

Corporate responsibility

While the first five strategic themes reported on in earlier chapters of this integrated annual report speak to traditional core business issues, this section deals with Altron's response to issues of concern to society. These issues are listed under the strategic themes: customer relationships, human capital, transformation, the environment, foreign operations and corporate governance.

Stakeholder engagement is dealt with per strategic theme, or material issue (if relevant), describing the key issues raised by stakeholder groups and how the company has responded to them. In reporting on each issue, we have also included information on management's approach to the issue, policies and legislation governing the issues, and the key measurements used to determine the company's performance.

CUSTOMER RELATIONSHIPS

Customer satisfaction

Altech Netstar and Altech Autopage Cellular are the major two operations within the group that have a retail customer interface. Customer service and satisfaction is a driving concern in each of these operations, where it receives the highest level of attention from management.

Customer satisfaction at Altech Netstar

Altech Netstar's newly-launched lifestyle statement – 'to provide customers with an exceptional experience through outstanding service' – is entrenched in the culture of the organisation. The managing director tracks customer satisfaction statistics on a daily and monthly basis. Divisional managers are held accountable for customer service levels, and these form an important part of their performance reviews.

Customer service statistics were up slightly on the previous year, with an average of 96% of calls being answered in the first 20 seconds (2008: 94%). During the year under review, Altech Netstar increased the headcount in call centres and embarked on an aggressive customer service training drive for 80 agents and 25 line managers. During the year under review the company implemented an interactive voice recorder system allowing customers to rank an agent's service post-call, including how helpful they were, their product knowledge and the probability of the customer recommending Altech Netstar to a friend or family member.

In the previous year it was reported that the Altech Netstar and Altech Autopage Cellular call centres might be amalgamated. This was decided against on the grounds that the nature of the service provided by each entity was so different that amalgamation would not strengthen customer service levels.

The key issues raised by Altech Netstar's customers (on the company website and on the consumer satisfaction website, Hellopeter.com) among other channels, are account- and product related. Our quality control department deals with product-related complaints and, where necessary, liaises with the product engineers to make improvements or adjustments.

Altech Netstar's management has visited leading call centres in countries across the globe to benchmark and learn best practices. In the year ahead, we will implement improvements relevant to our market, while continuing to focus on customer service training and to apply incentives for excellent customer service.

Customer satisfaction at Altech Autopage Cellular

Managers, employees and operations are all measured against customer service-related key performance indicators (KPIs), and managers are held accountable for the improvement of customer service levels through the implementation of quality assurance, training and development initiatives. This year, the company constituted a customer management forum at senior level to drive all customer-related initiatives and projects. Daily reports are received by the managing director, and bi-monthly meetings are held to review performance and drive a company-wide understanding of outstanding customer service.

Altech Autopage Cellular identifies and responds to customer concerns through a number of channels. The company's website allows for customer feedback via email and important queries and complaints are escalated to the Altech Autopage Cellular managing director and the Altech CEO's office. The company aims to respond to media consumer forums (such as Hellopeter.com) within two to 24 hours. All queries received via ICASA are analysed and responded to as a matter of urgency.

This year, the company appointed an external agency to conduct a monthly satisfaction survey of 1 000 customers with particular focus on those customers who recently had a service query. The information is then combined into an annual report. Key issues raised in the survey include repair turnaround times; network billing issues and delays (specifically related to MTN); the time taken to answer customer calls; and lack of satisfaction with the final resolution of a query or complaint. There is also lack of clarity about the packages sold via third party telemarketing initiatives.

Repair turnaround times are central to repair service level agreements (SLAs) and the company conducts regular monthly meetings with repair centres to address challenges and improve efficiency. The call centres and help desk have been consolidated in an effort to reduce the time taken to answer calls, and progress has been made in improving customer understanding of packages, through communication and training. In spite of ongoing engagement with MTN, billing errors continue to be a challenge.

In response, the newly formed customer management forum developed a customer management plan to drive employee understanding, customer engagement and successful service delivery. Customer facing divisions were integrated to ensure better focus and control, and service and quality functions introduced to provide support. The company also launched a zero-tolerance campaign to ensure stricter management of agents' customer service delivery, and introduced an award to recognise and reward customer service excellence.

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

GUIDELINES AND STANDARDS

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

- > The King Report on Corporate Governance for South Africa – 2002 (King II), forming the basis of Altron's self-evaluation, independently verified by Corporate Governance Accreditation (Pty) Limited (CGA), in association with the Institute of Directors (IOD).
- > The JSE SRI (JSE Limited Social Responsibility Investment) Index.
- > The Global Reporting Initiative's (GRI) guidelines and indicators (G3 edition), against which Altron declares itself at a B+ application level. For the full index, see page 78.
- > The dti Codes of Good Practice (dtiCoGP), independently assessed and certified by the rating agency, Empowerdex

RESPONDING TO RICA

Altech Autopage Cellular customers have to comply with the new Regulation of Interception of Communications Act (RICA) by 31 December 2010. Altech Autopage Cellular has implemented a RICA project, championed by the customer operations executive, to inform customers about RICA and assist them to become compliant.

Key customer service objectives for the year ahead include increased customer education; improved customer self-help capabilities; process and resource optimisation; and, the implementation of a more systematic approach to the life-cycle and experience of the customer. The company's goal is to achieve a service level target greater than 70% and first-call resolution of greater than 80% in the year ahead.

Customer rights and protection

The New Consumer Protection Act 2008 (CPA) entrenches the consumer's right to fair value, good quality and safe products, while protecting against defective or inferior goods. Effective in October 2010, it will have a material impact on Altech Netstar and Altech Autopage Cellular. These operations, and to a lesser extent Bytes Outsource Services, are also affected by the Electronic Communications and Transactions Act 2002 (ECT), which provides for the protection of electronic information on individuals held in critical databases. Altron welcomes the role the National Credit Advisor plays in curbing excessive behaviour in the industry, and protecting the rights of consumers to the long-term benefit of all stakeholders.

Altech Autopage Cellular has established a CPA committee and project team in partnership with its legal department, and all directors and general managers are responsible for ensuring compliance with the CPA. At Altech Netstar, the issue is being managed by the Altech legal department. Both operations are in the process of putting contracts into plain and understandable language, allowing consumers to inspect goods before purchasing; implementing warranties and refund policies; giving consumers notice prior to the expiry of their contract; implementing fair and responsible marketing initiatives; and publishing promotional competition rules.

Altech Netstar will publish its terms and conditions as well as a copy of the CPA on its website to ensure customers are aware of their rights, while Altech Autopage Cellular is in the process of developing a customer education and communications plan to keep consumers informed.

Altech Netstar and Altech Autopage Cellular hold confidential consumer information including ID numbers, credit card information and banking details. Altron's data storage and retention policy, together with back-up and access to information policies, cover the management and protection of confidential consumer information. IT risk management is governed via the IM council, council charter and compliance to mandatory IT policies developed to manage the inherent risks and improve collaboration between group companies.

Access to all applications containing this information is controlled; users are not able to download or distribute multiple client information and only the administrator can access the database. All credit card information is encrypted and stored securely. All documentation is backed up regularly and stored off-site with a reputable document storage company.

While Bytes Outsource Services does not hold any confidential consumer information itself, it manages the application layer relating to the transmission of confidential medical aid claim information between pharmacies and medical aid companies.

None of Altron's operations received any substantiated complaints regarding the breach of customer privacy and loss of customer data, nor were there any incidents of identity theft related to the group's activities, reported during the year under review. There were no fines for non-compliance with laws and regulations concerning the provision and use of products and services.

HUMAN CAPITAL

Altron's employees include 10 649 permanent and 1 126 contract/temporary employees in the group's local South Africa operations, as well as 1 662 employees in international operations. Important issues are informed by business strategic issues within the company, interaction with and feedback received from employees through a number of engagement forums, key national imperatives and legislation. Altron complies in all material respects with the Basic Conditions of Employment Act, the Labour Relations Act, the Employment Equity Act and the Skills Development Act, and is committed to achieving various employee-related transformation targets as set out in the dti CoGP.

