

**TERMS OF REFERENCE FOR THE  
NOMINATION COMMITTEE**

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**1. INTRODUCTION**

The Nomination Committee (the committee) is constituted as a committee of the board of The SPAR Group Limited (the company). Any delegation by the board of its responsibilities to a committee or a member will not by or of itself constitute a discharge of the board's accountability. The board should apply its collective mind to the information, opinions, recommendations, reports and statements presented by the committee or the member.<sup>1</sup>

These terms of reference are subject to:

- the provisions of the Companies Act 2008, as amended;
- the Companies regulations, 2011;
- the company's Memorandum of Incorporation (Mol);
- King IV Code on Corporate Governance published on 1 November 2016; and
- any other applicable law or regulatory provision.

**2. CODE ON CORPORATE GOVERNANCE (King IV)**

King IV states that:

"The governing body should consider allocating the oversight of the following to a dedicated committee, or adding it to the responsibilities of another committee as is appropriate for the company:

- The process for nominating, electing and appointing members of the board;
- Succession planning in respect of board members; and
- Evaluation of the performance of the board."<sup>2</sup>

"The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness."<sup>3</sup>

"Delegation to committees should be recorded by means of a formal terms of reference that should be approved and reviewed annually by the governing body."<sup>4</sup>

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<sup>1</sup> Principle 8(49) of King IV

<sup>2</sup> Principle 8(60) of King IV – committee responsible for nominations of members of the board

<sup>3</sup> Principle 9 of King IV

<sup>4</sup> Principle 8(42) of King IV

### 3. **SCOPE**

#### 3.1 **Membership**<sup>5</sup>

- 3.1.1 The committee shall comprise of a minimum of three members, subject to legal provisions, where applicable.<sup>6</sup> All members of the committee should be non-executive members of the board. The majority should be independent.<sup>7</sup>
- 3.1.2 Members of the committee and its chair are appointed by the board.
- 3.1.3 Appointments shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members (other than the chair of the board, if he or she is a members of the committee) continue to be independent.<sup>8</sup>
- 3.1.4 The chief executive officer of the company should not be a member of the committee<sup>9</sup>, but shall attend committee meetings by standing invitation. Members of the executive, senior management and external advisors may be invited to attend all or part of the meeting, as and when appropriate and necessary to provide pertinent information and insights in their areas of responsibility. Every member of the board is entitled to attend the committee meeting as an observer. However, unless that member is also a member of the committee, the member is not entitled to participate without the consent of the chair of the committee; does not have a vote; and is not entitled to fees for such attendance, unless payment of fees is agreed to by the board and shareholders.<sup>10</sup>
- 3.1.5 The members of the committee as a whole must have necessary knowledge, skills, experience and capacity to execute it duties.<sup>11</sup>

#### 3.2 **Secretary**

The company secretary or his or her nominee shall act as the secretary of the committee.

#### 3.3 **Quorum**

The quorum necessary for the transaction of business shall be two members.

#### 3.4 **Meetings**<sup>12</sup>

- 3.4.1 The committee must hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference, but subject to a minimum of three meetings per year.
- 3.4.2 Meetings of the committee shall be called by the secretary of the committee in accordance with the year planner. Meetings in addition to those scheduled may be held at the request

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<sup>5</sup> Principle 8(43)(a) of King IV – composition of the committee

<sup>6</sup> Principle 8(46) of King IV – each committee should have minimum of three members, where applicable

<sup>7</sup> Principle 8(61) of King IV

<sup>8</sup> Principle 8(43)(d) of King IV – tenure of the committee

<sup>9</sup> Principle 10(79) of King IV

<sup>10</sup> Principle 8(48) of King IV

<sup>11</sup> Principle 8(45) of King IV

<sup>12</sup> Principle 8(43)(g) of King IV – meeting procedures to be followed

of the board, the chair of the committee, the chair of the board, the chief executive officer or other members of the executive or senior management.

- 3.4.3 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 committee, 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 committee members and to other attendees at the same time.
- 3.4.4. Committee 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.
- 3.4.5 Committee members must be fully prepared for the committee meeting and should provide appropriate and constructive input on matters discussed.
- 3.4.6 In the absence of the committee chair, the remaining members present shall elect one of themselves to chair the meeting.
- 3.4.7 The committee 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 these terms of reference. The more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis 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.
- 3.4.8 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board. The minutes must be formally approved by the committee at its next scheduled meeting.

### 3.5 **Annual General Meeting**

The committee chair should attend the annual general meeting to answer any shareholder questions on the committee's activities.

