

Corporate governance report

Good governance contributes to value creation and Bell Equipment's governance philosophy is founded on principles of accountability, transparency, ethical management and integrity.

The group strives to take all reasonable endeavours to implement the best processes and principles of good corporate governance to assist its management and directors in discharging their duties and responsibilities, aligning its strategy and risk management with its performance to ensure that the group is sustainable in the long term and adds value to its stakeholders.

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.

ASSESSMENT OF AND APPLICATION OF KING IV PRINCIPLES

Bell Equipment subscribes to sound standards of corporate governance, integrity and ethics, as defined in King IV. The group supports the shift towards an outcomes based and holistic approach to corporate governance and the consequent mindful application of the principles contained in King IV. Bell Equipment has considered its application of and adherence to the King IV principles and 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 group code of ethics was reviewed by the social, ethics and transformation committee and approved by the board in August 2018. The updated code was thereafter communicated to the group via the software communication and policy management solution, NetConsent, and through ongoing awareness training. The group code of business conduct and the group fraud and commercial crimes policy continue to be entrenched into the culture of the group. These policies, among 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. Annually, employees are required to submit an electronic employee governance declaration confirming their compliance to the group codes and policies, declare any potential conflicts of interest as set out in the conflicts of interest

policy as well as disclosing any approved outside activities that are undertaken. The GEC reviews the outcome of such declarations and addresses any non-compliance with policies or perceived material conflicts of interest.

Bell Equipment has an established fraud working group that meets quarterly or more frequently when required. The fraud working group monitors and oversees the investigation of all fraud related and unethical matters and reassesses the adequacy of the internal control environment (particularly those controls directly impacting on the incidents) and assesses whether there is a need for modification or additional training. All matters reported through the anonymous tip off reporting line managed by Deloitte 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.

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 and unethical behaviour 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 confidentially via the anonymous tip off reporting line. 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. International Fraud Awareness Week took place from 11 to 17 November 2018. The group utilised the opportunity to reinforce ethical decision making and fraud awareness throughout the group and a fraud awareness campaign was developed to run every day of that week. The theme for the week was "taking personal responsibility for behaving with integrity" and was based on the 1-BELL philosophy and linked to the fundamental values of honesty, integrity, fairness, respect, concern for others and personal accountability. Fraud awareness training was also scheduled for each day of the week for the different Bell divisions.

FINANCIAL STATEMENTS AND EXTERNAL REVIEW

As a 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 33 and the summarised consolidated financial statements from page 74.

GOING CONCERN

The board is apprised 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.

CORPORATE GOVERNANCE STRUCTURE

Board of directors

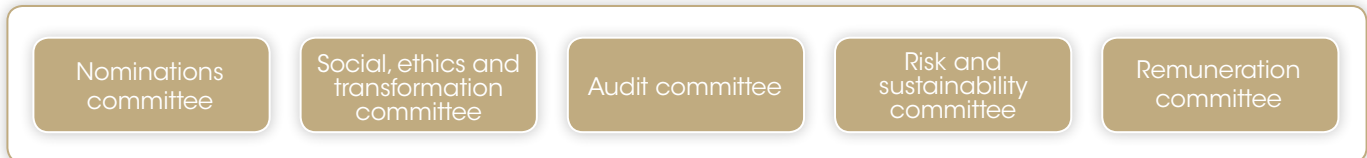
Chairman of the board

Gary Bell, *non-executive chairman*

Executive directors
 Leon Goosen
 Karen van Hagt
 Avishkar Goordeen (*alternate*)
 Ashley Bell*

*Designation changed from non-executive to an executive director on 1 February 2019.

