

# Corporate governance report

**Sound governance practices, based on accountability, transparency, ethical management and integrity are subscribed to across the business.**

The group recognises that good governance achieved through an ethical culture, competitive performance, effective control and legitimacy can create sustainable value and enhance long term equity performance.

The directors are ultimately responsible for ensuring compliance with all relevant laws, regulations and codes throughout the group. The board and its committees continue to monitor closely the implementation of Bell Equipment's legal compliance processes and improve upon them to mitigate the risk of non-compliance with the laws in the various jurisdictions in which it does business. The group has an established and comprehensive group approvals framework that is reviewed annually and is aimed at clarifying the various limits of authority in place within the group. The board recognises that delegating authority does not reduce the responsibility of directors to discharge their statutory and common law fiduciary duties.

The group continues to review its governance structures to ensure they support effective decision making, establish a corporate culture aligned with Bell Equipment's purpose and based on the 1-Bell philosophy, foster sustainable growth and align to evolving best practice.

## King IV principles

Bell Equipment supports the governance outcomes, principles and practices of King IV. The group views developments and governance trends as opportunities to continuously improve and entrench its own standards. Bell Equipment has considered its application of and adherence to the King IV principles and the group materially complies with these principles 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](http://www.bellir.co.za).

## Ethics

Through the code of ethics, the group confirms its commitment to high ethical and legal standards in dealing with its stakeholders. All directors and employees are required to maintain high ethical standards so that the group's business is conducted honestly, fairly, legally, reasonably and transparently. 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. Ongoing awareness training is being provided to the organisation on the group code of ethics and the group code of business conduct. The group prevention of fraud and commercial crime policy continues to be entrenched into the culture of the group. These policies amongst others set stringent standards relating to fraud and the prosecution of offenders, the acceptance of gifts from third parties and declarations of potential conflicts of interest.

On an annual basis 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 regularly 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 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 on a confidential basis via the anonymous tip off reporting line before significant losses are incurred. Awareness of this facility is created through presentations and newsletters. Comprehensive processes continue to be embedded into the group to ensure accountability and corporate responsibility.

## 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 a material loss to the group, had occurred during the year and up to the date of this report.

## Board of directors

**Chairman of the board**  
- Gary Bell (non-executive)

**Executive directors**  
- Leon Goosen  
- Karen van Haght  
- Avishkar Goordeen (alternate)

**Non-executive directors**  
- Ashley Bell\*

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

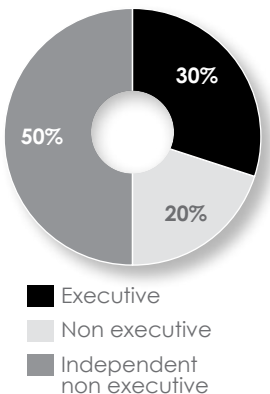
\*with effect from 1 December 2019



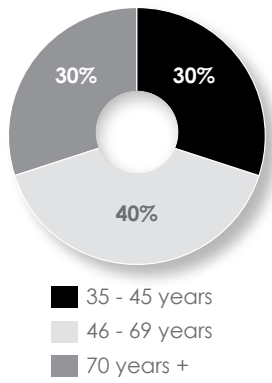
**Group executive committee (GEC)**  
Empowered and responsible for implementing board approved strategies and managing the affairs of the group, the GEC is chaired by the chief executive and comprises the group finance director, the managing directors of each region and the executives listed on page 28.

### Board composition and diversity

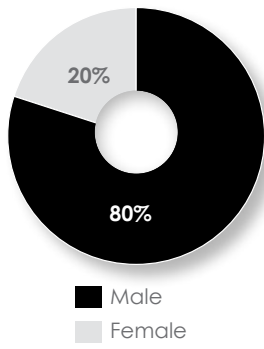
Director designation



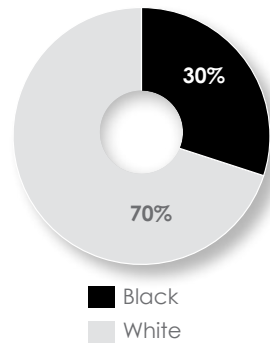
Age



Gender



Race 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 IAR, 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.

