

Social, ethics and transformation committee report

The social, ethics and transformation committee (“the committee”) is a statutory committee and a formal subcommittee of the board constituted in accordance with the Companies Act read with the Regulations promulgated thereunder and the King IV Code. The committee’s terms of reference detail its composition, functioning and duties in terms of the Companies Act, the JSE Listings Requirements and King IV, as well as responsibilities allocated to it by the board. The board approved terms of reference are annually reviewed for relevance.

This report should be read together with the corporate governance report on pages 42 to 50 and the stakeholder relations report on pages 68 to 92 which report will provide the stakeholders with a comprehensive review of how the group creates sustainable value.

Role and responsibilities of the company

The committee acts in terms of the board’s delegated authority and performs an independent oversight function. It assists the board in monitoring the group’s and that of its subsidiaries’ activities and disclosures in terms of law and codes of best practice relating to:

- embedding an ethical culture in the organisation;
- the environment, health and public safety, including the impact of its activities and of its products, and the annual review of the group’s environmental policy;
- corporate social investment, including sponsorships, donations and charitable giving;
- stakeholder relations including consumer relationships and contribution to the development of the communities in which it operates;
- strategic empowerment and transformation;
- labour and employment, including the group’s standing in terms of the International Labour Organisation (ILO) protocol on decent work and working conditions; its employment relations and contribution toward the educational development of its employees;
- promotion of equality, prevention of unfair discrimination, and zero tolerance of corruption;
- compliance by the group’s supply chain with the group’s ethical standards.

Composition and functioning of the committee

The committee comprises independent non executive directors Mamokete Ramathe (chairperson) and Rajendran Naidu, non executive directors Gary Bell and Ashley Bell, and Karen van Haght, the executive group finance director. The members of the committee are nominated and appointed by the board. The five suitably skilled and experienced members have an appropriate mix of talent with a majority of non executive directors who are not involved in the day to day management of the business. Both the human resource executive and the chief strategy officer attend the meetings of the committee as standing invitees.

The effectiveness of the committee is assessed as part of the board and committee self evaluation process. The latest self assessment was undertaken in December 2021 and the committee was assessed to have adequately discharged its mandate. It was agreed that further consideration will be given to a greater strategic role that the committee should fulfil going forward.

Attendance at committee meetings is detailed in the leadership report on pages 26 to 29 and fees paid to committee members

for 2022 and the proposed fees for 2023 are detailed on page 67 in the remuneration committee report.

Focus areas of the committee

During the course of the reporting period the committee met three times. The following focus areas were considered by the committee:

- In understanding the importance of the committee’s oversight role in respect of the environmental, social and governance (ESG) factors used in measuring the sustainability of an organisation, the Sustainability Disclosure Guidance and the Climate Change Disclosure Guidance developed by the JSE for listed companies to navigate the areas of sustainability were considered by the committee. Going forward ESG would be a standing agenda item for each meeting in order for the committee to focus on meaningful disclosure, the anticipation of risk and the identification of opportunities.

Good corporate citizenship

- The monitoring of the code of ethics and the application of such ethical leadership principles throughout the group to ensure continued ethics awareness remains a key focus area for the committee. The committee supported the importance of building the ethical culture of the organisation by evaluating the progress made towards the maturation of the ethical culture within the group and reporting such progress to the board.
- The group’s continued commitment to zero tolerance of fraud, theft, corruption or any similar illegal behaviour and commitment to compliance with all applicable anti-bribery and corruption laws, regulations, included the formalisation of a group anti-bribery and anti-corruption compliance framework.
- Reports on material disclosures received through the group’s anonymous tip offs reporting line administered by Deloitte as well as any resultant investigations that had taken place during 2022 were reviewed, in conformance with the formalised tip offs policy.
- The committee considered the annual budget in line with the group’s social and economic development. During 2022 Bell ensured its CSI/SED spend was undertaken with the best possible impact in mind in making its communities self sufficient and empowered, with an ongoing focus on education. The group CSI and SED spend for 2022 was directed at community based projects as highlighted in the stakeholder relations report on pages 83 to 87.

Corporate governance

- The committee undertook the annual review of its charter to ensure that the correct focus was being maintained by the committee in terms of its roles and responsibilities.
- The annual work plan was reviewed to continue to align the plan with the committee’s mandate, as guided by the Companies Act and King IV, with greater emphasis on ESG matters.

