

Corporate Governance Report

Bell Equipment is committed to sound standards of corporate governance, integrity and ethics, as defined in King IV. The group strives to make all reasonable endeavours to implement the best processes and principles of good corporate governance to assist its directors in discharging their duties and responsibilities, aligning its strategy and risk management with its performance to ensure that the group is able to be sustainable in the long-term and add value to its stakeholders. The board of directors embrace the principles of King IV, underscored by sound and visible leadership characterised by the ethical values of responsibility, accountability, fairness and transparency.

The directors are ultimately responsible for ensuring compliance with all relevant laws, regulations and codes throughout the group. The board and its committees continue to monitor closely the implementation of Bell Equipment's legal compliance processes and improve upon them to mitigate the risk of non-compliance with the laws in the various jurisdictions in which it does business. The group has an established and comprehensive group approvals framework that is reviewed annually and is aimed at clarifying the various limits of authority in place within the group. The overall responsibility of management rests with the chief executive who gives regular reports about the achievement of the group objectives to the board. By delegating these powers to the chief executive, the board has imposed certain restrictions, conditions and limits that they believe to be appropriate for the effective exercise of such delegated powers.

Assessment of and application of King IV principles

In the past, Bell Equipment undertook regular assessments on the application and implementation of King III. Post the coming into effect of King IV during April 2017 and the mandatory requirements of certain King IV governance practices by the JSE, in the form of amendments to the JSE Listings Requirements, Bell Equipment conducted and considered its application and adherence to the King IV principles. The outcome of the assessment revealed that the group materially complies with the principles of King IV and continues to identify areas where the recommended practices can be enhanced and entrenched in its governance structures, systems, processes and procedures. Bell Equipment's report on the application of the King IV principles is available on its website www.bellir.co.za.

Ethics management

The board is committed to providing effective and ethical leadership characterised by accountability, fairness and transparency. The board accepts responsibility for ensuring that management nurtures a culture of ethical conduct and establishes the correct tone at the top in respect of the group's culture and values. Corruption is a risk that is managed on an ongoing basis, particularly in the diverse areas in which the group operates.

The code of ethics, business conduct policy and the group fraud and commercial crimes policy continue to be entrenched into the culture of the group. These policies amongst others set stringent standards relating to fraud and the prosecution of offenders, the acceptance of gifts from third parties and



declarations of potential conflicts of interest. Bell Equipment has established a fraud working group that meets quarterly or more regularly when required. The fraud working group monitors and oversees the investigation of all fraud-related matters and reassesses the adequacy of the internal control environment (particularly those controls directly impacting on the incident) and assesses whether there is a need for modification or additional training. All matters reported through the tip-off anonymous line are also assessed by the fraud working group and meetings are set up with the internal auditors and investigators to ensure matters are effectively investigated in terms of the group fraud and commercial crime policy.

Should investigations uncover evidence of economic crime, including fraud and corruption, the group risk manager in conjunction with the fraud working group will review the facts at hand and in all instances where the allegations of fraud, corruption and/or economic crime have been confirmed the matter will be reported to the applicable law enforcement agency.

One of the best defences against fraud is a workforce that is trained in prevention and detection. The fraud working group provides strategic guidance to different departments on fraud detection and preventative actions. This is done through management briefs, presentations and training initiatives. Fraud awareness training is ongoing and the staff are encouraged to report suspected fraudulent or unethical behaviour on a confidential basis via a toll-free telephone or email service managed by an external service provider. Awareness of this facility is created through presentations, newsletters and encouragement of staff to report such incidents before significant losses are incurred. Comprehensive processes continue to be embedded into the group to ensure accountability and corporate responsibility.

Financial statements and external review

As part of Bell Equipment's corporate governance policy, standards and systems of internal controls are designed and implemented by management to provide reasonable assurance on the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for shareholder investments and group assets.

The board is of the opinion that the internal financial controls are adequate and that the financial records can reliably be used for preparing the financial statements in accordance with IFRS and to maintain accountability for the group's assets and liabilities.

During the year under review no matters came to the attention of the directors to indicate that a breakdown in the functioning of controls, resulting in material loss to the group, had occurred during the year and up to the date of this report.

For more information on the group's financial strength and sustainability, please refer to the finance director's report on page 22 and the summarised consolidated financial statements from page 63.

Going concern

The board is appraised of the group's going concern status at the board meetings coinciding with the interim and final results. The board is satisfied that the group has adequate resources to continue operating for the next 12 months and into the foreseeable future and the financial statements have been prepared on a going concern basis.

Directors and composition of board and committees

As at year-end the board of directors comprised a unitary board of nine directors, three of whom are executive directors (and one alternate executive director) and six are non-executive directors. Five of the non-executive directors are independent. Rajendran Naidu and Mamokete Ramathe were appointed as independent non-executive directors on 20 March 2017. Tiisetso Tsukudu, an independent non-executive director, retired on 21 August 2017 after being on the board for 13 years. Bharti Harie, a non-executive director, resigned from the group's board on 27 November 2017 following the BBBEE transaction that took place in the group's subsidiary, BESSA, where she acquired an interest in a 22,5% shareholding in BESSA through a special purpose vehicle. Avishkar Goordeen, the group's chief strategy officer, was appointed as an alternate executive director to Leon Goosen on 27 November 2017.

