

Corporate governance report

Introduction

Management accepts the rights of Altron's shareholders as the true owners of the company and understands its own role as trustees on behalf of the shareholders. Corporate governance provides guidance and oversight as the company seeks to find a balance between conformance with governance principles and superior levels of performance in terms of a sustainable return on shareholders' investments.

The 2002 King Report on Corporate Governance for South Africa (King II), created an open environment for institutional activism, to which Altron responded by actively managing and reporting on the non-financial aspects of the company's performance through the corporate governance and corporate responsibility reports. In 2009, Altron again qualified for the JSE's Social Responsibility Investment (SRI) Index.

On 1 March 2010, the 2009 King Report on Corporate Governance for South Africa (King III) came into effect, guiding the directorship in further maturing its approach to the governance of Altron. King III moves away from the 'comply or else' philosophy of King II to an 'apply or explain' approach in order to prevent the mindless compliance approach to corporate governance.

In terms of King III, the directorship needs to look beyond the interests of the company's directors and shareholders, taking into account the concerns and issues of its wider stakeholder environment, such as customers, suppliers, employees, custodians of environmental concerns, etc. King III requires that long-term social, environmental and economic interests should be balanced with the primary need to maximise the profits of the company.

Altron applies the principles of good governance in accordance with the Global Reporting Initiative (GRI) guidelines. As part of the group's commitment to sustainability, we have also engaged in several other governance initiatives. We are signatories to the UN Global Compact, The Copenhagen Communique (climate change) and have also been admitted to the Shariah Index, thereby accommodating otherwise excluded investors. Where the directors have found recommended practices are not in the best interests of Altron, this report follows King III in explaining the reasons for an alternative approach to governance of the issue.

Considering the integrated nature of this report, we have attempted to deal with each important aspect of governance only once, where it best applies. Certain aspects not covered in this report will be cross-referenced to where they receive detailed treatment.

Engagement with shareholders and investors

In accordance with our commitment to ensure that the interests of Altron's management are aligned with those of all its shareholders, we manage a dedicated programme to engage with analysts, investors and individual shareholders. This includes, among others, providing timely, relevant, accurate, honest and accessible announcements and circulars to shareholders in accordance with the JSE Listings Requirements. Before sending out notice of the annual general meeting, the company secretary engages with the most material shareholders to garner input and feedback on resolutions the company is proposing to put to shareholders at the meeting.

When the company is not in a closed period, there is ongoing interaction between the executive management team and a wide range of institutional investors and analysts. These interactions take the form of one-on-one meetings held mostly on request by the institutional investors or the analysts. Twice a year the group's results are presented to the investor community in Johannesburg and in Cape Town. During the year-end presentation in 2009, the presentation was webcast live and has since been published on the website.

The Altron chief executive (CE) and chief financial officer also presented at a number of investor conferences during the year and have spent some time in the United Kingdom where various interested investors were met. Regular contact is maintained with our investor community who receive all the media releases and other relevant company publications.

In addition to this ongoing interaction, the examples listed here illustrate engagement by the company secretary with investors, and undertaken in the interest of good governance:

- A visit to Old Mutual and the PIC in Cape Town to canvass their opinion on two items:
 - o the proposed adoption of amended articles of association, and
 - o a new long-term incentive scheme for the group.
- A visit to major investors in Pretoria and Cape Town in November 2009 for their opinion on sustainable business development across the triple bottom line (See accompanying summary).
- Reviewed the PIC's Corporate Governance and Proxy Voting, Principles, Policies and Guidelines, performed a gap analysis of the group's compliance with its recommendations and engaged with the PIC to discuss Altron's compliance, advocating reasons for any departures from the guidelines.

During 2010 Altron will be approaching its material investors to encourage them to disclose how they voted on each resolution put to shareholders at the annual general meeting. Altron believes that this amounts to good corporate governance and embraces the concept of transparency advocated in King III.

Engagement with investor community on sustainability matters

In November 2009, the Altron group company secretary engaged with its major institutional investors regarding the positive role which business sustainability plays in society, reducing impact on the environment and improving prospects for the company over the long-term.

Discussion items included the following:

- The identification by investors of key long-term issues affecting the company and how Altron manages these
- The influence of the UN Principles for Responsible Investment (PRI) on investing approach
- The value of listing on the JSE SRI
- Altron's management of its impact on the environment
- Relevance of sustainability issues to investors and their investing mandates

All investors visited were appreciative of Altron's initiative to engage on the subject, and most recognised Altron's leadership in this regard. There was a wide range of awareness and interest, and all investment managers are becoming increasingly concerned with sustainability issues. For some this is due to pressure from clients.

Most investors are informed by the UN PRI and some apply their own responsibility principles, including social and environmental concerns, as part of their mandates. Few took cognisance of the JSE SRI. Specific issues noted were transformation, succession planning and the family ownership structure of Altron*. One significant shareholder called for more transparency on performance against measurable indicators, with a strong emphasis on social and environmental reporting.

* *This is not envisaged to change in the medium to long term as the Venter family retains control of the Altron group through the ordinary shares. Liquidity is created by the N shares.*

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

Every year, Altron seeks to gain structured feedback from analysts regarding its performance and management of the business, and again engaged an independent firm (Brunswick) to conduct an analyst poll on the company. This review rated Altron in terms of the overall image of the group, current market situation, management, disclosure, sector outlook and group company performance. Altron will again be conducting an analyst perception audit in June/July this year after the release of the year-end results and, will mandate an independent third party to conduct this year's audit.

Summary of 2009 analyst feedback to investor-related questions

Issue	Analyst perception	Response
Overall image of the group	Sell-side analysts and fund managers on the whole appeared to be very well informed about the group, and spoke positively about management, strategy and the level of investor communications.	Altron has responded to earlier analyst feedback, making a concerted effort to improve dialogue and interaction with the investor community.
Thoughts on current market situation	A mix of optimism and pessimism about the overall market picture for the next twelve months. The knock-on effects which have hit Altron seem to have been accepted and understood as part and parcel of economic cycles.	Altron has endeavoured to provide timeous, accurate and honest information to stakeholders. Adequate forewarning of developments thus inform investors' view of the company's prospects in changing markets.
Management	Praise for management and for being forthcoming and open to answering questions, giving real insight into the company. Succession was raised as an issue – stakeholders should be made aware of a succession plan, particularly for Bytes and Altech.	Detailed succession plans are reviewed biannually across the group. Bytes: In the case of David Redshaw's recent retirement, the market was appraised, the company restructured and Rob Abraham appointed as successor. Altech: see below
Disclosure	Full and regular disclosure, but more segmental analysis required to improve understanding of how individual companies contribute to Altron's profit.	Disclosure has, largely, been addressed by the requirements of IFRS 8, which requires more detailed segmental analysis of operational performance.

The sector	Positive views on the sector and interest in how recent developments have affected Altron. Global crisis the cause of sectoral effect on the group's results, but positive expectation for future growth.	Altron anticipates some recovery in the second half of 2010, which should prove beneficial to the Altron group.
Group company performance (general)	Good general knowledge, but better informed about Altech and Powertech, than Bytes. Overall a good mix of businesses.	Bytes: See comment below
Altech	A good business, good prospects. Succession plan for the CFO?	Detailed succession plans are reviewed every six months and successors identified for the current incumbents
Powertech	Current markets and sector delays responsible for difficulties, but a little more clarity could have been provided.	The group published numerous updates, but all stakeholders were caught off guard by the speed at which the market crashed. This was largely unappreciable and unprecedented
Bytes	Little said, not of direct interest to most analysts compared with the other companies in the group.	The new chief executive officer is launching a strong marketing campaign to improve the visibility of Bytes in the new financial year.

Engagement with other stakeholders

Altron reports on its relationships with its stakeholders where these relationships have raised important issues that are material to the company. Important stakeholders we engage with are listed in the table of material issues at the front of this report. For a detailed report on our engagement with them, follow the page or web references from this table.

Independent rating of compliance with Corporate Governance

The board is satisfied that Altron has made every practical effort to comply with all material aspects of King II during the review period, and has noted the new recommendations contained in King III, which came into force and being on 1 March 2010, and will ensure that the appropriate principles and guidelines are applied at the relevant time.

In 2009, the company engaged Corporate Governance Accreditation (Pty) Ltd (CGA) to again independently verify Altron's corporate governance procedures and policies. All areas of governance are covered by the gap analysis, including board functioning, composition, roles and duties of executive and non-executive directors, chairmen of the board and committees and the CE; board committee governance; risk management, internal and external audit; and the full spectrum of integrated sustainability issues including environmental, social responsibility, ethics, diversity, B-BBEE and HIV/Aids. In addition to these areas of evaluation, CGA now supports the United Nations Principles of Responsible Investment. As a signatory to these principles, CGA takes cognisance of these guidelines when reviewing the client's environmental and social awareness as part of the integrated sustainability criteria.