### 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"> <li>• own the vision and build the culture of the group;</li> <li>• oversee and deliver the group's performance;</li> <li>• lead the group and the management team;</li> <li>• 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;</li> <li>• be the group's principal spokesperson; and</li> <li>• act as direct liaison between the board and management and communicate to the board on behalf of management.</li> </ul>	<p>The role of the chairman is to:</p> <ul style="list-style-type: none"> <li>• provide leadership and firm guidance to the board, while encouraging proper deliberation;</li> <li>• lead the board;</li> <li>• be the link between the board and management;</li> <li>• be the main link between the board and shareholders; and</li> <li>• provide skills and industry experience to the group.</li> </ul>	<p>The role of the lead independent non-executive director is to:</p> <ul style="list-style-type: none"> <li>• provide independence as the chairman is not an independent non-executive director;</li> <li>• ensure adherence to good governance principles;</li> <li>• handle all conflict of interest matters that may arise, where the chairman is conflicted;</li> <li>• assume the responsibilities of the chairman when the latter is unable to attend relevant board and committee meetings; and</li> <li>• assume the responsibilities of the chairman when the chairman's performance is being appraised or term of office is being reviewed.</li> </ul>

The roles of the non-executive chairman and the chief executive are formalised, separate and clearly defined. As Gary Bell is not an independent non-executive chairman, John Barton is the appointed lead independent non-executive director. The chief executive and other executive directors are employed on service contracts. Karen van Haght is the full time executive finance director of the group.

The board recognises the benefits of gender, race, skills, experience, knowledge, age and cultural diversity at board level. In line with the approved diversity policy promoting race, skills, experience, knowledge, age and cultural diversity, the aspirational targets for achieving gender diversity on the Bell board was to ensure that at least 25 percent of the board was comprised of women and that race diversity on the board was 30 percent by end of 2018. Whilst the board has gender and racially diverse representation, the board continues its efforts to increase such representation and the nominations committee will continue to focus on achieving these voluntary targets 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.

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 Gary Bell, Hennie van der Merwe and Derek Lawrance. Their brief biographies can be found on pages 26 and 27.

### 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 interests 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, enterprise, integrity and judgement in directing the group so as to achieve continuing prosperity for the group, retaining full and effective control of the group;

- appointing the chief executive and ensuring proper succession planning for 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 IAR.

### Committees' mandate and charters

The board charter allows for the delegation of responsibilities to committees formed by it to assist in the execution of its duties, power and authority. The Companies Act and the JSE Listings Requirements also dictate the formation of certain committees as well as their composition and statutory mandates. The board applies responsible governance in ensuring the managing of the business within the approved risk appetite through various board committees and delegation to such committees is formal and involves approved and documented charters for each committee, which are reviewed annually and any changes are approved by the board. Only directors are appointed as members of the committees and the board has satisfied itself that each committee as a whole has the necessary knowledge, skills, experience and capacity to execute its duties effectively.

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.

## Corporate governance report *continued*

NOMINATIONS COMMITTEE	
Composition	Summary of roles and responsibilities
<p><b>Chairman:</b> John Barton – lead independent non-executive director.</p> <p><b>Members:</b> Rajendran Naidu – independent non-executive director Hennie van der Merwe - independent non-executive director Gary Bell – non-executive chairman of the board.</p> <p>Brief particulars of the committee members can be found on pages 26 and 27.</p> <p>Three meetings were held during the year.</p>	<p>The roles and responsibilities of the nominations committee are:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• to consider the performance of directors and oversee the development and implementation of continuing development programmes for directors;</li> <li>• 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</li> <li>• to review succession planning arrangements for the board and the executive management of the group.</li> </ul>