Newly appointed directors are formally informed of their fiduciary duties by the company secretary. Upon their appointment, directors receive an induction pack consisting of *inter alia*, agendas and minutes of the previous two board and committee meetings (if applicable), latest annual financial statements, the MOI, the integrated annual report, the directors' code of conduct, the group global structure, board and committee charters and information on the JSE Listings Requirements and the obligations therein imposed upon directors.

The composition of the board reflects a balance of executive and non-executive directors, of whom the majority are independent, in order to ensure that there is a clear balance of authority so that no one individual has unfettered decision-making powers. The independence of independent non-executive

CORPORATE GOVERNANCE REPORT CONTINUED

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE DURING THE REPORTING PERIOD

Chief executive: full time executive director	Chairman: independent non-executive director
<p>The role of the chief executive, as determined by the board, is to:</p> <ul style="list-style-type: none"> own the vision and build the culture of the group; oversee and deliver the group's performance; lead the group and the management team; be ultimately responsible for all day-to-day management decisions and operations of the group in order to implement the strategic goals set by the board through the GEC; be the group's principal spokesperson; and act as direct liaison between the board and management and communicate to the board on behalf of management. 	<p>The role of the chairman is to:</p> <ul style="list-style-type: none"> provide leadership and firm guidance to the board, while encouraging proper deliberation; lead the board and not the group; be the link between the board and management; and be the main link between the board and shareholders.

directors is reviewed annually. During the year under review the nominations committee evaluated the independence of the non-executive directors and confirmed that five of the non-executive directors are independent as defined by King IV and the JSE Listings Requirements. The nominations committee is also mindful of its responsibility to preserve an appropriate balance of skills and experience on the board, and it is therefore of the view that the retention of certain members beyond nine years may be beneficial in certain circumstances to ensure this balance and that orderly succession can take place.

The group has a policy in place detailing the procedures for appointments to the board of directors. The appointments are formal and transparent and a matter for the board as a whole, duly assisted by the nominations committee.

The roles of the non-executive chairman and the chief executive are formalised, separate and clearly defined. The chief executive and other executive directors are employed on service contracts. Mrs Karen van Haght is a full-time executive finance director of the group. In June 2017, and following an extensive search process where the board considered both local and international candidates, Leon Goosen, the chief operating officer and executive director was appointed by the board as chief executive designate to succeed Gary Bell, the current chief executive, once he steps down. By announcing the chief executive's successor in June 2017 it provided the benefit of a smooth handover in the chief executive's office during the transition period.

All non-executive directors have unrestricted access to management at any time. When required, non-executive directors are entitled to access the external auditors and, at Bell Equipment's expense, are able to seek independent professional or expert advice on any matters pertaining to the group.

A lead independent non-executive director will be appointed to assume the responsibilities of the chairman when the latter is unable to attend relevant board and committee meetings, where there is a conflict of interest, or when the chairman's performance is being appraised or term of office is being reviewed.

In accordance with Bell Equipment's MOI, at least one-third of the non-executive directors must retire by rotation each year but may offer themselves for re-election. The non-executive directors retiring by rotation and standing for re-election by the shareholders are Ashley Bell, Derek Lawrance and Hennie van der Merwe.

The board recognises the benefits of gender diversity at board level and a policy on the promotion of gender diversity was approved by the board on 28 November 2016. The voluntary measurable objectives for achieving gender diversity on the Bell board is to ensure that at least 20% of the board was comprised of women by the end of 2016 and for that position to have exceeded 25% by the end of 2018.

The board's objective to ensure that at least 20% of the board was comprised of women by the end of 2016 was attained. On 7 June 2017 the board approved the amendment of the gender diversity policy to incorporate race diversity and the policy is now referred to as the policy for the promotion of diversity on the board of directors of Bell Equipment Limited to incorporate both race and gender. The measurable target for achieving race diversity on the board is 30% by end of 2018, and 35% by 2020, taking into account that the percentages must align to the number of directors and that a director could contribute to both gender and race targets. The nominations committee shall continue to monitor the progress made against those agreed voluntary targets and shall continue to consider and apply the policy on gender and race diversity in the nomination and appointment of directors.

Board charter

The board is responsible for approving the strategic direction of the group and assisting management in achieving its strategic goals.

The board conducts its business in the best interest of the group and fulfils its fiduciary duty to act in good faith, with due care and diligence, and by ensuring that the group performs in the interests of its broader stakeholder group, including investors in the group, its customers, its alliance partners, employees and the communities in which it operates.

The scope of authority, responsibility, composition and functioning of the board is contained in a formal charter. The board charter and each of the committees' charters are reviewed annually. The board and committee charters are available on request from the company secretary.

