

Transformation

Extending our vision to 2012

Transformation is one of Altron's key focus areas and is driven by the company's top leadership. As a proud South African corporate citizen, Altron is committed to playing a role in bringing about meaningful transformation throughout the Altron group and in the industry in which it operates. Having embraced the principles of transformation in the early 1990s, it remains ever mindful of its responsibility to bring about upliftment of historically disadvantaged members of the community and to pave the way for all racial groups to play a meaningful role in the economy.

Altron welcomes the dti CoGP, gazetted in 2007, which provide corporate citizens with guidance and uniform measurement rules for BBBEE.

Beyond compliance

Altron believes that the survival of businesses in South Africa will be determined by how well they are able to adapt to the necessary socio-economic changes currently taking place and, apart from acknowledging the sound social and economic reasons for implementing BBBEE, it therefore views transformation as a business imperative. The company recognises the many business opportunities and benefits to be derived from the increased participation of black people in the country's mainstream economy as well as the ICT and power electronics sectors.

It also believes that its contribution to BBBEE will only be sustainable if it is linked to strategic growth areas. Therefore, by reconciling its growth targets with the policy objectives of BBBEE, the company will continue to facilitate South Africa's economic transformation through:

- ▶ Direct empowerment – increasing the level of black ownership of businesses and other financial assets, as well as raising the extent to which black people, especially women, youth, workers, rural communities and the disabled, control enterprises;

- ▶ Indirect empowerment – promoting the ownership of sustainable black enterprises by giving preference to black suppliers in procurement, and by actively helping black enterprises through training, coaching, mentoring, financial and non-financial support, as well as improving the quality of life in disadvantaged communities; and
- ▶ Human resource and organisational development – prioritising the reflection of the country's demographic reality throughout our entire group by appointing, promoting, developing and retaining black people, with emphasis on women, people with disabilities and the unemployed in the form of learnerships.

A policy to take us forward

Altron's commitment to BBBEE was initially outlined in the Transformation Vision 2010 policy manual published in 2005. However, following the achievement of our goals laid out in that document, and the release of the revised dti CoGP in February 2007, Altron updated Vision 2010 to incorporate the latest changes.

The implementation of BBBEE within the Altron group is now driven by an updated policy manual, namely Transformation Vision 2012, which sets out the guidelines and targets for transformation across all Altron subsidiaries up to 2012. Altron's transformation strategy is founded on an unwavering commitment to achieve a workforce that is representative of the demographics of the country, matching available skills and business imperatives. Recognising that sustainable changes take time to implement, the company aims initially to achieve a minimum compliance level of at least a level 3 contributor, with the ultimate goal of becoming a Level 1 contributor.

Issues within this section

- ▶ Socio-economic development
- ▶ Enterprise development

Our anchor partnerships with Pamodzi within Altech, Kagiso within Bytes and Izingwe within Powertech continue to add significant value along with the contributions of our other empowerment partners.



Founded in 1996 by a group of leading black professionals, Pamodzi Investment Holdings (Pty) Limited is a multibillion-rand investment company seeking to become a strategic black equity partner of leading businesses in key South African industries. Pamodzi has built a solid reputation in the private equity industry by bringing strategic value to organisations and generating high returns for all stakeholders through commercial astuteness and entrepreneurial acumen.



Izingwe is an empowerment group that has matured to become a significant investor in mining, engineering, infrastructure development and logistics. It is an active and long-term shareholder in Powertech that makes focused and value enhancing interventions in its underlying investments. Izingwe's strategic partnerships with leading companies are critical to its investment strategy.



Altron's Transcom under the chairmanship of Onkgopotse (JJ) Tabane is steering the group towards achieving its BBBEE targets.



A committee to drive change

During 2007, the transformation committee (Transcom) was reconstituted and a working group appointed to steer the Altron group towards the achievement of these targets and to coordinate the initiatives of all group companies into a coherent group BBBEE strategy.

