



One Group One Goal



ALTRON

Sustainability Report 2008

Introduction

Allied Electronics Corporation Limited (Altron or the company) is an investment holding company. Its principal subsidiaries are Allied Technologies Limited (Altech), Bytes Technology Group Limited (Bytes) and Power Technologies (Pty) Limited (Powertech).

During the year under review, Altron acquired the balance of shares that it did not already own from the minority shareholders of Bytes. Further information regarding corporate activity is contained in the CE review of the annual report (see page 18).

Boundaries of reporting

Unless otherwise disclosed, this report covers the South African operations of Altron and its subsidiaries for the full financial reporting year from 1 March 2007 to 29 February 2008. The previous Sustainability Report was published in the 2007 annual report. While issues such as governance, code of conduct, ethics, engagement with employees, suppliers, customers, joint-venture partners, regulatory bodies, etc. in other countries are managed in the same way and according to the same principles as at Altron and its South African subsidiaries, sustainability performance in foreign countries is not covered in this report.

With respect to its suppliers and the dti Codes of Good Practice (dti CoGP), the Altron group monitors preferential procurement and the stewardship of waste and recycling with contracted partners. But apart from these issues, the report does not cover the social or environmental performance of our supply chain partners.

This report does not cover all of the Altron group's operations. Instead it concentrates on the major operations that contribute the most substantial portion of Altron's business. They include Altech, Altech Card Solutions (ACS), Altech UEC, Arrow Altech Distribution (AAD), Altech Netstar, Altech NamITech, Altech Isis, Altech Autopage Cellular, Altech Alcom Matomo, Bytes, Bytes Systems Integration (BSI), Bytes Document Solutions (BDS), Bytes Specialised Solutions (BSS), Powertech Transformers, Desta Power Matla (DPM), Aberdare Cables, Crabtree Electrical Accessories SA (Crabtree), Strike Technologies (Strike), Powertech Batteries, Battery Technologies, Renergy Technologies (Rentech) and Powertech Calidus (Calidus).

Guidelines and standards consulted for the compilation of this report included:

- ▶ the King Report on Corporate Governance for South Africa – 2002 (King II), forming the basis of Altron's self-evaluation independently certified by Corporate Governance Accreditation (Pty) Limited (CGA);
- ▶ the JSE SRI (JSE Limited Social Responsibility Investment) Index;
- ▶ the Global Reporting Initiative's (GRI) guidelines and indicators (G3 edition); and
- ▶ the dti CoGP.



Altech Netstar: Technology Top 100 Award for Excellence in the Management of Innovation



Prof Roy Marcus of the Da Vinci Institute; Mr Bernie Bowers, Chief Technology Officer of Altech Netstar and Minister of Science and Technology Mr Mosibudi Mangena.

Awards received in the reporting period

Altech Limited: Technology Top 100 Award for Excellence in the Management of Technology, Innovation and People (for Altech Academy)

Altech Card Solutions: Datacard's President Club Award for Sales Excellence

Altech UEC: 2007 Winner – Proudly South African Innovator Award

Altech UEC, Altech NamTech and Altech Netstar: 2007 Technology Top 100 Award: Qualifier

Bytes Systems Integration's Process Management and Control: Southern Africa Top System Integrator Award

Bytes (UK): Microsoft Worldwide Software Asset Management Partner of the Year award

Xerox's Erasable Paper lauded by *TIME* magazine: November 2007

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Update on 2007 sustainability targets

Section	Assertion/Targets	Update	page
BBBEE	Ongoing BBBEE ratings of subsidiaries and group companies	All group companies and subsidiaries have been set BBBEE targets in line with Vision 2012. Performance measured and evaluated against these targets monthly at Altech, Bytes and Powertech.	65
	Increase in preferential procurement and enterprise development	This is a key priority of Vision 2012 which is being driven in all group companies. Group-wide results indicate an increase in both areas, with all eight Bytes companies outperforming the group average. At Altech seven companies outperformed the group average with three companies facing challenges to reach group targets.	57 – 58, 65, 68 – 69
Human Resources	Increase the number of black people in senior management positions	Bytes increased its black management numbers by 4.36% during the year from 26.26% in 2006 to 30.65% in 2007. At Altech two companies outperformed the group average with eight companies facing challenges to reach group targets.	61 – 62
	Increased spend on development of priority skills as identified and required in the various businesses and a national level, as required by the codes	Altech has granted bursaries to black candidates in BSc Electronics and Computer Science, both of which are critical skills to the industry, the business and on a national level. The company implemented plans to increase its learnership programme for black people. The newly formed Altech Academy will be hugely instrumental in increasing internal employee development and training for critical skills with an overall increase of 15% on skills development spend. Bytes has an extensive disabled learnership training programme, the numbers for which increased further in 2007. Powertech has a number of Training programmes to upskill historically disadvantaged individuals (HDIs) in the critical skills of engineering, electrical design and winders.	59 – 60, 63
	The formalisation and implementation of performance and career development review systems, where these are not as yet in place	Aberdare's performance management system and succession planning system are in place and are conducted bi-annually. They form part of Aberdare's overall human capital development strategy and also form an important component of Aberdare's retention strategy. All results are reported on and analysed at the highest levels. The on-time and in-full completion of these two systems are part of every manager's human capital measures. A talent management programme, including an accelerated leadership development programme has been established to ensure Altech grows the depth of its talent pool throughout the group and to build additional capacity for technical as well as leadership skills.	60, 67
	Increasing the number of quantitative human resources performance indicators	HR performance indicators have been added to measure the following issues: <ul style="list-style-type: none"> • Skills development spend according to the dti CoGP on BBBEE • Skills development – learnerships as a percentage of total headcount according to the dti CoGP on BBBEE • Employment Equity Scorecards according to the dti CoGP on BBBEE • CSI/SED Scorecards according to the dti CoGP on BBBEE • LTO (Labour Turnover) • Recruitment turnaround time in terms of filling vacancies and achieving EE Targets • HR Index – Ratings per operation according to audit findings Compliance in terms of statutory reporting (employment equity/skills development).	59
Corporate Social Investment	Altron aims to develop a more comprehensive database for capturing the CSI spend in all our various operations for reporting purposes going forward	The new Everest system has been implemented and Trialogue captured all the data into this system for the 2007 Social Report. Updating of the system will occur annually.	66 – 68

Section	Assertion/Targets	Update	page
Health and Safety: Certification	Plans are under way at Aberdare to obtain certification at the Stanford Road, Pietermaritzburg and Gauteng operations	Aberdare is in the process of developing the management systems for ISO 18001 at Stanford Road and Pietermaritzburg (target date for certification being June 2009), and ISO 14001 at the Gauteng operation (target date being March 2009).	74
	At Powertech Batteries, implementation of ISO 18001 will commence in the 2 nd half of 2007	This did not commence due to a five-month industrial action strike. To commence in 2008.	80
	DPM's Cape Town operation is scheduled for an ISO 18001 certification audit in May 2007	DPM's Cape Town operation has obtained ISO 18001 certification. To receive SABS certificate on 22 May 2008.	74, 80
Health and Safety: HIV/Aids	Make investments where the greatest reduction in infection can be gained	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 has developed 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 on key suppliers and market groups. This project commenced in March 2007 and Altron has reported on the preliminary results of this assessment in this report.	82 – 83
	Implement the most effective interventions	As above.	82 – 83
	Focus our available resources such as CSI on HIV/Aids, particularly where it affects our markets, future employees and potential suppliers	Various CSI projects benefit people suffering from the effects of HIV/Aids. Interventions are not exclusively focused on the market environment.	66, 67, 83
	Provide guidance at Altron group level to operations in terms of policy and practices for addressing HIV/Aids	The current study in partnership with Aurum Institute will result in guiding policy.	82 – 83
Health and Safety: General	The formulation and implementation of a group level health and safety policy to provide guidance and ensure uniformity	Group level SHE policy not yet in place. Policies at the operational level have been formulated and put in place.	80
	Pursue ISO 18001 certification of operations, specifically Aberdare Cables, Powertech Batteries and DPM Booyens	This is being pursued in all of these operations. Some of the divisions received accreditation during the year and those outstanding are due for completion in 2009.	80
	Report results of HIV/Aids prevalence study across the group, as well as its key suppliers and market groups	The Aurum Institute assessment and preliminary findings have been disclosed in this report.	82 – 83
Environment: Certification	Altech UEC aims to have its operations ISO 14001 certified during 2007	Altech UEC is currently in the process of updating the system to become ISO 14001 compliant.	70 – 71, 74
	Certification of Altech NamITech's Linbro Park site is in progress, with certification due by January 2008	The Linbro Park facility was recertified as ISO 9001/2000 compliant in December 2007.	70 – 71, 74
	Aberdare's Gauteng operations will be ISO 14001 certified in July 2007	This was deferred to March 2009.	70 – 71, 74
Environment: Performance	Continue to pursue ISO certification of operations	Various operations have been pursuing and achieving various ISO certifications during the year.	70 – 71, 74
	Develop a position paper regarding the group's response to the challenges of climate change	Climate change position paper adopted in the first quarter of 2008.	71
	Pursue emission reduction targets in operations, where applicable	This is being carried out in various operations and departments.	75 – 77, 86, 88
	Explore collaborations with suppliers and business partners around recycling	This is being carried out at specific operations and departments.	79, 87

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	

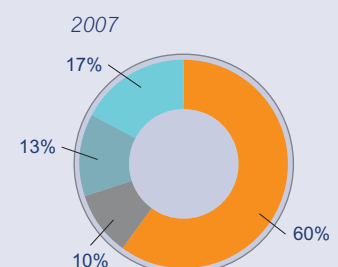
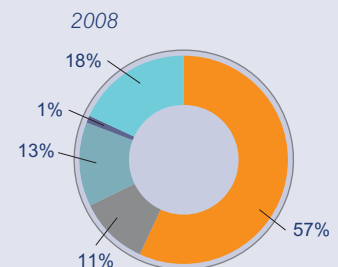
*Income from investments include interest received, dividend income and share of associates' profits.

**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.

Management of sustainability

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.

Shareholders

Relationship to the annual report

The annual report, of which this sustainability report is a subsection, reports on the company's performance to shareholders and investors, while offering an appraisal of the company's future ability to continue generating returns on shareholders' equity. The responsible stewardship of the company is dealt with in the corporate governance report (see pages 95 to 107). Subject areas listed in that report include:

- ▶ compliance with King II;
- ▶ the board – leadership, role, transparency, effectiveness and meetings;
- ▶ strategy and policy over operational activities of the Altron group (executive committee);
- ▶ responsible stewardship of the company's finances (audit committee);
- ▶ safeguarding assets, preventing and detecting error and fraud, reporting controls (audit committee);
- ▶ risk management (risk management committee);
- ▶ fair remuneration of the Altron group's directors and senior executives (remuneration committee);
- ▶ appointments to the board and succession planning (nomination committee);
- ▶ planning and guidance with respect to transformation (transformation committee);
- ▶ code of conduct (audit committee);
- ▶ ethics (corporate governance);
- ▶ communication with shareholders and investors; and
- ▶ share dealings.

Engagement with shareholders

Certain forms of communication with shareholders, investors and analysts offer opportunities for two-way interaction – the essence of engagement is reported in the corporate governance report on page 107.

Independent report on investment analyst poll

Aside from these forms of proactive engagement, Altron has also sought to obtain structured feedback from analysts – representing the majority of shares outside of the Venter family holding – on its performance. To this end, Altron engaged an independent firm (College Hill) to conduct an analyst poll on the company during 2007, following the release of the company's annual results. 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. The comments were non-attributable to encourage frank comment.

Issues within this section

- ▶ Altron's treatment of minority investors
- ▶ Transformation at ownership level



Robert Venter, CE of Altron presenting to the investor community.

Summary of analyst feedback to investor-related questions

Issue	Analyst perceptions	Company response
Impression of the annual results for 2006/2007	Altron results were good, with a strong contribution from Powertech. Results impressed analysts and were ahead of expectations.	See Altron chief executive's review, pages 18 to 19.
Key investor issues facing the company	Surplus cash on the Altech/Altron balance sheet	Altech crowned the year with the acquisition of a controlling interest in three subsidiaries of Kenya's Sameer ICT Group for approximately R650 million, funded entirely from the surplus cash in hand. Powertech concluded the acquisition of the 50% of Powertech Transformers it did not own from ABB for R320 million.
	The multiple entry points to the Altron group	Altron made an offer to buy out minorities at both Bytes and Altech. Bytes' offer accepted, Altech's rejected.
	The maturation of the Altech Autopage Cellular market placing pressure on margins	The company has significantly leveraged its national sales footprint during the year by adding a number of third-party call centres and distributors for data products.
	The impact of the copper price on margins when the copper price declines	This risk is mitigated by contract clauses with major customers which adjust prices for metal and other input fluctuations.
Execution risks to deliver on strategy	Powertech not having sufficient capacity to meet rising demand	Acquisition of IST Group for R504 million. Capacity expansion in Powertech operations are significant and ongoing (see 2008 year end presentation on website (www.altron.co.za) and Powertech operational review on pages 34 to 37.
The capital structure of the company	Discomfort with the dual share structure and the different values attached to these instruments because of different voting rights, raising concerns that minorities may be prejudiced in the future. Merging Altron and Altech was mooted as an option to simplify the Altron group structure and bring surplus cash to the centre to be dealt with more directly.	Minority rights – see discussion further in this section. Group structure – see attempted buyout of minorities above.



Shareholders *continued*

Summary of analyst feedback to investor-related questions *(continued)*

Issue	Analyst perceptions	Company response
Family control	The control of the Venter family is generally regarded as value-enhancing with particular reference to their long-term investment focus and conservative capital management style, though cash build-up at Altech was regarded as an urgent matter to resolve.	See discussion supporting Altron's sustainable growth strategy in the CE's review, page 24. Key investor issues – see subsection above.
Impressions of management and disclosure	Altron's commitment to thorough disclosure and dynamic, open and transparent investor relations is complimented and appreciated. There are no material disclosure issues. Altron management enjoys the respect and confidence of the market.	Altron will continue its commitment to positively engage with shareholders.
	Certain sectors of the investor community criticised Altech's management for not addressing the surplus cash issue in a satisfactory manner.	The surplus cash issue has been partially addressed (see above). Communication is being addressed in this regard.
Transformation issues	Some analysts believe structuring BBBEE at the operating level is more cumbersome and even convoluted compared to a single entry at the Altron level.	Developing anchor BBBEE partners at Altech, Bytes and Powertech is considered to be more enhancing given the diverse spread of products across the Altron group coupled with customer preference to have empowerment at the operating company level.

Corporate Governance Accreditation

CGA provides a formal certification of conformance with the good corporate governance practices as recommended by King II and the Code and Guidelines published by the King Committee. The independent certification provided by CGA validates the self-evaluation score achieved by the company utilising a software questionnaire that measures the implementation of the King II Codes and Guidelines.

Overall, Altron scored exceptionally high, being placed in the Silver class at 79%. Two general areas were identified for attention:

- Stakeholder relationships – the disclosure of voting issues by institutional investors and their ability to influence corporate strategy.

- Integrated sustainability – issues relating to corporate ethics.

Altron's response to the issue of corporate ethics is detailed both in the corporate governance report (see page 106), as well as within the sustainability section of this report (see page 46). Altron's response to the treatment of minority investors is dealt with hereunder.

Material issue

Altron's treatment of minority investors

Altron is aware of the concerns of minority shareholders. These concerns arise mainly as a result of the company being a business that is largely family owned and are thus systemic. Nevertheless, we believe the company has shown good faith by its actions and



Continued commitment from ABB

ABB has confirmed its continued commitment to the African market and has signed a long-term technology agreement with Powertech to support the realignment to promote transformation. This will allow the transformer company to maintain its leadership position through full access to ABB's leading technology for power transformers ranging from 20 MVA to 795 MVA. Powertech Transformers is the only transformer company that manufactures almost the entire range of power transformers in sub-Saharan Africa.



governance policies to invite the influence of minority shareholders on its material affairs.

Taking the subissues in turn:

► **Disclosure of voting by institutional investors**

– While this is not a legal requirement in South Africa (as opposed to the requirements of the LSE), we do in all of our minutes of general meetings, as well as in the AGM minutes, disclose how shareholders voted in respect of each resolution. These minutes are available to shareholders at any time. We do not, however, publish on SENS how each specific institution voted in respect of resolutions.

► **The ability of minority shareholders to influence corporate strategy**

– The failed scheme of arrangement to acquire the outstanding shares held by minorities in Altech illustrates Altron's approach to its engagement with all its stakeholders. Altron took the decision not to vote its shareholding (in which the family has a majority interest) in respect of the Altech offer, despite there being no legal impediment to doing so. Minority shareholders were able to exercise their rights and managed to block the scheme, thereby influencing Altron's corporate strategy. On the other hand, Bytes shareholders voted in favour of Altron's proposal. Bytes delisted in January 2008 and became a 100%-owned subsidiary of Altron.

Altron also took steps to ensure parties with vested interests recused themselves from making decisions on behalf of minority shareholders in respect of both schemes. Altech and Bytes formed board sub-committees consisting only of independent directors and the respective company chief executive officers (CEOs). These directors were advised by their respective financial advisors and took their decisions on the Altron offer to their respective boards.

The company endeavours to engage large institutional minority shareholders prior to annual general meetings on resolutions that it proposes passing, in order to get feedback and comment. Any objections and material concerns made by these minority shareholders are also taken into consideration and efforts made to accommodate these wherever possible.

Material issue

Transformation at ownership level

ABB South Africa, part of the global power and automation group, and Powertech are keenly aware of and acknowledge South Africa's need for broad-based black economic empowerment at all levels of society. To facilitate the inclusion of an empowerment partner, ABB took the decision to sell its 50% stake in Powertech Transformers to Powertech. Powertech, in turn, has agreed to sell 25.1% to black economic empowerment investors. Discussions with BBBEE partners, already involved in Powertech companies, are progressing and a further announcement will be made as soon as these negotiations have been finalised. Unconditional approval has been received from the Competition Tribunal for the acquisition by Powertech of ABB's 50% of Powertech Transformers for R320 million, effective 1 April 2008.

Customers

Introduction

Customers influence the business of every operation in the Altron group. By listening to customer concerns, meeting customer needs, ensuring outstanding customer service and following a philosophy of ongoing product innovation, the company ensures its ongoing sustainability in the many markets in which it operates.

The most significant customer issues facing the Altron group include:

- ▶ the continuing drive to enhance customer service;
- ▶ the importance of meeting evolving customer demands through the development of new technologies and innovations;
- ▶ the liberalisation of the telecommunications market; and
- ▶ the need to expand our customer base.

Depending on the Altron subsidiary and the type of product or service on offer, these customers are either end-consumers or business-to-business customers. Different material issues affect these differing business relationships. For example, customer service may be more material to a company such as Altech Netstar, which supplies products for both businesses and end-consumers, while other Altron group companies in the business-to-business space may have more of a need to expand their customer base.

The company's responses to these issues are therefore largely dealt with on an individual company basis, and specific responses noted in the sections that follow are not necessarily applicable to the Altron group as a whole.

Material issue

Customer service

In an increasingly competitive business environment, customer service is often the difference between success and failure. Enhancing customer service that retains existing customers and secures new customers can have a direct impact on the long-term sustainability of a

company. Considering the different market environments pertaining to different business avenues, each company manages customer service in its own unique way.

POWERTECH

During 2007, Powertech Transformers improved its test failure rate to its best level yet since that company started measuring it in 1998, while the on-time delivery rate was close to 100% by the end of the year. DPM's on-time delivery rate is currently at 80%.

