

TRANSFORMATION/BROAD-BASED BLACK ECONOMIC EMPOWERMENT



Transformation in Altron is guided by a unique internal charter that commits our group to a steady process of empowerment through training, shareholding and development of disadvantaged communities.

Altron is proud to have empowerment partners that are measured not by their political profile but by their capacity to add value.

Although the concept of transformation is decades old in our group, by now focusing on areas with the maximum long-term benefit – education, training, health, social welfare and job creation – Altron supports a national programme that is both a commercial and moral imperative.

The need for transformation is clear in a nation polarised by economic disparities. What has become blatant in recent years is that the speed of transformation was lacking and restricted to, in many cases, a handful of beneficiaries. This, then,

was the genesis of the Altron Transformation Vision 2010 – a methodical and carefully-considered blueprint for achieving set targets in the areas that underpin sustainable transformation:

- Ownership
- Board and management control
- Employment equity and skills development
- Preferential procurement and enterprise development
- Corporate social investment.

Our transformation vision is not an isolated one. Nor is it static. In developing the framework, we considered national guidelines, sectoral empowerment charters and legislation. We have studied and submitted a comprehensive report to the Department of Trade and Industry regarding the draft Codes of Good Practice. These collective inputs will guide us as we continue to

crystallise our map towards achieving sustainable growth of our businesses and the broader economy, while redistributing some of the proceeds of that growth across society to achieve the maximum level of skills and participation in the economy.

We firmly believe transformation is an attainable goal. We also believe there are some ingredients that will accelerate achieving this goal, first among which is commitment from the top. Pre-determined targets and ongoing monitoring to ensure steady progress, as to the flexibility and the willingness to learn from setbacks. This must all take place within the daily business of managing a company, complying with legislation and seeking growth opportunities.

Against this background, the overarching ingredient therefore is commitment – a deep-seated belief that this is the correct way forward for our nation and our economy. Encouragingly, this commitment is evident throughout our group and at every level. It is also evident in our participation at sector and national levels in developing frameworks that will make transformation commercially feasible and therefore sustainable. It is articulated in our Altron Transformation Vision 2010, which includes a group scorecard with annual targets for broad-based black economic empowerment beginning in financial year 2004/5, and applying until 2010.

Altron group internal empowerment scorecard

	Year 1 %	Year 2 %	Year 3 %	Year 4 %	Year 5 %	Year 6 %
Ownership						25.1
Board and management representation	20	25	30	33	40	40
Employment equity & skills development						
● senior management	10	15	20	25	30	35
● middle management	20	20	25	30	35	35
● junior management	25	25	30	35	40	40
● training (% payroll)	1	1	1	1	1	1
Preferential procurement and enterprise development (% potential spend)	10	15	20	25	30	50
Corporate social investment (% profit before tax)	1	1	1	1	1	1

These targets will be reviewed as required to ensure that we remain abreast of current practices and developments. Once clarity is obtained on recent government guidelines, these targets will also form part of our performance scorecard for management.

Transformation/Broad-Based Black Economic Empowerment continued

Drawing on quarterly reports to the Altron board, we compile our internal BBBEE analysis. This is a reporting discipline which highlights the companies that are progressing well (green), acceptable progress (amber) and those failing to meet progress targets (red).

Progress to date

	Group target year 1 %	Altech	Powertech	BTG
Ownership (25.1% by 2010)		Amber	Amber	Green
Board and management representation	20	Amber	Amber	Green
Employment equity & skills development:				
• senior management	10	Amber	Amber	Green
• middle management	20	Green	Green	Green
• junior management	25	Green	Green	Green
• training (% payroll)	1	Amber	Amber	Amber
Preferential procurement and enterprise development (% potential spend)	10	Green	Green	Green
Corporate social investment (% profit before tax)	1	Green	Green	Green

Altron's transformation committee is a sub-committee of the Altron executive committee and includes representatives of the underlying companies. Following the launch of our Vision 2010 blueprint, the committee's mandate was extended from driving economic transformation and broad-based black economic empowerment in our group to ensuring uniform application of this vision across

the group. A formal presentation was made to senior group executives on the draft Codes of Good Practice and their impact on business strategy, recruitment and procurement. Once these codes have been finalised, the Altron blueprint will be reviewed to closely align it with the legislated codes and relevant sectoral charters on empowerment.

Ownership

To ensure equity empowerment at ownership level, Altron has focused on creating anchor partners in its three major operating subsidiaries where the following broad-based black economic empowerment (BBBEE) equity partnerships are now well entrenched:

- Altech with Pamodzi through Altech NamITech and Altech Data
- Powertech with Izingwe through Aberdare Cables
- BTG with Kagiso through BTG SA.

In line with Altron policy, this structure allows value to be added at operating level, in some cases governed by service level agreements as with Aberdare Cables and Izingwe. Shareholder agreements include specific activities to be performed by BBBEE partners spanning employment equity, skills development and career planning, preferential procurement and customer relations.

During the period under review, Pamodzi Investment Holdings further entrenched its partnership with Altech by acquiring 25.01% of Altech Data's issued share capital – which incorporates Altech Isis and Altech Card Solutions. In addition, Pamodzi holds a 28% equity stake in Altech NamITech.

At operational level there are other equity BBBEE partners such as Matomo and Mahogany Capital.

An internal measurement system is currently being investigated and a BBBEE scorecard reporting template is being developed.

Empowerment partners

Altech	Powertech	BTG
Pamodzi <ul style="list-style-type: none"> ➤ 28% Altech NamITech ➤ 25.01% Altech Data ➤ Key principal: Ndaba Ntsele, Solly Sithole Matomo <ul style="list-style-type: none"> ➤ 30% Altech Alcom Matomo ➤ Key principal: Thozamile Botha 	Izingwe Capital <ul style="list-style-type: none"> ➤ 30% Aberdare Cables (in consortium with Matomo) ➤ Key principal: Siphon Pityana Matomo <ul style="list-style-type: none"> ➤ 6% Aberdare Cables (in consortium with Izingwe) ➤ 20% Rentech ➤ Key principal: Thozamile Botha Kagiso <ul style="list-style-type: none"> ➤ 25.01% Battech ➤ Key principal: Eric Molobi Wiphold <ul style="list-style-type: none"> ➤ 20% ABB SA – 10% ABB Powertech Transformers ➤ Key principal: Louisa Mojela Power Matla <ul style="list-style-type: none"> ➤ 25.01% Desta Power Matla ➤ Key principal: Mathews Phosa Mahogany Capital <ul style="list-style-type: none"> ➤ 25.01% Calidus/Whiteleys ➤ Key principal: Taurai Muranda 	Kagiso Ventures <ul style="list-style-type: none"> ➤ 27% BTG SA ➤ Key principal: Eric Molobi