Reporting to the Altron executive committee and ultimately to the board, Transcom comprises members of senior management and staff from across the Altron group's companies and is chaired by Mr Onkgopotse Tabane, Group Executive: Corporate Affairs. Various subcommittees have been focused to oversee the implementation of all dti CoGP. Its role is to accelerate the launch and implementation of the Transformation Vision 2012 (Vision 2012), and has the following mandate endorsed by the Altron executive committee:

- ▶ promoting economic transformation in order to enable meaningful participation of black people in the economy;
- ▶ achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new businesses;
- ▶ increasing the extent to which communities, employees, co-operatives and other collective businesses own and manage existing and new businesses and increasing their access to economic activities, infrastructure and skills training;
- ▶ increasing the extent to which black women own and manage existing and new businesses, and increasing their access to economic activities, infrastructure and skills training;
- ▶ increasing employment of black disabled employees;
- ▶ promoting investment programmes that lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity; and
- ▶ empowering rural and local communities by enabling them to gain access to economic activities, land infrastructure, ownership and skills.

Transformation activities

Work is already under way across the Altron group to build on the foundation of Vision 2010 and work towards the achievement of the goals set out in the Vision 2012 document. Among the activities being undertaken and plans for the future, are the following:

Target setting

During the first quarter of 2008, Transcom started working with all companies in the Altron group to translate Vision 2012 into actual transformation targets with guidelines.

Interactions took the form of a series of round table consultations with transformation champions to help determine five-year targets on all areas of the dti CoGP. The executive committee of Altron has approved realistic targets for the various executives in the Altron group ranging from Level 3 to Level 1 by 2012. BBBEE performance will form part of the Altron group's ongoing performance management indicators.

Consultation

Given the strategic importance of BBBEE initiatives in the Altron group, whose successful implementation depends on the resources within Altron, the company recognises the importance of engaging its internal stakeholders on the issue of transformation. A change management survey will be conducted by Transcom's HR subcommittee during 2008 to identify any potential internal stumbling blocks to the transformation process.

Adoption of Vision 2012

The transformation conference agreed on the transformation path and targets going forward and proposed certain resolutions to be adopted by the Altron group in achieving these targets. Subsequent to the conference, these resolutions together with the Vision 2012, were approved and adopted by the Altron executive committee and the Altron board.

KAGISO

From a shareholder perspective, Bytes SA has successfully partnered with Kagiso, a respected and reputable broad-based empowerment group, which currently owns 27% of Bytes SA. Founded in 1993, Kagiso was formed to finance and manage grassroots projects aimed at empowering women, the young and the disabled of the country. Today Kagiso remains one of the most highly regarded NGOs in South Africa, mainly because of its working partnerships with civil society, government and other NGOs. Kagiso plays an active role on the board of Bytes SA.

Transformation *continued*

Training and communication

One of Transcom's key priorities for 2008 is transformation education, communication and knowledge sharing in the form of workshops and seminars for various BBBEE practitioners handling various dti CoGP codes in order to:

- ▶ create a knowledge community of practitioners in the Altron group;
- ▶ develop proposals/draft resolutions to be considered and adopted by group leadership regarding the implementation of the imperatives of Vision 2012 and to share best practice with each other as well as other companies in the industry;
- ▶ motivate and help each other to find practical solutions to everyday problems in the implementation of transformation goals; and
- ▶ monitor the implementation of Vision 2012.

Conclusion

Transforming Altron is not a matter of complying with legislation, but playing our part in ensuring the domestic economy grows meaningfully and sustainably. In ensuring that we meet our Vision 2012 goals, BBBEE will henceforth form part of our ongoing performance management, thus integrating it into business planning and performance measurement.

