

About this report

Altron's previous sustainability report was published in its 2008 annual report. This year's report covers the South African operations of Altron and its subsidiaries for the financial reporting period from 1 March 2008 to 28 February 2009. It concentrates on the major operations that contribute most significantly to the Altron group. These include Altech, Altech Card Solutions, Altech UEC, Arrow Altech Distribution, Altech Isis, Altech Autopage Cellular, Altech Netstar, Altech Alcom Matomo, Bytes, Bytes Systems Integration, Bytes Document Solutions, Bytes Specialised Solutions, Powertech, Powertech Transformers, Powertech Batteries, Powertech Calidus, Aberdare Cables, Battery Technologies, Crabtree Electrical Accessories SA, Desta Power Matla, Renergy Technologies and Strike Technologies.

During the period under review, Altech acquired a 51% controlling interest in certain digital network operations of the Sameer ICT Group in Kenya, Powertech acquired the 50% equity interest it did not already own in ABB Powertech Transformers, and Bytes acquired Intellecta and NOR Paper.

Reporting on sustainability issues at these companies is included in this report insofar as policy and governance is concerned. Targets and measurement against indicators will only be available for the next reporting period.

While issues of governance and sustainability are managed at Altron's overseas companies in much the same way as in Altron's local operations, these are not covered in this report. Neither does this report include the social or environmental performance of the group's supply chain partners, other than those issues pertaining to the dti Codes of Good Practice (dti CoGP) regarding preferential procurement as well as the responsibility of waste and recycling with contracted partners. While many individual components qualifying various aspects of sustainability in this report have been assured by external agencies, taken as a whole, this report has not been externally assured.

We have a very developed and mature internal audit department that also performs an important oversight role, as well as making recommendations for continual improvement in a number of important governance indicators across the triple bottom line. While we have sought to present a balanced and factually accurate view of our most material issues, in some areas our systems are not yet complete.

We look to obtain external assurance of this report within the next two years.

Management of sustainability

The diverse nature of Altron's businesses means that the Altron group has a wide range of impacts in various areas of sustainability. These include: the business environment which affects shareholders, customers, suppliers, partners and employees; the South African transformation environment which relates to the dti Codes of Good Practice (dti CoGP); and the natural environment.

The purpose of this report is to examine more closely the impacts which the Altron group has on the environment and the stakeholder groups with which it interacts. It seeks to provide balanced and transparent reporting on the most material sustainability issues affecting the long-term survival and success of the business.

Altron establishes its most material sustainability issues through a number of avenues. The risk management committee identifies strategic risks, reviews their impact, assesses the probability of occurrence and monitors the effectiveness of existing controls. Further to this process, each Altron group company interacts with customers, suppliers, government and regulators, community and environmental interest groups and other stakeholders both during the normal course of business, as well as in the ways described in the treatment of each material issue in this report. Information qualifying the materiality of issues is fed to responsible line management, HR management and environmental officers for the appropriate assessment and response. In October 2008, managers from across the Altron group met to discuss the relative importance of sustainability issues to the group in a process facilitated by sustainability specialists, Trialogue. These form the basis of this report.

Altron risk management Altron categorises sustainability issues into those that affect the entire Altron group and those that affect specific operations. Issues of group-wide relevance are dealt with centrally at group level, while other issues are managed by the operations to which they pertain.

The Altron risk management committee conducts regular appraisals with the relevant parties, providing a link between the operational management and board responsibility of sustainability issues, and ensuring that steps are implemented to identify, evaluate the financial implications of and mitigate the risks associated with these issues. Detailed legal reports are tabled at Altron risk management committee meetings, to which the head of Altron legal is an invitee. The transformation committee chairman reports into the risk management committee, providing information on the group's compliance with B-BBEE requirements. The risk management committee chairman sits on and is a member of the Altron audit committee and provides feedback on any material risks and potential liabilities which may require the making of provisions or the tabling of contingent liabilities in the balance sheet.

The chairmen of the audit and risk management committees table their findings at board meetings, bringing to the attention of the Altron board all material sustainability risks and issues, and highlighting the relevant remedial plans that need to be put into place, as necessary.





Applying this methodology, we have arrived at a range of stakeholder-related issues that include issues that are not strictly sustainability issues as defined by the triple bottom line (social, environmental, or economic) but are nonetheless critical to the sustainability of the business. This report represents therefore an attempt at integrating sustainability reporting into the mainstream consciousness of the business, whereby sustainability issues can stand alongside traditional business issues in terms of importance and management attention.

Guidelines and standards






The following guidelines and standards were consulted in compiling this report:

1. The King Report on Corporate Governance for South Africa – 2002 (King II), forming the basis of Altron's self-evaluation independently verified by Corporate Governance Accreditation (Pty) Limited (CGA), in association with the Institute of Directors (IOD)
2. The JSE SRI (JSE Limited Social Responsibility Investment) Index
3. The Global Reporting Initiative's (GRI) guidelines and indicators (G3 edition), against which Altron declares itself at a C application level
4. The dti CoGP, independently assessed and certified by the rating agency, Empowerdex





Table of material issues and stakeholders affected

<i>Chapter</i>	<i>Material issue</i>	<i>Stakeholders affected</i>	<i>Current status and response</i>
Corporate governance report	 Integration of corporate ethics	Shareholders, employees, customers, suppliers, regulatory bodies	The Altron code of ethics and code of conduct are now aligned with the corporate gifts and entertainment policy, and all donations to political parties have to be approved by shareholders. No donations were made to political parties during the period under review. Refer here . . .
Customers	 Meeting the evolving needs of customers	Customers, shareholders, employees	Our policy is to instil a culture of innovation through rewards and recognition programmes that identify and encourage innovators.
	 Expansion of the customer base	Customers, shareholders, employees	Altron regards the economic downturn as an opportunity to gain market share for the continued sustainability of the business. Foreign revenue and exports equal 25% of total revenue.
	 Customer service	Customers, shareholders, employees	We are improving the accuracy of customer monitoring systems, and the effectiveness of our response to areas of customer dissatisfaction.

	Liberalisation of the telecommunications market	Shareholders and all stakeholders in the value added statement, including government	Following Altech's successful court action, liberalisation of the market has begun and the industry now awaits regulation by ICASA for obtaining access to scarce spectrum for broadband communication services.
	IT risk	Customers, shareholders, employees	Created the Altron Information Management Council to manage inherent IT risk within the organisation.
Partners	Maintaining key agency/principal relationships	Suppliers, customers, shareholders	We are working hard to fulfil our part in agreements where technical resource targets need to be met and generally staying abreast of rapid technological changes.
	Maintaining product quality from outsourced suppliers	Suppliers, customers, shareholders	Quality standards are defined in service level agreements and controls are in place to monitor quality of products against international industry standards.
	Foreign direct imports and dumping	Suppliers, customers, shareholders, government	We constantly research the market to ensure that local supply partners are competitive with best international practice.
Employees	Skills attraction, development and retention	Employees, prospective employees, shareholders, government	Our total investment in skills training during 2008 amounted to R56 million, representing an average of R5 085 per employee.

	<p> Human rights in operations outside of South Africa</p>	Suppliers, partners, distributors	Altron monitors operations in areas vulnerable to human rights abuses to ensure compliance with international human rights standards.
	<p> Health and Safety</p>	Employees, customers	An independent audit is conducted quarterly to monitor health and safety risks throughout the group. No significant accidents or injuries were reported, and there were no fatalities.
	<p> HIV/Aids</p>	Employees, their families and communities related to Altron	Research into the potential risk of HIV/Aids throughout the group showed a prevalence rate of between 5% and 11%. Our policy upholds the rights of all employees to care and protection against discrimination.
Transformation	<p> Transformation at Ownership level</p>	Shareholders and all stakeholders in the value-added statement, including government	The group scored 11.46 out of 20 in terms of Ownership on the dti CoGP (compared with 8.9 last year), and most companies have been brought over the 25.1% B-BBEE ownership threshold.
	<p> Transformation through Management Control</p>	Shareholders and all stakeholders in the value-added statement, including government	Altron scored 2.62 out of 10 for Management Control against 4.4 last year, representing our greatest challenge across the dti CoGP. Board representation has improved this past year.

<p>Transformation through Employment Equity (EE)</p>	<p>Historically disadvantaged employees and all stakeholders in the value-added statement, including government</p>	<p>EE is one of Altron's most difficult transformation challenges and the group currently scores 5.1 out of a possible 15 points for this code (against 4.46 last year). We are driving the implementation of EE plans across the group.</p>
<p>Transformation through Skills Development</p>	<p>Historically disadvantaged employees, prospective employees in the value added statement, including shareholders, government</p>	<p>Altron scores 11.9 out of a possible 15 points for skills development on the B-BBEE scorecard compared to 4.46 last year. High-potential employees are being targeted for career development.</p>
<p>Transformation through Preferential Procurement</p>	<p>Historically disadvantaged suppliers and all stakeholders in the value added statement, including government</p>	<p>Altron scores 14.2 out of 20 for preferential procurement on the B-BBEE scorecard, up from 12.6 last year. Verification of suppliers' B-BBEE status has improved, but more work needs to be done to increase spend on black-owned and black female-owned enterprises.</p>
<p>Transformation through Enterprise Development</p>	<p>Historically disadvantaged businesses and all stakeholders in the value added statement, including government</p>	<p>Altron scores its full 15 points for this element of the scorecard. Altech is addressing challenges in specific companies within its stable.</p>
<p>Transformation through Socio-Economic Development</p>	<p>Communities that relate to Altron, society at large and government</p>	<p>Altron scores its full five points for SED, meeting its target of 1% of NPAT.</p>

	(SED)		
Environment	 Carbon footprint	All stakeholders to the business	PWC contracted to conduct an environmental impact assessment and calculate the carbon footprint of the entire group.
	 Pollution and emissions	All stakeholders to the business	Progress is being monitored at all Powertech operations as well as at other high impact companies in the group by external consultants. There were no significant incidents in the review period.
	 Energy efficiency	All stakeholders to the business	Altron's energy consumption was 115 030 473 kWh. Savings are being made to reduce consumption by 10% without affecting operations, as per the government's electricity rationing plan.
	 Product responsibility	All stakeholders to the business	Several companies with consumer products have assessed the potential impacts of their products and devised solutions to ensure that they do not harm society at large, or the environment at any point in their life cycle.

Value-added statement

for the year ended 28 February 2009

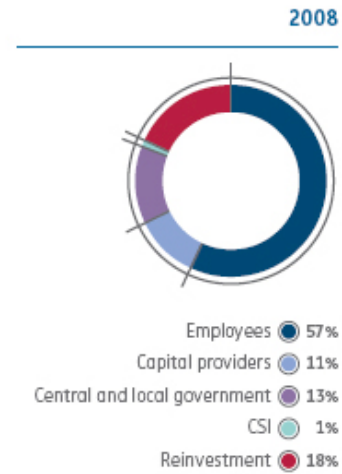
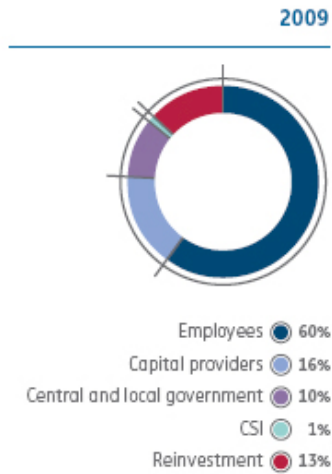
The measure of the value created by the group is the amount of value-added by its diverse manufacturing, distribution and other activities to the cost of raw materials, products and services purchased. This statement shows the total value created and how it was distributed.

	2009		2008	
	Rm	%	Rm	%
Revenue from continuing operations	24 768		21 431	
Paid to suppliers for material and services	(19 068)		(16 299)	
Value added	5 700		5 132	
Income from investments*	187		186	
Total value created	5 887		5 318	
Value distribution				
Employees	3 533	60	3 053	57
Capital providers	937	16	584	11
Finance costs	292		89	
Dividends to Altron shareholders	490		331	
Dividends to minority shareholders in subsidiaries	155		164	
Central and local government	614	10	688	13
Company taxation	505		591	
Secondary taxation on companies	61		54	
Rates and taxes; licences and levies	42		33	
Skills development levy	6		10	
Subsidies granted by the government	–		–	
Corporate social investment (CSI)**	62	1	53	1
Reinvested in the group to maintain and develop operations	741	13	940	18
Depreciation and amortisation	438		272	
Retained profit	345		688	
Deferred taxation	(42)		(20)	
	5 887	100	5 318	100
Value added ratios				
Number of employees***	13 366		12 909	
Revenue per employee (Rand)	1 853 060		1 660 160	
Value created per employee (Rand)	440 446		411 961	
Corporate social investment – percentage of profit after tax	5.4		4.0	

* 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.