We addressed the governance deficiencies recognised in 2008 relating to stakeholder relations and integrated sustainability. CGA also noted Altron's progress made in inculcating the group's ethics policies and codes enterprise-wide. As a result of this continuous improvement, Altron again – and for the second year running – qualified for and was

awarded a Gold Certificate, achieving a score in excess of 80%. In response to the CGA process, Altron has run a check on all the items that were noted in the exception report and the company is satisfied that no material issues were identified. Those that were, have for the most part, been dealt with since the report.

During the past year, an internal audit was conducted on the secretarial departments of Altron, Altech, Bytes and Powertech regarding all statutory forms and registers, as well as company returns, with a 'good' rating being obtained for each of these entities.

The Altron board

Leadership

The board supports the long-term sustainability of corporate capital, balanced economic, social and environmental performance and due consideration of legitimate stakeholder involvement. The detailed responsibilities of the board are set out in its charter (initially approved in April 2002, revised, and adopted by the board annually since February 2006). The charter, approved by the board, is contained in the board minute book and provided to incoming directors as part of their induction programme.

This charter was updated in January 2010 to take into account King III recommendations and will form the basis of the board's future responsibilities and duties.

Accountability

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

Transparency

Full, accurate, relevant and timeous disclosure of information is prescribed by various policies governing communication and conduct with stakeholders. During the year under review, Altron updated its formal disclosure policy, which regulates the nature, content and timing of all disclosures of price-sensitive and non-price-sensitive information to the investment community and stakeholders. All these policies (code of ethics and directors dealing in securities policies) adhere to the principle of transparency, whereby shareholders are provided with timeous, accurate and relevant information.

Board structure and related matters

Altron's board charter

The board's charter sets out its role, composition, materiality levels, delegation of authority, proceedings at meetings, director induction as well as composition and role of board committees. The board charter is reviewed annually to ensure its continued compliance with local and international best practices and changes to the South African regulatory environment. During the past year the charter was amended and updated to include the principles of integrated sustainability governance contained in the King III report. Specific amendments include:

- The board should lead the company ethically for sustainability, promote the spirit of Ubuntu and strategically direct stakeholder-inclusiveness in corporate governance, and build an ethical culture into operations
- The board should annually appoint a chairman of the company and if he/she is not an independent non-executive director, a lead independent non-executive director
- Detailed list of duties for the chairman
- Detailed list of responsibilities for the CE
- Non-executive directors to meet without the executive directors to consider the performance of the executive management
- Shareholders must appoint an audit committee of the company at the annual general meeting
- Responsibilities of the audit committee with regard to integrated sustainability reporting
- The empowerment of the Altron group company secretary to fulfil good governance duties

The updated board charter is available from the Altron group company secretary on request.

Composition of the board

Consistent with the company's board charter, Altron has a unitary board, constituted to both lead and control the company.

Of the 15 serving directors, ten are now classified as non-executive directors, of whom seven are independent (ie directors that are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement), and five are executive directors. Four of the independent non-executive directors are black directors and of those, half are black women.

On 1 August 2009 Dr Harold Serebro retired after many years of service. On 1 March 2010, Mr David Redshaw retired as an executive director of the group and was appointed as a non-executive director on Altron's board.

The board is satisfied that its size, diversity and demographics make it effective.

Division of responsibilities at the head of Altron

The previous King Report (King II) emphasised that there should be a clear division of responsibilities at the head of the company, ensuring a balance of power and authority, so that no one individual has 'unfettered powers of decision making' (Code 2.3.1). This points strongly to having a non-executive chairman.

The current King Report (King III), in dealing with the need for a board to be led by an independent non-executive chairman, makes a number of points pertinent to this issue:

- A chief executive officer should never become the chairman of the company
- The chairman of the board should be independent and free of conflicts of interest on appointment, failing which the board should consider appointing a lead independent non-executive director
- If the board appoints a chairman who is a non-executive director but is not independent, this should be disclosed in the integrated annual report, together with the reasons and justification for it.

King III recognises that a company may have sound reasons for appointing a chairman who does not meet all the criteria for independence, but should be prepared to justify its decision. In such circumstances, King III advocates that the appointment of a lead independent director can assist the board in dealing with any actual or perceived conflicts of interest that arise in these or future circumstances.

Evolution of Altron's leadership

- Dr Bill Venter is the founder and erstwhile executive chairman and chief executive of Altron (1965 – 2001)
- In 2001, Dr Bill Venter relinquished the chief executive role of Altron to Mr Robert Venter, but remained on as a fulltime chairman of Altron until 2009
- On 1 March 2009, the role of Dr Bill Venter changed from full-time chairman to non-executive chairman, following his successful guidance of the transition process that has seen his son Mr Robert Venter take over the running of the business as CE
- Dr Bill Venter owns and controls 56% of the voting ordinary shares of Altron.

Consequent to the above, Dr Bill Venter could never be classified as an independent non-executive chairman (or independent director) of Altron, as is contemplated in both the JSE Listings Requirements and King III, or in terms of the proposed Companies Act, 2008. Furthermore, perceptions of potential conflicts of interest would always taint the chairman's decisions vis-à-vis Altron and its shareholders, given his large equity interest in the Altron group.

Accordingly, on 3 August 2009 and having regard to the recommendations set out in King II and King III which advocates having an independent non-executive chairman failing which a lead independent director, the Altron board appointed Mr Mike Leeming as lead independent non-executive director on the company's board.

Roles and responsibilities of the chairman

The offices of the chairman and CE are separate and the office of the chairman is filled by a non-executive director, Dr Bill Venter.

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

Particular areas of responsibility for the chairman include strategic planning, relationships with principals, government and customers, group economic empowerment, corporate relations, top-level contact with regulatory bodies, and advice and guidance on local and overseas acquisitions. The chairman's duties are governed by a formal board-approved mandate regulating the terms of reference of his office, and this is reviewed from time to time when appropriate.

At a nomination committee meeting held on 02 June 2010, the committee satisfied itself regarding the chairman's performance for the past twelve months and confirmed that Dr Bill Venter had substantially complied with those recommendations set out in King III regarding the role and responsibilities of a chairman. Accordingly, the nomination committee recommended to the board that, subject to shareholder approval, Altron's non-executive

chairman, Dr Bill Venter, be re-elected and appointed for a further twelve month period with effect from 14 July 2010.

Role of lead independent director (LID)

The main function of a LID (as per King III) is to provide leadership and advice to the board, without detracting from the authority of the chairman, when the chairman has a conflict of interest. The LID should at all times be aware that his/her role is that of support to the chairman and board and not in any way to undermine the authority of the chairman. The LID should also chair those board meetings which deal with the succession of the chairman and the chairman's performance appraisal.

In February 2010, the LID, Mr Mike Leeming attended a meeting of the Altron remuneration committee to address the committee on the performance of the chairman during the prior year.

Role of chief executive (CE)

Operational management of the group is the responsibility of the CE, Mr Robert Venter. His responsibilities include, among others, developing and recommending to the board a long-term strategy and vision for the organisation that will generate satisfactory stakeholder value, developing and recommending to the board annual business plans and budgets that support the organisation's long-term strategy, and managing the affairs of the organisation in accordance with its values and objectives, as well as the general policies and specific decisions of the board. The CE, while chairing the executive committee, is not a member of the remuneration, audit or nomination committees, but attends the same by invitation. The CE is a member of the Altron risk management committee and holds no other non-executive directorships outside of the Venter family and the Altron group.

Non-executive directors

The non-executive directors bring value and insight to the board. They are individuals of high calibre and integrity and provide a depth of wisdom based on knowledge and experience on a wide range of issues. The composition of the board ensures a balance of power and authority, and negates individual dominance in decision-making processes. It also reduces the possibility of conflicts of interest and promotes objectivity.

The non-executive directors have no fixed term of appointment and no employment contracts with Altron. Their fees are independent of the group's financial performance and they receive no share options or bonuses. A circumstantial exception that will apply until the end of February 2011 is the case of newly appointed non-executive director, Mr David Redshaw. Subsequent to his retirement, he retains for twelve months the conditional rights he had as an executive director – a temporary overlap with his appointment as a non-executive director.

In January 2010, an evaluation into each of the non-executive director's independence was conducted by the lead independent non-executive director in conjunction with the nomination committee. With the exception of Peter Wilmot who has served on the board for nine years and who has been adjudged by the nomination committee to still be independent, none of the present independent non-executive directors have served on the board for a period longer than nine years and neither are they disqualified in terms of the criteria for independence as laid down by the JSE Listings Requirements or by King II or King III.