Altron recognises that employees are central to the company's prosperity and sustainability, and embraces its duty to treat them in a responsible, fair and humane way and not to engage in any activity that exploits them or causes them harm.

Altron's South African workforce profile by occupational levels

Occupational levels	Male				Female				Total SA workforce	% black representation	% black female representation
	African	Coloured	Indian	White	African	Coloured	Indian	White			
Senior top management	6	2	3	44	1	1	0	4	61	21	3.3
Other top management	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Senior management	12	5	25	191	6	4	13	41	297	22	7.7
Middle management – professionally qualified and specialists	106	75	163	789	44	19	65	220	1 481	32	8.6
Junior management – academic qualified and skilled technicians	1 261	438	439	1 242	610	170	272	737	5 169	62	20.3
Semi-skilled and discretionary decision-making	1 044	193	76	241	341	157	80	224	2 356	80	24.5
Unskilled and defined decision-making	967	52	11	132	100	16	2	5	1 285	89	9.2
Total permanent workforce	3 396	765	717	2 639	1 102	367	432	1 231	10 649	64	17.8

Altron's workforce by employment type

	Altech	Bytes	Powertech	AMS
Permanent	2 276	4 233	4 066	74
Contract/Temporary	807	129	174	16
Offshore	958	351	353	0
	4 041	4 713	4 593	90

Employee engagement

At the Altron group level, management and executives meet with employees twice a year at an interactive results presentation. The Altron intranet and group-wide *Profile* staff magazine provide platforms for two-way interaction and communication between management and employees. While the company conducts specific surveys throughout the year to obtain feedback and input from staff on a range of issues, no employee satisfaction survey was conducted during the year under review.

Employee unionisation figures for each operation are as follows: Bytes: 4.2%; Altech: 7.3%; Powertech: 62%. There was no industrial action during the year under review, nor were there any material incidents of discrimination or actions taken.

Employee engagement during retrenchments

Powertech, Altech Autopage Cellular and Bytes UK underwent significant retrenchments during the reporting period due to the financial crisis and subsequent business slowdown in some operations. Powertech's Aberdare Cables closed its Eloff Street operation, resulting in the retrenchment of 138 salaried and 89 weekly paid staff. There were a total of 522 retrenchments across the group, as well as some staff short-time.

PERFORMANCE MANAGEMENT

Although there are centres of excellence in which all employees receive regular performance reviews, this is not currently happening across the board at all levels in all sub-holding companies. The performance management strategy will address this issue, stipulating that all sub-holding companies conduct regular performance reviews with all staff.

At Altech, 78% of employees currently received regular performance reviews, while percentages differ for each company within Powertech, ranging from 34% to 100%. All employees at Bytes receive regular performance reviews although the regularity of these differs from one company to the next.

Labour legislation informs the way in which Altron engages with staff during retrenchments. In particular, the Council for Conciliation, Mediation and Arbitration (CCMA) process requires the company to engage in meaningful consultation and two-way dialogue with employees, informing staff fully on the reasons driving retrenchments and providing them with a platform to put forward alternatives, suggestions and questions. Across affected companies, managing directors took personal responsibility for this engagement, in the process helping to maintain company morale. Altron group employees are subject to the standard terms and conditions of employment where notice periods range between 30 and 60 days. For scheduled workers, Altron is guided by the provisions of the Steel and Engineering Industries Federation of South Africa (SEIFSA).

Where retrenchments take place in a unionised operation such as Powertech, senior management engages with union representatives and shop floor stewards at every step in the process. Transparency is important and Powertech trade union representatives were provided with access to all financials and relevant operational information.

Skills attraction, development and retention

The ICT sector is characterised by severe skills shortages. The group has focussed on skills development as evidenced by its performance against the transformation codes of the dti CoGP, as well as its ranking as the leading skills developer in South Africa in the Financial Mail/Empowerdex survey of the top empowered companies in South Africa.

However, there has generally been a lack of integration in the approach to human capital management. Hence, the human capital strategy currently being formulated by the newly formed human capital council (HCC), will address this issue, and ensure the integration of training and development plans with succession, remuneration, recruitment and performance management plans.

The HCC comprises human resources representatives from each of the sub-holding companies, the Altron group company secretary (representing the group's remuneration committees), the group corporate affairs executive and the Altron financial director. The Altron chief executive attends the monthly HCC meetings by invitation. Management within each sub-holding company is responsible for the implementation of human capital plans as they relate to each sub-holding company's needs and requirements.

Bytes trained 188 learners during the year, of which 59 were disabled.

During the year under review all Altron subholding companies conducted an extensive skills audit from which was determined: the need to grow a robust leadership pipeline; a list of key technical skills; and the need for skilled black- and black female employees at senior to top management. Altron invested around R61 million in skills development over the past financial year.

A flexible remuneration strategy allows the company to attract the best external senior technical talent, while a vibrant training and development programme focuses on developing junior talent into skilled technical employees.

The skills pipeline is being filled on a number of fronts:

- > Powertech Transformers graduated 92 trainees in its various technical training centres covering transformer technologies, windings, boilermaking, welding and assembly, among others.
- > Altech enrolled 15 new graduates in its 18 month engineer-in-training programme, bringing to 35 the total number of graduates currently on the programme.
- > Bytes trained 188 learners during the year, of which 59 were disabled. All technical employees at Bytes undergo continual up-skilling to ensure they can instal and integrate the latest technical releases.

Altron's leadership pipeline supports its succession plan, a key stipulation of King III. Nomination committees have been appointed at the subholding company level to drive a succession planning process that recognises the need for integration with other group-wide recruitment, retention and training initiatives.

The succession planning policy ensures the systematic and long-term development of key individuals to replace key job incumbents as the need arises, and ultimately ensures that the company has the talent necessary to achieve its strategic objectives. Supporting these plans, the company already has a number of focused leadership development programmes in place (see accompanying side-bar).

SUPPORTING THE LEADERSHIP PIPELINE

The **Altron Young President's Club** identifies, trains, mentors and develops potential future leaders for the group, chiefly through the Altech Academy and the Da Vinci Institute. The 10 candidates currently enrolled are now in the second of their two-year programme towards a masters degree in Management of Technology and Innovation.

The **Powertech Leadership Programme** (PLP) focuses on senior management, senior leadership and executive development. The scope of the PLP has been expanded to more closely define the senior management development plan.

Developing black and black female skills is a key focus of all five aspects of the human capital plan – succession planning, performance management, training and development, remuneration and recruitment:

- > Of the more than R23 million spent by Bytes on training during the year, nearly R16 million (67%) was spent on black skills development and more than 50% of this was channelled to the skills development of black females.
- > Bytes Outsource Services trained 28 historically disadvantaged and three physically disabled learners as part of its contact centre learnership programme.
- > Powertech spent almost R13 million on black training and skills development (49% of total training spend), with R2.7 million being spent on black females and R537 000 on black disabled employees. This equates to 1 846 black employees engaged in a range of training activities, from education assistance and internships to workshops, apprenticeships and work-based informal training. The company trained 51 black male and five black female apprentices, 82 black male and 43 black female learners, and 13 black male and five black female experiential trainees. Of the five trainees enrolled in the company's Assembly Training Centre, four are from historically disadvantaged groups.

> Altech invested R11 million in training during the year under review, of which 54.5% was spent on black skills development. Of the 23 bursars in the company's bursary programme, nine are from historically disadvantaged groups and two are black females. Altogether 12 black managers took part in the Altech Academy's Accelerated Leadership Programme, which fast-tracks high-potential individuals through the different management levels. Of the 35 graduates who are enrolled in the graduate engineer-in-training programme, 19 are black and six are black females. The year also saw one black candidate graduate with the first pool of Altech Academy graduates across a range of different programmes.

