

Corporate governance report

Introduction

Altron has grown since its founding in 1965 from a small electronics firm with five employees, to one of the leaders in South Africa's high-technology industry employing in excess of 12 000 permanent and non-permanent employees in over 150 companies and associates on five continents. Strong corporate governance that is aligned to emerging best practices in South Africa and guided by international standards assists the company to compete as Africa's foremost diversified technology group with turnover exceeding R17 billion and a sound balance sheet.

Sustaining this remarkable growth depends on effective stewardship of our capital, the preservation of value, our ability to enhance profits by controlling costs and our attention to detail. This will be achieved within the context of our group's characteristic strong bias for action, flexibility in the face of rapid change, and being innovative to keep us at the forefront of the technology curve.

To Altron's advantage, we believe, is the strong element of family ownership in ensuring the appropriate balance between conformance – compliance to governance elements that are subject to assurance – and performance through entrepreneurship and value creation. At the same time, we acknowledge that we need to continue to focus on aligning the interests of Altron's management with those of shareholders, particularly minority shareholders.

As we consciously strive to provide the kind of forward-looking management information that we believe shapes our company's future potential and viability in the context in which it operates, this account of our corporate governance philosophy and practices includes a discussion of the material financial and non-financial risks and opportunities the group is exposed to. Elsewhere in this annual report, we also discuss, in greater detail than in previous years, our engagement with key stakeholder groups.

With this in mind we are encouraged by Altron's recognition in 2006 by the *Financial Mail* as the 33rd most accountable company in South Africa. The accountability rating evaluates the extent to which companies integrate social, economic and environmental considerations in their strategy, governance, stakeholder engagement, performance management, public disclosure and assurance.

Compliance

Altron subscribes in all material respects to the values of good corporate governance espoused in King II, and its key principles are reflected in our governance structures. These are reviewed regularly to incorporate changes and developments in this field.

The directors recognise the need to conduct the group's business with integrity and according to sound corporate governance practices. This requirement includes discipline, independence, responsibility, fairness, social responsibility, transparency and accountability of directors to all stakeholders.

These principles are entrenched in Altron's internal controls and policy procedures governing corporate conduct. In assessing the practices and conduct of the group, two factors have been balanced:

- Entrepreneurial freedom to take business risks and initiatives leading to superior levels of performance and return on shareholders' investment
- Conforming to corporate governance standards, which can impose constraints on subsidiary company management.

Within these guidelines the board has provided entrepreneurial leadership to the company within a framework of prudent and effective controls which enables risk to be assessed and managed.

The board is satisfied that Altron has made every practical effort to comply with all material aspects of King II during the review period. During 2006 Altron engaged Corporate Governance Accreditation

(Pty) Limited (“CGA”) and completed an exercise whereby Altron conducted an internal self-assessment as to its levels of compliance with corporate governance principles and standards. The next phase of this exercise is for CGA to provide an independent opinion on such levels of compliance.

Approach

Leadership

The board supports the long-term sustainability of corporate capital, balanced economic, social and environmental performance and due consideration of legitimate stakeholder involvement. The detailed responsibilities of the board, as set out in its charter (initially approved in April 2002 and revised and adopted by the board annually since February 2006), include the duty to:

- Exercise objective, informed judgement on the business affairs of the group
- Determine and monitor the implementation of strategic plans and financial, environmental and social objectives
- Ensure that a system of policies and procedures is in place and maintained and that suitable governance structures exist to ensure the efficient and prudent stewardship of the group
- Ensure Altron complies in all material respects with all relevant laws, regulations and codes of practice
- Review and evaluate business risks regularly and ensure comprehensive, appropriate internal controls are in place
- Define levels of authority, reserving specific powers for itself and delegating other matters to the chief executive
- Continually monitor the exercise of delegated authority
- Ensure an appropriate balance of power and authority on the board so that no one person or a block of persons has unfettered power
- Identify and monitor non-financial aspects relevant to the company’s business and ensure

that the company acts responsibly towards stakeholders with a legitimate interest in its affairs.

Accountability

The board takes overall responsibility for the success of the company. Its role is to exercise leadership and sound judgement in directing the company to achieve sustainable growth and to act in the best interests of stakeholders.