The directors retain overall responsibility and accountability for:

- monitoring corporate governance, setting objectives, monitoring implementation of board plans and strategies, effective leadership on an ethical foundation;
- approving the strategic direction of the group and the budget necessary for the implementation of the strategy;
- being the guardian of the ethics and values of the group;
- exercising leadership, enterprise, integrity and judgement in directing the group so as to achieve continuing prosperity for the group, retaining full and effective control of the group;
- appointing the chief executive and ensuring proper succession planning for its executive directors and senior management;
- assuming overall responsibility for risk management;
- safeguarding the integrity of corporate governance processes;
- ensuring that technology and systems used in the group are adequate to run the business properly and evaluating and monitoring IT governance within the group;
- implementing best practice disclosure and reporting practices that facilitate transparent and open communication with key stakeholders throughout the year;
- ensuring that procedures and practices are in place, including systems of internal control, that protect the group's assets and reputation; and
- approving the annual financial statements and the integrity of the integrated annual report.

Following the strategy workshop held with the GEC over a two-day period in November 2016 where the proposed strategy was agreed; the progress made against the approved strategic initiatives continues to be reviewed.

Committees' mandate and charters

The board applies responsible governance in managing the business within the approved risk appetite through various board committees. Delegation is formal and involves:

- approved and documented charters for each committee, which are reviewed annually; and
- ensuring that members of each committee have the appropriate skills and expertise.

In line with King IV, the group has a separate audit committee, a remuneration committee and a social, ethics and transformation committee as well as a nominations committee and a risk and sustainability committee. They are all established committees of the board which assist the board in performing its duties and each committee comprises at least three members. They play an important role in enhancing good corporate governance and improving internal controls, thus assisting in the sustainable performance of the group.

The board is satisfied that the committees are aligned with the principles set out in King IV and are appropriately structured and competent to deal with the group's existing and emerging issues and that they have effectively carried out their responsibilities according to their charters and terms of reference, and the annual work plans that are approved at the commencement of the year.



CORPORATE GOVERNANCE REPORT CONTINUED

NOMINATIONS COMMITTEE

Composition	Summary of roles and responsibilities
<p>In line with the JSE Listings Requirements and King III, the chairman of the board is also the chairman of the nominations committee. The committee consists of John Barton, as chairman, and two independent non-executive directors. Brief particulars of the committee members can be found on pages 16 and 17.</p> <p>Three meetings were held during the year.</p>	<p>The roles and responsibilities of the nominations committee are:</p> <ul style="list-style-type: none"> to ensure appropriate board composition in order to achieve the appropriate balance of skills, experience and diversity required to lead, control and best represent the group; considering the performance of directors and overseeing the development and implementation of continuing development programmes for directors; to review the policy which details the procedures for appointments to the board, and which ensures a balance of power and authority at board of directors' level so that no one director has unfettered powers of decision-making; and to review succession planning arrangements for the board and the executive management of the group.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Composition	Summary of roles and responsibilities
<p>Tiisetso Tsukudu, an independent non-executive director was the chairman until his retirement on 21 August 2017. Mamokete Ramathe, an independent non-executive director, was appointed as chairman in his stead.</p> <p>The committee consists of the chairman, one independent non-executive director, one non-executive director and one executive director. Brief particulars of the committee members can be found on pages 16 and 17.</p> <p>During the year under review, the committee met three times.</p>	<p>The responsibilities of the social, ethics and transformation committee, which are aligned with the statutory functions as set out in the Companies Act and the Regulations to the Companies Act, include:</p> <ul style="list-style-type: none"> monitoring group activities on social, transformation and economic development, good corporate citizenship, environment, environmental risks, health and safety, consumer relationships, labour and employment; compliance with the Employment Equity Act and BBBEE legislation; and educational development of its employees. <p>The full report by the chairman of the social, ethics and transformation committee can be found on page 38.</p>

AUDIT COMMITTEE

Composition	Summary of roles and responsibilities
<p>Derek Lawrance, an independent non-executive director, is the chairman of the committee. The members include two other independent non-executive directors, who were elected as members of the committee by the shareholders at the AGM on 3 May 2017.</p> <p>The committee met four times during the reporting period.</p>	<p>The roles and responsibilities of the audit committee are aligned with the statutory functions as set out in the Companies Act and include:</p> <ul style="list-style-type: none"> oversight of the group's financial reporting; ensuring continued independence of external auditors; overseeing the external audit process; overseeing the integrated reporting; applying, as practical, the combined assurance model to ensure a coordinated approach to all assurance activities; reviewing the expertise, resources and experience of the finance function; considering the appropriateness of the expertise and experience of the finance director; and overseeing the internal audit function. <p>The full mandate of the audit committee can be found in the detailed audit committee report included in the audited 2017 annual financial statements on the group's website at www.bellir.co.za.</p>

RISK AND SUSTAINABILITY COMMITTEE

Composition	Summary of roles and responsibilities
<p>Hennie van der Merwe, an independent non-executive director, is the duly appointed chairman.</p> <p>The members include two other independent non-executive directors, one non-executive director and all three executive directors. Brief particulars of the committee members can be found on pages 16 and 17.</p> <p>During the year under review, the committee met three times.</p>	<p>The risk and sustainability committee is responsible for:</p> <ul style="list-style-type: none"> the review and monitoring of the implementation of the group's risk management policy and plan; the review of the Bell Equipment group risk appetite and risk tolerances and the review of the risk appetite and risk tolerance matrices, the Bell Equipment group strategic risk register and the group risk indicators that are reported on at the risk and sustainability committee meetings; the review and assessment of the risk philosophy, strategy and policies recommended by the GEC and the consideration of the reports by the GEC on these issues; reporting to the audit committee on its findings in respect of material legal and compliance risks and in respect of the company's policies on risk assessment and risk management which may have an impact on the group's financial statements; reviewing the adequacy of insurance coverage; focusing on the development, progressive implementation and monitoring of the policies and plans to deal with the sustainability issues which relate to the long-term sustainability of the group; reviewing the integrated annual report to shareholders with regard to the relevant sustainability considerations as set out in the stakeholder relations report; and considering whether and to what extent external assurance is required on integrated reporting to shareholders with regards to the relevant sustainability considerations.