GRI index

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

G3	Indicator	Description	Refer
Strategy	1.	Statement from senior decision-maker about the relevance and importance of sustainability to Altron, the overall vision and strategy for the short, medium and long term, particularly with regard to managing the key challenges associated with economic, environmental and social performance	Here . . .
			.
Organisational profile	2.1	Name of the organisation	Here . . .
			.
	2.2	Primary products, brands and/or services	Here . . .
			.
	2.3	Operational structure of the organisation	Here . . .
			.
	2.4	Head office location	Here . . .
		.	
	2.5	Number of countries where Altron operates, and names of countries with major operations relevant to the sustainability issues covered in this report	Here . . .
			.
	2.6	Nature of ownership and legal form	Here . . .
			.
	2.7	Markets served	Here; and
			and

			here . . ±
	2.8	Scale of reporting organisation including: » number of employees » net sales » total capitalisation broken down in terms of debt and equity » quantity of products or services provided	Here; here; here; here; and here . . ±
	2.9	Significant changes in the reporting organisation during period under review	n/a
	2.10	Awards received during the reporting period	Here . . ±
Report scope and boundry	3.1	Reporting period	Here . . ±
	3.2	Date of most recent previous report	Here . . ±
	3.3	Reporting cycle	Here . . ±
	3.4	Contact details for further information about this report	Here . . ±
	3.5	Process for: » determining materiality » process for prioritising topics in the report » identifying stakeholders expected to use this report	Here . . ±
	3.6	Report boundary	Here . . ±
	3.7	Limitations on the scope or boundary of the report	Here . . ±
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities and outsourced operations	Here . . ±
	3.12	GRI table	Current page

Governance	4.1	Governance structure of the organisation	Here . . :
	4.2	Indicate whether the chairman is also an executive officer and, if so, reasons for this arrangement	Here . . :
	4.3	Number of independent and/or non-executive members	Here . . :
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board	Here . . :
	4.14	List of stakeholder groups engaged by the organisation	Here . . :
	4.15	Basis for identification and selection of stakeholders with whom to engage	Here . . :
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	Here . . :
	EC7	Procedures for local hiring and proportion of senior management hired from the local community	Here . . :
	EN10	Percentage and total volume of water recycled and reused	n/a
	EN23	Total number and volume of significant spills	Here and here . . :
	EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	Here . . :
	EN30	Total environmental protection expenditures and investments by type	Here . . :
	LA3	Benefits provided to full-time employees that are not provided to part-time or temporary employees	Here and here . . :
	LA7	Rates of injury, occupational diseases, lost days, absenteeism and fatalities	Here . . :
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist work force members, their families or community members regarding	Here . . :	

		serious diseases	
	LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Here and here . . .
	LA13	Composition of governance bodies in terms of diversity and breakdown of employees per category according to gender and other relevant indicators of diversity	Here . . .

Shareholder analysis

Altron shareholder analysis – compiled by VACO utilising the company's transfer secretaries records as at 27 February 2009

Shareholder spread – ordinary shares

	Number of shareholdings	%	Number of shares	%
1 – 500 shares	1 358	35.10	323 280	0.30
501 – 1 000 shares	775	20.03	639 583	0.61
1 001 – 5 000 shares	1 201	31.04	2 913 771	2.76
5 001 – 10 000 shares	205	5.30	1 530 110	1.45
10 001 – 50 000 shares	236	6.10	5 369 320	5.08
50 001 – 100 000 shares	39	1.01	2 802 907	2.65
Over 100 000 shares	55	1.42	92 090 160	87.15
	3 869	100.00	105 669 131	100.00

Distribution of shareholders – ordinary shares

	Number of shareholdings	%	Number of shares	%
Banks	26	0.67	789 884	0.75
Close corporations	65	1.68	98 800	0.09
Endowment funds	35	0.90	339 198	0.32
Holding company	1	0.03	50 630 527	47.91
Individuals	2 809	72.60	14 619 612	13.84
Insurance companies	24	0.62	6 268 983	5.93
Investment companies	22	0.57	1 191 715	1.13
Medical aid schemes	5	0.13	24 185	0.02
Mutual funds	114	2.95	12 043 786	11.40
Nominees and trusts	487	12.59	2 016 247	1.91
Other corporations	43	1.11	67 421	0.06
Private companies	103	2.66	1 405 771	1.33
Public companies	9	0.23	63 901	0.06
Repurchased shares	1	0.03	3 246 469	3.07
Retirement funds	125	3.23	12 862 632	12.18
	3 869	100.00	105 669 131	100.00

Stock exchange performance during the past six years

	2009		2008	
	Ordinary	Participating preference	Ordinary	Participating preference
Market value per share (cents)				
– at year-end	19.15	19.20	3 700	3 600
– highest	43.90	42.40	5 600	5 100
– lowest	1 830	1 775	3 500	3 320
Number of shares traded (000)	18 506	96 723	14 496	89 796
Value of shares traded (R000)	616 580	2 928 417	654 634	3 866 991
Total volume traded as % of total issued shares	17.51	40.36	13.72	37.8

Shareholder spread – participating preference shares

	Number of shareholdings	%	Number of shares	%
1 – 500 shares	4 344	51.21	668 815	0.28
501 – 1 000 shares	1 122	13.22	880 738	0.37
1 001 – 5 000 shares	1 933	22.79	4 544 975	1.90
5 001 – 10 000 shares	360	4.24	2 649 426	1.10
10 001 – 50 000 shares	434	5.12	9 673 834	4.04
50 001 – 100 000 shares	95	1.12	6 768 581	2.82
Over 100 000 shares	195	2.30	214 471 370	89.49
	8 483	100.00	239 657 739	100.00

Distribution of shareholders – participating preference shares

	Number of shareholdings	%	Number of shares	%
Banks	45	0.54	7 114 163	2.97
Close corporations	89	1.05	157 005	0.06
Endowment funds	73	0.86	1 198 709	0.50
Individuals	6 610	77.92	16 150 701	6.74
Insurance companies	53	0.62	33 853 018	14.13
Investment companies	41	0.48	2 559 201	1.07
Medical aid schemes	12	0.14	304 518	0.13
Mutual funds	210	2.48	70 770 483	29.53
Nominees and trusts	887	10.46	8 125 406	3.39
Other corporations	54	0.64	92 923	0.04
Private companies	148	1.74	12 178 304	5.08
Public companies	10	0.12	54 870	0.02
Repurchased shares	2	0.02	27 704 013	11.56
Retirement funds	247	2.91	59 061 117	24.64
Share trust	2	0.02	333 308	0.14
	8 483	100.00	239 657 739	100.00

2007		2006		2005		2004	
Ordinary	Participating preference	Ordinary	Participating preference	Ordinary	Participating preference	Ordinary	Participating preference
4 478	4 200	2 550	2 250	1 555	1 538	1 105	1 125
5 000	4 500	2 610	2 350	1 725	1 665	1 150	1 150
2 350	2 100	1 460	1 385	1 100	1 099	740	680
9 023	68 696	20 079	49 069	18 879	49 903	6 634	23 504
271 172	1 965 779	398 947	903 016	254 339	649 083	61 880	19 927
9.28	32.2	20.7	23.1	19.4	23.9	6.8	11.5

Customers

Customers are the mainstay of the Altron group and it is a business imperative that the companies understand and respond to their needs, providing them with the latest technologically-advanced products and offering outstanding customer service. Different companies face different customer issues within the Altron group. The most material issues affecting Altron and its operations are:

- » Meeting the evolving needs of customers
- » Expansion of the customer base
- » Customer service
- » Liberalisation of the telecommunications market
- » IT risk
- » Maintaining key agency/principal relationships.

Meeting the evolving needs of customers

The Altron group operates in a rapidly evolving technology sector, and keeping abreast of the latest technological developments is crucial to being able to meet the changing expectations of customers. In most instances the issue is managed at a strategic level by the board and implemented operationally within each Altron group company. Generally, the group's policy is to instil a culture of innovation through rewards and recognition programmes that identify and encourage innovators. Success is measured by tracking customer retention, growth of business per customer and renewal of contracts.

Operations where evolving customer needs are most dynamic include Altech MediaVerge, Altech Isis, Altech NamITech West Africa, Altech Card Solutions (ACS) and various operations within the Powertech stable. The initiatives of each of these operations to meet the changing needs of customers are detailed below.

Altech

Altech's business development is driven by an understanding of customer needs. Each operating company holds formal quarterly or monthly strategic level meetings with customers to determine whether current products meet their requirements and to gauge future needs and mission-critical business challenges.

At monthly operational committee meetings this information is compiled together with each operating company's report on opportunities, challenges and threats, which collectively forms strategic intent going forward. Depending on the nature of the business, each operating company will take a decision to either research and develop their own products, or partner with other companies to deliver on customer needs. When partnering, Altech operations select large, financially-stable and sustainable partners that are at the forefront of their industry. This ensures that they have sufficient R&D budget and expertise to anticipate and respond to changing global technology trends.

Altech measures its success in meeting customers' evolving needs by tracking customer retention, growth of business per customer and renewal of contracts.

- *Altech MediaVerge*
Altech MediaVerge, a division of Altech UEC, is one of the world's leading service providers to the digital broadcast industry, with products deployed across four continents. It relies heavily on innovation to stay ahead of the technology evolution curve.

The most important stakeholders in developing new technology innovations are Altech MediaVerge employees and customers.

Internally the company instils a culture of innovation through a recognition and reward programme that identifies and encourages innovators. Altech MediaVerge also holds formalised 'blue sky' forums that stimulate discussion of ideas and the latest research and industry trends.

Innovative concepts are presented to the General Manager, Head of Product Strategy and UEC CTO and the most promising ones are passed through the various 'stage gates' to operation. Innovators are rewarded whenever one of their projects passes through the various 'stage gates' and are given ownership of leading the project. This allows them to see it through to fruition, which is important for their personal satisfaction.

Technical leaders focus on future trends in a bi-monthly 'Decoding the Future' session, the outcomes of which are filtered through to the quarterly technical architects' innovation forum.

Externally, the company engages with a diverse range of customers and potential customers to gauge their perspective on change and develop an understanding of the next generation of products required to address their needs. Monthly management meetings place specific focus on understanding broad customer requirements and setting clear targets for interaction with industry partners and customers to discuss concept ratification and development.

During the year under review Altech MediaVerge developed a range of innovative new products, including:

- Epsilon Suite – a rapid application development, head-end automation engine and debug suite for interactive broadcast media.
- MediaGate – a kiosk-based, video-on-demand solution. The first customer has been identified and will fund development.

- Royalty-free Middleware
 - Return path solutions
 - Next generation media portal
- *Altech Isis (France & South Africa)*
Fierce competition exists between telecommunications business support systems (BSS) and operational support systems (OSS) suppliers. In addition to implementing the solutions that network operators require, Altech Isis strives to develop a comprehensive understanding of the underlying challenges facing these customers. This helps the company to anticipate future needs. Because the business environment of customers' is also constantly changing, the company also makes every effort to stay informed about technological evolutions and legislative changes that shift the playing field in which customers operate

Altech Isis' acquisition in France in October 2008 resulted in the company being able to combine its customer administration and billing system products into one system, thereby strengthening its market offering in both South Africa and France.

- *Altech NamITech West Africa*
As a manufacturer of recharge mobile phone cards and a service provider to the telecommunications industry in Nigeria, Altech NamITech West Africa focuses on innovative ideas to create new products using existing resources. The demand from customers is for lower costs per denomination, as this will allow them to penetrate the low ARPU customer. To meet this need Altech NamITech West Africa has partnered with material and manufacturing equipment suppliers to run mutually-beneficial joint initiatives that will help reduce costs. In addition, the operation's ability to access cheaper power by tapping into the Nigerian power-grid has also resulted in input-cost savings.
- *Altech Card Solutions (ACS)*
ACS interacts with its partners on a regular basis, providing them with information and feedback pertinent to its local market. Partners take this information into account when developing new technological solutions that will service ACS' customers. During the year the company made a significant investment in its transaction switch solution, to ensure that this meets the financial industry's compliance criteria. The year ahead will see ACS invest in further developments that will provide its transaction switch product with an 'always on' capacity. This is in direct response to the improvement in bandwidth in South Africa and the subsequent demand from customers for such a solution.

ACS executives regularly attend international trade shows and seminars to keep abreast of the latest technologies available. They seek out offerings that are complementary to ACS' existing product range or to its existing customer base.

Powertech

Powertech IST and Powertech Batteries have placed a strong emphasis on continuously improving their technology in order to be able to meet the evolving needs and expectations of customers.

Powertech Batteries' CEO is currently driving a process to modernise technology and the operation has spent R110m to date on its automotive manufacturing facility. The equipment and automotive plant is currently being commissioned, while the last of the industrial equipment has been inspected and will be shipped later in the year. Powertech Batteries is also currently conducting product research to ensure that it complies with future expected requirements from the motor industry.

Although the economic downturn has resulted in a reduced demand on power, Eskom's future capacity to meet demand is not guaranteed. As such Powertech Batteries is in the process of developing transmission and production capabilities in solar and wind energy, and further developing energy efficient technologies, while Powertech IST Otokon and Industrial continue to offer off-gas and heat recovery power generation solutions.

Expansion of the customer base

The health of the Altron group's customer-driven business relies on, among other issues such as customer service, expanding the customer base to increase revenue and decrease over dependency on a small group of customers. This is particularly true during the current tough economic climate. The efforts invested in customer expansion will now not only see the company through the difficult period, but will stand it in good stead when market conditions improve.

The actions in this regard by Altech Netstar and Altech Fleet Management, Altech UEC and Altech Card Solutions are detailed below.

Altech

- *Altech Netstar & Altech Netstar Fleet Management*
Altech Netstar currently owns 40% of the local market share and has various initiatives in place to up-sell to existing local customers. The newly launched Auto-Dialler system allows Netstar to automatically contact all clients two months prior to contract expiration in order to retain their business or up-sell new products to them.

Netstar is also exploring new opportunities for expansion into Brazil. Research shows that the Brazilian vehicle tracking market is largely untapped, and that the vehicle theft profile is similar to South Africa's. Setting up an operation in Brazil will help Altech establish early dominance in this burgeoning market.

Altech Netstar Fleet Management has increased its market penetration from 8% to 15% in 15 months. This is a good example of how smaller acquisitions have consolidated the market space.

- *Altech UEC*
Altech UEC's new market in India has allowed the company to make significant progress on reducing its dependency on MultiChoice SA, its major local customer. During the 6 months since operation began, UEC delivered 700, 000 set-top boxes in India. UEC currently exports to 41 countries.
- *Altech Card Solutions (ACS)*
ACS's expansion into Africa is still in the early stages and it will take time to reap rewards from this slowly evolving market. However, progress is being made and during the year the company approved funding for a personalisation bureau in Lagos, Nigeria.

Powertech

The energy crisis has opened opportunities for Powertech to expand into new renewable energy markets. Rentech is currently a dominant player in the area of photovoltaic systems (producing electricity directly from sunlight). Evidence of this can be found at several intersections in Johannesburg where the traffic lights are run purely on solar energy and batteries - the best known example is Grayston/Rivonia Rd, Sandton. The use of solar power is zero-carbon and it can be used with traditional energy resources to reduce overall carbon footprints.