ALTECH

Altech Netstar places a strong emphasis on customer service; the managing director (MD) receives daily performance statistics and monthly reports highlighting service trends. His office deals with customer complaints while divisional managers are held personally accountable for service standards within their departments. Altech Netstar achieved outstanding customer service levels during 2007: 90% of calls were answered within 20 seconds, compared with a call centre norm of 80% in 20 seconds. This is a radical improvement on the previous year, where customer service levels were at 30% of calls answered within 20 seconds.

Altech Autopage Cellular increased the number of staff and developed new procedures and systems to service customers more efficiently. An independent customer survey commissioned by ACS showed a total service rating of between 80% and 90%, significantly higher than other companies ranked (which scored between 60% and 80%) on the same survey by the same independent organisation.

BYTES

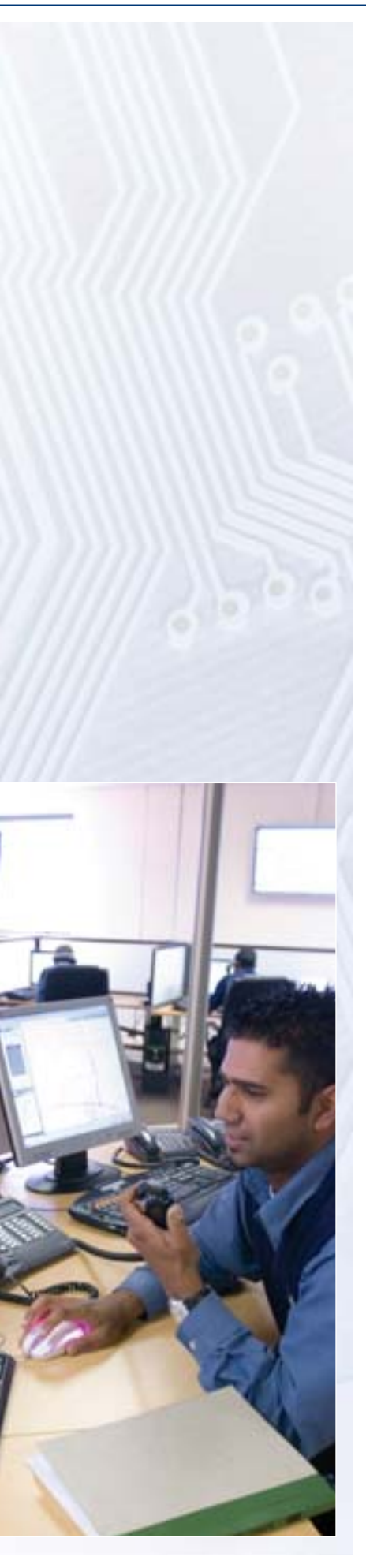
A significant portion of Bytes' business is based on service-related offerings and the provision of professional solutions and technical support. Customer service levels and the customer service feedback loop are critical to Bytes' business, and in this regard the various

Issues within this section

- ▶ Customer service
- ▶ Meeting the evolving needs of customers
- ▶ Liberalisation of the telecommunications market
- ▶ Expansion of customer base

Altech Netstar places a strong emphasis on customer service.





operations conduct regular customer satisfaction surveys. This provides among others an understanding of customers' perception of adherence to service level agreements and highlights problem areas and matters requiring attention. Proper and direct customer feedback follows.

Call centres are present in most of the operations throughout the Bytes group. Several hundred of Bytes' employees are engaged in this function where they interface with customers on a daily basis. Response times, percentage of 'dropped calls' and the like are regularly measured and benchmarked against industry standards.

Material issue

Meeting the evolving needs of customers

Outlining the issue

As new technologies are made available, customer expectations soon adapt to the new standards and the demand for the latest innovations rapidly makes itself felt. In this evolving arena, technology companies such as Altron need to ensure that they remain at the forefront of the latest technological product developments and innovations in order to retain their competitive edge.

Addressing the challenge

For certain companies within the Altron group this issue is of key importance. These companies have placed a strong emphasis on continuously improving their technology in order to be able to meet the evolving needs and expectations of customers.

Battery technology is changing rapidly and Powertech Batteries has experienced an increasing demand to supply products that comply with the latest technical specifications. The unreliability of Eskom power has also created new opportunities for the business to supply backup power, standby battery and solar power solutions.

An amount of R110 million has been earmarked to upgrade the automotive manufacturing facility and a further R30 million will be spent on upgrading the industrial manufacturing facility.

Altech Netstar developed the new VBU 505 fleet management product which enables insurance companies to monitor customer driver behaviour at a very competitive price. At present Altech Netstar installs around 800 units per month. Other new products which were launched in 2008 include the Guardian personal tracking unit and the Boomerang mobile vehicle unit.

Material issue

Liberalisation of the telecommunications market

The convergence of voice and data over broadband Internet Protocol (IP) networks is creating a whole new realm for the creation of new products and services that greatly increase customers' convenience and functionality. In 2007, Altech Stream, in partnership with Samsung Electronics, successfully commissioned its trial network in Gauteng based on the test WiMax 802.16e licence awarded earlier in the year by ICASA. The network is focused on the wireless delivery of triple play services, including video streaming, internet access and voice-over IP to both PCs as well as new-generation handsets. Considering that the WiMax 802 standard is now widely expected to emerge as the dominant wireless IP delivery technology, we are confident that this initiative will exploit to the full the opportunities presented by media convergence over broadband delivery systems.

Altech believes that deregulation will encourage competition in the industry, to the benefit of the most advanced and nimble service providers, to the ultimate benefit of consumers. While liberalisation in the South African market is proceeding at a slow pace, opportunities in the rest of Africa are opening up and Altech has gained bridgeheads in key African markets in this regard. In June 2007, Altech Stream

Customers *continued*

Rwanda Limited was awarded internet and gateway licences, as well as a frequency spectrum in the WiMax bands. Already, Altech is installing a network in Kigali that will begin distributing IP-based services over broadband in the last quarter of 2008. The acquisition of controlling interests in Kenya Data Networks Limited (KDN), Swift Global (Kenya) Limited and Infocom Limited has added markets in the central African region to Altech's portfolio.

Material issue

Expansion of customer base

Altron is continually looking for ways to expand its customer base, not only to increase its profitability and market share, but also to mitigate any potential risk posed by the loss of a key contract or the possible reduction in demand from an important customer.

As such, the company has formulated and rolled out strategies to investigate, develop and grow new customers at Altech, Bytes and Powertech. Interventions differ depending on the nature of the company's business and the type of customers required to ensure ongoing sustainability:

► **Powertech:** Powertech Transformers is currently building and growing its relationship with utility providers and municipalities throughout sub-Saharan Africa and opened offices in Kenya during the year. Aberdare Cables has penetrated both the formal and informal sector with cable sales and has experienced an increase in its formal customer stream. During the year under review Aberdare Cables established Aberdare Asia, operating out of offices in Hong Kong. Powertech Industrial's Crabtree and Calidus operations expanded and diversified their product ranges to allow them

access to new customers, particularly in the retail market. Battery Technologies and Rentech broadened their customer base, both locally and in sub-Saharan Africa with the establishment of operations in Lagos (Nigeria) and Dar-Es-Salaam (Tanzania). Some of Battery Technologies' new customer relationships include those with Celtel in sub-Saharan Africa and Tedelex in South Africa, while Rentech has grown its customer base to the point that it now depends on a single customer for less than 50% of its business. Powertech IST's new line of business allows it to offer turnkey solutions to a more diverse group of customers, including those in its co-generation business.

► **Altech:** Throughout the Altech businesses new customer bases are being pursued. ACS is, for instance, working with local in-country partners to develop new markets in Africa, including Nigeria, Kenya and Tanzania, while Altech Isis has identified new markets in the broadband space and it is currently enhancing its products to capture this potential. AAD has invested in technical marketing skills and has engaged a business development specialist to grow market segments in the telesales division. Altech UEC secured significant contracts to supply television set-top boxes into India and has leveraged its African presence.

► **Bytes:** While there is a greater or lesser degree of dependence on certain customers in specific operations, the single largest customer in the aggregate in the normal course represents less than 5% of total group revenue. The top 10 customers constitute approximately 28% of total group revenue, while the top 20 represent some 35%.

Strategic partners

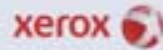
Altech


ARROW ELECTRONICS, INC.

 **MOTOROLA**


gemalto
金寶通

Bytes

 **XEROX**


CISCO

 **Juniper**


Microsoft
GOLD LISTED Partner


CENTENNIAL
SOFTWARE

 **KRONOS**


METASTORM


Alcatel Lucent
Premium Business Partner

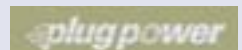

Business Objects


SAP


NCR


Sun

Powertech

 **plug power**

 **telabs**




WEIDMAN

 **vollroll ISOLA**

 **ABB**

 **tyco**

 **TRIDONIC.ATGO**

- ▶ Securing continuity of supply
- ▶ Foreign direct imports and dumping
- ▶ Mergers and acquisitions
- ▶ Transformation through preferential procurement

New markets derived from better partnerships

Altech UEC implemented a four-pronged strategy to ensure sustainability in a global market, which includes:

- ▶ capping local manufacturing volumes;
- ▶ increasing automation to improve efficiency and quality;
- ▶ engaging with contracted manufacturers; and
- ▶ establishing an offshore sourcing and logistics hub for procurement and supply chain flexibility.

During the year, Altech UEC designed, developed and produced a prototype of a brand new product in cooperation with new offshore partners. The hybrid digital video recorder project was completed in a record time, and cost less than 60% of what it would have cost were it to have been conducted with local partners. Altech UEC won a significant export order for the product just two weeks later.

Partners

Partners form an integral part of the success of Altron and its group companies, helping to ensure that the company has access to the raw materials, services, technology and resources required to deliver high-quality products. In addition, partners play an important role in helping the company to meet its transformation targets in terms of the dti CoGP relating to enterprise development and preferential procurement.

The most material issues relating to partners that affect the Altron group differ from one operation to the next, but there are certain issues that are common to all businesses within Altron. These include:

- ▶ securing continuity of supply of materials and resources critical to businesses' operation;
- ▶ mitigating the effect of foreign direct imports and 'dumping' into the markets in which the businesses operate;
- ▶ global mergers and acquisitions affecting supply; and
- ▶ transformation through enterprise development and preferential procurement.

Management of partner relationships

The Altron group has a purchasing and export council responsible for assessing all aspects of procurement throughout the group. The export council takes into consideration aspects such as the procurement criteria specified in the dti CoGP, BBBEE legal requirements, local and foreign content issues as well as any other risks which may be appropriate and which are reported to the Altron risk management committee.

How we manage our relationships with our partners at the level of the material issues identified is described in each of the subsections that follow.

Material issue

Securing continuity of supply

Outlining the issue

The issue of securing continuity of supply can be further divided into two key areas, namely the supply of materials and the supply of energy.

The first of these relates to Altron's ability to provide its customers with reliable, timely and consistent service. Any disruption of supply on Altron's side could severely impact the customer's business, leaving a gap wide open for the competitor to take market share away from the Altron group. For these reasons it is imperative that the operations within Altron secure sound supplier arrangements with more than one supplier.

Supply of materials

Powertech Transformers is reliant on imported resources for a high percentage of inputs such as copper, core steel, transformer oil and insulation, the availability of which is of the utmost importance to the long-term sustainability of this company. In order to mitigate the risk of being dependent on one supplier only, Powertech Transformers continually investigates alternative sources for these raw materials and negotiates supply contracts with reliable new suppliers. For example, during the latter part of 2007 Powertech Transformers assessed a potential new supplier of copper strip and is currently negotiating a long-term supply agreement.

A second international supplier of transformer oil is currently marketing its products in South Africa and has been approved by both Powertech Transformers and its major customer, Eskom. Powertech Transformers has a year-long contract in place with two suppliers of core steel and will negotiate new contracts during the second and third quarters of 2008. Powertech as a group has also incorporated selected production processes into its own operations in order to reduce its dependency on certain suppliers.

Altech Netstar is exposed through its dependence on imported components. When manufacturers make changes to these parts, Altech Netstar has to make related design changes without interrupting its own manufacturing process. To mitigate this risk and ensure that it is up to speed with any planned component changes, Altech Netstar's technology team meets with suppliers and manufacturers on a monthly basis.

Partners *continued*

Supply of energy

As a supplier of electric cables to every sector of the economy, Aberdare Cables is significantly affected by the current disruption in energy supply.

Government's proposed electricity rationing programme will cut usage by 10% in the industrial sector, thereby affecting Aberdare Cables' most important customers. This electricity supply rationing could also result in Aberdare Cables' customers reducing their number of projects and developments, the consequence of which could be a reduced demand for a number of cable voltages and designs.

The electricity crisis received immediate and high-level attention from all senior members of Aberdare Cables' customers team. With its extensive local and branch network, the company is well positioned to provide clients and manufacturing units with assistance and up-to-date information on the electricity supply.

Although Eskom's capital expansion programme is taking shape, it has predicted a limited electricity supply over the next five years. Aberdare Cables is in the process of developing meaningful indicators to measure its effectiveness during this difficult period.

Material issue

Foreign direct imports and dumping

As a local company Altron is committed to the development of the South African economy and supports the government's AsgiSA (Accelerated Shared Growth Initiative of South Africa), Jipsa (Joint Initiative on Priority Skills Acquisition) and Millennium Development goals. It does not support grey imports or the practice of 'dumping'. Subsidies, questionable supply chain stewardship and economies of scale often result in such foreign direct imports being sold at a much lower cost than is currently available on the local market, an issue which adversely affects Altron subsidiaries operating in this environment.

POWERTECH

The threat of low-cost imports to DPM's market share is significant. Unit manufacturing and input material costs in Brazil, Russia, India and China (BRIC) are lower than in South Africa. In addition, certain local market conditions such as skills shortages and unreliable power supply have the potential to negatively affect DPM's competitiveness when compared to these foreign countries.

DPM plans to visit trade shows in BRIC countries to gather information on best practices. They also share knowledge and experience gained with other Altron purchasing managers.

Powertech Industrial's Crabtree business is heavily dependent on its wholesaler distribution channel. This company is engaged in cost-reduction initiatives in its manufacturing processes that include the relocation of certain assembly operations to Lesotho. It is also redesigning certain products to reduce their material cost.

ALTECH

Examples in the Altech group of combating risk include ACS improving its service and quality while investigating ways to reduce the cost of card manufacture and AAD highlighting its key differentiators through a vigorous customer engagement process. These include the fact that it obtains quality products directly from the original source; can offer supply chain and value-added solutions; is registered as Restriction of Hazardous Substances (RoHS) compliant; and that its components are fully traceable. AAD also engages in sourcing lower-cost components and quality finished products in order to remain competitive.

Material issue

Mergers and acquisitions

Relationships with partners and suppliers can be adversely affected if the ownership of partner companies changes as a result of mergers or acquisitions. Such events are outside of Altron's

Power saving = Cost saving

Bytes Document Solutions (BDS), the Xerox operation has experienced first hand how saving energy can translate directly into cost savings for the company. Three years ago, BDS started to instal ECG (electronic control gear) lighting throughout its main building. While the old lighting system used four fluorescent tubes, the new one only uses three but it provides more light. This has allowed BDS to dispose of 25% of its existing lights, and has resulted in cost savings which more than covers the initial investment in the new system. In addition, the initial lighting audit carried out on the new system gave an 18 000 hour guarantee on the fluorescent tubes and a 50 000 hour guarantee on the electronic control gear. To date, virtually none of the tubes or ECG's have failed, meaning further savings for BDS on labour, lamp and ballast costs.

BDS light switches have, for the past 10 years, also been equipped with timers and override switches. The timers switch the lights off automatically at the end of the working day and anyone wishing to work late simply has to use the override switch to turn the lights back on. This has resulted in further significant energy and cost savings.

Powersave  



Altron power saving initiative

Mindful of its responsibility to save energy, the Altron group has implemented Powersave@Altron, a group-wide energy-saving project, aimed at creating awareness, action and saleable solutions. See this report, under the environment section on page 77 for more detail.



Ronel Eksteen, Bytes Business Park facilities manager and Kleinbooï Mashiyé, assistant, at the solar powered security fence at Bytes Business Park.

Power supply crisis – risks and opportunities for Altron

Opportunities

- ▶ Increased demand for backup power, gensets, battery systems and solar systems
- ▶ Co-generation opportunities for alternative power supplies/sources
- ▶ Demand-side management systems and products to reduce consumption
- ▶ Upgrade of substations and network investment in infrastructure.

Risks

- ▶ Production interruptions
- ▶ Slower demand due to reduced new development activity and lower GDP
- ▶ International perceptions
- ▶ Effect of electricity increases on inflation and therefore the macro economy.

control but they can affect agreements that were in place before the merger or acquisition took place. New owner companies often have long-established relationships with different suppliers, partners and customers, some of which could be in competition in the market and better positioned to meet the new needs of the customer rather than Altron or its subsidiaries. In such situations, having the best product offering and the latest technology at the most competitive rate becomes more critical than ever.

POWERTECH

Powertech IST experienced two such incidents during 2007. The company developed opportunities at Telkom and Neotel with the Cramer operational software suite, negotiating a position as the local value-added reseller for USA-based Cramer in South Africa. However, Cramer was then acquired by Amdocs, an Israeli-based company that has representation in South Africa. Fortunately, Powertech IST was able to reach a negotiated settlement whereby it can continue to offer its services to Telkom via the Amdocs local entity, ASAJE, and remain the local supplier of Cramer to Neotel.

Powertech IST also developed opportunities at Eskom and many other smaller industrial clients as the local value-added reseller of the MAXIMO asset management software suite from MRO, another USA-based company. MAXIMO was acquired by IBM which has representation in South Africa. However, the local IBM entity fortunately does not have MAXIMO skills and it was agreed that Powertech IST would continue to be a value-added reseller for the product.

Material issue

Transformation through preferential procurement

Altron recognises the power of preferential procurement and the development of small to medium black-owned enterprises to bring about meaningful transformation within the company and the broader ICT industry. The issue of preferential procurement has a direct bearing on

Partners *continued*

the long-term sustainability of Altron's operations. As part of the broader transformation agenda, preferential procurement guided by the Altron group's internal charter, Transformation Vision 2012, which acts as a blueprint for achieving set targets for sustainable transformation across all of the dti CoGP. In developing the framework, Altron has considered national guidelines, sectoral empowerment charters and applicable legislation.

No business can survive without access to customers and in the past it has been particularly difficult for small black-owned businesses to break into the corporate market. Large companies often have onerous procurement procedures that make it extremely difficult for new businesses with little experience to get onto preferred supplier lists. By reducing the barriers to entry, preferential procurement by large companies such as Altron plays a vital role in helping these businesses to gain access to large customers that will help them to grow.

ALTECH

During the year under review Altech Netstar spent 66% of its procurement spend with black-owned small, medium and micro enterprises (SMMEs). During the year ahead it will concentrate on procuring goods and services from more black female-owned suppliers wherever possible.

ACS uses BBBEE-rated suppliers wherever possible, and makes extensive use of Altron's Everest Supplier Rating List, which monitors the BBBEE status of supplier companies to the Altron group on a monthly basis. Similarly, AAD continually assesses the BBBEE status of its suppliers and replaces non-compliant companies with those that are compliant.

POWERTECH

DPM recently underwent an Empowerdex evaluation and was awarded a Level 3 contributor (AA rating), which represents a significant improvement from the Level 5 rating attained in an earlier evaluation. DPM's affirmative procurement is currently at 13.66% but it is actively working towards meeting the Altron target of 30% for 2009. As DPM's own system for extracting BBBEE information on suppliers is onerous and prone to error, in future DPM will utilise Altron's Everest system to extract this information.

