

ALTRON CLIMATE CHANGE FRAMEWORK

ALTRON'S POSITION ON CLIMATE CHANGE

Altron, like many other companies around the world, has acknowledged and responded, to climate change and its related risks and impacts. Altron's position on climate change is in line with its mission statement and core value commitments published from time to time in its integrated annual report. In order to incorporate its climate change response into the group's sustainable business strategy, Altron declares its position as follows:

ACKNOWLEDGING CLIMATE CHANGE

To continue being a responsible corporate citizen, Altron recognises that it must adapt to the changing pressures placed on its group companies and their value chain, as well as to the impacts of changes in the physical environment itself. Altron expects climate change to become an increasingly important investment theme in coming years and fully supports the intentions of international agreements such as the United Nation's Framework Convention on Climate Change (UNFCCC) and Millennium Development Goals (MDG). Altron supports the principles and mechanisms of the Kyoto Protocol and will work towards doing its part in achieving the goals set out by the Kyoto Protocol, within a defined timeline.

Altron furthermore understands that to be effective, such agreements need to be developed in partnership with industry, government, civil society and other relevant stakeholders. Altron participates through appropriate forums such as the National Business Initiative (NBI) in facilitating and motivating the South African government's policies around the mitigation and adaptation of efforts with regards to climate change impacts.

Altron's view is that an effective, long-term climate change framework should consist of a portfolio of complementary measures to identify risks, reduce emissions and build resilience towards possible impacts. This should include a price on carbon that addresses competitiveness concerns, support for energy efficiency improvements and the development and deployment of low carbon emissions technologies, together with appropriate measures to respond to the physical impacts of climate change.

CAUSES OF CLIMATE CHANGE

The science of climate change is, in many ways, less vital than the increasingly widespread social acceptance that climate change is a reality and that man-made greenhouse gas (GHG) emissions are responsible for the changes we experience in our climate. In this context, Altron acknowledges that human activities related to the production and consumption of fossil fuels, primarily for the purpose of producing energy, results in the emission of GHGs, and are the leading causes of climate change.

SCOPE AND BOUNDARIES

Altron believes that in general, climate change impacts are significant, both locally and globally and will endeavour to transparently report on its own contribution from its local and international operations' GHG and other environmentally related impacts going forward.

Verification and assurance of emissions data, as captured by each of its operations, takes place annually either through internal processes and/or an external third party assurance. This is not only to ensure that the correct data sets are submitted, but it also keeps the group's reporting processes in line with best practice, assists with benchmarking and ensures that consistency and context is applied when data sets are reported. To this end, a sustainability manual has been compiled that serves as a guide to all of Altron's operations when they submit their consumption and emission data.

OVERSIGHT BY THE BOARD OF DIRECTORS

Altron's response to the issue of climate change is reviewed regularly by the executive committee and at board level, following representations made via the risk management committee and designated sustainability department. Thus the chief executive, by signing this document, is responsible for overseeing and approving Altron's position on climate change.

TRANSPARENCY

Altron is committed to the transparent reporting of environmental data and will continue to identify, evaluate and track the consumption of energy and the production of GHG emissions using internationally recognised protocols, where economically feasible. Altron will continue to provide this information to stakeholders in a timely manner through its annual reporting process, its website as well as various other disclosure initiatives such as the CDP (previously the 'Carbon Disclosure Project'), Water Disclosure Project (via the CDP), United Nations Global Compact (UNGC) and the JSE Socially Responsible Investment (SRI) index.

STRATEGIC OBJECTIVES

As a group we are committed to supporting our operations, value chain and local communities, to address and adapt to the potential effects of climate change. The world will continue to demand products and services, however, the challenge is to produce the products and services we offer in a more sustainable manner.

The aim of the climate change framework is to ensure effective implementation of our climate strategy in an attempt to maximise carbon and energy savings. It will yield a clear assessment of risk and opportunity in the markets in which we operate, with action plans in place to mitigate risks and deliver shared value.

Our focus areas going forward include:

➤ **IMPROVEMENT TARGETS**

It is Altron's belief that operating performance and investment strategies of large established industries must change dramatically. Creating incentives to do so is only one of the ways to achieve rapid buy in – whether through direct benefits or subsidies for investments in alternative technologies. Altron therefore proposes certain carbon reduction initiatives throughout its group operations to facilitate an adjustment in its current emissions pathway, as implied by the baseline scenario. These initiatives are focussed on the reduction in the carbon intensity of its operations within the framework of this position statement.

Altron seeks to reduce its own emissions by assessing options to integrate best practices, energy efficiencies and renewable energy considerations across its operations. Altron has set short, medium, and long term targets to increase energy efficiency and decrease GHG emissions. Targets are reviewed annually by the Altron executive committee and form a key performance indicator for the group's most senior executives to achieve, in order to qualify for short term incentive bonuses. Short-term targets are set over a three year cycle, whilst long-term targets will be stretched over a five year cycle. Target setting at operational level takes into consideration a variety of factors including potential investments, input costs, economic market conditions, to name a few.

