

Altron Group Corporate Social Investment Policy
and implementation guidelines
Incorporating Socio-Economic Development as per the
BBBEE Codes of Good Practice

Contents

- 1. Purpose of the Corporate Social Investment Policy**
- 2. Responsibility of a corporate citizen**
- 3. Definition of CSI**
- 4. CSI policy**
- 5. Altron CSI focal areas**
- 6. Criteria for adjudication**
- 7. Communication**
- 8. CSI Structures**
 - 8.1. Measuring and reporting**
 - 8.2 Financial resources and target**
 - 8.3 Management and administration**
 - 8.4 Procedure:**

1. Purpose of the Corporate Social Investment policy

The purpose of the Corporate Social Investment Policy (CSI) which incorporates Socio-Economic Development Policy (SED) is to provide the group with guidelines and assistance in order to implement SED elements of Broad Based Black Economic Empowerment (BBBEE). SED has become an integral part of our businesses. The BEE Codes of Good Practice have been taken into account in the development of this policy.

The policy provides scope for interpretation and implementation by group companies in their own operations. It is desirable that operating companies adapt the policy to suit their needs and to ensure that their CSI expenditure within their operations is regulated and monitored according to these guidelines.

In order to ensure the success of CSI in the group, it is important to define the custodians of the CSI policy and its implementation for each operating unit of the Altron Group.

2. Responsibility as a corporate citizen

Altron recognises its responsibility as a corporate citizen towards its stakeholders and the communities within which it operates. Accordingly, the group is committed to playing a role in the development of a market democracy which is characterised by sustainable development in aligning its vision and mission statements to that of its performance as a corporate citizen.

CSI (and SED) is a major cornerstone for good corporate citizenship, and forms an integral part of our BBBEE transformation, corporate accountability and governance programme and is a key component of Altron's stated objectives.

Strategic CSI takes the investment programme to a new level within the business where it becomes integrated into mainstream activities. Objectives are set and aligned to those of the business and measures are being put into place for evaluation and readjustment.

A CSI programme is considered strategic if it is:

- Professionally managed;
- Funding projects that have a logical fit with the funding organisation;
- Engaging the full array of organisational resources, in an appropriate manner;
- Considering activities at all levels of the organisation, such as staff initiatives;
- Being a function that is driven by the company's corporate mission;
- Regularly evaluated and updated where required; and
- Coordinated by a dedicated Transcom member or CSI representative of the organisation
- Takes into account company performance and is aligned to forecast profitability on both a year to date and annual basis.

The benefits of Socio-Economic Development

In today's tough business environment no company can afford undertaking CSI for purely altruistic reasons. Well-executed socio-development projects have a definite positive effect on the image of the company:

- Provides a means to give something back to the community and enhances the caring image of the company;
- Can improve relationships with the community;
- Improves employee loyalty/morale;
- Contributes to government's poverty eradication programmes;
- Helps stabilise the economic and social environment for the corporation's long-term survival;
- Enhances business performance and the reaching of strategic goals;
- Contributes to corporate brand identity;
- Increases customer goodwill and loyalty; and
- Provides opportunities to build relationships with business partners.

3. Definition of CSI

CSI encompasses projects that are external to the business or outward looking; projects undertaken for the purpose of uplifting communities in general and those which have a strong developmental approach. It also includes projects with a focus on social, developmental or community aspects where the investment is not primarily driven as a marketing initiative.

The following table offers some guidelines regarding CSI in the various sectors.

| Sector | What's in | What's out |
|-----------|--|--|
| Education | Support of community education facilities, bursaries for the underprivileged without employment obligation. These include bridging the digital divide; electronics and multi-media; Engineering, Maths and Science; school building and equipping. | Bursaries for job placement within the company and crèche facilities for children of employees |
| Training | Community training, skills development for unemployed, ABET in the community | In-company training, workplace courses, ABET, etc as this is skills development. |

| | | |
|-----------------------------------|---|---|
| Conservation and Environment | Support that focuses on conservation awareness, education and waste management including involvement in disaster relief programmes | Operational compliance aspects such as emission or rehabilitation requirements. |
| Job Creation | CSI/SED job creation projects are those that are external to the workplace and aimed at creating self-sustainability for organisations qualifying for CSI/SED support in terms of the CoGp. | Enterprise Development or Preferential Procurement activities linked to the Companies Supply Chain. |
| Community development and support | Building of crèches or clinics, development of HDI 's including women and the disabled. | Employee housing projects. |
| Arts and culture | Support of development programmes in historically disadvantaged communities and the development of new talent. | Sponsorship of commercial events or in-company events. |
| Health | Support of community clinics; health programmes in the community; Aids Awareness programmes in the communities. | Occupational safety, workplace; clinic facilities for employees. |
| Sport | Support of developmental programmes. | Company sports teams |
| | | |

Projects that fall into a grey area:

- Sponsorship of good causes, which is different from sport sponsorships in that it does not have promotional or advertising potential. An example is the sponsoring of wild life programmes or sports gear for an underprivileged team that will not receive national media coverage. Cause-related marketing refers to for example, cheque books that are linked to arts, sports or wildlife conservation and a small portion of the money paid goes toward such a cause.
- Indirect employee support (i.e. providing assistance to the families of employees to assist employees in paying school fees for their own children).

