

Management of sustainability

Value added statement

The measure of the value created by the group is the amount of value added by its diverse manufacturing, distribution and other activities to the cost of raw materials, products and services purchased. This statement shows the total value created and how it was distributed.

	2008 R millions	%	2007 R millions	%
Revenue from continuing operations	21 431		17 126	
Paid to suppliers for material and services	(16 299)		(12 707)	
Value added	5 132		4 419	
Income from investments*	186		136	
Total value created	5 318		4 555	
Value distribution				
Employees	3 053	57	2 736	60
Capital providers	584	11	445	10
Finance costs	89		56	
Dividends to Altron shareholders	331		216	
Dividends to minority shareholders in subsidiaries	164		173	
Central and local government	688	13	606	13
Company taxation	591		493	
Secondary taxation on companies	54		58	
Rates and taxes; licences and levies	33		34	
Skills development levy	10		27	
Subsidies granted by the government	—		(6)	
Corporate social investment (CSI)**	53	1	14	—
Reinvested in the group to maintain and develop operations	940	18	754	17
Depreciation and amortisation	272		235	
Retained profit	688		589	
Deferred taxation	(20)		(70)	
	5 318	100	4 555	100
Value added ratios				
Number of employees***	12 909		11 871	
Revenue per employee (Rand)	1 660 160		1 442 675	
Value created per employee (Rand)	411 961		383 708	
Corporate social investment – % of profit after tax	4.0		1.3	

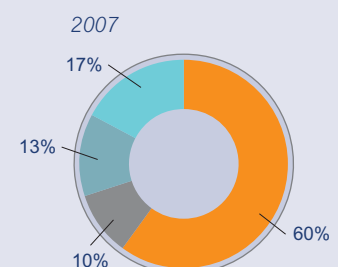
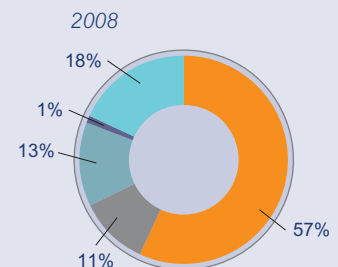
*Income from investments include interest received, dividend income and share of associates' profits.

**CSI includes education, training and social upliftment projects.

***These are permanent group employees.

Issues within this section

- ▶ Integration of corporate ethics



Altron's sustainability philosophy

In our annual report we have emphasised the importance of sustainable growth and our long-term commitment to our business relationships. In this sustainability report, we set out to explore these relationships more closely, understand the impacts we have on the environment and the stakeholder groups we interface with, and report fairly and transparently on the most material issues that we have identified as being important to the long-term survival and success of our business.

Arriving at our most material issues

Altron is a diversified business operating in the power electronics, telecommunications, multi-media and information technology industries:

- ▶ Multi-media designs and manufactures among others satellite and terrestrial digital set-top decoders.
- ▶ Telecommunications sells, distributes and services cellular network operators and designs, installs and manages Motorola radio systems and operates in data distribution as an operator and manufactures telecom copper and fibre optic cables.
- ▶ The IT division deals with telecommunications middleware, payment systems and solutions, secure solutions and smartcard technologies and the full integrated spectrum of IT products, solutions and services.

Economic impact by size and value contribution

Altron has an employee complement of 11 586 permanent employees in South Africa. Of these 2 535 employees are in Altech, 5 000 employees are in Powertech, 3 968 are employed by Bytes and 83 at corporate. (Worldwide, the Altron group has 14 217 employees including non-permanent workers.) The Altron group has an annual revenue in excess of R21 billion and has operations

based in South Africa and in over 20 foreign countries including among others the African continent, the United Kingdom, the Iberian Peninsula, France and Australasia.

Considering the diversified nature of our business, we recognise that the Altron group of companies has a range of impacts on society and the environment ranging from the exploitation of resources in the supply chain to the responsible stewardship of our products in the marketplace. For the purposes of this report we have chosen to categorise our material issues in three broad sections:

- ▶ **Business stakeholders** – shareholders, customers, suppliers, partners and employees
- ▶ **Transformation** – the seven issues (dti CoGP) relating to broad-based black economic empowerment (BBBEE)
- ▶ **Environment**

This classification encompasses all the major stakeholder groups with which the company engages in a format that facilitates the easy interrogation of information pertinent to readers from any specific stakeholder group. The full list of material issues are contained in the table on page 41.

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Issues that can be applied broadly across the Altron group, such as transformation and corporate governance, are dealt with centrally at group level. Other issues, such as specific environmental impacts, are managed directly by the operations concerned, although in all cases, ultimate leadership and responsibility vests with the leadership of Altron.

The link between operational management and board responsibility when it comes to sustainability issues is achieved through regular appraisal by the Altron risk management committee in conjunction with the relevant responsible body, be it internal audit, secretarial, legal, the transformation committee, executive committee, etc. This

Management of sustainability *continued*

structure ensures that the appropriate steps and processes are put in place to mitigate against the risks associated with these issues. All these risks are consolidated at the Altron risk management committee level and reported to both the Altron audit committee and board for noting and/or action.