Executive directors

Executive directors are bound by the standard terms and conditions of employment for all Altron employees where their notice periods are short term, not exceeding 60 days. Directors are subject to retirement by rotation and re-election by shareholders at least once every three years under article 16 of the articles of association. In this regard, the Altron nomination committee is active in annually assessing the performance of those directors standing for election/re-election and makes formal recommendations to the board and shareholders in this regard.

Conflicts of interest

On a quarterly basis, Altron actively solicits from its directors details regarding their external shareholdings and directorships, which potentially could create conflicts of interest while they serve as directors on the Altron board. The declarations received by the directors in this regard are closely scrutinised by both the chairman and the group company secretary and are tabled at the beginning of each quarterly board meeting. When applicable, directors are requested to table their interests in material contracts and shareholdings in outside companies and if necessary are requested to recuse themselves from discussions in meetings when these conflicts may exist. In addition, and from time to time, Altron has sought independent legal opinion regarding potential conflicts of interest in so far as these may affect specific directors. These opinions have not only advocated whether or not a conflict of interest exists, but have also prescribed appropriate recommendations for the company to follow in dealing with these matters, which may or may not include, without limitation, directors extricating themselves from contractual relationships and/or resigning their directorships or disposing of their shareholdings.

Effectiveness of the board

The board conducts an evaluation into its effectiveness every two years – or more often if circumstances require – last completing this exercise in 2009. This evaluation exercise examines six key areas: strategy and planning, board structure and role, meeting processes, performance monitoring, board and director responsibilities, and board culture and relationships. Self-evaluation questionnaires have been completed by the board members, the findings of which (and remedial steps taken, if any) are reported in this integrated annual report. In addition to the board evaluation, Altron's board members also conducted an evaluation of each board committee (an exercise over and above any self-evaluation exercises conducted by each of the committees).

The board considers this a better interval than the more frequent interval of one year advocated by King II and King III. As the remuneration and nomination committees conduct annual evaluations into the performance of both executive and non-executive directors, for purposes of annual increases, annual performance bonuses and re-election, the board believes that a formal evaluation every year into its effectiveness is superfluous, and better served by evaluations every other year. We also review succession plans twice a year (which involves identifying development and training needs of directors), thus further complementing these every-other-year evaluations.

Summary of board self-evaluation

During June 2009, 15 of the 16 Altron directors participated in the board self-evaluation. With regard to the performance of the board as a whole, it was found:

- Strategy and planning – generally relevant, understandable and appropriate, *but* opportunities for participation by non-executive directors could improve
- Board structure and role – satisfied overall, *but* need clearer succession plans, reduce executive component of main board over time, take into consideration political realities of South Africa
- Meeting processes – effective and professional, *but* time management could improve, hold at least one meeting per annum at an operation with tour by relevant chief executive officer
- Performance monitoring – adequate systems in place, indicators regularly monitored, *but* risk management committee to ensure all material risks brought to board attention (one view)
- Board and director responsibilities – fulfils roles and responsibilities, *but* board should visit group companies more frequently, engage with operational management more often to better understand operational challenges
- Board culture and relationships – sense of collegiality and team spirit, respecting minority views, despite recent changes to membership

The most important suggested changes that should be made to improve board effectiveness included:-

- more positive involvement within customer base, i.e. leverage off relationships
- more frequent 'strategy feedback' sessions
- greater focus on B-BBEE progress
- the appointment of a lead independent non-executive director and
- greater focus on industry trends and long term strategic decisions.

With regard to the evaluation by the board into the effectiveness of the various board committees it was found:

Overall and judging by the responses received from each member of the board, the various committees function effectively and assist the Altron board in discharging certain of its responsibilities.

Major strengths of the Altron committees included inter alia:-

- diverse composition
- specialist experience
- good feedback at board level
- headed by experienced business executives
- thoroughness
- competence and
- availability.

The major weaknesses identified by the board included inter alia:-

- some decisions are made prior to approval by Altron
- ongoing training/updates not formalised
- dependence on certain key individuals
- some committees require additional expertise and recourse (too small) and
- the skills mix on the committees is not always optimum.

Suggestions for improving the performance of the Altron committees included:-

- regular review of composition
- specialist training
- clarity on roll of Altron vs. Altech committees and
- formalise continued training.

Company secretary

To enable the board to function effectively, all directors have full and timely access to all information that may be relevant to the proper discharge of their duties and obligations. This includes information such as agenda items for board meetings, corporate announcements, investor communications and any other developments, which may affect Altron or its operations. The office of the group company secretary is responsible for facilitating this access. Where appropriate, the directors may also consult with independent professionals and advisors, at Altron's expense. A detailed policy regarding the taking of independent advice by the directors was completed and implemented during 2009.

Counsel and guidance is provided to the board on their powers and duties, individually and collectively, by the group company secretary who is also responsible for the development of director training. All new directors are appropriately inducted to Altron by the group company secretary and sponsor, which includes a briefing on their fiduciary and statutory duties and responsibilities (including without limitation the JSE Listings Requirements), as well as two- to three-day induction visits to group operations around South Africa. In addition, ongoing support and resources are provided to directors in order to enable them to extend and refresh their skills, knowledge and understanding of the group. Professional development and training is provided through regular updates on changes and proposed changes to laws and regulations affecting the group – or its businesses – and professional and skills training. During 2009, ENS Attorneys and experts in the fields of corporate governance and corporate law presented a series of talks to the group's directors on various topical issues affecting directors, notably the proposed new Companies Act, King III, as well as the new Competition and Consumer Protection Acts.

The group company secretary is not a director of any of the Altron group's operations and accordingly maintains an arm's length relationship with the board and its directors.

In addition to reporting to the CE and having a direct channel of communication to the chairman, the group company secretary meets with the chairman before each board and general meeting to prepare for and discuss important issues and agree on the agenda. Furthermore, the group company secretary assists the chairman of the board and committee chairmen in the drafting of yearly work plans.

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

the Act. The removal of the group company secretary would be a matter for the board as a whole.

The group company secretary is well versed in most aspects of corporate governance, having been an active member of the accounting and auditing task force of the King Committee responsible for the drafting of King III. His involvement with the King Committee has facilitated Altron and its board staying at the cutting edge of best practices and procedures in the field of corporate governance.

Board meetings

A minimum of four board meetings and two strategic sessions are scheduled per financial year. Additional board meetings may be convened when necessary. Five board meetings and two strategy sessions were held during the past financial year. The accompanying table details the attendance by each director at board meetings held during the year under review:

Attendance at meetings

Director	Board				
	2009				2010
	May	Jun #	Aug	Oct	Feb
Dr WP Venter	✓	✓	✓	✓	✓
RE Venter	✓	✓	✓	✓	✓
NJ Adami	✓	x	✓	x	x
MC Berzack	✓	✓	✓	✓	x
N Claussen	✓	✓	✓	✓	✓
PMO Curle	✓	✓	✓	✓	✓
MJ Leeming	✓	✓	✓	✓	✓
Dr PM Maduna	✓	x	✓	✓	x
BJM Masekela	x	✓	✓	✓	✓
JRD Modise	✓	✓	✓	✓	x
DNM Mokhobo	✓	✓	✓	✓	✓
PD Redshaw	✓	✓	✓	✓	✓
Dr HA Serebro	✓	✓	-1	-1	-1
AMR Smith	✓	✓	✓	✓	✓
CG Venter	✓	✓	✓	✓	✓
PL Wilmot	✓	✓+	✓	✓	✓

Special board meeting

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

+ *Participated by way of teleconference*

1 *Retired from the board of the company with effect from 1 August 2009.*

Board committees

The board has established several committees on which non-executive directors play an active and pivotal role. All committees operate under board-approved terms of reference, which were reviewed and updated during the period under review to align them further with best practice and to take into consideration the recommendations set out in King III. All committees, except the executive committee, are chaired by an independent non-executive director who attends the annual general meeting in order to respond to shareholder queries. The various committee mandates and terms of reference are available from the Altron group company secretary on request.

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

In view of the fact that the audit committee will become a statutory committee once the new Companies Act becomes law, and in terms of the recommendations set out in King III, shareholders will now be required to elect the members of this committee at the company's 2010 annual general meeting.

Executive committee

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

- *Members* – Messrs Robert Venter (chairman), Norbert Claussen, Peter Curle, Rob Abraham, Alex Smith, Craig Venter and Seara Macheli-Mkhabela. Until his retirement on 1 March 2010, Mr David Redshaw was a member of this committee.
- *Composition and proceedings* – The committee meets monthly with additional meetings convened as and when necessary.
- *Purpose* – The purpose of the committee is to assist the Altron CE in the performance of his duties, including:-
 - the development and implementation of strategy, operational plans, policies, procedures and budgets
 - the monitoring of operating and financial performance
 - the assessment and control of risk
 - the prioritisation and allocation of resources
 - monitoring competitive forces in each area of operation.

