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## TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

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### 1. **INTRODUCTION**

The Remuneration 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;
- 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 ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term."<sup>2</sup>

"The board should consider allocating oversight of remuneration to a dedicated committee, or adding it to the responsibilities of another committee as is appropriate for the company."<sup>3</sup>

### 3. **SCOPE**

#### 3.1 **Membership**<sup>4</sup>

3.1.1 The committee shall comprise of a minimum of three members subject to legal provisions, where applicable.<sup>5</sup> All members of the committee should be non-executive members of the board, with the majority being independent non-executive members of the board.<sup>6</sup>

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

<sup>2</sup> Principle 14 of King IV – remuneration governance

<sup>3</sup> Principle 8(65) of King IV – committee responsible for remuneration

<sup>4</sup> Principle 8(43)(a) of King IV – composition of the committee

<sup>5</sup> Principle 8(46) of King IV – each committee should have a minimum of three members, where applicable

<sup>6</sup> Principle 8(66) of King IV

- 3.1.2 Members of the committee and its chair are appointed by the board, on the recommendation of the nomination committee and in consultation with the chair of the remuneration committee.
- 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>7</sup>
- 3.1.4 The chair of the committee should be an independent non-executive director.<sup>8</sup>
- 3.1.5 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>
- 3.1.6 The members of the committee as a whole must have sufficient 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 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

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<sup>7</sup> Principle 8(43)(d) of King IV – tenure of the committee

<sup>8</sup> Principle 8(67) of King IV

<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

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 assist in setting the direction for how remuneration should be approached and addressed on an organisation-wide basis and recommend a policy for approval by the board that articulates and gives effect to its direction on fair, responsible and transparent remuneration;<sup>14</sup>
- 3.6.2 recommend and monitor the level and structure of remuneration of the chief executive officer and executive team, including their performance and bonuses;
- 3.6.3 regularly review incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the scheme rules;
- 3.6.4 consider conditional share plan awards;

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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 14(26)&(27) of King IV

- 3.6.5 review, consider and recommend to shareholders the remuneration of non-executive directors;
- 3.6.6 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) remuneration and performance alignment; and
- 3.6.7 have an overview of any major changes in employee benefits structures.

### 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 of the company's remuneration policy and practices to be included in the company's annual report and ensure each year that it is put to shareholders for approval at the annual general meeting. Refer to annexure A regarding the remuneration policy recommendations<sup>15</sup>. In addition, the following should be disclosed:<sup>16</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; and
  - 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.

### 3.8 **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 secretary for assistance as required;<sup>17</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;

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<sup>15</sup> Principles 14(28)to(39) of King IV

<sup>16</sup> Principle 8(50) of King IV

<sup>17</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 regarding the remuneration of directors and formation and operation of share schemes;
- 3.8.4 oversee any investigation of activities which are within its terms of reference;
- 3.8.5 arrange for biennial review of its own performance<sup>18</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>19</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>20</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>18</sup> Principles 8(43)(h) & 9(74) of King IV – evaluating the committee's performance

<sup>19</sup> Principle 8(42) of King IV – formal terms of reference should be approved and reviewed annually by the board

<sup>20</sup> Principle 8(43)(c) of King IV – delegation of authority with respect to decision-making

**REMUNERATION POLICY RECOMMENDATIONS IN TERMS OF KING IV CODE ON CORPORATE GOVERNANCE**

No.	Recommendation
26.	The <b>remuneration policy</b> should be designed to achieve the following objectives:
a.	To attract, motivate, reward and retain human capital.
b.	To promote positive outcomes.
c.	To promote an ethical culture and responsibilities corporate citizenship.
27.	The <b>remuneration policy should address organisation-wide remuneration</b> and include provision for the following specifically:
a.	Arrangements towards ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration in the organisation.
b.	The use of performance measures that support positive outcomes across the economic, social and environmental context in which the organisation operates, and/or all the capitals that the organisation uses or affects.
c.	If the organisation is a company, the voting by shareholders on the remuneration policy and implementation report, and for the implementation of related responding measures as outlined under Voting on Remuneration below.
28.	<b>All elements of remuneration that are offered in the organisation and the mix of these should be set out in the remuneration policy</b> , including:
a.	Base salary, including financial and non-financial benefits.
b.	Variable remuneration, including short and long-term incentives and deferrals.
c.	Payment on termination of employment or office.
d.	Sign-on, retention and restraint payments.
e.	The provisions, if any for pre-vesting ( <i>matrus</i> ) and post vesting forfeiture (claw-back) of remuneration.
f.	Any commission and allowances.
g.	The fees of non-executive members of the board.
29.	The board should oversee that implementation and execution of the remuneration policy achieves the objectives of the policy.
<b><u>Remuneration report</u></b>	
30.	The board should ensure that remuneration is disclosed by means of a remuneration report in three parts:
a.	A background statement.
b.	An overview of the main provisions of the remuneration policy.
c.	An implementation report which contains details of all remuneration awarded to individual members of the board and executive management during the reporting period.

