



TERMS OF REFERENCE FOR THE SOCIAL AND ETHICS

1. **INTRODUCTION**

The Social and Ethics Committee (the committee) is constituted as a statutory committee¹ and 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.²

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 oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships to a dedicated committee".³

"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".⁴

3. **SCOPE**

3.1 **Membership**⁵

3.1.1 The committee shall comprise of at least three members.⁶ The committee should, subject to legal provisions, have executive and non-executive members, with a majority being non-executive members of the board.⁷

¹ Section 72(4-10) of the Companies Act & section 43 of the Companies Regulations

² Principle 8(49) of King IV

³ Principle 8(68) of King IV

⁴ Principle 8(42) of King IV

⁵ Principle 8(43)(a) of King IV – composition of committee

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

- 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 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.⁸
- 3.1.5 The chair of the board and the chief executive 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.⁹
- 3.1.6 The members of the committee as a whole must have sufficient knowledge, skills, experience and capacity to executive it duties.¹⁰

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**¹¹

- 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.

⁷ Principle 8(70) of King IV

⁸ Principle 8(43)(d) of King IV – tenure of the committee

⁹ Principle 8(48) of King IV

¹⁰ Principle 8(45) of King IV

¹¹ Principle 8(43)(g) of King IV – meeting procedures to be followed

- 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.

3.6 **Duties**¹²

3.6.1 **Statutory duties**¹³

The committee should monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- 3.6.1.1 Social and Economic Development – the company's compliance with relevant standards particularly with the United Nations Global Compact; Organisation for Economic Co-operation and Development (OECD) recommendations on corruption; Employment Equity Act and Broad-based Black Economic Empowerment Act;
- 3.6.1.2 Good Corporate Citizenship – includes promotion of equality, prevention of unfair discrimination, reduction of corruption; contribution to community development; sponsorship, donations and charitable giving; environmental risks, health and public safety as well as reputational risks and other related risks;

¹² Principle 8(43)(b) of King IV – the committee's overall role and associated responsibilities and functions

¹³ Section 43(5) of the Companies Act

- 3.6.1.3 Consumer Relationships – including advertising; public relations; compliance with Consumer Protection laws;
- 3.6.1.4 Labour and Employment – including employment relationships; contributions towards the educational development of employees. This would also include the company’s compliance with relevant standards such as the International Labour Organisation Protocol on decent work and working conditions; and
- 3.6.1.5 Ethics Management – recognising the importance of all the stakeholders of the organisation. This includes minimizing the negative impacts and maximising the positive impacts of the organisation in the communities within which it operates.

3.6.2 Board duties

The committee should:

- 3.6.2.1 recommend to the board for approval codes of conduct and ethics polices that articulate and give effect to its direction on organisational ethics;¹⁴
- 3.6.2.2 review the activities and outputs which affect the Company’s status as a responsible corporate citizen, which oversight should be performed against measures and targets agreed with management;¹⁵
- 3.6.2.3 recommend to the board for approval policy that articulate and gives effect to its direction on stakeholder relationships; and¹⁶
- 3.6.2.4 recommend to the board for approval any other policies that fall under the ambit of the committee’s responsibilities (refer to work plan for the list of policies).

3.7 Reporting responsibilities¹⁷

- 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 its activities in the company’s annual report. Refer to annexure A, in respect of the committee’s disclosure requirements.

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;¹⁸

¹⁴ Principle 2(5) of King IV – establishment of an ethical culture

¹⁵ Principle 3(14) of King IV – responsible corporate citizen

¹⁶ Principle 16(2) of King IV – stakeholder relationships

¹⁷ Principle 8(43)(e) of King IV – when and how the committee should report to the board and others

- 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 performance¹⁹ 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 approval²⁰; and
- 3.8.6 form and delegate authority to sub-committees or to one or more designation members of the committee or executive and senior management, as and when required.

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. **ADMINIATRATION 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 **14 November 2017** and becomes effective immediately on approval.