Audit committee

- *Members* – Messrs Peter Wilmot (chairman), Norman Adami, Mike Leeming and Jacob Modise.
- *Composition and proceedings* – Both Mr Alex Smith (chief financial officer) and Mr Robert Venter (chief executive) are required to attend committee meetings, but do not

have a vote. The committee meets periodically with the group's external and internal auditors and Altron's executive management. It also determines and carefully monitors the use of the external auditor for non-audit-related services, and is guided by a formal policy that precludes the external auditor from providing services which would impair audit independence. Prohibited services include:

- performing any internal audit or internal audit outsourcing services for Altron or any of its relevant subsidiaries
- performing any valuations on any business assets of Altron, or any of its relevant subsidiaries, for which the external auditors will be required to subsequently issue an audit opinion
- dispensing corporate finance advice, assistance or services to Altron or any of its relevant subsidiaries
- providing any legal or information technology (design or implementation) consulting services to Altron or any of its relevant subsidiaries
- conducting any due diligence exercises for and on behalf of Altron or any of Altron's relevant subsidiaries which utilise Altron's external auditor for audit-related services.

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

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

provided, however, that the Altron audit committee must pre-approve any proposed contract with the external auditor for the provision of such permitted and/or qualified non-audit-related services to Altron and provided further that these permitted and/or qualified non-audit-related services do not exceed 20% of the total Altron group audit fee agreed by the Altron audit committee for the financial year in question.

Services rendered by the external auditor during the prior year, and preapproved by the audit committee (within the financial parameters prescribed by the committee), comprised mainly compliance and other assurance-based engagements, as listed below:

- Assistance with the compliance of disclosure requirements in subsidiary statutory annual financial statements for year ending 28 February 2009 – R33 000
- Audit of import rebate credit certificates in terms of the requirements of the International Trade and Administration Commission of South Africa – R98 589
- Agreed upon procedures relating to details of a divided declaration – R2 664
- Agreed upon procedures relating to the determination of a deferred contingent purchase consideration for an acquired business – R25 000
- Agreed upon procedures in agreeing reconciling items to supporting documentation – R23 372
- Agreed upon procedures with the forensic data recovery – R6 000
- Audit procedures regarding compliance with the Import and Export Undertaking entered into with the South African Reserve Bank Exchange Control (EXCON) - R153 942

These services, totalling R342,567, represent 1.5% of the total group audit fee for the period under review, considerably less than the 20% limit prescribed.

With effect from 1 March 2008, the Altron audit committee was appointed as the formal audit committee of both Bytes and Powertech, as contemplated in the Corporate Laws Amendment Act. Messrs Peter Wilmot and Mike Leeming, both independent non-executive directors of Altron and members of the Altron audit committee, chair the Bytes and Powertech financial review and risk committees respectively.

- *Role* – The committee has written terms of reference and its responsibilities include among others:
- considering and nominating to the board, the appointment and/or termination of the external auditor, including their independence and objectivity
 - determining the audit fee of the external auditor
 - considering and setting mandatory term limits on the period the lead audit partner of the external auditor may serve the company
 - confirming and approving internal audit's charter and audit plan
 - determining with the external auditor the nature and scope of the audit and ensuring coordination where more than one firm is involved
 - reviewing the risk areas of the company's operations to be covered in the scope of internal and external audits
 - reviewing half-year and annual financial statements before submission to the board focusing on:
 - any changes in accounting policies and practices
 - major judgemental areas
 - significant adjustments arising from the audit
 - the going-concern statement
 - compliance with accounting standards
 - compliance with stock exchange and statutory requirements
 - reliability and accuracy of the financial information provided to management and other users of financial information
 - satisfying itself regarding the experience and expertise of Altron's finance director
 - satisfying itself that Altron's external auditor and those of its major subsidiaries are accredited in terms of the JSE List of Accredited Auditors
 - discussing any problems and reservations arising from the year-end audit and any related matters that the external auditor may wish to discuss
 - addresses the section 269, 270A and 300A requirements set out in the Corporate Laws Amendment Act, as pertains to Bytes and Powertech.

At its February 2010 meeting, the audit committee also addressed the following additional responsibilities as set out in King III:

- evaluated and confirmed the independence of the internal audit function
- approved a questionnaire regarding the evaluation of the internal audit function and agreed that an evaluation exercise regarding the activities and effectiveness of the internal audit function be conducted by the audit committee during March 2010
- noted and approved the appointment of Sustainabilityservices.co.za, an external assurance provider, to provide assurance over material elements of the sustainability section of the integrated annual report
- reviewed the expertise, resources and experience of the Altron group's finance capability and agreed an action plan in respect of those areas of the group where the finance skills and/or procedures are inadequate

- satisfied itself that management regularly monitors compliance with Altron's code of conduct and approved amendments to the code of conduct to align with the new corporate compliance policy.

The external auditor attends meetings by invitation. At the year-end audit committee meeting the chairman ensures that senior management and the external auditor as well as internal audit are able to report back to the committee chairman and members on the audit process both candidly and independently of each other.

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

During 2008 the audit committee conducted an evaluation regarding the effectiveness of the external auditor. The findings of the evaluation were reported on in the 2009 annual report. A further evaluation is being scheduled to take place later this year.

Self Assessment Exercise

The audit committee conducted a self-evaluation exercise into its effectiveness during 2009, the findings whereof were as follows:

- *Participation* – Of the eleven members/invitees who were invited to participate in the audit committee self evaluation, nine completed the evaluation
- *Financial Statements* – Generally speaking, participants strongly believe that appropriate practices are followed in ensuring the credibility of the financial statements. A minority felt that the group needs to undertake a review of the competencies of key financial staff. On whether there was a requirement for seeking internal or external briefs regarding litigation, contingencies, claims or assessments, it was noted that such consultation would be arranged by the Chairman of the audit committee, if and when the need arose
- *Risk, Control Compliance* – Participants believe that appropriate and adequate practices are followed by the audit committee in ensuring risk control compliance. More frequent and detailed reports from Deloitte Tip Offs Anonymous have been requested at risk management committee meetings
- *Interaction with Management and the External Auditor* – The majority of the participants answered that the audit committee does interact on an adequate basis with both management and the internal and external auditors. A minority view recommended that the committee could improve upon its interaction with management by meeting more frequently with the internal/external auditors to assess management's effectiveness in preparing the financial statements, applying new accounting financial standards, adopting prudent accounting policies and regarding issues implicating judgement and impacting quality
- *Committee Composition* – All participants felt that the Altron audit committee is comprised of sufficient independent non-executive directors, who are financially literate and competent to fulfil their roles and responsibilities
- *Training and Resources* – Participants believed that the audit committee receives adequate training and ongoing education regarding the participant's roles and responsibilities. This improvement compared to the 2007 evaluation can be ascribed to, among others, the introduction of a third audit committee meeting in the February of each year (when participants receive regular updates on accounting issues), as well as KPMG Inc. providing continuing education to participants. A recommendation for the future included possibly more regular and continuing education throughout the year and not limited primarily to the February meeting

- *Charter, Evaluation and Reporting* – Participants believe that the audit committee engages in adequate practices to ensure the effectiveness of both the committee and its members
- *Meetings* – Participants believe and agree that the audit committee holds a sufficient number of meetings per annum and that the venue, available material (i.e. reports) and timing of the meetings is adequate. Of concern was that audit committee members do not meet regularly in executive sessions to allow discussions on financial reporting reliability plus auditor and management performance.
- *Future* – While some participants were unsure of what the future requirements of an audit committee/member will entail, the majority of the participants believe that the audit committee is progressive in its thinking and pro-active in so far as preparing itself for the challenges of the future

Attendance at meetings

Members (and invitees)	Audit		
	2009		2010
	Apr	Oct	Feb
PL Wilmot	✓	✓	✓
NJ Adami	✓	✓	x
MJ Leeming	✓	✓	✓
JRD Modise	✓	✓	✓
RE Venter	✓ ¹	✓ ¹	✓ ¹
N Claussen	✓ ¹	✓ ¹	✓ ¹
PD Redshaw	✓ ¹	✓ ¹	✓ ¹
AMR Smith	✓ ¹	✓ ¹	✓ ¹
CG Venter	x ¹	✓ ¹	✓ ¹

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

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

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

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

Re-appointment of independent auditors

At an Altron audit committee meeting held on 25 February 2010, the committee considered the independence of the external auditors KPMG Inc in accordance with Section 270A of the Corporate Laws Amendment Act. In assessing the independence of the external auditor, the audit committee satisfied itself that KPMG Inc:

- does not hold a financial interest (either directly or indirectly) in Altron

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

Accordingly, the Altron audit committee is satisfied that KPMG Inc is independent as contemplated by the South Africa Independence laws and the applicable rules of the International Federation of Accountants (IFAC), and nominated the re-appointment of KPMG Inc as registered auditor for the 2010/11 financial year. On 26 February 2010, the Altron board, subject to shareholder approval, re-appointed KPMG Inc and Mr Nicholas Southon, the audit partner, as the independent registered auditor of Altron.