Transparency

Full and timeous disclosure of information to stakeholders is prescribed by various policies governing both communication and conduct. During 2006 a formal disclosure policy was approved by the Altron board, which regulates the nature, content and timing of all disclosures of price-sensitive and non-price sensitive information to the investment community and stakeholders.

Board structure and related matters

The board’s charter sets out its role, composition, materiality levels, delegation of authority, proceedings at meetings, director induction as well as composition and role of board committees. The board charter is reviewed annually to ensure its continued compliance with local and international best practices and changes to the South African regulatory environment.

Composition

Altron has a unitary board consisting of 14 directors. Of these, five are independent non-executive directors – directors independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, while one is non-executive and eight are executive directors. Subsequent to the year-end, Douglas Ramaphosa resigned as an alternate director to Dr Harold Serebro to take up the position of managing director of Bytes Specialised

Solutions, effective 1 March 2007. He also resigned his position as a member of the Altron executive committee.

Chairman and chief executive

In line with best practice, the roles of chairman and chief executive are separate. The board is led by Dr Bill Venter, founder and former chief executive of the group.

Particular areas of responsibility for the chairman include strategic planning, relationships with principals, government and customers, group economic empowerment, corporate relations, top-level contact with regulatory bodies, and advice and guidance on local and overseas acquisitions.

This level of involvement is considered essential by the board, given the intrinsic knowledge and experience the chairman brings to bear in the effective running of the board and guidance to the operational team. The chairman's duties are governed by a formal board-approved mandate regulating the terms of reference of his office, which is reviewed from time to time when appropriate.

Operational management of the group is the responsibility of the chief executive, Robert Venter. His responsibilities include, among others, developing and recommending to the board a long-term strategy and vision for the organisation that will generate stakeholder value, developing and recommending to the board annual business plans and budgets that support the organisation's long-term strategy, and managing the affairs of the organisation in accordance with its values and objectives, as well as the general policies and specific decisions of the board.

Directors

The non-executive directors bring value and insight to the board. They are individuals of high calibre and integrity and provide a depth of wisdom based on knowledge and experience on an array of issues. The composition of the board

ensures a balance of power and authority, and negates individual dominance in decision-making processes.

The non-executive directors have no fixed term of appointment and no service contracts with Altron. Their fee is independent of the group's financial performance and they receive no share options or bonuses.

Executive directors are bound by the standard terms and conditions of employment for all Altron employees where their notice periods are short term, not exceeding 60 days. Directors are subject to retirement by rotation and re-election by shareholders at least once every three years under article 16 of the articles of association.

To avoid conflicts of interest, board members must disclose their interests in material contracts involving the group, including shareholdings in Altron as well as any other directorships. Board members must recuse themselves when participation in deliberations or decision-making processes could in any way be affected by vested interests.

Effectiveness of the board

The board evaluates its own effectiveness at least every two years or more often if required by board changes, and will be undergoing another self-evaluation in 2007. Such evaluations review how well the board performs its key roles, the effectiveness of board relationships, its composition, identifies training requirements where necessary, as well as the board's ability to recruit and retain the skills and competencies it requires to fulfil its responsibilities.

Company secretary

All directors have access to the advice and services of the group company secretary who is responsible to the board for ensuring compliance with procedures and applicable statutes and regulations. To enable the board to function effectively, all directors have full and timely access to all information that may be relevant to

the proper discharge of their duties and obligations. This includes information such as corporate announcements, investor communications and any other developments which may affect Altron or its operations. The office of the group company secretary is responsible for facilitating this access.

All directors, executive and non-executive, may liaise with the group company secretary on agenda items for board meetings. Where appropriate, the directors may also consult with independent professionals and advisors, at Altron's expense.

The group company secretary provides counsel and guidance to the board, individually and collectively, on their powers and duties. He is also responsible for the development of director training. All new directors are appropriately inducted to Altron by the group company secretary, which includes a briefing on their fiduciary and statutory duties and responsibilities as well as two- to three-day induction visits to group operations around South Africa. In addition, ongoing support and resources are provided to directors in order to enable them to extend and refresh their skills, knowledge and understanding of the group. Professional development and training is provided through regular updates on changes and proposed changes to laws and regulations affecting the group or its businesses and professional and skills training.