- The committee has considered the relevant laws and regulations applicable to the group's operations during the reporting period and its compliance with these. The grey listing of South Africa was considered and how it could affect the group as a global corporate entity.

Social and economic development

- The group's subsidiaries, BESSA and BECSA, completed their verification processes in August and September 2022 respectively and achieved a level 1 and level 3 BBBEE contributor status respectively, based on the measurement criteria contained in the BBBEE Codes of Good Practice.
- The committee continues to monitor the progress of the group's South African operations in relation to its transformation targets to ensure alignment with the group's business objectives and strategies. The committee monitors the company's BBBEE progress in order to improve the group's competitiveness within the South African environment and to ensure compliance with the reporting duties required of it in terms of the regulations to the BBBEE Act and Employment Equity Act, and the BBBEE legislation in general. New opportunities are being explored to ensure a sustainable absorption of the bursary students and other learnerships into the business.
- The group has recommitted to observing the articles advocated by the Universal Declaration of Human Rights and the International Labour Organisation and the 10 principles of the UN Global Compact.
- The board published its voluntary commitment to reach more than 25% female representation on its board and black member representation on its board of 30%, noting that the current composition of the Board was in line with the Board approved diversity policy and the voluntary race and gender diversity targets as the Board had reached its race measurable target and exceeded its gender measurable target. The committee continued to deliberate on matters of diversity in a much broader sense in the past year and will continue to review progress at all levels of the organisation to promote diversity in terms of gender, race, culture, age, field of knowledge, skills and experience.

Labour and employment activities

- In line with the Employment Equity Act, the committee monitored the group's development in employment practices locally and internationally and monitored progress against transformation targets and the group's employment equity plan, a summary of such plan can be found on pages 70 to 71 in the stakeholder relations report. Bell Equipment has participated successfully in the YES Programme for 5 years. During 2022, it was decided to host the candidates in house at Bell once again rather than be a sponsor and have the candidates hosted by external companies. This gave Bell the opportunity to monitor the candidates and identify potential full time employees, trained with the skills required within Bell, that can be absorbed into the company on completion of the 12 month programme.
- The committee received assurance that the group is committed to promoting equal opportunities and fair employment practices, globally, across all its businesses, observing the principles advocated by the International Labour Organisation Protocol on decent work conditions.

The group recognises its most valuable asset is its human capital. A great deal of time and money is invested in the recruitment, training and development of employees and as such every effort is made to retain its current scarce and critical skills, and to recruit

new talent with already developed scarce and critical skills. Bell is a significant trainer and supplier of artisans for the earthmoving industry in southern Africa. Further plans were considered to ensure that the group invested, developed, upskilled and retained its human capital from a global perspective.

Environment, health and safety

- Reports on the environment, health and public safety, including the impact of the group's activities and products on the environment and society and the group's continued responsible use of natural resources were considered by the committee and any issues relating to potential risk of non-compliance were addressed. All risk mitigations put in place were applied and there was strict adherence to rules when it comes to matters of environment, health and safety. The group's safety management system that is based on behaviour based safety, an identification of appropriate control measures to mitigate the risks at the individual operations, visible felt leadership and ongoing training requirements were complied with.

Stakeholder relationships

- The committee reviewed the group's consumer relationships reports, including the group's engagement with its customers, employees and other material stakeholder groups; and considered the group's public relations publications, both internal and external, undertaken during 2022. Further detail can be found in the stakeholder relations report on page 68.
- the outcome of the social and ethics committee trends survey undertaken by the Institute of Directors of South Africa was considered by the committee, including the analysis of and the tracking of major trends related to social and ethics committees in South Africa.

The committee is further satisfied that it has fulfilled its mandate as set out in the Companies Act, read with Regulation 43 of the Companies Regulations and in its terms of reference.

For the period under review, there have been no instances of material non compliance with relevant legislation or non adherence to codes of best practice that fall within the committee's mandate.

As chairperson of this committee, I will be available at the group's AGM to respond to any enquiries regarding the statutory obligations of the committee.



Mamokete Ramathe
Chairperson
Social, ethics and transformation committee
28 March 2023