- *Battery Technologies*
Battery Technologies reduces carbon production by introducing hybrid power schemes to applications running on

Diesel-Electric generators. Using this technology allows such generator systems to run more efficiently and greatly reduces the carbon that they produce. Integrating this with Rentech's solar photovoltaic systems further reduces carbon emissions, as the combination of the two technologies allows freedom to balance the economic/environmental trade-off.

- *Crabtree*
Crabtree's automation product is being actively marketed and is also being developed as an energy-management tool for commercial and industrial application.
- *Aberdare Cables*
During the year Aberdare Cables employed a dedicated market development manager whose sole focus is to expand the business into Africa beyond the SADC region. Particular emphasis will be placed on the mining and oil sectors in Angola and the DRC. Aberdare's office in Hong Kong is now focusing on providing a service to other group companies in addition to providing a sales & marketing service to Aberdare.

Customer service

In the economic downturn, outstanding customer service is a key differentiator of competitiveness. Altron's group companies focus on maintaining a high standard of customer service in order to attract new customers and retain existing ones, but the performance across group companies has been uneven.

Bytes

- *Bytes Document Solutions*
Bytes Document Solutions (BDS) deals with the largest customer base in the Bytes Technology Group, servicing large corporates, smaller businesses and individuals through a direct selling network as well as indirectly through concessionaires and dealers.

Getting regular feedback from these customers is vital to helping BDS maintain its competitive edge and the company conducts monthly customer satisfaction surveys in this regard. An independent consultant makes contact with all customers who have purchased a machine from BDS and gets their feedback on the delivery of the product, the performance of the machine itself, any problems they may have experienced and, where relevant, their experience of dealing with the call centre. This information is compiled in a monthly report provided to the division within BDS that deals with quality control. The information is then summarised and relayed back to staff, providing them on customer feedback trends relating to post-buying, post-service and customer loyalty.

Altech

- *Altech Autopage Cellular*
While Altech Autopage Cellular is rated by Hellopeter.com (an independent portal that logs complaints and compliments) as being similar to its peers in terms of compliments and complaints, the company recognises the need for it to improve on responses to queries relating to billing/accounts as well as feedback to customers. It is working at improving its customer service levels across a number of areas and has placed a strong emphasis on this.
- *Managing the issue*
This issue is given the highest level of attention and the managing director chairs a bi-monthly customer service meeting to review performance and outline strategy for improvement. There is also a daily customer service 'dashboard' which provides a snapshot of service levels, the information from which is relayed through to Exco along with the outcomes of the MD's meetings. Altech Autopage Cellular continued with its Everyone Owns the

Customer (EOTC) policy, the principles of which are reinforced during initial and ongoing training, and through staff meetings.

- Measurement and issues

During the year Altech Autopage Cellular conducted extensive ongoing investigations into the customer complaints trends. Customer service is measured using a service grade derived from how long it takes the call centre to answer calls, and how many calls are abandoned. Areas of concern include network billing errors that result in incorrect charges to customers; Altech Autopage Cellular billing errors due to late migrations and late cancellations; unresolved queries and issues where customers are unsatisfied with the company's response; and issues arising out of the tools used by credit control to collect money (for example barring, SMS and legal letters which drive large volumes of calls into the call centre).

- Responsive action

During the year, Altech Autopage Cellular has taken a number of steps to address these customer service issues. The company has increased the number of call centre agents and staff in the MD's office, has restructured the management team to make it more customer service-orientated, including a partner hotline for sales and created an accounts help-desk. The company is also aware that call volumes experience a sharp spike in the first and last week of every month and have put contingency plans in place to manage the extra volumes during this period. At the staff/customer interface, all complaints where EOTC practices are not implemented are subject to a root cause analysis and appropriate corrective action is taken.

- Plans for the year ahead

Altech Autopage Cellular is also investigating the possibility of automating more functions to allow the customer self-service options. Work is underway to combine the Altech Autopage Cellular and Altech Netstar customer services call centres to achieve better service levels. It is envisaged that this will be completed in 2010 and will increase the call centre's capacity. During the current economic climate there is often tension between issues of customer satisfaction and the need for Altech Autopage Cellular to remind customers to pay their accounts. In order to address this issue, Altech Autopage Cellular will be implementing a debit orders on demand for automated account payments. The company will be introducing a new comparative quality benchmark called the Net Promoter Score.

- *Altech Netstar*

The vehicle tracking market is highly competitive, with functionality and price being similar between competitors. Customer service therefore offers a vital opportunity for Altech Netstar to differentiate itself.

- Managing the issue

The MD, together with senior management and divisional heads, take joint responsibility for ensuring high levels of customer service. The managing director receives daily customer service statistics and monthly reports on service trends, and is available to resolve customer complaints where necessary. Divisional managers are held personally accountable for service standards within their departments.

- Identifying the issues

Ongoing engagement and interaction with customers is critical to Altech Netstar's ability to keep track of customer service levels and identify key customer complaint trends. Sales and fitment bookings are confirmed with customers via SMS and Altech Netstar makes follow-up calls to customers once fitment is complete. This helps the company to identify any issues immediately and to gauge individual customer satisfaction. SMS communication is also sent during the contract period confirming contact details and encouraging customers to use online servicing if required.

- Responsive action

During the year Altech Netstar developed and implemented the Customer Zone, an 24-hour on-line facility that provides multi-channel customer access. It also implemented 1 Touch Resolution, a system to monitor escalated complaints. The senior management team receive daily performance statistics from this system first thing every morning, and in instances where performance has been less than exemplary, a review is undertaken to identify and implement corrective actions.

The Q&A staff in the call centre were replaced with external customer service experts to ensure increased qualitative performance.

In 2007 the company committed to launching an Auto-Dialler to increase efficiency. The dialler was launched in test-mode in June 2008, and went live in August 2008. Since its implementation, the closing ratio (sales made to leads received) average is around 90%, and the average time to call a customer from the time of receiving the lead is less than 10 minutes.

- **Evidence of improvement**
Following on from trends in 2007, the standard of customer service at Altech Netstar has improved significantly. Some 94% of calls are answered within 20 seconds (up 4% on the previous year). This is a world-class service standard and comparable with the leading international call centres (the industry norm is 80% of calls answered in 20 seconds). Altech Netstar also boasts an average speed-of-answer of 5 seconds for all calls. The number of complaints that needed to be escalated to the GM and director level during the year was negligible.
- **Plans for the year ahead**
Altech Netstar will continue to benchmark customer satisfaction levels against comparable global call centres during 2009. The future focus will be on ensuring all customer interactions are professional and friendly. To this end, the Q & A team will ensure staff are well trained, have excellent product knowledge and exemplary soft skills. The company is in the process of developing a One Touch Resolution which will focus on increasing the speed of answer and the quality of service levels, as these have been identified as key areas for differentiation in the market.
- **Arrow Altech Distribution (AAD)**
Customer service is an integral focus area of AAD's day-to-day business operations and the company investigates all complaints. Any product return is automatically treated as a complaint and each one is analysed. This information is compiled in a monthly report which is reviewed by middle and senior management.
- **Technology Concepts acquired**
In April 2009, Altech acquired 100% of Technology Concepts, an internet service provider (ISP) and information technology company. Altech plans to leverage off its existing footprint to scale up Technology Concepts by introducing new internet services to Altech Autopage Cellular's one million corporate and retail clients. The acquisition enhances the company's ability to provide data services to its voice cellular subscribers, and represents a response to the convergence of voice and data in the telecoms arena and the increasing demand for bundled services.

Altech will also continue to explore more broad-based telecommunications opportunities in East Africa, where it can establish itself as an industry leader.

Powertech

- **Powertech Transformers (PTT)**
PTT assesses and reviews on-time delivery (OTD) and quality standards for all delivered products on a monthly basis. OTD and test failure rates have improved, but remain board-level items, and test failure rankings have improved to a level of compliance.

PTT has monthly meetings with the Eskom Transformer Steering Committee to discuss OTD, test failures, field failures and other improvements PTT is undertaking.

Achieving progress in the quality of customer service relies on the accuracy of customer monitoring systems, particularly of independent and impartial customer satisfaction surveys. This information serves to direct improvements in the entire chain, from product innovation to the training of staff at the customer interface.

Liberalisation of the telecommunications market

Update on Altech's I-ECNS license application

During the year under review Altron, through Altech, has played a pioneering role in motivating the liberalisation of the telecommunications industry. In August 2008, the High Court ruled in favour of Altech Autopage Cellular's (AAC) entitlement to have its existing value added network services (VANS) licence converted into an individual electronic communications network service (I-ECNS) licence. This much-awaited ruling enables Altech to develop and operate its own telecommunications network and represents a significant step forward in the liberalisation of the telecommunications industry. Deregulation will encourage competition and benefit customers by providing them with a broader range of services and reduced rates in voice and data services.

The way forward

The significant delays in the legal process, which took three years in total, also allowed existing incumbents to entrench their market position while Altech awaited outcome of the court ruling. Furthermore, we now have to wait for ICASA to create a fair mechanism for new entrants to obtain scarce spectrum.

Altech therefore took a strategic decision to focus on niche opportunities in internet service provision in South Africa. In April 2009, it acquired 100% of Technology Concepts, an internet service provider (ISP) and information technology company. The company plans to leverage its existing footprint and scale up Technology Concepts by introducing new internet services to AAC's one million corporate and retail clients. The acquisition enhances AAC's ability to provide data services to its voice cellular subscribers, and represents a response to the developing convergence of voice and data in the telecoms arena and the increasing demand for bundled services.

Altech will also continue to explore more broad-based telecommunications opportunities in East Africa, where it can establish itself as an industry leader.

IT risk

Customer privacy and the security of customer data is an issue that falls within the general area of IT risk which is governed by the newly formed Altron Information Management (IM) Council. The IM Council's role is to establish a company-wide risk framework and set of risk policies detailing the group's approach to the management of inherent IT risk within the organisation.

Individual companies now have the following predefined baseline set of policies from which to manage IT risk into the future:

- » Applications control policy
- » Data storage and retention policy
- » End-user policy
- » IT continuity policy
- » Security policy

Internal audit (where it is linked to the areas covered in the policies) will assess compliance with these policies, better preparing companies for audits. Individual companies are now clear on expectations from holding companies with

respect to risk management. Due to the evolving nature of technology and the increasing risk of threats, the IT risk policies will be reviewed on an annual basis. The next review is scheduled for October 2009.

Compliance with policy will be managed via bi-annual self-assessments completed by the business and independent audit reviews completed by internal audit. The results of these reviews will be assessed by the IM Council and if required, identified risks, or areas of non-compliance will be managed directly with the group company concerned. The first self-assessment cycle will report on the year ending 28 February 2009.

The King III draft report released recently included an increased focus on IT risk and governance. The IM Council will review these requirements and identify appropriate processes to ensure alignment of the group with the additional requirements with respect to IT in the new report.

Bytes

Bytes' business requires that it hold both customer and supplier data, including names, addresses, contact details and bank account details. This highly confidential information is retained by each company on its own IT system, which is managed by Bytes Outsource Services (BOS) for Bytes Managed Services (BMS), Bytes Specialised Solutions (BSS), Bytes People Solutions (BPS), Bytes Healthcare Solutions (BHS), Bytes Systems Integration (BSI) and Bytes Head Office.

Responsibility for the security of customer and supplier information is jointly held by the chief information officer, the dedicated Bytes group security office and the financial managers of each operation. Bytes has non-disclosure and privacy clauses in place to provide protection and IT security includes, but is not limited to access control, firewalls, antivirus and anti-spyware software and intrusion detection and prevention devices.

Partners

The Altron group's partners are integral to its ability to conduct business, providing the raw materials, services, technology and product components that help the group to deliver on customer requirements. How the group companies select and interact with partners influences the quality of product and service delivery as well as the continuity of supply. In the sections that follow we show how Altron group companies manage their relationships with partners, depending on the nature of the material issue they are addressing.

Apart from the B-BBEE issues of preferential procurement and enterprise development, which are reported on in the transformation section of this report, the most material sustainability issues regarding partners are:

- » securing continuity of supply by maintaining key agency/principal relationships
- » maintaining product quality from outsourced suppliers
- » foreign direct imports and dumping.

Maintaining key agency/principal relationships

The predictable and continuous supply of the relevant raw materials, services or product components is central to Altron's ability to deliver consistently and reliably to its own customers. Our partnerships with suppliers are of critical importance. The Altron group seeks to nurture long-term relationships with established suppliers with whom it can have close, ongoing interaction to ensure that its supply needs and expectations are met. Partnerships are built on

trust and performance, both of which are continuously tested in our business relationships, with a view to making sure all parties are contributing and gaining benefits.

Altech

Component and product supply has become a less significant issue for Altech as its manufacturing operations are relatively small. Altech Autopage Cellular's (AAC) ability to continue to service its customers relies on agreements with major network operators, and five-year renewals are in place.

In its East Africa operations, the telecommunications network roll-out will necessitate a need to bring in large multi-national suppliers. During the year under review, the chief strategic officer was involved in building strategic supply relationships with a few, strong suppliers in this region.

Altech UEC has a high risk exposure in the securing of components as a large portion of these are sourced directly from China. The language barrier, business culture and physical distance of current sourcing operations from China, complicate the supply chain and contribute to a high cost of supply. To manage the issue, Altech UEC has placed resources in China through partnerships with its existing service providers in logistics, design and sourcing. It has established formal agreements in place with service level agreements that provide tangible measures for improvement. Suppliers are benchmarked against Bill of Material (BOM) costs.

Altech engages on an ongoing basis with suppliers and partners. One of its biggest challenges involves staying ahead of rapid technological changes in certain of its business areas and selecting the most appropriate suppliers to help it adapt to such changes. In this regard, Altech has agreements that provide its subsidiary companies with access to suppliers' future plans and 'roadmaps'.