As part of its strategic preferential procurement objectives, each Powertech IST divisional head has the responsibility not only to select suitable BBBEE suppliers for local procurement, but also to assist current suppliers in achieving the targets set out by the dti. Unfortunately the nature of Powertech IST's business is such that a large portion of its equipment needs to be imported and, as such, it monitors its preferential procurement performance based on local procurement according to the discretionary procurement principle. Based on this measurement, Powertech IST currently spends around 12% of its procurement budget on BBBEE companies and the objective is to increase this to 25% in the next two years.

BYTES

Bytes scores particularly high when it comes to preferential procurement. Over 50% of its R1.2 billion procurement spend is on empowerment purchases, the majority of which are sustainable in the long term. With the advent of the new dti CoGP, Bytes has evaluated its BBBEE position and set tough five-year targets (see table) and will focus particularly on increasing procurement from black female-owned SMMEs.

Bytes	2006 Score	2007 Score	2008 Target
Procurement	7.5	11.9	15
Enterprise development	10	15	15



Pambili Document Solutions is an enterprise development company in the BDS supply chain.

Training at Bytes People Solutions.



Issues within this section

- ▶ Skills attraction and retention
- ▶ Employment equity
- ▶ Transformation through skills development

Powertech – Aberdare Cables

Number of strike days for 2006/7 was 5

Financial cost of industrial action was R1 million



Employees

Skills attraction, retention and development as well as employment equity (EE) are material employee issues common across all Altron subsidiaries.

As such, Altron's various operations have invested in a number of initiatives aimed at developing critical skills, transforming the organisation from the inside through skills development targeted at historically disadvantaged groups, and attracting and retaining black employees to meet EE targets.

Management of employee relationships

Dedicated human resources (HR) divisions operate throughout the Altron group.

The Altron group policy manual regulates the employment of all employees as well as prevailing legislation such as the Employment Equity Act, Skills Development Act, The Labour Relations Act as well as other broad-based BEE Acts.

At Aberdare Cables, which employs about half of Powertech's total staff complement, all hourly paid employees are covered by collective bargaining agreements such as:

- ▶ Schedule F of the Main Agreement for the Iron Steel and Metallurgical Industry; and
- ▶ through a Centralised Bargaining Forum (CBF).

Some 60% of all employees at Aberdare Cables are members of a trade union, but more specifically, 80% of all hourly paid employees are members of a trade union. At all Altron companies, the most senior corporate manager responsible for employee relations and union negotiations is a member of the executive team. Disciplinary and grievance procedures are in place and set out in the group-wide Altron policy manual. These are communicated to all employees when they are employed.

The nature of our engagement with our employees depends on the specific issue concerned and is described in more detail in the sections that follow.

Material issue

Skills attraction, development and retention

Outlining the issue

The skills shortage facing South Africa has affected the ICT sector particularly hard. It is exacerbated by the high demand for such skills within the ICT sector which means that, in addition to finding new talent, companies are finding it increasingly difficult to retain the skilled people they already employ.

This issue is also addressed through the Altron nomination committee, the remuneration committee, the transformation committee and the HR committees. See corporate governance report, page 95.

A variety of solutions

Altron recognises the complex nature of the skills shortage problem and is therefore committed to addressing the challenge on a number of fronts. Interventions across the Altron group companies include programmes aimed at retaining talented staff, attracting new talent from outside the Altron group and developing potential talent from within. In addition, the Altron chief executive takes an active interest in the country's skills shortage and drives certain skills development initiatives that will benefit not only Altron, but the ICT and power electronics sectors as well.

Skills training and development at Powertech

The Powertech Leadership Process aims at developing future leaders from the middle and upper management level, thereby ensuring leadership succession planning. The Powertech IST Human Capital Development Programme includes schools outreach, university bursary and internal employee development components.

Employees *continued*

Powertech Transformers has invested in programmes to develop and train electrical designers and transformer winders, two of its key resources. An in-house winding training centre established in 2007 has seen trainee winders complete 273 windings to date, while Powertech Transformers has also appointed a number of technology engineers-in-training, junior designers, trainees and mechanical engineers-in-training, all of whom will embark on a comprehensive experiential training programme early in 2008. From 2009 Powertech Transformers plans to recruit five electrical designer trainees each year.

Powertech Batteries has also established learnerships and graduate trainee programmes in order to address the skills shortage issue. While these initiatives focus on the important development of managerial talent, Powertech Batteries recognises the need to develop skills at the level of the shop floor as well.

Rewarding skills at Altech

Altech conducts independent salary benchmarking surveys and where necessary makes adjustments to ensure that it is able to motivate and retain key skills. The Altech group prioritises the retention of its core skills by benchmarking salaries with the market's upper percentile earnings bracket.

Responding to staff surveys at Altech Netstar

The call centre-based industry in which Altech Netstar operates is characterised by a high staff turnover rate and the company has embarked on a number of initiatives to curb this trend and retain key skills. Information gathered during exit-interviews revealed that staff were looking for increased development opportunities and,

as a result, Altech Netstar has employed a training manager to head up a skills development division, reporting directly to the management committee. During the year, Altech Netstar commissioned independent consultants to conduct an analysis of training facilities and procedures. One area for improvement highlighted by this analysis has resulted in a new training strategy, launched in line with best practices, that will be rolled out during 2008. The company also plans to conduct a staff satisfaction survey, the findings of which will be used to implement changes to boost morale, reduce staff turnover and increase performance.

Management and succession planning at Altech Autopage Cellular

Altech Autopage Cellular offers staff study loans to encourage them to further their education and skills training, and during the year nominated 40 of its employees to attend courses at the Altech Academy. It also held various leadership and management development courses, including Management for Greatness and The Nine Conversations in Leadership. Succession planning has been identified as an area for improvement and Altech Autopage Cellular will focus its attention on this issue during the 2008 financial year.

Bytes

The Bytes group also carried out critical skills remuneration adjustments during the year under review. This forms an important part of Bytes's ongoing skills retention strategy. Surveys of market trends in remuneration are carried out on a regular basis and where they show Bytes to be below-average in certain areas pertaining to key skills, Bytes makes the necessary adjustments.

The Altech Academy – a new standard for skills development

During the year under review Altech made significant progress in its skills development strategy with the establishment of a fully accredited education facility for employees. Known as the Altech Academy, the facility's courses will be tailored to meet the specific skills requirements of the company. It will initially be administered through the Da Vinci Institute for Technology Management, a higher education institution that focuses on post-graduate business management studies, but the company aims to develop further partnerships with other institutions and universities for specialised programmes.

The Academy offers courses on four levels:

- ▶ Foundation programmes range from personal development to training in job-specific skills to provide a foundation on which employees will be able to build their careers.
- ▶ Practical general management programmes that help employees to fill in the gaps in their knowledge and expertise.
- ▶ Senior- and middle-management development programmes provide formal education and training.
- ▶ Executive development programmes expose executives to new concepts and tools based on a global view of business.
- ▶ The Academy will also play an important role in establishing Altech as a preferred employer, providing evidence to prospective employees of the commitment Altech has to invest in the development of its people.



Prof Ray Marcus (chairman of the Da Vinci Institute) and Johan Klein (Altech's executive for HR and the Altech Academy's director of studies).



The production of workforce diversity is central to employment equity.



Material issue

Employment equity

All Altron group companies have set targets for EE in line with those outlined by the dti CoGP. Although most companies within the Altron group score relatively high on EE targets within the lower occupational levels, there is room for improvement at middle and senior-management levels. Internal skills development initiatives aimed at historically disadvantaged employees (discussed in the next section) go a long way towards helping the company achieve EE targets, but they are not the only strategy employed. The group actively recruits historically disadvantaged individuals (HDIs) externally as well and reports monthly at management committee meetings on EE as part of the broader transformation issue.

As part of the EE plan submitted to the Department of Labour annually, Altech Netstar has committed to improving its EE scores, particularly at the senior and top management levels where the current percentages are very low. Altech Netstar's recruitment policy highlights the importance of employing black men and women, both able-bodied and those with disabilities, who meet the requirement as specified in the job description. The introduction of a succession and career planning policy with clear targets linked to EE goals will boost Altech Netstar's ability to meet future EE targets. At Altech Autopage Cellular, the lower occupational levels are well represented in terms of EE but the higher levels within the organisation remain a challenge. Altech Autopage Cellular is actively sourcing disabled EE candidates through its affiliation with Bytes and has appointed a recruitment agency that specialises in disabled placements to its preferred supplier list.

Employees *continued*

Altron group workforce (SA)

	Male								Female								Total SA workforce	% black representation	% female black representation
	Able				Disabled*				Able				Disabled						
	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White	African	Coloured	Indian	White			
Senior top management	—	—	—	2	—	—	—	—	—	—	—	1	—	—	—	—	3	—	—
Other top management	8	5	3	82	—	—	—	6	2	—	1	6	—	—	—	—	113	16.81	2.65
Senior management	12	16	23	286	—	—	—	1	8	6	8	51	—	—	—	—	411	17.76	5.35
Middle management – professionally qualified and specialists	176	205	124	919	1	1	2	7	65	38	67	307	1	—	1	2	1 916	35.54	8.98
Junior management – academic qualified and skilled technicians	1 165	544	441	1 275	19	5	2	9	488	224	292	710	3	—	1	3	5 181	61.46	19.46
Semi-skilled and discretionary decision-making	1 278	309	62	111	18	8	—	2	362	125	65	192	10	1	—	3	2 546	87.90	22.11
Unskilled and defined decision-making	843	84	64	28	10	2	—	1	280	34	56	13	1	—	—	—	1 416	97.03	26.20
Total permanent workforce	3 482	1 163	717	2 703	48	16	4	26	1 205	427	489	1 280	15	1	2	8	11 586	65.33	18.46

*Disabled – as per definition in the Disability Act

This report should be the same as your EEA2 Report as far as possible. If it is not, you need to be able to justify the differences to the verification agency.

Table reflecting total Altron group employee complement

	Altech	Bytes	Powertech	Corporate	Total
Permanent South African	2 535	3 968	5 000	83	11 586
Non-permanent	985	223	100	—	1 308
Total SA operations	3 520	4 191	5 100	83	12 894
Offshore operations	691	243	389	—	1 323
Total Altron group	4 211	4 434	5 489	83	14 217

A committee to drive change

Powertech Transformers' equity and development committee oversees the combined issues of equality and development, fostering a spirit of consultation between employees and the company, particularly in respect of education and training programmes. Through the equity and development policy document, it provides direction and guidance on meeting the organisation's targets, while providing additional input on social economic development, qualifying small enterprises and exempted micro enterprises.

Powertech Transformers' winding training centre in Pretoria.



Bytes People Solutions' training centre at Midrand.

**Material issue****Transformation through skills development**

Meeting EE targets is a vital part of internal transformation. However, the general skills shortage within the ICT and power electronics industries presents significant challenges to meeting these targets through external recruitment alone, which is why Altron has placed such a high level of importance on internal skills development among historically disadvantaged employee groups. At a group level, the Altron Secretariat provides 6 to 12 months' worth of practical training to talented black company secretarial students through its cadet scheme, while the corporate communications department offers similar learnerships that provide graduates with on-the-job experience. The Altron group also runs an Adult Basic Education and Training (ABET) Scheme for HDIs and, during the year, employees engaged in this programme completed a course and were awarded certificates in basic mathematics.

Aside from the dti CoGP, Altron complies with the relevant South African legislation pertaining to skills development and training. The Altron group has an Altron management services HR committee which coordinates and oversees the following activities:

- ▶ Policies on employee training and development which are reviewed regularly and made available through periodic updates with employees.
- ▶ The HR departments at the company's various subsidiaries coordinate all employee training and development.
- ▶ Relevant submissions made to the Department of Manpower from time to time.

The spend on skills development is as follows

Spend on skills learning programmes	
Legal entity	R000
Altron Corporate	279 506
Bytes	17 500 000
Altech	10 384 742
Powertech	35 079 246
Altron group	63 243 494

POWERTECH

- ▶ DPM, spent 93% of its total R1.5 million on training HDIs and aligned its training programmes with the principles of the Learning Programme Matrix. The number of delegates participating in occupationally directed learning programmes almost doubled from 2007 to 2008 and DPM currently spends 2.59% of payroll on skills development, well ahead of the Altron group target of 1% for 2010.

ALTECH

- ▶ Altech UEC invested R1.4 million in staff training and development initiatives during the year, which were attended by 465 black males and 140 black females. It granted three bursaries to black males and plans to develop more learnerships for black supervisors and foremen in its Durban and Randburg manufacturing plants.
- ▶ AAD meets 100% of its semi- and unskilled EE targets for HDIs but only 20% of the approximately 600 graduates it requires for more senior levels will come from HDI groups. AAD therefore uses a combination of internal training and external recruitment and has implemented junior management level learnerships to develop HDI employees for possible promotion into middle management in the medium to long term.
- ▶ Altech Netstar places emphasis on succession planning for senior positions, identifying and developing suitable HDI candidates from its existing talent pool.
- ▶ Altech Autopage Cellular is considering employing a group of disabled black learners who have completed call centre learnerships at Bytes.
- ▶ Altech Isis introduced a learnership programme and enrolled 10 new black female tertiary students.

BYTES

- ▶ Bytes People Solutions has been at the forefront of disabled learnership training in the industry, training 100 disabled learners since 2004. Since this company completed its first end-user computing learnership for people with disabilities, it went on to develop the skills of a second group and is already interviewing candidates for a third intake. Upon completion of the learnership, candidates receive an NQF 3 qualification in End User Computing, which makes them fully computer literate in various Microsoft applications and ideal candidates for administrative positions.
- ▶ Bytes collaborates with Altech and Powertech to secure workplace experience for as many learners as possible as this increases their employability. To date, approximately 75% of the first learner group have been employed permanently or on fixed-term contracts, either within the Bytes group or with external companies. Bytes People Solutions, for example, employs three learners from this group in ERP, Finance and Skills Development. The qualified learnerships have helped to triple the amount of disabled employees in this company, thus ensuring far greater compliance with BBBEE legislation and the Employment Equity Act.

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

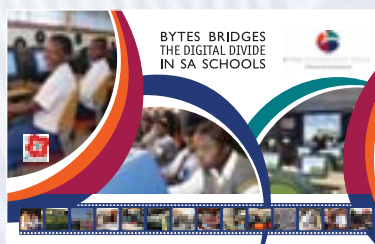
Facilitating sustainable wealth creation and self-sufficiency

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

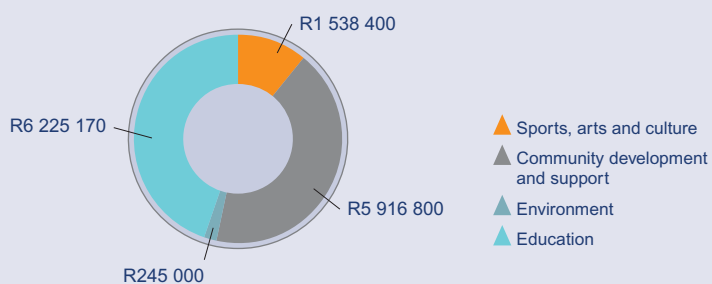
BSS has a strong enterprise development programme that includes helping ABSA with its rural and township-based "banking the unbanked" Mzansi programme. This programme is expected to deliver 4 000 kiosk-based ABSA support services to the unbanked population, thereby meeting the 2010 targets in the Financial 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.

Environment

Altron operates in sectors that were traditionally regarded as having a low impact on climate change. Recent research has shown, however, that the digital technology industry, for example, is responsible for 2% of global CO₂ emissions, the same share as the airline industry. Recent evidence has also shown that businesses across all sectors are exposed to the risks and opportunities of climate change.

Locally and internationally, increasing costs of energy are creating a strong business case for energy savings. The need for sustainable energy supply and energy efficiency provides Altron with a unique opportunity to market products, services and the corporate brand in a carbon constrained economy.

Altron has complied in all material aspects to all relevant environmental legislation and there are no fines, convictions or material clean-ups necessary or outstanding.

Material issues identified

Altron is committed to understanding its impact on the environment, the associated risks its operations pose to the environment and the related economic opportunities that may be exploited. The first step is to understand the material issues facing the company with regard to the environment. Guidance in identifying these has come historically from a number of sources, including:

- ▶ the legal and regulatory frameworks existing in South Africa and other areas of jurisdiction over the company's operations;
- ▶ the ISO 14001 standard for environmental management systems;
- ▶ the GRI's G3 indicators;
- ▶ the JSE's SRI Index; and
- ▶ independently commissioned reports, such as MS Alexander and Associates' compliance report for Altron group operations.

While the frameworks above would indicate a multitude of issues, the company has

conveniently grouped them into five focus areas:

- ▶ Climate change.
- ▶ The need to comply with environmental legislation, offshore standards, regulatory environment and protocols.
- ▶ Pollution and emissions.
- ▶ Energy usage and reduction of peak demand.
- ▶ Environmental impact of products and services.

Systems to manage our environmental impact

At the level of each of Altron's operations, key environmental aspects of each operation have been identified and their impacts have been evaluated. All significant aspects and impacts are identified and logged in the 'aspect register' kept available for this purpose at each relevant operational site. The information is then converted into a structured database for evaluation and reporting.

Measurable objectives and targets are established annually at management level, and set out in the Environmental Management System (EMS) documented at each relevant site, as per ISO 14001. The EMS documents including full procedures, records and work instructions, provide a record for the annual audit of our environmental performance. For the purposes of internal reporting and management review, regular environmental internal audit/risk assessments are conducted and a management review meeting is held monthly. While most of Altron's wholly owned subsidiaries do report on quantitative data for key environmental impacts, there is as yet no central database where this data and performance against targets is collected and collated. The Altron group is currently extending its information management system, Everest, to facilitate group management of our environmental impact.

No environmental auditing/screening of suppliers/contractors is done by the

Issues within this section

- ▶ Climate change
- ▶ Compliance with legislation
- ▶ Pollution and emissions
- ▶ Energy use and efficiency
- ▶ Environmental impact of products and services



What is climate change?

Climate change can be defined as the destabilisation of the earth's climate system caused by an increase in the concentration of atmospheric greenhouse gases (GHGs). The earth's atmosphere contains GHGs, which trap a certain amount of short-wave radiation from the sun and re-radiate it back to earth. In essence, these gases act like a blanket, and keep the earth at a stable temperature. However, it is now widely believed that human activities have caused an increase in these GHGs, and consequently an increase in global warming.

company at this time. However, the two main suppliers (Fry's Metals and Chemical Initiatives) of raw materials to Powertech Batteries are both ISO 14001 accredited. Other suppliers, although not ISO 14001 accredited, are required to provide a written commitment to the relevant operations that they will conduct their business in an environmentally friendly manner.

The various Altron group environmental policies are displayed on internal notice boards and are available on the relevant operations' websites. Training has been provided for all key personnel who are involved with the implementation and maintenance of the EMS. Selected employees have been trained as environmental auditors and all employees and contractors receive induction training, which includes elements of the environment.

Material issue

Climate change

Recognising the gravity of the issue of climate change, Altron commissioned PricewaterhouseCoopers to assist the company in drafting a climate change position paper to guide the Altron group's response to the issue.