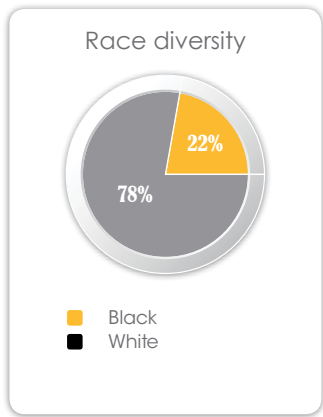
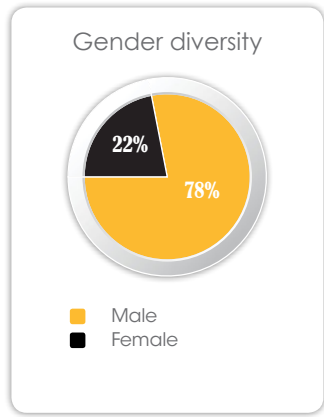
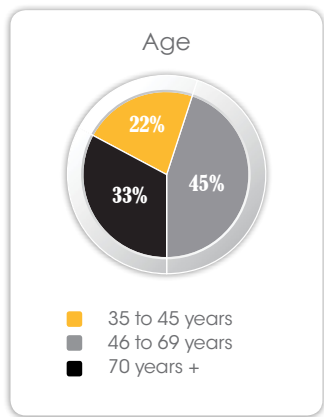
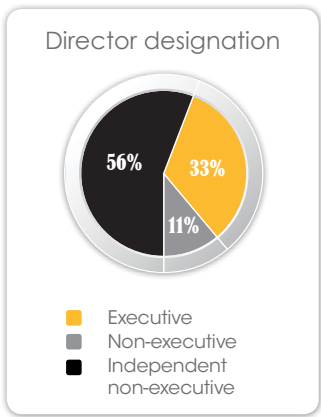
Independent non-executive directors
 John Barton (*lead independent*)
 Hennie van der Merwe
 Derek Lawrance
 Rajendran Naidu
 Mamokete Ramathe



Group executive committee

Empowered and responsible for implementing board approved strategies and managing the affairs of the group, the GEC is chaired by the chief executive and comprises the group finance director, the managing directors of each region and the executives listed on page 26.

BOARD COMPOSITION AND DIVERSITY



Corporate governance report continued

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.

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.

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 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 Hagt is a full time executive finance director of the group.

With effect from 1 June 2018, Gary Bell stepped down from his role as chief executive and remained with the group, having been appointed by the board of directors as the non-executive chairman of the board. Leon Goosen assumed the position of chief executive and John Barton stepped down as chairman of the board, having been appointed by the board as the lead independent non-executive director.

The board recognises the benefits of gender and race diversity at board level. In line with the board approved diversity policy promoting both gender and race diversity, the voluntary measurable objectives for achieving gender diversity on the board was to ensure that more than 25% of the board was comprised of women by the end of 2018 and the measurable target for achieving race diversity on the board was 30% by end of 2018. While the voluntary race and gender diversity targets have not been reached in respect of the board for the 2018 year, the nominations committee confirmed its satisfaction with the target levels and would continue to work on improving diversity on the board and continue to consider and apply the policy on gender and race diversity in the nomination and appointment of directors.

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.

ROLES AND RESPONSIBILITIES OF CHAIRMAN, LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE DURING THE REPORTING PERIOD

Chief executive: full time executive director	Chairman: non-executive director	Lead 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; encourage proper deliberation; lead the board and not the group; be the link between the board and management; be the main link between the board and shareholders; and provide skills and industry experience to the group. 	<p>The role of the lead independent non-executive director is to:</p> <ul style="list-style-type: none"> provide independence as the chairman is not an independent non-executive director; ensure adherence to good governance principles; handle all conflict of interest matters that may arise; assume the responsibilities of the chairman when the latter is unable to attend relevant board and committee meetings; and assume the responsibilities of the chairman 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 John Barton, Rajendran Naidu and Mamokete Ramathe. Their abridged curricula vitae can be found on pages 24 to 25.

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 business 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, approval of the group's strategy, 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 ethics and the values of the group;
- exercising leadership, 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 the group's 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.

COMMITTEES' MANDATE AND CHARTERS

The board applies responsible governance in ensuring the managing of 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, a social, ethics and transformation committee, a nominations committee and a risk and sustainability committee. 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.

NOMINATIONS COMMITTEE

Composition

Chairman:

- John Barton – lead independent non-executive director

Members:

- Rajendran Naidu – independent non-executive director
- Hennie van der Merwe – independent non-executive director
- Gary Bell – non-executive chairman of the board

Following Gary Bell's appointment as the non-executive chairman of the board on 1 June 2018 and John Barton's appointment as lead independent non-executive director, John remained the chairman of the nominations committee and Gary was appointed as a member with effect from 6 June 2018.

Brief particulars of the committee members can be found on pages 24 to 25.

Three meetings were held during the year.