The company favours suppliers who are financially stable, sustainable and who are either first or second-order players in their industry. They should also have a good research and development track record and the ability to anticipate and respond to changes in technology and customer demand. Their ability to delivery consistently and to certain standards of quality should be well established. Ensuring continuity of supply is the responsibility of the managing director of each Altech operation, each of whom report into the chief operating officer.

Bytes

A number of companies within the Bytes stable have active partner programmes:

- *Bytes Communication Systems (BCS)*
BCS is a premium partner of Alcatel Lucent, for voice, data, contact centres and communication applications. The most important issues in the contract with Lucent require BCS to meet specific technical resource targets and revenue targets. BCS ensures that it meets these targets each year in order to maintain its preferred partner status.
- *Bytes Document Solutions (BDS)*
BDS has a partnership relationship with Xerox, a multinational company specialising in desktop printers and multifunction office systems to high-speed colour presses, outsourcing and digital imaging. Through this partnership BDS is one of the largest suppliers of technology, hardware and services specialising in document management and distribution in South Africa as well as 24 sub-Saharan African countries. BDS is the exclusive and largest distributor of Xerox products, services and supplies and has operated in South Africa since 1964.

- *Bytes Specialised Solutions (BSS)*
BSS is the exclusive distributor of NCR and Teradata products and solutions in South Africa and selected neighbouring countries. The business crafts the majority of its solutions and services offerings by adding value to core NCR and Teradata solutions and services. BSS's partnership with NCR is for the supply of ATMs, while it offers business analytics and data warehousing through its partnership with Teradata. BSS offers the full extent of Teradata's enterprise intelligence and analytical solutions with the ability to create a single view of the business.
- *Bytes Systems Integration (BSI)*
BSI also has partnership agreements with Microsoft, Cisco, Network Appliance, HP, SAP, Kronos, Metastorm and others.

Bytes UK has a significant partnership with Microsoft and is currently the largest distributor of Microsoft products in the UK

Powertech

Worldwide demand for transformer boards has been overwhelming, and although suppliers have increased their production capacity, ensuring reliable supply remains a challenge for Powertech Calidus. The operation continuously sources and audits international suppliers to ensure that it has an alternative supply pipeline. It also strives to reduce its dependency on traditional principals by expanding its product range within the insulation product offering to include, for instance, furnace and generation markets.

- *Powertech Batteries*
Powertech Batteries has established local strategic partnerships for key commodities such as lead, acid, cases and covers. However, the lack of local manufacturing technology means that it imports separators from France and gauntlets from Italy and Luxembourg. Safety stock exists for between 10 and 20 days of battery production for these imported commodities.
- *Powertech Transformers*
Powertech Transformers relies on imported resources such as copper, core steel, transformer oil and insulation for 60% to 80% of products. It mitigates the risk of being dependant on a single supplier by continually investigating alternative sources of these raw materials and negotiating new supply contracts. During 2008 it concluded a long term supply agreement with a Chinese supplier of enamelled copper strip. During the year ahead, it has two major international suppliers for insulation material, is a very scarce resource, and will audit various additional local and international suppliers.

A contracts manager negotiates and manages contracts to ensure continuity of supply of key raw materials and continues to evaluate alternative suppliers, especially in lower cost countries. The contracts manager reports to the logistics manager and the CEO on this issue.

Powertech Transformers has a technology agreement with ABB, allowing the company to maintain its leadership position through access to ABB's leading technology for power transformers.

Maintaining product quality from outsourced suppliers

Quality standards from outsourced suppliers is mainly an issue within the Altech stable, which has service level agreements with suppliers in India and China. To ensure the quality of incoming products, our operations make use of statistical process control methodologies, involving the sampling of a percentage of products and testing them against an agreed threshold of error or defect. While established world-standards are used as the benchmark in this

process, the diverse nature of the different business operations makes it difficult to establish a generalised 'norm' for quality. Quality standards are dealt with upfront when defining service level agreements.

During the year, some products manufactured in China for Altech UEC were deficient and had to be recalled. The company has product warranty clauses in place, and has agreed levels of quality and conformity with its Chinese suppliers to prevent repeat incidents. It manages document control and conducts regular audits on product quality.

Foreign direct imports and dumping

Foreign direct imports and dumping practices mean Desta Power Matla's (DPM) competitors can offer price discounts to customers, threatening the operation's market share. The sales and marketing manager is responsible for keeping the company abreast of imports and possible dumping, but management's first priority is always to thoroughly investigate and establish the causes for any loss in market share. The company will continue to use local supply partners in line with its B-BBEE commitment, but will also investigate new relationships to ensure that it sources at the lowest possible price. During the year, management visited trade shows in BRIC countries, where unit manufacturing costs are lower, to gather market intelligence on best practices and to share the knowledge and experience gained, with other Altron group purchasing managers.

Strong competition from cheap imports was experienced by Crabtree Electrical Accessories SA in the Powertech Industrial Group. However, the company maintained its leading position in its core market and remains a brand respected for its quality and reliability.

Employees

Altron employs 10 844 full-time and 1 424 temporary/contract people in its South African operations, and 2 522 people in its international operations. All forms of engagement and interactions with employees are guided by the Altron Policy Manual, and the group companies comply with the relevant employment legislation, including among others the Basic Conditions of Employment Act, the Labour Relations Act, the Employment Equity Act and the Skills Development Act. Each subholding group has a dedicated Executive: Human Resources, while Human Resources managers are responsible for employee issues at the operational level.

Considering that the Altron group operates in a wide range of industry sectors, the responsibility for dealing with employees and unions rests with the most senior corporate manager in each operation. Across the group, only one third of employees (4 538) are below management level, by far the most being in the Powertech group. Altogether 46% of these employees are members of unions.

For the Altron group, measured across all employees, the unionisation rate is 15.8%. There was no strike action during the period under review. A Grievance Procedure and Disciplinary Procedure is set out in the Altron Policy Manual and made available to all employees upon their joining the group, and via the intranet. Depending on the issue at hand, Altron engages with employees in a variety of different ways and through various channels.

The most material sustainability issues affecting employees are:

- » Skills attraction, development and retention
- » Human rights in operations outside of South Africa
- » Health & Safety
- » HIV/Aids.

Skills attraction, development and retention

Skills shortages in the Technology, Media and Telecommunications (TMT) and Information and Communication Technology (ICT) sectors are a global phenomenon and present a significant sustainability challenge for all technology companies, including Altron.

The annual supply of ICT-trained graduates from tertiary education institutions falls far short of industry demand for such skills. In addition, there is a global shortage of existing ICT talent, which makes it difficult for companies to retain such skills at market-related remuneration packages. The fact that technology undergoes constant and fast-paced evolution merely serves to compound the problem and demand ongoing training and development in order to ensure that skilled people are up-to-date with the relevant industry changes.

Approach, governance structure and reporting

Altron addresses skills shortages on three fronts: development of internal and external skills pipelines; attraction of top talent through best-practice employment policies; and retention of existing talent through a combination of career development programmes, remuneration benchmarking and fast-tracking of critical skills.

The Altron chief executive takes an active interest in the country's ICT skills shortage and contributes to industry debate and skills development initiatives that will benefit both the Altron group and the ICT sector as a whole. The Altron Management Services HR committee oversees the group's skills development, attraction and retention activities, which are also influenced by the Altron remuneration, nomination and transformation committees. The Altron group complies with all relevant South African legislation pertaining to skills development and training, including the dti CoGP, and makes annual submissions to the Department of Labour. Internally, its strategy is outlined in the Altron Policy Manual, which covers the issues of education, training and development. HR executives in each of the subholding groups drive the specific skills development, attraction and retention initiatives at the operational level.

Investment in training

The Altron group budgets 2% of its payroll towards B-BBEE skills development, plus 1% of payroll to Sector Education and Training Authority (SETA) skills development, for a total of 3% of payroll. This compares with the dti CoGP target of 4%. The total invested in skills development for the year under review amounted to R56 million, averaging R5 085 per employee. Altron group companies actively follow the skills development process set out by the relevant SETAs responsible for implementing the National Skills Development Strategy (NSDS) for the sector.

Each division has an appointed skills development facilitator and submits an annual Workplace Skills Plan (WSP) to the relevant SETA. Following implementation of the WSP, a summary report is submitted of skills development and training completed. Considering the different requirements for different industries, the Altron group does not use a single metric to manage employee performance. Different companies establish key performance areas and employees across the group receive regular performance and career development reviews.

Initiatives to address skills shortages

Altron

During the year under review Altron undertook a comprehensive review of the skills development programmes offered to the Altron Young Presidents' Club (AYPC), to ensure that executive training at this level is aligned with the longer-term strategic skills requirements of the Altron group.

The AYPC provides an important skills and succession pipeline for the future leaders of the group. It identifies high-potential employees who show a strong capacity for leadership, and provides them with exposure to appropriate levels within the group. In partnership with the Altech Academy, Altron now offers AYPC members a two-year leadership development programme, resulting in a Masters Degree in the Management of Technology and Innovation.

Altron Young Presidents Club (YPC)

The Altron Young Presidents' Club (AYPC) helps natural born leaders turn their potential into powerful careers. Launched in March 2009 in association with the Altech Academy, the two-year leadership development programme leads to a Masters Degree in Management of Technology and Innovation. The 10 candidates for the 2009 enrolment were selected through a rigorous process that included psychometric testing, panel interviews and a scrutiny of career achievements. The programme supports Vision 2012 and will provide mentorship opportunities.

The first 12 months of the programme consists of a learning experience at a Master's degree level, including local outside-in executive discourses, a local classroom component, an international immersion component at a destination to be determined by Altron executives, and a mentor and coaching component. The course encompasses principles of stimulated learning through experience, reflection, conceptualisation and application. During the second year, candidates will work on their dissertations.

Once successful candidates have completed the programme, they will not go back into their previous positions but will work towards growing into their future positions within a specified timeframe. This strategy provides Altron with a strong pipeline of future leaders, improved continuity within its senior ranks and a powerful incentive for young leaders to stay with the group.

Altech

The Altech Academy, which enjoyed its inaugural year in 2008 with 98 students, plays a critical role in meeting skills pipeline requirements for Altech as well as the Altron group at large. It offers certificate, diploma, masters and doctorate qualifications in critical skills areas, including project management, management of technology and innovation, key account management and systems engineering. A total of 13 Altech managers enrolled in the Academy's Accelerated leadership development programme.

The company's engineer-in-training programme was developed specifically to address the shortage of engineering graduates and help secure a future pipeline of this critical skill. A total of 19 engineering graduates are currently enrolled in the 18-month long programme, which provides them with the first-hand work experience required to complete their engineering qualification.

Altech also updated its annual job-mapping and salary benchmarking survey, and made a 4% upward salary adjustment for all employees. This is in addition to the annual salary increase and was implemented to ensure that Altech's salaries remain competitive with benchmarked industry norms.

Bytes

Bytes People Solutions, Bytes' internationally accredited education, training, skills development and people consulting arm, makes a valuable contribution to skills development at Bytes. In particular it has achieved

tremendous success with its learnerships and received industry-wide recognition for the number of black learners it has been able to train up to full-time employment at various companies within the Bytes group. [Code 400: Transformation through skills development](#)

Bytes People Solutions has long been managing IT learnerships for the Altron group and in 2008, embarked on new contact centre learnerships with 50 learners, six of whom are disabled. In late October 2008, Altech Autopage Cellular provided the first group of 20 learners with workplace experience. They were exposed to a number of different areas of the business and gained comprehensive insight into the world of work. Although it was the first time that Altech Autopage Cellular participated as a workplace provider, it exceeded all expectations in mentoring and coaching the learners and in February 2009, the second group of 20 Contact Centre Support learners started their workplace experience in the company.

Powertech

Powertech Transformers identified a shortage of skilled factor floor workers, particularly winders, welders, boilermakers and electrical designers. To address this shortage the company invested R3.5 million in a world-class training centre that focuses on training unskilled workers to full competency under actual working conditions. Twelve winders have graduated to date. The centre meets both skills development and manufacturing requirements of Powertech Transformers and since opening has manufactured 485 windings, with no test failures, zero rework, and 100% on-time deliveries (OTD).

During the year under review, an Electrical Designer Induction Training centre was also opened, with plans to recruit around 10 electrical designer trainees annually for the company's engineering and technology departments. Nine electrical designers have already qualified through the centre and another 11 will be trained in 2009.

A further extension was completed in March 2009 and will provide specialised training in high-frequency brazing, gas brazing, elpress crimping and mechanical crimping.

Aberdare Cables focuses on ongoing skills development for machine operator, technical, supervisors and general leadership competencies through various apprenticeship and experiential trainee systems. During the year it introduced qualifications profiling, a new measure to help meet its target of having 60% of salaried staff with a formal tertiary qualification.

Plans for 2009

Altron recognises that sustainable solutions to the skills shortage challenge will take time to reap rewards. However the group remains committed to investing in the long-term skills development, attraction and retention initiatives. In the coming year it will continue to work closely with the Altech Academy and its partners at the Da Vinci Institute to keep track of the changing skills needs of the ICT industry in general and Altron companies in particular, and to develop new courses to meet training needs as they arise.

- *Powertech:*
 - Use the training centre to recruit 14 new apprentices and 10 unemployed individuals for learnerships
 - Ensure Aberdare Cables remains a recognised MERSETA company for the next two-year cycle
 - Raise management awareness of skills development imperatives
 - Train new managers at Aberdare Cables in all aspects of human capital development including performance management, succession planning, talent retention, education assistance, and feeder systems.

- *Altech:*
 - Continue to focus on developing, attracting and retaining the most critically scarce skills, namely software engineering, systems engineering and project management
 - Increase membership in the AYPC from 44 to 75 by year-end

Human rights in operations outside South Africa

The Altron group upholds the human rights of employees as put forward by the United Nations Global Compact, and has aligned its operations and strategies with universally accepted principles in the areas of internationally proclaimed human rights and labour.

In South Africa, these principles are enshrined in the Constitution and policed by labour legislation, with which the group fully complies. However, in countries outside South Africa, this may not necessarily be the case. In such instances, Altron recognises that it has a duty to protect the human rights of employees, wherever they are in the world.