The Altron audit committee also considered and satisfied itself that KPMG Inc and PKF (Jhb) Inc (Altech's external auditor), including their advisors, are accredited in terms of the JSE List of Accredited Auditors as contemplated in paragraph 3.86 of the JSE Listings Requirements.

Internal controls and internal audit

Role of the Internal Audit Function

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

Independence of the Internal Audit Function

The independence of the internal audit function is reviewed annually by the audit committee and the committee is satisfied that the independence of the internal audit function has not been impaired in any way. The removal of the head of internal audit would be a matter for the audit committee in consultation with management.

King III

The King III requirements with respect to internal audit have been reviewed by both the audit committee and the head of internal audit. Both parties are in agreement that the internal audit function is substantially compliant with the requirements of King III. Plans are in place to ensure full compliance.

Audit Cycle

All significant audit risk areas are audited at least once every three years using a risk assessment methodology.

Auditable areas that have been identified as having a higher significance and/or risk are generally audited more frequently than those with lower risk. These areas are determined based on knowledge of the group and in consultation with the sub-holding companies' executive management.

The audit plan is communicated to sub-holding executive management and the respective audit/financial review and risk committees.

Special assignments are also undertaken at the request of the various audit committee members. Appropriate arrangements are made to ensure that these additional requests do not compromise the achievement of the audit plan.

Types of Audits

The internal audit function performs the following types of audits:

- Financial Systems Audits (FSA)
 - *A review of transactions processed through the financial cycles including sales, debtors, receipts, purchases, creditors, payments, inventory, fixed assets, payroll, cash and bank.*
- Computer Systems Audits (CSA)
 - *An assessment of the adequacy and effectiveness of internal controls implemented and maintained by management, in the IT general controls environment.*
- Production Systems Audits (PSA)
 - *An assessment of the adequacy and effectiveness of control implemented by management regarding.*
 - *Receipt and issue of materials and components*
 - *Production planning and factory loading*
 - *Control of the production process*
 - *Quality management of the production process*
 - *Maintenance of plant and equipment*
- Risk Control Audits (RCA)
 - *To ensure that companies comply with the legal requirements of the Occupational Health and Safety Act (OHAS Act) no 85 of 1993.*
- Environmental Audits (ENV) (outsourced to MS Alexander)
 - *To ensure that companies comply with the legal requirements of the various environmental laws and regulations.*

Table of Audits per Type

Planned Audits per Type					
2009-10	Total	Altech	Powertech	Bytes	Altron
Financial Systems Audit	46	13	17	13	3
Computer Systems Audit	9	4	1	3	1
Production Systems Audit	5	1	3	1	0
Risk Control Audit	20	4	12	4	0
Environmental Audit	11	0	11	0	0
	91	22	44	21	4

Audits Cancelled/Deferred

	Total	Altech	Powertech	Bytes	Altron
Cancelled	15	1	9	4	1
Deferred	5			5	
	20	1	9	9	1

The cancelled audits in Powertech relate mainly to the Greenhills operation that was closed and incorporated into the Aberdare group operations centre. The mothballing of the Aberdare Metallic Profiles operation also contributed to cancelled audits. Within Bytes there were three audits which were cancelled by internal audit and which have been rescheduled to be conducted in the new year.

The deferred audits within Bytes related to the NOR Paper and First Data Systems operations which have been restructured and will be audited early in the new financial year.

All audits that were cancelled or deferred were agreed with the respective audit committees.

Table of Audit Ratings Achieved per Audit Type

	Total	%	FSA	PSA	RCA	CSA	ENV
Good	8	13%	2	0	4	0	2
Satisfactory	24	38%	13	1	5	1	4
Corrective Action Required	28	44%	14	2	4	6	2
Deficient	3	5%	1	0	1	1	0
Seriously Deficient	0	0%	0	0	0	0	0
	63	100%	30	3	14	8	8

No audit rating has been finalised for eight audits in progress at the time of this report.

Risk Ratings

The following standard audit opinions have been defined to allow management to place in context the opinion given in internal audit reports.

- **Good** – *The system of internal control is adequate and effective. Control weaknesses, if any, were minimal and of a minor nature.*
- **Satisfactory** – *Although some control weaknesses were identified which require minor improvements, such weaknesses, taken together or independently, do not significantly impair the overall system of internal control.*
- **Corrective Action Required** – *Certain controls are missing or are only partial in nature. Whilst other controls compensated in part for the weakness, timely corrective action is required by management.*
- **Deficient** – *Certain key controls are absent or inadequate. The weaknesses identified, taken together or independently, significantly impair the overall system of internal control. As a result, prompt corrective action by management is necessary to bring controls up to a satisfactory level.*
- **Seriously Deficient** – *Control weaknesses are so significant or widespread that there is a high risk of financial loss, business interruption, breach of privacy, non-adherence to company policies or failure to meet contractual or statutory obligations. Immediate action is required by management to implement effective controls.*

Outstanding Issues and Timetable for Correction

If controls are inadequate, ineffective or not complied with, they are raised in the internal audit reports. Management have committed to rectify the shortcomings and specify action plans, due dates and responsible persons in the audit report.

Fraud, theft and dishonesty and peer review

Throughout the group fraud increased from 3 to 11 incidents over the reporting period, but the value increased to R4.7m from R3.8m. Unfortunately only R520 000 was recovered resulting in a net loss of R4.2m.

Incidents of theft decreased from 75 to 50. The total value of incidents amounted to R723 000 of which R327 000 was recovered resulting in a net loss of R396 000.

Hijackings and break-ins are also tracked by the company. During the year under review, hijackings decreased from 8 in the previous year to 7, and break-ins remained the same at 10 for both years. The total number of fraud, theft and other dishonesty incidents decreased from 105 in the previous year to 81. The total net loss from all incidents recorded decreased from R12.2m in the previous year to R7.1m, before insurance recoveries.

At Altech, there were 17 dismissals for theft, fraud or dishonesty of which 12 were referred to the CCMA. Of these, two were settled, four were dismissed, four are still pending, one resulted in an employee's reinstatement and one was found in favour of the company. Bytes had 38 fraud/dispute cases, 26 of which were referred to the CCMA. Of these 12 were won by Bytes, while 14 are ongoing or pending. Powertech had 29 fraud/dispute cases, 20 of

which were referred to the CCMA or labour courts. Of these nine were won, one lost and 10 ongoing or pending. Of the 11 dismissals, one was for incapacity.

An aggressive drive to re-enforce Altron's code of conduct, and the ethics of the group received impetus with the introduction of the Deloitte Tip-Offs Anonymous independent hotline from 1 March 2007, further strengthening the group's internal controls.

PricewaterhouseCoopers will perform an independent assessment of the effectiveness of the Internal Audit Function during May 2010. Their last assessment, performed in 2005, found that the function complied with the Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors and highly commending the function on its professionalism.

For more information regarding the activities of the audit committee, please refer to the audit committee report which appears after the director's report in the integrated annual report.

Remuneration committee

- *Members* – Messrs Jacob Modise (chairman), Norman Adami, Myron Berzack, Dr Bill Venter and Peter Wilmot
- *Composition and proceedings* – The committee comprises a majority of independent non-executive directors. Mr Robert Venter (CE) has right of attendance at committee meetings and the chief financial officer attends by invitation. No executives participate in discussions on their own remuneration and benefits and neither do they have a vote at meetings. Two meetings are scheduled annually with special meetings called as required. The committee met twice during the year under review.
- *Role* – This committee, in consultation with executive management, ensures that the group's directors and senior executives are fairly rewarded for their individual contributions to overall performance and are in line with the Altron remuneration policies.

Self-assessment exercise

In February 2009, following a two year cycle, the committee conducted a self-assessment exercise to review its functioning and effectiveness. Questions for assessment help determine that the committee is satisfied that it has provided adequate disclosure to shareholders, determined remuneration levels that are sufficient to attract, motivate, reward and retain senior executives of Altron, and that performance related elements of remuneration constitute a large proportion of total remuneration packages.

