

# BELL

STRONG RELIABLE MACHINES • STRONG RELIABLE SUPPORT



## 2016

BELL EQUIPMENT LIMITED • KING III COMPLIANCE REGISTER

## 2 KING III COMPLIANCE REGISTER 2016

Compliance of Bell Equipment Limited ('the group') with the King Report on Corporate Governance for South Africa, 2009 ('King III')

PRINCIPLE	DESCRIPTION	APPLIED/ EXPLAINED	COMPLIANCE STATUS
<b>CHAPTER 1: ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP</b>			
1.1	The board should provide effective leadership based on an ethical foundation.	Applied	The board of directors of the group ("the board") leads the group in accordance with principles based on transparency, accountability, integrity and ethical leadership. These principles are incorporated in an approved board charter and demonstrate a sound framework for effective leadership. The group operates within a board-approved code of ethics and code of business conduct which support a commitment to fair dealing, honesty and integrity in the conduct of its business.  The measurement of the adherence of ethical standards is primarily on the basis of facilitating the reporting of non-compliance, and is enabled by the group's anonymous tip-off facility and the requirement on employees (per the code of ethics and terms of employment) to disclose any known contraventions.
1.2	The board should ensure that the group is and is seen to be a responsible corporate citizen.	Applied	
1.3	The board should ensure that the group's ethics are managed effectively.	Applied	Non-financial performance, risks and the impact of operations are considered by the board. The social, ethics and transformation committee is furthermore mandated to deal with sustainability matters. CSI and SED policies are in place to assist the board with its responsibility as a global corporate citizen.  The board ensures that collaborative efforts with stakeholders are embarked upon to promote ethical conduct and good corporate citizenship.
<b>CHAPTER 2: BOARD AND DIRECTORS</b>			
2.1	The board should act as the focal point for and custodian of corporate governance.	Applied	The board operates in accordance with a charter that specifically deals with the roles, responsibilities and accountabilities of the board. The charter is reviewed and approved annually by the board. Through its meetings and interaction with management, the board ensures that governance principles are enforced.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	The board is ultimately accountable for the performance and affairs of the group, appreciating that strategy, risk, performance and sustainability are inseparable. The board and its committees monitor a broad range of financial, sustainability, risk and compliance indicators. The board has set long-term and short-term strategies of the company and monitors their implementation by management.
2.3	The board should provide effective leadership based on an ethical foundation.	Applied. Refer to 1.1	
2.4	The board should ensure that the group is and is seen to be a responsible corporate citizen.	Applied. Refer to 1.2	
2.5	The board should ensure that the group's ethics are managed effectively.	Applied. Refer to 1.3	
2.6	The board should ensure that the group has an effective and independent audit committee.	Applied. Refer to 3.1 – 3.10	
2.7	The board should be responsible for the governance of risk.	Applied. Refer to 4.1 – 4.10	
2.8	The board should be responsible for information technology (IT) governance.	Applied. Refer to 5.1 – 5.7	
2.9	The board should ensure that the group complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied. Refer to 6.1 – 6.4	

PRINCIPLE	DESCRIPTION	APPLIED/ EXPLAINED	COMPLIANCE STATUS
<b>CHAPTER 2: BOARD AND DIRECTORS CONTINUED</b>			
2.10	The board should ensure that there is an effective risk-based internal audit.	Applied. Refer to 7.1 – 7.5	
2.11	The board should appreciate that stakeholders' perceptions affect the group's reputation.	Applied. Refer to 8.1 – 8.6	
2.12	The board should ensure the integrity of the group's integrated report.	Applied. Refer to 9.1 – 9.3	
2.13	The board should report on the effectiveness of the group's system of internal controls.	Applied. Refer to 7.1 – 7.5 and 9.1 – 9.3	
2.14	The board and its directors should act in the best interests of the group.	Applied	Directors are appointed in terms of the group's memorandum of incorporation ('MOI') and the Companies Act, 2008 ('the Act') according to their fundamental duties. Conflicts of interest are disclosed and managed appropriately. The declaration of interests is a standing agenda item on the board meeting agendas. The directors have the ability to obtain independent advice, at group cost, in respect of director duties and liabilities. The group complies with the JSE Listings Requirements on directors' dealings and ongoing information and development is provided to the board in respect of their fiduciary duties and obligations in terms of the JSE Listings Requirements.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the group is financially distressed as defined in the Act.	Applied	The Board formally considers the going concern status of the group bi-annually. The board regularly monitors whether the company is financially distressed (as defined in the Act) and will consider business rescue proceedings or other turnaround mechanisms should the company become financially distressed.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The chief executive officer of the group should not also fulfil the role of chairman of the board.	Applied	John Barton, an independent non-executive director, is the chairperson of the board. Gary Bell, an executive director, is the chief executive officer of the group. The roles and functions of the chairperson and the chief executive officer are separate and clearly defined.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	Applied	The board is responsible for the appointment and evaluation of the chief executive officer. The collective responsibilities of management vest in the chief executive officer and, as such, the chief executive officer bears ultimate responsibility for all management functions. The board has delegated to the chief executive officer the authority to run the day-to-day business of the group subject to a group Schedule of Authorities Framework established by the board.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	Applied	There are currently five independent non-executive directors, one non-executive director and three executive directors on the board. In assessing the status of directors, the principles of King III and the JSE Listings Requirements are considered.
2.19	Directors should be appointed through a formal process.	Applied	There is a formal process of identifying suitable candidates, including the nomination and evaluation process for such candidates. Non-executive directors are selected for their broader knowledge and experience and are expected to contribute effectively to decision-making and the formulation of policy and strategy. Brief resumes of directors standing for re-election will be presented in the integrated report to assist shareholders in the election process. There is a board-approved policy in place in respect of the selection and appointment of directors.

