

## Independent Assurance Statement

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

**Integrated Reporting & Assurance Services (IRAS)** was commissioned by Allied Electronics Corporation Limited (hereafter, 'Altron') to provide independent third party assurance (ITPA) over the sustainability information within this Integrated Annual Report (hereafter, 'the Report', in both the summary hard copy and online comprehensive formats), covering the 12 month period from 01 March 2013 to 28 February 2014. The assurance team comprised primarily of Michael H. Rea, our Lead Certified Sustainability Assurance Practitioner (CSAP), with more than 15 years' experience in environmental and social performance measurement in over 75 assurance engagements in 17 countries, with support provided by Jordan Pruner (Associate CSAP), and our team of junior associates.

### **AccountAbility AA1000AS (revised, 2008)**

To the best of our ability, the assurance 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 II (Moderate) requirements.

### **Independence**

**IRAS** was not responsible for the preparation of any part of this Report and has not undertaken any other engagements for Altron that would compromise our ability to afford ITPA over this year's Report. Given our understanding of Altron's reporting policies, procedures, systems and controls, **IRAS** has provided ITPA over Altron's United Nations Global Compact (UNGC) Communication on Progress (2011 and 2012), and its 2012 and 2013 Carbon Disclosure Project (CDP) submissions. These engagements are aligned to our overall assurance processes, and in no way compromise our independence over this assurance engagement.

Although this statement is directed at key Altron stakeholders, as the users of the Report, **IRAS'** ultimate responsibility in performing its assurance activities is to the management of Altron in accordance with the terms of reference agreed with them.

### **Assurance objectives**

The assurance process was designed to provide stakeholders of Altron with an independent 'moderate level assurance' opinion on whether the Report meets the following objectives:

- Adherence to AccountAbility's AA1000AS (2008) principles of **Inclusivity**, **Materiality** and **Responsiveness**;
- Alignment with the Global Reporting Initiative (GRI) G3 guidelines, with the objective of establishing whether or not the Report has met the B+ level of reporting requirements;
- Reasonable adherence to local and international expectations for effective reporting, including guidance provided through the King Code of Corporate Governance (King III) and the International Integrated Reporting Committee (IIRC) recommendations for integrated reporting;
- Accuracy, consistency, completeness and reliability of reported data, relative to a sample set of selected sustainability indicators, as tested at selected sites; and,
- Completeness and reasonability of selected sustainability indicators contained within the Report, relative to the more than 120 data points reviewed for **IRAS'** Sustainability Data Transparency Index (SDTI).

In meeting the Type II assurance objectives, **IRAS** undertook a review of selected sustainability performance indicators at the following operational sites:

Powertech Transformers (Cape Town)  
Powertech Systems Integrators (Midrand)

Powertech Cables (Johannesburg)  
Altech Netstar (Midrand)

To test the impact of the assurance process deployed in 2013, a one-day return site visit ('re-visit') occurred at Bytes (Midrand). The purpose of this re-visit was to ensure that findings and/or recommendations identified in 2013 were reasonably addressed to improve sustainability data management and reporting performance.

### **Scope of work performed**

#### **AA1000AS (2008) Compliance**

The process used in arriving at this assurance statement is based on AccountAbility's AA1000AS (2008) guidance, as well as other best practices in 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 Altron’s information collation and reporting procedures to define the content of the Report by looking at the materiality of issues included in the Report, stakeholder engagement responses to issues identified, determination of sustainability context and coverage of material issues, ultimately leading to adherence to the AA1000AS principles of **Inclusivity**, **Materiality** and **Responsiveness**;
- A review of data collection, collation and reporting procedures at selected sites (as stated above), with specific reference to the following selected sustainability performance indicators:
  - Total direct and indirect consumption of electricity
  - Total volume of fresh water consumed, from all sources, for all uses
  - Total direct and indirect consumption of petrol and diesel
  - Total volume of solid waste sent for disposal at landfill (i.e., not recycled)
  - Total volume of solid waste sent for recycling
  - Total number of business flights recorded – per category of flight and destination/route
  - Total person hours worked
  - Lost Time Injury Frequency Rate, including the number of injuries
  - Employee turnover
  - Average Rand value of training spend per trained employee (and per employee)
  - Processes through which suppliers are screened for environmental, labour, human rights, child labour and/or societal impacts and/or issues.
- A series of interviews with the individual responsible for collating and writing various parts of the Report in order to ensure selected claims were reported and substantiated;
- Reviews of drafts of the Report for significant errors, anomalies and/or insupportable assertions; and,
- Reviews of drafts of the Report to test for reasonable disclosure of key sustainability data, as assessed against **IRAS’s** Sustainability Data Transparency Index (SDTI).