CORPORATE GOVERNANCE REPORT CONTINUED

REMUNERATION COMMITTEE	
Composition	Summary of roles and responsibilities
<p>The committee is chaired by Derek Lawrance, an independent non-executive director. The balance of the members consist of one independent non-executive director and one non-executive director. The chief executive attends all remuneration committee meetings by invitation.</p> <p>Two meetings were held during the year. Going forward the committee will meet three times a year.</p>	<p>The roles and responsibilities of the remuneration committee are to:</p> <ul style="list-style-type: none"> oversee the establishment of and regularly review the group remuneration policy; ensure that the remuneration policy and the implementation report are put to separate non-binding advisory votes at the AGM of shareholders and that the process of engagement with shareholders in the event of a 25% or more vote against such reports is described; oversee the preparation of the remuneration report for inclusion in the integrated annual report; advise on non-executive directors' remuneration; advise and monitor executive remuneration and ensure that the group's executive directors and management are rewarded fairly in accordance with their individual contribution to the group's overall performance objectives; approve and review incentive bonus or share schemes; and evaluate the chief executive's performance. <p>The detailed responsibilities of the remuneration committee can be found under the remuneration committee report on page 40.</p>

Company secretary

Diana McIlrath, the current company secretary ensures that board procedures, regulations and governance codes are observed, and also provides guidance to the directors on governance, compliance and their fiduciary responsibilities. Directors have unrestricted access to the advice and services of the company secretary.

The company secretary coordinates the induction programme for newly appointed directors, as well as the annual board and committee evaluation process. The company secretary provides advice and updates to the board at all meetings by reporting on new and amended legislation and regulations relevant to the group's business.

In terms of the JSE Listings Requirements the board is required to consider and satisfy itself on an annual basis on the competence, qualifications and experience of the company secretary.

The board conducted a formal evaluation of the company secretary in November 2017 and satisfied itself that the company secretary had the requisite competence, qualifications and experience to carry out the required responsibilities and is independent of the board.

The board is satisfied that the company secretary is the gatekeeper of good governance, that an arms-length relationship exists between the company secretary and the board, and that the directors are able to look to the company secretary for guidance on their responsibilities and duties. The company secretary is not a director of the company.

Board and committee evaluations

An annual questionnaire-based evaluation was undertaken by the directors in November 2017 which included an assessment of the board and all of the board committees, the company secretary, the chairman and the internal and the external audit functions. The feedback from the evaluations and the overall process was discussed by the board at a special board session held to review the report prepared on the outcome of the evaluation process and the action items flowing out of such evaluation report will be implemented by the board during 2018.



Attendance at board and committee meetings

The board meets at least once every quarter. Additional meetings can be convened to consider specific business issues that may arise between scheduled meetings.

ATTENDANCE REGISTER: 1 JANUARY 2017 TO 31 DECEMBER 2017

	Board	Audit	Risk and sustainability	Nominations	Remuneration	Social, ethics and transformation
Number of meetings held	4	4	3	3	2	3
John Barton ¹	4	2	3	3	2	
Gary Bell	4		3			3
Karen van Haght	4		3			
Leon Goosen	4		2			
Ashley Bell	4		3		2	3
Hennie van der Merwe	4		3	3		
Derek Lawrance	4	4	2		2	
Mamokete Ramathe ²	3	3				1
Rajendran Naidu ³	3	3		1		
Bharti Harie ⁴	3	1				3
Tiisetso Tsukudu ⁵	2			2	1	2

1. Stepped down from the audit committee on 3 May 2017.

2. Appointed to the board on 20 March 2017, elected to the audit committee on 3 May 2017, appointed as chairman of the social, ethics and transformation committee on 10 October 2017.

3. Appointed to the board on 20 March 2017, elected to the audit committee on 3 May 2017, appointed to the nominations committee on 10 October 2017 and the social, ethics and transformation committee on 27 November 2017.

4. Stepped down from the audit committee on 3 May 2017; resigned from the board on 27 November 2017.

5. Retired from the board on 21 August 2017.

Legislative and regulatory compliance

An analysis of the current and pending legislation and regulations relevant to the group is presented to the board and to the relevant committees during the year. Board members are committed to complying with the disclosure, transparency and listing rules of the JSE and King IV. The implementation of the regulatory compliance framework continues to be progressed throughout the operating groups. During the year under review, the board monitored compliance with the Companies Act, JSE Listings Requirements in line with the advice of the group's sponsor, King IV and other material legislation affecting the group.