4. CSI policy

- To focus its funding on and involvement in those communities that are directly involved with the group's operations, although some investment will be made on a wider national level for instance towards national feeding schemes or child welfare programmes;
- To approach all CSI projects in a consultative manner and where possible to facilitate sustainable wealth creation and self-sufficiency in the communities within which we operate;
- To manage the impact of the group's relations with the community and environment according to the ethical principles outlined in the Altron Code of Conduct;
- To be committed to measure the effectiveness and sustainability of the CSI projects and partnerships against group goals and objectives as set out in the group's transformation targets where the CSI spending targets are stipulated; and
- To become involved in CSI in a responsible and innovative way based on principles and an arrangement that benefits both beneficiary and donor.

The various CSI categories, as outlined below, are based on a value system for our CSI focus, namely:

- CSI must be aligned with the vision and mission of the business;
- The company must ensure that its CSI practitioners follow a professional approach. (Training and training material are essential). The training will be done both internally (offered by the CSI committee of the Transcom) and externally through attendance of various conferences and workshops.
- Projects funded must ideally have a logical fit with the company – i.e. Bytes supporting bridging the digital divide.
- Where practically possible, CSI projects must be implemented in such a manner as to ensure that the beneficiaries are able to sustain the ongoing viability of the project, i.e. in terms of training and through ongoing support and guidance.
- In order to focus the CSI activities, the categories below have been identified and, where possible, the majority of efforts should be targeted on activities within this framework. Discretion must be used in those cases where projects or investment falls outside of this framework.

5. Altron CSI focal areas

Through its corporate social responsibility programmes, Altron renders support in five key areas:

- Education and training;
- Job creation outside the company value chain.
- Community development and support;
- Conservation and environment; and
- Arts, culture and sports.

According to our mission, vision, values and triple bottom line guiding principles, Altron underwrites the following policy in terms of its community involvement and CSI projects:

5.1 Education and training

5.1.1 Education and training

Use areas below as guidelines:

- Technological (technology and IT skills development);
- Electronics/multimedia;
- Engineering
- Maths and Science
- School building and equipping;
- Outreach programmes; and
- Adult Basic Education and Training (ABET).

These may include contributions to communities that endeavour to build schools and classrooms in rural areas as well as outreach and special programmes in suburban and township schools.

5.1.2 Skills development

Programmes that are aimed at improving skills levels in communities with the objective to earn a living and become self-sustainable.

5.2 Job creation

Support for CSI/SED job creation projects that are external to the workplace and aimed at creating self-sustainability for organisations qualifying for CSI/SED support – This does not incorporate projects which qualify under Enterprise Development / Preferential Procurement as part of the Companies Supply Chain.

5.3 Community development and support

5.3.1 Health and social welfare

- Medical, primary healthcare and welfare projects (e.g. food schemes) within the communities in which the company is operating may be considered and CSI may also be non-monetary, such as organisational, administrative support, time spent by staff to help to organise an event, project or training for a beneficiary; etc;
- Community Aids awareness programmes aligned to government programmes;

5.3.2 Support for security and public safety programmes (such as training of volunteers working at police stations, equipment or outreach programmes).

5.4 Conservation and the environment

- Environmental awareness and projects (e.g. clean-up of local parks, of land adjacent to group company, awareness campaigns, etc);
- Support of conservation initiatives and programmes; and
- Involvement in disaster relief programmes, e.g. community assistance during floods, drought relief, etc.

5.5 Arts, culture and sport

- Support of developmental programmes;
- Training of new talent; and
- Development of historically disadvantaged individuals or teams.

Performing arts play a pivotal role in creating hope, sustaining ideas and establishing and nurturing leadership among young people. Projects should be aimed at affirming and promoting all aspects of South African culture including their performing talents in the fields of art, dance and music.

6. Criteria for adjudication:

- Projects must fall within the group's focal areas;
- Proposals must include:
 - Information about the project;
 - Sustainability potential;
 - Budget and project organisational structure;
 - Ongoing maintenance plans;
 - Contact details; and
 - In the case of donations, proof that the applicant is a registered trust; a non-profit making organisation; Public Benefit Organisation in possession of a Section 18A Certificate/Registration should be obtained (where available).