Please also refer to the remuneration report on page 94 to 105 of this integrated annual report which provides further detail on the Altron group's strategy for attracting, rewarding and retaining key skills, as well as a sustainable pipeline for leadership succession.

Health and safety

Low injury and absenteeism rates generally reflect positive staff morale and productivity. In addition to guidance from King III, the Occupational Health and Safety Act (OHASA) provides a legislative framework outlining an employer's legal duty to provide healthy and safe conditions in the workplace.

The most significant health and safety risks are found in the group's manufacturing operations. Apart from these, health and safety risks are low and largely associated with working in an ICT office environment.

The health and safety of all employees is the ultimate responsibility of the Altron chief executive, although line management is responsible for the issue within each

subholding company. All operations have appointed health and safety managers and employees who act as health and safety representatives. Safety, Health and Environment (SHE) committees meet on a monthly basis. In the manufacturing operations, health and safety is dealt with on a daily basis at shop floor level. Selected employees have been trained as auditors in preparation for the implementation of the OHASA 18001 Health and Safety system. SHE is a key performance indicator on every employee score card.

Bytes trains around 50 employees in first aid each year, and runs fire-fighting courses annually for as many people as possible. In divisions where it is relevant, Bytes conducts training in safe forklift operation, stacking and storage. It also conducts formal health and safety representative training.

Altron sub-holding companies measure rates of injury, occupational diseases, lost time frequency rates, absenteeism, and work-related fatalities. Health and safety performance is also a key performance indicator, which the company monitors on a monthly basis via safety inspections.

Health and safety performance per sub-holding company

	Altech	Bytes	Powertech
Injuries	8	31	323
Occupational diseases	0	0	9
Lost days	239	72	478
Work related fatalities	0	0	0

The heavy manufacturing industry in Powertech accounts for the higher incidents of injuries compared with Altech and Bytes.

Health and safety is included as an item on the company's risk register. External consultants, MS Alexander & Associates,

Average training spend:

- > **Altech R11 million** **R2 722 per person**
- > **Bytes R23 million** **R4 880 per person**
- > **Powertech R13 million** **R5 758 per person**

as well as the internal audit department conduct health and safety risk assessments on various Altron operations and report the findings back to the relevant risk management committees throughout the group.

During the year under review, a health and safety risk assessment was carried out at all areas within Arrow Altech Distribution's Isando premises. The company was generally deemed to be low risk from a safety hazard perspective and no remediation plans were needed.

During the year ahead, audits and assessments are planned at selected operations in Altech, Powertech and Bytes. All subholding companies will continue to conduct health and safety training in the year ahead.

MI HIV/Aids

HIV/Aids is one of South Africa's most urgent healthcare challenges, and one that can have a material impact on companies that fail to manage it effectively. Although not an occupational disease, Altron is committed, through a group-wide HIV/Aids policy to: encourage disclosure of HIV/Aids status without fear of prejudice, educate employees to prevent the spread of the disease, and, to empower them to overcome the associated threats.

An HIV/Aids audit, conducted by the Aurum Institute of Health Research during 2008, outlined potential HIV/Aids risk areas throughout the group. Overall the HIV/Aids risk is low (between 5% and 11%). Aberdare Cables is the highest risk area in the Powertech group, while Altech UEC and Altech Autopage Cellular are at a higher risk than the other operations within the Altech group. HIV/Aids does not pose a significant risk to the Bytes group.

During the year under review Altron continued with phase two of its response to HIV/Aids, evaluating key suppliers to ensure minimal disruptions to the supply chain, and conducting assessments of individual operations within the Powertech group, as well as of higher risk units situated in provinces such as Gauteng and KwaZulu-Natal.

Large-scale retrenchments at Powertech during the year significantly reduced the group's HIV/Aids risk profile. Altron will again conduct a review of the entire group's HIV/Aids statistics in 2013.

TRANSFORMATION

Altron's transformation journey continues to be defined by the Transformation Vision 2012 policy document, the goals of which are aligned to the dti CoGP. While Altron views transformation as an important corporate responsibility, it also recognises the business benefits gained in understanding and gaining access to new markets.

Transformation is driven by a transformation committee (Transcom) comprising transformation representatives from each of the operations, together with members of senior management. Ultimate responsibility for meeting the group's five-year transformation targets rests with the chief executive of Altron, while at each operation the managing director's annual performance bonus is also linked to transformation performance. Transformation representatives drive the targets at an operational level, and regular meetings are held with line management and Transcom representatives to monitor B-BBEE progress.

Altron Empowerdex 2010 dti scorecard

Scorecard element	Weighting	Total score 2010	Total score 2009	Total score 2008
Ownership	20%	11.50%	11.50%	8.90%
Management control	10%	3.72%	2.60%	4.44%
Employment equity	15%	3.80%	5.10%	4.46%
Skills development	15%	15.00%	11.90%	4.46%
Preferential procurement	20%	17.56%	14.20%	12.58%
Enterprise development	15%	15.00%	15.00%	15.00%
Socio-economic development	5%	5.00%	5.00%	5.00%
Total B-BBEE score	100%	71.58%	65.30%	54.84%

External verification agency, Empowerdex, conducts an annual audit of the group's B-BBEE position and ranks its performance for each code. Altron achieved its Transformation Vision 2012 goal of becoming a level 4 contributor during the year under review, improving its overall B-BBEE score from 65.3% to 71.58%. The company was ranked number 2 in the General Industrials sector of the Financial Mail/Empowerdex Top Empowered Companies in South Africa for 2010 survey, and was ranked the 34th most empowered company overall. Altech was ranked seventh in the ICT sector.

Highlights included an improvement in the score for management control – an area identified in last year's report as particularly challenging – and for preferential procurement. While the company maintained a full-points score for enterprise development, skills development and socio-economic development, the score for employment equity dropped, an area identified as a priority for the future development of human capital throughout the group .


Ownership

Altron scored 11.50% for the ownership element of the scorecard, the same as for the previous year. This score is not inclusive of empowerment transactions that were concluded in the last quarter of the financial year, such as:

- > Altech's empowerment transaction with black investment management company Thebe Investment Corporation (Pty) Ltd, and women-owned and run investment firm Identity Capital Partners (Pty) Ltd. The consortium takes a 25% plus one share equity stake in three Altech subsidiaries, namely Altech Netstar, ComTech and Altech Netstar Fleet Solutions; and
- > Powertech Transformers' empowerment deal with black empowered company, Power Matla, which took a 20% empowerment equity stake in Powertech Transformers during the year under review.

The current status of B-BBEE ownership is shown in the accompanying table.

B-BBEE score**65.3% → 71.58%****B-BBEE executive summary matrix**

Sub-holding company	B-BBEE PARTNER	% stake	Operation affected
Altech	Pamodzi Investment Holdings	25.01%	Altech Information Technologies
	Thebe Investment Corporation and Identity Capital Partners	25.0% + 1 share	Altech Netstar, Comtech, Altech Fleet Solutions
Bytes	Kagiso Strategic Investments	27.0%	Bytes SA
Powertech	Izingwe Capital	27.0%	Aberdare Cables
	Izingwe Capital	25.1%	Powertech SA
	Kagiso Ventures Limited	25.1%	Battery Technologies
	Power Matla	20.0%	Powertech Transformers
	Mahogany Capital	25.01%	Powertech Calidus

MI Management control

We were pleased with the small improvement made in the management control score – from 2.60% in 2009 to 3.72% – due to the appointment of a black female to the executive committee. We are however aware that this is still an area that requires attention. The formation of the HCC, together with succession plans, leadership training, performance management policies and retention bonuses will help the company improve on this score.

MI Employment equity

Employment equity (EE) represents Altron's most significant transformation challenge. The company's EE score unfortunately dropped from 5.10% to 3.8%, partly due to retrenchments in Powertech.