Conflicts of interest and share dealings

The board recognises the importance of acting in the best interest of the group and protecting the legitimate interests and expectations of its stakeholders. The board consistently applies the provisions of the Companies Act on disclosing or avoiding conflicts of interest. Directors are required to declare

their personal financial interests, in contracts or other matters in which Bell Equipment has a material interest or where such interests are to be considered at a board meeting, annually as well as specifically at each meeting of the board and at each committee meeting, in accordance with the requirements of the Companies Act. Where a potential conflict of interest exists, directors are expected to recuse themselves from relevant discussions and decisions.

All directors are required to comply with Bell Equipment's code of ethics, the provisions of the Financial Markets Act, 2012 and the JSE Listings Requirements regarding inside information, dealings in securities and the disclosure of such dealings. As required by the JSE Listings Requirements, a closed period is implemented at both half-year and at year-end until the release of the interim and year-end results respectively. During closed periods, directors and designated senior executives may not deal in the shares or in any other instrument linked to the shares of the group. Directors and senior designated employees are required to instruct their portfolio or investment managers not to trade in Bell Equipment securities without their written consent. Details of all dealings by directors during the reporting period are contained in the directors' report in the audited annual financial statements on the website.

External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented and whether they are prepared in all material respects in compliance with IFRS. Their audit also includes an assessment of selected internal controls. The preparation of the annual financial statements and the adequacy of the systems of internal control remain the responsibility of the directors.

Where permissible, the external auditors are appointed to provide non-audit services. The group's policy is to use its external auditors for non-audit services such as tax and accounting where the use of other consultants would not make sound commercial sense and where their independence and good corporate governance is not compromised by the engagement. The nature and extent of the non-audit services have been disclosed in the audit committee report in accordance with King IV principles.

Internal control systems

Management is responsible for systems of internal control. Such systems are designed to assist in achieving business goals and to safeguard assets. They also play a key role in preventing and detecting fraud and error. An effective internal control system provides reasonable assurance with respect to financial statement preparation and asset safeguarding. The effectiveness of internal control systems can change with circumstances and, for this reason, these are reviewed and updated regularly. The systems presently in place are suitably aligned with the monitoring requirements and nothing has come to the attention of the directors, or internal auditors, to indicate that any material breakdown in the functioning of Bell Equipment's key internal controls and systems occurred during 2017.

Internal audit

Bell Equipment's outsourced internal audit service provider is Ernst & Young Advisory Services. The group's internal audit function continues to use a risk-based methodology. The annual internal audit plan is developed giving due consideration to the risks identified as well as business requirements, and is approved by the audit committee. The GEC and the Bell audit services committee are kept fully up to date with the internal audit function's activities through comprehensive reports that include the internal audit findings and recommendations, management comments and regular status updates. During the year in review, the Bell Equipment group internal audit function fulfilled its duties with the support and cooperation of the board of directors, management and staff.

IT governance and compliance

IT is an integral part of Bell's business operations, and acts as an enabler to the group's strategic and operational goals. The board has appointed a chief information officer and an IT steering committee to manage IT governance across the group. This committee meets on a quarterly basis and reviews adherence to the IT controls framework. The IT controls framework is aligned to COBIT and includes controls that ensure strategic alignment, deliver value and manage performance, provide information security, manage IT risk and compliance, and ensure business continuity management. The committee ensures that matters such as ever increasing regulatory and governance compliance, cybersecurity and digital transformation are adequately addressed, whilst continuously focusing on innovative and business centric solutions.

During the reporting period the IT strategy was reviewed to ensure alignment with business strategic goals, IT delivery and IT risks were reviewed and the group's network infrastructure was upgraded. The risk of cyber-attacks and legislative requirements around data protection have driven a focus on the implementation of various security policies and procedures. An external party has been tasked to evaluate the group's current compliance to GDPR in the United Kingdom, to serve as a baseline for implementing action plans across the group to ensure compliance.

Deloitte & Touche continue to conduct a general computer controls review to evaluate the IT general control environment at BECSA.

Investor relations and shareholder communication

The board acknowledges the importance of keeping shareholders and the investor community informed of developments in Bell Equipment's business by providing timely, balanced, clear and transparent information. The board continues to improve on its stakeholder communication. The most recent and historic financial and other information is published on the group's website including the results presentation. Further information regarding the group's communication with all of its stakeholders is provided in the stakeholder relations report on pages 48.

Access to information

Bell Equipment continues to comply with the requirements of the Promotion of Access to Information Act of 2000. The corporate manuals are available on the website at www.bellir.co.za.

Sponsor

Investec Bank Limited is Bell Equipment's corporate sponsor in compliance with the JSE Listings Requirements.

Risk management

The board is responsible for the governance of risk management within the Bell Equipment group and has approved a policy and framework to identify, analyse, report and mitigate risks, and thereby govern the group risk management process. Oversight is delegated to the risk and sustainability committee, which is a committee of the board. The board sets the Bell

Equipment group risk appetite and risk tolerances annually on the recommendation from the risk and sustainability committee. The risk appetite and risk tolerance matrices, the Bell Equipment group strategic risk register and the group risk indicators are reported on at the risk and sustainability committee meetings.