The group company secretary is responsible for the functions specified in section 268(G) of the Companies Act, 1973 (as amended) ("the Act"). All meetings of shareholders, directors, and board committees are properly recorded as per the requirements of section 242 of the Act. The removal of the group company secretary would be a matter for the board as a whole.

Board meetings

A minimum of four board meetings is scheduled per financial year. Additional board meetings may be convened when necessary. Four board

meetings and two strategy sessions were held during the past financial year. Details of attendance by each director at board and committee meetings appear on page 128.

Board committees

The board has established several committees in which non-executive directors play an active and pivotal role. All committees operate under board-approved terms of reference which, with the exception of the executive committee's terms of reference, were reviewed and updated in February 2007 to further align them with best practice. All committees, except the executive committee, are chaired by an independent non-executive director, who also attends the annual general meeting to respond to stakeholder queries.

Members of each committee, except the executive committee, are re-elected every year at the first board meeting following the annual general meeting. The chairmen of the committees are elected by the members of each committee and hold office for not more than five consecutive years, unless the nomination committee and the board for sound reasons determine otherwise.

Executive committee

- **Members** – Robert Venter (chairman), Diane Radley, Craig Venter, David Redshaw, Norbert Claussen and Peter Curle. On 28 February 2006, Douglas Ramaphosa resigned as group executive – corporate affairs to assume the position of managing director – Bytes Specialised Solutions, which is a division of Bytes Technology Group South Africa (Pty) Limited, a member of the Altron group. An exercise has been initiated by the executive committee to identify a replacement for Douglas. The executive structure appears on pages 14 to 15.
- **Composition and proceedings** – The committee meets monthly with additional meetings convened as and when necessary.

- ▶ **Role** – It is responsible for the operational activities of the group, developing strategy and policy proposals for consideration by the board and implementing the board's directives. It has a properly constituted mandate and terms of reference which is reviewed from time to time.

Audit committee

- ▶ **Members** – Peter Wilmot (chairman), Mark Lamberti, Mike Leeming and Jacob Modise.
- ▶ **Composition and proceedings** – Both Diane Radley (chief financial officer) and Robert Venter (chief executive) are required to attend committee meetings. The committee meets periodically with the group's external and internal auditors and Altron's executive management. It also carefully monitors the use of the external auditors for non-audit related services, which is guided by a formal policy that precludes services which would impair audit independence. Prohibited services include:
 - Performing any internal audit or internal audit outsourcing services for Altron or any of its relevant subsidiaries
 - Performing any valuations on any business assets of Altron or any of its relevant subsidiaries for which the external auditors will be required to subsequently issue an audit opinion
 - The provision of corporate finance advice, assistance or services to Altron or any of its relevant subsidiaries
 - Providing any legal or information technology (design or implementation) consulting services to Altron or any of its relevant subsidiaries
 - Conducting any due diligence exercises for and on behalf of Altron or any of Altron's relevant subsidiaries which utilise Altron's external auditors for audit-related services.

Services rendered by the external auditors during the prior year, and approved by the audit committee, comprised mainly compliance and other assurance-based engagements, including

opinion work not relating to, or associated with, any of the prohibited services referred to above.

- ▶ **Role** – The committee has written terms of reference and its responsibilities include:
 - Considering the appointment and/or termination of the external auditors, including the audit fee, and their independence and objectivity
 - Considering and setting mandatory term limits on the period the external auditors or lead audit partner may serve the company
 - Confirming internal audit's charter and audit plan
 - Determining with the external auditors the nature and scope of the audit and ensuring coordination where more than one firm is involved
 - Reviewing the risk areas of the company's operations to be covered in the scope of internal and external audits
 - Reviewing half-year and annual financial statements before submission to the board focusing on:
 - ▶ any changes in accounting policies and practices
 - ▶ major judgemental areas
 - ▶ significant adjustments arising from the audit
 - ▶ the going-concern statement
 - ▶ compliance with accounting standards
 - Compliance with stock exchange and statutory requirements
 - Reliability and accuracy of the financial information provided to management and other users of financial information
 - Discussing any problems and reservations arising from the final audit and any related matters that the external auditors may wish to discuss.

