

BELL

STRONG RELIABLE MACHINES • STRONG RELIABLE SUPPORT

2017

BELL EQUIPMENT LIMITED • KING IV PRINCIPLES APPLICATION REGISTER



KING IV

Application of the King IV Principles

PRINCIPLE 1 – LEADERSHIP

The governing body should lead ethically and effectively

The board of directors of the group ('the board') is the governing body and leads the group in accordance with principles based on transparency, accountability, integrity and ethical leadership. These principles are incorporated in an approved board charter and demonstrate a sound framework for effective leadership. The group operates within a board-approved code of ethics and code of business conduct which support a commitment to fair dealing, honesty and integrity in the conduct of its business.

PRINCIPLE 2 – ORGANISATIONAL ETHICS

The Governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

The code of ethics and the code of business conduct are currently found on the group's internal website together with all the policies that apply to the group.

A standard ethical conduct clause is inserted in all standard Bell contracts with suppliers and customers. This standard ethical conduct clause confirms Bell's ethical conduct as well as requiring Bell's customers and suppliers to adhere to the same conduct.

Bell Equipment delegates to management the responsibility for implementation and execution of the codes of conduct and code of ethics.

Code of ethics is signed and confirmed by the employee as having understood the consequences of non-compliance at the time of employment and every year when signing the employee governance declaration.

The Bell anonymous tip off line is managed by an external party. The fraud working group is a Bell committee that monitors and reports on, amongst other issues, breaches of ethical standards, fraud and reports on the employee governance declaration process.

The company secretary is the appointed ethics champion with a separate ethics email address.

The corporate governance report in the Integrated Annual Report addresses organisational ethics. The measurement of the adherence of ethical standards is primarily on the basis of facilitating the reporting of non-compliance, and is enabled by the group's anonymous tip-off facility and the requirement on employees (per the code of ethics and terms of employment) to disclose any known conflicts of interests.

PRINCIPLE 3 – RESPONSIBLE CORPORATE CITIZENSHIP

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen

The board leads the group in accordance with principles based on transparency, accountability, integrity and ethical leadership. Bell's responsible corporate citizenship efforts include compliance with the Constitution of South Africa (including the Bill of Rights), the law, leading standards, and adherence to its own codes of conduct and policies.

Non-financial performance, risks and the impact of operations are considered by the board at its meetings. The Social, Ethics and Transformation Committee ('SETCo') is furthermore mandated to deal with sustainability matters at its meetings. CSI and SED policies are in place to assist the board with its responsibility as a global corporate citizen.

The board ensures that collaborative efforts with stakeholders are embarked upon to promote ethical conduct and good corporate citizenship.

The group's Employment Equity Plan and processes are in place. Fair remuneration, training and on-going development of employees is reported on.

Health, safety, environment and quality policies are in place. BBBEE policies are reported on and small, medium and micro-enterprises development is in place.

APPLICATION OF THE KING IV PRINCIPLES CONTINUED

PRINCIPLE 4 – STRATEGY, PERFORMANCE AND REPORTING

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

The board is ultimately accountable for the performance and affairs of the group, appreciating that strategy, risk, performance and sustainability are inseparable. The board and its committees monitor a broad range of financial, sustainability, risk and compliance indicators. The board has set long-term and short-term strategies of the company and monitors their implementation through management.

The consolidation of strategy direction took place in 2016. Ongoing implementation of strategy initiatives and reporting back to the board on the implementation of the strategy initiatives takes place at each board meeting.

The board approves the policies and operational plans developed by management to give effect to the approved strategy. These include the key performance measures and targets for assessing the achievement of strategic objectives and positive outcomes over the short, medium and long term.

The board delegates to management the responsibility to implement and execute the approved policies and operational plans, although it continues to exercise ongoing oversight of the implementation of strategy and operational plans by management against agreed performance measures and targets.

The board is alert to the general viability of the group with regard to its reliance and effects on the capitals, its solvency and liquidity, and its status as a going concern.

PRINCIPLE 5 – REPORTING

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects

The Integrated Annual Report is reviewed and approved by both the audit committee and the board prior to it being published to ensure its integrity. Furthermore, the external auditors review the Integrated Annual Report in order to ensure that the information published is consistent with the outcome of their audit of the financial statements.

Sustainability reporting and disclosure continues to be integrated with the group's financial reporting in a progressive manner.

Management determines materiality for the purpose of deciding which information is to be included in the Integrated Annual Report and the board approves such determination.

The board ensures the integrity of the external reports, through the audit committee that oversees the management of financial and other risks that affect the integrity of external reports issued by the organisation.

King III register is on the group's website and the King IV register will be uploaded on the group's website.

PRINCIPLE 6 – PRIMARY ROLE AND RESPONSIBILITIES OF THE GOVERNING BODY

The governing body should serve as the focal point and custodian of corporate governance in the organisation

The principles based on transparency, accountability, integrity and ethical leadership are incorporated in an approved board charter and demonstrate a sound framework for effective leadership and good corporate governance.

