



---

## TERMS OF REFERENCE FOR THE RISK COMMITTEE

---

### 1. INTRODUCTION

The Risk Committee (the committee) is constituted as a committee of the board of The SPAR Group Limited (the company). The 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 consider allocating the oversight of risk governance to a dedicated committee or adding it to the responsibilities of another committee as is appropriate for the company."<sup>2</sup>

"The governing body should govern risk in a way that supports the company in setting and achieving its strategic objectives.<sup>3</sup> Risk governance should encompass both:

- The opportunities and associated risks to be considered when developing strategy; and
- The potential positive and negative effects of the same risks on the achievement of company objectives."

"The governing body should govern technology and information in a way that supports the company setting and achieving its strategic objectives."<sup>4</sup>

"The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen."<sup>5</sup>

---

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

<sup>2</sup> Principle 8(62) of King IV

<sup>3</sup> Principle 11 of King IV – risk governance

<sup>4</sup> Principle 12 of King IV

### 3. **SCOPE**

#### 3.1 **Membership**<sup>6</sup>

- 3.1.1 The committee shall comprise of at least three members.<sup>7</sup> The committee should have executive and non-executive members, with a majority being non-executive directors of the board.<sup>8</sup> The activities of the risk committee should involve participation by the chair of the audit committee.<sup>9</sup>
- 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 risk committee.
- 3.1.3 The chair should be an independent non-executive member.
- 3.1.4 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>10</sup>
- 3.1.5 The chair of the board, the chief executive, the finance director, the risk and sustainability executive, the logistics executive, the IT executive and the internal audit manager shall attend committee meetings by standing invitation. 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. 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; 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>11</sup>
- 3.1.6 The members of the committee as a whole must have sufficient knowledge, skills, experience and capacity to executive it duties.<sup>12</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.

---

<sup>5</sup> Principle 13 of King IV

<sup>6</sup> Principle 8(43)(a) of King IV – composition of committee

<sup>7</sup> Principle 8(46) of King IV – each committee should have minimum of three members, where applicable

<sup>8</sup> Principle 8(64) of King IV

<sup>9</sup> Principle 8(63) of King IV – one or more members to have joint membership of both the audit and risk committees for more effective functioning.

<sup>10</sup> Principle 8(43)(d) of King IV – tenure of the committee

<sup>11</sup> Principle 8(48) of King IV

<sup>12</sup> Principle 8(45) of King IV

### 3.4 **Meetings**<sup>13</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 two meetings per year.
- 3.4.2 Meetings of the committee shall be called by the secretary 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 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 as agreed in the work plan. The number, timing and length of meetings, and the agendas are to be determined in accordance with the work plan.
- 3.4.8 The secretary shall minute the proceedings of all meetings of the committee.
- 3.4.9 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.

---

<sup>13</sup> Principle 8(43)(g) of King IV – meeting procedures to be followed

### 3.6 Duties<sup>14</sup>

The committee should:

3.6.1. gain assurance that there is comprehensive and effective:<sup>15</sup>

3.6.1.1 management of risks (strategic, fraud, physical and financial),

3.6.1.2 implementation and execution of effective technology and information management;

3.6.1.3 compliance management.

3.6.2 annually review and recommend to the board:<sup>16</sup>

3.6.2.1 the risk management policy and plan and monitor the implementation thereof. The policy must articulate and give effect to the company's set direction on risk;

3.6.2.2 the IT strategy and governance framework and monitor the implementation thereof;

3.6.2.3 the compliance policy. The policy must articulate and give effect to the company's direction and compliance, and must identify which non-binding rules, codes and standards the company has adopted;

3.6.3 consider the need to receive periodic independent assurance on the effectiveness of:<sup>17</sup>

3.6.3.1 risk management;

3.6.3.2 the company's technology and information arrangements, including outsourcing services;

3.6.3.3 compliance management.

### 3.6.4 Risk governance

The committee should:

3.6.4.1 evaluate and recommend to the board the nature and extent of the risks that the company should be willing to take in pursuit of its strategic objects, in particular, the company's risk appetite (namely its propensity to take appropriate levels of risk and the limit of the potential loss the company has the capacity to tolerate);<sup>18</sup> and

3.6.4.2 exercise ongoing oversight of risk management and in particular, oversee that it results in the following:<sup>19</sup>

---

<sup>14</sup> Principle 8(43)(b) of King IV – the committee's overall role and associated responsibilities and functions

<sup>15</sup> Principles 11(5), 12(11) and 13(20) of King IV

<sup>16</sup> Principles 11(3), 12(16) & 13(19) of King IV – periodic independent assurance

