

# **BELL**

**STRONG RELIABLE MACHINES  
STRONG RELIABLE SUPPORT**



# **2020**

**BELL EQUIPMENT LIMITED**

**KING IV APPLICATION REGISTER**

# Application of the Principles

The following register details each of the 16 principles set out in the King IV Report on Corporate Governance for South Africa 2016 (King IV) and provides commentary regarding the extent to which each principle has been applied by Bell Equipment Limited. This register confirms the status of the company in this regard for the financial year ended 31 December 2020. For further general information regarding the governance structures and processes of the company, please see the corporate governance section of the Integrated Annual Report, which can be viewed or downloaded from our investor website, namely [www.bellir.co.za](http://www.bellir.co.za).

## 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. Bell has a unitary board structure, comprising a majority of non-executive directors, independent of management.

These principles are incorporated in an approved board charter and demonstrate a sound framework for effective leadership. The board charter encapsulates the board's overall business philosophy, formalised duties and responsibilities and sets out the steps to be followed by the board pertaining to the discharge of its duties and the conduct of its activities to ensure overall good corporate governance. The board charter was reviewed and adopted during the year.

The group operates within a board approved code of ethics, corporate information and conduct policy and code of business conduct which support a commitment to fair dealing, honesty and integrity in the conduct of its business.

An annual independence assessment of the non-executive directors is undertaken through the nominations committee and approved by the board.

## 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. The codes affirm the values of responsibility, honesty, fairness and respect and dictates that all actions must be trustworthy and ethical.

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 reporting 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 reporting line and the requirement on employees (per the code of ethics and terms of employment) to disclose any known conflicts of interests. The group engaged a service provider to undertake a climate survey of the group in order to measure employee engagement and continued alignment across the organisation in living out company values and upholding acceptable ethical conduct at all times. This survey was supplemented with leadership and diversity training to enable and empower employees and management alike to achieve group sustainability and growth objectives and goals.

## Application of the Principles continued

### 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. SETCo has adopted an appropriate formalised charter.

The corporate social investment ("CSI") and socio economic development ("SED") policy is 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 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 microenterprise development is in place. Various other social, environmental and governance related policies and frameworks are in place to assist with achieving the performance that is required. Ongoing monitoring is taking place on the impact by Bell on the environment.

### 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.

Ongoing implementation of strategy initiatives and reporting back to the board on the implementation of the strategy initiatives takes place at each board meeting and annually at an in depth strategy meeting where all parameters are taken account of.

Bell Equipment 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. Greater emphasis is placed by management through the group executive committee in considering those conflicts of interest and outside activities reported on by employees through their employee governance declarations.

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

## Application of the Principles continued

### 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 not materially inconsistent with the outcome of their audit of the financial statements.

Sustainability reporting and disclosure continue 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.

The Integrated Annual Report, including other information relevant to stakeholders, the AGM book containing the Notice of AGM and other relevant reports and the King IV register are on the group's website, accessible at [www.bellir.co.za](http://www.bellir.co.za).

### Principle 6 Primary role and responsibilities of the governing body

**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. The board shall always conduct its affairs according to the law.

Annual work plans are considered by each board and committee in order to ensure that the board and the committees focus on their mandated areas as spelt out in their respective charters.

## Application of the 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 approved diversity policy has been updated to focus on the promotion of all of the diversity attributes as updated by the JSE listings requirements, including that of gender, race, culture, age, field of knowledge, skills and experience. 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. An assessment of independence of non-executive directors is undertaken annually by the nominations committee and approved by the board.

The chief executive ("CEO") and the chief financial officer ("CFO") 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 Richards Bay factory and management presentations as well as training on the JSE Listings Requirements. Further director development is being 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 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 or personal financial interest in respect of a matter on the agenda.

The board charter sets out the chairman's roles and responsibilities. The roles of the CEO and the chairman are separate. The board has an approved lead independent non-executive director who provides independence as the chairman is not an independent non-executive director. The lead independent non-executive director ensures adherence to good governance principles; handles any conflict of interest matters that may arise; assumes the responsibilities of the chairman when the latter is unable to attend relevant board and committee meetings; and assumes the responsibilities of the chairman when the chairman's performance is being appraised or term of office is being reviewed.

## Application of the Principles continued

### 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. A formally appointed lead independent non-executive director is in place.

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 an observer, on notification to the chairman of the committee.

### 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 every two years. It is a formalised internal self evaluation exercise conducted 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 meeting. The latest self evaluation exercise took place in December 2019. The board and the committees considered the outcome of the evaluation exercise and considered any areas of concern as determined by the board for discussion. The board is satisfied that the evaluation process would improve its performance and effectiveness.

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



## Application of the Principles continued

### 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 CEO 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. In 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 succession planning at senior management continues to be 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 company 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 instil 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.

### 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. 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 chief information officer and the IT steering committee continue to manage the IT governance across the group.

A group IT strategy continues to be reviewed. The ISO 27 001 has been adopted by the group as the information security standard.

The external auditors continue to conduct a general computer controls review to evaluate the IT general control environment at the group's subsidiary, BECSA.

## Application of the Principles continued

### 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 of 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.

Both the remuneration policy and the implementation of the remuneration policy report were taken to the shareholders at the Annual General Meeting in July 2020 and both were approved as non-binding advisory endorsements.

The remuneration policy's philosophy addresses group wide remuneration on a holistic level. For a detailed disclosure on remuneration, please refer to the remuneration committee report.

The remuneration policy and the implementation report have been disclosed in the AGM book containing the notice of AGM and other relevant reports including the remuneration committee report and are again being tabled for separate non-binding advisory votes by shareholders at the upcoming AGM in 2021.

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 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 Ernst and Young, 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, the AGM book and Integrated Annual Report for approval to the board.

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

The 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 the use of forensic auditors, when required. Assurance has also been received from investigations carried out by internal risk and security teams. The anonymous tip off reporting line is independently managed by Deloitte.

Sustainability reporting and disclosure continue to be 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 and the external auditors are evaluated by the audit committee and management every 2 years. 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.

## Application of the Principles continued

### 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 adequacy and frequency of the interaction with stakeholders is monitored by the SETCo and details on the group's stakeholder relations are found in the Integrated Annual Report. The group aims to treat all its stakeholders fairly.

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

The group continues to engage the services of an investor relations company that provides independent investor relations and strategic communication services, including results roadshows and material perception audits. The most recent and historic financial and other information continues to be published to the shareholders and investors in the form of an investor presentation by the CEO following the release of its annual financial results.

The board remains aware of its obligations to its shareholders and continues to comply with the JSE Listings Requirements and Takeover Regulation panel regulations when applicable.

The AGM minutes are provided on the website.



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