This paper was tabled at the Altron risk management committee meeting on 30 April 2008. The climate change position paper sets out how Altron is responding to the challenge of climate change. This includes a commitment to reducing energy consumption and GHG emissions and efforts to finding alternatives to the current reliance on fossil fuels in the company's products and services. A summary of this paper follows:

Identifying risks associated with climate change

The Carbon Disclosure Project (CDP), an international initiative backed by institutional

investors, calls for disclosure of investment-related information concerning the risks and opportunities due to climate change, and Altron is among the list of companies around the world targeted by this project. Company-specific risks and opportunities are:

- ▶ **Physical risks** – increased occurrences of storms and floods or the devaluation of land as a result of climate change is expected to have a direct physical impact on the company.
- ▶ **Regulatory risks** – companies are experiencing a sharp increase in both traditional legislation, such as permits and energy-efficiency requirements for products and processes; and market-based regulation, such as carbon taxes, emissions-trading schemes and fuel tariffs. These risks have particular implications for large capital outlays on projects with long life times.
- ▶ **Reputational risks** – the perception that a company may be failing to address climate-change risks can cause a drop in consumer confidence and brand value.
- ▶ **Litigation risks** – although currently not a major risk, increasing stakeholder pressure increases the risk of litigation.
- ▶ **Economic opportunities** – Altron can benefit directly not only from the sale of products and services in the energy efficiency arena (assisted by the rising cost in energy), but also from the various carbon markets that have been created worldwide, including the World Bank's carbon credit trading guarantee and the United Nations Framework Convention on Climate Change's (UNFCCC) Clean Delivery Mechanism that awards tradable credits for certified emission reductions (CERs) related to projects specifically undertaken in developing nations that reduce carbon-related emissions.



Jack Hochfield

Environment *continued*

Current status

Although Altron would not be regarded as a significant contributor to climate change in terms of direct GHGs, the company acknowledges that its normal business activities consume significant amounts of energy, thereby contributing to increasing levels of atmospheric GHGs.

There are significant sources of greenhouse gas emissions, such as in the specific manufacturing lines in the Altron group, that represent both a risk and an opportunity in terms of climate change. Furthermore, as a leading supplier of products and services to the power industry, Powertech is ideally positioned to leverage off the growing demand for low-carbon, energy-efficient, products.

POWERTECH

Sulphur hexafluoride (SF₆) identified in the production process at Powertech Batteries, as well as in Powertech Transformers, has a global warming potential 23 900 times that of CO₂ and consequently is regarded as a major source of greenhouse gas for Powertech. But by eliminating leaks and removing/reusing SF₆ before maintenance and decommissioning, Powertech can avoid significant GHG emissions, the basis of a profitable Clean Development Mechanism (CDM) project.

Powertech Transformers is the most advanced Altron subsidiary in terms of responding to climate change and has reported on its GHG emissions, implemented energy saving targets, and has embedded energy efficiency in its products and services. They have recognised that climate change is both a risk and an opportunity and have responded to this by promoting energy-efficient products. Furthermore, Powertech Transformers is assessing the switch from coal to natural gas for its boiler burner to further

reduce emissions. This represents a real opportunity to generate further income as a CDM project.

Certain Powertech companies are well positioned to address the needs of a future carbon-constrained economy. Divisions such as Rentech (solar panels) and Crabtree (home automation solutions) can market their products as energy efficient and low in carbon content, and increase revenue and sales.

ALTECH

Altech's major emissions arise from production (Altech UEC and Altech NamITech), service solutions in the form of electricity consumption at call centres and servers, and transport and logistics, which are currently dependent on fossil fuel. Altech is planning to carry out an investigation into the climate change risks, major GHG emission sources and opportunities for developing low-carbon, energy-efficient products within the Altech group in both the manufacturing and service lines of business.

BYTES

Bytes acknowledges that although it is not a manufacturing company, it is a high energy consumer through both electricity consumption (from servers, offices and call centres), and fossil fuels (from back-up energy generation, distribution networks and travel). While energy efficiency products are already being implemented, Bytes acknowledges that further opportunities exist to improve on its energy-efficiency, especially in the data centre environment.

Bytes has a strong association with Xerox, being the largest reseller of Xerox products in the UK and the exclusive agent in South Africa and southern Africa.

Commitment to the Global Compact

The Global Compact brings companies together with UN agencies, labour and civil society to advance social and environmental principles. As a signatory to the Global Compact, Altron commits to aligning its operations and strategies with 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.



Bytes is a high energy consumer of electricity from servers, offices and call centres.

While Xerox has already certified its GHG emissions, set reduction targets and contributed regularly to the CDP, it does not report on emissions associated with Bytes. Bytes itself does not quantify or report on its GHG emissions.

The way forward

Altron acknowledges the significance of climate change and the causes thereof through industry's production and consumption of fossil fuels, primarily to produce energy, but resulting in the emission of GHGs, leading to climate change.

Altron believes that climate change is significant both globally and locally and fully supports the intentions of international agreements such as the United Nations Framework Convention on Climate Change.

Altron acknowledges and believes that a strategy to address the issue of climate change cannot be seen in isolation and must be integrated with the sustainable development strategies of the Altron group as a whole. Altron acknowledges that in order to understand its impact on climate change effectively, and to assess the opportunities for carbon trading realistically, a baseline quantification of its GHG emissions (carbon footprint) should be developed. Altron will work towards ensuring that the carbon footprint is developed at its operating companies.

A long-term carbon management strategy will consequently be developed in response to and in association with the carbon footprint assessment of the Altron group.

The recommendations received include:

- ▶ determining the carbon footprint (GHG inventory) for the Altron group of companies;
- ▶ identifying and assessing carbon risks and opportunities;
- ▶ developing an Altron group climate change strategy;
- ▶ establishing feasible emission reduction targets and potential carbon-trading initiatives; and
- ▶ maintaining an internal GHG reporting system and subsequently improving external reporting of emissions on a continuous basis.

Altron's response to the issue of climate change will be reviewed at board level and an appropriate board member will be assigned responsibility to investigate and progress the continuation of this initiative.

Material issue

Compliance with environmental legislation, offshore standards, regulatory environment, protocols

Compliance with various environmental protocols and standards is in many instances not only a legal obligation, but is also a useful way for companies to benchmark their environmental performance against best practices and world trends. Altron group companies comply with environmental legislation where applicable and in many instances have been proactive about commissioning independent external environmental audits on operations that have a potentially high environmental impact. Such audits go a long way towards helping these Altron group companies to identify potential problem areas and take the necessary steps to rectify any issues.

Environment *continued*

Name	ISO 9001: 2000	ISO 14001	Other
AAD	Certified	Compliant but not accredited as it handles no hazardous substances	ROHS compliant (the European standard for removal of harmful substances)
Altech NamITech	Certified. Compliant with Europay MasterCard, Visa, as well as Verisign specs and standards	All scrap metals are being disposed of to third parties under controlled and compliant conditions	—
Altech Netstar	—	—	70% of components received lead-free
Altech UEC	Certified	System had been updated for ISO 14001 compliance. Audit is being awaited	ROHS compliant WEEE compliant
Aberdare Cables	Certified	Standford Road (Port Elizabeth) and Pietermaritzburg operations – ISO 14001 certified. Gauteng operation in process of implementing ISO 14001 – target date March 2009	BASEC/ISO 9001 compliant
Powertech Transformers	Certified	Certified	ISO 18001 certified
DPM Cape Town	Certified	Certified	ISO 18001 certified
DPM Booyens	Certified	—	—
Powertech Batteries	Certified	Certified	Ford Q1, VDA 6.1 and TS 16949s (motor vehicle industry standards)
Crabtree	Certified	Expected end of 2010	—
Battery Technologies	Certified	Expected end of 2010	SONCAP approved for exports to Nigeria
Bytes Systems Integration	Certified	—	—
Bytes Managed Services	Certified	—	—





POWERTECH

Powertech Transformers commissioned external audits by accredited bodies during the year and is both ISO 14001 and ISO 18001-certified. The company also has a third-party certified ISO 14001 EMS in place for Pretoria West. DPM's Cape Town operation is also third-party ISO 14001 certified and management regularly reviews any issues raised by the Altron internal audit function, external audit groups and customer audits. Due to space constraints and the condition of equipment, DPM's management does not believe it will be possible for the company's Booyen's operation to obtain ISO 14001 certification and thus proposes to relocate the operation to a new, more suitable site that will comply with the ISO standards.

During 2007, Calidus and Crabtree commissioned MS Alexander and Associates, an independent consulting firm, to conduct an environmental compliance report on both operations. These reports established:

- ▶ whether the companies have successfully identified any pertinent environmental risks;
- ▶ whether such risks are being successfully addressed;
- ▶ whether environmental management systems are in place; and
- ▶ The overall status and rating of the operations compared to both local and international standards.

The report covered the full ambit of environmental issues including noise pollution, ISO 14001, executive policy statement, legal permits, international agreements and protocols, hazardous substances, chemicals used/stored, emissions to the atmosphere, rehabilitation (remediation of property), waste, illumination, complaints or criminal charges, water, toxic waste and radio active substances, major hazardous installations (MHi), dust, fire spread, PCBs, clean-up costs, sustainability, and emergency planning.

Overall, both companies' rating was satisfactory, indicating that although some control weaknesses were identified which require minor improvements, such weaknesses, taken together or independently, do not significantly impair the overall system of internal control.

Key findings from the report include suggestions that Calidus obtain an ISO 14001 certification by the end of 2009, a recommendation which the company has plans to carry out. (Details of the findings pertaining to Crabtree are dealt with alongside under Pollution and Emissions.)

Powertech Batteries has identified lead exposure and contamination, acid exposure and electricity consumption as its most material environmental issues. Lead acid batteries contain sulphuric acid and aggressive and toxic substances which are harmful to the environment and to the health of people who are subject to high levels of exposure. In order to mitigate the risks relating to lead, Powertech Batteries ensures that environmental reports are regularly obtained from independent assessment consultants. Reporting on environmental issues is given the highest level of importance. Powertech Batteries' policy with regard to lead is to minimise the exposure of the same to the environment, its employees and incidental or casual contact. Its policy in regard to acid is to prevent low pH contamination of the environment and humans. Our policy in regard to electricity consumption is to reduce our costs to the fullest extent possible.

Battery Technologies is in the process of pursuing ISO 18001 accreditation and it is expected that Powertech Batteries Port Elizabeth will have achieved accreditation by the end of January 2009. Those sites that are not ISO 18001-certified and low-impact sites, are controlled by local management with oversight through frequent reports conducted by independent assessment authorities. These sites are, however, ISO 9001 accredited.

Energy solutions at Strike

Powertech Energy Solutions (PES), a division of Strike, provides standby power solutions in the form of diesel generators. It recently secured a R113 million contract to supply 45MW of energy to a large mining house.

Environment *continued*

ALTECH

To comply with European Community requirements, including RoHS and Waste Electrical and Electronic Equipment (WEEE) directives, Altech UEC had eliminated all lead and harmful substances used in its production processes.

Material issue

Pollution and emissions

Pollutions and emissions are identified through the environmental auditing processes that Altron has in place at operations that display a high exposure to these risks. Data on the most pertinent risks is collected annually in order to measure the trends in our performance over time. The current results, compared with previous years' performance, are tabulated in table E.16 of the 2007 environmental survey conducted for our submission to the JSE SRI Index (see Appendix C on page 89). A summary of pollutions and emissions, as well as the company's response to them follows:

DPM's shot-blasting plant

In its tanks manufacturing division, DPM's shot-blasting plant is fitted with separating equipment to minimise emissions to the atmosphere while the emissions from zinc spraying fumes and dust are trapped using a water curtain. At the tank cleaning facility, acid is neutralised and discharged only once it meets the standards set out by the Department of Water Affairs. Any areas where oil filling of transformers takes place are adequately insulated to avoid oil penetration.

Polychlorinated biphenyls (PCBs) at DPM's Cape Town premises

During the certification audit for ISO 14001 accreditation, polychlorinated biphenyls (PCBs) were discovered in the ground soil system of its Cape Town premises. PCBs are oil-like chemicals and before their toxic nature was discovered, they were widely used as insulation in electrical

equipment and oils. The PCB leakages from DPM's transformer storage tanks into the soil occurred prior to the chemicals being banned. However, DPM has worked closely with the Department of Water Affairs to monitor and manage the situation. DPM has also sampled oil, well and groundwater samples at its other premises in order to determine if similar leakages may have occurred.

The comprehensiveness of this monitoring and management programme is evident in the fact that DPM was granted its ISO 14001 accreditation.

Heavy metal plume at DPM's Booyens plant

The Booyens plant underwent a similar study and although there was no evidence of any PCBs in the ground samples, heavy metals were detected. These are thought to be more related to mining activities than transformer operations but management has adopted a proposal to monitor the movement of the plume at the plant.

Transformer oil spillages

From time to time each plant has minor transformer oil spillages but these are of no major significance. Each such incidence is recorded and preventative measures taken.

Oil seepage plume at Powertech Calidus

The MS Alexander & Associates environmental compliance report carried out at Calidus highlighted the fact that there has been gradual seepage of oil on the ground workshop area, leading to a plume of about 3 metres in diameter. This is not a major spill but still requires clean-up, which Calidus is attending to. The report further suggested that Calidus educate all supervisors and managers on how to safely clean and contain spillages and plans are in place to train all employees about the impact of spillages, on the environment and on human lives. Calidus has also made budgetary plans to purchase additional spill kits.

Bytes partners with Absa to turn crisis into opportunity

Retail ATM, a division of Bytes Specialised Solutions, responsible for placement and management of Retail ATMs for Absa, transformed a significant business risk into a new stream of revenue. During an eight-month pilot, the company developed a power supply unit that is driven by specially designed batteries developed by Battery Technologies in the Powertech group. These batteries provide an uptime far exceeding normal battery packs and similar conventional UPS systems.



Jose Simoes, Business Development Manager (left), and Derick Deyzel, Divisional Executive of Retail ATM (right), from Bytes Specialised Solutions with the UPS system.

Solar powered traffic lights at intersections in Johannesburg supplied by Rentech.



Rentech combats theft of solar units

Theft of solar units has been a considerable obstacle to their expansion in South Africa. Rentech has now harnessed international technology from its supply partner Uni-Solar, to produce solar modules designed to be glued to a surface in such a way that an attempt to remove a unit will damage it irreparably. Telkom is using these modules, sticking up to four at a time onto a metal backing sheet, which means that if thieves want to make off with the solar modules, they need to be geared up to move a unit that is 2.8m long and 1.6m wide and can weigh up to 60kg. State-of-the-art technology stores the energy produced by the solar modules in a maintenance-free battery through a maximum power point tracking charge controller. Some of these units are being used to power traffic lights during periods of load-shedding.

Heavy metal seepage at Crabtree in Wadeville

At Crabtree in Wadeville, the MS Alexander & Associates environmental compliance report found that lead powder, containing lead stearate, tribasic lead sulphate and kulubrite, is seeping from the waste disposal skip into the stormwater system when it rains. Better storage will help to solve the problem, which is currently being caused by the skip being over-full and Crabtree has taken immediate action to dispose of the waste in a less haphazard manner. The lead waste is also being removed to an area away from the stormwater drain system. Crabtree is in the process of implementing systems to have drain sampling conducted on a regular basis, which will enable it to immediately identify and control any future seepage of any kind into the stormwater system.

Sulphuric acid emissions and pollution risks at Powertech Batteries

Powertech Batteries uses two hazardous substances, sulphuric acid and lead, during the manufacture of lead acid batteries. The handling of the acid causes continual minor spillages which if not correctly controlled can detrimentally affect the environment by polluting the soil and subterranean water systems under the concrete floor. Sulphuric acid vapour emissions and lead seepage are also environmentally detrimental. Recognising its responsibility to mitigate such risks, Powertech Batteries spent R130 000 on upgrading the scrubber systems at its battery factories in Port Elizabeth, which will reduce sulphuric acid atmospheric emission.

Lead oxide dust and lead vapour at Powertech Batteries

Lead oxide dust is being extracted into bag houses following a R1.6 million capital expenditure on automotive dust extraction at the plant. There are plans for lead vapour from conventional grid casting to be

eliminated by a change in processes for which Powertech Batteries has committed R50 million.

Sulphuric acid seepage risk at Powertech Batteries

At Powertech Batteries an epoxy floor coating, which is a mixture of 'silicone sand' and a sealant, is applied in the charge room areas as well as in other areas where smaller quantities of sulphuric acid are used. The coating prevents any seepage into the subterranean soil and water and is either completely stripped off once a year (during shutdown) or carefully repaired where the coating has been breached.

Material issue

Energy usage and efficiency

Energy usage and efficiency is identified through the environmental auditing processes at Powertech and measured separately at each of its operations. Data is collected annually in order to measure the trends in performance over time. The current results, compared with previous years' performance, are tabulated in table E.13 of the 2007 environmental survey conducted for our submission to the JSE SRI index (see Appendix C on page 89). A summary of our initiatives to reduce our energy usage and increase the overall energy efficiency throughout Altron follows:

Powersave@Altron: Meeting our collective responsibility to save energy

Altron recognises that every South African stakeholder, from big industry and corporates to small companies and individuals, has the responsibility to save energy and reduce the demand on power. As such, the Altron group has implemented Powersave@Altron, a group-wide energy-saving awareness programme.

Environment *continued*

Reporting to the risk management committee, a task team steered by Altron's CE and other key executives and members of senior management, has determined three objectives:

- ▶ To create power-saving awareness among all staff members.
- ▶ To motivate and activate Altron group companies to have their businesses audited and the necessary energy-efficient changes applied in order to save on their electricity costs and in this way to qualify for Eskom's rebate programme.
- ▶ To create a basket of energy-saving solutions which will be marketed internally and externally.

In addition to the group-wide energy-saving initiatives, Altron subsidiary companies are making their own contribution to the reduction of energy consumption.

POWERTECH

Powertech Transformers has replaced all its factory lights with more energy efficient lighting, while Powertech IST has committed to reducing power consumption by 15% – 20% and has embarked on a programme to retro-fit its entire premises with electronic ballasts for its fluorescent lights and to install motion sensors that will ensure lights are switched off automatically if nobody is present in the building.

Powertech Batteries has invested R2 million in the installation of power factor correction equipment at its Port Elizabeth factory, which has resulted in significant reduced peak consumption and the power factor rating has increased from 0.7 to a new level of 0.9.

ALTECH

All of the Altech operations have invested in additional standby generating capacity to reduce their respective dependency on Eskom power.

Material issue

Environmental impact of products and services

Altron is in the interesting position that it markets products and services that have both a positive and negative impact on the environment, presenting the Altron group with both risks and opportunities. Waste is identified through the environmental auditing processes at Powertech, and a number of indicators have been identified that relate to this issue. These are measured separately at each of the company's operations. Data is collected annually in order to measure the trends in our performance over time. The current results, compared with previous years' performance are tabulated in table E.14 of the 2007 environmental survey conducted for our submission to the JSE SRI Index (see Appendix C on page 89). A summary of our initiatives to reduce our waste and improve recycling or recovery throughout Altron follows:

POWERTECH

Powertech IST provides products and solutions that contribute towards sustainable development and sound environmental management. These include off-gas filtration, flue gas cleaning, process gas conditioning and compressed air and other gaseous processes in the fluid systems sphere. Other solutions include the treatment of industrial water to remove pollutants which render the water suitable for re-use as industrial or potable water.

Products and services from Powertech IST Otokon

Powertech IST Otokon has expertise in energy management and has flourished as a market leader in providing demand-side management services, with specialisation in process and production rescheduling, compressed air and cooling systems, industrial and residential hot water control, co-generation and heat recovery and motor systems. This company also plays a key role in helping Eskom finding solutions to decrease energy demands.

Hydrogen Fuel Cell System by Powertech IST

Powertech IST introduces the GenCore 5 kW Fuel Cell System to southern Africa from Plugpower Inc in the USA. Over 500 of the GenCore Fuel Cell systems are currently in the field in the United States, Turkey, the United Kingdom, Asia, Europe and over 40 systems in South Africa.