Overall, the findings of the remuneration committee assessment revealed an extremely positive result with participants recording that only minor improvements were required to the functioning and effectiveness of this committee.

The members and invitees appeared to demonstrate a sound appreciation for the need and benefits of having a remuneration committee and displayed that they had applied their minds to answering the questions contained in the self-assessment.

From a committee perspective, the three major focus areas identified which needed to be addressed in the future included:

- the relevance (or not) of discussing and debating pension fund and medical aid benefits and group life cover at remuneration committee meetings
- tabling the directors' and officers' insurance cover at remuneration committee meetings for noting
- the need to remain abreast of remuneration best practices and recent trends in remuneration practices including the circulation of remuneration publications to members of the committee and board.

Furthermore, the committee has, during the year:

- satisfied itself that the remuneration packages of its senior executives and the fees of its non-executive directors are market related. Several independent consultants are used to benchmark these packages and fees
- confirmed that the levels of funding and benefits of the Altron Group Pension Fund and Altron Medical Aid are adequate and appropriate
- agreed that non-executive directors should not be awarded share options or any other long-term share based incentives as this could compromise their independence vis-à-vis the company
- reconsidered the methodology of payment of non-executive director's fees by introducing an attendance fee component as opposed to solely a retainer
- ensured that a majority of its members are now independent non-executive directors
- invited Mabili Reward, independent remuneration consultants, to attend one of the scheduled remuneration committee meetings to address and update the members on remuneration trends and global best practice

Attendance at meetings

Members (and invitees)	Remuneration	
	2009	2010
	April	Feb
JRD Modise	✓	✓
NJ Adami	✓	✘
MC Berzack	✓	✓
Dr WP Venter	✓	✓
PL Wilmot	✓	✓
RE Venter	✓ ¹	✓ ¹
AMR Smith	✓ ²	✓ ²
MJ Leeming	-	✓ ³

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

1 *Has right of attendance but is not a member of the remuneration committee*

2 *Attends by invitation and is not a member of the remuneration committee*

- 3 *Mr Leeming attended the February 2010 remuneration committee as an invitee and in his capacity as lead independent non-executive director to address the committee on the non-executive chairman's performance.*

For further details on the remuneration of Altron's executive and non-executive directors, as well as Altron's remuneration philosophy and policies, see the remuneration report which follows the shareholder analysis in the integrated annual report.

Risk management committee

- *Members* – Messrs Mike Leeming (chairman), Norbert Claussen, Rob Abraham, Seara Macheli-Mkhabela, Alex Smith, Craig Venter, Robert Venter and Peter Wilmot. Until his retirement on 1 March 2010, Mr David Redshaw was a member of this committee.
- *Composition and proceedings* – The committee has two scheduled meetings each year and met twice during the year under review.
- *Role* – To identify strategic risks, reviewing their impact, assessing the probability of occurrence and monitoring the perceived effectiveness of existing controls.

In understanding the risk universe, both the impact and probability of risk are ranked on a nine-point scale: from 'catastrophic' to 'negligible' in relation to the impact and from 'negligible' to 'confidently expected' for probability. Inherent risk is ranked similarly to the impact of risk while control effectiveness is measured as either 'good', 'satisfactory', 'corrective action required' or 'deficient'. In terms of range of risks, the risk committee is guided by the eleven strategic sustainability themes, covering not only operational and financial issues, but economic, environmental and social impacts and opportunities as well.

Depending on the value of the residual risk exposure, management will then decide on its acceptability. If considered high, an action plan – stipulating the responsible person, required action and timeframe – will be put in place to reduce the level of risk to a more acceptable level.

Self-evaluation exercise

The risk management committee commenced with a self-evaluation exercise during April 2010, the findings whereof will be reported on in the 2011 integrated annual report.

Over the last number of years, the group has made a concerted effort to engage an increasing number of independent assurers to verify the risks. These included the following:

- MS Alexander & Associates and PricewaterhouseCoopers – Environmental/climate change
- CGA – Corporate Governance
- Aurum Institute for Health Research – HIV/Aids
- Empowerdex – B-BBEE
- College Hill, Ince and Brunswicks – shareholder/analyst perception audits

- Sustainability services and Trialogue – sustainability.

Furthermore, the risk management committee has:

- formed the Altron information management (IM) council, established with the dual purpose of ensuring sound information technology (IT) governance and effective collaboration between group companies. Immediate focus areas are:
- IM strategy development
 - Innovation
 - Standards definition
 - Policy setting
 - Procurement
 - Risk management
 - Group projects and platforms
 - Skills development
- established a reputable independent fraud hotline with Deloitte
- adequately reported to stakeholders on the group's material risks as contained in the 2009 Altron annual report, as well as in this 2010 integrated annual report.

Information Technology (IT) Governance

IT governance is defined in the glossary to the King III Code of Governance as “the effective and efficient management of IT resources to facilitate the achievement of corporate objectives”.

Altron has created an Information Management (IM) council, a management team from around the group, to whom the board delegates the responsibility of putting in place frameworks and processes to ensure appropriate IT governance within the Altron group. The IM council focuses on the corporate IT environment and does not deal with IT services delivered to third parties in the ordinary course of the group's business.

In summary, the role and function of the IM council is:

- to provide leadership, guidance and **in certain cases** strong direction and governance over **the information management affairs** of the Altron group.
- add value to the Altron group through increased cooperation and collaboration between group companies.

Composition:

The IM council comprises a maximum of five representatives from each sub holding group and four representatives from Altron's corporate office. Each sub-holding group chief financial officer is a compulsory attendee and thereafter IT/business executives from within each group are selected to represent the sub-holding group at the IM council. The Altron chief financial officer chairs this council.

A high level review of the alignment of Altron's IT governance structures and processes to the principles of King III has been conducted and the results are highlighted in the table below:

King III Principles	Current status of implementation of these principles in the group
The board should be responsible for IT governance/IT governance should be placed on the board agenda	IT governance is included in the board agenda. Information pertaining to IT governance is distributed to the board in written format and the contents of these documents discussed at the board meetings. The information is produced by the IM council.
IT should be aligned with the performance and sustainability objectives of the company	Alignment to business objectives is included as a core focus area within the mandate of the IM council with a strong direction authority level. Guidelines, frameworks and policies will be developed by the IM council to assist in the delivery of this objective, but the implementation will reside at operational company level. Compliance to the frameworks, policies and principles will be monitored on a regular basis by the IM council. The frameworks and policies will be in place by February 2011.
The board should delegate to management the responsibility for the implementation of an IT governance framework	The IM council manages IT governance in accordance with the annually approved mandate. The mandate identifies specific focus areas, and the degree of influence and authority given to the IM council within these focus areas.
The board should monitor and evaluate significant IT investments and expenditure, ensuring expenditure is optimised and value is measured and delivered	Cost and value management are included as core focus areas within the mandate of the IM council with a strong direction authority level; guidelines, frameworks and policies will be developed by the IM council to assist in the delivery of this objective, but the implementation will reside at individual

operational levels. Compliance to the frameworks, policies and principles, as well as costs will be monitored and benchmarked on a regular basis by the IM council. These results will be included in the written reports to board. This process is currently in progress and is expected to be completed by February 2011.

IT should form an integral part of the company's risk management

IT risk management is strongly governed via the IM council, the council charter and compliance is mandatory to group wide IT policies developed to manage the inherent risks associated with IT. IT risk management is further reported as a separate agenda item at each risk management committee meeting and any key material risks identified are reported by the risk chairman to the audit committee and to the board.

The board should see that information assets are managed effectively

Although information assets are included as a subset of the cost and value management and risk management objectives and focus areas of the IM council, a more holistic approach to ensure assets are effectively managed will be discussed by the IM council and proposed to the board by February 2011.

A risk management committee and audit committee should assist the board in carrying out IT responsibilities

The existing process is compliant to this principle.

Attendance at meetings

Members (and invitees)	Risk	
	2009	
	Apr	Oct
MJ Leeming	✓	✓
N Claussen	✓	✓
S Macheli-Mkhabela	-1	x
PD Redshaw4	✓	✓
Dr HA Serebro	✓	-2
AMR Smith	✓	✓
RE Venter	✓	✓
CG Venter	✓	x

PL Wilmot	✓	✓
RJ Abraham	-3	-3

- 1 *Appointed as a member to the Altron risk management committee on 1 June 2009*
- 2 *Retired from the risk management committee with effect from 1 August 2009*
- 3 *Appointed as a member to the Altron risk management committee on 1 March 2010*
- 4 *Retired from the risk management committee with effect from 1 March 2010*
- ✘ *Submitted apologies and was granted a leave of absence in terms of the company's articles of association.*

Material risks and opportunities facing the group

Altron defines material risks and opportunities as those that have the potential to impact on shareholder value. The accompanying table lists the major consolidated risks identified by the board at the end of the review period. The strategic sustainability themes they relate to, and management's action and progress in respect thereto are dealt with elsewhere in the integrated annual report. (See chairman's statement, CE's review, chief financial officers report and Corporate Responsibility section).