As indicated in last year's report, the main challenges are the lack of senior female managers (only one black female was appointed to a senior management position during the year under review) and black disabled employees.

The HCC, formed during 2009, will play a pivotal role in helping the group to improve its EE score. By training and developing a pipeline of young black managers through the succession plan and leadership development programmes, Altron is confident that it can improve employment equity over the long term. Recruitment, retention and remuneration schemes will help it to attract and retain the most talented black women in the industry.

MI Skills development

Altron achieved a full 15% score for skills development, showing a marked improvement on the 11.90% score of the previous year. The company was also ranked the top General Industrials sector company for skills development by the Financial Mail/Empowerdex Top Empowerment Companies in South Africa for 2010 survey, reflecting the company's commitment to empowering future leaders through training. The group spent over R61 million on training programmes during the year, many of which benefit employees from historically disadvantaged backgrounds.

Skills development spend

Company	Total training spend
Altech	R11 500 000
Bytes	R23 339 823
Powertech	R27 166 838

Concentrating on the development of black leadership talent, Altron conducted the planned-for skills audits in each subholding company and used this gap analysis to inform the establishment of the HCC and its policies. Work has now begun implementing the human capital management process by identifying and developing internal talent throughout the group.

During the reporting period, the Altech Academy also extended its product offering to all companies within the Altron group. Certificates, diplomas and short courses, along with masters, doctoral and leadership development programmes, will now benefit all companies and their employees. These programmes all favour historically disadvantaged candidates, and will serve as a vital transformation skills development pipeline.

Preferential procurement

Altron's preferential procurement score improved from 14.20% to 17.56% during the year. Around R11.4 billion was spent on preferential procurement, representing 68% of the group's R16.7 billion total procurement spend. All companies within Altech showed an improvement of at least 50% on this score and many companies within Powertech receive full points for preferential procurement. In the past few years the procurement council has developed sophisticated systems, processes and tracking initiatives, helping the company improve its preferential procurement rating. In addressing the challenge to accredit some suppliers, Altron has now undertaken to pay for an external rating agency to rate its B-BBEE credentials. This has been particularly beneficial to Powertech's preferential procurement rating.

Enterprise development

Altron maintained a full-points score of 15% for enterprise development (ED) during the year under review, investing a total of R42.9 million in small-to-medium black-owned enterprises. Powertech earns 15% for ED in many operations, drawing on its

historical strength in the development of small businesses. ED initiatives also strengthen relationships with suppliers and the labour force and the company will continue to investigate new ED partnerships in the year ahead. All operations within Bytes received 15% for ED, but certain Altech operations are still struggling to match this performance.

Socio-economic development

Altron again achieved a full-points score of 5% for socio-economic development, spending R14.8 million on projects to uplift and develop poor communities.

The group's CSI focus areas are aligned with national social development imperatives and the core business of technology. Flagship projects, such as the one highlighted in the accompanying side bar, illustrate Altron's shift towards projects with lasting impact.

ENVIRONMENT

Management and policy

Altron recognises that the global fallout from climate change will negatively impact on its business and the markets in which it operates. The group is fully committed to comply with all relevant environmental legislation and look for opportunities where the businesses can profit from products and services that reduce mankind's environmental footprint. In the review period, the Altron board adopted a single group-wide policy for safety, health and the environment.

Altron is further guided by internal policies, national legislation, independent risk and compliance reports, as well as international agreements. While ultimate environmental responsibility rests with the chief executive of the group, managers within each operation are tasked with ensuring that their company behaves in an environmentally responsible manner. Environmental champions and a carbon committee identify environmental issues at Altron's subholding companies, and these are reviewed by the risk management committees, for feedback to the board. The Altron group company secretary is assigned responsibility for measuring and reducing the company's impact on climate change. During the review period Altron did not receive any environmental fines or non-monetary sanctions for non-compliance with environmental laws and regulations.

15% full points score for enterprise development

In seeking to engage with both internal and external stakeholders, Altron will be publishing an environmental pamphlet during the 2010 financial year describing the group's response to environmental risks and opportunities. Altron also communicates with its employees around environmental initiatives and campaigns via the intranet (using a dedicated carbon footprinting web portal), staff magazines and memos. A specially developed Altron carbon footprint brand is used on all internal communication material.

Altron makes use of independently commissioned environmental compliance and risk assessment audits to determine where its greatest areas of risk lie. Most of Altron's manufacturing operations undergo ISO 14001 and ISO 18001 accreditation and make use of local benchmarks such as the JSE SRI Index and environmental elements of the GRI's G3 index to further determine its impact. (See full report on the web, www.altron.com/CR report for a table listing Altron companies and their compliance with these standards.)

Information is gathered at each site and captured in the company's Everest information management system. For the past three years, PricewaterhouseCoopers has been contracted to conduct a carbon footprint assessment exercise, the results of which inform our ongoing journey to reduce our carbon footprint.

Reducing Altron's carbon footprint

Four years ago Altron embarked on a group-wide initiative to understand, measure and ultimately reduce its carbon footprint. Our position on climate change, endorsed by the chief executive, acknowledges the group's environmental risk areas and commits to transparent reporting, responsible management and progress against goals. Altron is determined to both reduce its impacts as well as gain business benefits in the environmental arena.

Adopting a phased approach

Altron's carbon footprint journey began in 2006 when the issue became a standing item on risk management committee and board meeting agendas and culminated in a position paper on climate change developed during 2007. In 2008, PricewaterhouseCoopers (PwC) assessed Altron's carbon footprint, leading to a more detailed

LAUNCHING A FLAGSHIP HEALTH PROJECT

A milestone was reached with the signing of a public private partnership between Altron (including Bytes and Powertech), Altech, Vodacom, the Gauteng Provincial Department of Health and Wits University's Reproductive Health and HIV Research Unit (RHRU).

A R14 million investment (R7 million from Altron and R7 million from Altech) will be matched by Vodacom to repair, upgrade and improve the infrastructure of the Centre for Specialised Services in Hillbrow, Johannesburg, over a three year period.

The centre, in the heart of the Hillbrow health precinct, provides medical care to pregnant women and children infected with HIV/Aids and TB. Its R28 million upgrade will go a long way to relieving the pressure on the over-burdened Chris Hani Baragwanath Hospital and will help address one of the country's most urgent health challenges.

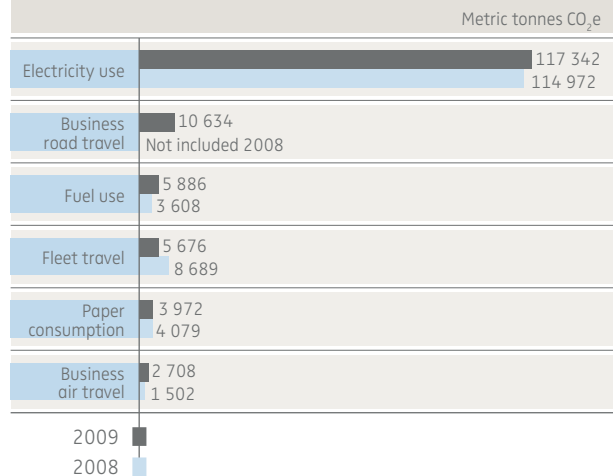
follow-up assessment for the year under review, now including Scopes 1, 2 and 3 emissions under the Greenhouse Gas Protocol. The scope and source of emissions measured was made as inclusive as possible, and the company refined its collection and measurement methodology, developing a carbon footprinting methodology manual. While we have made progress towards adopting universally agreed measurements across all operations in the group, more work remains to be done.

