICERS AND MANAGING DIRECTORS REPORTS	✓	✓	✓	✓	GOC
10.	GENERAL					
10.1	Review Investor Relations Report	✓	✓	✓	✓	Cosec
10.2	Review Share Register Analysis	✓	✓	✓	✓	Cosec
10.3	Note Group Structure	✓	-	-	-	Cosec
10.4	Note Meeting Dates for the ensuing year	✓	-	-	-	Cosec
10.5	Other	✓	✓	✓	✓	Cosec
11.	NEXT MEETING	✓	✓	✓	✓	-