The board charter adopted by the board ensures that its roles, responsibilities and accountability are documented and adhered to, which include responsibilities relating to corporate governance. The board is supported by various board committees which have delegated responsibility to assist it to fulfil certain specific functions.

The board charter and the various board committee charters underpin the board's responsibility for good corporate governance.

APPLICATION OF THE KING IV PRINCIPLES CONTINUED

PRINCIPLE 7 – COMPOSITION OF THE GOVERNING BODY

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

The group has a policy in place detailing the procedure for appointments to the board. The appointments are formal and transparent and a matter for the board as a whole, duly assisted by the nominations committee. There is a formal process of identifying suitable candidates, including the nomination and evaluation process for such candidates. Non-executive directors are selected for their broader knowledge and experience and are expected to contribute effectively to decision-making and the formulation of policy and strategy. The board has an approved diversity policy that takes into account both gender and race. The diversity policy has set voluntary targets for both race and gender representation on the board.

The board comprises a majority of non-executive members, most of whom are independent. The CEO, the CFO and the COO (now the CEO designate) are directors on the board. Succession plans are in place for the roles of the executive directors.

An induction programme is put in place by the CEO and the company secretary to orientate a new director to the company. This includes visits to the factory and management presentations as well as training on the JSE Listings Requirements. Director development continues to be considered by the company secretary.

An annual declaration of interests' document is provided to the board for completion by each individual director. The file containing such declarations is circulated at each board meeting and each committee meeting in order for the board and committee members to update such declarations. A standing agenda item is found on each board and committee meeting to declare whether any of the directors have any conflict of interest in respect of a matter on the agenda.

The board charter sets out the chairman's roles and responsibilities. A lead independent non-executive director was appointed to lead the evaluation of the chairman's performance in 2017.

PRINCIPLE 8 – COMMITTEES OF THE GOVERNING BODY

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties

The board committees assist the board in executing its duties, powers and authorities.

The required authority is delegated through formally approved charters. Committee chairpersons report back to the board at each board meeting.

The board has established the following committees: the risk and sustainability committee, SETCo, audit committee, remuneration committee and nominations committee.

The board is ultimately accountable for the performance and affairs of the group, appreciating that strategy, risk, performance and sustainability are inseparable. Other than the established board committees referred to above, any *ad hoc* working groups of the board are appointed by the board and minuted in the board minutes including the working group's mandate.

Each board committee has a formal charter that is reviewed on an annual basis and thereafter approved annually by the board of directors.

As part of the evaluation exercise the skills and knowledge of the members of each of the board committees are reviewed to ensure that the committee is able to execute its duties effectively. The committees attempt to ensure that their specific role and positioning is that of a complementary approach.

There is a distribution of power in respect of membership across committees to ensure no unfettered discretion by any one individual. Each committee has a minimum of three members subject to legal provisions, where applicable.

Members of the executive and senior management are invited to attend committee meetings either by standing invitation or on an *ad hoc* basis to provide pertinent information and insights in their areas of responsibility.

Directors who are not members of the committee are entitled to attend the committee meeting as observers, on notification to the chairman of the committee.

APPLICATION OF THE KING IV PRINCIPLES CONTINUED

PRINCIPLE 9 – EVALUATIONS OF THE PERFORMANCE OF THE GOVERNING BODY

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness

The chairman, the board, its committees and the company secretary are evaluated on an annual basis. It is an internal self-evaluation exercise facilitated by the group company secretary (whilst maintaining impartiality). The outcomes and areas of improvement are formally reported on to the board and to each of the committees and are also tabled for attention at the board meeting and at each committee, for attention.

The company secretary's performance is also evaluated to ensure that there is an arm's length relationship between the board and the company secretary in that the objectivity and independence of the company secretary is not unduly influenced.

PRINCIPLE 10 – APPOINTMENT AND DELEGATION TO MANAGEMENT

The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities

The chief executive is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the chief link between management and the board. The appointment of executive management roles fall within the mandate of the chief executive. 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.

There is a formal delegation of authority framework that addresses the authority to appoint executives who will serve as *ex officio* executive members of the board and to make other executive appointments. Succession planning at executive level has taken place and senior management is currently being undertaken.

PRINCIPLE 11 – RISK GOVERNANCE

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives

The risk and sustainability committee reports to the board. Management reports to the risk and sustainability committee on strategic risks affecting the group as a whole and on the group's risk appetite and risk tolerances.

The board, when developing the group strategy, consider both the opportunities and associated risks and the positive and negative effects of the same risks on the achievement of the group's objectives.