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	
Composition	Summary of roles and responsibilities
<p><b>Chairperson:</b> Mamokete Ramathe - independent non-executive director.</p> <p><b>Members:</b> Gary Bell – non-executive chairman of the board Ashley Bell – non-executive director* Rajendran Naidu – independent non-executive director Karen van Haght – finance director.</p> <p>Brief particulars of the committee members can be found on pages 26 and 27.</p> <p>Three meetings were held during the year.</p>	<p>The responsibilities of the social, ethics and transformation committee, which are aligned with the statutory functions as set out in the Companies Act and the regulations to the Companies Act, include:</p> <ul style="list-style-type: none"> <li>• monitoring group activities on social, transformation and economic development, good corporate citizenship, environment, environmental risks, health and safety, consumer relationships, labour and employment;</li> <li>• compliance with the Employment Equity Act and BBEE legislation; and</li> <li>• educational development of its employees.</li> </ul> <p>The full report by the chairperson of the social, ethics and transformation committee can be found on page 48.</p>

\*Ashley Bell's designation changed from executive director to non-executive director on 1 December 2019

## AUDIT COMMITTEE

Composition	Summary of roles and responsibilities
<p><b>Chairman:</b> Derek Lawrance - independent non-executive director.</p> <p><b>Members:</b> John Barton – lead independent non-executive director Rajendran Naidu - independent non-executive director Mamokete Ramathe - independent non-executive director.</p> <p>All the members were elected as members of the committee by the shareholders at the AGM on 15 May 2019.</p> <p>Brief particulars of the committee members can be found on pages 26 and 27.</p> <p>Four meetings were held during the year.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• oversight of the group's financial reporting;</li> <li>• ensuring continued independence of external auditors;</li> <li>• overseeing the external audit process;</li> <li>• overseeing the integrated reporting;</li> <li>• applying, as practical, the combined assurance model to ensure a coordinated approach to all assurance activities;</li> <li>• reviewing the expertise, resources and experience of the finance function;</li> <li>• considering the appropriateness of the expertise and experience of the finance director; and</li> <li>• overseeing the internal audit function.</li> </ul> <p>The full mandate of the audit committee can be found in the detailed audit committee report included in the audited 2019 annual financial statements on the group's website.</p>

## RISK AND SUSTAINABILITY COMMITTEE

Composition	Summary of roles and responsibilities
<p><b>Chairman:</b> Hennie van der Merwe - independent non-executive director.</p> <p><b>Members:</b> John Barton - lead independent non-executive director Ashley Bell – non-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.</p> <p>Brief particulars of the committee members can be found on pages 26 and 27.</p> <p>Three meetings were held during the year.</p>	<p>The risk and sustainability committee is responsible for:</p> <ul style="list-style-type: none"> <li>• the review and monitoring of the implementation of the group's risk management policy and plan;</li> <li>• 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;</li> <li>• 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;</li> <li>• reporting to the audit committee on its findings in respect of material legal and compliance risks and in respect of the company's policies on risk assessment and risk management which may have an impact on the group's financial statements;</li> <li>• reviewing the adequacy of insurance coverage;</li> <li>• 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;</li> <li>• reviewing the integrated annual report to shareholders with regard to the relevant sustainability considerations as set out in the stakeholder relations report; and</li> <li>• considering whether and to what extent external assurance is required on integrated reporting to shareholders with regard to the relevant sustainability considerations.</li> </ul>

\*Ashley Bell's designation changed from executive director to non-executive director on 1 December 2019.

# Corporate governance report *continued*

REMUNERATION COMMITTEE	
Composition	Summary of roles and responsibilities
<p><b>Chairman:</b> Derek Lawrance - independent non-executive director.</p> <p><b>Members:</b> 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.</p> <p>Three meetings were held during the year.</p>	<p>The roles and responsibilities of the remuneration committee are to:</p> <ul style="list-style-type: none"> <li>• oversee the establishment of and regularly review the group remuneration policy;</li> <li>• 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 percent or more vote against such reports is followed;</li> <li>• oversee the preparation of the remuneration report for inclusion in the integrated annual report;</li> <li>• advise on non-executive directors' remuneration;</li> <li>• 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;</li> <li>• approve and review incentive bonus or share schemes, and</li> <li>• evaluate the chief executive's performance.</li> </ul> <p>The detailed responsibilities of the remuneration committee can be found under the remuneration committee report on page 50.</p>

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

## Group company secretary

The 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 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. She coordinates the induction programme for newly appointed directors, as well as the annual board and committee evaluation process.