Material issue

Socio-economic development

Altron recognises its responsibility as a corporate citizen towards its stakeholders and the communities within which it operates. Corporate Social Investment (CSI), incorporating Socio-Economic Development (SED) as per the dti CoGP, is a major cornerstone of good corporate citizenship and forms an integral part of the Altron group's BBBEE, transformation, corporate accountability and governance programme.

In line with Vision 2012, the principles of BBBEE and the dti CoGP have been taken into account in the development of a CSI policy,

which is championed by a CSI subcommittee, established as part of the Transcom.

Altron's goal is to spend 1% of net profit after tax on CSI, but in doing so to take into account company performance. This benchmark figure includes both financial as well as non-financial contributions to projects.

Projects are evaluated annually by means of feedback from the beneficiaries on the progress and benefits of the project, on-site visits, collection of relevant statistics and formal research. After each project is completed, it undergoes an evaluation and audit in order to determine its impact and long-term sustainability. In all such audits, Altron places an emphasis on quantifying the cash and in-kind contributions to projects.

CSI focus areas

Altron has divided its CSI spend into focus areas that are informed by a value system that incorporates the following principles:

- ▶ CSI must be aligned with the vision and mission of the business.
- ▶ The company must ensure that its CSI practitioners follow a professional approach.
- ▶ Training of these practitioners is essential and is carried out both internally through the CSI committee of the Transcom, and externally through attendance of conferences and workshops.
- ▶ Projects which receive funding must ideally be aligned with the core business of the company.
- ▶ CSI projects must be implemented in such a way as to ensure that the beneficiaries are able to sustain the ongoing viability of the project, ie in terms of training and through ongoing support and guidance.
- ▶ Focus areas are also aligned with certain national development imperatives as highlighted by government.

Altron's CSI Policy

Funding communities that are directly involved with the Altron group's operations

Using a consultative approach and facilitating sustainable wealth creation and self-sufficiency

Facilitating sustainable wealth creation and self-sufficiency

Managing the impact of the group's relations with the community and environment

Measuring the effectiveness and sustainability of CSI projects and partnerships

Conducting CSI in a responsible and innovative manner that benefits both beneficiary and donor



**Flagship project:
Bridging the Digital Divide**

Recognising the importance of bridging the digital divide, Altron has rolled out state-of-the-art multi-media centres at schools in the Western Cape, Gauteng and KwaZulu-Natal. The project tracks the pass rate of learners in each school over time to establish performance and the holistic nature of these interventions ensures that Altron's investment has the maximum possible impact and is sustainable in the long term.

**Arts and culture flagship project:
East Rand School of the Arts**

Battery Technologies provides ongoing support to the East Rand School of Arts (ERSA), where learners' progress was severely hampered by a lack of basic equipment that was critical to their learning. By providing equipment, materials, consumables and infrastructure, the company has contributed to the school's improved matric pass rate from 13.3% in 2003 to 75% in 2006.

Underpinned by these principles, Altron's five key social investment areas are:

- ▶ Education and training;
- ▶ Job creation outside the company value chain;
- ▶ Community development and support;
- ▶ Conservation and environment; and
- ▶ Arts, culture and sport.

Within each of these areas, the company has selected various sub-categories that form a logical fit with its business.

Education and training

Education remains one of the biggest challenges facing South Africa and is an area where corporate investors can make an enormous difference. The shortage of such skills is underpinned by the poor performance of high school learners in the subjects of maths and science and the associated lack of qualified educators of these subjects. This issue has been highlighted by government as a key national development imperative and one to which Altron has paid particular attention in its CSI programmes.

Education and training projects include those that focus on:

- ▶ the development of technology and IT skills;
- ▶ electronics and multimedia;
- ▶ various engineering disciplines;
- ▶ maths and science;
- ▶ building and equipping of schools;
- ▶ outreach programmes;
- ▶ ABET; and
- ▶ intern mentoring.

Skills development on the other hand includes programmes that are aimed at improving skills levels in communities with the objective of assisting people in earning a living and becoming self-sufficient.