<sup>17</sup> Principle 11(7), 12(16) & 13(22) of King IV

<sup>18</sup> Principle 11(4)(a)to(b) of King IV

<sup>19</sup> Principle 11(6)(a)to(f) of King IV

- 3.6.4.2.1 an assessment of risks and opportunities emanating from the triple context in which the company operates and the capitals that the company uses and affects;
- 3.6.4.2.2 an assessment of the potential upside, or opportunity, presented by risks with potentially negative effects on achieving company objectives;
- 3.6.4.2.3 an assessment of the company's dependence on resources and relationships as represented by the various forms of capital;
- 3.6.4.2.4 the design and implementation of appropriate risk responses;
- 3.6.4.2.5 the establishment and implementation of business continuity arrangements that allow the company to operate under conditions of volatility, and to withstand and recover from acute shocks;
- 3.6.4.2.6 the integration and embedding of risk management in the business activities and culture of the company.

3.6.4.3 gain assurance that there is a proper process on business rescue proceedings or other turnaround mechanisms as soon as the company is financially<sup>20</sup>;

#### 3.6.5 Technology and information governance

3.6.5.1 The committee should exercise ongoing oversight of technology and information management and, in particular, oversee that it results in the following:<sup>21</sup>

- 3.6.5.1.1 integration of people, technologies, information and processes across the company;
- 3.6.5.1.2 integration of technology and information into company-wide risk management;
- 3.6.5.1.3 arrangements to provide for business resilience;
- 3.6.5.1.4 proactive monitoring of intelligence to identify and respond to incidents, including cyber-attacks and adverse social events;
- 3.6.5.1.5 management of the performance of, and the risks pertaining to, third party and outsourced service providers;
- 3.6.5.1.6 the assessment of value delivered to the company through significant investments in technology and information, including the evaluation of projects throughout their life cycles and of significant operational expenditure;
- 3.6.5.1.7 the responsible disposal of obsolete technology and information in a way that has regard to environmental impact and information security;
- 3.6.5.1.8 ethical and responsible use of technology and information;
- 3.6.5.1.9 compliance with relevant laws;

---

<sup>20</sup> Chapter 6 of the Companies Act, 2008 as amended

- 3.6.5.1.10 the leveraging of information to sustain and enhance the company's intellectual capital;
- 3.6.5.1.11 an information architecture that supports confidentiality, integrity and availability of information;
- 3.6.5.1.12 the protection of privacy of personal information;
- 3.6.5.1.13 the continual monitoring of security of information;
- 3.6.5.1.14 a technology architecture that enables the achievement of strategic and operational objectives;
- 3.6.5.1.15 the management of the risks pertaining to the sourcing of technology;
- 3.6.5.1.16 monitoring and appropriate responses to developments in technology, including the capturing of potential opportunities and the management of disruptive effects on the company and its business model;

### 3.6.6 Compliance governance

3.6.6.1 The committee should exercise ongoing oversight of compliance and, in particular, oversee that it results in the following:<sup>22</sup>

- 3.6.6.1.1 compliance being understood not only for the obligations it creates, but also for the rights and protections it affords;
- 3.6.6.1.2 compliance management taking a holistic view of how applicable laws and non-binding rules, codes and standards relate to one another; and
- 3.6.6.1.3 continual monitoring of the regulatory environment and appropriate responses to changes and developments.

### 3.7 Reporting responsibilities<sup>23</sup>

- 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 provision regarding disclosure of information are fulfilled and produce a report of its activities in the company's annual report. The following should be disclosed:<sup>24</sup>

#### 3.7.3.1 General disclosure

---

<sup>21</sup> Principles 12(13)(a)to(i), 12(14)(a)to(d) & 12(15)(a)to(c)of King IV

<sup>22</sup> Principle 13(21) of King IV

<sup>23</sup> Principle 8(43)(e) of King IV – when and how the committee should report to the board and others

<sup>24</sup> Principles 8(50), 11(8)&(9)(a)to(d), 12(17)(a)to(d), 13(23)(a)to(d), 13(24) & 13(25) of King IV –disclosure requirements

- 3.7.3.1.1 its overall role and associated responsibilities and functions;
- 3.7.3.1.2 its composition, including each member's qualifications and experience;
- 3.7.3.1.3 any external advisers or invitees who regularly attend committee meetings;
- 3.7.3.1.4 key areas of focus during the reporting period;
- 3.7.3.1.5 the number of meetings held during the reporting period and attendance at those meetings;
- 3.7.3.1.6 whether the committee is satisfied that it fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