During the period under review the audit committee conducted a self-assessment exercise to ascertain its effectiveness. Based on this self-evaluation exercise, the audit committee resolved to convene a third meeting which will be used to update members on changes in accounting standards and

other emerging issues. The audit committee will focus on strengthening its oversight role through increased interactions with management and the external auditors and reviewing the effectiveness of the recently implemented whistleblowing programme, as well as monitoring the company's compliance with its code of conduct.

External auditors attend meetings by invitation. At the year-end audit committee meeting the chairman ensures that senior management and the internal and external auditors are able to candidly, and independently of each other, report back to the committee chairman on the audit process.

Three meetings are scheduled annually, with special meetings called as required. The committee met three times during the year under review.

The internal and external auditors have unlimited access to the chairman of the committee. The internal audit department reports directly to the audit committee and is also responsible to the chief financial officer on day-to-day matters.

Internal controls and internal audit

Internal controls comprise methods and procedures adopted by management to assist in achieving the objectives of safeguarding assets, preventing and detecting error and fraud, ensuring the accuracy and completeness of accounting records and preparing reliable financial statements. The group's approach is detailed in the directors' report on page 143 dealing with the approval of annual financial statements.

The internal audit function serves management and the board by performing independent evaluations of the adequacy and effectiveness of group companies' controls, financial reporting mechanisms and records, information systems and operations and provides additional assurance on safeguarding group assets and financial information.

An internal fraud hotline has enabled Altron associates and employees to anonymously report suspected irregularities and has proved an

effective tool over the last four years. Throughout the group, incidents of fraud decreased from 20 to six over the reporting period, while theft increased from 44 to 71 incidents this year. An aggressive drive to re-enforce our code of conduct and the ethics of the group has been launched. In addition, from 1 March 2007, the Deloitte Tip-Offs Anonymous independent hotline was introduced, which will further strengthen the group's internal controls.

Altron tracks the number of crimes committed against the group by outside parties, including hijackings and break-ins. During the year under review, hijackings decreased from 14 to four, break-ins reduced from 17 to four, while armed robberies increased from two incidents in the previous reporting period to seven this year.

As reported previously, PricewaterhouseCoopers had in 2005 performed an independent assessment of the effectiveness of the Altron internal audit department, finding it to comply with the Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors and highly commending it on its professionalism.

Corporate code of conduct

The Altron code of conduct (page 49) is endorsed and guided by the boards of Altron, Altech, Bytes and Powertech and commits all employees to the highest standards of behaviour. The code sets out the expected behaviour of all employees in their dealings with the group's stakeholders. A detailed code of conduct forms part of the Altron group policy manual and outlines Altron's ethos. All employees are required to maintain the highest ethical standards in ensuring that the group's business practices are conducted in a manner which in all reasonable circumstances is beyond reproach.

Ethics campaign

During the year under review Altron launched a prominent group-wide campaign that is designed to re-emphasise and facilitate understanding of

the ethical values that underpin the Altron code of conduct. The campaign emphasises that each and every employee has a responsibility to report any unethical behaviour of which they become aware, regardless of who is perpetrating it. In order to protect individuals, and with the agreement of the Altron audit committee, Altron has therefore contracted Deloitte Tip-Offs Anonymous to provide an independent hotline through which anyone in the group can report unethical behaviour.

With the full and visible support of the Altron executive committee, the corporate communications team rolled out full details of this service through poster campaigns, brochures and training sessions. The reporting line is an important tool in both monitoring and stamping out unethical behaviour in the group and has been set up in line with current best practices in this field.

Remuneration committee

- ▶ **Members** – Jacob Modise (chairman), Myron Berzack, Peter Wilmot and Dr Bill Venter.
- ▶ **Composition and proceedings** – The committee comprises a majority of non-executive directors. Robert Venter (chief executive) has right of attendance at committee meetings and Diane Radley (chief financial officer) attends by invitation. No executives participate in discussions on their own remuneration and benefits. Two meetings are scheduled annually with special meetings called as required. The committee met twice during the year under review.
- ▶ **Role** – This committee, in consultation with executive management, ensures that the group's directors and senior executives are fairly rewarded for their individual contributions to overall performance and are in line with the Altron remuneration philosophy.

During the period under review, the committee conducted a self-assessment exercise to review the functioning and effectiveness of this

committee. The committee is satisfied that it has provided adequate disclosure to shareholders, determined remuneration levels that are sufficient to attract, motivate and retain senior executives of Altron, and that performance-related elements of remuneration constitute a large proportion of total remuneration packages.