Bytes

Bytes has operations outside South Africa's border in Botswana, Namibia, Mozambique, Mauritius and the United Kingdom. None of these countries pose a risk in terms of human rights abuses and by complying with their labour legislation, Bytes is able to ensure the protection of employees' human rights in these operations.

Altech

Altech UEC has identified poor labour practices as a potential problem in China. The company has a strict policy of zero-tolerance of any human rights abuses and demands written reports, review of all personnel documents and CVs of appointed or allocated staff, and audits of the working environment to ensure that they comply with recognised international human rights standards.

Health and safety

The health and safety of all employees is a serious issue for the Altron group and the Altron chief executive takes ultimate responsibility for the group's performance against key health and safety indicators. Health and safety is guided by an internal health and safety policy that covers the entire Altron group. Each group company also complies with relevant occupational health and safety legislation, standards and certification (OHASA).

Health and safety is integrated into the responsibility of line management throughout the Altron group. In accordance with the Occupational Health and Safety Act (OHASA), most of our operations have health and safety managers and Safety, Health and Environment (SHE) committees which meet on a monthly basis. Health and safety representatives are appointed from the workforce and all employees participate in risk assessments via safety meetings. SHE representatives have been appointed and trained as per the requirements of the OHASA Act, while selected employees have been trained as auditors in preparation for the implementation of the OHASA 18001 H&S System. A safety induction programme forms a standard part of the group's general training in safety awareness.

The Altron group conducts regular monitoring of key health and safety performance indicators (KPI), including injury frequency rate and occupational clinic report. The engineering manager monitors the SHE manager's KPIs bi-

annually, and all safety aspects are monitored during monthly safety inspections. Altron's internal audit department, in conjunction with independent consultants, MS Alexander & Associates, reports back to the relevant risk management committees on health and safety risks throughout the Altron group. There were no significant accidents or injuries at Altron's operations during the year under review and neither were there any fatalities.

Altron makes use of standard SHE measurements and key performance indicators, and SHE is an indicator on every employee score card. [Operations certified to ISO 18001](#). An Altron Health & Safety policy guides operations in dealing with this issue.

In the previous reporting period, it was noted that exposure to lead and sulphuric acid were still issues of concern. The threat of lead poisoning has largely been eliminated through the R1.6 million installation of bag houses for the extraction of lead oxide at Powertech Batteries. The issue of Sulphuric acid is being addressed. [Pollution and emissions](#). Nonetheless, education and training is ongoing to ensure that employees are familiar with the sources of lead in the workplace, and the potential dangers of exposure. Training is also conducted on the disposal of hazardous waste material at sites where lead, or material containing lead, has been used, handled or processed.

[HIV/Aids](#)

The Altron group recognises the serious threat that the HIV/Aids pandemic poses to the economy and the nation as a whole. In 2007, it contracted the Aurum Institute of Health Research, a not-for-profit public benefit organisation, to conduct research and assess the potential risk of HIV/Aids throughout the group. In addition, it was decided that it would be prudent to reassess the threat posed by HIV/Aids every three to five years. In the interim, data collection and monitoring would continue on a limited basis to ensure that the impact of HIV/Aids was not increasing to a greater extent than had been predicted by the impact study.

Some indicators that are being monitored on an ongoing basis include the following:

- » Absenteeism (where available – to track morbidity)
- » Deaths – being compared to actuarial tables considered representative in this industry
- » Medical diagnoses and drug prescriptions – highlighting any trends that could be considered indicative of an underlying, early-stage HIV epidemic.

We are confident that the collection of this information will enable us to ensure that HIV/Aids is not posing a threat to the profitability of the Altron group and, more importantly, continues to have limited impact on the lives of our employees. This information will also be included in the review of the previous work that will be conducted every three years and will improve the accuracy of future studies.

Altron does not require prospective / existing employees to be tested for HIV. Should testing ever be required this would be done in conjunction with provisions laid down in the Employment Equity Act. Absolute confidentiality is an overriding principle of the policy and in all activities pertaining to HIV/Aids, including the tracking and measurement of data, the anonymity and confidentiality of employees is rigorously safeguarded.

[Report information](#)

The findings of the Aurum report were made available in 2008 and show a prevalence of between 5% and 11% across the Altron group. The results of the study showed that HIV/Aids did not currently pose a material threat to the

operations of the group but that specific risk areas existed that warranted further investigation. The breakdown of the report findings per subholding company is as follows:

Powertech

Aberdare Cables is the company most significantly affected by HIV/Aids within the Powertech group. The company has undertaken to re-assess the threat posed by HIV every three to five years. In the interim, data collection and monitoring will continue on a limited basis to ensure that the impact of HIV does not increase beyond what had been predicted by the impact study.

Aberdare Cables measures certain indicators on an ongoing basis. These include absenteeism, deaths and limited information on medical diagnoses and drug prescriptions. This last variable highlights any trends in drug prescriptions or medical diagnoses that could be considered indicative of an underlying, early-stage HIV epidemic.

Aberdare's Occupational Health Clinic monitors all chronically ill persons to ensure appropriate and adequate medical care. Employees suffering from HIV/Aids are not removed from their position as long as medical opinion indicates that they can still perform their job requirements. Suitable alternative employment and/or job modification will be provided when necessary and where possible.

Bytes

HIV/Aids does not pose a significant risk to Bytes Technology Group but the company tracks the numbers of employees who are part of the company medical aid scheme HIV/Aids critical care programme. This does not give an indication of the full extent of prevalence as it does not include those HIV-infected employees who are not enrolled in such a programme. The critical care programme includes ARV treatment, blood tracking and monitoring. HIV/Aids awareness material is included in all induction courses.

Altech

The manufacturing environments within Altech, namely Altech UEC, Altech NamITech and Altech Autopage Cellular are at a higher risk than the other operations within the company.

During 2008 Aurum recommended that: Altron 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.

Company response

Altron's first step has been to develop a group-wide HIV/Aids policy. The purpose of the policy is to establish guidelines for management and human resource departments in dealing with HIV-positive employees, and to provide for programmes aimed at reducing the risk of HIV/Aids among employees.

It affirms that:

- » Employees with HIV/Aids will be protected against unlawful discrimination and practices
- » HIV-positive status should not constitute a reason to preclude any person from employment
- » Employee benefits depend on the rules and requirements of the relevant funds and schemes which may change from time to time

» Reasonable precautions should be taken to ensure confidentiality regarding the HIV/Aids status of any employee.

Following further recommendations from external consultants, Altron is this year embarking on phase two of its response, undertaking an evaluation of certain of its key suppliers to ensure that adequate systems are in place to ensure that there are no disruptions to the supply chain. Small companies are often particularly vulnerable to the impact of HIV/Aids and do not have the resources to provide either counselling, testing or care for those who are HIV-positive. Disruptions at these suppliers could impact operations at Altron, particularly in Powertech where delays are likely to be most costly.

Associated with the above, Altron will be conducting assessments of individual operations within the Powertech group, as well as of higher risk units situated in provinces such as Gauteng and KwaZulu-Natal.

Transformation

B-BBEE executive summary matrix

BEE PARTNER

Altech	Pamodzi	25%	Altech Information Technologies
	Platina Venture Holdings	25.1%	Alcom Matomo
Bytes	Kagiso Strategic Investments	27%	BTG SA
	TR Nkosi and others	30%	Ithuba Lethu Document Solutions
Powertech	Izingwe Capital	30%	Aberdare Cables
	Izingwe Capital	25%	Powertech IST
	Kagiso Ventures Limited	25%	Battery Technologies

Mahogany Capital	25.01%	Powertech Industrial Group (Pty) Limited
Power Matla	25%	Desta Power Matla



Strategy and approach

Transformation is one of Altron's key focus areas and the company remains committed to supporting government, NGOs and other stakeholders in changing the face of business in South Africa. The group's transformation strategy is encapsulated in the Transformation Vision 2012 policy document which is aligned with the dti CoGP. It outlines implementation guidelines to assist the group's operations in meeting their targets against the scorecards for each of the dti CoGP. The strategy is carried out by the Altron board, together with a transformation committee (Transcom) comprising members of senior management and transformation representatives from each major operation.

Engagement

The policy was formally launched to all employees and stakeholders and adopted by the board and senior management in August 2008. To ensure a thorough understanding of the dti CoGP across the group, Altron has embarked on an extensive programme to educate and train management and transformation practitioners within its operations.

In light of the economic downturn and the need to contain costs, the staff transformation climate survey planned for 2008 has been postponed. However, employees continue to be made aware of targets, progress and issues pertaining to transformation via various internal communications media. These include the staff publication Profile and the intranet.

During the first quarter of 2008, Transcom began working with all companies in the Altron group to translate Vision 2012 into transformation targets. Interactions took the form of a series of round-table consultations with transformation champions to help determine five-year targets for all areas of the dti CoGP. In addition, we have published our Vision 2012 targets and our progress to key customers. [Vision 2012](#)

In March 2009, Powertech's transformation committee discussed transformation concerns with Eskom and Telkom. Important issues raised included: skills retention, a flagship SED project for Powertech, and a standardised database

for reporting. The company will provide progress reports offering qualitative information that goes beyond the scorecard numbers. The first progress report was delivered in May.

Eskom's view: As of 1 April 2009 Eskom will give priority to companies with an official B-BBEE rating according to the dti CoGP. For suppliers with less than a Level 4 rating, Eskom will set targets with timelines. Eskom expects its suppliers to achieve in all areas of transformation, not only in equity. The focus has therefore shifted to qualitative aspects, such as job creation and skills development.

Telkom's view: Procuring goods and services from historically disadvantaged groups is a business imperative for Telkom. Although Telkom's tender process gives preference to black empowered companies, the evaluation criteria are adjusted to suit each tender, with the only non-negotiable requirement being a minimum of 25.1% black ownership. The emphasis, however, is not on the actual shareholding but on the economic participation of the individual shareholders. Telkom uses the ownership requirement to drive transformation in the ICT industry, evaluating potential suppliers primarily on their performance against the dti CoGP targets. Telkom will conduct independent forensic audits of suppliers' B-BBEE credentials to prevent fronting.

Measurement

Altron measures the group's transformation progress against the Department of Trade and Industry's Codes of Good Practice (dti CoGP). This year, the group achieved an overall score of 65.30%, or Level 4 Recognition, compared with last year's score of 54.85%. The company was also listed in the Financial Mail/Empowerdex Top Empowerment Companies 2009 Survey, with an overall placement of 32 (a 17-place improvement on the previous year) and came first in the General Industrials sector in the Top 200 Companies ratings. In terms of Skills Development, Altron was ranked number six in the top ten with a score of 11.9% for this indicator.

All operations at Altech, Powertech and Bytes were audited by rating agency Empowerdex.

Altron Empowerdex 2009 dti CoGP Scorecard

Element	Weighting	Total score 2009	Total score 2008
Ownership	20%	11.50%	8.90%
Management control	10%	2.60%	4.44%
Employment equity	15%	5.10%	4.46%
Skills development	15%	11.90%	4.46%
Preferential procurement	20%	14.20%	12.58%

Enterprise development	15%	15%	15%
Socio-economic development	5%	5%	5%
Total B-BBEE score	100%	65.30%	54.84%

Towards implementation

The managing directors of the various group operations are responsible for achieving targets and a portion of any management bonus is paid out only on the achievement of these. A transformation committee within each operation receives feedback from line management on B-BBEE progress, and this information is fed through to the group Transcom by the various operational transformation committee members.

Highlights, challenges and the way forward

Altron scores particularly well in preferential procurement (14.2 out of 20), enterprise development (15 out of 15) and socio-economic development (5 out of 5). However, its ownership (11.5 out of 15) and skills development (11.9 out of 15) scores have shown the most improvement.

However, areas of challenge still remain to improve our performance under management control, where Altron scores only 2.6 out of 10, and particularly on the black executive director and senior top management elements.

Powertech Transformers faces a business risk with a key customer, Eskom, which requires that its suppliers be at a Level 4. In response, Powertech Transformers is restructuring ownership, control and top management, as well as developing enterprise joint ventures and increasing training spend.

These trends are generally reflected throughout the company's three operations. The company expects that all companies will be rated between Levels 1 and 3 before the completion of Vision 2012 and has extensive plans in place to address those codes that present the greatest areas of challenge.

Progress and initiatives

Code 100: Ownership

Altron scored 11.46 out of 20 in terms of the ownership code against the dti CoGP, compared to 8.9% last year. The Altron group now has an empowerment shareholder in each of its subholding groups. Kagiso Strategic Investments owns 27% of Bytes Technology Group SA, Pamodzi Investment Holdings owns 25% of parts of Altech, and Izingwe Holdings has a 30% shareholding in Powertech's Aberdare Cables. Powertech has other empowerment partners throughout its operations: Kagiso Ventures has a 25% equity stake in Battery Technologies, Mahogany Capital, a black female-owned company, has a 25.01% equity interest in the Powertech Industrial Group and Power Matla, a 25% equity stake in Desta Power Matla. Ownership targets are being pursued in line with Altron's Transformation Vision 2012.

Pick of the crop

Aeromaritime International Management Services (AIMS) is one of the group's best performing operations in terms of transformation, to our collective benefit. Empowerdex has rated AIMS at AAA, or a Level 2 contributor, for the second consecutive year. This allows AIMS' customers to claim 125% of their spend under preferential procurement for their own B-BBEE ratings.

Code 200: Management control

Altron scored 2.62 out of 10 for management control against 4.44% last year, representing our greatest challenge across the dti CoGP. The company has placed increased focus on its B-BBEE board representation and during 2008 appointed Barbara Masekela and Dawn Mokhobo as independent non-executive directors to the Altron board. Altech appointed Zakhele Sithole and Moses Sindane to the Altech board. Through a governance review exercise, the mix between non-executive and executive directors has been reviewed to create an appropriate balance.

The company will continue to focus on transforming senior management so that it is representative of the cultural diversity of the country. This is being achieved through a targeted programme of mentoring, succession planning and identification of black talent for accelerated development programmes. Targets are in line with Altron's Transformation Vision 2012.