Management assesses risk in accordance with international best practice based on probability, impact and quality of the existing control environment. These measures produce residual risk scores that indicate the significance of the risk and allow for prioritisation of risk mitigation measures.

INHERENT RISKS	RISK MITIGATION FACTORS
<p>Competitor risk</p> <p>The risk that the Bell Equipment group's competitors' actions have a significant negative influence on the group's business and shareholders' value.</p>	<ul style="list-style-type: none"> ▪ Live and demonstrate the Bell Equipment group motto of 'Strong Reliable Machines, Strong Reliable Support'. ▪ Constantly exceed customer expectations through superior, innovative products and aftermarket support. ▪ Maintain research and development spend through the trough and mid cycles, and accelerate spend in the peak cycles, thus ensuring that the Bell Equipment ADT continues to be an advanced premium product. ▪ Adopt and practice the 1-BELL philosophy in all activities. ▪ A focused ADT global volume growth strategy is being deployed together with dealer migration and development objectives to broaden market footprint and capture additional volumes. ▪ Continue the ongoing process to investigate the viability of an offshore manufacturing facility closer to major ADT markets to enhance flexibility and pursue efficiency improvements. The first phase of the process has been completed resulting in Bell Equipment committing to manufacture certain components at the Eisenach-Kindel factory for the Northern Hemisphere markets.
<p>Currency risk</p> <p>Currency volatility, not only in the Rand but also in other major currencies that the group is exposed to, is a significant risk because the group trades in different currencies and has operations in many countries.</p> <p>The group is also exposed to operational and financial currency exposures due to changes in the value of trading accounts and loans, especially intra-group accounts, denominated in foreign currencies. This has a direct impact on the group's trading results, statement of financial position, cash flows and competitiveness.</p>	<ul style="list-style-type: none"> ▪ A group treasury policy is in place and a review of this policy by management and the board has been undertaken to ensure continued relevance. ▪ Projections of import and export cash flows are maintained. The principle of matching South African import and export cash flows is followed wherever possible. ▪ The majority of any remaining net foreign currency receipt and payment flows are covered forward. Foreign subsidiaries do not hedge their intra-group purchases. ▪ The timely application of pricing policies on selling prices facilitate hedging against movements of major currencies to the Rand and other volatile currencies to which the group is exposed. ▪ Cost containment and consideration of alternative suppliers, markets and manufacturing locations. ▪ The size of equity and loans in foreign subsidiaries is monitored to ensure these are appropriate considering commercial requirements.

CORPORATE GOVERNANCE REPORT CONTINUED

INHERENT RISKS	RISK MITIGATION FACTORS
<p>Strategic alliance partners and key supplier relations risk</p> <p>The brands represented by Bell Equipment form an integral component of the Bell Equipment group's strategic goal of being an integrated OEM. These international brands become synonymous with Bell Equipment in relevant distribution territories therefore careful thought and effort goes into selecting strategic alliance partners and suppliers. Revenue derived from these products contributes materially to the Bell Equipment group revenue. Therefore, risks associated with a breakdown in relations and/or material non-performance by either party poses significant risks.</p>	<ul style="list-style-type: none"> Continually build/improve the group's relationships with strategic alliance partners and suppliers at all levels within the organisation, supporting mutually beneficial objectives. Formal process of setting, monitoring and evaluating key performance matrices to meet strategic objectives. Add value by enforcing effective communication to all partners and suppliers on market movements and our strategy. Maintain the Quest for Gold programme which acknowledges key suppliers for outstanding service. Adopt the 1-BELL philosophy in dealing with strategic alliance partners and suppliers.
<p>Political risks in the countries in which the group operates</p> <p>The group is exposed to the varying political landscapes and the associated political risks in the regions in which it operates due to the global nature of the group's business and new markets.</p>	<ul style="list-style-type: none"> As a responsible corporate citizen that contributes to the well-being of the regions in which it operates, the group endeavours to cooperate with the local authorities in those regions while remaining apolitical. The group strives to minimise exposure in perceived high-risk countries through effective risk management practices. Maintain business continuity plans catering for all eventualities the group may be susceptible to in the higher political risk regions to which it is exposed.
<p>Cyclical nature of the construction and mining equipment industry</p> <p>The business model is highly dependent on achieving sales volumes of the core manufactured products. This is due to the upfront and substantial investment in research and development, production capabilities as well as inventory which is required to maintain a competitive advantage.</p> <p>The inherent cyclicity of the industry is affected by the continued uncertainty in the commodity and emerging markets which has resulted in fluctuations in demand for the group's products in these key sectors. Accordingly, the financial performance and achievement of strategic goals of Bell Equipment is directly dependent on its ability to react to the changes in the business environment.</p>	<ul style="list-style-type: none"> Perform regular evaluations of the order book and forecasts to ensure the validity thereof. Secure adequate committed funding lines and actively manage cash flows. Actively manage working capital, reduce expenses and increase efficiencies within the group. Deliver exceptional customer service to capture the available business. Diversify geographically, away from dependence on traditional mining territories. Grow diversified revenue streams leveraging the Bell Equipment distribution network and manufacturing capabilities. Robust capital planning and budgeting processes. Monitor impact of the business environment on key customers' access to and ability to service credit.
<p>Regulatory risk</p> <p>It is recognised that there is an increased probability of risk of regulatory non-compliance to laws and rules due to the geographic spread of the operations and therefore the size of the regulatory environment as well as the different languages and cultures.</p> <p>This inherent risk is further increased due to a disconnect between first and third world regulatory environments.</p>	<ul style="list-style-type: none"> A group-wide compliance programme continues to mature in relation to the unique regulatory requirements, and product and operational restrictions are assessed on a periodic basis. Local management is tasked with keeping abreast of regulatory changes within their respective jurisdictions and do so by making use of internal resources and external experts where required. A review of the contract management system, employee contracts and tender guidelines have been undertaken on a high-level to ensure compliance with existing and new regulatory requirements. Governance, ethics and compliance training has been undertaken throughout the operations. An annual training programme is being developed to procure that appropriate and topical legislative and governance training takes place across the group.