Due to the scope and nature of this AA1000AS (Type II, Moderate) assurance engagement, site visits were undertaken to test the authenticity of data at the primary source of collection and collation, and this Report has been assessed at the point of data aggregation for accuracy of reporting.

### **GRI Compliance**

In determining the GRI G3 ‘Application Level’ of the Report, we performed the following exercises:

- A review of the process used to define the content of the Report by looking at materiality of issues included in the Report, stakeholder engagement response to stakeholder 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; and
- Reviews of drafts of the Report to confirm that the requisite number of GRI G3 indicators had been covered in the Report in order to meet the GRI’s G3 Application Level B requirements (B+ with this assurance engagement).

### **Findings**

Overall, it was determined during this year’s assurance process that, in general, the company’s sustainability reporting processes are adequate, and it was noted that:

- Altron’s systems for data collection, collation and reporting continue to improve, as the group-wide sustainability data management system – Everest – is updated and enhanced to meet expanded reporting expectations, inclusive of internal control procedures. This includes increased attention, and general oversight, paid by management at the operations to ensure the timely and effective reporting of sustainability information to Altron’s Group head offices.
- All of the tested site-specific data was found to be reasonably accurate and/or reliable, although process improvements are still required to ensure that reported data is consistent across the group, and that each reporting entity implements their own internal control procedures for data accuracy and reliability.

- Altron adequately adheres to the Accountability AA1000APS principles of **Inclusivity**, **Materiality** and **Responsiveness**, although room for improvement exists with respect to stakeholder engagement.
- 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).
- As per **IRAS**'s own Sustainability Data Transparency Index (SDTI), which has been applied for the second time, Altron has scored extremely well relative to all other JSE-listed companies, demonstrating an active commitment to transparency relative to reasonably expected key sustainability data points. However, improvements can yet be made with respect to the collection, collation and reporting of data for key sustainability performance indicators that have yet to be reported on.

### Conclusions and Recommendations

Based on the information reviewed via our site visits, desk research and management interviews, **IRAS** 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 ability to manage and/or report on its 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 G3's requirements for Application Level B (B+ with this assurance engagement).

Based on our site re-visits, it should also be noted that the deployment of an independent third party assurance provider (i.e., **IRAS**) has affected positive change in the way in which sustainability data is collected, collated and reported at both the site and head office levels. Improvement has also occurred at the group level (i.e., within the Everest data management system, and reporting procedures and guidelines provided by Altron Management Services).

However, the following recommendations have been identified:

- With respect to adherence to AccountAbility's AA1000APS principle of **Inclusivity**, Altron should continue to ensure that stakeholder engagement progresses towards the active inclusion of all significant stakeholders, and that a regular review of stakeholder tests for completeness and relevance. Moreover, Altron should continue to ensure that formalised stakeholder engagement policies and procedures are adopted throughout the group – inclusive of all sites – such that the Board is fully cognisant of stakeholder concerns as and when they arise.
- Altron should ensure that internal audit procedures are enhanced such that the scope of sustainability audits – particularly for occupational health & safety issues – are aligned to assurance engagements such as this one. Data should not merely be tested for accuracy and consistency, but definitions and reporting procedures should also be tested to ensure that consistency and reliability are also considered.
- Altron should ensure that all sites employ, as a means of control testing, a system of data-specific comparability. Sites exceeding reasonable limits for any indicator should be prepared to not only explain anomalies, but also to identify system and/or control improvements to return performance back to within reasonable limits.
- Altron should continue to ensure that future assurance engagements include the site visit testing of data, vis-à-vis the expectations of AA1000AS (Type II), occurs at least until such time as a reasonable number of sites can demonstrate meet the tests for accuracy, consistency, completeness and reliability.

For more information about the assurance process employed to assess the sustainability information contained within Altron's 2014 Integrated Annual Report email [michael@iras.co.za](mailto:michael@iras.co.za)

<INSERT SIGNATURE>

**Integrated Reporting & Assurance Services**

Johannesburg

<Insert Date>