Job creation

Altron's initiatives in job creation are divided into two areas – those that fall under enterprise development and preferential procurement as part of the company's supply chain, and those that fall outside of the supply chain and which are aimed at helping people to become self-sustainable. It is this latter group to which CSI funds are channelled.

Important projects in this focus area include the Orion Wood Workshop and the Tshwane Leadership Foundation. With the help of support from Altron, the Orion Wood Workshop provides disabled individuals with skills that allow them to earn an independent living. Tshwane Leadership Foundation also benefits one of society's more vulnerable groups through its outreach programme to young girls and women who have fallen victim to child trafficking and prostitution. With the help of support in operational costs and capacity building, the foundation provides the victims with life and vocational skills training and the important opportunity of exposure to job creation initiatives.

Community development and support

South Africa's disadvantaged communities face multiple challenges that result from poverty, unemployment, crime and lack of infrastructure. HIV/Aids poses a particular challenge, leaving terminally ill patients in need of care, orphaned children in need of food and shelter and families in need of welfare assistance.

Altron's Community Development and Support portfolio is divided into:

- ▶ health and social welfare – including primary healthcare and welfare projects and community Aids awareness programmes aligned to government programmes; and
- ▶ support for security and public safety programmes – including training of volunteers working at police stations, providing equipment or outreach programmes.

Transformation *continued*

Conservation and the environment

With environmental concerns and global warming playing an increasing role in policy-making throughout the world, Altron recognises its responsibility to ensure that environmentally sensitive areas are conserved and that all South Africans benefit from the rich natural heritage that is inherent to the country. Altron's involvement within its Conservation CSI portfolio includes:

- ▶ environmental awareness and clean-up projects;
- ▶ support of conservation initiatives and organisations carrying out important conservation work such as the World Wildlife Fund and the De Wildt Cheetah programme; and
- ▶ disaster relief programmes during times of flood and drought.

Arts, culture and sport

Arts, culture and sport play an important role in creating hope among disadvantaged communities, sustaining ideas and nurturing leadership skills, particularly among young people. Sport provides children with a healthy pastime that keeps them occupied after school and fosters the development of tolerance, teamwork and discipline, while arts and culture help to preserve and express South Africa's rich cultural heritage.

Recognising the important role that arts, culture and sport have to play in developing a well-rounded child, Altron supports various developmental programmes that help to train and nurture new talent and teams from historically disadvantaged communities. The company selects projects on the basis of their ability to affirm and promote all aspects of South African culture, artistic expression and sporting codes.

Material issue

Enterprise development

Altron is committed to investing in the development of small to medium black-owned

enterprises which will deliver sustainable employment and growth in the ICT and electronic services sector.

ALTECH

Altech Netstar executes monthly payments to its black-owned fitment centres in the middle of the month. Furthermore it plans to set up a task team in 2008 to investigate further enterprise development opportunities and the possibility of introducing black female-owned fitment centres. Altech Autopage Cellular is currently in the process of identifying partners whose turnover is less than R5 million as this qualifies them automatically as Level 4 contributors. Once classified, Altech Autopage Cellular can begin allocating distribution and channel development costs towards the development of these qualifying enterprises. In addition, Altech Autopage Cellular will commence identifying all black-owned and empowered SMMEs and begin processing more favourable payment terms for them. ACS has been using the services of Katlego Global Logistics, a 100% black-owned company, for all freighting and forwarding requirements for the past five years. ACS also ensures that Katlego's invoices are paid within a 15- instead of 30-day period, as suggested by the dti, as this assists the SMME with cash flow and thereby contributes to its long-term sustainability.

POWERTECH

Powertech Transformers helped develop Mdluli Sharp office business, by investing management time, training and equipment, and assisting with various operating costs. In Gauteng, DPM sources critical sub-assemblies and raw materials such as radiators and tanks from Ikusasa and Thaleka and paper-covered copper wire from Matla Wire Systems. Powertech IST has embarked on developing small ESCOs (energy services companies) through the transfer of skills.



