



The SPAR Group Limited  
(Reg. No. 1967/001572/06)

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## TERMS OF REFERENCE FOR THE SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

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### 1. **INTRODUCTION**

The Social and Ethics Committee (the Committee) is constituted as a statutory committee<sup>1</sup> and as a committee of the Board of Directors (the Board) of The SPAR Group Limited (the Company). The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the Board.

The delegation by the Board of its responsibilities to the Committee or a member of the Committee will not by or of itself constitute a discharge of the Board's accountability, fiduciary duties, and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations. The Board must apply its collective mind to the information, opinions, recommendations, reports and statements presented by the Committee or a committee member.<sup>2</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.

The purpose of these terms of reference is to set out the Committee's role and responsibilities as well as the requirement for its composition and meeting procedures.

### 2. **KING IV™ CODE ON CORPORATE GOVERNANCE (King IV™)**

King IV™ states that:

"The Board should consider allocating oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships to a dedicated committee".<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 Board".<sup>4</sup>

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

<sup>2</sup> Principle 8(49) of King IV™

<sup>3</sup> Principle 8(68) 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 at least three or more members.<sup>6</sup> The Committee should, subject to legal provisions, have executive and non-executive members, with a majority being non-executive members of the Board.<sup>7</sup> At least one executive director shall be an ex-officio member of the Committee.
- 3.1.2 Committee members and its Chairman are appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Committee.
- 3.1.3 The Chairman should be an independent non-executive director and not be the Chairman of the Board.
- 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 of the Committee continue to be independent. Tenure beyond nine years shall be at the discretion of the Board and subject to an externally facilitated independence evaluation.<sup>8</sup>
- 3.1.5 The Chairman of the Board, Lead Independent Director / Deputy Chair, and the Group Chief Executive Officer shall attend committee meetings by standing invitation, unless they are members of the Committee. Members of the executive management committee, 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 board member 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 Chairman; 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>9</sup>
- 3.1.6 Committee members as a whole must have sufficient knowledge, skills, experience and capacity to execute their duties.<sup>10</sup>
- 3.1.7 The Committee must remain current with developments relating to sustainable business practice, specifically with regard to the social and ethics mandate of the Committee.
- 3.1.8 The Board shall fill vacancies on the Committee within 40 (forty) business days after the vacancy arises.

#### 3.2 **Secretary**

The Group Company Secretary or his or her nominee shall act as the Secretary of the Committee.

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<sup>5</sup> Principle 8(43)(a) of King IV™ – Composition of Committee

<sup>6</sup> Principle 8(46) of King IV™

<sup>7</sup> Principle 8(70) of King IV™

<sup>8</sup> Principle 8(43)(d) of King IV™ – Tenure of the Committee

<sup>9</sup> Principle 8(48) of King IV™

<sup>10</sup> Principle 8(45) of King IV™

### 3.3 **Quorum and voting**

- 3.3.1 The quorum necessary for the transaction of business is a majority of members present.
- 3.3.2 Individuals in attendance at Committee meetings by invitation (i.e. invitees) may participate in discussions but do not form part of the quorum for Committee meetings or vote on any business transacted by the Committee.
- 3.3.3 Any business transacted by the Committee shall be approved by all members in attendance at a meeting (unanimous approval), and in the event of unanimous approval not being achieved, the matter shall be escalated to the entire Board for approval.
- 3.3.4 A resolution pursuant to achieving the objectives contained herein signed by majority of the members shall be as effective for the purposes as if it had been passed at a meeting of the Committee duly convened, held and constituted.

### 3.4 **Meetings**<sup>11</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 Chairman of the Committee, the Chairman of the Board, the Group 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 committee member, 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 Chairman 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 Chairman at the meeting, the remaining members present shall elect one of themselves to chair the meeting whom shall be a non-executive director. Should the Committee Chairman have knowledge in advance of not being able to Chair a meeting, a decision must be taken by the remaining members by election of whom should chair the meeting. This process may be facilitated by the Secretary.
- 3.4.7 The Committee shall on an annual basis establish a 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

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<sup>11</sup> Principle 8(43)(g) of King IV™ – Meeting Procedures

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 committee members. Once approved, minutes should be circulated to all other board members. The minutes must be formally approved by the Committee at its next scheduled meeting.