The Altron group's total carbon footprint is estimated at 146 219 metric tonnes of carbon dioxide equivalents (CO₂e). While this figure suggests an increase of 9% on 2008, the difference is largely a result of more accurate measurement of including Scope 3 Indirect Emissions, in particular business road travel (including travel in private vehicles). Other forms of emissions, such as fuel use, paper consumption and business air travel, have also been measured more accurately and inclusively, making year-on-year comparisons inconclusive. Now that measurement of the group's carbon footprint is more accurate, this year's figure can become a benchmark for measuring future progress.

CARBON DISCLOSURE PROJECT

Since 2000, the Carbon Disclosure Project (CDP) has, on behalf of institutional investors, challenged the world's largest companies to measure and report on their carbon emissions. This year, the CDP – backed by 475 institutional investors, representing more than US\$55 trillion in funds under management – sent questionnaires to more than 3 700 of the world's largest corporations. The CDP requests information on their greenhouse gas emissions, on the potential climate-related risks and opportunities to their businesses, and on their strategies for managing these risks and opportunities. Although entirely voluntary, organisations are encouraged to participate, as the CDP provides accountability to all stakeholders and permits companies to benchmark their performance against their peers. The Carbon Disclosure Leadership Index (CDLI) has been developed to identify companies with outstanding disclosure practices. This assessment is based on the quality of the disclosure by companies in their response to the CDP questionnaire. Altron has proactively responded to the CDP for the last three years, and was ranked 17th out of the JSE Top 100 in the CDLI in 2009. This is the company's highest ranking to date, representing a significant achievement for Altron, and showing further evidence of its commitment to tackling climate change.

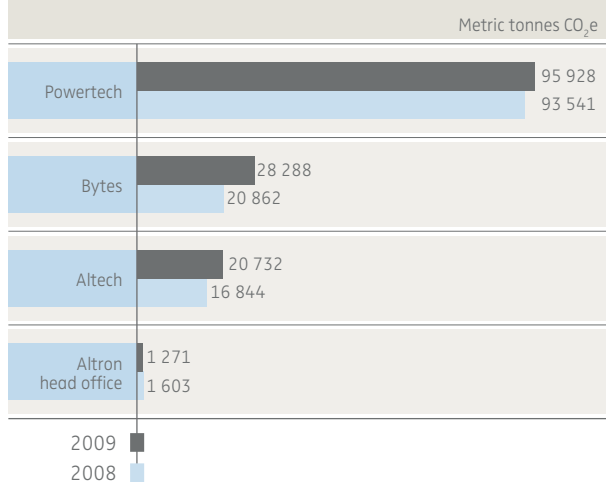
Total greenhouse gas emissions in metric tonnes of CO₂e for the Altron group, split per emission source for the 2009 reporting year, contrasted with results for 2008



Notes to the graphs

- > Emissions from electricity usage have increased by 2% relative to 2008 largely due to a positive response from the Altron group to report data in kilowatt hours (kWh) and not rand value only. kWh data was not available for a number of buildings for the 2008 footprint calculation, necessitating the use of average group cost per kWh to calculate consumption figures. This introduced inaccuracies and resulted in an understatement of electricity consumption figures. The current 2009 figure is a more accurate reflection of the Altron group's electricity usage.
- > A new category of Scope 3 Indirect Emissions has been included in the 2009 calculation, i.e. business road travel. This category includes data for private vehicle use, rental vehicles used for business travel and transport allowances. The additional category adds a further 7 621 metric tonnes of CO₂e to the total for business travel. Whereas all vehicle travel was included under Scope 3 fleet travel in 2008, it was decided to refine the scope to account for previously excluded, but potentially material, transport emissions in 2009.

Altron group's total greenhouse gas emissions in metric tonnes CO₂e, split per business unit for the 2009 reporting year, contrasted with results for 2008



- > In terms of fleet travel, see the above bullet point.
- > The 39% increase in emissions from fuel use, is due to the incorporation of additional fuel types, such as liquid petroleum gas and natural gas.
- > With regards to paper use, data was in the whole reported in the units required i.e. reams, kilograms and sheets. This resulted in fewer exclusions and an increased contribution from paper use.
- > CO₂e emissions from business air travel have increased now that a more comprehensive dataset is obtained from a single source.
- > 2008 – 2009 comparisons are not wholly applicable due to refined and improved scopes of measurement.

Altron has made a firm commitment to setting reduction targets and is in the process of quantifying the impact of its current energy savings initiatives in order to evaluate these savings against its current carbon footprint. In conjunction with the results of the benchmarking exercise, this will enable the setting of realistic, yet material reduction targets.

MI Improving energy efficiency

Altron is committed to reducing its energy consumption, both because it is the environmentally responsible thing to do and because it makes good business sense – electrical supply is becoming more expensive, and potentially less reliable.

The company measures its electricity consumption as part of its annual carbon footprint exercise.

Summary of electricity consumption per operation:

Operation	Electricity consumption kWh
Altech	13 213 167
Bytes	18 582 165
Powertech	81 311 403
Altron	818 218
Total	113 924 953

The survey reveals that electricity consumption accounts for around 80% of the group's total greenhouse gas emissions (see Carbon Footprint report on the web, www.altron.com/CRreport).

Powersave@Altron is an internally driven initiative that encourages employees and operations to reduce their

electricity consumption. The programme makes use of the intranet, internal memos, monthly staff magazines and poster campaigns to communicate power-saving ideas to staff. While this has a direct benefit to the company, behavioural changes at work can also lead to behavioural changes at home.

Each operation is responsible for implementing energy-saving initiatives. Altech UEC has installed power factor correction equipment, while Altech Netstar has upgraded its servers – the primary consumers of energy in the company – to 'green' energy-efficient versions.

The Bytes Office Park in Midrand is an example to the rest of the Altron group. Cooling systems, accounting for 64% of energy consumption, are now regulated. Non-essentials are automatically switched off during periods of high energy demand, and smart lighting ensures energy is not wasted when people leave the building.

MI Responsible use of water

While data-gathering systems still require refinement, Altron has started to measure and track its water usage. Water is drawn mostly from municipalities. Altron cannot yet determine exact water sources, nor does it measure total water used or discharged by quality and destination.

MI Reducing pollution and harmful emissions

Air, water, ground and noise pollution risks chiefly affect Powertech's manufacturing operations, and to a lesser extent those in Altech. The relevant operations actively manage all pollutants and harmful emissions, with guidance provided by independent audits conducted during the year to identify, track and manage any pollution issues that may arise.

The most material pollutants and harmful emissions include polychlorinated biphenyls (PCBs), transformer oil, total petroleum hydrocarbons and lead. There were no significant spills during the year under review.

PCBs have been found in groundwater samples at Powertech Transformers Distribution (Cape Town) – a cause for serious concern. The company is monitoring PCBs and compiling a long-term remediation plan for the Department of Water Affairs and the South African Bureau of Standards (SABS).

The New Environmental Management Act requires contaminated groundwater sites to be registered with the Department of Environmental Affairs and Tourism. While the Powertech Transformers Pretoria West site has a history of soil contamination, it is not clear whether the site needs to be registered. Scientific reports are available for inspection by the relevant government authority should the need arise.

Four underground oil storage tanks were removed after a leak was discovered, and the surrounding sand removed by a contractor, Picelo, for safe disposal. However, the sand was dumped illegally in a rural area. On notification, Powertech Transformers immediately made alternative arrangements to remediate the sand and is engaging with the Department of Water Affairs and Forestry for certified approval of the outcome.

No atmospheric contaminants, dust or water pollution have been found at Powertech Calidus in Johannesburg, nor has a legal audit revealed any pollutants at Altech UEC. There are no noise pollution issues at any of the operations assessed.

Crabtree Electrical switched from lead powder to lead pellets for the blending and manufacture of PVC Tubing, reducing the risk of lead dust contamination.