INHERENT RISKS	RISK MITIGATION FACTORS
<p>Human capital</p> <p>Bell Equipment group recognises that human capital is vital to its success. Human capital risks manifest under the following themes:</p> <p>Skills retention Due to the locations it operates in and the fact that the world is becoming a so-called global village, Bell Equipment's ability to retain key skills is constantly under threat.</p> <p>To deliver a world class product and service, world class people is a must. Key scarce skills, particularly engineering/technological skills in the South African environment remains a challenge.</p> <p>Health and safety This risk refers to the possibility of human capital being exposed to an unsafe work environment and/or practices which result in injury whilst on duty. This is an inherent risk due to the operating environment.</p>	<ul style="list-style-type: none"> ▪ Significant training and investment in employees assists in creating an increasing and enhanced skills base. The Bell Equipment apprentice programme serves as a good foundation for technical skills required for both Bell Equipment and the industry. ▪ Implementation of performance management systems. ▪ Retention strategy for critical skilled employees. ▪ A risk-based health and safety management system that clearly establishes the group's expectations of employees in terms of health and safety performance. The system is aligned with OHSAS 18001:2007, a leading international standard for occupational health and safety management systems. ▪ A comprehensive behaviour-based health and safety training programme was implemented across the group to promote safe behaviour and awareness. ▪ The 1-BELL philosophy is actively practised on all levels through leadership, teamwork, personal accountability and effective communication. This, together with the safety management system, ensures the creation of a safe working environment and culture, reducing the likelihood of workplace injuries.
<p>Global competitiveness</p> <p>As primarily a South African-based manufacturer supplying the global market, the increased cost of doing business in South Africa directly impacts the product cost and therefore influences Bell Equipment's competitiveness. Pressure from organised labour for above inflation wage increases, disruptions to business across the value chain due to strikes, declining productivity, escalating fuel and electricity prices, compounded with the necessity of private back-up power generation due to prior power outages and increasing compliance costs are some of the expenses that contribute to the increased costs of doing business in South Africa. This hinders the marketability and profitability of South African manufactured products.</p>	<ul style="list-style-type: none"> ▪ Continuously evaluate component country sourcing for suitable price advantages. ▪ Continuously monitor the effect of cost pressures and strategically evaluate offshore manufacturing opportunities. ▪ Monitor productivity and critically evaluate the case for mechanisation, where possible. ▪ Continuously evolve the group's design philosophy to incorporate new technology, safety and best practices.
<p>Niche product dependence</p> <p>Whilst Bell Equipment has carved out a niche in the global earthmoving equipment industry and continues to strive to be the leading global ADT OEM, the group is cognisant of its dependence on this product, which is exposed to the commodity cycles.</p>	<ul style="list-style-type: none"> ▪ Grow diversified revenue streams that leverage the Bell Equipment distribution network and manufacturing capabilities.
<p>Lack of transformation</p> <p>There is pressure on corporate South Africa to transform in accordance with government's transformation objectives. Government business and incentives are often aligned to the BBBEE codes thereby making the transformation decision an economic decision.</p>	<ul style="list-style-type: none"> ▪ Pursuit of interventions in management control, skills development and procurement to improve BBBEE points for both BESSA and BECSA. ▪ Evaluate black ownership options for BECSA.
<p>Information technology</p> <p>The speed of information technology development is driving companies to invest in the latest technology to remain competitive, while at the same time protecting themselves against cyber-attacks.</p>	<ul style="list-style-type: none"> ▪ Various actions plans are in place to improve cyber-security and adherence to data protection legislation. ▪ Redesign of enterprise architecture to provide an agile, integrated system landscape. ▪ Replace and upgrade legacy systems.

Social, Ethics and Transformation Committee Report

The social, ethics and transformation committee ("the committee") is a statutory committee which assists the board in monitoring the group's corporate citizenship, sustainability, transformation and ethical conduct.

This report by the committee is prepared in accordance with the requirements of the JSE Listings Requirements and the Companies Act read with the regulations promulgated thereunder and describes how the committee has discharged its statutory duties and its additional duties assigned to it by the board in respect of the financial year ended 31 December 2017. The committee has considered the principles and practices advocated by King IV and is committed to ensuring the desired governance outcomes including ethical leadership. This report should be read together with the stakeholder relations report on pages 48 to 61.