A system of internal controls has been implemented and is continually reviewed. All material risks are identified, evaluated and mitigated wherever possible, and compliance with laws and regulations assessed. This process is undertaken within each division of the group's trading subsidiary companies and serves to instill risk awareness and accountability throughout the group. Risks are documented in a risk register, with their mitigating controls, and are rated in terms of likelihood of occurrence and impact.

The results are presented to the risk and sustainability committee.

The risk and sustainability committee ensures that the combined assurance received is appropriate to address significant risks facing the group and monitors the relationship between the external assurance providers and the group.

APPLICATION OF THE KING IV PRINCIPLES CONTINUED

PRINCIPLE 12 – TECHNOLOGY AND INFORMATION GOVERNANCE

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

The board is responsible for information technology ('IT') governance and has delegated the regulation of IT governance issues and policies to the risk and sustainability committee.

A chief information officer has been appointed by the board. The board monitors and evaluates significant IT investments and expenditure.

There are certain policies and procedures in place in relation to both technology and information management.

The group IT strategy continues to be reviewed.

External auditors currently provide a narrow review of the IT aspects of the group in relation to its financial reporting requirements.

PRINCIPLE 13 – COMPLIANCE GOVERNANCE

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen

The board is responsible for ensuring that the group complies with all relevant laws, regulations and codes.

The group operates within a developing compliance framework. Non-compliance risks are identified, assessed and responded to through the risk management processes of the group.

The group maintains its focus on compliance with legislation that impacts on the group.

The board is regularly informed and updated on relevant laws, rules, codes and standards with the assistance of the company secretary.

PRINCIPLE 14 – REMUNERATION GOVERNANCE

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

The remuneration committee is mandated by the board to satisfy itself that the group remuneration policy remains fair and relevant in a dynamic environment.

A remuneration policy has been developed and approved by the remuneration committee and the board.

The remuneration policy was taken to the shareholders at the Annual General Meeting in May 2017. It was approved as a non-binding advisory endorsement and was approved by a 88,58% majority.

The remuneration policy's philosophy addresses group-wide remuneration on a holistic level.

An implementation report has been disclosed in the Integrated Annual Report. The remuneration policy and implementation report is being tabled for separate non-binding advisory votes by shareholders at the Annual General Meeting.

The remuneration policy records the measures that the board has committed to take in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised.

The board currently approves the remuneration policy and continues to oversee the achievement of the objectives of the policy.

APPLICATION OF THE KING IV PRINCIPLES CONTINUED

PRINCIPLE 15 – ASSURANCE

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports

The group applies the combined assurance model which seeks to optimise the assurance obtained from management and internal and external assurance providers.

The group continues to maintain internal accounting and administrative control systems and procedures designed to provide assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the group's policies and procedures. The board determines the scope of work of internal audit, which has been outsourced to EY, and evaluates the performance of both internal and external audit.

The group has an effective audit committee and its responsibilities include providing assurance on the adequacy and effectiveness of the group's systems of internal financial and operational control, and compliance with laws and procedures; and reviewing and recommending the annual financial statements and Integrated Annual Report for approval to the board.

The audit committee utilises the services of professional audit firm to provide assurance on the adequacy and effectiveness of internal control and risk management practices, and to assist management by making recommendations for improvement.

The financial statements are independently assured but at this stage, the group does not believe that independent assurance on sustainability will provide significant benefit to stakeholders.

Assurance has also been provided from a treasury perspective and through the use of forensic auditors. Assurance has also been received from investigations carried out by the internal risk and security team. The tip-offs' facility is independently managed by Deloitte.

Sustainability reporting and disclosure are being integrated with the group's financial reporting in a progressive manner.

External and internal auditor's findings on the control environment are considered when forming an opinion on integrity of information and effectiveness of the control environment.

The risk and sustainability committee ensures that the combined assurance received is appropriate to address significant risks facing the group and monitors the relationship between the external assurance providers and the group.

Whilst the internal audit function does follow a risk-based approach to its plan, relative to the sub-principles dealing with the realisation of strategic goals, assurance in this regard is not included in the internal audit mandate. This is the responsibility of executive management.

The outsourced internal audit function is evaluated on an annual basis by the audit committee, management and the external auditors. The outsourced internal audit function does have direct access to the audit committee chairman and meets separately from management with the audit committee twice a year.

PRINCIPLE 16 – STAKEHOLDERS

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time

The board appreciates that stakeholders' perceptions affect the group's reputation. Stakeholder engagement is critical to the group's economic, social and environmental sustainability. Engagement aimed at establishing and maintaining mutually beneficial relationships not only limits risks to the business but creates opportunities to enhance performance, ensuring longer-term sustainability.

The interaction with stakeholders is managed by the SETCo and details on the group's stakeholder relations are found in the Integrated Annual Report.

An Annual General Meeting is held each year with notification to shareholders to attend. An investor presentation is loaded on the investor website highlighting the year-end results. The results of the voting process which takes into account the detail of the Annual General Meeting are published on SENS.