Powertech Calidus uses certain hazardous chemicals (xylene, acetone, methyl ethyl ketone and vinyl) in the manufacture of resins and paints. Minimum quantities (less than 200L) of flammable liquids are retained on site to reduce the risk of fire, and these are stored in a purpose-built flammable liquids store. The company controls and limits access to this store, as well as to other areas where sensitive chemicals are kept. There are spill kits in all these areas.

Powertech Calidus (Johannesburg) stores and mixes flammable liquids, but the amounts being stored and mixed at the premises exceed the legal limits. MS Alexander & Associates conducted an audit and have made recommendations for the construction of a flammable liquids store and attached mixing facility.

Empty storage drums are disposed of via a contracted company that issues a compliance certificate to Calidus, while waste chemicals and products are disposed of through Enviroserve.



Usage of materials and handling of waste

The manufacturing operations at Powertech and Altech have the highest environmental impact and pose a potential risk in terms of materials used and resultant waste. Aberdare Cables and Willard Batteries make use of lead, the only hazardous substance of significance. The Altron group does not have any operations in or adjacent to protected areas or areas of high biodiversity, and there were therefore no significant impacts on such areas. Subsequent to the financial year end, ERM environmental consultants have been commissioned to conduct a formal evaluation of the Altron group's impact on biodiversity, which will be reported on in the 2011 annual report. Around 75% of the lead procured for Willard Batteries comes from recycled sources.

The accompanying table lists the significant materials procured by specific Altron group companies.

Material procured	Weight/ Number of units	Operation
Mobile handsets	379 679 units	Altech Autopage Cellular, Bytes System Integration
Copper rod	26 000 tonnes	Aberdare Cables, CBI – electric Aberdare
Equipment, paper, toner cartridge	637 tonnes	Bytes Technology Group
Lead	7 704 tonnes	Aberdare Cables, Willard Batteries
Decoders	1 956 000 units	Altech UEC, Arrow Altech Distribution
Tracking units	3 084 units	Altech Netstar

Around 75% of the lead procured for Willard batteries comes from recycled sources. Aberdare Cables recycled 494 242 kg of waste during the year under review.

ENVIRONMENTAL AUDITS

During the year, independent environment consultants conducted environmental compliance audits for the Altron group. A legal audit was also carried out at Altech UEC's operation in Mt Edgecombe, KwaZulu-Natal. Powertech IST was audited for ISO 14001 compliance. These audits highlight various issues, make certain recommendations for improvement and include new risks arising. Two issues are receiving attention:

- > The new Waste Management Act holds companies responsible for waste disposal, and this includes waste contractors. In response, Altron is engaging with all waste disposal contractors to ensure they have the correct waste disposal permits and that waste is being disposed of at approved waste disposal sites.
- > New asbestos regulations require extreme care in the management of asbestos, commonly used as a heat insulator. All companies have to maintain a register on asbestos, undertake risk assessments and inform employees of the hazards related to the material. Powertech Transformers (Pretoria West), Powertech Transformers Distribution (Cape Town) and Aberdare Cables have all located asbestos in their operations and are making plans to remove or replace this hazardous material.

MI Responsible management of the product lifecycle

Altron has a responsibility to manage the full life-cycle of its products to ensure that they do not cause environmental harm. This includes recycling where possible, and ensuring the responsible disposal of waste, products, components and materials used in manufacture.

To mitigate the risk of lead-acid pollution, Willard Batteries is involved in a countrywide drive to collect as many scrap batteries as possible. It recovers more than 90% of the automotive batteries it produces, and around 80% of industrial batteries. The unrecovered batteries have an intrinsic value as scrap and enjoy a high rate of secondary recovery, either by unemployed persons or by scrap merchants.

On collection, Willard Batteries separates and recovers all the components, including metals, plastic and acid, and ensures that all these substances are safely recycled or treated.

All batteries produced by Powertech Batteries are re-chargeable, but challenges remain to motivate consumers to dispose of exhausted rechargeable batteries in safe disposal sites and bins.

ENERGY-SAVING PRODUCTS FROM POWERTECH IST OTOKON

- > Silk Online Energy Monitoring and Automated Meter Readings
- > ecControl Load Prediction and Control Software
- > ecWIN Integrated Load Data Acquisition and Display Tool
- > GRASP Measurement and Verification Performance Monitoring Software
- > PowerStatus Desktop Electricity Demand Status Software.

To heighten awareness around the importance of recycling and environmental stewardship, Willard Batteries donates approximately R75 000 per annum to Food and Trees for Africa (FTFA). It also participates in National Arbor week to promote and create awareness around the need to plant and maintain indigenous trees in South Africa. Willard Batteries has been involved with FTFA for five years and has planted approximately 4 500 trees to date.

Bytes Document Solutions purchases an average of 30 tonnes per month of recycled paper for reselling to its customers, which amounts to around 1% of the total paper purchased.

Aberdare Cables recycled 494 242 kg of waste during the year under review. This included cardboard, copper, paper, aluminum, galvanised wire, printer cartridges, wooden pallets, PVC and metal. *Refer to the full web report for quantities of individual material classes.*

Altech Autopage Cellular is in the process of assessing a number of proposals and prospective partnerships to recycle handsets. Until a decision is taken in this regard, customers are directed to appropriate recycling facilities where these exist.

There were no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

There are various initiatives across the group operations to recycle toner cartridges where possible.

THE RIVERINE RABBIT WORKING GROUP

Created under the auspices of the Endangered Wildlife Trust (EWT), the Riverine Rabbit Programme is a project that combines sustainable environmental and biodiversity conservation with job creation, training and skills development. Altron has again supported the effort to rehabilitate degraded riparian zones in the Karoo, thus restoring environmental systems and encouraging the return of the Riverine Rabbit to its natural habitat.

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

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

BUSINESS CONDUCT IN FOREIGN OPERATIONS

Altron has operations in Nigeria, Tanzania, Zambia, Kenya, Botswana, Mauritius, Mozambique, Namibia, Swaziland, India, China, Malaysia, Australia, Madagascar, Spain, Portugal and the United Kingdom. Suppliers in certain global locations have a high perceived or potential risk for fraud, corruption and human rights violations.

As a signatory to the United Nations Global Compact, Altron is committed to upholding the rights of people and communities affected by its operations. The company is also guided by the GRI G3 performance indicators, particularly those relating to human rights, economic performance, as well as fair labour and decent work practices.

MI Impact of operations

Improved telecommunications benefits emerging economies. Aside from broad societal benefits, small and remote enterprises in particular, are able to gain valuable market information and add much needed dependability and reliability to their services. At the

same time, Altron has to ensure that its products and services are not offered in a way that leads to the economic impoverishment of consumers. This is particularly true in poorer African countries, where many consumers live below the breadline.

In Kenya, where the company is rolling out a fibre-optic network, Altech's approach is to provide customers with significant broadband capacity at the lowest cost per megabit. The company has provided internet connectivity to all Kenyan universities and major schools, and has offered free internet to communities in certain hotspots across the country. It has created eight digital villages in which community members can access internet connectivity at dramatically reduced rates and is engaging with local government authorities to roll out this service to more of these villages. It is also negotiating with European suppliers to secure the cheapest possible handsets.

Because Altech NamlTech West Africa manufactures prepaid cellular vouchers, there is no risk of customers being tied in to fixed-term contracts that they are unable to afford.

MI Human rights and fair labour practices

During the year under review, Altron formulated a group-wide human rights policy which will shortly be adopted by all local and foreign operations. This policy draws on international law, the United Nations Universal Declaration of Human Rights, the Conventions of the International Labour Organisation and the United Nations Convention on the Rights of the Child.

The policy informs how we roll out all our major foreign investments and provides clear expectations that suppliers and contractors should follow. In instances where a pattern of human rights abuse occurs, Altron will consider terminating its business relationship with the party concerned. However the policy does not yet make provision for human rights screening of suppliers and contractors. This is an area of perceived or potential risk in operations such as Altech UEC, which sources components from manufacturers in China. In the year ahead we will focus on including this element into the human rights policy.

