

Abridged corporate governance report

Management accepts the rights of Altron's shareholders as the true owners of the company and understands its own role as trustees on behalf of the shareholders. Corporate governance provides guidance and oversight as the company seeks to find a balance between conformance with governance principles and superior levels of performance in terms of a sustainable return on shareholders' investments. In turn, Altron's journey towards sustainability has been guided by the King Report series, including both King II, which created an open environment for institutional activism in 2002, and now King III, requiring the application of an inclusive range of governance principles, or reasons for deviating from these principles. What follows is a brief overview of the roles and responsibilities of the Altron board and its committees, including important developments for the year under review.

For a more detailed description of Altron's corporate governance practices, please refer to the full governance report which is available on Altron's website at: www.altron.com/CR report

THE ALTRON BOARD

The board supports the long-term sustainability of corporate capital, balanced economic, social and environmental performance and due consideration of legitimate stakeholder involvement. The detailed responsibilities of the board are set out in its charter.

Altron has a unitary board, constituted to both lead and control the company. Of the 15 serving directors, 10 are now classified as non-executive directors, of whom seven are independent, and five are executive directors. Four of the independent non-executive directors are black directors and of those, half are black women.

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

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

BOARD MEETINGS AND ATTENDANCE

Five board meetings and two strategy sessions were held during the past financial year. The accompanying table details the attendance by each director at board meetings held during the year under review:

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

[†] Special board meeting.

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

* Participated by way of teleconference.

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

BOARD COMMITTEES

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

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

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

Executive committee

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

- > *Members* – Messrs Robert Venter (chairman), Norbert Claussen, Peter Curle, Rob Abraham, Alex Smith, Craig Venter and Seara Macheli-Mkhabela. Until his retirement on 1 March 2010, Mr David Redshaw was a member of this committee. The executive committee structure appears on page 26 of this integrated annual report.
- > *Composition and proceedings* – The committee meets monthly with additional meetings convened as and when necessary.
- > *Purpose* – The purpose of the committee is to assist the Altron chief executive in the performance of his duties, including:
 - the development and implementation of strategy, operational plans, policies, procedures and budgets
 - the monitoring of operating and financial performance
 - the assessment and control of risk
 - the prioritisation and allocation of resources
 - monitoring competitive forces in each area of operation.

Audit committee

- > *Members* – Messrs Peter Wilmot (chairman), Norman Adami, Mike Leeming and Jacob Modise.
- > *Composition and proceedings* – Both Mr Alex Smith (chief financial officer and financial director) and Mr Robert Venter (chief executive) are required to attend committee meetings, but do not have a vote. The committee meets periodically with the group's external and internal auditors and Altron's executive management. The committee met three times during the year under review.

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

the Altron audit committee, chair the Bytes and Powertech financial review and risk committees respectively.

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

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

- > evaluated and confirmed the independence of the internal audit function.
- > approved a questionnaire regarding the evaluation of the internal audit function and agreed that an evaluation exercise regarding the activities and effectiveness of the internal audit function be conducted by the audit committee during March 2010.
- > noted and approved the appointment of sustainabilityservices.co.za, an external assurance provider, to provide assurance over material elements of the corporate responsibility section of the integrated annual report.
- > reviewed the expertise, resources and experience of the Altron group's finance capability and agreed on an action plan in respect of those areas of the group where the finance skills and/or procedures are inadequate.
- > satisfied itself that management regularly monitors compliance with Altron's code of conduct and approved amendments to the code of conduct to align with the new corporate compliance policy and King III.

Attendance at meetings

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

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

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

For more information regarding the activities of this committee, please refer to the audit committee report which appears on page 113 to 114 of the annual financial statements as well as the full governance report on Altron's website at www.altron.com/CR report

Remuneration committee

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

Attendance at meetings

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

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

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

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

³ Mr Leeming attended the February 2010 remuneration committee meeting for the first time since his appointment, as an invitee and in his capacity as lead independent non-executive director to address the committee on the non-executive chairman's performance.

For further details on the remuneration of Altron's executive and non-executive directors, as well as Altron's remuneration philosophy and policies, see the remuneration report on page 94 to 105 of this integrated annual report

Risk management committee

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

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

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

Attendance at meetings

Members (and invitees)	Risk	
	2009	
	Apr	Oct
MJ Leeming	✓	✓
N Claussen	✓	✓
S Macheli-Mkhabela	-1	x
PD Redshaw ⁴	✓	✓
Dr HA Serebro	✓	-2
AMR Smith	✓	✓
RE Venter	✓	✓
CG Venter	✓	x
PL Wilmot	✓	✓
RJ Abraham	-3	-3

¹ Appointed as a member to the Altron risk management committee on 1 June 2009

² Retired from the risk management committee with effect from 1 August 2009

³ Appointed as a member to the Altron risk management committee on 1 March 2010

⁴ Retired from the risk management committee with effect from 1 March 2010

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

Nomination committee

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

The appointment of directors is a transparent and formal procedure governed by the nomination committee's mandate and terms of reference as well as by the Altron board charter. This mandate and terms of reference was updated earlier this year to align with the recommendations of King III. Factors influencing the selection process include skills, knowledge and qualifications, and are examined against the backdrop of

Altron's strategies. Availability, the number of external board appointments, diversity, demographics and experience in relevant sectors are also considered. With effect from 2010, the chairman of the board, Dr Bill Venter, will be appointed annually by the board.

- > **Role** – The committee is responsible for, among others, identifying and evaluating suitable potential candidates for appointment to the board as well as succession planning. Altron regards the role of this committee as vital to the development of a diverse leadership, representative of all race groups and in accordance with both the spirit of and the targets set out in the dti COGP. Employment equity at middle and senior management levels remains a key challenge across the group. The activities of this committee therefore form an integral part of Transformation Vision 2012 for identifying and developing leadership talent.

Specific areas of responsibility include:

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

Attendance at meetings

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

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

Transformation committee

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

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

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

Human capital council

In the year under review, a human capital council has been established with the following responsibilities:

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

Details of the role, responsibilities and activities of this council are described under strategic theme 7, human capital, in the corporate responsibility chapter of this report (pages 58 – 83).

See also further detail in the full governance report on www.altron.com/CR report

COMPANY SECRETARY

To enable the board to function effectively, all directors have full and timely access to all information that may be relevant to the proper discharge of their duties and obligations. This includes information such as agenda items for board meetings, corporate announcements, investor communications and any other developments, which may affect Altron or its operations. The office of the group company secretary is responsible for facilitating this access.

Counsel and guidance is provided to the board on their powers and duties, individually and collectively, by the group company secretary who is also responsible for the development of director training. All new directors are appropriately inducted to Altron by the group company secretary and sponsor, which includes a briefing on their fiduciary and statutory duties and responsibilities (including without limitation the JSE Listings Requirements), as well as two- to three-day induction visits to group operations around South Africa.

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

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

The group company secretary is responsible for the functions specified in section 268(G) of the Companies Act of 1973 (as amended) (the Act). All meetings of shareholders, directors and board subcommittees are properly recorded as per the requirements of section 242 of the Act. The removal of the group company secretary would be a matter for the board as a whole.

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

DONATIONS TO POLITICAL PARTIES

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