## 4 KING III COMPLIANCE REGISTER 2016 (CONTINUED)

Compliance of Bell Equipment Limited ('the group') with the King Report on Corporate Governance for South Africa, 2009 ('King III')

PRINCIPLE	DESCRIPTION	APPLIED/ EXPLAINED	COMPLIANCE STATUS
<b>CHAPTER 2: BOARD AND DIRECTORS CONTINUED</b>			
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	Applied	New directors receive an induction and updates are provided on governance and regulations at board meetings. All directors have access to key management for information on the group's operations. Training, at group expense, is available to directors should they request it.
2.21	The board should be assisted by a competent, suitably qualified and experienced group secretary.	Applied	The board selects and appoints the company secretary and recognises the important role to be played by the company secretary in entrenching sound corporate governance. The company secretary's qualifications, competence and experience were formally evaluated by the board in 2016. The company secretary maintains an arms-length relationship with the board. The company secretary is not a director of the company or a juristic person.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	Applied	An evaluation of the performance of the board and the committees is undertaken annually, by way of a self-assessment.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	Applied	The board committees assist the board in executing its duties, powers and authorities. The required authority is delegated through formally approved charters. Committee chairpersons report back to the board at each board meeting.  The board has established the following committees: audit committee; risk and sustainability committee; social, ethics and transformation committee; remuneration committee; and nominations committee.
2.24	A governance framework should be agreed between the group and its subsidiary boards.	Applied	Governance frameworks have been agreed with local subsidiaries whilst entities registered outside of South Africa are guided by local reporting requirements. The Group Schedule of Authorities is tabled and adopted for approval on an annual basis.
2.25	Companies should remunerate directors and executives fairly and responsibly.	Applied	The remuneration committee approves the overall remuneration structure for the group and ensures that the group remunerates executive directors, non-executive directors and executives fairly and responsibly. The non-executive directors receive fees for their services on the board and participation in the committees of the board in the form of a retainer fee and a fee per meeting attended. These fees recognise the responsibilities of non-executives to provide their expertise throughout the year on an ongoing basis. Non-executive directors do not receive any payments linked to organisational performance, nor are they entitled to participate in the long-term share option incentive scheme.
2.26	Companies should disclose the remuneration of each individual director and prescribed officer.	Applied	Details have been disclosed in Bell Equipment Limited's 2015 integrated annual report and will be disclosed in the group's 2016 integrated annual report.
2.27	Shareholders should approve the group's remuneration policy.	Applied	The remuneration policy is put to a non-binding advisory vote at the general meeting of shareholders once every year.