There were no incidents of human rights violations, child labour, forced and compulsory labour or violations of the rights of indigenous peoples in either our local or international operations during the year under review.

Management of ethics and business conduct in foreign operations

The Altron code of ethics, gifts and entertainment policy, as well as corporate compliance policy, outlines the group's position on corruption, bribery and ethics. Offering, giving, soliciting, or receiving any form of bribe is prohibited. The company's policies on bribery, fraud, corruption and ethics also cover its international operations and provide standards and guidelines for acceptable behaviour.

All operations are required to have written codes of conduct and complaints procedures which must be communicated to all employees and translated into the relevant local languages. We recognise however that even with a complaints procedure in place, employees can be reluctant to speak out about severe breaches of policy for fear of recrimination. To redress this, we have an additional independent and confidential means of communication and feedback that employees can use without fear of recrimination.

CORPORATE GOVERNANCE ISSUES



Protection of minority shareholders' rights

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 decisionmaking' (Code 2.3.1). This points strongly to having an independent non-executive chairman.

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 as well as the JSE Listings Requirements advocate that the appointment of a lead independent director (LID) 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

ROLE OF LEAD INDEPENDENT DIRECTOR (LID)

The main function of an 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 and to advocate an increase to his fees.

successful guidance of the transition process that has seen his son Mr Robert Venter take over the running of the business as chief executive.

- > Dr Bill Venter owns and controls 56% of the voting ordinary shares of Altron.

Consequent to the above, Dr Bill Venter can 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.

The offices of the chairman and chief executive are separate and the office of the chairman is filled by a non-executive director, Dr Bill Venter. At a recently held nomination committee meeting, 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

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 10 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.

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 12-month period with effect from 14 July 2010.

Management of ethics and business conduct

Corporate ethics

Corporate ethics receives attention from the highest level of management within Altron, with the chief executive being ultimately responsible for implementing the code of ethics and corporate code of conduct. 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 forced the Deloitte 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, as well as 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.

For further details on corporate ethics, the corporate code of conduct, and corporate gifts and entertainment policy, see the full governance report on www.altron.com/CR 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.

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.

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

Incidents of theft decreased from 75 to 50

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 eight in the previous year to seven, 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 R12.2 million in the previous year to R7.1 million, 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.

All employees receive training in ethics and anti-corruption via, among others, the *Profile* magazine and the company also invests, on an annual basis, in specific director training on this issue. No judgements, damages, penalties, or fines were levied against any group companies, directors, officers, or employees during the period under review for non-compliance with any legislation.

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.

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.

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 subcommittee (being a subcommittee 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 not, in terms of the Competition Act, 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.

Section	G3 Indicator	Description	Page/s
Strategy	1.1	Statement from senior decision-maker about the relevance and importance of sustainability to Altech, the overall vision and strategy for the short term, medium term and long term, particularly with regard to managing the key challenges associated with economic, environmental and social performance	32-37
	1.2	Description of key impacts, risks, and opportunities Author's Note: A full response has been provided in the online governance report.	1-3, 16-19, 20-21 and 58-77
Organisational profile	2.1	Name of the organisation	Front cover
	2.2	Primary products, brands and/or services	8 and 11-13
	2.3	Operational structure of the organisation	8 and 11-12
	2.4	Head office location	Back cover
	2.5	Number of countries where Altron operates, and names of countries with major operations relevant to the sustainability issues covered in this report	10
	2.6	Nature of ownership	8 and 11
	2.7	Markets served	8 and 10
	2.8	Scale of reporting organisation including: > number of employees > net sales > total capitalisation broken down in terms of debt and equity > quantity of products or services provided	7, 13-14 and 57
	2.9	Significant changes in the reporting organisation during period under review	11, 28 and 108-112
	2.10	Awards received during the reporting period	31
Report scope and boundary	3.1	Reporting period	IFC, 1
	3.2	Date of most recent previous report	IFC, 1
	3.3	Reporting cycle	IFC, 1
	3.4	Contact details for further information about this report	IFC, 1
	3.5	Process for: > determining materiality > process for prioritising topics in the report > identifying stakeholders expected to use this report	20-23
	3.6	Report boundary	IFC, 1
	3.7	Limitations on the scope or boundary of the report	IFC, 1
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities and outsourced operations	IFC, 1, 116
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report Author's Note: Discussions regarding the measurement techniques and bases for of calculations employed are included throughout the report, surrounding key performance data. As additional information becomes available throughout the group, improvement in this regard is expected to occur in our next reporting cycle.	IFC, 1
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement Author's Note: No restatements of information provided in previous reports have been required and/or reported.	GRI Indicator Table
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	IFC, 1
	3.12	GRI table	78-81
	3.13	Policy and current practice with regard to seeking external assurance for the report.	1, 80 and 82-83

Section	G3 Indicator	Description	Page/s
Governance	4.1	Governance structure of the organisation	75-77 and 84-89
	4.2	Indicate whether the chairman is also an executive officer and, if so, reasons for this arrangement	75
	4.3	Number of independent and/or non-executive members	24-27 and 84
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board	21 and 34-35
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	94, 105 and 110-111
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided Author's Note: A full response has been provided in the online governance report.	76 and in the online governance report
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics Author's Note: A full response has been provided in the online governance report.	87-88, 89 and in the online governance report
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. Author's Note: A full response has been provided in the online governance report.	28, 76 and in the online governance report
	4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. Author's Note: A full response has been provided in the online governance report.	20-21 and in the online governance report
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance Author's Note: A full response has been provided in the online governance report.	Online governance report
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation Author's Note: A full response has been provided in the online governance report.	Online governance report
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses. Author's Note: A full response has been provided in the online governance report.	Online governance report
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: > Has positions in governance bodies; > Participates in projects or committees; > Provides substantive funding beyond routine membership dues; or > Views membership as strategic. Author's Note: A full response has been provided in the online governance report.	Online governance report
	4.14	List of stakeholder groups engaged by the organisation	21-23
	4.15	Basis for identification and selection of stakeholders with whom to engage	21-23 and in the online governance report
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. Author's Note: Details of stakeholder engagement described per material issue, with additional detail in full online integrated annual report.	21-23 and in the online governance report
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Author's Note: Details of stakeholder engagement described per material issue, with additional detail in full online integrated annual report.	21-23 and in the online governance report

Section	G3 Indicator	Description	Page/s
Disclosures on Management Approach	DMA EC	The disclosures on management approach relate to the individual aspects reported on, including: EC1 – Direct economic value generated and distributed EC2 – Impacts of climate change EC6 – Spending on locally-based suppliers EC7 – Local hiring, including at senior management level EC8, EC9 – Economic impacts Author's Note: Disclosures on Management Approach are included throughout the report as an introduction to the relevant sections. Additional detail is available in the full online integrated annual report.	57 68-69 65, 66 and 68 65-67 74
	DMA EN	The disclosures on management approach for all environmental aspects reported on. Author's Note: Disclosures on Management Approach are included throughout the report as an introduction to the relevant sections. Additional detail is available in the full online integrated annual report.	68-73
	DMA LA	The disclosures on management approach relating to labour practices and decent work reported on. Author's Note: Disclosures on Management Approach are included throughout the report as an introduction to the relevant sections. Additional detail is available in the full online integrated annual report.	60-65
	DMA HR	The disclosures on management approach relating to human rights reported on. Author's Note: Disclosures on Management Approach are included throughout the report as an introduction to the relevant sections. Additional detail is available in the full online integrated annual report.	74-75
	DMA SO	The disclosures on management approach relating to Society reported on. Author's Note: Disclosures on Management Approach are included throughout the report as an introduction to the relevant sections. Additional detail is available in the full online integrated annual report.	76
	DMA PR	The disclosures on management approach relate to individual aspects reported on: PR1, PR2 – Product health and safety impacts PR4, PR5, PR8 – Customer satisfaction and privacy of data and non-compliance with regulations Author's Note: Disclosures on Management Approach are included throughout the report as an introduction to the relevant sections. Additional detail is available in the full online integrated annual report.	68-73 58-60
	Performance Indicators	EC1	Direct economic value generated and distribution, including revenue, operating cost, employee compensation, donation and other community investments, retained earnings and payments to capital providers and governments
EC6		Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	68
EC8		Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	74
EC9		Understanding and describing significant indirect economic impacts, including the extent of impacts	74
EN1		Materials used by weight or volume Author's Note: Additional detail in full online integrated annual report	72
EN2		Percentage of materials used that are recycled input materials	73
EN3		Direct energy consumption by source	70-71
EN4	Indirect energy consumption by primary source Author's Note: Additional detail in full online integrated annual report	70-71	