Flagship project: Urban greening

Powertech Batteries has partnered with schools in disadvantaged communities to plant thousands of trees in their communities during national Arbour Week. These trees also help to offset the damaging effect of carbon emissions which contribute to global warming.

Bytes enterprise development programme

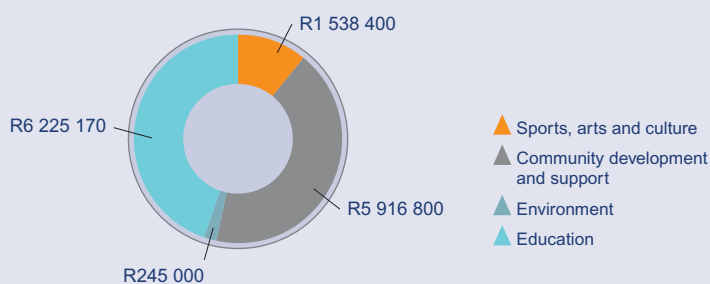
BSS has a strong enterprise development programme that includes helping ABSA with its rural and township-based "banking the unbanked" Mzansi programme. This programme is expected to deliver 4 000 kiosk-based ABSA support services to the unbanked population, thereby meeting the 2010 targets in the Financial Sector Charter. A significant portion of these kiosks will have ATMs supplied and serviced by BSS. The company is also involved in the provision of some 2 000 ZOC (Zionist Church/Orlando Pirates/Kaiser Chiefs) containers into townships and communities countrywide, which will contain ATMs supplied and serviced by BSS. Empowerdex has confirmed that all of these activities qualify as enterprise development initiatives and equate to around R12.5 million per annum spend on enterprise development. This equates to 6.8% of the 2006/2007 net profit after tax, giving Bytes the full 15 points in terms of the dti CoGP.

Supporting academic research

The Bill Venter/Altron Literary Award dates back 19 years and helps to promote research in tertiary education that is published in a book form. It is presented annually to tertiary education recipients who have made an outstanding contribution to research, and alternates between contributions to the humanities and natural sciences each year. This award, prized as much for its significant monetary value as for its prestige, went to Prof Norman Owen-Smith of the University of the Witwatersrand in 2007 for his book entitled *Adaptive Herbivore Ecology*.

CSI Spend

CSI spend per focus area 2007



BYTES

Bytes regards the placement of automatic teller machines (ATMs) and ATM service delivery to the unbanked market as a key differentiator in its enterprise development strategy. Bytes has helped to accelerate the development and sustainability of 109 small black enterprises by introducing ATMs into their businesses and providing financial and operational support. This innovative project also makes a significant contribution towards "banking the unbanked" as required in the Financial Sector Charter, and supports the banking sector's Mzansi programme.

BDS has for many years engaged in various enterprise development initiatives that remain ongoing and are valued in excess of 3% of net profit after tax each year. These include:

- ▶ The outsourcing of previously in-house business services, including gardening, canteen and security services, to BBBEE companies. BDS not only awards contracts to these suppliers but also assists them with rental, telephones, water and lights, and ongoing training expenses.
- ▶ Internal transfer of skills and ongoing training to former employees who have been provided the opportunity to start their own small enterprises.
- ▶ Since 1999 BDS has helped to develop 12 BBBEE business partners who sell and maintain Xerox equipment as resellers.
- ▶ Establishing BBBEE joint venture companies with black partners, to support specific sectors of the BDS market.



Sports Flagship Project: FIFA Kids Tournament

Altech Autopage Cellular has an ongoing investment in providing hundreds of young soccer players from underprivileged communities with new soccer kit. Its sponsorship of the FIFA (Football Inspired Foundation For Africa) Kids Tournament gives South African children the opportunity to compete against soccer teams from around the world.