Areas for improvement identified through the self-evaluation included ongoing training on remuneration best practices and trends to assist the committee in dealing with and negotiating increasingly complex, performance-driven reward packages. The committee will also remain focused on continuing to address succession planning throughout the group in the next financial year. This is discussed in more detail in the remuneration report on page 129.

Risk management committee

- ▶ **Members** – Mike Leeming (chairman), Norbert Claussen, Diane Radley, David Redshaw, Dr Harold Serebro, Craig Venter, Robert Venter and Peter Wilmot.
- ▶ **Composition and proceedings** – The committee has two scheduled meetings each year and met twice during the review period.
- ▶ **Role** – As the objective of risk management is to identify, assess, manage and monitor risks to which the business is exposed, Altron's selected approach involves identifying strategic risks, reviewing their impact, assessing the probability of occurrence and monitoring the perceived effectiveness of existing controls.

In understanding the risk universe, both the impact and probability of risk are ranked on a nine-point scale: from catastrophic to negligible in relation to the impact and from negligible to confidently expected for probability. Inherent risk is ranked similarly to the impact of risk while control effectiveness is measured as either good, satisfactory, corrective action required or deficient.

Depending on the value of the residual risk exposure, management will decide on the acceptance of the identified residual risk or

exposure. If considered high, an action plan – stipulating the responsible person, required action and timeframe – will be put in place to reduce the level of risk to a more acceptable level.

The risk management committee conducted a self-evaluation exercise during the year under review. The committee believes that its composition, frequency of meetings and authority are adequate and that it operates in an atmosphere of openness and trust. It identified increased monitoring of environmental risks and opportunities as well as the formulation of a group policy regarding safety and health as areas to be addressed going forward. Its recommendation to establish an independent fraud hotline has been addressed through the implementation of the Deloitte Tip-Offs Anonymous hotline.

Material risks and opportunities facing the group

Altron defines material risks and opportunities as those that have the potential to impact on shareholder value. The major consolidated risks identified by the board at the beginning of the review period were:

- Stability of raw material supply
- Progress in relation to broad-based black economic empowerment
- Skills shortages in certain areas of the business
- The lack of adequate systems to extract operational management information
- The governance of information technology/ logical security management
- The liberalisation of the telecommunications market in South Africa
- The impact of import competition due to the strength of the rand, predominantly at Powertech
- Import tariff parity
- Currency volatility
- The impact, either actual or potential, of HIV/AIDS on operations

- Environmental risks and compliance
- Standards for operating in other countries.

Stability of raw material supply

Fundamental to many parts of our business is a consistent, reliable supplier base for all of our products. Powertech, for example, is reliant on 60% to 80% imported resources including copper, steel, aluminium and lead. Risk is mitigated by fostering long-standing relationships and strategic alliances with suppliers in order to procure quality merchandise at competitive prices for our group, and continuously investigating alternative sources of raw material. In addition, Powertech has backward integrated selected production processes in order to reduce its dependency on certain suppliers. Research and development activities have been undertaken where feasible to investigate material substitution.

Broad-based black economic empowerment (BBBEE)

The board continues to make good progress in addressing the level of empowerment partners in key operating companies (Altech and Pamodzi, Bytes SA and Kagiso, Powertech and Izingwe). Initiatives to find suitable empowerment partners for other operations are ongoing, in line with the targets set in Altron's Transformation Vision 2010 which is currently being reviewed to ensure alignment with the dti Codes of Good Practice (the codes). These initiatives are championed by the respective human resources departments and monitored by the Altron executive committee and transformation subcommittee.

Bytes was recently named as South Africa's most empowered listed ICT company in the 2007 *Financial Mail/Empowerdex Top Empowerment Companies* rankings. Furthermore, the HR manager of Bytes, Skip Franzsen, upon an invitation by the dti, has been co-opted onto a project working committee to ensure that the recently enacted codes contribute to creating a sustainable business environment. Altron has also developed

implementation guidelines to provide practical guidance to all implementers and other decision makers within the Altron group to ensure that all elements of BBBEE are dealt with in a consistent manner throughout all group entities. Operations report on BBBEE progress at board meetings.

A detailed discussion of our BBBEE progress is provided on page 71.