Section	G3 Indicator	Description	Page/s
	EN8	Total water withdrawal by source.	71
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	72
	EN16	Total direct and indirect greenhouse gas emissions by weight.	70
	EN22	Total weight of waste by type and disposal method	72
	EN23	Total number and volume of significant spills	71
	EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	68-73
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	73
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	73
	LA1	Total workforce by employment type, employment contract, and region.	61
	LA4	Percentage of employees covered by collective bargaining agreements.	62
	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	62
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region. Author's Note: Absenteeism has not been reported due to lack of data.	64
	LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members, regarding serious diseases	65
	LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	62-64 and 67
	LA13	Composition of governance bodies in terms of diversity and breakdown of employees per category according to gender and other relevant indicators of diversity	24-27, 61
	S03	Percentage of employees trained in organisation's anti-corruption policies and procedures.	76-77
	S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country Author's Note: A full response has been provided in the online governance report.	89
	S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes. Author's Note: A full response has been provided in the online governance report.	See online governance report
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	See online governance report
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	58-60
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	60
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	74
	HR4	Total number of incidents of discrimination and actions taken.	74
	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	74

INDEPENDENT ASSURANCE STATEMENT

To the board and stakeholders of Allied Electronics Corporation Limited (Altron)

Sustainabilityservices.co.za (SS) was commissioned by Altron to provide independent third party assurance (ITPA) over the sustainability content within the Corporate Responsibility section of their 2010 integrated annual report (the/this report, covering the period 1 January 2009 to 31 March 2010). The assurance team comprised primarily Michael H. Rea, our principal sustainability assurance practitioner, with 11 years' experience in environmental and social performance measurement, including sustainability reporting and assurance.

AccountAbility AA1000AS (revised, 2008)

To the best of our ability and significant experience in sustainability report assurance, this engagement has been managed in accordance with AccountAbility's AA1000AS (2008) assurance standard, where the format of the engagement was structured to meet the AA1000AS Type I (Moderate) requirements.

Independence

SS was not responsible for the preparation of any part of this report and has not undertaken any prior commissions for Altron. Responsibility for producing this report was the responsibility of Altron and its advisors. Thus SS is, and remains, an independent assurer over the content and processes pertaining to this report.

Assurance objectives

The objective of the assurance process was to provide Altron's stakeholders an independent 'moderate level assurance' opinion on whether the sustainability content within the corporate responsibility section of Altron's integrated annual report, in its printed format, meets the AA1000AS (2008) principles of inclusivity, materiality and responsiveness, as well as to assess the degree to which the report has met the Global Reporting Initiative (GRI) G3 guidelines Application Level B reporting requirements.

Assurance approach and limitations

The process used in arriving at this assurance statement is based on AccountAbility's AA1000AS (2008) guidance, the GRI's G3 Application Level requirements, as well as other best practices in sustainability reporting assurance. Our approach to assurance included the following:

- > A review of sustainability measurement and reporting procedures at Altron's head offices to determine the context and content of sustainability management by the company;
- > A review of the information and/or data collection, collation and reporting procedures undertaken by Altron, and the report's authors, to define the content of the report by looking at materiality of issues included in the report, stakeholder engagement responses to issues identified, determination of sustainability context and coverage of material issues;
- > A review of the approach of management to addressing topics discussed in the report;
- > A review of drafts of the report for any significant errors and/or anomalies; and
- > A confirmation that the requisite number of GRI G3 performance indicators had been covered in the report.

The process was limited to the content and assertions made within the corporate responsibility section of Altron's printed report for the period under review, and did not extend to a comprehensive analysis of the accuracy, reliability, completeness and/or consistency of the data presented by Altron. Rather, sustainability data presented within the Report was subjected to a series of reasonability tests during final proof editing. The process was further limited to reviewing policies and procedures for stakeholder engagements, and did not extend to the physical engagement of any stakeholders to arrive at our assurance opinion.

Findings

Based on our review of the report, as well as the processes employed to collect and collate information reported herein, it is our assertion that:

- > Altron adequately adheres to the AccountAbility AA1000APS principles of inclusivity, materiality and responsiveness, although room for improvement exists with respect to both proactive stakeholder engagement (i.e., 'inclusivity') and feedback on stakeholder-specific concerns (i.e., 'responsiveness')

- > The report adequately meets the GRI G3's requirements for Application Level B (responses to all required indicators, as well as no fewer than 20 Core indicators, with at least one from each of economic, environment, human rights, labour, society and product responsibility). However, it was found that the reporting of performance against some GRI G3 indicators continues to require either data quality improvements, or further detail in disclosure.
- > Due to the relative youth of Altron's GRI-based sustainability reporting practices, awareness of definitions and/or reporting expectations within the group may differ between Altech, Bytes and Powertech, leading to possible inconsistencies in the data presented for key sustainability indicators within the report (e.g., safety data).

Conclusions and recommendations

Based on the information reviewed, *sustainabilityservices.co.za* is confident that this report provides a comprehensive and balanced account of Altron's environmental, safety and social performance for the period under review. The data presented is based on a systematic process and we are satisfied that the reported performance data accurately represents Altron's current environmental, safety and social performance, while meeting the AA1000AS (2008) principles of inclusivity, materiality and responsiveness. Moreover, and although the quality or quantity of data of some GRI G3 indicators can be improved, this report appears to meet the GRI's G3 requirements for Application Level B (B+ with this assurance engagement).

However, the following recommendations have been identified:

- > With respect to adherence to AccountAbility's AA1000APS principle of inclusivity, Altron should ensure that stakeholder engagement continues to progress towards the active inclusion of all significant stakeholders, and that a regular review of stakeholders tests for completeness and relevance. With specific reference to sustainability matters, Altron should ensure that the proactive engagement of stakeholders occurs to confirm or refute group assumptions regarding the materiality of key sustainability issues.
- > With respect to adherence to AccountAbility's AA1000APS principle of responsiveness, Altron should ensure that feedback to stakeholders on sustainability matters occurs in line with King III's recommendations for 'integrated reporting', such that all presentations of results – including interim results – include a reasonable discourse regarding Altron's most material sustainability issues.
- > Altron should ensure that stakeholder engagement procedures include an assessment of whether or not this report, and all future reports, adequately reflects the reporting requirements of key stakeholders.
- > Based on issues identified with respect to possible data inconsistencies between divisions of the group, Altron should consider extending its reporting cycle to accommodate for assurance over interim (i.e., quarters 1 through 3) and year-end data, in line with the expectations of Accountability's AA1000AS (Type II) assurance model, ultimately seeking Type II (High) levels of assurance in future reports.
- > Having addressed the requirements of GRI G3 Application Level B, it is our recommendation that Altron review the process followed in compiling the report and, while making further improvements on the quality of data required for Application Level B, begin addressing the requirements of Application Level A.

For more information about the assurance process employed to assess the corporate responsibility section within Altron's 2010 integrated annual report, email michael@sustainabilityservices.co.za.



Sustainabilityservices.co.za

1 June 2010
Johannesburg