PRINCIPLE	DESCRIPTION	APPLIED/ EXPLAINED	COMPLIANCE STATUS
<b>CHAPTER 3: AUDIT COMMITTEE</b>			
3.1	The board should ensure that the group has an effective and independent audit committee.	Applied	<p>The group has an effective audit committee comprising of three experienced and skilled independent non-executive directors. The committee is governed by a board-approved charter that guides the committee in terms of its authority and objectives, and the responsibilities of the committee include the following:</p> <ul style="list-style-type: none"> <li>▪ reviewing significant accounting and reporting issues, and assessing the fairness of all financial information issued to shareholders;</li> <li>▪ reviewing the report of the external auditors to the shareholders on the audited financial statements, with specific emphasis on the key audit matters indentified and reported on by the external auditors;</li> <li>▪ overseeing integrated reporting and reviewing the disclosure of sustainability issues in the integrated annual report;</li> <li>▪ reviewing and recommending the annual financial statements and integrated annual report for approval to the board;</li> <li>▪ confirming the nomination and appointment of the external auditors each year, monitoring and reporting on their independence, and approving the terms of engagement, scope of the audit and fees paid;</li> <li>▪ providing assurance on the adequacy and effectiveness of the group's systems of internal financial and operational control, and compliance with laws and procedures;</li> <li>▪ monitoring and supervising the effective functioning and performance of internal audit, ensuring that it operates independently of management and approving the annual audit plan;</li> <li>▪ considering the appropriateness of the expertise and experience of the chief finance officer and finance function;</li> <li>▪ an annual assessment of the effectiveness of the internal audit function and the external auditors; and</li> <li>▪ providing effective communication between directors, management and external auditors.</li> </ul> <p>The chairman of the committee reports to the board after each committee meeting and also attends the annual general meeting of shareholders to answer any questions that may arise concerning the activities of the committee.</p>
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	Applied	
3.3	The audit committee should be chaired by an independent non-executive director.	Applied	
3.4	The audit committee should oversee integrated reporting.	Applied	
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the group's finance function.	Applied	
3.7	The audit committee should be responsible for overseeing of internal audit.	Applied	
3.8	The audit committee should be an integral component of the risk management process.	Applied	
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	Applied	

## 6 KING III COMPLIANCE REGISTER 2016 (CONTINUED)

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PRINCIPLE	DESCRIPTION	APPLIED/ EXPLAINED	COMPLIANCE STATUS
<b>CHAPTER 4: THE GOVERNANCE OF RISK</b>			
4.1	The board should be responsible for the governance of risk.	Applied	<p>The group's risk management strategy aims to manage all categories of risks through a proactive approach of identifying, assessing, mitigating, monitoring, evaluating and reporting on risks to minimise the group's risk exposure while ensuring sustainable business growth. The policy and the plan for the system and process of risk management are reviewed and recommended by the risk and sustainability committee.</p> <p>The risk and sustainability committee oversees the development, implementation and review of a risk management policy, and plan for a system and process of risk management to recommend for approval to the board and identifies and reviews the group's exposure to significant risks and its risk mitigation strategy.</p> <p>The board is accountable for the process of risk management, establishing appropriate risk and control policies, and communicating these throughout the group. The board is also responsible for the identification of sustainability issues, and regularly reviews and discusses risks that might impact the group's ability to achieve its sustainability objectives. Management is responsible for designing, implementing and monitoring the system and process of risk management, and integrating it into the day-to-day activities of the group.</p> <p>A system of internal controls has been implemented and is continually reviewed. All material risks are identified, evaluated and mitigated wherever possible, and compliance with laws and regulations assessed. This process is undertaken within each division of the group's trading subsidiary companies and serves to instill risk awareness and accountability throughout the group. Risks are documented in a risk register, with their mitigating controls, and are rated in terms of likelihood of occurrence and impact. The results are presented to the risk and sustainability committee.</p> <p>The risk and sustainability committee ensures that the combined assurance received is appropriate to address significant risks facing the group and monitors the relationship between the external assurance providers and the group.</p> <p>The board ensures that management continually monitors risk and considers and implements appropriate risk responses.</p> <p>The key risks and mitigation strategies that could impact on the group achieving its sustainability objectives were disclosed in the group's 2015 integrated annual report and will be disclosed in the group's 2016 integrated annual report.</p>
4.2	The board should determine the levels of risk tolerance.	Applied	
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	Applied	
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	
4.5	The board should ensure that risk assessments are performed on a continual basis.	Applied	
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	
4.7	The board should ensure that management considers and implements appropriate risk responses.	Applied	
4.8	The board should ensure continual risk monitoring by management.	Applied	
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	Applied	
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	