¹⁸ Principle 8(43)(f) of King IV – the committee's access to resources and information

¹⁹ Principles 8(43)(h) & 9(74) of King IV – evaluating the committee's performance

²⁰ Principle 8(42) of King IV – formal terms of reference should be approved and reviewed annually by the board

General disclosure²¹

1. Its overall role and associated responsibilities and functions.
2. Its composition, including each member's qualifications and experience.
3. Any external advisers or invitees who regularly attend committee meetings.
4. Key areas of focus during the reporting period.
5. The number of meetings held during the reporting period and attendance at those meetings.
6. Whether the committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Disclosure in relation to organisation ethics²²

1. An overview of the arrangements for governing and managing ethics.
2. Key areas of focus during the reporting period.
3. Measures taken to monitor organisation ethics and how the outcomes were addressed.
4. Planned areas of future focus.

Disclosure in relation to corporate citizenship²³

1. An overview of the arrangements for governing and managing responsible corporate citizenship.
2. Key areas of focus during the reporting period.
3. Measures taken to monitor corporate citizenship and how the outcomes were addressed.
4. Planned areas of future focus.

Disclosure in relation to stakeholder relationships²⁴

1. An overview of the arrangements for governing and managing stakeholder relationships.
2. Key areas of focus during the reporting period.
3. Measures taken to monitor stakeholder management and how the outcomes were addressed.
4. Planned areas of future focus.

²¹ Principle 8(50) of King IV

²² Principle 2(10) of King IV

²³ Principle 3(15) of King IV

²⁴ Principle 16(5) of King IV



SOCIAL AND ETHICS COMMITTEE WORK PLAN FOR THE 2018 FINANCIAL YEAR

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

ITEM	ACTION	NOV	MAY	RP
1.	FORMALITIES	✓	✓	-
2.	SOCIAL AND ETHICS REPORT	✓	✓	KJO'B
2.1	Activities the group embarks on, which addresses: social and economic development, good corporate citizenship and consumer relations			
2.2	Compliance with International Code of Best Practice (United Nations Global Compact; Organisation for Economic Co-operation and Development (OECD) recommendations on corruption			
2.3	Review any external political and public policy issues and trends that could have an impact on the group's operations or reputation			
3.	HUMAN RESOURCES REPORT	✓	✓	TT
3.1	Review compliance with relevant standards (Employment Equity Act and Board-based Black Economic Empowerment Act)			
3.2	Review labour and employment matters (including employment relationships and contributions towards the education development of employees. Including compliance with International Labour Organisation Protocol on decent work and working conditions			
3.3	Review CSR programmes, policies, partnerships, activities and goals			
4.	STAKEHOLDER ENGAGEMENT	✓	✓	KJO'B
4.1	Review stakeholder proposals involving issues of corporate social responsibility (CSR) and/or public policy			
4.2	Review Stakeholder Relationship Policy and Framework (New)			
5.	CORPORATE GOVERNANCE	-	✓	COSEC
5.1	Review its Terms of Reference and Work Plan			
5.2	Review the Committee's Self-Evaluation of its Performance			
6.	INTEGRATED REPORTING	✓	-	KJO'B/ COSEC
6.1	Review the Social and Ethics Committee Report for inclusion in the AR			
6.2	Review the Social and Ethics Report for including in the AR			
7.	POLICIES	As required		COSEC
8.	ASSURANCE	✓	✓	COSEC

ITEM	ACTION	NOV	MAY	RP
8.1	Review the minutes of the various committee meetings held during the period, including The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa			
9.	RURAL HUBS	✓	✓	KJO'B
10.	GENERAL			
10.1	Meeting dates	✓	-	COSEC
10.2	Other	✓	✓	-
11.	NEXT MEETING	✓	✓	-

Policies to be reviewed by the Committee

POLICY	REVIEW	RP	LAST REVIEW	NEXT REVIEW
Code of Ethics	Annual	Cosec	11 Feb 14	28 May 18
Corporate Social and Investment Policy	-	TT	16 May 16	28 May 18
Employment Equity and Transformation Policy	-	TT	11 Feb 14	28 May 18
Health, safety and environment policy	Triennial	KJO'B	-	28 May 18
Social Media Policy(s)	Triennial	Cosec	9 Nov 15	28 May 18
Stakeholder Relationship Policy and Framework	Annual	KJO'B	New	28 May 18
Supplier Code of Conduct	Triennial	KJO'B	11 Feb 14	28 May 18
Sustainability Policy	Triennial	KJO'B	11 Feb 14	28 May 18
Sustainable Seafood Policy	Triennial	KJO'B	11 Feb 14	28 May 18
Whistleblowing Policy	Triennial	Cosec	New	28 May 18