### 3.7.3.2 Risk, IT and information compliance disclosure

- 3.7.3.2.1 the nature and extent of the risks and opportunities the company is willing to take without compromising sensitive information;
- 3.7.3.2.2 an overview of the arrangement for governing and managing risk, technology information and compliance;
- 3.7.3.2.3 key areas of focus during the reporting period, including objectives, the key risks that the company faces, as well as undue, unexpected or unusual risks and risks taken outside of risk tolerance levels, significant changes in policy, significant acquisition and remedial actions taken as a result of major incidents;
- 3.7.3.2.4 actions taken to monitor the effectiveness of risk management, technology and information and compliance management and how the outcomes were addressed;
- 3.7.3.2.5 planned areas of future focus;
- 3.7.3.2.6 material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations, whether on the company or on members of the board or officers; and
- 3.7.3.2.7 details of monitoring and compliance inspections by environmental regulators, findings of non-compliance with environmental laws, or criminal sanctions and prosecutions for such non-compliance.

## 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>25</sup>

---

<sup>25</sup> Principle 8(43)(f) of King IV – the committee's access to resources and information

- 3.8.2 be provided with appropriate and timely training, both from an induction programme for new members and on an on-going basis;
- 3.8.3 give due consideration to laws, regulations and any published guidelines or recommendations;
- 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>26</sup> and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval<sup>27</sup>; and
- 3.8.6 form and delegate authority to sub-committees or to one or more designation members of the committee.

### 3.9 **Authority**

The committee is authorised:

- 3.9.1 to obtain any information it requires from any employee/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 THESE TERMS OF REFERENCE**

The custodian of these 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.

---

<sup>26</sup> Principles 8(43)(h) & 9(74) of King IV – evaluating the committee's performance

<sup>27</sup> Principle 8(42) of King IV – formal terms of reference should be approved and reviewed annually by the board




---

## RISK COMMITTEE WORK PLAN FOR THE 2018 FINANCIAL YEAR

---

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

ITEM	ACTION	FEB	AUG	RP
1.	<b>FORMALITIES</b>	✓	✓	-
2.	<b>RISK GOVERNANCE</b>			
2.1	Review the <b>Operations Risk Reports</b> <i>(Financial, Human Resources, Logistics, Food Safety)</i>	✓	✓	MWG/TT TDC/LW
2.2	Review the <b>Enterprise Risk Management Plan and Implementation</b>	✓	-	KJO'B
2.3	Review the <b>Enterprise Risk Management Policy and Framework</b> and recommend to the board for approval	-	✓	KJO'B
2.4	Review the <b>Group's Strategic Risk Profile</b>	✓	✓	KJO'B
2.5	Assessment of <b>Unpredictable Risk</b>	✓	-	KJO'B
2.6	Internal Audit <b>Risk Management Review</b>	-	✓	SN
3.	<b>TECHNOLOGY AND INFORMATION GOVERNANCE</b>			
3.1	Review the <b>IT Risk Report</b>	✓	✓	EPS
3.2	Review the <b>IT Strategy and Framework</b> and recommend to the board for approval	✓	-	EPS
3.3	Review <b>IT Investment and Expenditure</b>	-	✓	EPS
3.4	Note <b>Computer Audit Plan</b>	✓	-	Deloitte
3.5	Review <b>Computer Audit Summary</b>	-	✓	Deloitte
4.	<b>COMPLIANCE GOVERNANCE</b>			
4.1	Review <b>Compliance Report</b> and recommend to the board for approval	✓	✓	Cosec
4.2	Review <b>Compliance Policy and Framework</b>	✓	-	Cosec
5.	<b>CORPORATE GOVERNANCE</b>			
5.1	Review its <b>Terms of Reference and Work Plan</b>	-	✓	Cosec
5.2	Review the <b>Committee's Performance</b>	-	✓	Cosec
6.	<b>ASSURANCE</b>			
6.1	Review the Minutes of the various Committee meetings held during the period	✓	✓	Cosec

ITEM	ACTION	FEB	AUG	RP
7.	<b>INTEGRATED REPORTING</b>			
7.1	Review the <b>Risk Management Report</b> for inclusion in the IAR	-	✓	KJO'B/ Cosec
8.	<b>OTHER</b>			
8.1	<b>Business Rescue</b>	As required		-
8.2	<b>Group Insurance Cover</b> feedback	✓	✓	MWG/ Cosec
9.	<b>GENERAL</b>	✓	✓	
10.	<b>NEXT MEETING</b>	✓	✓	

**Policies to be reviewed by the Committee**

Policies are to be reviewed annually or when required.

POLICY	LAST APPROVED	NEXT REVIEW
Enterprise Risk Management Policy and Framework	19 Sep 2016	Feb 2018
IT Strategy and Framework	30 May 2017	Feb 2018
Compliance Policy and Framework	11 Feb 2014	Feb 2018