Installations are providing back-up power for telecommunication networks (fixed line and wireless) and industrial uninterruptible power supply applications.

A fuel cell is an electrochemical device, with virtually no moving parts, that converts chemical energy directly into electricity. Heat and pure water are the only by-products. It produces silent and clean direct current electricity, like a battery. The inputs required are hydrogen and air, while the environmentally friendly outputs are electrical power, heat and water. There is no noise, no vibration and no pollution.



Scrap battery recycling at Powertech Batteries, through its Willard brand

Powertech Batteries has embarked on a scrap battery recycling programme to raise funds for planting indigenous trees in disadvantaged communities. Working in partnership with Food and Trees for Africa, Powertech Batteries is therefore not only helping to offset its carbon footprint by planting trees that naturally reduce carbon dioxide in the atmosphere and therefore control global warming, but is also uplifting local communities through urban greening. The lead-acid batteries are recycled in a multi-phase process that creates lead ingots from the lead grids and oxide and plastic pellets from the plastic parts. Old battery acid is processed and treated to become either water which is released into the sewerage system, or sodium sulphate, and odourless white powder used in laundry detergent, glass and textile manufacturing.

Recycling and saving water at Powertech Batteries

In the past year, Powertech Batteries has focused on recycling and water-saving initiatives. It conducted a feasibility study on water bath charging in its industrial plant, which could result in a saving of 66 kilolitres of water per day. The study on lead oxide waste paste and water in the industrial battery plant has been completed and a system of paste recovery, which prevents wastage and further treatment of lead oxide, has been devised. The lead oxide is used in a damp waste format in the downstream process, which reduces paste wastage, water wastage and effluent neutralisation wastage by some 80% to 90%.

Wooden pallets which are subject to high degrees of waste contamination are being phased out in favour of reusable plastic pallets, and Powertech Batteries has achieved a conversion rate of approximately 25% in this regard.

Around 160 tonnes of Powertech Batteries' lead waste is reclaimed and recycled while its liquid effluent is treated and discharged into the municipal sewer. About 80 bags of personal protective equipment are sent to landfill per month with a licensed hazardous waste contractor. Plastic is reclaimed and recycled and all plastic wrapping and contaminated wooden pallets are treated as hazardous waste and disposed of accordingly. Powertech Batteries' scrap collection rates are at an all-time high, with 100% of the scrap in respect of sales concluded during the months of December 2007 and January 2008 being collected. This rate of collection is monitored by SABMA (South African Batteries Manufacturing Association) which reports that this is the highest achievement among all international battery manufacturers.

ALTECH

Altech UEC's packaging material waste is recycled through a service provided by Mondi, while steel waste is collected for recycling by the Reclamation Group. Hazardous waste is disposed of through Wastetech, which issues Altech UEC with certificates of safe disposal. Altech UEC recycles its plastic waste and, in compliance with European standards (RoHS and WEEE), also recycles 66% of all decoders (such figures are weight-determined).

Altech NamITech is in the process of conducting a pilot project, issuing 10 000 corn-based biodegradable cards to one of its major banking customers for evaluation and approval, in order to establish potential usability and market acceptance by their client base. At ACS, any waste material that cannot be recycled is disposed of using specialist waste disposal companies compliant with environmental best practices.



Health and safety

Material issue

Internal Health and Safety

Altron takes the Health and Safety (H&S) of all its employees very seriously, with the CEO of each of the operations taking ultimate responsibility for this issue. It is guided by an internal H&S policy that covers the entire Altron group. Each operation within the Altron group complies with the Occupational Health and Safety Act (OHASA).

Management of H&S at Altron

Altron's H&S systems include comprehensive training, targets, risk identification, monitoring of performance indicators, employee representation and access to counselling. H&S is integrated into line management responsibility as part of their key performance areas. Line and senior managers are appointed in terms of section 16 of the OHASA Act.

Staff receive H&S training which includes representation training, hazard identification and incident investigation. A safety induction programme is targeted at new employees and the company conducts ongoing general safety awareness training. Each year, first-aiders and fire fighters are trained and Safety, Health and Environment (SHE) representatives appointed and trained. Selected employees have been trained as auditors in preparation for the implementation of the ISO 18001 System. The entire Powertech Batteries operation will be assessed prior to the implementation of ISO 18001 in October 2007.

The Altron group conducts regular monitoring of key H&S performance indicators (KPIs) which include frequency rate, reportable injury-free frequency rate and an occupational clinic report. The engineering manager monitors the SHE manager's KPIs bi-annually and all safety

aspects are monitored during monthly safety inspections.

Employees play an active role in H&S in the Altron group and SHE is an indicator on every employee scorecard. H&S representatives are appointed from the workforce and all employees participate in risk assessment via safety meetings and mission-directed work-team meetings, which form part of a monthly SHE committee meeting. Security personnel are contracted to guard access to the Altron group premises and provide protection of personnel and assets. There is also security on all manufacturing operations which includes CCTV monitoring.

In addition, employees and their family members who have been affected by crime have access to counselling, where required, through the employee assistance programme. Powertech Transformers has introduced the Employee Wellness Programme run by Procure which provides a service to employees including those affected by crime, while clinics and healthcare departments are on hand at Aberdare Cables to assist employees and refer them to specialist support agencies where necessary.

Altron's internal audit department, in conjunction with independent consultants, MS Alexander & Associates, reports back to the relevant risk management committees on H&S risks throughout the Altron group.

POWERTECH

During 2007, Powertech Transformers achieved one million man-hours without a single lost-time injury. This company (including DPM) has ISO 18001 certification and all operations have H&S committees in place, which champion the broad spectrum of internal H&S matters.

Issues within this section

- ▶ Internal health and safety
- ▶ HIV/Aids

Performance data for OHASA

Company	Annual DIFR	Annual sick rate	No of fatalities
Bytes Communication Systems	Zero	±15%	1 (heat attack – not at work)
Bytes Corporate Services	None	29 man days	None
Bytes Document Solutions	None	4 563.5 man days (Jan to Dec 2007)	None
Bytes Healthcare Solutions	None	963 man days	None
Bytes Managed Services	None	3 637.5 man days (Jan to Dec 2007)	5 (4 car accidents and 1 heart attack)
Bytes Systems Integration	None	31%	None

Targets for H&S improvements

Maintain compliance through safety audits and periodic safety inspections.

Internal and external audits, SHE meetings and inspections.

A target of October / November 2008 has been set for full certification of the OHASA 18001 H&S System (Powertech Batteries).

Incident rate, body part injuries, implementing ISO 18001 by March 2006 (Aberdare Cables).

Performance**H&S performance at Aberdare Cables**

	Disability injury frequency rate	Sick rate
PMB	1.5%	3%
PE	3.03%	3.3%
Gauteng	0%	3.21%
Greenhills	0%	—
Edenvale	0%	.014%

H&S performance at Powertech

Per- formance data	Total No of workers	2006/ 2007	2005/ 2006
Annual disabling injury rate	3 294 (Powertech factory workers)	0.9	1.2
Annual sickness rate	3 294 (Powertech factory workers)	4.2	3.6
No of fatalities		0	0

During the year, SABS conducted H&S audits and no significant issues were raised.

At DPM, internal safety auditors and the Altron internal audit department carried out H&S audits. These highlighted the fact that the Booyens plant is conducting shot blasting, zinc spraying and painting activities in areas not conducive for these processes, an issue that will be rectified with the relocation to new premises.

DPM communicates to employees regularly on SHE matters through briefing sessions given by supervisors, various training sessions given by the SHEQ department and general communication by plant general managers during business briefing sessions.

Crabtree has identified certain areas where noise levels are over 85dB. These are clearly demarcated and Crabtree enforces the use of personal protective equipment (PPE) in all such areas to protect employees from damage to hearing and hearing loss.

At Powertech Batteries, hazardous substances such as lead and sulphuric acid are present in varying concentrations. Powertech Batteries has developed rigorous procedures for monitoring blood-lead levels in those employees who are exposed to lead while working. These include annual tests in non-lead areas to monthly monitoring of employees working in lead areas. If an employee's blood-lead level exceeds legal limits, explicit mitigation steps are immediately instituted. These include removing the affected worker from the lead area, investigating the possible source and notifying the appropriate co-workers and safety representatives. No employees are returned to the lead area until their blood-lead levels are well below the stipulated threshold. The

potential biological effects of lead are constantly monitored, and Powertech Batteries has a range of additional investigations which are conducted when lead is suspected of causing ill health.

Education and counselling sessions ensure that employees are thoroughly familiar with the sources of lead in the workplace, the potential dangers of exposure and the importance of biological monitoring and medical surveillance. Precautionary measures are emphasised, including the use of personal protective equipment and adherence to environmental, housekeeping and personal hygiene practices. In addition, meticulous training is conducted on disposing of waste material containing lead and cleaning sites at which lead or material containing lead has been used, handled or processed. Powertech Batteries' SHE manager conducts regular rotational visits and assists in the upgrading of any non-compliant operations.

ALTECH

Apart from Altech UEC and Altech NamiTech, most of Altech's other operations pose a relatively low H&S risk due to the fact that they are not manufacturing in nature. However, Altech still lists employee H&S as a key priority. H&S committees with nominated representatives and trained on-site first-aiders champion employee H&S issues. Altron conducts regular H&S audits on Altech and the Altech group companies receive regular visits from the Altech Risk Manager. All new employees receive induction training which includes an H&S component.

During the year Altech UEC trained five new first-aid practitioners, using externally accredited training contractors. This increases the number of qualified first-



Employee educational and counselling sessions form part of induction processes.

Health and safety *continued*

aiders to 25 and there are plans to increase the number of employees trained in fire-fighting to 47. At Altech NamlTech, an occupational doctor and nursing sister have been contracted to provide on-site services to employees, including HIV and Aids support services.

At Altech Netstar, the key occupational H&S risk area is the helicopter recovery service. In June 2007, a helicopter crashed on take-off and the air tracker sustained severe injuries that required more than 60 days off duty. In all such incidents a full enquiry is carried out in accordance with flight safety legislation to establish the cause of the accident and counselling provided for affected employees. In November 2007, there was an accident in which two people were injured but no deaths were reported.

In April 2008, an accident occurred at the Rand Airport in which both the pilot and air tracker were killed. Investigations into the cause of the accident are still under way. While the responsibility for these incidents lies with the subcontracted company, National Airways Corporation (NAC), Altech Netstar nonetheless views these incidents and ongoing safety with utmost concern. All pilots are currently undergoing competency tests administered by an independent authority.

Altech Autopage Cellular uses external suppliers to train and provide information sessions to staff on H&S issues. Audits are carried out on a regular basis, the most recent of which was conducted on the company's older building. While the results of this audit are still pending, Altech Autopage Cellular has embarked on a revamp of the building and the completion of a new building has gone a long way to rectifying staff overcrowding issues at the old site.

Altech's operations subscribe to all OHASA H&S requirements and have monthly safety committee meetings where all issues are discussed, minutes taken and decisions acted upon.

Material issue

HIV/Aids

Addressing direct impacts of 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 on key suppliers and market groups.

This project commenced in March 2007 and made the following findings and recommendations in 2008:

► **Findings:**

- Prevalence in Altron is estimated between 5% and 11%.
- Economic impact is predicted to vary between 0.4% of payroll in Bytes to 1,1% in Powertech.
- The direct risks in Altron are manageable and HIV does not currently pose a direct threat to the business operations in any of the three sub-holding groups.
- The most significant risks are likely to take the form of supply chain disruptions, loss of skilled individuals and HIV risks in customer bases.

Air response agreement

Altech Netstar has entered into an air response agreement with the National Airways Corporation (Pty) Limited (NAC) in terms of which they provide a 24 hour airborne reaction service. NAC provides the pilots and aircrafts to Altech Netstar and bears full responsibility for the safety of the aircraft and crew, despite Altech Netstar branding.





► **Recommendations: Altron should:**

- undertake an evaluation of its suppliers to ensure that adequate systems are in place to ensure that there are no disruptions, particularly at Powertech;
- assess higher risk units situated in provinces such as Gauteng and KwaZulu-Natal;
- formulate a comprehensive HIV/Aids policy to be adopted across the Altron group; and
- monitor absenteeism rates as this can highlight increasing prevalence and identify individuals who may benefit from a wellness programme or other intervention.

Altron is formulating a response based on these findings and recommendations, but will also be informed by international best practice and the dti CoGP. Local guidelines studied include NEDLAC, Anglo American, Goldfields, and other leading employers in heavy industry.

Awareness

Various operations have established HIV/Aids committees represented by management, unions and the workforce. Activities predominantly focus on education and awareness programmes. A Knowledge, Attitudes and Practices (KAP) survey was performed by the National Institute Community Development and Management, an external service provider in conjunction with the Sociology Department of the VISTA University. The findings were presented to the workforce and played a significant role in raising awareness. Further education and awareness efforts were focused to address the gaps identified by the KAP survey.

A second external service provider, Epicentre, was contracted to add to the

education and awareness effort. This was done by way of a workshop with senior management during which the origins, magnitude and projected outcome of the epidemic were discussed. Future efforts were discussed and decided upon.

The training of peer educators by Epicentre and the provision of training kits followed this workshop.

Initiatives

Powertech Transformers

The occupational health clinic at Powertech Transformers follows international safe work standards to prevent transmission, including a needlestick protocol as well as antiretrovirals (ARVs) on site. This goes for the first aiders as well. Powertech Transformers has an ongoing education programme that displays posters and other training aids around the worksite. This programme culminates on 1 December each year with a voluntary counselling and testing campaign. The peer educators that were trained three years ago will be retrained in 2008.

Medical, nursing and counselling services are available on certain sites. Medical aids have established disease management programmes and provide ARVs and prophylactic drugs. Immune boosting meals called e-pap are provided by various subsidiary companies.

Sponsoring community-based care

Altron sponsors the publication of an annual Aids guide for distribution across the country. Altron also provides an annual sponsorship to SA Medical Foundation and Somerset Hospital for treatment, care and support. See also The Altron Group In Social and Enterprise Development Report on the Altron website www.altron.co.za.

Appendix A

Index to issues identified by the JSE SRI

Social, environmental and other ethical (SEE) issues/risks	Relevance and significance	Reference in report
Compliance with impending or potential laws/regulations	Relevant and significant. Legal compliance and risks are reported on bi-annually at both the Altron risk management and audit committee levels. Detailed reports setting out all litigation at Altron, Altech, Bytes and Powertech group levels are tabled at these meetings. A report evidencing such legal compliance and litigation matters is available on request.	46 – 47, 95 – 96, 100, 103 – 105
Product quality/recall	Relevant and significant. Comprehensive quality assurance programmes and certifications are in place throughout the Altron group to ensure that the risk of a product recall is mitigated. Insurances are in place to cover the group in the event that a recall is necessary.	
Product-related litigation	Relevant but not significant.	n/a
Reputation issues linked to supply chains	Relevant but not significant. The number of retail goods supplied by the Altron group is minimal.	n/a
Reputation issues linked to NGO/community campaigns	Not applicable.	n/a
Reputation issues linked to human rights	Not applicable.	n/a
Bribery/corruption	Relevant and significant. Our approach is detailed in the corporate code of conduct as contained in the Altron policy manual. The same standards applied to South Africa apply to our foreign operations.	46 – 47
Occupational health and safety	Relevant and significant. We are guided by the regulations prescribed in terms of OHASA.	80 – 82
Attraction and retention of skilled/key employees	Relevant and significant. The loss of key skills throughout the Altron group has been identified as a material risk.	59 – 60
Impact on workforce of HIV/Aids	Relevant but not significant. An independent study has been conducted by the Aurum Institute of Health on the prevalence and incidence of HIV/Aids on the Altron group. See the commentary under HIV/Aids.	82 – 83
Risk of major negative environmental events	Relevant and significant. These risks are separately reported on by an independent consultant MS Alexander & Associates and detailed reports provided at risk management committee meetings as well as via the Altron internal audit department. ISO14001 systems are in place throughout the Altron group and corrective and remedial action plans frequently implemented to obviate against any environmental degradation.	70 – 77
Risks or opportunities from future carbon emissions restrictions	Relevant but not significant. A position paper has been drafted by PricewaterhouseCoopers addressing these issues from an Altron group perspective.	71 – 73
Risks or opportunities from developing sustainable products/processes	Relevant and significant. See Altron Products and Services Guide at www.altron.co.za	See Sustainability report 39 – 84

In respect of social, environmental and other ethical (SEE) challenges, risks and opportunities, Altron monitors potential liabilities and takes appropriate action to mitigate against these risks. As and when liabilities occur, these are addressed at the appropriate forums and in the appropriate manner ie in annual financial statements, risk management committee reports, etc and the necessary and appropriate disclosures made to shareholders either in terms of the media or the annual report.

Appendix B

2007 Environmental Survey (for JSE SRI Index)

E12. ECO-EFFICIENCY

The following data can be used as denominators to produce eco-efficiency ratios (GRI 2.8). This data relates to the same operations as the data on energy, waste emissions, etc. requested in the next tables E13 – E16. Data has been included for the last three reporting years for the companies in the Altron group with the highest environmental impact.

Company-wide	Units	2004/5	2005/6	2006/7
Volume of production or services	Aberdare Cables – copper tonnes	34 000	38 000	48 000
	Powertech Transformers – MVA	4 557	6 983	6 055
	Altech – decoders/set-top boxes	595 000	723 000	853 000
Number of FTE (full-time equivalents)	Calidus	102	114	113
Floor space area	Aberdare Cables – m ²	112 000	112 000	112 000
	Powertech Transformers – m ²	47 500	47 500	47 500
	Calidus – m ²	7 500	7 500	7 500
	Altech	N/C	N/C	N/C
Turnover	Aberdare Cables – Rm	1 400	1 800	3 100
	Calidus – R'000	80 107	87 717	106 823
Operations covered	Units	2004/5	2005/6	2006/7
Volume of production or services	Powertech Batteries – battery cells	1 602 175	1 577 293	1 505 843
Number of FTE (full-time equivalents)	Powertech Batteries	520	537	516
Floor space area	Powertech Batteries – m ²	55 669	55 669	55 669
Turnover	Powertech Batteries – R'000	454 035	466 278	492 771

Appendix B *continued*

E13. ENERGY DATA

The table below contains absolute figures for different divisions separately, particularly where denominators are in different units.

GRI ref.	Indicator	Units	% coverage	20004/05	2005/6	2006/7	Target
EN3	Energy use	Powertech Batteries – KWh			53 418 610	39 331 437	
		Aberdare Cables – MWh		44 240	51 071	57 904	
		Powertech Transformers – GJ	100	68 771	68 715	69 119	
		DPM – kg			561 708	400 000	
		Calidus – KWh	100	85 000	91 000	105 000	100 000
		Altech – KWh	100	250 000	475 000	306 250	Rationalise with ISO 14001 in 2nd quarter of 2008
EN8	CO ₂ (tonnes)	Powertech Batteries – Tonnes			45 642.35	32 085.03	
		Powertech Transformers – Tonnes	100	3 088	3 072	3 004	
EN30	Other						

E14. WASTE DATA

Data is provided in the form of absolute figures as well as percentages of product. Different divisions are listed separately, noting the specific units of the denominators.