3.4.10 A meeting may be conducted by way of electronic media such as video or telephone conferencing.

### 3.5 **Annual General Meeting**

The Committee Chairman should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

### 3.6 **Role of the Committee**

The role of the Committee is to assist the Board in setting the tone for an ethical organisational culture by overseeing the Company's conduct and approach, and ensuring that the manner in which the business is conducted supports the Company's intent to be a responsible corporate citizen. In addition, the Committee carries out its statutory duties in terms of the Act.

### 3.7 **Mandate in respect of subsidiaries**

The Committee is appointed to act on behalf of the Company and its subsidiaries. This authority applies to all the Company's subsidiaries insofar as it relates to governance best practices and Company-wide ethical standards. The Committee shall act as a statutory committee of the South African subsidiaries with a Public Interest score above 500 calculated in terms of the Act. It will act on all matters that are significant for the Company including as Committee of the foreign subsidiaries to the extent the laws of the countries are in line with international laws and governance as contemplated in the United Nations Global Compact ("UNGC") as well as OECD rules on corruption.

The Committee will incorporate feedback from the Company and all its subsidiaries into the agendas of the Committee's meetings.

### 3.8 **Duties**<sup>12</sup>

#### 3.8.1 **Statutory Duties**<sup>13</sup>

The Committee should monitor the Company's activities, having regard to the company's standing in terms of targets / goals and compliance with any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

<sup>12</sup> Principle 8(43)(b) of King IV™ – Overall Role, Responsibility and Functions

<sup>13</sup> Section 43(5) of the Companies Act

- 3.8.1.1 Social and Economic Development – including 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;
- 3.8.1.2 Good Corporate Citizenship – includes sustainable development, promotion of equality, prevention of unfair discrimination, reduction of corruption; contribution to community development; sponsorship, donations and charitable giving; climate change and other environmental risks, health and public safety, stakeholder relations as well as reputational risks and other related risks;
- 3.8.1.3 Consumer Relationships – including advertising; public relations; compliance with Consumer Protection laws;
- 3.8.1.4 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
- 3.8.1.5 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.
- 3.8.1.6 The United Nations 17 Sustainable Development Goals.

### 3.8.2 **Non-Statutory Duties**

The Committee shall also review progress made against the JSE Sustainability Disclosure Guidance 2022 with specific reference to the following metrics:

- 3.8.2.1 Environmental metrics
- Climate change
  - Water security
  - Pollution and waste
  - Biodiversity and land-use
  - Supply chain and materials
- 3.8.2.2 Social metrics
- Labour standards
  - Human rights and community development
  - Health and safety
  - Customer responsibility
  - Supply chain
- 3.8.2.3 Governance metrics
- Board composition
  - Ethical behaviour

In addition to the broad disclosures above, the following further detail is covered by the Company under it’s disclosures in terms of the JSE Sustainability Disclosure Guidance 2022

#### 3.8.2.4 Environment

- TCFD Reporting;
- CDP Reporting
- Carbon Tax
- Decarbonisation of the value chain
- Circular Economy and the elimination of waste and Extended Producer Responsibility (EPR)
- Sustainable and responsible Procurement (including animal welfare)
- Environmental risks, health and public safety
- Climate risks and opportunities.

#### 3.8.2.4 Social (Socio Economic Development )

- People Development (including youth development, employees and retailers and staff);
- Wellness (including END GBV and Period Poverty)
- Diversity Equity and Inclusion
- Socio-Economic Compliance
- Government engagement
- Societal Awareness and Education
- Rural Hubs and supplier inclusion and transformation/ diversity
- Transformation and Diversity reporting
- Promotion of equality, and prevention of unfair discrimination,
- Contribution to community development; sponsorship, donations and charitable giving; and;
- Employment Equity Act and Broad-Based Black Economic Empowerment Act
- 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.

#### 3.8.2.4 Governance

- Whistleblowing
- Good corporate citizenship including reduction on corruption and OECD recommendations on corruption
- Compliance with relevant standards particularly with the United Nations Global Compact.