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. A formal assessment was conducted by the board of the company secretary in December 2019 to assess her 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

A formal and comprehensive questionnaire based self evaluation assessment was undertaken by the directors in respect of the board, the committees, the chairman and the company secretary at the end of 2019. A written report was

subsequently prepared on the outcome of the evaluation process and actions flowing out of such evaluation report are currently being considered by the board and separately by each of the committees.

## 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. During the year under review, an additional three board meetings were convened to consider specific business.

### Attendance Register: 1 January 2019 to 31 December 2019

	Board	Audit	Risk & Sustainability	Nominations	Remuneration	Social, ethics & transformation committee
<b>Number of meetings held</b>	<b>7</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
John Barton	6	4	3	3	2	3
Gary Bell	7		3	3	3	3
Karen van Haght	7	4+	3			3
Leon Goosen	7	4+	3	2+	3+	3+
Ashley Bell*	7		3			3
Hennie van der Merwe	7		3	3		
Derek Lawrance	6	4	3		3	
Mamokete Ramathe	6	4				3
Rajendran Naidu	6	4		3		3
Avishkar Goordeen	6		3+			3+

\* 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.

## Compliance governance

The board is responsible for the governance of compliance with applicable laws and with adopted rules, codes and standards. The company secretary is responsible for providing advice to the operational business units, creating awareness and developing an understanding of the relevant existing, new and amended legislation and regulations. 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. Key areas that received focus in the past financial year included the amendments to the JSE Listings Requirements, the Competition Amendment Act, the Companies and Intellectual Property Commission's compliance disclosure requirements for companies, 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. These are considered at a board meeting in general annually and specifically at the commencement of each board and 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 of 2012, as amended, 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.

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

## External audit

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

auditors can be found in the audit committee report on pages 7 to 9 of the annual financial statements.

## Internal control systems

The group has developed an effective group controls framework to provide reasonable assurance to management with respect to financial statement preparation and asset safeguarding. In this regard, the following cycles have been developed: order to cash, procure to pay, inventory, payroll, financial statement close process, IT general controls, company secretariat, treasury 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. A control self assessment tool to assist managers in managing the internal controls within their areas of accountability is being successfully utilised by the group.

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 2019.

## Internal audit

Ernst & Young Advisory Services provides the group with internal audit services on an outsourced basis. 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 risks and compliance, and ensure business continuity management. The committee ensures that matters such as ever increasing regulatory and governance compliance, cybersecurity and digital transformation are adequately addressed, whilst continuously focusing on innovative and business centric solutions.

During the reporting period the IT strategy was revised to ensure alignment with business strategic goals, incorporate the impact of technology drivers and trends and appropriately mitigate IT



## Corporate governance report *continued*

risks. SAP production and warehouse management functionality was implemented to support the expansion of the Eisenach-Kindel fabrication and warehousing facilities. Investment in Microsoft's productivity suite has been made thereby enabling collaboration, integration, data governance, and user empowerment through incorporated business intelligence tools. Bell Equipment's online parts footprint has been expanded to include European dealers thereby driving increased aftermarket revenue streams and improved customer interaction.

The risk of cyberattacks and legislative requirements around data protection have continued to be a focus. Security incident monitoring and response capability has been expanded and security awareness training is ongoing. ISO 27001 has been adopted by the group as the information security standard. Deloitte & Touche continues to conduct a general computer controls review to evaluate the IT general control environment.