PRINCIPLE	DESCRIPTION	APPLIED/ EXPLAINED	COMPLIANCE STATUS
<b>CHAPTER 5: THE GOVERNANCE OF INFORMATION TECHNOLOGY</b>			
5.1	The board should be responsible for information technology (IT) governance.	Applied	The board is responsible for IT governance and has delegated the regulation of IT governance issues and policies to the risk and sustainability committee.  The board is responsible for aligning IT with the performance and sustainability objectives of the group.  IT risk governance falls within risk management of the group, which is reviewed and recommended to the board by the risk and sustainability committee and is implemented and continuously monitored by management.  A chief information officer has been appointed by the board. The board monitors and evaluates significant IT investments and expenditure.
5.2	IT should be aligned with the performance and sustainability objectives of the group.	Applied	
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	
5.4	The board should monitor and evaluate significant IT investments and expenditure.	Applied	
5.5	IT should form an integral part of the group's risk management.	Applied	
5.6	The board should ensure that information assets are managed effectively.	Applied	
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	Applied	
<b>CHAPTER 6: COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS</b>			
6.1	The board should ensure that the group complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The board charter confirms that the board is responsible for ensuring that the group complies with all relevant laws, regulations and codes.  The board is regularly informed and updated of relevant laws, rules, codes and standards with the assistance of the company secretary.  Non-compliance risks are identified, assessed and responded to through the risk management processes of the group.  The group maintains its focus on compliance with legislation that impacts on the group. The group operates within a developing compliance framework.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the group and its business.	Applied	
6.3	Compliance risk should form an integral part of the group's risk management process.	Applied	
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	Applied	
<b>CHAPTER 7: INTERNAL AUDIT</b>			
7.1	The board should ensure that there is an effective risk-based internal audit.	Applied	The audit committee utilises the services of a professional audit firm to provide assurance on the adequacy and effectiveness of internal control and risk management practices, and to assist management by making recommendations for improvement.  The purpose, authority and responsibilities of the internal audit function are defined in a board approved charter. The audit committee is responsible for overseeing internal audit.  The internal auditor reports to the chairman of the audit committee. The internal auditor attends all audit committee meetings. Internal audit is independent and objective, and strategically positioned to achieve its objectives.  Whilst the internal audit function does follow a risk-based approach to its plan, relative to the sub-principles dealing with the realisation of strategic goals; assurance in this regard is not included in the internal audit mandate. This is the responsibility of executive management.
7.2	Internal audit should follow a risk-based approach to its plan.	Applied	
7.3	Internal audit should provide a written assessment of the effectiveness of the group's system of internal control and risk management.	Applied	
7.4	The audit committee should be responsible for overseeing internal audit.	Applied	
7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	

## 8 KING III COMPLIANCE REGISTER 2016 (CONTINUED)

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PRINCIPLE	DESCRIPTION	APPLIED/ EXPLAINED	COMPLIANCE STATUS
<b>CHAPTER 8: GOVERNING STAKEHOLDER RELATIONSHIPS</b>			
8.1	The board should appreciate that stakeholders' perceptions affect a group's reputation.	Applied	<p>The board appreciates that stakeholder's perceptions affect the group's reputation. Stakeholder engagement is critical to the group's economic, social and environmental sustainability. Engagement aimed at establishing and maintaining mutually beneficial relationships not only limits risks to the business, but creates opportunities to enhance performance, ensuring longer-term sustainability.</p> <p>The board ensures that appropriate processes are in place for engagement with various stakeholders. The interaction with stakeholders is managed by the social, ethics and transformation committee and details on the group's stakeholder relations report is found on page 58 of the integrated annual report.</p> <p>The board realises that there is a broad range of stakeholders who have an interest in or are affected by the group. The board strives to achieve the appropriate balance between its various stakeholder groupings, in the best interest of the group.</p> <p>Complete, timely and relevant information is provided by the group to stakeholders, having regard to legal and strategic considerations. Shareholders are encouraged to attend the group's annual general meeting and are given information timeously.</p> <p>The board shall in the first instance ensure that all disputes are first attempted to be resolved by the use of alternative dispute resolution mechanisms. Disputes with employees are subject to a formal process.</p>
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	Applied	
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the group.	Applied	
8.4	Companies should ensure the equitable treatment of shareholders.	Applied	
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	
8.6	The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible.	Applied	
<b>CHAPTER 9: INTEGRATED REPORTING AND DISCLOSURE</b>			
9.1	The board should ensure the integrity of the group's integrated report.	Applied	<p>The integrated annual report is tabled at the audit committee meeting and is reviewed and recommended by the audit committee for approval to the board prior to it being published to ensure its integrity. Furthermore, the external auditors review the integrated annual report in order to ensure that the information published is consistent with the outcome of their audit of the financial statements.</p> <p>Sustainability reporting and disclosure is being integrated with the group's financial reporting in a progressive manner.</p> <p>The financial statements are independently assured but at this stage, the group does not believe that independent assurance on sustainability will provide significant benefit to stakeholders.</p>
9.2	Sustainability reporting and disclosure should be integrated with the group's financial reporting.	Applied	
9.3	Sustainability reporting and disclosure should be independently assured.	Explained	