Summary of roles and responsibilities

The roles and responsibilities of the nominations committee are:

- 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;
- to consider the performance of directors and oversee 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.

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SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Composition

Chairman:

- Mamokete Ramathe – independent non-executive director

Members:

- Gary Bell – non-executive chairman of the board
- Ashley Bell – executive director*
- Rajendran Naidu – independent non-executive director
- Karen van Hagt – finance director[∞]

Brief particulars of the committee members can be found on pages 24 to 25.

Three meetings were held during the year.

Summary of roles and responsibilities

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:

- 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.

The full report by the chairman of the social, ethics and transformation committee can be found on page 46.

* Ashley Bell's designation changed from a non-executive director to an executive director on 1 February 2019.

[∞] Karen van Hagt was appointed to the social, ethics and transformation committee on 6 June 2018.

AUDIT COMMITTEE

Composition

Chairman:

- Derek Lawrance – independent non-executive director

Members:

- John Barton – lead independent non-executive director (from 1 June 2018)
- Rajendran Naidu – independent non-executive director
- Mamokete Ramathe – independent non-executive director

All the members were elected as members of the committee by the shareholders at the AGM on 15 May 2018.

Four meetings were held during the year.

Summary of roles and responsibilities

The roles and responsibilities of the audit committee are aligned with the statutory functions as set out in the Companies Act and the Regulations to the Companies Act and include:

- 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.

The full mandate of the audit committee can be found in the detailed audit committee report included in the full audited consolidated financial statements on the group's website at www.bellir.co.za.

RISK AND SUSTAINABILITY COMMITTEE

Composition

Chairman:

- Hennie van der Merwe - independent non-executive director

Members:

- John Barton – lead independent non-executive director
- Ashley Bell – executive director*
- Gary Bell – non-executive chairman of the board
- Derek Lawrance – independent non-executive director
- Karen van Haght – finance director
- Leon Goosen – chief executive

Brief particulars of the committee members can be found on pages 24 to 25.

Three meetings were held during the year.

Summary of roles and responsibilities

The risk and sustainability committee is responsible for:

- 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 high impact risks 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 group'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 regard to the relevant sustainability considerations.

* Ashley Bell's designation changed from a non-executive director to an executive director on 1 February 2019.

REMUNERATION COMMITTEE

Composition

Chairman:

- Derek Lawrance – independent non-executive director

Members:

- John Barton – lead independent non-executive director
- Gary Bell – non-executive chairman of the board*

The chief executive attends all remuneration committee meetings by invitation.

Three meetings were held during the year.

Summary of roles and responsibilities

The roles and responsibilities of the remuneration committee are to:

- oversee the establishment of and regularly review the group remuneration policy;
- ensure that the remuneration policy and the implementation report are both put to 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 followed;
- 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.

The detailed responsibilities of the remuneration committee can be found under the remuneration committee report on page 48.

* Gary Bell was appointed as a member from 1 February 2019, when Ashley Bell stepped down.

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GROUP COMPANY SECRETARY

Diana McIlrath, the current company secretary, continues to ensure 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 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.

Following the formal assessment conducted by the board of the company secretary at the end of November 2017, the board has again informally assessed the company secretary's competence during this reporting period.

The board is satisfied that the company secretary has the requisite competence, qualifications and experience to carry out the required responsibilities and continues to be independent of the board. The company secretary is not a director of the company.

The board is satisfied that the company secretary is the gatekeeper of good governance, and that in the absence of any existing relationships, she is able to interact with the board and its individual directors at arms length, and that the directors are able to look to the company secretary for guidance on their responsibilities and duties.

BOARD AND COMMITTEE EVALUATIONS

Following the formal and comprehensive questionnaire based self evaluation assessment undertaken by the board, the committees, the chairman and the company secretary at the end of 2017, a written report was prepared on the outcome of the evaluation process and action items flowing from such evaluation report were considered by the board and separately by each of the committees. Discussions were then held with the chairman of the board and each director individually. Such action items were subsequently implemented during 2018. The assessment indicated that, in the opinion of the directors, the board, its committees and the chairman had discharged their responsibilities effectively. Having given consideration to the skills, experience and expertise of the members of the board and each of the committees, the directors believe that the board and each of the committees remain well balanced in terms of skills, qualifications and experience, and make a meaningful contribution to the group.