### Risk management

The board is responsible for the governance of risk management within the group and has approved a policy and framework to identify, analyse, report and mitigate risks, and thereby govern the group risk management process. Oversight is delegated to the risk and sustainability committee, as a committee of the board. The board sets the group risk appetite and risk tolerances annually on the recommendation from the risk and sustainability committee. The committee is presented with risk registers, which identify the most significant risks based on likelihood and impact

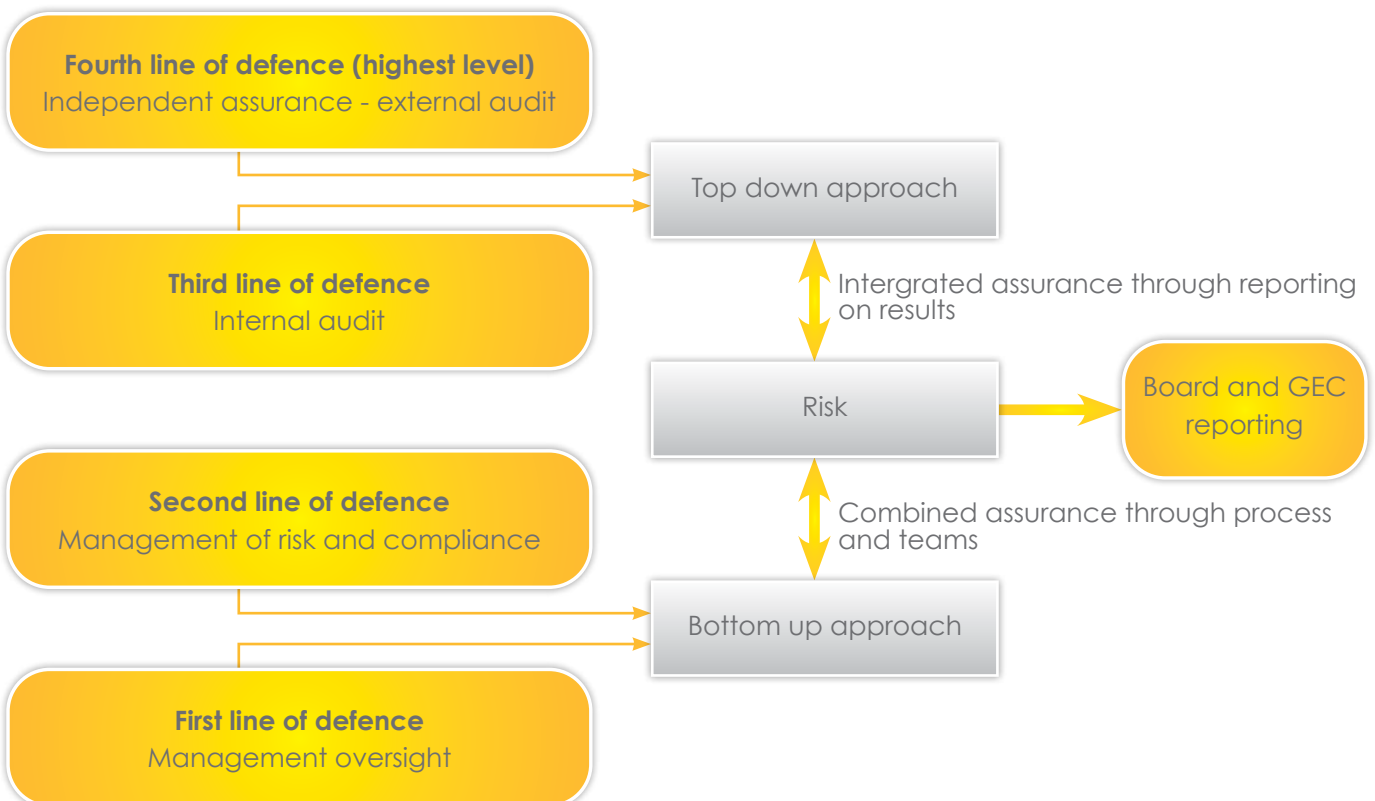
of occurrence, with mitigating controls documented per risk. This is achieved by requiring that subsidiaries report their key risks and responses to the committee at each committee meeting. The chairperson of the risk and sustainability committee reports the most significant risks derived from the above process to the board.

The risk appetite and risk tolerance matrices, the group strategic risk register and the high impact risks 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.