### 3.8.3 **Board Duties**

The Committee should:

- 3.8.3.1 assist the board in governing the ethics of the Company in a way that supports the establishment of an ethical culture. This would include recommending to the Board for approval codes of conduct and ethics policies that articulate and give effect to its direction on organisational ethics; delegating to management the implementation thereof; and performing ongoing oversight of the management of ethics;<sup>14</sup>

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<sup>14</sup> Principle 2(5) of King IV™ – Establishment of an Ethical Culture

- 3.8.3.2 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;<sup>15</sup>
- 3.8.3.3 assist the board in discharging its duties in relation to the governance of stakeholder relationships. This would include recommending to the Board for approval policy/ies and strategies that articulate and gives effect to its direction on stakeholder relationships; and receive reports on and continually monitor stakeholder management particularly: the identification of and engagement with key/material stakeholders; the mechanisms utilised for engagement with stakeholders; and to the extent possible, the measurement of the quality of material stakeholder relationships.<sup>16</sup>
- 3.8.3.4 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).

### 3.9 **Reporting Responsibilities**<sup>17</sup>

- 3.9.1 The Committee Chairman shall report to the Board on its proceedings after each meeting and on an adhoc basis as occasion arises, on all matters within its duties and responsibilities.
- 3.9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 3.9.3 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.

### 3.10 **Other Matters**

The Committee shall:

- 3.10.1 have reasonable access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;<sup>18</sup>
- 3.10.2 be provided with appropriate and timely training, both from an induction programme for new members and on an on-going basis;
- 3.10.3 give due consideration to laws, regulations and any published guidelines or recommendations;
- 3.10.4 oversee any investigation of activities which are within these terms of reference;
- 3.10.5 arrange for a biennial review of the Committee's performance;<sup>19</sup>

<sup>15</sup> Principle 3(14) of King IV™ – Responsible Corporate Citizen

<sup>16</sup> Principle 16(2) of King IV™ – Stakeholder Relationships

<sup>17</sup> Principle 8(43)(e) of King IV™

<sup>18</sup> Principle 8(43)(f) of King IV™ – Access to Resources and Information

<sup>19</sup> Principles 8(43)(h) & 9(74) of King IV™ – Evaluating the Committee's Performance

- 3.10.6 at least annually, review these terms of reference for continued relevance and applicability and recommend any changes it considers necessary to the Board for approval;<sup>20</sup>
- 3.10.7 form and delegate authority to sub-committees or to one or more designation committee members or executive and senior management, as and when required; and
- 3.10.8 ensure that the Company's reputation is protected, monitored and maintained.

### 3.11 **Authority**

The Committee is authorised:

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

## 4. **REMUNERATION**

Committee members not holding executive office in the Company shall be compensated for their services with the Chairman being entitled to an additional fee for the service in accordance with a special resolution approved by the Shareholders in terms of the section 66(9) of the Companies Act 71 of 2008.

Fees payable to the Committee members are subject to and shall be in accordance with a special resolution passed by the Shareholders at the Company's Annual General Meeting, on recommendation by the Company's Remunerations Committee.

## 5. **ADMINISTRATION OF THESE TERMS OF REFERENCE**

The custodian of these terms of reference is the Group 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 reviewed by the Committee on 12 June 2023 and approved by the Board on 3 August 2023 and becomes effective immediately on approval.

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<sup>20</sup> Principle 8(42) of King IV™



## **Annexure A**

In addition to the JSE Sustainability Disclosures referred to above, the following guidance is given to the Committee regarding further disclosure in terms of its roles and duties as set out in King IV;

### **General Disclosure<sup>21</sup>**

1. The Committee's overall role and associated responsibilities and functions.
2. The Committee's 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 was satisfied that it has fulfilled its responsibilities in accordance with these terms of reference for the reporting period.

### **Disclosure in relation to the Company's Ethics<sup>22</sup>**

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 Citizenship<sup>23</sup>**

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 Relationships<sup>24</sup>**

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.

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<sup>21</sup> Principle 8(50) of King IV™

<sup>22</sup> Principle 2(10) of King IV™

<sup>23</sup> Principle 3(15) of King IV™

<sup>24</sup> Principle 16(5) of King IV™