Although only GHG reduction targets have been included in senior executives' short term incentive bonuses in the past, Altron is now also including aspects such as water and waste reduction targets as part of its short term incentive structure.

➤ **BUSINESS CONTINUITY**

Altron continues to include climate change risks and energy infrastructure considerations as part of its sustainable business planning process. This ensures business continuity and adaptability due to unforeseen external events caused by climate change related impacts.

➤ **SUPPLIERS**

Altron accepts that climate change impacts its supply chain and has implications for business continuity. Altron will therefore encourage suppliers, partners and contractors to consider potential climate change impacts and improve their energy efficiencies, thereby reducing their GHG emissions and to report on the progress achieved against these initiatives.

➤ **PRODUCT IMPACT**

Altron recognises that most of its products and manufacturing processes create GHG emissions that are released when these products are either produced, transported, used or disposed of. Altron will endeavour to continually explore ways to provide customers with products with appropriate packaging that are produced and transported with lower total GHG emissions per product unit.

➤ **RELIANCE ON FOSSIL FUELS**

Altron acknowledges that the majority of its energy is derived from purchased electricity, which in turn is generated in large part from fossil fuels. As a result of rising energy costs, environmental considerations and security of energy supply, Altron will seek to reduce its reliance on fossil fuels, whenever technically and economically feasible.

➤ **RENEWABLE ENERGY**

Altron acknowledges the need to explore new opportunities for energy efficiencies and alternatives for energy generation. Options such as solar, wind, waste-energy and co-generation represent opportunities to ensure energy security and to lower Altron's sole reliance on fossil fuels. However, leading up to the consideration and potential implementation of such alternatives, Altron also acknowledges that future costs to procure energy from incumbent providers are set to increase and therefore aims to have a better understanding of its current and future consumption requirements in order to make appropriate changes.

➤ **EMISSIONS TRADING AND COMMUNITY UPLIFTMENT**

Altron supports market-based mechanisms, such as emissions trading and the Clean Development Mechanism (CDM), provided that they are structured to be efficient, cost effective, flexible and responsive to business needs. Altron will seek to reduce emissions where possible and to use these mechanisms to help finance emission reduction programmes when technically and economically feasible. If Altron seeks to purchase emissions reductions, this will only be carried out when it can be demonstrated that further reductions in GHG emissions are unavoidable. Altron will only consider projects that have demonstrated emission reductions that are real and comply with the concept of "additionality" as set forth by the CDM. These projects will also comply with the most up-to-date internationally accepted standards and technologies¹.

Given Altron's involvement in various corporate social investment initiatives, the group will aim to, where feasible and appropriate, engage in community upliftment projects and training of communities on how to minimise their carbon footprint. Furthermore, investment in emission reduction or avoidance projects will be assessed for real sustainable development benefits that have been verified by registered and authorised independent third parties.

➤ **WATER IMPACTS**

South Africa is a water scarce country and climate change models predict that this is set to worsen. Accordingly, Altron will explore new methods of conservation, storage, rehabilitation and recycling of water within its operations where it is economically feasible. Altron has also set three-year water reduction targets, encouraging better water efficiencies and water saving initiatives. Our operations

¹ Associated standards include ISO14064, ISO14065 and WRI GHG Protocol – Corporate Accounting and Reporting Standard

outside of South Africa will continue to be sensitive to the water situations relevant to the countries in which they operate.

➤ **WASTE**

Waste generation is a side-effect of any business activity and Altron acknowledges that the waste streams generated through its manufacturing, service delivery and other functions, need to be closely managed to ensure that landfill waste is minimised, and where possible to reduce, re-use and recycle waste produced as part of its day-to-day activities and operations.

➤ **AWARENESS AND LEADERSHIP**

Altron is committed to raising climate change awareness among its employees and increasing employee engagement; ensuring that employees are equipped to take forward the company's climate change agenda and to drive change; mobilising leadership; engaging and communicating with employees; embedding the climate change agenda in its day-to-day business operations; incentivising, and recognising employees who promote the principles of the climate change framework.

CLIMATE CHANGE ADAPTION

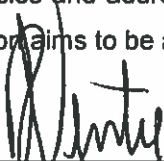
Climate change adaptation is defined as anticipating the adverse effects of climate change and taking appropriate action to prevent or minimise the damage that it can cause, or taking advantage of opportunities that may arise as a result thereof. Although Altron has not needed to implement any adaption programs we support any such programs on a local and global scale and we are fully aware of the possibility that we may need to employ adaption programs in the future.

ALTRON COMMITS TO:

- *Continue to take action to reduce our greenhouse gas emissions;*
- *Continue to build the resilience of our operations, investments, communities and eco-systems in order to endure the impacts of climate change;*
- *Continue to monitor, review and update our reduction targets; and*
- *Play a role in commenting and guiding government in policy decisions relating to climate change.*

CONCLUSION

As a group, Altron recognises that there are clear differences between leaders and laggards in many industries, sectors and countries, creating opportunities for those companies moving early to influence policies and address the challenges and opportunities in order to establish a competitive advantage. Altron aims to be a leader despite the low impact its operations have on climate change.



ROBERT E. VENTER
Chief Executive

8/4/2015
Date