The COVID-19 pandemic has impacted on the group's business in 2020 both from a business interruption and a business continuity perspective. A global crisis response team has been formed to identify the key risks facing the group, actively consider, monitor and implement the required responses to the COVID-19 impact on the business on an ongoing basis and in line with the Bell response framework and to ensure that there is adequate communication provided to the group's employees and other stakeholders.

### Engagement with stakeholders

The board acknowledges that it is ultimately responsible for the management of relationships with the group's major stakeholders. The board through the social, ethics and transformation committee receives formal feedback from management on a quarterly basis as to the nature of the interaction that has taken place with the relevant stakeholders. A report on how the group has engaged with its stakeholders during the reporting period is available on pages 64 to 81.

### 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](http://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.

### Conclusion

The board believes, in respect of the business specifically reserved for its decision, it has satisfactorily discharged its duties and responsibilities during the year under review. The governance processes continue to be regularly reviewed to align with legislative and regulatory changes, and to reflect changes in the business to ensure processes remain relevant.



# Social, ethics and transformation committee report

**This report by the social, ethics and transformation committee is prepared in accordance with the requirements of the JSE Listings Requirements and the Companies Act, read with the regulations promulgated thereunder, and describes how the committee has discharged its statutory duties and its additional duties assigned to it by the board in respect of the financial year ended 31 December 2019.**

The committee has considered the principles and practices advocated by King IV and is committed to ensuring the desired governance outcomes.

This report should be read together with the stakeholder relations report on pages 64 to 81, which provides the stakeholders with a comprehensive review of how the group creates sustainable value.

### Committee composition

The committee comprises one executive director, two non-executive directors and two independent non-executive directors as set out in the table below. 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.

In accordance with its charter, the committee is required to meet at least twice a year. During the year under review, the committee met three times. The chairman of this committee is Mamokete Ramathe, an independent non-executive director.

Committee members*	Composition
Mamokete Ramathe (chairman)	Independent non-executive director
Ashley Bell <sup>(1)</sup>	Non-executive director
Gary Bell	Non-executive chairman of the board
Rajendran Naidu	Independent non-executive director
Karen van Haght	Executive director

\* Abridged curriculum vitae of all the directors of the committee are set out on pages 26 and 27.

<sup>(1)</sup> Ashley Bell's designation changed from executive to non-executive director with effect from 1 December 2019.

### Role and responsibilities

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

The role of the committee, as a statutory committee, is to assist the board with monitoring the company's activities, having regard to legal requirements and codes of best practice relating to matters of social and economic development as contemplated in Regulation 43 of the Companies Regulations, 2011, as amended.

The mandate of the committee continues to be the oversight of, and reporting on organisational ethics, responsible corporate citizenship, sustainable development, and stakeholder relationships.

### Focus areas of the committee

During the year under review, the following focus areas were considered by the committee:

#### 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 group endeavours to impact positively on its workforce and, in executing this mandate, during 2019 the group engaged with a service provider to undertake a climate survey of the group in order to measure employee engagement. Any concerns raised by employees which suggest potential contravention or misalignment with our corporate values and ethical conduct are given attention and addressed openly through employee feedback sessions. Follow up sessions will be held with employees to achieve improved employee engagement and continued alignment across the organisation in living out company values and upholding acceptable ethical conduct at all times.
- In line with the group's commitment to zero tolerance of fraud, theft, corruption or any similar illegal behaviour and its commitment to complying with all applicable anti bribery and corruption laws and regulations, the committee continues to monitor compliance and alignment with recommendations stated by the Organisation for Economic Co-operation and Development in managing the risk of corruption.
- Reports on material disclosures received through the group's anonymous tip off reporting line administered by Deloitte as well as any resultant investigations that had taken place during 2019 were reviewed. A tip off policy was developed to formalise the process followed when a tip off is received, retention of confidentiality, the resultant investigation of such tip offs and the appropriate feedback to such whistle-blowers. Tip off training and awareness sessions were conducted periodically to promote utilisation of the facility.