Strategic risks	Strategic sustainability themes	Management action and progress
Threat of international competition	The external environment Products and services Income and growth	Need to maintain relationships with key international partners & look at developing others
Management of business process outsourcing	Business partner relationships Customer relationships	Currently reviewing risk around all outstanding arrangements. Ensure appropriate controls in place
Reduction in interconnect rates	The external environment Products and services Income and growth Costs and cash management	Altech Autopage Cellular team reviewing recent pronouncements and will gauge impact on the business model
Maturing markets in key subsidiaries of subcos	The external environment	Limited potential for organic growth. Recent focus on cost control and balance sheets now needs to return to growth prospects
Compliance to regulatory environment	The external environment Corporate governance	Recent policies introduced. New Companies Act and King III. Changes in competition law and consumer protection. Executive education being managed by secretarial and legal

Human capital – skills shortage (including finance staff) and succession planning	Human capital Transformation	New incentivisation schemes in place. Self development programmes such as Altech Academy and PLP in place. Assessing resources in finance. Needs close attention in current environment. Succession plans in place
Market risk – commodity pricing and foreign exchange	The external environment Income and growth Costs and cash management	Hedging policy in place for all forex expenses and some commodities. Improved stock turns at Aberdare reduces copper price risk
B-BBEE structure / EE targets not timely met	Transformation	Vision 2012 launched. Corporate affairs executive driving targets for Vision 2012. ICT Charter represents a potential risk to the Altron group
Volatility of earnings at Aberdare	The external environment Products and services Income and growth Costs and cash management	To some degree mitigated by recent acquisitions – Powertech Transformers, IST and East Africa and (unfortunately) poor performance at Aberdare Cables
Lean management structure	Human capital	Management structure kept under review
RSA dependency	Income and growth	Currently looking at significant African expansion. Progress being made through Altech, Bytes and Powertech. Foreign revenue and exports now approximately 25% of total revenue
Capacity constraints	Products and services Income and growth Costs and cash management The environment	Building manufacturing capacity in key areas. Developing skills and introducing retention policies. Downturn in markets has mitigated against this
Intergroup business conflict	Products and services	Conflicting acquisitions are reviewed by Excom when arise. Investigating extracting synergies out of Bytes and Altech
Deterioration in stakeholder relationships (investor and supplier)	Products and services Customer relationships	Ongoing stakeholder communication. Expectations of investors being addressed
Loss of key agency / principal relationships	Customer relationships	Build and maintain relationships at all levels. Currently looking to renegotiate Bytes Document Solutions (South Africa) contracts with Xerox before

Legal report

Compliance framework

In establishing an effective compliance framework, the Altron group has a comprehensive set of policies, regularly updated in line with changes in legislation and business governance requirements, with which all group companies and employees are obliged to comply. Recent additions include a new sexual harassment policy, a corporate gifts and entertainment policy and a corporate compliance policy.

Compliance Policy

In accordance with King III, Altron developed a corporate compliance policy which was approved by the board at its meeting held in October 2009. This policy focuses on ten fundamental principles of business conduct which includes the following:

1. No anti-competitive behaviour
2. No corruption
3. No inappropriate risks for human health and the environment
4. No illegal insider trading
5. No deception
6. No infringement of others' intellectual property rights
7. No conflicts of interest
8. No misinformation
9. No breach of laws

This compliance policy is integrated and aligned with Altron's other material policies and business efforts, and compliance or non-compliance therewith is regularly appraised by the Altron risk management committee.

Management throughout the group reports on a monthly basis to their superiors on any risks, exposures and non-compliance. Altron legal, Altron internal audit and Altron tax, monitor and report on all such matters involving liabilities, risks and/or losses. All material risks and liabilities are reported on a bi-annual basis to the Altron risk management committee, which monitors all risks throughout the Altron group and which reports to the board. Material risks and liabilities are immediately reported to executive management as soon as knowledge thereof becomes known.

No judgement, damages, penalties, or fine was recorded and/or levied against any group company, directors, officers or employees during the period under review for non-compliance with any legislation.

Competition Tribunal finding against Altech Netstar

The Competition Tribunal found that Altech Netstar, Matrix, Tracker and VESA entered into an agreement or concerted practice approximately ten years ago between 1999 and 2003 which, at that time only, had the effect of substantially preventing or lessening competition. This was because the SVR companies, in the forum of the VESA SVR sub-committee (being a sub-committee to the Vehicle Security Association of South Africa known as VESA), set standards which lessened competition. These standards were adopted by VESA, and SAIA (the South African Insurance Association) which gave effect thereto by only endorsing SVR products approved by VESA.

The conduct for which the above tracking companies were accused of does, in terms of the Competition Act, not give rise to a fine, the only consequence being that the parties have to cease the conduct (which already occurred in 2003) and that they may be exposed to civil actions by competitors who may have suffered damages.

Altech Netstar is currently appealing the decision.

Competition Commission Investigation against Aberdare Cables and Others

On Thursday, 6 May 2010, the Competition Commission conducted a search at the offices of Aberdare Cables and three of its competitors following allegations of prohibited practices by these companies in the power cable market.

Both Powertech and Aberdare Cables are co-operating fully with the authorities' investigations and have taken the allegations made against Aberdare Cables on advisement with external legal advisors.

Further communication to shareholders will be made once certain investigations have been completed.

Health and safety impacts of products and services during their life cycle – No incidents of non-compliance with regulations and voluntary codes has occurred during the period under review.

Product and service information and labelling – No incidents of non-compliance with regulations and voluntary codes has occurred during the period under review.

Marketing communications, including advertising, promotion and sponsorship – Relevant group companies such as Altech Autopage Cellular and Altech Netstar abide by applicable marketing and advertising standards. Altron is reviewing the impact of the Consumer Protection Act, which comes into effect in October 2010, and also the expected impact of the Protection of Personal Information Bill on our marketing and promotional activities.

Advertising, promotion and sponsorship – No incidents of non-compliance with regulations and voluntary codes has occurred during the period under review.

Breaches of customer privacy and losses of customer data – No incidents occurred during the period under review.

The provision and use of products and services – No incidents of non-compliance with laws and regulations occurred during the period under review.

During the period under review, there were no requests for information under the terms of the Promotion of Access to Information Act and consequently no refusals for such requests.

Litigation matters

The Altron group was involved in 34 litigation matters in the past financial year to the total value of R176 million, appearing as plaintiffs in 19 matters (R97 million) and defendants in 15 (R79 million). All of these matters are handled and/or overseen by the Altron legal department and are elevated to the Altron risk management committee and where necessary referred to the Altron audit committee and board for deliberation and/or action

The Altron board is cognisant of the need to ensure that all disputes are resolved effectively, expeditiously and efficiently. Consequently, the group's legal departments ensure that all incoming and outgoing legal agreements which the group enters into contain appropriate alternative dispute resolution clauses.

Nomination committee

- *Members* – Dr Penuell Maduna (chairman), Messrs Myron Berzack, Mike Leeming, Barbara Masekela, and Dr Bill Venter
- *Composition and proceedings* – The committee comprises a majority of independent, non-executive directors and was established during the 2004/5 reporting period. It is deemed appropriate, from a corporate governance perspective, that the committee be chaired by an independent non-executive director, as opposed to Dr Bill Venter, the non-executive chairman of Altron, considering the Venter family's interest and close involvement in the company and its operations. Mr Robert Venter (CE) has right of attendance at committee meetings, but has no vote. There is no formal meeting schedule for this committee, which meets as and when required. The committee met once during the year under review.

The appointment of directors is a transparent and formal procedure governed by the nomination committee's mandate and terms of reference as well as by the Altron board charter. This mandate and terms of reference was updated during January 2010 to align with the recommendations of King III. Factors influencing the selection process include skills, knowledge and qualifications, and are examined against the backdrop of Altron's strategies. Availability, number of external board appointments, diversity, demographics and experience in relevant sectors are also considered. With effect from 2010, the chairman of the board, Dr Bill Venter, will be appointed annually by the board.

- *Role* – The committee is responsible for identifying and evaluating suitable potential candidates for appointment to the board as well as succession planning. Altron regards the role of this committee as vital to the development of a diverse leadership, representative of all race groups and in accordance with both the spirit of and the targets set out in the dti Codes of Good Practice. Employment equity at middle and

senior management levels remains a key challenge across the group. The activities of this committee therefore form an integral part of Transformation Vision 2012 for identifying and developing leadership talent.