Code 300: Employment equity

One of Altron's key BBBEE goals is to transform the demographics of the workplace so that they reflect the diversity of the country. In this regard, the Group implements employment equity practices that seek to increase the number of black employees, black female employees and black disabled employees at all levels, but particularly in the senior management structures.

- *Management of EE*

Employment equity is reported monthly at management committee meetings and every group company submits EEA2 and EEA4 reports to the Department of Labour on an annual basis. In carrying out its EE mandate, Altron is further governed by the Employment Equity Act, No 55 of 1998 and the Skills Development Act, No 97 of 1998. During the year under review, Altron adopted the dti Code 300 Employment Equity's category definitions of senior, middle and junior management. This has resulted in a standardised measurement approach regarding occupational levels and categories of employees, and ensures close alignment of Altron's measurement of EE with that of the dti CoGP.

- *Approach and policy*

Employment Equity (EE) is one of Altron's most difficult transformation challenges and the group currently scores only 5.1 out of a possible 15 points for this code. Areas that require urgent attention include gender in the senior management element (current score is 0) and the black disabled employee element (current score is 0.5%). The middle management element currently scores 26.7%. Not having enough black middle and senior managers, and especially black female middle and senior managers, will impact our ability to transform and meet the stringent Altron 2012 targets in many of our companies. Altron has devolved upon the senior management of each company the responsibility for submitting an EE plan in accordance with the EE Act.

It is clear that the solution will not be found in external recruitment alone and it is for this reason that many of Altron's skills development initiatives have a strong bias towards black, black female and black disabled employees. Only by growing its own internal EE skills pipeline will the Group be able to improve its scores on this important BBBEE code. Skills development of this kind will not deliver immediate results; for example, it necessarily takes time for the current 50,2% of junior black managers to grow, through accelerated leadership development programmes, into middle and then senior management positions. Succession planning therefore also plays a key role in providing solutions to the ICT EE challenge.

- *Initiatives to address EE*

The year under review saw intense focus being placed on skills development as a vehicle for bringing about EE change within the Group. All group companies have devised a human resource plan of action that focuses on identifying and developing black individuals at all levels within the group.

Bytes has around 200 learners, 46 of whom are black and many of whom have been employed full-time by the company. Bytes has also partnered with the Information Technology Association (ITA) to address the need to increase the pool of black females in the industry.

During the year 13 high-potential black managers were enrolled in the Altech Academy Accelerated Leadership programme. Of the 116 individuals enrolled in the company's learnership programme, 53% are black females and 46% are black males. Of the 15 graduates to be enrolled in the graduate-in-training programme, 8 came from historically disadvantaged backgrounds. Altech has the option of offering these individuals permanent positions within the company in areas of critical skill shortage.

Powertech successfully implemented a Succession Planning and Performance Management System to identify EE candidates for future leadership positions. This will be piloted at Aberdare Cables during the second quarter of 2009 and, depending on its effectiveness, can be rolled-out to other Powertech operations.

- *Goals*

While the approach of Altech, Bytes and Powertech might differ slightly, the goals remain the same: to identify and fast-track black individuals to junior, middle and senior management positions using EE-centred skills development initiatives. Altech, Bytes and Powertech's key focus over the next three years will be to recruit or promote black people, including black women, to senior management levels. In line with the group-wide succession planning exercise, driven by the Altron board, we identify and develop suitable black candidates through a transparent and formal procedure governed by the nomination committee's mandate and terms of reference, as well as by the Altron board charter [🔗 Corporate governance report item 7.5](#)

[🔗 Code 400: Transformation through skills development](#)

Overall, Altron currently scores 11.9 out of a possible 15 points for skills development on the B-BBEE scorecard. Many skills development areas, discussed above and in the employees section of this report, are geared towards identifying and fast-tracking black individuals through various programmes, for example those run by the [🔗 Altech Academy](#)

- *Initiatives*

At Altech skills development initiatives are largely run through the Altech Academy and include the Accelerated Leadership Development Programme, internships, bursaries, learnerships and the newly developed programme for the Altron Young President's Club.

Bytes People Solutions' learnership programme has been particularly successful in training predominantly-black learners from all operations within the Altron group, which provides an important EE skills pipeline.

Bytes People Solutions has been particularly successful in training learners, the majority of whom are black and many of whom are disabled. These learners are trained by BPS on behalf of all companies in the Altron group. The company has a human resource action plan in place to identify and train high potential black employees.

Powertech spent more than 3% of leviabile payroll on skills development for critical and technical core functions in 2008. Furthermore, Powertech focuses on management and leadership training in association with the Gordon Institute of Business Science to provide leadership training to middle and senior managers. To date, 32 employees have graduated from this programme.

Powertech Transformers established a world-class winder academy at a cost of R3.5 million, where unskilled groups of six trainee winders are trained per 12-month period on all winding types, to full competency, under actual production conditions, including on-job training in other factory areas. Since opening in January 2007, the academy has completed 485 windings, with no test failures, zero rework, and 100% on time delivery with the best experienced, qualified and dedicated trainers in the company – a true 'centre of excellence' for Altron. This year we will increase the number of companies in the group undergoing a skills audit.

- *Goals*

A comprehensive plan to identify and develop internal talent is being developed throughout the group in 2009. Key components include the identification of high-potential employees, succession management and workforce planning.

Each year the Altron secretarial department takes on a secretarial cadet, providing a practical work environment where a wide range of secretarial functions can be experienced first hand. The cadet scheme (the Scheme) is aimed at historically disadvantaged CIS (Chartered Institute of Secretaries) students/graduates. Cadets are employed by Altron on a fixed term duration contract for six months which may be renewed by mutual agreement by both parties for a further six months. Only one trainee is engaged at any one time. Cadets report directly to the Powertech Group Company Secretary who is responsible for overseeing and managing their development through the Scheme. During the first six months a cadet's work entails predominantly the completion of statutory returns with the Registrar of Companies such as annual returns and the drafting of basic board resolutions. During the second six months a cadet's work experience is increased to the drafting of agendas and attending various executive committee and board meetings. Cadets are also required to assist both the internal and external auditors during statutory audits. The Scheme has to date successfully trained three candidates who have found permanent positions with other organisations as either trainee assistant company secretaries or junior company secretarial consultants.

[Corporate governance report](#)

Code 500: Preferential procurement

Through preferential procurement, the Altron group aims to help create a vibrant black small, medium and micro enterprise (SMME) sector, and to encourage procurement from companies that are B-BBEE compliant. Altron gives preference to suppliers who are black or black women-owned, value-adding suppliers and qualifying small enterprises (QSEs).

- *Status*

During the period under review, Altron showed an improvement of 1.62% on the previous year's preferential procurement score, bringing the total score to 14.2% (out of a possible 20%). Some 37% of the company's overall procurement spend goes to preferential suppliers, with 9.9% going to QSEs and emerging micro-enterprises (EMEs). Altron's own policy of requesting the B-BBEE status of suppliers, together with a more general industry-

wide insistence on verification, has seen a marked increase in the number of companies that are B-BBEE rated, making preferential procurement a far easier and smoother process. Among individual company successes is the work of Bytes Specialised Solutions (BSS) in developing black SMMEs and EMEs. Currently we are actively assisting 442 in number, up from 106 just two years ago.

All of Altech's operations achieved a score of over 11 points for preferential procurement, with many of them scoring well above 14. Those operations that achieved particularly high preferential procurement point include Arrow Altech Distribution (15.03), Altech UEC (18.06), Altech Netstar (17,01), Netstar Fleet Management, Altech Alcom Matomo (19,8), Altech Isis (15.3) and Altech Card Solutions (18.42). Such high scores have contributed to Altech's overall score of XX on preferential procurement. More than 50% of Bytes' procurement spend goes to preferential procurement. During the year the company achieved 12.78 against its target of 15. The work of Bytes Specialised Solutions in developing Black SMME's and EME's is outstanding and currently we are actively assisting 442 in number, up from 106 just two years ago.

- *Goals*

Most of Powertech's operations receive full points on preferential procurement, but some major suppliers are not yet officially rated and could not be included in the scores for this year. This situation will improve by next year. Work still remains to be done to increase spend on black-owned and black female-owned enterprises, which currently only earn the company 6.7% and 1.4% respectively on the scorecard.

Code 600: Enterprise development (ED)

Altron supports emerging black businesses so as to ensure their sustainability over the long term. Its investment in enterprise development involves a variety of assistance mechanisms including management advice, guiding new enterprises in financial best practice and providing assistance through advantageous payment terms, to mention a few. This not only benefits historically disadvantaged members of society, but also provides Altron with reliable, alternative procurement sources for many of its products and services.

- *Measurement*

Performance is measured against internal targets and the B-BBEE scorecard. All enterprise development activities within the company are documented between both parties, clearly identifying the area of development and assistance offered. Operations also retain records of costs incurred for verification purposes.

- *Status*

Enterprise development is implemented by managing directors and line management at each group company. In 2008, all group companies committed to the target of 3% of net profit after tax (NPAT) towards enterprise development activities. While Altron scored the full 15 points for enterprise development for the year under review, scoring was uneven, especially in the Altech stable. Altech's operational transformation committee has contracted external transformation consultants to help develop guidelines to address the challenge.

- *Initiatives and case studies*

Altech Autopage Cellular has implemented a formal assistance programme for black owners of its dealership stores, undertaking a full needs analysis to establish each dealers' requirements and then meeting these needs with the relevant training, systems, stock and payment terms. Altech Netstar also makes various stock items available to black-owned fitment centres at a discounted rate.

In the past, Aberdare Cables has helped develop the businesses of drum manufacturers and during the year extended its support to include start-ups operating in the canteen facilities and cable manufacturing environments. The company procures goods and services from these enterprises, thereby supplying them with an initial customer base.

Powertech Transformers is engaged in a project that will see it outsourcing its marshalling kiosk production to a black-owned enterprise started by Powertech employees. The project is at an advanced stage and the new company is expected to be trading by May 2009.

CASE STUDY: Desta Power Matla (DPM) growing significant enterprises

DPM has a long history of enterprise development, pre-dating the dti CoGP, and these business relationships continue to flourish and spawn further enterprise development. VCM, a steelwork supplier that DPM assisted with advantageous payment terms and financial oversight, has seen its head-count grow from 18 people in September 2007 to 50 employees now, and turnover has risen to over R33 million. DPM has also played an important role in helping to develop Ikusasa, another steel supplier, by offering management advice, succession planning and advantageous payment terms. This company's turnover has more than doubled in two years to nearly R18 million in 2008. The company also helped to increase the turnover of MWS, a supplier of paper-covered copper strip, by 50% over two years to R17 million in 2008, by facilitating the sale of DPM assets to the company and creating a fund to help it improve the quality of its products.

CASE STUDY: ATM Mzansi – Banking the unbanked

The number of fully black-owned companies receiving enterprise development assistance from Bytes has steadily grown from 106 in 2006 to 442 in 2008. Much of this has been achieved through the company's flagship Bytes Specialised Solutions (BSS) ATM Mzansi Banking the unbanked project. Through this initiative, in partnership with major banks, BSS places ATMs in small black-owned businesses, where higher volume of foot traffic have, in some instances, increased turnover by as much as 35%. Beneficiary businesses also receive a percentage of the profit generated from the ATMs, helping to boost their earnings. South African Banks have opened 6 million Mzansi accounts since 2004, and the ATM Mzansi Banking the unbanked project offers decentralised banking to the previously unbanked sector of the population. Another benefit of this technology is to bring down banking costs in previously under serviced areas.

- *Goals*

While five of Altech's operations have very high ED scores, many of the remaining ones score below 5 points. Altech's operational transformation committees have contracted external transformation consultants, Tracend, to help them develop guidelines to address the challenge. Bytes will continue to expand its retail ATM enterprise development initiatives.

Code 700: Socio-economic development (SED)

SED forms an integral part of Altron's mainstream activities – both as a component of its B-BBEE scorecard as well as a cornerstone of its corporate accountability and governance programme.

- *Policy and approach*

A CSI policy, incorporating SED, provides guidelines to group companies on how best to implement SED elements

of B-BBEE, details the selected focus areas in which Altron makes SED investments and outlines the criteria for project selection. This policy is aligned with the dti CoGP regarding SED.

- *Management*

At the operational level SED it is the responsibility of executive management. The CSI policy provides scope for interpretation and implementation by group companies in their own operations and operating companies are encouraged to adapt the policy to suit their needs, business type and geographical footprint. Each operating company is responsible for regulating and monitoring their CSI expenditure according to the policy guidelines.

- *Engagement*

Each year, CSI practitioners throughout the group convene to share information, successes and lessons learned to ensure a co-ordinated approach, capitalise on synergies between group companies and maximise the impact for individual projects. The company undertakes regular reviews of spend and cost-benefit analysis. Each project is evaluated on an annual basis through a range of engagement activities with beneficiaries, including on-site visits, collection of relevant statistics and formal research. Post-mortem evaluations and audits are also conducted when each project is completed. Where possible and relevant, the company quantifies both financial and in kind contributions to projects. The group's database system, Everest, monitors spending and progress against the targets set for CSI projects.

- *Focus areas*

Altron renders support in five key focus areas.

1. Education and training, incorporating:
 - general education in technology and IT, electronics/multimedia, engineering, maths and science, school infrastructural development, outreach programmes and Adult Basic Education and Training (ABET); and
 - skills development programmes aimed at improving skills levels in communities to allow people to earn a living and become self-sustainable.
2. Job creation outside the company value chain:
 - support for job creation projects that are external to the workplace and aimed at creating self-sustainability for organisations qualifying for CSI/SED support. (Does not include incorporate projects which qualify under enterprise development / preferential procurement as part of the company's supply chain).
3. Community development and support, incorporating:
 - Health and social welfare in medical, primary healthcare and welfare projects within communities in which the company operates
 - Community Aids awareness programmes aligned to government programmes that provide
 - Support for security and public safety programmes (such as training of volunteers working at police stations, equipment or outreach programmes).
4. Conservation and environment, including:
 - Environmental awareness and projects;
 - Support of conservation initiatives and programmes; and
 - Involvement in disaster relief programmes.
5. Arts, culture and sports, including:
 - Support of developmental programmes;
 - Training of new talent; and
 - Development of historically disadvantaged individuals or teams.