Evaluation of the financial implications of sustainability challenges, risks and opportunities is the purview of the Altron risk management committee. The head of Altron legal reports into this committee as an invitee and detailed legal reports are tabled at the meeting. Likewise the transformation committee chairman reports into the risk management committee and tables the Altron group's compliance with EE and BBBEE requirements. The risk management committee chairman is a member of the Altron audit committee and provides feedback to the audit committee in terms of any material risks and potential liabilities to the Altron group which may require the making of provisions, or the tabling of contingent liabilities in the balance sheet.

The chairmen of both the Altron audit and risk management committees are required to table the findings of these committee meetings at the board meeting following the previous committee meetings. Minutes of these committee meetings are also tabled with the board packs. All material issues are brought to the attention of the Altron board and relevant remedial action plans put in place, as necessary.

Material issue

Integration of corporate ethics

As highlighted in the corporate governance report (see page 95) the integration of corporate ethics is an important and material issue that receives the highest levels of stewardship at Altron. The Altron chief executive is responsible for implementing the code of ethics. The Altron policy manual,

which includes the corporate code of conduct, is made available to every employee joining the Altron group and forms part of their terms and conditions of employment. This sets out the high risk areas which employees should be aware of in their business dealings for and on behalf of the Altron group.

Employee training occurs regularly through poster and marketing campaigns and there is a continuous drive to enforce the code of ethics throughout the Altron group. In-house magazines and publications frequently make reference to the code of ethics.

The code of ethics was reviewed in 2007 and the code of conduct in February 2008 by the Altron audit committee (see governance report).

Compliance monitoring

Altron is committed to managing whistleblowing, fraud reports and other concerns over ethics in a non-discriminatory and confidential fashion, through a secure communication channel for employees to seek advice or voice concerns. The Altron group recently engaged Deloitte Tip-Offs Anonymous to manage an independent and confidential fraud and theft hotline. This has been widely communicated to staff members both in terms of poster campaigns, training sessions, and in-house magazines and publications. Monitoring compliance with ethical practices takes place both through the external and independent fraud and theft hotline managed by Deloitte and filtered through the Altron internal audit department and relevant subholding group security officers.

Bribery and corruption

Altron is aware of the detrimental effects that bribery and corruption have on the security of the business environment and takes proactive measures to counter this threat. Contained within Altron's corporate code of conduct (see

Standards for operating in other countries

Where group companies operate in other countries, such as Altech in France, Nigeria, Kenya and Uganda, Bytes in the UK, Mozambique, Botswana, Namibia and Mauritius, and Powertech in Mozambique, Namibia, Nigeria, Tanzania, Kenya, Spain, Portugal and UK, 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.

Ethics campaign in 2007

During 2007, a dedicated marketing and poster campaign, endorsed by the CE, was conducted throughout the Altron group to ensure that the group's ethics were made visible and understood. The company's code of ethics was highlighted in brochures, poster campaigns and posted on the group intranet. Specific issues were highlighted in the audit committee evaluation and corporate ethics have been marked as an action item at future audit committee meetings to ascertain to what extent ethics are driven and monitored throughout the group by executive management.

http://www.altron.co.za/about_governance.asp) is our policy towards bribery and corruption, and we make it clear to all parties that the company adopts a zero tolerance approach towards the same. This policy applies to all operations within the Altron group.

Guidance on the level of sanctions to be applied in the event of a violation of the policy is dealt with in terms of the Altron policy manual, in terms of general staff information notices, and through poster and marketing campaigns dealing with the Altron group's ethics and the Deloitte Tip-Offs Anonymous hotline. Regular updates by the Altron legal department are also provided, which deal with prevailing legislation in terms of bribery and corruption.

Among the systems Altron has in place is the due diligence process, conducted before the acquisition of businesses or the establishment of joint ventures by the relevant legal and secretarial departments. Likewise, due diligence in evaluating prospective contractors and suppliers is facilitated through the Altron group purchasing and export council.

The company's vulnerability and exposure to bribery is regularly assessed at Altron risk management committee meetings. We are aware that we operate in countries identified as presenting a high risk environment for bribery and corruption, including Kenya, Lesotho, Mozambique, Nigeria and Uganda. Likewise, we are involved in various government contracts that may require government licensing.

Incidences of criminal activity reported and dealt with by the Altron group during the period under review are detailed in the corporate governance report on page 102.

Risk and crisis management

Altron makes use of a variety of instruments to offset the risk of crises that could befall the company, impact on operations, or cause significant loss. These include: insurance, self-insurance, disaster recovery and business continuity planning. The company has insurance cover for:

- ▶ product liability;
- ▶ key managerial staff/directors;
- ▶ acts of terrorism;
- ▶ loss of data;
- ▶ natural disasters;
- ▶ theft, including theft of infrastructure; and
- ▶ director liability (including environmental liability and professional indemnity).

Business continuity plans are in place should the systems and networks go down or be lost. Furthermore, disaster recovery plans are in place in the manufacturing operations should a factory be burnt down or production be hindered in any way. This includes incidents such as civil unrest or rioting, flood, fire, prolonged strike or terrorism.

For further details on Altron's risks and how we manage them, refer to the corporate governance report.



Janica Nhlapo shows the number to dial for Deloitte's Tip-Offs Anonymous hotline.