Specific areas of responsibility include:

- Succession planning
- Annual appointment of non-executive chairman
- Proposed changes, if any, to the Altron board and its material committees
- Proposed re-election of Altron directors who retire by rotation
- Proposed election/ re-election of members of the Altron board committees (excluding the audit committee)
- Nominating members of the Altron audit committee for election by shareholders
- Review of the Altron nomination committee mandate and terms of reference for alignment with King III

As has been reported in the corporate responsibility section of this report, Altron has established a human capital council (HCC) which is responsible for addressing the following key facets of the business:

- Succession planning
- Performance management
- Training and development
- Remuneration
- Recruitment

A sophisticated succession planning policy has been finalised and is being implemented throughout the group. This formal policy covers the entire leadership structure, from executive to management level. The procedure for succession planning is conducted bi-annually at each of the three subholding groups and includes such items as:

- the identity and profile of the incumbent, such as age, etc
- potential successors to the position, from both internal and external sources
- the grade for the position, qualifying potential for mobility
- assessment of the development requirements for both the incumbent and the successor
- the schedule describing the timing of succession for each post.

Initiatives such as the two-year leadership development programme (drawn from the Altron Young Presidents' Club and run by the da Vinci Institute in association with the Altech Academy) form part of this overall strategy.

While the committee does not have the authority to appoint directors – a board function – it does also make recommendations to the board on the suitability of directors due to retire by rotation being put forward for re-election at the annual general meeting.

Attendance at meetings

Members (and invitees)	Nomination
	2009
	July
Dr PM Maduna	✓
MC Berzack	✓
MJ Leeming	✓
BJM Masekela	✓
Dr WP Venter	✓
RE Venter	✓ ¹

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

Self-evaluation

The committee recently conducted a self-evaluation exercise into its effectiveness. This was completed by all six members. Based on the overall response by the participants, the committee is working effectively and had discharged its obligations in terms of its mandate for the year under review.

Members believed that the decision making process encourages critical thinking and debate, in an atmosphere where they can challenge each other comfortably, respecting and valuing each other's contributions. In this regard, one member raised a concern about the ability of the committee to influence key officers of the company. The timing of meetings was also raised as a concern, in that occasionally appointments may have already been progressed to the point where the meeting might become a formality. Some members expressed a need for ongoing training (on LTIPs, for example), and one member asked how a new entrant to the committee could achieve the experience (and thus influence) of longer standing members with consistent and long interaction with the company's management.

Transformation committee

- *Members* – This is a subcommittee of the Altron executive committee. Transformation champions representing each subholding group sit on the Altron transformation committee.
- *Composition and proceedings* – the transformation committee was established five years ago and has continued to drive economic transformation and broad-based black economic empowerment across the group
- *Role* – Following the successful transition from Vision 2010 to Vision 2012, whereby the blueprint for transformation within Altron was updated to include the new dti Codes of Good Practice (dti CoGP) into the company's strategic transformation objectives, the committee's mandate has been extended to develop a practical implementation plan and guidance manuals to ensure uniform application of the empowerment vision across the group.

Despite the ongoing uncertainty at government level between the validity of the industry sector charters and the dti CoGP, the committee nonetheless is engaged in several projects, namely:

- auditing the entire group's operations to determine whether or not they comply with the dti CoGP including suggesting corrective actions
- aligning the Altron Transformation Vision 2012 document with the dti CoGP (exercise completed) as well as with relevant sectoral charters
- determining a strategy and road map for future compliance by the group with the dti CoGP and other broad-based black economic empowerment legislation. While the company is guided by this legislation, it has set itself its own internal strategic transformation goals, which it believes best serves the future sustainability of the Altron group.

Corporate ethics

The issue of corporate ethics is one that receives attention from the highest level of management within Altron, with the CE being ultimately responsible for implementing the code of ethics.

During the period under review, Altron was instrumental in raising the profile of ethics throughout the organisation, and in this regard:

- Adopted a group-wide code of ethics which received buy-in and endorsement from each of the material subholding companies;
- Updated the corporate code of conduct to align with the corporate compliance policy, King III and relevant new legislation;
- Dedicated a feature in the group's profile magazine highlighting ethics within the workplace environment;
- Continuously reinforced the Deloitte's Tip-Offs Anonymous hotline; and
- Included a clause in the group's supply contracts requiring employees, customers and suppliers to subscribe to and abide by the group's code of ethics.

It is envisaged that during the current year, the following aspects of corporate ethics will be considered:

- The need to establish a social and ethics committee as contemplated in terms of the Companies Act, 2008 - providing continuous ethics training to senior managers and executives throughout the group; and
- Enrolling the Altron group company secretary on an ethics officer certification course

The audit committee is responsible for and regularly reviews, monitors and reports on breaches to the corporate code of conduct as well as recommends to the board, amendments to the corporate code of conduct, if any.

The Altron risk management committee regularly assesses the company's vulnerability and risks associated with bribery and corruption. Altron is aware that it operates in countries that have been identified as high-risk environments for bribery and corruption, including Kenya, Lesotho, Mozambique, Nigeria and Uganda. Other risk areas include the company's involvement in various government contracts that may require government licensing.

Corporate code of conduct

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

The code of conduct was last reviewed by the Altron audit committee in February 2010 and was amended to bring the same in line with best business and corporate governance practices.

All employees of the Altron group are kept constantly informed of the organisation's ethics, anti-corruption policies and procedures through ongoing articles in the Profile magazine, as well as postings and documentation on the website. Employees have also been informed of their responsibilities and required behaviour through the recent publication of the corporate compliance policy and the corporate gifts and entertainment policy.

Donations to Political Parties

The Altron code of conduct is now aligned with the corporate compliance policy and all donations to political parties have to be approved by shareholders. During the year under review, Altron did not make any donations to political parties.

Corporate gifts and entertainment policy

During 2008/2009, Altron released a new corporate gifts and entertainment policy, which was circulated to all managers and employees. This policy embraces the Prevention and Combating of Corrupt Activities Act of 2004, and sets out clearly and prescriptively the boundaries that define corrupt activities in terms of the giving and receiving of gifts and/or entertainment. The policy defines categories of gifts and entertainment and describes the approvals required, as well as the immediate or ultimate vested authority responsible. Procedures for reporting criminal behaviour and disciplinary action are also set out in the policy and employees are encouraged to report any such behaviour to the Deloitte Tip-Offs Anonymous hotline. This policy has been incorporated into the corporate compliance policy approved during 2009.

On employment, Altron employees receive and/or have access to the Altron policy manual which includes a corporate code of conduct. Copies of all relevant policies regarding corporate ethics are made available on the Altron intranet, and an ongoing employee awareness campaign makes use of posters, the in-house publication *Profile* and staff magazines to highlight the issue. Similar marketing channels are used to publicise the group's whistle-blowing hotline. This confidential fraud hotline is independently managed by Deloitte which, together with the Altron internal audit department and the relevant subholding group security officers, monitors Altron's compliance with ethical practice.

Incidences of criminal activity reported and dealt with by the Altron group during the period under review are detailed above under 'Internal controls and internal audit'.

In addition to the corporate gifts and entertainment policy, Altron is guided by the group corporate compliance policy, as well as by the UN Global Compact principles, one of which is that businesses should work against corruption in all its forms, including extortion and bribery.

Share dealings

Altron and its subholdings have approved written policies on directors' dealings in securities. These require all relevant directors who wish to deal in Altron or its subholdings' securities to obtain prior written clearance from any two of the following senior executives: the chairman, CE or chief financial officer. The same restriction applies to the group company secretary. The chairman requires prior written clearance from the non-executive chairman of the Altron audit committee and group company secretary.

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

Memberships

The following memberships in associations and/or national/international advocacy organisations assist Altron in fulfilling its role as a good corporate citizen within broader society.

Directors/Senior Managers	Organisation
Mr Robert Venter	Member of the Manufacturing Circle convened by the Minister of Trade and Industry in the dti
Ms Barbara Masekela	Chairman of the Remuneration Panel established by the Minister of Public Enterprises Trustee of the Nelson Mandela Children's Fund Member of the SABC board
Mr Jacob Modise	Chief executive officer of the Road Accident Fund Trustee of the Nelson Mandela Children's Fund
Mr Craig Venter	Member of the world-wide Young Presidents' Organisation

	Board member of the Ministry of Science and Technology, Technology Innovation Agency (TIA)
Mr Andrew Johnston	Member of The Auditing and Accounting Sub-Committee of the main King III Committee