GRI ref.	Indicator	Units	% coverage	2004/5	2005/6	2006/7	Target
EN11	Waste generation (total tonnes)	Aberdare Cables – Tonnes	100	100	6 800	9 300	
		Powertech Transformers – Tonnes	100			2 999	
		DPM – kg				6 000	4 000
		Calidus – Tonnes	100	266	294	326	290
		Altech – Tonnes	100	1100	1180	2007: +/- 1400	=/- 1200 rationalise in Q2 of 2008 with ISO 14001
	to landfill (%)	Aberdare Cables		40	39	39	35
		Altech	20	25	20	300	200
	to incineration (%)	Altech	10	15	10	0	10
	to energy recovery (%)						
EN11	recycled or reused (%)	Powertech Batteries – kg		3 550 266	3 686 333	3 330 290	
		Aberdare Cables – %		30	31	33	38
		DPM – kg				12 500	
		Altech	70	65	70	85	90
EN31	Hazardous waste generation	Aberdare Cables – Tonnes		15	14	13	10
		Powertech Transformers – Tonnes				144	
		DPM – Tonnes				2 500	1 500
		Other	Aberdare Cables – Tonnes		15	16	15

Appendix B *continued*

E15. WATER USE DATA

Data is listed for the different divisions separately, noting changes to the units of denominators for the different activities.

GRI ref.	Indicator	Units	% Coverage	20004/05	2005/6	2006/7	Target
EN5	Water consumption (m ³) ¹	Powertech Batteries – m ³			174 521	124 447	
		Aberdare Cables – Megalitres	100	251	234	248	255
		Powertech Transformers – m ³	100	24 705	28 357	29 342	
		Altech – kℓ		1 760	1 880	20 312	Looking at savings as part of ISO
		DPM – kℓ				12 756	
		Calidus – kℓ	100	9 215	9 777	15 574	15 000
	Other						

¹Sum of all freshwater used, excluding cooling water.

E16. AIR EMISSION DATA

GRI ref.	Indicator	Units	% Coverage	20004/05	2005/6	2006/7	Target
EN10	NOx	Powertech Batteries – Tonnes			174.51	120.80	
		Altech – Tonnes	n/a	n/a	n/a	n/a	n/a
	SOx	Powertech Batteries – Tonnes			372.32	257.73	
		Altech	n/a	n/a	n/a	n/a	n/a
EN9; EN30	VOC	Powertech Transformers – Tonnes	100	27	37	44	
		Altech – litres		200	0	0	0
	Particulate matter	Powertech Batteries – Tonnes			14 270.87	9 878.44	
	Other						

Appendix C – GRI content index

Altron is self declaring a C-level of application. The following table lists the GRI indicators that apply.

G3	Indicator	Description	Page/s
Strategy	1.	Statement from senior decision-maker about the relevance and importance of sustainability to Altron, the overall vision and strategy for the short term, medium term and long term particularly with regard to managing the key challenges associated with economic, environmental and social performance	16, 20 – 24
	Organisational profile	2.1	Name of the organisation
2.2		Primary products, brands, and/or services	2 – 3
2.3		Operational structure of the organisation	2 – 3
2.4		Head office location	IBC (203)
2.5		Number of countries where Altron operates, and names of countries with major operations relevant to the sustainability issues covered in this report	8 – 9
2.6		Nature of ownership and legal form	2 – 3
2.7		Markets served	2 – 3
2.8		Scale of reporting organisation including: <ul style="list-style-type: none"> ▶ number of employees ▶ net sales ▶ total capitalisation broken down in terms of debt and equity ▶ quantity of products or services provided 	62 12 – 13, 44, 129 12 – 13 160
2.9		Significant changes in the reporting organisation during period under review	N/A
2.10		Awards received during the reporting period	41
Report scope and boundary	3.1	Reporting period	40
	3.2	Date of most recent previous report	40
	3.3	Reporting cycle	40
	3.4	Contact details for further information about this report	41
	3.5	Process for: <ul style="list-style-type: none"> ▶ determining materiality ▶ process for prioritising topics in the report ▶ identifying stakeholders expected to use this report 	45
	3.6	Report boundary	40
	3.7	Limitations on the scope or boundary of the report	40
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities and outsourced operations	40
3.12	GRI table	89	
Governance	4.1	Governance structure of the organisation	95 – 107
	4.2	Indicate whether the chairman is also an executive officer, and if so, reasons for this arrangement	97
	4.3	Number of independent and/or non-executive members	97
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board	51, 107
	4.14	List of stakeholder groups engaged by the organisation	45
	4.15	Basis for identification and selection of stakeholders with whom to engage	45
Performance indicators	EC1	Direct economic value generated and distribution, including revenue, operating cost, employee compensation, donation and other community investments, retained earnings and payments to capital providers and governments	44 – 45
	EC7	Procedures for local hiring and proportion of senior management hired from the local community	61, 105
	EN10	Percentage and total volume of water recycled and reused	88
	EN23	Total number and volume of significant spills	70
	EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	70 – 73, 78 – 79
	EN30	Total environmental protection expenditures and investments by type	n/a
	LA3	Benefits provided to full-time employees that are not provided to part-time or temporary employees	110 – 111
	LA7	Rates of injury, occupational diseases, lost days, absenteeism and fatalities	80, 81, 82
	LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members, regarding serious diseases	81, 82
	LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	59, 60, 63
	LA13	Composition of governance bodies in terms of diversity and breakdown of employees per category according to gender and other relevant indicators of diversity	62

Shareholder analysis

Altron shareholder analysis – compiled by Verify Solutions utilising the company's transfer secretaries' records as at 29 February 2008

Shareholder spread – ordinary shares

	Number of shareholdings		Number of shares	
		%		%
1 – 500 shares	1 234	37.21	279 986	0.26
501 – 1 000 shares	613	18.49	502 605	0.48
1 001 – 5 000 shares	970	29.25	2 380 803	2.25
5 001 – 10 000 shares	178	5.37	1 344 221	1.27
10 001 – 50 000 shares	213	6.42	5 010 093	4.74
50 001 – 100 000 shares	42	1.27	3 055 750	2.89
Over 100 000 shares	66	1.99	93 095 673	88.11
	3 316	100.00	105 669 131	100.00

Distribution of shareholders – ordinary shares

	Number of shareholdings		Number of shares	
		%		%
Banks	38	1.15	2 068 867	1.96
Close corporations	51	1.54	77 376	0.07
Endowment funds	20	0.60	345 698	0.33
Holding company	1	0.03	50 630 527	47.91
Individuals	2 363	71.26	13 551 123	12.82
Insurance companies	20	0.60	4 373 057	4.14
Investment companies	21	0.63	4 691 681	4.44
Medical aid schemes	9	0.27	77 294	0.07
Mutual funds	120	3.62	9 855 918	9.33
Nominees and trusts	413	12.46	2 788 851	2.64
Other corporations	47	1.42	205 983	0.20
Private companies	82	2.47	1 245 589	1.18
Public companies	8	0.24	55 340	0.05
Repurchased shares	1	0.03	3 246 469	3.07
Retirement funds	122	3.68	12 455 358	11.79
	3 316	100.00	105 669 131	100.00

Shareholder spread – participating preference shares

	Number of shareholdings		Number of shares	
		%		%
1 – 500 shares	4 421	55.13	662 934	0.28
501 – 1 000 shares	971	12.11	750 658	0.32
1 001 – 5 000 shares	1 591	19.84	3 684 743	1.55
5 001 – 10 000 shares	321	4.00	2 360 659	0.99
10 001 – 50 000 shares	405	5.05	9 422 132	3.97
50 001 – 100 000 shares	97	1.21	6 793 920	2.86
Over 100 000 shares	213	2.66	213 863 231	90.03
	8 019	100.00	237 538 277	100.00

Distribution of shareholders – participating preference shares

	Number of shareholdings		Number of shares	
		%		%
Banks	56	0.70	11 831 359	4.98
Close corporations	90	1.12	182 146	0.08
Endowment funds	51	0.64	778 863	0.33
Holding company	1	0.01	16 775 627	7.06
Individuals	6 291	78.45	15 900 311	6.69
Insurance companies	46	0.57	17 352 759	7.30
Investment companies	39	0.49	22 846 812	9.62
Medical aid schemes	14	0.17	533 182	0.22
Mutual funds	221	2.76	57 173 871	24.07
Nominees and trusts	758	9.45	9 019 033	3.80
Other corporations	53	0.66	274 885	0.12
Private companies	148	1.85	1 054 727	0.44
Public companies	9	0.11	41 870	0.02
Repurchased shares	2	0.03	27 698 875	11.66
Retirement funds	240	2.99	56 073 957	23.61
	8 019	100.00	237 538 277	100.00

Shareholder analysis *continued*

Stock exchange performance during the past six years

	2008		2007		2006		2005		2004		2003	
	Ordinary	Participating preference	Ordinary	Participating preference	Ordinary	Participating preference	Ordinary	Participating preference	Ordinary	Participating preference	Ordinary	Participating preference
Market value per share (cents)												
– at year end	3 700	3 600	4 478	4 200	2 550	2 250	1 555	1 538	1 105	1 125	820	750
– highest	5 600	5 100	5 000	4 500	2 610	2 350	1 725	1 665	1 150	1 150	900	890
– lowest	3 500	3 320	2 350	2 100	1 460	1 385	1 100	1 099	740	680	740	720
Number of shares traded (000s)	14 496	89 796	9 023	68 696	20 079	49 069	18 879	49 903	6 634	23 504	7 604	22 980
Value of shares traded (R'000)	654 634	3 866 991	271 172	1 965 779	398 947	903 016	254 339	649 083	61 880	19 927	61 542	179 560
Total volume traded as % of total issued shares	13.72	37.8	9.28	32.2	20.7	23.1	19.4	23.9	6.8	11.5	7.8	11.4

Shareholder spread

	Ordinary shares				Participating preference shares			
	Number of share-holdings		Number of shares		Number of share-holdings		Number of shares	
		%		%		%		%
Public	3 307	99.73	42 387 086	40.12	8 007	99.86	186 412 344	78.48
Non-public	9	0.27	63 282 045	59.88	12	0.14	51 125 933	21.52

Major shareholders holding 2% or more of the company's listed ordinary shares as at 29 February 2008

	Number of shares	%
Biltron (Pty) Limited	50 630 527	47.91
Venter, WP	8 694 070	8.23
Public Investment Corporation	7 411 052	7.01
Old Mutual	5 013 247	4.74
Altron Finance (Pty) Limited	3 246 469	3.07
Liberty Group	2 942 411	2.78
Investment Solutions	2 233 692	2.11

Major shareholders holding 2% or more of the company's listed participating preference shares as at 29 February 2008

	Number of shares	%
Public Investment Corporation	28 911 738	12.17
Altron Finance (Pty) Limited	27 698 875	11.66
Old Mutual	22 514 038	9.48
Biltron (Pty) Limited	16 775 627	7.06
Liberty Group	14 697 698	6.19
Nedbank Group	13 196 553	5.55
Investment Solutions	9 091 604	3.83
Sanlam	8 969 539	3.78
Venter, WP	6 246 731	2.63
Investec	5 232 303	2.20

Shareholder analysis *continued*

Summarised terms of the participating preference shares

Altron has two securities listed on the JSE Limited (JSE), namely ordinary shares and participating preference shares. The ordinary and participating preference shares, other than in respect of voting, rank *pari passu* for earnings and dividends. The participating preference shares have been classified by the JSE Limited as an "N" share, due to their lower voting rights. Accordingly, both classes of shares must be taken into account when determining the market capitalisation of Altron. The terms of the participating preference shares are summarised below:

Par value (nominal value)

The participating preference shares have a par value of 0.01 cent per share while the ordinary shares have a par value of 2 cents per share.

Earnings and dividends

The participating preference shares rank *pari passu* with the ordinary shares in terms of earnings and dividends.

Voting

Holders of participating preference shares may attend general meetings of the company but may only vote in the following circumstances:

- ▶ Where no dividend on the participating preference shares in respect of any financial year has been declared and paid within six months of the end of the financial year.
- ▶ Upon the winding up of Altron.
- ▶ The resolution before the meeting involves the disposal of the whole or substantially the whole of the undertaking of the company or the whole or the greater part of the assets of the company.
- ▶ The resolution before the meeting directly affects the rights attaching to the participating preference shares.
- ▶ Where dividends remain in arrears and unpaid for more than six months.
- ▶ Otherwise in accordance with Altron's articles of association.

In such circumstances, a holder of the participating preference shares will be entitled on a poll, to that proportion of the total votes of Altron which the aggregate of the nominal value of the participating preference shares held by him bears to the aggregate nominal value of all the shares in Altron.

Holders of participating preference shares are entitled to receive financial statements, notices of general meetings and other reports issued by Altron from time to time.

No resolution for the voluntary winding up of Altron or the creation of shares ranking in priority to or *pari passu* with the participating preference shares may be passed, unless the participating preference shareholders have given their prior consent thereto at a separate class meeting of the participating preference shareholders.

Bonus or capitalisation awards

Holders of participating preference shares are entitled to participate in any bonus or capitalisation issues or other offer of securities made to the holders of the ordinary shares on the basis that, in respect of each participating preference share so held, the holder thereof will be offered or entitled to receive such number of participating preference shares or like securities having the same voting rights as the particular preference shares on a basis and terms relative to each ordinary share.

Distribution of assets

Holders of participating preference shares are entitled to participate in any offer or distribution of assets made by Altron to ordinary shareholders. The offer or distribution in terms thereof in respect of each participating preference share shall be on the basis and terms relative to each ordinary share.

Winding up

Holders of participating preference shares are entitled on winding up to receive out of the surplus assets in priority to the holders of the ordinary shares, payment of the nominal value per participating preference share. Thereafter, once the ordinary shares have received a distribution of the equivalent nominal value per participating preference share, each participating preference share shall rank equally with the ordinary shares in any surplus then remaining.

Variation of rights

The rights attaching to the participating preference shares may be varied only with the prior consent thereto at a separate class meeting of the participating preference shareholders.

Altron corporate governance report

Introduction

From its humble beginnings as a small family owned electronics firm with five employees in 1965, Altron has grown to become Africa's leading diversified high-technology group. It now has an annual turnover exceeding R21 billion, maintains a strong balance sheet, and has more than 14 000 employees in over 150 companies and associates on five continents.

Notwithstanding this exponential growth, Altron has remained a family-centric business with a strong culture of kinship. In fact, the group's success is attributable, in large measure, to the commitment that has come from family ownership and the personal passion and business continuity this has brought. But our growth and success has required more than this: meticulous attention to detail, careful cost control, and prudent stewardship of our capital have all helped create value. At the same time, our flexibility and ability to innovate keep us at the leading edge of technology.

Despite strong family ties and our bias towards entrepreneurship and action, the Altron group ensures that it implements prudent and transparent corporate governance procedures, in line with leading practice both locally and abroad. We are also committed to ensuring that the interests of Altron's management are aligned with those of all its shareholders, and are acutely aware of the need to be accountable to and to communicate more fully with a far broader range of our stakeholders in society.

To this end, our corporate governance report now provides a more detailed account of both the financial and the range of non-financial risks to which the group is exposed. We have also embraced a number of management processes that reflect our commitment to an integrated view of environmental, social and economic considerations that affect, or are affected by, our businesses. Accordingly, since 2005 we have been augmenting and improving the information contained in our sustainability report, to better reflect the Global Reporting Initiative's recommendations on sustainability reporting, as well as our unique operating context in South Africa.

Our ongoing commitment and improvement in respect of triple-bottom-line issues is reflected in two broad-based measures of sustainability performance in South Africa. Since 2004, when Altron first qualified for the JSE's Social Responsibility Investment (SRI) Index, we have incrementally improved our performance and ranking in terms of our

communication to stakeholders on non-financial issues, and our endeavours to influence suppliers and contractors to improve their own non-financial performance. We are also pleased to have improved our ranking (from 33 to 28) and overall score in the second annual Accountability Rating, which assesses South African companies' sustainability practices across the dimensions of strategy, governance, performance management, stakeholder engagement and public disclosure. In 2007 Bytes, our wholly owned subsidiary was voted best annual report in its sector, acknowledging that company's strong management and reporting standards.

Compliance

The requirement to uphold the principles of discipline, independence, responsibility, fairness, social responsibility, transparency and accountability of directors to all stakeholders is 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 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.

Independent rating of compliance with King II

The board is satisfied that Altron has made every practical effort to comply with all material aspects of King II during the review period, and these are reviewed regularly to incorporate changes and developments in this field. Following the internal self-assessment conducted by Altron in 2006 as to its levels of compliance with corporate governance principles and standards, the company engaged Corporate Governance Accreditation (Pty) Limited (CGA) in 2007 to provide an independent corporate governance rating and accreditation of Altron and Bytes. This was successfully completed in 2007, resulting in Altron and Bytes becoming the first companies in South Africa to be independently accredited by CGA, and the only companies on the JSE to be independently rated.

Altron corporate governance report *continued*

Results of independent rating of Altron and Bytes

The CGA-led concept has now been accepted by the Institute of Directors. Further uptake will see the development of a governance index. CGA is a world-first, combining an internal tool with an external verification process, thus enabling a board and its office bearers to be fully informed of their responsibilities and duties. It also provides a transparent window to all shareholders and is a unique platform for full corporate governance accreditation.

All areas of governance are covered by the gap analysis including, board functions, composition, roles and duties; duties and responsibilities of executive and non-executive directors, chairmen and CEOs; board committee governance; risk management, internal and external audit; and the full spectrum of integrated sustainability issues including environmental, social responsibility, ethics, diversity, BBBEE and HIV/Aids issues.

Altron obtained a result of 79% placing it at the top end of the Silver Awards scale (between 65% and 80%) while Bytes achieved a result of 67% thereby also attaining Silver status.

Particular areas that the report highlighted as requiring attention were:

Stakeholder relationships – The disclosure of voting issues by institutional investors and their ability to influence corporate strategy.

Integrated sustainability: – In order of priority, the main area of weakness identified was that of issues relating to corporate ethics.

In response to the CGA process, Altron has run a check on all the items that were noted in the exception report. The two issues noted above are dealt with in the sustainability report included in this document (see pages 51 and 45 to 46 respectively). The company is satisfied that no material issues were identified, and those that were have, for the most part, been dealt with since the report. Altron will again be audited by CGA in June/July 2008 to ascertain to what extent it has improved upon its corporate governance structures and processes.

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 block of persons has unfettered power; and
- ▶ 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 communication and conduct with stakeholders. During 2006 a formal disclosure policy was approved by the Altron board (and subsequently updated in February 2008), 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.

1. Composition

Consistent with the company's board charter, Altron has a unitary board, constituted to both lead and control the company. Of the 14 serving directors, six are independent non-executive directors (ie directors that are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement), one is non-executive and seven are executive directors. During the period under review Ms Barbara Masekela was appointed as an independent non-executive director to the Altron board and Ms Diane Radley resigned as chief financial officer to take up the position of Group Finance Director of Old Mutual SA (Pty) Limited.

2. 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.

The chairman presides over meetings of the board, guiding the integrity and effectiveness of the board governance process. This includes ensuring that no individual dominates the discussion, that relevant discussion takes place, that the opinions of all directors relevant to the subject under discussion are solicited and freely expressed and that board discussions lead to appropriate decisions.

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 by the chairman 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, and this 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 satisfactory 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.

3. 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 a wide range 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. Letters of appointment confirm the terms of their service. Their fees are 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. In this regard the Altron nomination committee is active in annually assessing the performance of those directors standing for re-election and makes formal recommendations to the board and shareholders in this regard.

Altron corporate governance report *continued*

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.