These focus areas have been selected in line with national social development imperatives and Altron's core business as a technology company. In order to be considered, projects must fall within the above focus areas, show sustainability potential and be able to demonstrate ongoing maintenance plans.

Flagship projects

Altech

- *Altech UEC Briardene School (R261 276)*
Altech UEC partners with Project Build, an NGO that builds classrooms for under-resourced schools in KwaZulu-Natal. During the year, the company's funding helped to build classrooms and a media centre at Briardene Primary School.
- *Arrow Altech Distribution (AAD)/Altech IT Ekurhuleni Primary School (R242 313)*
AAD continued its ongoing support for this Germiston-based school which, three years ago faced closure by the Department of Education due to poor infrastructure. During the year under review, the company assisted the school with further infrastructural improvements and equipment. It upgraded the laptops of all heads of department, provided desks and chairs for learners in grades 1 to 3, upgraded the furniture in the staffroom and computer room and provided athletics kits to the school athletic team.

Bytes

Since 1995, Bytes has provided 19 under-resourced schools and 21, 390 learners with 456 computers. During the year it renovated and upgraded facilities at the Qunu and Nkalani schools in the Eastern Cape. Each of the schools now has a dedicated computer centre and Bytes provided computer skills training to 35 of the 42 teachers. Qunu also modified the existing Altech science laboratory to be both a science lab and a computer centre, giving the school two fully functional computer centres and science lab.

Bytes also created two state-of-the-art computer centres when it donated 48 desktop and 8 laptop computers to Nombuso High School on the KwaZulu-Natal South Coast. This was a collaborative project with five of the group companies assisting. A total of 1, 400 learners will benefit from this project.

Powertech

Destia Power Matla (DPM) granted a total of 41 bursaries (at a cost of R203 500) to 27 first-years, 9 second-year and 5 third-year historically disadvantaged students. The bursaries were granted to children, family members and relatives of employees as well as other deserving applicants. Powertech IST sponsored 13 bursary students from historically disadvantaged backgrounds who excelled in maths and science at the senior certificate level. Aberdare Cables' bursaries made education possible for seven grade 11 and five grade 12 learners, as well as two first-year BSc electronics students and one first-year NHC accounting student.

- *Status*
Altron scored the maximum five points on the B-BBEE scorecard for SED during the year under review, and met its target spend of 1% of net profit after tax. In total, R12.4 million was invested in various beneficiary projects across the group companies.
- *Goals*
Plans for this year include the following:
 - Altech has approved R1.7 million for the construction of an Altech Netstar (Netstar) Legacy Park in Tembisa, which will provide the local community with a sports park and community centre.

- Bytes has planned investment in a second KZN South Coast school. The Nombuso Secondary School will receive computers for its two computer classrooms in 2009.
- Powertech will be launching a flagship programme aimed at mathematics and science proficiency at both school and university level.

During the year under review, Altron moved from a policy-making to an implementation phase in its transformation journey. The focus is now on the implementation and achievement of goals at the operational level.

CASE STUDY: Computer centres for Nombuso High School, KwaZulu-Natal

Altron has provided two state of the art multimedia centres to the Nombuso High School in KwaNzimankwe near Port Shepstone on the KwaZulu-Natal South Coast. Built in 1994, the school caters for 1400 rural children, but was not able to add value to children from the local primary feeder school, which was already enjoying computer-aided learning.

Altron, by employing funds, equipment and time from its own CSI programme, as well as from partner customers and suppliers, has donated eight laptop computers, and 48 Desktop computers to Nombuso High School. The first computer centre has 30 computers, air-conditioning, an overhead proxima, and a networked printer / faxer / scanner / copier. The company has also trained three teachers to assist with computer applications technology classes, starting next year.

The second computer centre is a homework and multimedia centre with 18 computers and also linked to a second networked printer / faxer / scanner / copier, and is also internet enabled. This is aimed for project work and administrative work in accordance with the current curriculum. The laptop computers have been given to the top educators in the school in order that they gain the necessary knowledge to stay abreast of computer-aided learning. Most importantly, the company has also undertaken to sustain the technology for two years in terms of its CSI policy.

Environment

Altron recognises that managing the environmental impact of its businesses is an important aspect of triple bottom line corporate responsibility. The ICT sector in which it operates is not classified as a high-impact industry, but Altron is nevertheless committed to understanding its potential environmental impact and reducing it where possible.

In quantifying how its businesses impact the environment Altron is guided by independently commissioned audits, international standards such as ISO 14001, local benchmarks such as the JSE SRI Index, environmental elements of the GRI's G3 index and the relevant South African legal and regulatory frameworks. From the information gathered, we are cognisant that the Powertech group has by far the largest propensity for impacting the environment, and consequently many of the systems and responses relate largely to this group's operations.

Created under the auspices of the Endangered Wildlife Trust (EWT), the Riverine Rabbit Working Group is a project that combines sustainable environmental and biodiversity conservation with job creation, training and skills development.

Altron has again supported the effort to rehabilitate degraded riparian zones in the Karoo, thus restoring environmental systems and encouraging the return of the Riverine Rabbit to its natural habitat.

Altron is particularly encouraged by the holistic nature of the project, whereby the historically disadvantaged community of Loxton is helping save the species. This is a project that aims to:

- 1) uplift a community;
- 2) protect an endangered species;
- 3) improve degraded riparian vegetation to the benefit of the land owners; and
- 4) buffer a critical ecosystem in a semi-arid landscape against the possible impact of climate change.

Collectively these have informed the identification of the Altron group's most material environmental issues:

- » Carbon emissions
- » Energy use and efficiency
- » Pollution
- » Environmental impact of products and recycling thereof.

Reporting and compliance with legislation

The Altron group complies with all relevant environmental legislation and there were no significant environmental incidents, and no fines or prosecutions during the year under review.

The environmental aspects and impacts have been identified and logged at each site and this information is captured into an Environment Management System (EMS), which details the targets and objectives set by management on an annual basis. In line with the requirements of ISO 14001 the EMS also provides a record for annual environmental performance audits. During the year, Altron's Everest information management system was extended to facilitate group management of environmental impacts.

Name	ISO 14001	ISO 18001 and other
Arrow Altech Distribution	Compliant but not accredited as it handles no hazardous substances	ROHS compliant (the European standard for removal of harmful substances)
Altech Netstar		70% of components received lead-free
Altech UEC	System has been updated for ISO 14001 compliance. Audit has been undertaken and results are awaited for June 2009	ROHS compliant WEEE compliant
Aberdare	Standford Road (Port Elizabeth) and Pietermaritzburg operations – ISO 14001	BASEC certified ISO 18001 certified

Cables	certified. Gauteng operation – accreditation delayed*	
Powertech Transformers	Certified	ISO 18001 certified
DPM Cape Town	Certified	ISO 18001 certified
Powertech Batteries	Certified	ISO 18001 certified
Battery Technologies	Expected end of 2010	ISO 18001 certification expected end of 2010
Crabtree	Expected end of 2010	ISO 18001 certification expected end of 2010
Powertech IST	Certified	ISO 18001 certified
	The shaded cells show those companies within the group that achieved their ISO 14001 and/or their ISO 18001 certification in the year under review.	

**Delay of accreditation due to closure of Eloff Street plant and Aberdare Metallic Profiles.*

While Altron has established a philosophy and value system that underlies the group's overall responsibility towards the environment, individual operations develop their own approach and policy according to their specific impacts on the environment. The overall status of the group's environmental health is fed to the group's leadership via monthly reviews at individual company management level, and in turn via the risk management committees at divisional level.

Internally, the operations are guided by Altron group environmental policies regarding waste, pollution, product responsibility and energy efficiency. The Altron group conducts regular environmental risk assessments and holds monthly management review meetings, and further oversight is provided by internal audit, which conducts regular environmental risk assessments.

The company does not conduct environmental screening and audits on suppliers but its two main suppliers are ISO 14001 accredited and those that are not, are required to conduct their business in a manner that is not environmentally harmful.

External surveys

External surveys on the status of compliance with environmental legislation, as well as environmental impacts, are conducted by independent environmental consultants, M.S. Alexander & Associates. Any additional issues not picked up by internal review are raised and presented to the board on a quarterly basis. Altron has responded to the various findings and recommendations from such surveys in the following ways:

- *Aberdare*
 - Top management executives will be appointed as per ISO 14001 recommendation
 - A stand-alone environmental policy statement, separate from the the safety statement will be formalised
 - The company will obtain written contracts for waste removal to avoid illegal dumping as "safe disposal" certificates are not considered adequate
 - The company will tackle the the legacy issue of ground / oil pollution at Aberdare Long Street

- Ensure all refrigerants and air conditioners are R22 CHCIF2 free.

To facilitate improved environmental management, Aberdare SHERQ is using the ISO 14001:2000 standard as a guideline and the company has compiled an in-depth legal compliance checklist for each site to complete.

- *Crabtree*
 - Safe disposal certificates will be made readily available
 - Respirators will be more efficiently cleaned of dry lead oxide
 - Waste removal contracts will be entered into
 - Environmental matters were not included in SHE committee meetings and recorded the minutes - in future these will be included.
 - General health and safety protective equipment will be better enforced
- *Powertech Calidus Cape Town and Benrose*: a waste removal contract is to be drawn up.

MS Alexander recommended that similar audits be conducted for Altech and Bytes in the year ahead.

Carbon footprint

In addition to its responsibility as a corporate citizen, Altron recognises that there are significant business benefits to be gained from implementing a climate change policy. These include cost savings from improved energy management, the security of an uninterrupted power supply, increased revenues and new markets from providing low-carbon products and services, an energy efficient mortgage and branding / reputation benefits of marketing 'carbon neutral' products and services.

Following the position paper on climate change drafted and adopted by the Altron board last year, Altron embarked on a new journey towards formulating a policy for group-wide implementation. The first step in this process involved contracting the services of external auditing firm, PriceWaterhouseCoopers (PWC), to conduct an environmental impact assessment and carbon footprint survey of the entire company. PWC initially ran workshops with management from the various operations to provide an understanding of climate change and what it means to the operations and to Altron specifically to explain carbon credits and how these can be traded to generate revenue and to outline the methodology, approach and way forward for calculating the Altron group's carbon footprint. Altron also participated in the Carbon Disclosure Project in South Africa, a worldwide project under the auspices of the United Nations to determine and report carbon emissions.

Following this preparation process, PWC were contracted in 2008 to conduct an environmental impact assessment and calculate the carbon footprint (GHG inventory) of the entire Altron group. Data collection for the carbon footprint exercise was managed internally by Altron, with support and advice provided by PWC. The following measurements were used to guide data collection:

- Direct measured or calculated production-related emissions (including fuel and electricity usage)
- Air travel
- Car Travel (taking into account total fuel use, type of fuel, distance travelled, average fuel efficiency of vehicle and highway versus city traffic efficiency).

Battery Technologies

Battery Technologies reduce carbon production by introducing hybrid power schemes to applications running on Diesel-Electric generators. Using this technology allows such generator systems to run more efficiently and greatly reduces the carbon that they produce. Integrating this with Renergy Technologies' (Rentech) solar photovoltaic systems further reduces carbon emissions, as the combination of the two technologies allows freedom to balance the economic/environmental trade-off. Examples of photovoltaic traffic management systems by Rentech can be found at several intersections in Johannesburg where the traffic lights are run purely on solar energy and batteries – the best known example being the Grayston/Rivonia Road, Sandton intersection. The use of solar power is zero-carbon emitting and it can be used with traditional energy resources to reduce overall carbon footprints.

PWC compiled the results, providing Altron with the following picture of its carbon footprint

Overview of Altron's Carbon Footprint

Reporting period: 1 March 2008 to 28 February 2009 (base year assessment). Operational boundary: Altron Head Office, Altech (excluding international operations), Bytes (excluding international operations), Bytes Healthcare Solutions, Intelteca and NOR Paper), and Powertech (excluding Dynamic Battery Services (UK)).

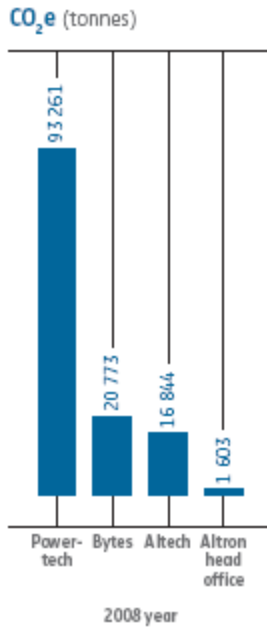
Scope and emissions estimates: The ISO 14064-1 Greenhouse Gas (GHG) Standard and the Greenhouse Gas Protocol were applied. Information included in the calculations included data on distances travelled and types of vehicles in Altron's business fleet and fuel use in the various production processes and services rendered, to determine the scope 1-direct emissions (those that Altron has direct control over the use of). Whereas, the calculation of scope 2 and 3 (indirect emissions) included data on electricity consumption, paper use and flights taken for business purposes, due to a lack of available data for road travel (ie, kilometres travelled by employees to perform Altron's business), this estimate was omitted from the base year assessment.

Total carbon emissions: The carbon footprint is estimated at 132 481 metric tonnes of carbon dioxide equivalents (CO₂e), and the graph below (Figure 1) provides an indication of the Altron group carbon footprint, broken down per business unit. Powertech, at 70%, is the most significant contributor, followed by Bytes (16%), Altech (13%) and Altron head office (1%).