The board has agreed to undertake a formal assessment of the performance of the board, each of its committees and the chairman every second year going forward and in this regard, this will be undertaken again towards the end of 2019.

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 2018 to 31 December 2018

	Board	Audit	Risk and Sustainability	Nominations	Remuneration	Social, ethics and transformation
Number of meetings	4	4	3	3	3	3
John Barton	3	3	3	3	3	
Gary Bell*	4		3	1		3
Karen van Haght [∞]	4	4+	3			2
Leon Goosen	4	4+	3	2+	3+	3+
Ashley Bell**	4		3		3	3
Hennie van der Merwe	4		3	3		
Derek Lawrance	4	4	3		3	
Mamokete Ramathe	4	4				3
Rajendran Naidu	4	4		3		3
Avishkar Goordeen	4		3+			3+

* Gary Bell was appointed to the nominations committee on 6 June 2018.

[∞] Karen van Haght was appointed to the social, ethics and transformation committee on 6 June 2018.

** Ashley Bell stepped down from the remuneration committee on 1 February 2019.

+ Leon Goosen, Karen van Haght and Avishkar Goordeen attend the committee meetings as invitees.

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 which are to be considered at a board meeting in general, annually and

specifically at the commencement of each meeting of the board and 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 the group code of ethics, the provisions of the Financial Markets Act, 2012, as amended from time to time, and the JSE Listings Requirements regarding inside information, price sensitive information, dealings in securities and the disclosure of such dealings which have been covered previously in various Bell codes, policies and procedures, including the group code of business conduct. During the reporting period, the board considered and approved a standalone corporate information policy which takes account of the JSE Listings Requirements' amendments applicable to price sensitive information and cautionary announcements and formalises the safeguarding and appropriate disclosure of price sensitive information by establishing guidelines for interactions with outside parties, including investors, investment analysts, journalists and publishing houses.

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 full audited consolidated financial statements on the group's website.

EXTERNAL AUDIT

Deloitte & Touche is the group's external audit service provider and is the appointed external auditor of all significant components of the group. 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 reviewed by the audit committee.

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. In this regard, a group controls framework has been developed for the following cycles: order to cash; procure to pay; inventory;

payroll; financial statement close process; IT general controls; and fixed assets.

The minimum controls required in each group operation for each business cycle, with clear accountability by name for each control, is in place and such framework is key to driving an improvement in controls throughout the group. The training of each of the group operations and functions on the controls framework has been completed and a self assessment tool to assist managers in managing the internal controls within their areas of accountability, has been rolled out.

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 2018.

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 Equipment's business operations, and acts as an enabler to the group's strategic and operational goals. There is an appointed chief information officer and an IT steering committee that continue 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, while 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 implementation of SAP at the Bell German operations took place to support the expansion of the European assembly plant as well as the ELC. Investment in new technology has been made thereby enabling flash backups with the capability to restore data in a very short timeframe and as a result the disaster recovery and backup related risks have been significantly reduced. Master data and online parts projects have been implemented to focus on delivering improved customer interaction tools and driving increased machine and aftermarket revenue streams.

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The risk of cyberattacks and legislative requirements around data protection have increased focus on the implementation of various security policies and procedures. Ongoing security awareness training is being conducted and following an external evaluation of Bell Equipment's compliance to GDPR, action plans have been implemented across the group to ensure compliance.

ISO27001 has been adopted by the group as the information security standard. Ernst & Young, the internal auditors, undertook a review of the compliance of the group's cybersecurity plan against the ISO27001 standard during the reporting period. Certain areas for improvement have been subsequently pointed out by the internal auditors and agreed management action plans put in place. Deloitte & Touche continue to conduct a general computer controls review to evaluate the IT general control environment at BECSA.

RISK MANAGEMENT

The board is responsible for the governance of risk management within the group. An approved policy and framework is utilised to identify, analyse, report and mitigate risks, and thereby govern the group risk management process. Oversight is delegated to the risk and sustainability committee. The board sets the group risk appetite and risk tolerances annually on the recommendation from the risk and sustainability committee. The risk appetite and risk tolerance matrices, the group strategic risk register and 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.