### 3.6 **Duties**<sup>13</sup>

The committee should:

- 3.6.1 regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and its committees and make recommendations to the board with regard to any changes;<sup>14</sup>
- 3.6.2 be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise. In identifying suitable candidates, the committee shall utilise the board appointment policy;

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<sup>13</sup> Principle 8(43)(b) of King IV – the committee's overall role and associated responsibilities and functions

<sup>14</sup> Principle 8(60)(a) of King IV & Article 51(8) of the company's memorandum of incorporation

- 3.6.3 review the board appointment policy and the required powers and duties of the members of the board, including the chief executive officer;
- 3.6.4 review the gender diversity policy. The policy should set voluntary targets in respect of gender diversity at board level within a certain timeframe;<sup>15</sup>
- 3.6.5 consider the appointment of the chair of the board for the ensuring year and review his or her required role and function. For the appointment of the chair, the committee should prepare a job specification, including the time commitment expected;
- 3.6.6 give full consideration to succession planning for members of the board and other senior executives in the course of its work by reviewing the succession plan and BEE analysis, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the board in the future;<sup>16</sup>
- 3.6.7 keep under review the leadership needs of the company, both executive and non-executive by considering training and development, as may be appropriate, for the members of the board, executive and senior management;
- 3.6.8. implement a formal process for evaluating the performance of the board, its committees, its chair and its individual members at least every two years;<sup>17</sup>
- 3.6.9 consider the appointment of an independent non-executive member to lead the evaluation of the chair's performance if a lead independent is not in place;<sup>18</sup>
- 3.6.10 review the results of the board performance evaluation process that relate to the composition of the board and its committees, including its chair and its individual members;<sup>19</sup>
- 3.6.11 keep up to date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates, such as HR risks, which are (but not limited to) talent management and succession planning;

The committee shall also make recommendations to the board concerning:

- 3.6.12 formulating plans for succession for both executive and non-executive members of the board and in particular for the key roles of chair and chief executive officer;
- 3.6.13 membership of the various committee, in consultation with the chair of those committees;
- 3.6.14 the re-appointment of any non-executive director at the conclusion of their specified terms of office having given due regard to their performance and ability to continue to contribute to the board;
- 3.6.15 the re-election by shareholders of the retirement by rotation provisions of the MoI, having due regard to tenure, independence, performance and ability to continue to contribute to

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<sup>15</sup> Paragraph 3.84(k) of the JSE Listing Requirements

<sup>16</sup> Principle 8(60)(b) of King IV – succession planning in respect of the board members

<sup>17</sup> Principle 9(73) of King IV

<sup>18</sup> Principle 9(72) of King IV

<sup>19</sup> Principles 8(60)(c) & 9(71) to 9(75) of King IV – evaluation of the performance of the board

the board and the need for progressive refreshing of the board (particularly in relation to independent non-executive directors being re-elected for a term beyond nine years);<sup>20</sup>

3.6.16 any matters relating to the continuation in office of any board member at any time including the suspension or termination of services of an executive director as an employee of the company subject to the provisions of the law and their service contract; and

3.6.17 fulfil such other additional functions as may be delegated to it by the board.

### 3.7 **Reporting responsibilities**

3.7.1 The committee chair shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

3.7.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

3.7.3 The committee shall ensure that provisions regarding disclosure of information are fulfilled and produce a report to be included in the company's annual report. The following should be disclosed:<sup>21</sup>

3.7.3.1 its overall role and associated responsibilities and functions;

3.7.3.2 its composition, including each member's qualifications and experience;

3.7.3.3 any external advisers or invitees who regularly attend committee meetings;

3.7.3.4 key areas of focus during the reporting period;

3.7.3.5 the number of meetings held during the reporting period and attendance at those meetings;

3.7.3.6 whether the committee is satisfied that it fulfilled its responsibilities in accordance with its terms of reference for the reporting period;

3.7.3.7 a statement in respect of the board's policy on diversity; and

3.7.3.8 the process used to make appointments.

### 3.8 **Other matters**

The committee shall:

3.8.1 have reasonable access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;<sup>22</sup>

3.8.2 be provided with appropriate and timely training, both from an induction programme for new members and on an on-going basis;

<sup>20</sup> Article 5.1(10)&(11) of the company's memorandum of incorporation

<sup>21</sup> Principle 8(50)(a) to (f) of King IV – disclosure requirements

<sup>22</sup> Principle 8(43)(f) of King IV – the committee's access to resources and information

- 3.8.3 give due consideration to laws, regulations and any published guidelines or recommendations as appropriate;
- 3.8.4 oversee any investigation of activities which are within these terms of reference;
- 3.8.5 arrange for biennial review of its own performance;<sup>23</sup>
- 3.8.6 at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval;<sup>24</sup>and
- 3.8.7 form and delegate authority to sub-committees or to one or more designation members of the committee, as and when required.