Shortage of skills and expertise

Operations' ability to attract, motivate and retain key skills, particularly in the technical fields, remains a priority. The group companies focus on maintaining an environment that is conducive to attracting and maintaining skills, and continue to invest in the development of human capital. Operations have instituted long-term strategies to ensure a readily available talent pool. Bytes, for example, has established an internal training company to implement learnerships, while the Altron secretariat has developed a cadet scheme where talented black company secretarial students receive between six and twelve months' practical training. In the Human Resources section of our sustainability report on page 76, we discuss in detail further initiatives in this regard.

Altron maintains effective nomination and remuneration committees for succession planning and the appointment of senior executives and board appointments, coupled with a remuneration policy aimed at attracting, motivating and retaining highly talented individuals.

Group-wide information system

Progress has been made with regard to developing a group-wide information system to extract operational management information. Altron has developed the Everest management information system to capture both financial and BBBEE information, which will ultimately result in improved group-wide reporting. The system is currently being refined to allow for the capturing of data relating to our supply chain.

Information technology

As a technology group, the governance of information technology/logical security management is of critical importance, and we conform to and deploy where appropriate best practices and approved international frameworks and guidelines such as Control Objectives for Information and Related Technology (CoBIT) and Information Technology Infrastructure Library (ITIL).

Computer information systems and networks are an integral and valuable part of business within the group. The Altron group has made a substantial investment in human capital and financial resources to create and maintain these systems and networks, and this investment needs to be protected, appropriately utilised and the risks specific to this environment managed.

Accountability for compliance to these policies is the responsibility of the operational management team. Key policy areas are reported on monthly by the management team of each operation indicating their level of compliance and actions to resolve any non-compliance, which is then monitored via these reports on a monthly basis.

The Altron group internal audit department assists in the monitoring of the policy compliance and carries out regular computer systems reviews within the group. The results of these audits are discussed with, and communicated to, operational management, responsible group executives, group IT and the Altron audit committee, and implementation of agreed recommendations is then actively monitored.

The use of core policies and principles allows our companies the freedom to make autonomous IT decisions within their operations, while maintaining appropriate levels of governance. This ability within each group company enables IT operations to align to their unique business strategies and deliver appropriate services and technology to support these strategies.

Liberalisation of the telecommunications market

There are a number of scenarios in the telecoms market that could have an impact on the growth in the sector, such as the changes in the regulatory environment, the rise in data services and the decline in voice services. Focus on the further development and adoption of broadband technologies will open up new opportunities which have been identified by Altech as enhancing their convergence efforts. Altech has also recently entered the new and growing Wimax market in conjunction with Samsung.

Impact of import competition due to the strength of the rand

This risk is particularly relevant to the Powertech group companies. Powertech mitigates this risk by continuously improving its supply chain management, including logistics and its distribution network, and providing superior local service and delivery to its customers. Powertech has also ensured its costs are controlled in its manufacturing processes to enable it to remain competitive.

Import tariff parity

World trade agreements and globalisation have resulted in the loss, particularly at Powertech, of some tariff protection. The group continuously works towards increasing its competitiveness by means of better manufacturing processes, supply chain enhancements and cost management.

Currency volatility

Exposure to currency risk arises in the normal course of the group's business. To mitigate the effects of exposure to fluctuating foreign exchange rates, foreign exchange contracts are utilised. The group incurs currency risk as a result of transactions which are denominated in a currency other than the group entity's functional currency in respect of purchases, sales and borrowings. The currencies giving rise to currency

risk, in which the group primarily deals are British pounds, US dollars and euros. The group entities hedge payables, receivables and borrowings denominated in a foreign currency.

HIV/AIDS

While previously relying on government-published HIV/AIDS statistics to gauge the impact of HIV/AIDS on its businesses, Altron has come to recognise the necessity of conducting an in-depth study of prevalence rates across its diverse operations. Whereas in the past, operations have had ad hoc policies and programmes in place including voluntary counselling and testing, Altron aims to provide guidance at group level to operations in terms of policy and practices for addressing HIV/AIDS, and has consequently embarked on a major study of the impact of HIV/AIDS across all its operations.