Committee members and meeting attendance

The committee comprises four suitably skilled and experienced members appointed by the board, as set out in the following table.

In accordance with its charter, the committee meets at least twice a year. During the year under review, the committee met three times.

The chairman of this committee is Mamokete Ramathe, an independent non-executive director, who was appointed on 10 October 2017 and attended one meeting during the reporting period. Tiisetso Tsukudu retired as chairman of the committee on 21 August 2017 having attended two meetings during the reporting period.

Rajendran Naidu was appointed to the committee on 27 November 2017 following the resignation of Bharti Harie as a director and member of the committee on 27 November 2017. No meetings were held during the reporting period following Rajendran Naidu's appointment. Ashley Bell, Bharti Harie and Gary Bell all attended three meetings during the reporting period.

Committee members*	Composition
Mamokete Ramathe (chairman)	Independent non-executive director
Ashley Bell	Non-executive director
Gary Bell	Chief executive
Rajendran Naidu	Independent non-executive director
Bharti Harie	Non-executive director (resigned 27 November 2017)
Tiisetso Tsukudu	Independent non-executive director (retired 21 August 2017)

* Abridged curriculum vitae of all the directors of the group are set out on pages 16 and 17.

Role and responsibilities

The committee's roles and responsibilities are governed by a formal charter as approved by the board. This charter is subject to an annual review by the board.

The role of the committee is to assist the board with the oversight of social, ethical and transformation matters relating to the group and with the oversight of the attendant risks attached to the matters within the committee's mandate.

The responsibilities of the committee include:

- monitoring group activities in respect of its social, transformation and economic development, good corporate citizenship and ethical leadership;
- monitoring the group's activities in relation to the environment, environmental risks and employees' health and public safety;
- reviewing and monitoring the group's broad-based black economic empowerment and compliance with the Employment Equity Act and BBBEE legislation;
- oversight of the educational and skills development of its employees; labour relations and working conditions of the group's employees; and
- monitoring the group's relationships with all its stakeholders including but not limited to its consumers; and oversight in relation to its corporate social investment.

Activities of the committee

During the year under review, the committee carried out the following activities:

- evaluated the group's CSI policy and the SED policy and considered the CSI and SED annual budget in line with the group's social and economic development;
- received assurance on the review by management of the group's policies including the code of ethics, the employment equity policy, the environmental policy, the CSI and SED policies and the health (dread disease) policy;
- monitored the development of a separate ESD policy;
- received reports on sponsorships, donations and charitable giving and monitored the group's activities relating to good corporate citizenship;
- reviewed the committee's charter and annual work plan to ensure that the correct focus was being undertaken by the committee;
- received reports from management on the South African operations' BBBEE status, considered management's various initiatives including revised procurement strategies, BBBEE ownership and supplier and enterprise development initiatives aimed at addressing the South African operations' BBBEE status during the course of the 2017 financial period and ensured that the group continues to comply with the reporting duties required of it in terms of the regulations to the BBBEE Act;
- received proposed and new relevant legislation updates or other legal requirements or prevailing codes of best practice specifically relating to matters affecting the committee's mandate as and when applicable;
- monitored development in employment practices locally and internationally and monitored progress against transformation targets and the group's employment equity plan and noted the submission of the group's annual employment equity plan; a summary of such plan can be found on page 51;
- reviewed the succession planning report reflecting the progress of the company towards transformation and the employment equity goals of the South African operations;
- reviewed the report on education and training of employees and monitored the legislation relating to ensuring equal pay for work of equal value;
- reviewed compliance with the group's code of ethics and received reports on all breaches of Bell Equipment's policies, including any reports on material disclosures received through, amongst other avenues, the group's tip-offs anonymous reporting line and any resultant investigations;

- assessed the group's actions in relation to the 10 principles of the United Nations Global Compact and reviewed international protocols and guidelines;
- reviewed and monitored HIV/AIDS and other dread disease statistics and prevalence with the aim of promoting a healthy workforce and working environment;
- reviewed labour relations reports including reports on adversarial incidents and dismissals;
- monitored the reports on the environment, health and public safety, including the impacts of the group's activities and products on the environment and society; and
- reviewed the group's consumer relationships reports; with a greater emphasis on material stakeholder relations and the group's engagement with such stakeholders; and reviewed the content of the stakeholder relations report for inclusion in the integrated annual report; and recommended it for approval by the board.

Evaluation of committee performance

The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process. The self-assessment of the committee was undertaken in November 2017.

In February 2018 the results of the self-evaluation of the committee were discussed by the board. It was evidenced by the results of the evaluation of the committee's performance during the reporting period that the committee was generally performing effectively. The committee confirmed that its members continued to have sufficient qualifications and experience to fulfil their duties.

The activities outlined in this report reflect the group's initiatives in relation to its responsibility to the society and environment in which it operates, while remaining accountable to shareholders in terms of financial performance and with continued emphasis on improved mechanisms for the group's meaningful communication with stakeholders and ongoing ethics awareness and compliance training throughout the group.

The committee is satisfied that it has discharged its responsibilities in accordance with its charter for the current reporting period.



ME Ramathe

Chairman of the social, ethics and transformation committee

14 March 2018