4. Effectiveness of the board

The board evaluates its own effectiveness at least every two years or more often if required by board changes, and underwent a self-evaluation exercise in 2007. The self-evaluation, completed by all 14 board members, examined six areas, the findings of which can be summarised as follows:

- ▶ **Strategy and planning** – generally believed to be clear, understandable and appropriate for the markets in which the group operates. Strategic planning has improved with more interaction between executive and non-executive directors. One suggestion was to focus more on direction and less on 'financials', and for the chief executive's report to review key strategic issues.
- ▶ **Board structure and role** – generally satisfied with spread of talent, effective performance and involvement in major business decisions. While delineation of roles was found to be clear, a recommendation for consideration is the possible reduction of executive representation on the main board, while increasing the non-executive component, preferably with independent non-executive directors. Further recommendations included appointing additional black directors to the board and ensuring a well-articulated succession planning policy for the chairman and the remaining executive directors.
- ▶ **Meeting processes** – found to be excellent, effective and professional. Of concern is the overload of statutory and governance issues, resulting in less time available for business.
- ▶ **Performance monitoring** – generally believed that financial, business and compliance systems are in place and regularly monitored. There is a clear understanding of Altron's business risk, although an annual debate at board level around risk as distinct from at a risk management committee level would be valuable.

▶ **Board and director responsibilities** – members interact highly effectively, board acts in a cohesive and responsible manner. Policies are regularly reviewed and updated.

The chief executive is articulate, attentive and responsive, while the other board members are competent and available when needed for advice.

▶ **Board culture and relationships** – there is a sense of collegiality, minority views are respected and senior management shows sufficient courtesy to the board.

Similar to the board evaluation, Altron's board conducted a committee evaluation (an exercise over and above the self-evaluation exercises conducted by each of the committees earlier in the year). Responses indicated that the various committees function effectively with regard to competency, teamwork, governance and reporting. Areas of weakness included the paucity of independent non-executive directors and black female appointees. Also of concern is the Altron audit committee's oversight of the subholding companies' (both public and private) audit committees which can affect the Altron financial performance. As a result of the recent enactment of the Corporate Laws Amendment Act, the Altron audit committee resolved to assume the role and responsibilities of the Bytes and Powertech audit committees with the latter companies establishing financial review and risk management committees which will report in at both the subholding company and at the Altron audit committee level.

The areas of non-compliance identified by the board are receiving attention and where appropriate have been remedied.

5. 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 and sponsor, which includes a briefing on their fiduciary and statutory duties (including without limitation the JSE Listings Requirements) 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 in laws and regulations affecting the group or its businesses and professional and skills training. During 2007, Nigel Payne a

director of the JSE and several other listed entities presented a seminar to the group's directors entitled "Leisurenet – lessons to be learnt".

The group company secretary is responsible for the functions specified in section 268(G) of the Companies Act, of 1973 (as amended) (the Act). All meetings of shareholders, directors, and board sub-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.

6. Board meetings

A minimum of four board meetings and two strategic sessions are 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. The accompanying table details the attendance by each director at board and strategic meetings during the year under review:

Attendance at meetings

Director	Board				Strategy	
	2007			2008	2007	
	May	Aug	Oct	Feb	Aug	Nov
Dr WP Venter (chairman)	✓	✓	✓	✓	— ³	✓
RE Venter	✓	✓	✓	✓	✓	✓
MC Berzack	✓	✓	✗	✓	— ³	✓
N Claussen	✓	✓	✓	✓	✓	✓
PMO Curle	✓	✓	✓	✓	✓	✓
MJ Lamberti	✓	✓	✓	✗	— ³	✓
MJ Leeming	✓	✓	✓	✓	— ³	✓
Dr PM Maduna	✓	✓	✓	✓	— ³	✓
BJM Masekela	— ¹	— ¹	— ¹	✓	— ¹	— ¹
JRD Modise	✓	✓ ²	✓	✓	— ³	✓
PD Redshaw	✓	✓	✓	✓	✓	✓
Dr HA Serebro	✓	✓	✓	✓	— ³	✗
CG Venter	✗	✓	✗	✓	✓	✓
PL Wilmot	✓	✓	✓	✓	— ³	✓

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

¹ Appointed to the Altron board on 1 February 2008.

² Participated by way of teleconference.

³ This strategy session excludes the non-executive director component of the board including the office of the chairman.

Altron corporate governance report *continued*

7. 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 May 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, in conjunction with the board, elected by the members of each committee and hold office for not more than five consecutive years, unless sound reasons cause the nomination committee and the board to determine otherwise.

7.1 Executive committee

- ▶ **Members** – Robert Venter (chairman), Craig Venter, David Redshaw, Norbert Claussen, Peter Curle and Onkgopotse Tabane. The chief financial officer is also a member of this committee, but this position is currently vacant. The executive structure appears on page 10 to 11.
- ▶ **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.

7.2 Audit committee

- ▶ **Members** – Peter Wilmot (chairman), Mark Lamberti, Mike Leeming and Jacob Modise.
- ▶ **Composition and proceedings** – both the 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 determines and carefully monitors the use of the external auditors for non-audit related services, and is guided by a formal policy that precludes the external auditors from providing 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; and
- 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.

The permitted and/or qualified non-audit-related services which the external auditors are permitted to render to Altron include:

- tax compliance services in relation to and for and on behalf of Altron;
- assurance-related work, but excluding implementation consulting work which results in an impairment of the external auditors' independence, and
- opinion work not relating to or associated with any of the prohibited services referred to above;

provided, however, that the Altron audit committee must preapprove any proposed contract with the external auditors for the provision of such permitted and/or qualified non-audit related services to Altron and provided further that these permitted and/or qualified non-audit related services do not exceed 10% of the total Altron group audit fee agreed by the Altron audit committee for the financial year in question.

Services rendered by the external auditors during the period under review, and preapproved by the audit committee (within the financial parameters prescribed by the 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 among others:
 - considering and nominating to the board, the appointment and/or termination of the external auditors, including their independence and objectivity;

- determining the audit fee of the external auditors;
- considering and setting mandatory term limits on the period the lead audit partner of the external auditors 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; and
- reviewing interim 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 by management and to other users of financial information
- discussing any problems and reservations arising from the year end audit and any related matters that the external auditors may wish to discuss.

Self-assessment exercise

Following the self-assessment exercise conducted in 2007, the recommendations whereof were reported on in the 2007 annual report, the audit committee has:

- ▶ convened a third audit committee meeting annually to update members on changes in accounting standards and other emerging issues such as, among others, the audit committee and auditor requirements prescribed in the Corporate Laws Amendment Act and the proposed Companies Bill;
- ▶ endorsed management's decision to appoint Deloitte Tip-Offs Anonymous – a dedicated and independent whistleblowing programme, which has proved successful to date;
- ▶ reviewed the proposed amended Altron group code of conduct, as well as satisfied itself that executive management regularly monitors compliance with the code;
- ▶ endorsed management's decision to implement Project Everest, which has had the effect of measuring the group's financial performance in real time and against budgets; and

- ▶ made recommendations to Altron's subholding companies' audit committees regarding their composition with specific reference to the proposals contained in the Corporate Laws Amendment Act.

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

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

Attendance at meetings

Members (and invitees)	Audit		
	2007		2008
	May	Oct	Feb
PL Wilmot (chairman)	✓	✓	✓
MJ Lamberti	✗	✓	✓
MJ Leeming	✓	✓	✓
JRD Modise	✓	✓	✗
N Claussen	✓ ¹	✓ ¹	✓ ¹
PD Redshaw	✗ ¹	✗ ¹	✗ ¹
CG Venter	✗ ¹	✗ ¹	✓ ¹
RE Venter	✓ ¹	✓ ¹	✓ ¹

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

¹ Attends by invitation and is not a member of the audit committee.

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 accountable to the chief financial officer on day-to-day matters.

The external auditors and the head of internal audit attend Altron's annual general meeting to answer any queries raised by stakeholders.

Reappointment of independent auditors

At an Altron audit committee meeting held on 28 February 2008, the committee considered the independence of the external auditors KPMG Inc in accordance with section 270A of the Corporate Laws Amendment Act. In assessing the independence of the external auditors, the audit committee satisfied itself that KPMG Inc:

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- ▶ does not hold a financial interest (either directly or indirectly) in Altron;
- ▶ does not hold a position, either directly, or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of Altron;
- ▶ is not economically dependent on Altron, having specific regard to the quantum of the audit fees paid by Altron and its subholding companies to KPMG Inc during the period under review in relation to its total fee base;
- ▶ does not provide consulting or non-audit services to Altron or its subholding companies which fall outside of the permitted or qualified non-audit-related services as specified in the policy for the use of the external auditors for non-audit-related services and which could compromise the external auditors' independence (see page 119 of the financial statements); and
- ▶ including the individual registered auditors who undertake the audit, do not have personal or business relationships of immediate family, close relatives, partners, either directly or indirectly, with Altron and its subholding companies.

Accordingly, the Altron audit committee is satisfied that KPMG Inc is independent as contemplated by South African independence laws and the applicable rules of the International Federation of Accountants (IFAC), and nominated the reappointment of KPMG Inc as registered auditors for the 2008/9 financial year. On 29 February 2008, the Altron board, subject to shareholder approval, re-appointed KPMG Inc and Mr MCA Hoffman, as the independent registered audit firm and individual registered auditor of Altron respectively.

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 119 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, reported fraud remained at six incidents over the reporting period, but representing a threefold increase in net loss (net of recovery) to nearly R1.2 million compared to the previous year. Incidents of theft reduced from 77 to 59, but the net loss almost doubled to R3 million for the year compared to the 2007 financial year. An aggressive drive to reinforce 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 further strengthened 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 increased from one in the previous year to seven, break-ins increased from four to six, while armed robberies increased from seven incidents in the previous year to 11. The total net loss from all incidents (internal and external) doubled to R5 million compared to the previous 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.

7.3 Remuneration committee

- ▶ **Members** – Jacob Modise (chairman), Myron Berzack, Peter Wilmot, Mark Lamberti and Dr Bill Venter.
- ▶ **Composition and proceedings** – the committee comprises a majority of independent non-executive directors. Robert Venter (chief executive) has right of attendance at committee meetings and the 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 inline with the Altron remuneration philosophy.

Self-assessment exercise

During 2007, the committee conducted a self-assessment exercise to review its functioning and effectiveness. 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 continue to address succession planning throughout the group in the next financial year.

In making improvements, the committee has:

- ▶ satisfied itself that the remuneration packages of its senior executives are market related. Several independent consultants are used to benchmark these packages;
- ▶ confirmed that the levels of funding of the Altron Group Pension Fund and Altron Medical Aid are adequate and appropriate;
- ▶ agreed that non-executive directors should not be awarded share options as this could compromise their independence vis-à-vis the company;
- ▶ reconsidered the methodology of payment of non-executive directors' fees by looking at introducing an attendance fee component as opposed to solely a retainer; and
- ▶ reconstituted the committee so that a majority of its members are now independent non-executive directors.

Attendance at meetings

Members (and invitees)	Remuneration	
	2007	2008
	May	Feb
JRD Modise (chairman)	✓	✓
MC Berzack	✓	✓
MJ Lamberti	— ²	✓
Dr WP Venter	✓	✓
PL Wilmot	✓	✓
RE Venter	✓ ¹	✓ ¹

¹Has right of attendance but is not a member of the audit committee.

²Appointed to the Altron remuneration committee on 8 August 2007.

For further details on the remuneration of Altron's executives see the remuneration report on page 108.

7.4 Risk management committee

- ▶ **Members** – Mike Leeming (chairman), Norbert Claussen, David Redshaw, Dr Harold Serebro, Onkgopotse Tabane, Craig Venter, Robert Venter and Peter Wilmot.
- ▶ **Composition and proceedings** – the committee has two scheduled meetings each year and met twice during the year under review.
- ▶ **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 then decide on its acceptability. 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.

Self-evaluation exercise

The risk management committee conducted a self-evaluation exercise during 2007. 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 health and safety, 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 fraud hotline.

Areas addressed consequent to the evaluation, included:

- ▶ increased the number of independent assurers the group engages with to verify risks ie:
 - MS Alexander & Associates and PricewaterhouseCoopers – environmental
 - CGA – Corporate Governance
 - Aurum Institute for Health Research – HIV/Aids
 - Empowerdex – BBBEE

Altron corporate governance report *continued*

- ▶ bolstered the internal audit department to now include production and environmental audits, as well as statutory audits on the secretarial records;
- ▶ improved and drafted guidelines on business and IT continuity including where the responsibilities lie;
- ▶ established a reputable independent fraud hotline with Deloitte; and
- ▶ adequately reported to stakeholders on the group's material risks as contained in the 2007 Altron annual report.

Attendance at meetings

Members (and invitees)	Risk	
	2007	
	April	Oct
MJ Leeming (chairman)	✓	✓
PL Wilmot	✓	✓
N Claussen	✓	✓
OJJ Tabane	— ¹	— ¹
PD Redshaw	✓	✗
Dr HA Serebro	✓	✓
CG Venter	✓	✓
RE Venter	✓	✗

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

¹ Appointment to the risk management committee on 1 March 2008.

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 during the review period included:

- ▶ Eskom's electricity supply constraints and load shedding;
- ▶ human capital ie skills shortages in certain areas of the business;
- ▶ performance of subholding companies and future growth opportunities;
- ▶ RSA dependency versus offshore exposure;
- ▶ management structures;
- ▶ progress in relation to broad-based black economic empowerment;
- ▶ dependence on Powertech/Aberdare Cables;
- ▶ capacity constraints;
- ▶ security of supply of key raw materials; and
- ▶ political risk.

Several of the risks identified in the list above are described in detail in the sustainability report, included within the pages of this document. Those not dealt with in the sustainability report are summarised hereunder:

Eskom's electricity supply constraints

The group has been preparing for standby power in many of its businesses over the last few years and the necessary alternative power supplies have, for the most part, been installed. At the same time the power crisis has created opportunities and resulted in demand from businesses for standby power solutions. In this regard the newly acquired IST business in Powertech and Powertech Batteries, as well as the newly established Powertech Energy Solutions business, have played a major role in providing alternative power solutions with meaningful orders received to date.

This risk is dealt with more comprehensively in the sustainability report.

Human capital

The exodus and shortage of key skills within the South African economy has necessitated the group initiating several projects to attract, motivate and retain key skills. Again, this risk is dealt with more comprehensively in the sustainability report.

Performance of sub-holding companies

In recent years, the Altron group has been growing off an extremely high profit base which has placed pressure on the group going forward in terms of growing its businesses organically. As a result thereof, this has necessitated the group considering strategic acquisition opportunities in order to sustain the high profit base. Key acquisitions concluded recently include among others a controlling interest in three subsidiaries of the Sameer ICT Group within Altech, IST Group (Pty) Limited and ABB's 50% stake in Powertech Transformers within Powertech and several acquisitions within the Bytes group.

RSA dependency versus offshore exposure

The group has mitigated against its high dependency on the South African economy by pursuing a policy of offshore expansion into niche sectors where the group has extensive experience. To this end, Bytes and Altech have concluded a number of offshore acquisitions, while the group's export performance is driven by a dedicated export council.

The group has set a target of generating 25% of its revenue offshore, either through exports or its international operations. During 2007, offshore revenue accounted for approximately 23% of the group's total revenue, which translated to an operating profit (excluding exports) of approximately R211 million (11%).

Management structures

One of the risks posed to the group is the lack of depth of resources at the senior management level. Aside from placing pressure on the incumbents, the risk to the group is the probability of the incumbent failing to identify business, strategic or financial risks as a result of not having two sets of eyes to cast over the respective area of responsibility.

The group is mindful of this risk and the succession planning policy has been designed around addressing this facet of the business.

Broad-based black economic empowerment

The need to comply with among others the dti's Codes of Good Practice has become a business and economic imperative for conducting business in South Africa. This section is dealt with more comprehensively in the accompanying sustainability report.

Dependence on Powertech

During the past two financial years, the Powertech group has been responsible for contributing in excess of approximately 50% of Altron's profits. The board has identified this as being a risk to the sustainability of the group, given among others the cyclical nature of businesses within particular sectors. This risk has to some extent been mitigated against by concluding certain key acquisitions throughout the group during the period under review. These have included inter alia the acquisition by Altech of a controlling interest in three subsidiaries of the Sameer ICT Group in Kenya and the acquisition by Powertech of the IST Group (Pty) Limited and ABB's 50% shareholding in Powertech Transformers.

Capacity constraints

With risk comes opportunities and the Altron group has been instrumental in capitalising on opportunities in depressed and underdeveloped markets. However, this has placed pressure on the group to deliver products and services in real time and according to stringent deadlines. In turn this has translated

to capacity constraints in being able to deliver the end product or services to the customer within the specified deadlines. The group has combated this risk by investing heavily in increasing capacity in recent years, particularly within its manufacturing operations, including developing and retaining key skills as referred to under the section entitled human capital above.

Security of supply of raw materials

This risk is particularly relevant to the Powertech group of companies. Powertech mitigates this risk by developing relationships with key suppliers, identifying alternative sources of supply as well as continuously improving its supply chain management, logistics and distribution network. Powertech has also ensured its costs are controlled in its manufacturing processes to enable it to remain competitive.

Political risk

South Africa is currently in a period of political transition. The uncertainty which inevitably accompanies change is in itself an operational risk for the group's businesses, particularly with regard to relationships with offshore principals and suppliers, as well as general confidence in the country's economy.

7.5 Nomination committee

► **Members** – Dr Penuell Maduna (chairman), Myron Berzack, Mike Leeming and Dr Bill Venter.

► **Composition and proceedings** – The committee comprises a majority of non-executive directors and was established during 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.

Altron corporate governance report *continued*

► **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 has been finalised and is being implemented throughout the group. The committee also makes recommendations to the board on the suitability of directors due to retire by rotation being put forward for re-election at the annual general meeting.

Attendance at meetings

Members (and invitees)	Nomination
	2007
	August
Dr PM Maduna (chairman)	✓
MC Berzack	✓
MJ Leeming	✓
Dr WP Venter	✓
RE Venter	✓ ¹

¹Has right of attendance but is not a member of the nomination committee.

7.6 Transformation committee

- **Members** – this is a subcommittee of the Altron executive committee. Transformation champions representing each subholding group sit on the Altron transformation committee.
- **Composition and proceedings** – the transformation committee was established five years ago and has continued to drive economic transformation and broad-based black economic empowerment across the group.
- **Role** – following the successful transition from Vision 2010 to Vision 2012, whereby the blueprint for transformation within Altron was updated to include the new dti Codes of Good Practice (the Codes) into the company's strategic transformation objectives, 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.

Despite the ongoing uncertainty at government level between the validity of the industry sector charters and the Codes, the committee nonetheless 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 2012 document with the Codes as well as with relevant sectoral charters; and
 - determining a strategy and road map for future compliance by the group with the Codes and other broad-based black economic empowerment legislation.
- While the company is guided by this legislation, it has set itself its own internal strategic transformation goals, which it believes best serve the future sustainability of the Altron group.

CORPORATE CODE OF CONDUCT

The Altron code of conduct 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.

This code was reviewed by the Altron audit committee in February 2008 and was amended to bring the same in line with best business and corporate governance practices.

ETHICS CAMPAIGN

During 2006/7 Altron launched a prominent group-wide campaign designed to re-emphasise and facilitate understanding of the ethical values that underpin the Altron code of conduct. The campaign emphasised 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 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.

COMMUNICATING WITH SHAREHOLDERS AND INVESTORS

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 among others providing timeous, accurate announcements and circulars to shareholders in accordance with the JSE Listings Requirements. In addition, regular contact with domestic and international institutional shareholders and analysts is maintained through investor road shows, 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. In 2007 an analyst presentation was held at Bytes in Midrand and visits were undertaken to other group subsidiaries.
- ▶ Our management team hosts, together with our sponsor Investec, bi-annual presentations in Cape Town and Johannesburg to afford fund managers an opportunity to interact with management.
- ▶ During the year the management team undertakes UK roadshows to present to potential international investors.
- ▶ Our chief executive and chief financial officer also attend various 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 executive and chief financial officer in order to assist analysts with strategic and financial aspects of the business.