No.	Recommendation
<b><u>Background statement</u></b>	
31.	The background statement should briefly provide context for remuneration considerations and decisions, with reference to:
a.	Internal and external factors that influence remuneration;
b.	The most recent results of voting on the remuneration policy and the implementation report and the measures taken in accordance thereto;
c.	Key areas of focus and key decisions taken by the remuneration committee during the reporting period, including any substantial changes to the remuneration policy;
d.	Whether remuneration consultants have been used, and whether the remuneration committee is satisfied that they were independent and objective;
e.	The views of the remuneration committee on whether the remuneration policy achieved its stated objectives; and
f.	Future areas of focus.
<b><u>Overview of remuneration policy</u></b>	
32.	The overview of the main provisions of the remuneration policy should address the objectives of the policy and the manner in which the policy seeks to accomplish these. The overview should include the following:
a.	The remuneration elements and design principles informing the remuneration arrangements for executive management and, at a high level, for other employees.
b.	Details of any obligations in executive employment contracts which could give rise to payments on termination of employment or office.
c.	A description of the framework, and performance measures used to assess the achievement of strategic objectives and positive outcomes, including the relative weighting of each performance measure and the period of time over which it is measured.
d.	An illustrative of the potential consequences on the total remuneration for executive management, on a single, total figure basis, of applying the remuneration policy under minimum, on-target and maximum performance outcomes.
e.	An explanation of how the policy addresses fair and responsible remuneration for executive management in the context of overall employee remuneration.
f.	The use and justification of remuneration benchmarks.
g.	The basis for the setting of fees for non-executive directors.
h.	A reference to an electronic link to the full remuneration policy for public access.
<b><u>Implementation report</u></b>	
33.	The implementation report, which includes the remuneration disclosure in terms of the Companies Act, should reflect the following:
a.	The remuneration of each member of the executive management, which should include in separate tables:
i.	A single, total figure of remuneration, received and receivable for the reporting period, and all the remuneration elements that it comprises, each disclosed at fair value;

No.	Recommendation
ii.	The details of all awards made under variable remuneration incentive schemes in the current and prior years that have not yet vested, including the number of awards, the values at date of grant, their award vesting and expiry dates (where applicable) and the fair value at the end of the reporting period; and
iii.	The cash value of all awards made under variable remuneration incentives schemes that were settled during the reporting period.
b.	An account of the performance measures used and the relative weighting of each, as a result of which awards under variable remuneration incentive schemes have been made, including the targets set for the performance measures and the corresponding value of the award opportunity, and for each performance measure, how the organisation and executive managers, individually, performed against the set targets.
c.	Separate disclosure of, and reasons for, any payments made on termination of employment or office.
d.	A statement regarding compliance with, and any deviations from, the remuneration policy.
<b><u>Voting on remuneration (only applicable to companies)</u></b>	
34.	In terms of the Companies Act, fees for non-executive directors for their services must be submitted for approval by special resolution by shareholders <u>within the two years</u> preceding payment.
35.	The remuneration policy and the implantation report should be tabled every year for separate non-binding advisory votes by shareholders at the AGM.
36.	The remuneration policy should record the measures that the board commits to take in the event that either the remuneration policy or the implementation report, or both have been voted against by 25% or more of the voting rights exercised. Such measures should provide for taking steps in good faith and with best reasonable efforts towards the following at a minimum:
a.	An engagement process to ascertain the reasons for the dissenting votes.
b.	Appropriately addressing legitimate and reasonable objectives and concerns raised, which may include amending the remuneration policy, or clarifying or adjusting remuneration governance and/or processes.
37.	In the event that either the remuneration policy or the implementation report, or both were voted against by 25% or more of the voting rights exercisable, the following should be disclosed in the background statement of the remuneration report succeeding the voting:
a.	With whom the company engaged, and the manner and form of engagement to ascertain the reason for dissenting votes; and
b.	The nature of steps taken to address legitimate and reasonable objections and concerns.






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## REMUNERATION COMMITTEE WORK PLAN FOR THE 2018 FINANCIAL YEAR

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

ITEM	ACTION	NOV	FEB	AUG	RP
1.	<b>FORMALITIES</b>	✓	✓	✓	-
2.	<b>REMUNERATION POLICY AND REPORT</b>	✓	-	-	<b>COSEC</b>
2.1	Review and recommend to the board the <b>remuneration report and policy</b> to be included in the annual report <sup>(3.6.1)</sup>				
3.	<b>REMUNERATION</b>	-	-	✓	<b>GOC</b>
3.1	Review, consider and recommend the remuneration of non-executive directors <sup>(3.6.5)</sup>				
3.2	Monitor the level and structure of remuneration of the chief executive officer and executive team, including their performance and recommend to the board the proposed increase for the ensuing year <sup>(3.6.2)</sup>				
4.	<b>INCENTIVE SCHEME</b>				
4.1	Consider <b>proposed bonuses to the chief executive officer and executive team</b> <sup>(3.6.2)</sup>	✓	-	-	<b>GOC</b>
4.2	Consider any <b>conditional share plan awards</b> <sup>(3.6.4)</sup>	-	✓	-	<b>GOC</b>
4.3	Review the various incentive schemes in place to ensure continued contribution to shareholder value and that these are administered in terms of the scheme rules <sup>(3.6.3)</sup>	-	✓	-	<b>GOC</b>
5.	<b>CORPORATE GOVERNANCE</b>	-	-	✓	<b>COSEC</b>
5.1	Review its terms of reference and 2019 work plan				
5.2	Review the committee's performance evaluation (to be conducted in 2019) <sup>(3.8.5)</sup>				
6.	<b>GENERAL</b>	✓	✓	✓	-
6.1	Consider any Human Resource risks, which are (but not limited to) remuneration and performance alignment <sup>(3.6.6)</sup>	<b>As required</b>			<b>GOC</b>
6.2	Consider any major changes in employee benefits structures <sup>(3.6.7)</sup>	<b>As required</b>			<b>GOC</b>
6.3	Other	✓	✓	✓	<b>ALL</b>
7.	<b>NEXT MEETING</b>	✓	✓	✓	-