Working in conjunction with Aurum Institute of Health Research, a not-for-profit public benefit organisation that conducts research and supports companies in assessing and mitigating the impact of HIV/AIDS, Altron is developing a phased approach to managing this impact, that will consist of both a study of the actual prevalence and impact of HIV and AIDS on its business, and assessing the effect of HIV/AIDS on key suppliers and market groups. This project commenced in March 2007 and Altron will be in a position to report on the results in the 2008 annual report.

Environmental risks and compliance

Our manufacturing operations, where environmental risks and impacts are more apparent, are increasingly requested by their suppliers to account for their environmental performance. Powertech is consequently driving ISO 14001 certification, with ABB Powertech Transformers and Willard Batteries in Port Elizabeth compliant and a number of other sites due to be certified in the coming year. The ISO 14001 standard is widely recognised as

international best practice in managing environmental impact.

Altron has furthermore instituted regular environmental performance assessments of its high risk (manufacturing sites) operations by an independent third party. The results of these six-monthly audits are reported to the Altron risk management committee and will facilitate monitoring and increasingly reporting quantitative environmental performance data. In our environmental performance section of this report, on page 100, we provide a more detailed account of our performance in this regard across the group.

Standards for operating in other countries

Where group companies operate in other countries, such as Altech in Nigeria, Bytes in the UK, Mozambique, Botswana, Namibia and Mauritius, and Powertech in Mozambique, Spain and Portugal, the same level of honesty and ethical conduct in all dealings with stakeholders is required. Altron maintains standard operating procedures applicable to South Africa in foreign territories, while being cognisant of local differences. Bribery and corruption is not tolerated under any circumstances.

Nomination committee

- **Members** – Dr Penuell Maduna (chairman), Myron Berzack, Mike Leeming and Dr Bill Venter.
- **Composition and proceedings** – This committee comprises a majority of non-executive directors and was established in the 2004/5 reporting period. Robert Venter (chief executive) has right of attendance at committee meetings. There is no formal meeting schedule for this committee, which meets as and when required. The committee met once during the year under review.

The appointment of directors is a transparent and formal procedure governed by the nomination committee's mandate and terms of reference as well as by the Altron board charter. Factors influencing the selection process include skills, knowledge and qualifications: these are examined against the backdrop of Altron's strategies. Availability, number of external board appointments, diversity, demographics and experience in relevant sectors are also considered.

- **Role** – The committee is responsible for identifying and evaluating suitable potential candidates for appointment to the board as well as succession planning. It does not have the authority to appoint directors, which is a board function. A formal succession planning policy is currently being finalised and will be implemented throughout the group.

Transformation committee

- **Members** – This is a subcommittee of the Altron executive committee, with representatives from underlying group companies.
- **Composition and proceedings** – The transformation committee was established four years ago and has continued to drive economic transformation and BBBEE across the group.
- **Role** – Following the launch of the Altron Transformation Vision 2010 blueprint, the committee's mandate has been extended to develop a practical implementation plan and guidance manuals to ensure uniform application of the empowerment vision across the group. During the review period, the committee formulated a detailed response to the codes and participated in industry comment on these codes.

Now that the codes have been finalised, the committee is engaged in several projects, namely:

- Auditing the entire group's operations to determine whether or not they comply with the codes including suggesting corrective actions
- Aligning the Altron Transformation Vision 2010 document with the codes as well as with relevant sectoral charters
- Determining a strategy and roadmap for future compliance by the group with the codes and other BBBEE legislation.

COMMUNICATING WITH STAKEHOLDERS

The importance of clear and direct communication with shareholders and analysts is crucial as we enter a drive to sustain our growth, in raising their understanding of the group's strategy, operational and financial performance, management and prospects.

Altron has a dedicated programme for facilitating regular communication between the executive management team and a wide range of institutions and investors. This includes providing timely, accurate announcements and circulars to shareholders in accordance with JSE Listings Requirements. In addition, regular contact with domestic and international institutional shareholders and analysts is maintained through investor roadshows, presentations and liaison with major shareholders. Altron's proactive investor relations programme furthermore includes the following activities over the financial year:

- Annual site visits to group companies where presentations are delivered to analysts and fund managers by managing directors of operations throughout the group
- Our management team hosts, together with our sponsor Investec, bi-annual lunches in Cape Town and Johannesburg to afford fund managers an opportunity to interact with management
- At year-end the management team undertakes a UK roadshow to potential investors
- Our chief executive and chief financial officer also attend various conferences such as the Merrill Lynch and Investec investor conferences both locally and in the UK where they address or interact with potential investors
- In addition to our investor relations website we ensure ongoing communication regarding pertinent performance through regular e-mail communication
- Regular one-on-one meetings are held with analysts by our chief financial officer in order to assist analysts with models and forecasts.