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 poll 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 Engagement section on page 49.

SHARE DEALINGS

Altron and its subholdings have approved written policies on directors' dealings in securities. These require all relevant directors who wish to deal in Altron or its 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 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 or printed notices advise staff of imminent closed periods. During these periods, the group's directors (including associates), officers and employees may not deal in the securities of Altron or Altech as the case may be. Additional closed periods are enforced, when required, in terms of corporate activities.

Remuneration report

Remuneration report

Altron's approach towards remuneration aims to ensure that an appropriate balance is achieved between the interests of shareholders and providing attractive and appropriate remuneration packages to executives. The remuneration practices of the group have been structured to be competitive in the rapidly evolving industry in which we operate and to ensure that the group can attract, motivate and retain the high calibre of people with above industry average ability and leadership potential needed to effectively run the group and its subsidiary companies.

With effect from 1 March 2007, the Altron group adopted a total cost of employment (TCOE) philosophy for all salaried employees as opposed to the cash package approach adopted in prior years. In essence this means that salary and bonus increases expressed as a percentage are based on TCOE as opposed to the cash element only.

REMUNERATION PHILOSOPHY AND POLICIES

Altron's philosophy is to set appropriate remuneration levels to attract, retain and motivate the calibre of directors and executives needed to run the group and its subsidiaries successfully, while aligning their interests with those of shareholders over the short, medium and long term. The overall philosophy is to ensure that executive directors are fairly rewarded for their individual contribution to the group's operating and financial performance in line with its corporate objectives and business strategy, and that this reward is aligned with industry and market benchmarks.

The group policy for each executive director prescribes a remuneration package based on TCOE. This is made up of a cash portion, an ability to earn a cash bonus, long-term incentives through participation in share incentive schemes or similar instruments, pension contributions, medical aid benefits and optional benefits.

The objective is to establish a level of guaranteed pay that is competitive with the upper quartile level for similar companies. The variable element, in particular the short-term incentives, is intended to provide superior general pay opportunities based on overall corporate performance, as well as individual reward for individual performance.

Long-term incentives have been based on multiples of TCOE and are structured to align with shareholders' interests.

These policies and practices are regularly reviewed. Altron keeps abreast of and is guided by international best practice benchmarks with regard to executive remuneration (such as those contained in, among others, the Association of British Insurers (ABI) Guidelines on Executive Remuneration Policies and Practices).

Membership

The remuneration committee is comprised mostly of independent non-executive directors and is chaired by Jacob Modise (independent non-executive). Other members are Mark Lamberti, Myron Berzack, Peter Wilmot and Altron chairman, Dr Bill Venter. The latter appointment is consistent with the changes made to the 2003 Combined Code (UK) which allows the chairman of the company to sit on the remuneration committee.

The chief executive has right of attendance at meetings unless deemed inappropriate and the chief financial officer attends meetings by invitation, but neither participates in discussions on their own remuneration.

The group company secretary, Andrew Johnston, acts as secretary to the remuneration committee.

Terms of engagement – chairman and other non-executive director members

The board annually assesses the composition of the committee to ensure that it continues to operate effectively, and on the recommendation of the nomination committee re-elects members at the first board meeting following the annual general meeting. The chairman of the committee is appointed by the members of the committee in conjunction with the board and holds office for five consecutive years whereafter he/she is obliged to step down from the position unless the board believes it appropriate for the chairman to remain in office beyond his/her initial term.

The current chairman, Jacob Modise, was appointed as chairman of this committee on 1 February 2006.

Composition and proceedings

The committee meets bi-annually, unless additional meetings are required. During the review period, the committee met twice.

Role

The committee operates under a board-approved mandate and terms of reference, updated in the prior period and aimed at:

- ▶ ensuring that Altron's directors and senior executives are fairly rewarded for their individual contributions to group performance. Packages are structured to be competitive with the upper-quartile level of peer companies and market benchmarks, in order to attract, motivate and retain the high calibre of skilled professionals the group requires to ensure its continued success, and to compete both locally and internationally;
- ▶ ensuring that Altron's remuneration strategies and packages, including short- and long-term incentive plans, are based on performance and are appropriately competitive;
- ▶ recommending the level of non-executive directors' fees to the board, after receiving input from the executive directors and market surveys, for ultimate approval by shareholders;
- ▶ balancing the interests of shareholders with the financial and commercial viability of the group; and
- ▶ scrutinising all other benefits and other financial arrangements to ensure they are justified, market-related and disclosed in a transparent manner.

Altron's listed subsidiary, Altech has its own remuneration committee which reviews and recommends remuneration and related awards for its executive directors and senior management, to the Altech board and within the parameters of group policies. Remuneration packages of those executives of Altech, Bytes and Powertech who are also members of the Altron executive committee, are, once determined at the subholding level, submitted to the Altron remuneration committee for noting and confirmation.

Self-evaluation

During the period under review, the committee resolved to conduct self-assessment exercises into its effectiveness every other year as opposed to annually.

The committee believes it has provided adequate disclosure to shareholders, characterised by substance over form. It is satisfied that performance-related elements of remuneration constitute a large proportion of total remuneration packages, that the remuneration levels determined by the committee are sufficient to attract, motivate and retain senior executives of Altron, and that it has established a formal and transparent policy and procedure for determining executive director remuneration.

Areas for improvement identified as a result of the 2007/8 self-evaluation included the need for ongoing training on remuneration best practices and trends. With the ever-changing dynamics of the global economy and shifting employee expectations, training will assist the committee in dealing with and negotiating increasingly complex, performance-driven reward packages. During the review period the committee were regularly appraised on recent trends regarding senior executive pay practices and received frequent articles and updates on, among others, policy and practice affecting non-executive directors' remuneration, international remuneration trends and practices and remuneration committees, including the governance thereof.

A further consideration identified by the remuneration committee as a result of the self-evaluation exercise conducted in 2007, included the need to continue to focus on succession planning throughout the group. During the review period a formal policy on succession planning was adopted by the board, and a diligent exercise conducted at both Altron and each of its subholdings to identify at least two potential successors for each key executive and senior manager position throughout the group. This process is reviewed bi-annually and has been made a standing item on each nomination committee meeting agenda.

Service contracts

Executive directors are subject to Altron's standard terms and conditions of employment where notice periods are between 30 and 60 days. In line with the provisions of the Companies Act of 1973 (as amended), group policy prevents any director from being compensated for loss of office.

Advisors

The committee regularly consults with a range of external independent advisors on market information and remuneration trends as well as other advice necessary to fulfil its responsibilities. These include among others, 21st Century Business and Pay Solutions, The Hay Group, and PE Corporate Services SA (Pty) Limited. In addition, the committee frequently reviews remuneration and board best practice reports published by Spencer Stuart and PricewaterhouseCoopers. It also considers the views of the chief executive, Robert Venter, on the remuneration and performance of his colleagues on the Altron executive committee.

Executive directors' salaries

The remuneration committee reviewed and revised the TCOE packages of executive directors at its meeting in February

Remuneration report *continued*

2008. The packages of executive directors were compared to a market information survey on companies of similar size and structure and adjusted to reflect levels compared to the upper-quartile segment of the survey.

Altron follows the provisions of the King Code of Corporate Practices and Conduct relating to executive directors' remuneration, and is further guided by the ABI Guidelines on Executive Remuneration Policies and Practices. The overarching principles that the remuneration committee has applied during 2007 towards executive remuneration, and those which it intends to continue applying, are as follows:

- ▶ To ensure remuneration drives the overall key business strategies and create a strong, performance-orientated environment, so as to align the interests of management with the interests of shareholders.
- ▶ To provide a competitive remuneration package in the upper-quartile of the market taking into account appropriate benchmarks such as market rates of executives of companies of a similar size and scope to attract, motivate and retain the exceptional quality individuals the group requires to sustain its growth.
- ▶ To use such benchmarks and comparisons with caution, recognising the risk of an upward ratchet of remuneration levels with no corresponding improvement in performance.
- ▶ To make a significant percentage of potential maximum reward conditional on both short-term and long-term performance. These rewards include an annual bonus plan and share-based incentives, ie conditional rights, in order to align the executive directors' interests closely with those of the shareholders.
- ▶ To establish an appropriate balance between fixed and variable remuneration which is based on targets that are relevant, verifiable and stretching.
- ▶ To take into account pay and employment conditions elsewhere in the group, especially in setting annual salary increases.
- ▶ To actively seek to understand shareholder preferences as it pertains to remuneration and disclosure thereof.

Annual incentive plans

Executive directors and Altron executive committee members participate in an annual bonus plan that rewards the achievement of group and subsidiary financial performance, as well as strategic and personal performance objectives agreed with the Altron chief executive. All objectives are approved beforehand by the remuneration committee. Under this plan, the chief executive may earn a bonus of up to 75% of his

TCOE. Other executive directors and executive committee members may earn between 45% – 65% of their TCOE.

Group and subsidiary financial performance targets include:

- ▶ headline earnings per share growth;
- ▶ return on net assets;
- ▶ return on equity; and
- ▶ cash generation.

These targets vary according to individual company needs. In all cases, 60% of the bonus is based on financial objectives with the balance relating to strategic and personal performance, benchmarked against identified and predetermined key performance indicators.

These key performance indicators include responsibility for, among others:

- ▶ **Group strategy** – driving and implementing it, monitoring progress and ensuring all executives are aligned to it;
- ▶ **Performance management** – instilling a performance and “familiness” culture;
- ▶ **Growth** – driving the growth strategy into new market segments and geographical areas; and
- ▶ **Succession planning and talent management** – identifying new and skilled/semi-skilled talent for the business and maximising existing talent, all while being mindful of succession planning throughout the group and managing the transformation agenda.

During February 2008, the remuneration committee resolved that in respect of the 2008/9 financial year 70% of the executive committee members' performance bonuses will be based on financial objectives, with 30% relating to the attainment by each member of certain predetermined key performance indicators. It is envisaged that between 10% – 20% of the 30% discretionary component will be assigned to the achievement of predetermined broad-based black economic empowerment targets for each executive's area of responsibility.

At its meeting in May 2007, the remuneration committee reviewed the performance of executives participating in the bonus plan against their agreed targets. Within these parameters, and subject to meeting the noted criteria, bonuses were approved. Performance measures are stringently monitored and penalties imposed in cases where targets are missed.

Share option schemes

As a vehicle for linking reward to executive performance over the longer term, Altron's share option scheme grants options to all senior employees within Altron, Bytes and Powertech. Grants

have historically been made annually to maintain an overall cap of 8.5 x base salary for the chief executive and 6.5 – 7.5 x base salary for Altron executive committee members. As a result of adopting TCOE, the aforesaid multiples have been reduced to 7 x TCOE for the chief executive and 5.3 – 6.4 x TCOE for Altron executive committee members. Share options and conditional rights granted under the current scheme may be exercised after three years and vest in equal tranches in years 3, 4 and 5. These options and conditional rights lapse after a six-year period. The share option scheme includes options granted under a previous scheme which is in run-off and has an expiry period of no later than 2012. Additional options or conditional rights, based on both corporate and individual performance, may be granted annually to ensure that the multiple of TCOE parameter reflects increases in TCOE.

The salient features of the conditional rights scheme include awarding eligible participants' rights to acquire shares subject to meeting future vesting conditions. Each conditional right will have an award price equal to the closing price of a share on the day preceding the award of that conditional right. The vesting conditions attaching to conditional rights will be specified in advance, and the conditional rights only vest based on meeting the vesting conditions, namely the achievement of preset performance targets. These targets relate to headline earnings per share growth.

The quantum of shares that can be acquired may vary, depending on the extent to which performance targets are met.

If a participant ceases to be an employee as a result of his resignation or dismissal on the grounds of misconduct, poor performance or breach of his employment contract, all conditional rights (both vested and unvested) awarded to the participant will lapse with immediate effect.

Pensions

During the year, the relevant group companies made contributions for executive directors to the Altron group pension fund. The rate of contribution is 12%, based on the pensionable salary of these individuals. The value of contributions for each executive director appears in the summary of directors' emoluments on page 112.

None of the non-executive directors of Altron contributed to any group pension fund during 2007 or had any accrued pension fund benefits in the Altron Group Pension Fund at 29 February 2008.

At its meeting in February 2008, the remuneration committee assessed the levels of funding of the Altron Group Pension

Fund and Altron Medical Aid and satisfied itself that both were solvent and did not pose a risk to any of the group's employees or retirees.

Other benefits

In addition to the benefits which executive directors receive as part of their TCOE packages, they also receive a death-in-service benefit.

Non-executive directors' fees

The fees of non-executive directors are recommended by the remuneration committee, confirmed by the executive director component of the Altron board, and approved by shareholders at the annual general meeting. Fees for the 2007/8 financial year were reviewed and revised in February 2007, with the basic annual non-executive director fee set at R105 000.

Altron's policy on remuneration for non-executive directors is that this should be:

- ▶ fee based;
- ▶ market related (having regard to fees paid and number of meetings attended by non-executive directors of companies of similar size and structure to Altron and operating in similar sectors); and
- ▶ not linked to share price or Altron performance.

Altron non-executive directors do not receive bonuses or share options, recognising that this can create potential conflicts of interest which can impair the independence which non-executive directors are expected to bring to bear in decision-making by the board.

Annual fees for membership of the various committees for the review period were:

Audit committee:	
– chairman	R72 500
– member	R34 000
Nomination committee:	
– chairman	R13 000
– member	R13 000
Remuneration committee:	
– chairman	R55 000
– member	R34 000
Risk management committee:	
– chairman	R55 000
– member	R27 500

Remuneration report *continued*

DISCLOSURE OF DIRECTORS' EMOLUMENTS

Non-executive directors			2008	2007
	Subsidiaries	Altron	Total R'000	Total R'000
Fees for services as directors				
MC Berzack		152	152	137
MJ Leeming		207	207	187
MJ Lamberti		159	159	125
JRD Modise		194	194	175
Dr PM Maduna		118	118	107
DC Mpfu		—	—	50
BJM Masekela		9	9	—
PL Wilmot	353	239	592	520
	353	1 078	1 431	1 301

R'000							2008 Total
	Basic salary	Perform- ance related bonuses (Accrued)	Share option expense*	Allow- ances	Defined contri- bution pension payments	Other benefits	
Full-time directors							
Chairman							
Dr WP Venter	3 409	—	—	120	—	1 648	5 177
Executive							
Dr HA Serebro	1 181	—	—	91	—	—	1 272
RE Venter	4 439	4 331	1 682	108	609	—	11 169
DC Radley	2 723	—	876	140	381	—	4 120
CG Venter	3 407	2 659	1 409	262	459	—	8 196
PD Redshaw	2 930	2 288	2 003	—	424	192	7 837
PMO Curle	1 849	1 232	860	127	264	—	4 332
N Claussen	2 275	2 100	1 037	198	332	—	5 942
	22 213	12 610	7 867	1 046	2 469	1 840	48 045

R'000							2007 Total
	Basic salary	Perform- ance related bonuses (Accrued)	Share option expense*	Allow- ances	Defined contri- bution pension payments	Other benefits	
Full-time directors							
Chairman							
Dr WP Venter	3 249	—	—	120	—	1 947	5 316
Executive							
Dr HA Serebro	1 158	—	—	90	—	8	1 256
RE Venter	3 714	2 875	1 472	120	446	156	8 783
DC Radley	2 411	1 645	783	120	289	25	5 273
CG Venter	2 845	2 020	1 275	262	341	185	6 928
PD Redshaw	2 663	1 832	1 222	—	320	176	6 213
PMO Curle	1 687	998	815	127	202	56	3 885
N Claussen	1 941	1 506	802	198	233	23	4 703
	19 668	10 876	6 369	1 037	1 831	2 576	42 357

*IFRS 2 income statement expense in respect of options granted to directors.

DIRECTORS' OPTIONS

	Entity	Purchase date	Strike price	Balance 1 Mar 2007	Awarded	Lapsed	Exercised	Exercise date	Net gains R'000	Exercise price	Balance 29 Feb 2008	Expiry date
CG Venter	Altech	18/4/2000	12.80	53 178			53 178	24/4/2007	2 951	68.30	—	Apr 10
	Altech	14/3/2002	20.35	37 734			37 734	9/5/2007	1 814	68.43	—	Mar 08
	Altech	31/8/2004	32.25	63 500							63 500	Aug 10
	Altech CRI	15/12/2005	50.99	337 100							337 100	Dec 11
	Altech CRI	22/11/2006	57.75	53 775							53 775	Nov 12
	Altech CRI	21/1/2008	49.00		94 092						94 092	Feb 14
DC Radley	Altron	1/10/2002	7.25	625 267			625 267	22/6/2007 and 3/12/2007	23 743	45.22	—	Oct 12
	Altron	27/7/2004	11.20	134 100		89 400	44 700	31/7/2007	1 551	45.90	—	Jul 10
	Altron CRI	9/2/2006	22.50	477 520		477 520					—	Feb 12
	Altron CRI	22/11/2006	30.75	67 338		67 338					—	Nov 12
N Claussen	Altron	1/10/2002	7.25	19 600							19 600	Oct 12
	Altron	27/7/2004	11.20	115 100							115 100	Jul 10
	Altron CRI	9/2/2006	22.50	466 190							466 190	Feb 12
	Altron CRI	22/11/2006	30.75	151 560							151 560	Nov 12
	Altron CRI	28/2/2008	35.50		46 295						46 295	Feb 14
PD Redshaw	Bytes	14/8/2000	4.50	646 843			646 843	5/8/2007	7 115	15.50	—	Aug 07
	Bytes	26/9/2001	2.90	166 667		166 667					—	Sep 08
	Altron	14/1/2008	6.66	72 609	Conversion						72 609	Sep 08
	Bytes	10/10/2002	3.85	100 000		100 000					—	Oct 09
	Altron	14/1/2008	8.84	43 565	Conversion						43 565	Oct 09
	Bytes	20/8/2004	5.58	477 100		477 100					—	Aug 11
	Altron	14/1/2008	12.80	207 849	Conversion						207 849	Aug 11
	Bytes CRI	15/2/2006	11.56	1 234 000		1 234 000					—	Feb 12
	Altron CRI	14/1/2008	26.54	537 592	Conversion						537 592	Feb 12
	Altron CRI	27/2/2008	35.00		281 500						281 500	Feb 14
PMO Curle	Altech	14/3/2002	20.35	3 334			3 334	23/5/2007	159	68.00	—	Mar 08
	Altech	31/8/2004	32.25	40 000							40 000	Aug 10
	Altech CRI	15/12/2005	50.99	219 460							219 460	Dec 11
	Altech CRI	22/11/2006	57.75	20 232							20 232	Nov 12
RE Venter	Altron	28/6/2000	4.85	534 650			117 900	31/7/2008 and 25/1/2008	4 378	41.98	416 750	Jun 10
	Altron	1/10/2002	7.25	90 734			90 734	25/1/2008	3 338	44.04	—	Oct 12
	Altron	27/7/2004	11.20	368 500			122 833	25/1/2008	3 504	39.73	245 667	Jul 10
	Altron CRI	9/2/2006	22.50	837 360							837 360	Feb 12
	Altron CRI	22/11/2006	30.75	156 186							156 186	Nov 12
	Altron CRI	25/2/2008	35.00		381 457						381 457	Feb 14

CRI – conditional rights.

*PD Redshaw's Bytes share options and conditional rights were converted to Altron participating preference share options and conditional rights as a result of the Bytes scheme of arrangement. These were converted in accordance with the swap ratio of 0.43565.