- The committee approved the amalgamation of the group's CSI and SED policies into one policy and considered the annual budget in line with the group's social and economic development. The group CSI and SED spend for 2019 was in the sum of R1 146 600 and was directed at community based projects that create self sustainable vegetable planting and harvesting skills for women in underprivileged communities and child headed homes, and at projects which cater for care of orphaned and HIV positive children. Spend was also directed at rural and underprivileged schools that require infrastructure development and upgrading to allow for continued quality basic education, as highlighted in the stakeholder relations report on page 64.

## Corporate governance

- The committee undertook the annual review of the charter to ensure that the correct focus was being maintained by the committee in terms of its roles and responsibilities, and there were no significant changes introduced.
- The annual work plan was reviewed in order to continue to align the plan with the committee's mandate, as guided by the Companies Act and King IV. Greater emphasis has been placed on the committee's monitoring indicators and how they relate to the business of the group.
- The committee received updates on proposed and new relevant legislation and other legal requirements or prevailing codes of best practice specifically relating to matters affecting the committee's mandate. This included feedback on the legislation affecting the committee, including guidelines for the Corporate Compliance Program published by CIPC that addressed the requirements for social and ethics committees in the Companies Regulations 2011, the amendments made to the Codes of Good Practice on BBBEE and the proposed amendments introduced to the JSE Listings Requirements which were effective 2 December 2019.

## Social and economic development

- With the implementation of the BBBEE transaction at both the BECSA and BESSA subsidiary levels as at 1 January 2020, the committee has considered and monitored 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; as well as its BBBEE progress, in order to improve the group's competitiveness within the South African environment and to ensure that the group continues to comply with the reporting duties required of it in terms of the regulations to the BBBEE Act and observe the requirements of the BBBEE legislation in general. A sub committee of the board was also established to monitor the BEE transaction through to its conclusion.
- The group's actions in relation to the 10 principles of the United Nations Global Compact, and reviewed international protocols and guidelines, were assessed to ensure the group's continued adherence thereto.
- In line with its diversity policy in respect of its board composition, the board published its voluntary commitment to reach more than 25 percent female representation on its board and black member representation on its board of 30 percent. Whilst the board's composition at the time of the publication of this report had not reached its voluntary targets, going forward the board will endeavour to reach those percentage targets and the committee will continue to actively monitor the progress made by the board in this regard. The committee deliberated 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 in order 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 66 to 67.
- 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 succession plan reflects the progress of the group towards transformation and the employment equity goals of the South African operations, and the committee reviewed and monitored the employment equity legislation relating to ensuring equal pay for work of equal value.
- Talent development remains strongly positioned as a mechanism to upskill and advance Bell Equipment's employees. The committee deliberated on the ongoing educational and development initiatives undertaken by the group to upskill and empower its employees. There have been opportunities to advance transformational objectives of the South African operations, in accordance with the operational employment equity plans submitted to and approved by the Department of Labour. The group continues to strive to ensure that it retains its key talent.

## Environment, health and safety

- During 2019, the group focused on initiatives and interventions in respect of mental, physical and financial health awareness with the aim of establishing early detection and intervention to promote a healthy and happy workforce. The committee reviewed and monitored HIV/AIDS and other dread disease statistics and prevalence with the aim of promoting a healthy workforce and working environment.
- Reports on the environment, health and public safety, including the impacts 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. Any issues relating to potential risk of non-compliance were addressed and risk mitigations observed as we continue to apply strict adherence to rules concerning environment, health and safety. The group's safety management system is based on behaviour based safety. The assessments and measures utilised by the group to identify appropriate control measures to mitigate the risks at individual operations, including visible felt leadership and ongoing training, was considered.

## 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 2019, as detailed on page 64.

The effectiveness of the committee is assessed as part of the board and committee self evaluation process. The self assessment of the committee was undertaken in December 2019 and in early 2020 the results were discussed by the board to ensure that the committee remains relevant and effective. Further awareness and clarity on the mandate of the committee is being undertaken to ensure the continued effectiveness of the committee.

The committee is satisfied that it has discharged its responsibilities in accordance with its charter and has performed its statutory duties as set out in the Companies Act as read with the Regulations for the current reporting period.



Mamokete Ramathe  
Chairman  
Social, ethics and transformation committee  
26 May 2020