### 3.9 **Authority**<sup>25</sup>

The committee is authorised:

- 3.9.1 to obtain any information it requires from any employee or director of the company in order to perform its duties;
- 3.9.2 to obtain, at the company's expense, outside legal or otherwise professional advice on any matters within these terms of reference; and
- 3.9.3 to request the attendance of any executive, senior management or employee at a meeting of the committee, as and when required.

## 4. **ADMINISTRATION OF THIS TERMS OF REFERENCE**

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

These terms of reference were approved by the board on **2 August 2017** and becomes effective immediately on approval.

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<sup>23</sup> Principles 8(43)(h) & 9(74) of King IV – evaluating the committee's performance

<sup>24</sup> Principle 8(42) of King IV – formal terms of reference should be approved and reviewed annually by the board

<sup>25</sup> Principle 8(43)(c) of King IV – delegation of authority with respect to decision-making

## NOMINATION COMMITTEE WORK PLAN FOR THE 2018 FINANCIAL YEAR

To be read in conjunction with the committee's terms of reference.

ITEM	ACTION	NOV	FEB	AUG	RP
1.	<b>FORMALITIES</b>	✓	✓	✓	-
2.	<b>BOARD AND COMMITTEE COMPOSITION</b>	-	-	✓	<b>COSEC</b>
2.1	Review the structure, size and composition of the board and its committees <sup>(3.6.1 &amp; 3.6.13)</sup>				
2.2	Review the appointment of the chair of the board for the ensuing year and his/her role and responsibilities <sup>26</sup> <sup>(3.6.5)</sup>				
3.	<b>POLICIES AND PROCEDURES</b> (refer below)	<b>As required</b>			<b>COSEC</b>
4.	<b>NON-EXECUTIVE DIRECTORS</b>	-	-	✓	<b>COSEC</b>
4.1	Consider the re-appointment/re-election of non-executive directors at the conclusion of their specified terms of office <sup>(3.6.14 &amp; 3.6.15)</sup>				
5.	<b>SUCCESSION PLANNING</b>	-	✓	-	<b>GOC</b>
5.1	Review succession plan for the chair of the board <sup>27</sup> , board members <sup>28</sup> , the chief executive officer <sup>29</sup> and executive management <sup>30</sup> (including a BEE analysis) <sup>(3.6.6 &amp; 3.6.12)</sup>				
6.	<b>TRAINING AND DEVELOPMENT</b>	✓	-	-	<b>GOC</b>
6.1	Review any <b>training and development requirements</b> for members of the board, executives and senior management <sup>(3.6.7)</sup>				
6.2	Review <b>induction programme</b>				
7.	<b>EVALUATIONS</b>				
7.1	Review the <b>evaluation process</b> <sup>(3.6.8)</sup>	-	-	<b>2019</b>	<b>COSEC</b>
7.2	Review <b>board, board committees, chair and individual directors' evaluations</b> <sup>(3.6.10)</sup>	-	-	<b>2019</b>	<b>COSEC</b>
7.3	Review the <b>committee's performance evaluation</b> <sup>(3.8.5)</sup> (to be conducted in 2019)	-	-	<b>2019</b>	<b>COSEC</b>
7.4	Evaluate the <b>performance of the chief executive officer</b> against agreed performance measures and targets <sup>31</sup>	-	-	✓	<b>COSEC</b>

<sup>26</sup> King IV 7.33

<sup>27</sup> King IV 7.37

<sup>28</sup> King IV 7.13

<sup>29</sup> King IV 10.81

<sup>30</sup> King IV 10.88

ITEM	ACTION	NOV	FEB	AUG	RP
8.	<b>CORPORATE GOVERNANCE</b>				
8.1	Review its <b>terms of reference and work plan</b> <sup>(3.8.6)</sup>	-	-	✓	COSEC
8.2	Review the <b>nomination committee report to be included in the AR</b>	✓	-	-	COSEC
9.	<b>GENERAL</b>	✓	✓	✓	ALL
9.1	Consider any <b>Human Resource risks</b> , which are (but not limited) to talent management and succession planning <sup>(3.6.11)</sup>	As required			GOC
9.2	<b>Other</b>	✓	✓	✓	ALL
10.	<b>NEXT MEETING</b>	✓	✓	✓	-

**Policies/Procedures to be reviewed by the Committee:**

POLICY/PROCEDURE	LAST APPROVED	NEXT REVIEW
Board appointment policy <sup>(3.6.2 &amp; 3.6.3)</sup>	13 Nov 2012	Nov 2017
Gender diversity policy (JSE LR) <sup>32 (3.6.4)</sup>	15 Nov 2016	Feb 2018
Role and responsibilities of the chair	12 Aug 2014	Nov 2017
Powers and duties of directors, including the chief executive <sup>(3.6.3)</sup>	12 Aug 2015	Feb 2018

Policies/procedures are to be reviewed every three years or as and when required.

<sup>31</sup> King IV 10.82

<sup>32</sup> King IV 7.11