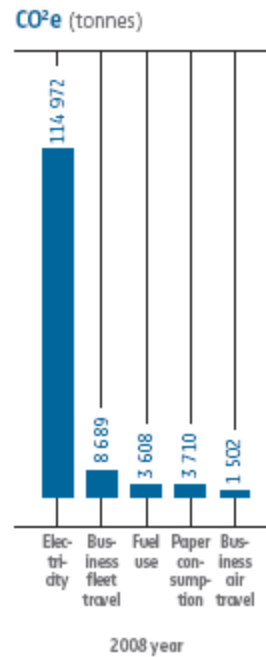
Total carbon emissions per source: Altron group's greenhouse gas emissions were calculated per source category and are reported according to scope:

Altron	Metric tonnes CO ₂ e	%
Scope 1 direct emissions: fuel use, business fleet travel	12 297.6	9.3
Scope 2 Indirect emission: electricity consumed in buildings owned	88 675.4	66.9
Scope 3 Indirect emission: electricity used in leased buildings, paper consumption, business air travel	31 508.2	23.8
Total scope 1, 2 and 3 emissions for Altron group	132 481.2	100

Altron's total greenhouse gas emissions per source are represented graphically in Figure 2. It is evident that electricity consumption is the most significant contributor to Altron's total carbon footprint at about 87%, followed by business fleet travel at nearly 7%, fuel use and paper consumption at nearly 3%, each and business air travel, which makes up just over 1%.



» Figure 1
Total greenhouse gas emissions in metric tonnes CO₂e for Altron group, split per business unit for the March 2008 to February 2009 reporting year.



» Figure 2
Total greenhouse gas emissions in metric tonnes CO₂e for Altron group, split per emission source for the March 2008 to February 2009 reporting year.

Carbon emissions per business unit: The contribution of each of Altron's principal subsidiaries to the total carbon footprint of 132 481 metric tonnes of CO₂e is listed below:

Altron (head office)	Metric tonnes CO ₂ e	%
<i>Scope 1 direct emissions:</i> fuel use, business fleet travel	17.0	1.1
<i>Scope 2 Indirect emission:</i> electricity consumed in buildings owned	1 342.9	83.8
<i>Scope 3 Indirect emission:</i> electricity used in leased buildings, paper consumption, business air travel	243.5	15.2
Total scope 1, 2 and 3 emissions for Altron group	1 603.4	100

Altech	Metric tonnes CO ₂ e	%
<i>Scope 1 direct emissions:</i> fuel use, business fleet travel	2 258.6	13.4
<i>Scope 2 Indirect emission:</i> electricity consumed in buildings owned	4 005.8	23.8
<i>Scope 3 Indirect emission:</i> electricity used in leased buildings, paper consumption, business air travel	10 579.0	62.8
Total scope 1, 2 and 3 emissions for Altron group	16 843.5	100

Bytes	Metric tonnes CO ₂ e	%
<i>Scope 1 direct emissions:</i> fuel use, business fleet travel	3 929.4	18.9
<i>Scope 2 Indirect emission:</i> electricity consumed in buildings owned	0.0	0.0
<i>Scope 3 Indirect emission:</i> electricity used in leased buildings, paper consumption, business air travel	16 843.7	81.1
Total scope 1, 2 and 3 emissions for Altron group	20 773.0	100

Powertech	Metric tonnes CO ₂ e	%
<i>Scope 1 direct emissions:</i> fuel use, business fleet travel	6 092.6	6.5
<i>Scope 2 Indirect emission:</i> electricity consumed in buildings owned	83 326.7	89.3
<i>Scope 3 Indirect emission:</i> electricity used in leased buildings, paper consumption, business air travel	3 841.9	4.1
Total scope 1, 2 and 3 emissions for Altron group	93 261.2	100

At present (May 2009) Certified Emission Reduction (CER), also known as “carbon credits” are trading at about €15/tonne. Therefore, the Altron group’s total carbon footprint of 132 481 metric tonnes of CO₂e was assigned a monetary value of roughly R23 060 000 (converted at R11.60 for €1) and represents the rand value required to offset Altron’s carbon footprint.

The carbon footprint estimate of 132 481 metric tonnes of CO₂e represents a fair reflection of Altron’s carbon footprint for the base year assessment. Full reliance was placed on data provided by Altron and its subsidiaries, as no data verification or audit procedures were conducted by PricewaterhouseCoopers prior to analysis and carbon footprint calculations.

A robust carbon management strategy for Altron would contribute significantly to identifying risks associated with GHG constraints in the future, and identifying opportunities in energy reduction, cost-saving and potential to participate in carbon trading markets.

The setting of GHG targets and the effective management of all greenhouse gas emissions data leads to a more accurate and complete carbon footprint calculation. A standardised carbon data management system for the whole Altron group will ensure that the recording and collection of data is done efficiently, roles and responsibilities for data collection and collation are defined, targets for effective mitigation strategies are set, and emission reduction projects are managed.

Engaging employees

The company also embarked on an interactive employee participation and education programme, launching a Carbon Footprint brand, dedicated website with definitions, FAQ's, projects and a library. The group participated in the WWF Earth Hour project during the year. Bytes Technology Business Park in Midrand launched Green Project to provide information, suggestions and best practices to staff as consumers to enable them to make 'greener' decisions when purchasing normal day-to-day items.

Pollution and emissions

As the major manufacturing group of Altron, Powertech actively manages, among others, environmental impacts, hazardous waste, air and water pollution and emissions from its operations. Surveys conducted at all Aberdare Cables manufacturing plants in 2008 identified certain minor air pollution problem areas, which have been addressed with the installation of additional extraction units. Follow-up surveys confirmed that the operation is now compliant with South African and United Nations legislation. Aberdare is drawing up a new, comprehensive emissions and pollution policy in line with international best business practice, which will go beyond compliance with the Air Pollution Act of 2006.

In June 2008 it appointed a new group SHERQ manager and changed the group and site SHERQ structure to integrate all aspects of safety, health, environment, risk and quality.

Emissions from Powertech Transformers underwent routine measurements during the year under review and were found to comply with legal limits. No significant incidents of water, air or soil pollution occurred. Dust emissions from grit-blasting and shot-blasting operations are controlled by filters. Boiler emissions are monitored and are within legal limits. Bunds and storm water oil separators have been constructed to contain oil spills. Storm water effluent is regularly monitored and has been found to be compliant with legislation. Soil pollution by oil spills on customers' sites is cleaned up immediately by a specialist company, contracted by Powertech Transformers. The clean-up procedure and soil rehabilitation meets legal requirements.

Waste management is well defined. Waste is separated at source and all recyclable scrap is recycled. Hazardous waste disposal meets the Department of Water Affairs and Forestry's (DWAF) minimum requirements.

Last year we highlighted polychlorinated biphenyls (PCBs) which were discovered during the ISO 14001 certification audit at Desta Power Matla's (DPM) Epping plant. The company worked closely with the Department of Water and Energy Affairs to manage the situation and was granted its ISO 14001 accreditation.

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.

In line with its commitment made last year to monitor oil seepage at its plant, Powertech Calidus purchased additional spill kits and replenishes them on a continual basis, if and when they are used.

Last year we reported that lead powder was seeping from the waste disposal skip at Crabtree Electrical Accessories SA (Crabtree), in Wadeville, into the stormwater system when it rained. The lead waste has been removed to an area away from the stormwater drain system and drain sampling is being conducted on a regular basis. This has ensured that the seepage is no longer occurring.

In line with plans outlined last year, Powertech Batteries spent R130 000 on upgrading the scrubber systems at its battery factories in Port Elizabeth to reduce sulphuric acid atmospheric emissions. It has further committed R50 million to eliminate lead vapour from conventional grid casting. The project is progressing and new equipment has been installed.

At Powertech Batteries, groundwater and soil was monitored for contamination, and the latest results were all clear of sulphuric acid. Fume emission scrubbers are currently being upgraded to minimise contamination risks. During the year the operation compiled a plan to address any contamination at its Ophirton facility; if found, such contamination can now be traced back to its source, which is likely to be from past operations or from other businesses in the area.

Energy-efficiency

Government's electricity rationing programme demands that the industrial sector cuts electricity usage by 10% – a direct impact on Altron's businesses. The company is fully committed to reducing its energy consumption, and its group-wide Powersave@Altron initiative continues to educate and inform employees and operations on how to be more energy-efficient. During the year under review Altron's energy consumption was 115 030 473 KwH. This year the group will be concentrating on reducing or eliminating the unnecessary use of office equipment, lighting systems, computers, heating and cooling systems. A formal reporting 'pack' will be developed alongside the evaluation of Eskom's Baseline Proposal.

Altron's most significant energy-usage comes from companies in the Powertech stable. As part of the Aberdare Energy Co-ordination programme, Aberdare Cables is working with Eskom and municipalities to establish a controlled "on demand" energy reduction programme whereby the operation will reduce demand for a controlled period by limiting the use of high consumption equipment.

Aberdare monitors energy consumption on a monthly basis and have introduced 'recorders' to provide more accurate information. However, benchmarking is difficult as some municipalities with older networks (Gauteng in particular) cannot offer accurate data. Furthermore, the company expects electricity usage to be dramatically affected by the global economic crisis, which means that historical data comparisons will be unreliable.

Energy usage and performance forms part of the group SHERQ internal audit program. Formal and ad hoc checks are carried out by the respective general managers with their site-based engineers, while factory engineers offer support to geographically aligned branches. Energy control forms part of the monthly management meetings.

The company circulates monthly training awareness material to all energy co-ordinators in the group. Group SHERQ also sends out awareness material to all concerned. Energy discussions take place at the SHERQ committee meetings, and energy graphs and targets are updated monthly and made available on our company intranet.

- *Goals*

During the year ahead, the group has plans to:

- Set office equipment to automatically switch to sleep mode
- Turn off electricity consumers when not in use,
- Install motion detectors so lights are automatically turned off when no one is present,
- Eliminate unnecessary external lighting and install motion detectors on certain outdoor security lighting,
- Turn off general lighting during the day where daylight is adequate and provide task specific lighting,
- Keep light bulbs and fixtures clean. Dirty fixtures reduce light intensity by as much as 25 percent,
- Optimise heating, ventilation and air conditioning systems (including burners and flues) to make sure they run as efficiently as possible. Regarding boilers, we are considering reviewing alternate sources of steam energy,
- Check heating/cooling ducts for leaks,
- Use programmable controls on air conditioners, geysers to minimise usage when not essential, or continued use after hours, with a switch off capability “on demand”
- Install low-flow showerheads on shower facilities,
- Turn off PCs when not in use for more than one hour. Ensure that PCs and workstations are operating in the “sleep” mode when not in use for more than five minutes. Screen-savers do not really save energy,
- Use controls that turn off shared printers, copiers, fax machines when not in use,
- Develop a formal reporting “pack” alongside the evaluation of Eskom’s Base line Proposal.

Powertech IST Otokon has developed PowerStatus™ (desktop electricity demand status software) as part of its Energy management software suite (EC Win). PowerStatus™ adds value to the existing energy monitoring systems by providing the status of Otokon’s actual energy consumption against its budget for each integration period.

Product responsibility

In pursuit of cradle-to-grave responsibility, Powertech has assessed the potential impacts of its products and devised solutions to ensure that they do not harm society at large, or the environment at any point in their life cycle. Following up on issues raised last year, we can report the following:

The cables produced by Aberdare Cables are traditionally wound on wooden drums which are treated with pesticide, in order to meet international requirements designed to prevent the transmission of pests across borders. However, due to the harmful nature of the pesticides and the resultant environmental impacts, the company has undertaken to discontinue the use of pesticides with immediate effect, and is investigating alternates that are not harmful to the environment.

Ensuring that its batteries are disposed of in an environmentally responsible manner is one of Powertech Batteries’ key priorities. During the year it started the process of devising a long-term strategy to ensure ‘cradle to grave’ stewardship of batteries. This will ultimately allow products to be traceable through the raw materials used, until they are recycled.

This is an ambitious project. In the meantime the company manages battery waste by collecting and replacing batteries on a ‘one-to-one’ exchange. It has maintained a collection rate of over 100% in the automotive industry, and has increased its collection rate to 100% in the industrial industry (up from 40%-50%) by encouraging clients to return old products and by buying back old products for recycling. Lower sales may also have contributed to the improved industrial collection figures.

Although it is difficult to ensure that customers adhere to health and safety requirements regarding battery disposal, the following progress has been made:

- Battery Technologies are moving towards 'maintenance free' products,
- Industrial customers are offered a service plan so they do not have to maintain their products,
- The company is promoting battery collection and recycling in the other parts of Africa in which it operates, and where necessary engages third parties to process the batteries,
- Various business managers provide monthly battery collection reports to their executives.

Waste and recycling for Aberdare from March 2008 to February 2009

<i>Type of material</i>	<i>Tonnes</i>
Hazardous waste	121.3
Grease drums	80.5
Other	40.8
Non-hazardous waste	79.6
Waste for recycling and re-use	2352.2
Copper	1070.2
Paper	20.5
Galv. Wire	129.4
PVC	543.7
Metal	352.0
Other	236.4

Conclusion

This report has categorised its impacts into 23 material issues which we currently believe to pose the greatest impact on the long-term sustainability of our businesses. Since our last report – for the prior year – some issues have become more important, while others, being largely resolved, are now less material to the group. Clearly sustainability is not a finite challenge that finds a quick resolution, but a responsibility that will demand continuous engagement, adaption of policy, new indicators of performance and innovative approaches, in order to mitigate impacts and progress our goals.

Where our vision and targets are clear, such as our mission to transform against the dti CoGP, the Altron group has made steady and sure progress. In other areas, we are still working on management systems and measurement protocols, essential tools and navigational markers required to help us progress on this journey. We are committed to sound and sustainable practices in all aspects of our business, balancing – in these straightened economic circumstances – the rigours of cost containment, efficiencies, and sound business practices with the expectations of all our stakeholders. Next year, as we improve our ability to manage sustainability, so will the quality of our reporting improve. More indicators will be defined and we will report more accurately on our progress against the most material issues affecting the Altron group.

Completing our report on social, environmental and economic impacts (the triple bottom line) is Altron's detailed corporate governance report. [🔗 Corporate governance report](#)