The Bell Equipment risk management framework model classifies the risks into types of risk with a potentially positive or negative effect on the ability of the business to meet its strategy and protect or create value. It then goes on to formulate the approach to be followed in managing risk, reviewing controls in place, implementing additional controls required and identifying who is responsible for managing the risk.

Combined assurance is based on identified risks and how assurance is obtained on the management and mitigation of the said risks. Refer to table on opposite page.

Assurance is provided primarily by the second, third and fourth lines of defence. While management does provide extensive risk assurance through performance management and reporting, this is not factored into combined assurance, as it would require comment or evaluation on the effectiveness of management in this regard.

Internal audit and risk management take on the combined assurance role. They have an overall understanding of the business, are familiar with the assurance concepts and

have a strong vested interest in making sure the approach is effective. Other second line of defence functions that take on the championing role includes compliance, the company secretary, and forensic functions.

The board is responsible for ensuring that business critical risks are adequately managed. The four lines of defence process strengthens independent assurance reporting to the board and senior management on the critical risks facing the group.

King IV requires the audit committee to oversee the combined assurance approach, and it is therefore the natural owner of the process. From an operational point of view, internal audit and risk management are well positioned to review the continued relevance of the process and suggest updates in the future.

The board is satisfied that the systems and processes in place to govern and manage risk are adequate and that management has generally executed its risk management responsibilities satisfactorily.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

In line with the board's acknowledgement of 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, Bell has engaged the services of an investor relations company that provides independent investor relations and strategic communication services, including facilitating results road shows and market perception audits.

The most recent and historic financial and other information continues to be published on the group's website including the results presentation provided to the shareholders and investors in the form of a roadshow undertaken by the chief executive and the finance director following the release of the interim and annual financial results. Further information regarding the group's communication with all of its stakeholders is provided in the stakeholder relations report on page 57.

ACCESS TO INFORMATION

Bell Equipment continues to comply with the requirements of the Promotion of Access to Information Act of 2000, as amended. The corporate manual is available on the website at www.bellir.co.za.

SPONSOR

Investec Bank Limited remains Bell Equipment's corporate sponsor in compliance with the JSE Listings Requirements, and among other functions, advises the board on compliance with the JSE Listings Requirements.

BOARD STATEMENT

The board believes it has satisfactorily discharged its duties and responsibilities during the year under review.

FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE	FOURTH LINE OF DEFENCE
Management oversight	Management of risk and compliance	Internal audit	Independent external assurance
Type of assurance	Type of assurance	Type of assurance	Type of assurance
Line managers are accountable and responsible for the management of risk and performance. A key element of this line of defence is the extent of management reviews and the actions that follow. Management utilises a system of self assessment/audits to inform it of the adequacy of risk management activities.	Corporate functions provide support to line management in executing their duties. These would typically include functions such as human resources, procurement, compliance, risk management, quality assurance, health and safety, IT, finance, engineering, forensic (fraud risk management), insurance and internal controls framework.	Internal risk based audits that provide independent and objective assurance over the controls, risk management and governance activities of the group as performed in first and second lines of defence. Internal audit may also provide combined assurance with the second line of defence on activities in the first line of defence, or combined assurance with the fourth line of defence on activities in the first and second line of defence.	External assurance providers such as certification service providers, regulator reviews, external audit, technical audits, forensic investigations, external asset management reviews, valuers, culture climate surveys.
Activities	Activities	Activities	Activities
The activities include: <ul style="list-style-type: none"> • people and process, management supervision and oversight, including technology; • responsibility and accountability for managing risk around business as usual; • ensuring that controls are performed properly in the first place and not post event control assurance. 	The activities include: <ul style="list-style-type: none"> • risk and compliance functions; • defining, setting and maintaining risk management policies; • facilitating/governance of risk and controls self assessment tools to identify and measure risks and assess related controls; • monitoring of losses and managing of incidents. 	The activities include: <ul style="list-style-type: none"> • risk based internal audits and risk management reviews; • compliance with policies and procedures; • corporate governance reviews; • specific <i>ad hoc</i> reviews requested by management; • combined technical audits with the fourth line of defence, including making use of external specialists. 	The activities include: <ul style="list-style-type: none"> • statutory external audits; • certification services such as ISO certification; • technical audits such as providing project assurance to a third party; • valuations of property, plant and equipment; • combined technical audits with internal audit.