Altron recognises the importance of shareholder attendance at annual general meetings. We believe this presents an important opportunity for shareholders – institutional and individual – to raise issues and participate in discussions relating to items in the notice of meeting. Every effort is made to encourage this attendance and participation which includes a personal invitation from the chairman to each shareholder in the annual report to attend the annual general meeting.

During the period under review, Altron engaged an independent firm to conduct an analyst perception audit on the company. Analysts were asked to rate Altron in terms of its quality of management, leadership, strategy, earnings growth potential, sustainability of earnings, liquidity, dividend policy, cost controls, corporate governance and investor communications.

A detailed account of the results of this research is contained in the stakeholder relations section on page 64.

SHARE DEALINGS

Altron and its subholdings have approved written policies on directors' dealings in securities. These require all directors of the listed companies and their material subsidiaries, who wish to deal in Altron or its listed subholdings' securities to obtain prior written clearance from any two of the

following senior executives: the chairman, chief executive or chief financial officer. The same restriction applies to the group company secretary. The chairman requires prior written clearance from the non-executive chairman of the Altron audit committee and the group company secretary.

The group operates closed periods as defined in the JSE's Listings Requirements. These periods are

communicated to directors, officers and employees in the group policy manual and a specific policy for directors. In addition, special electronic and printed notices advise staff of imminent closed periods. During these periods, the group's directors, officers and employees may not deal in the securities of Altron, Altech or Bytes as the case may be. Additional closed periods are enforced, when required, in terms of corporate activities.

Attendance at meetings

Director	Board				Audit			Remuneration		Risk		Nomination
	2006			2007	2006		2007	2006	2007	2006		2006
	May	Aug	Oct	Feb	May	Oct	Feb	May	Feb	May	Oct	Oct
Dr WP Venter	✓	✓	✓	✓	n/a	n/a	n/a	✓	✓	n/a	n/a	✓
RE Venter	✓	✓	✓	✓	✓ ³	✓ ³	✓ ³	✓ ⁴	✓ ⁴	✓	✓	✓ ⁷
MC Berzack	✓	✓	✓	✓	n/a	n/a	n/a	✓	✓	n/a	n/a	✓
N Claussen	✓	✓	✓	✓	✓ ³	✓ ³	✓ ³	n/a	n/a	✓	✓	n/a
PMO Curle	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
MJ Lamberti	✓	✓	✓	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a
MJ Leeming	✓	✓	✓	✓	✓	✓	✓	n/a	n/a	✓	✓	✓
Dr PM Maduna	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	✓
JRD Modise	✗	✓	✓	✗	✓	✓	✓	✓	✓	n/a	n/a	n/a
DC Radley	✓	✓	✓	✓	✓ ²	✓ ²	✓ ²	✓ ⁵	✓ ⁵	✓	✓	n/a
DM Ramaphosa	✓ ¹	✓ ¹	✓ ¹	✓ ¹	n/a	n/a	n/a	n/a	n/a	n/a	✓ ⁶	n/a
PD Redshaw	✓	✓	✓	✓	✓ ³	✓ ³	✓ ³	n/a	n/a	✓	✓	n/a
Dr HA Serebro	✓	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	✓	✗	n/a
CG Venter	✓	✓	✓	✓	✗	✓ ³	✗	n/a	n/a	✓	✓	n/a
PL Wilmot	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	n/a

✗ Submitted apologies and was granted a leave of absence in terms of the company's articles of association.

¹ Attends by invitation as an alternate director.

² Has right of attendance but is not a member of the audit committee.

³ Attends by invitation and is not a member of the audit committee.

⁴ Has right of attendance but is not a member of the remuneration committee.

⁵ Attends by invitation and is not a member of the remuneration committee.

⁶ Mr Ramaphosa was appointed as a member of the risk management committee on 8 May 2006.

⁷ Has right of attendance but is not a member of the nomination committee.