In terms of Section 18A a deduction is allowed in respect of the sum of *bona fida* donations of cash or property made in kind by a taxpayer during the year of assessment to Public Benefit Organisations approved by the Commissioner under section 30.

Documentation required would be a receipt issued by the recipient reflecting the following information:

- Reference Number (SARS).
- Date of receipt of donation.
- Name of PBO
- Name and address of donor
- Amount of Donation
- Nature of donation (if not in cash)
- Certification that the receipt is issued for the purposes of a Section 18A.

The project must be to the benefit of the greater community. It should offer opportunities for branding/naming rights/ publicity, etc, but be careful of reputation; Project location and accessibility must promote regular visits, monitoring and measuring resulting in proactive involvement in applicable projects; Project must meet the criteria laid down in this policy in terms of Qualifying Beneficiaries.

Monthly Corporate Socio-Economic Development reports will be compiled and reported on per Division on the standardised format by the Human Capital Managers or designated Management assigned with this responsibility. The Group Human Capital Manager will consolidate for the Board and Holding Company reports.

7. Communication

Effective communication of a company's Socio-economic development activities plays an important role in portraying the company as a caring citizen to the outside world and towards harnessing internal support for the programme.

Objectives:

- To disclose and promote community contributions;
- Appropriate information about the Corporate Socio-Economic Development programme/s should be communicated to all relevant stakeholders and would vary according to the nature of interaction with the specific stakeholder concerned; and
- To build the Corporate Socio-Economic Development profile a limited amount of funds should be allocated to marketing expenditure on programmes or for featuring in surveys or applicable publications. Appropriate links between the Corporate Socio-Economic Development programme/s and the communications' department should be put in place.

8. Altron CSI structures

The way in which a programme is structured will determine its ability to achieve set objectives.

Some of the key issues to consider are:

- A defined and documented structure for CSI – a planned strategy with well-defined structures is integral to successfully run and manage programmes;
- The number and size of grants – a CSI programme may distribute funds to many small projects, or support a few larger projects, or a combination of large and small grants may be supported;
- Focus – selecting a few focus areas encourages a base of expertise to be established and allows the approach to be aligned more closely to the core business;

- Partnerships – form partnerships with community, government and/or other grant givers, i.e. customers, suppliers, to enhance the effectiveness; and
- Incorporate and calculate non-financial contributions – items such as:
 - Man hours spent managing or co-ordinating a project;
 - Skills transfer such as assisting a school with its administrative procedures; and material or equipment supplied.

8.1 Measuring and reporting

- Measuring the success or progress of projects and by undertaking regular reviews of budget spent will determine the benefit of Corporate Socio-Economic Development to the company and to the group as a whole. This can be based on a cost-benefit analysis, by assessing the inputs of the programmes as a cost to the business and the outputs in terms of its impact – such as how many students successfully completed a training programme;
- Project evaluation should be carried out annually. Evaluation methods could include: project beneficiary reporting, on-site visits, collection of relevant statistics and formal research;
- Post-mortem by means of evaluation and audits at the completion of the project should be introduced in order to gauge the impact of the Corporate Socio-Economic Development project and its long-term sustainability;
- An effort must be made to quantify financial contributions, which may be attributed as a CSI activity, such as management time.

CSI contributions:

Monetary or non-monetary contributions initiated and implemented in favour of beneficiaries by a Measured Entity with the specific objective of facilitating sustainable access to the economy for those beneficiaries.

Benefit factor matrix:

Specifies the benefit factor (percentage), which accrues to the measured entity in respect of grant contributions, direct costs, discounts, overhead costs and human resource capacity.

Grant and related contributions

Take the form of:

- Grant contribution <<Full grant amount @ 100%>>
- Direct Costs incurred <<Verifiable cost @ 100% >>
- Discounts allowed <<Total discount @ 100% >>
- Overhead costs incurred <<Verifiable cost @ 80% >>

Contributions made in the form of Human Resource Capacity:

- Professional services rendered at a discount supporting CSI, sector specific initiatives or approved CSI contributions
Commercial hourly rate of professional @ 80%

Professional Services

- Professional services rendered at no cost supporting CSI, sector specific initiatives or approved CSI contributions
Value of discount based on commercial hourly rate of professional

Employee Time during Company working hours

- Time of employees of measured entity productively deployed in assisting beneficiaries and supporting CSI, sector specific initiatives or approved CSI contributions
Monthly TCOE divided by 160 @ 80%

The number and size of grants:

A CSI programme may distribute funds to many small projects, or support a few larger projects, or a combination of large and small grants may be supported.

Public Benefit Organisations:

Means an entity as defined in Section 30 of the Income Tax Act;

Partnerships:

Form partnerships with community and/or other grant givers, i.e. customers, suppliers, to enhance the effectiveness; and

Contribution beneficiaries:

- Full value of CSI contributions is recognisable if at least 75% of the value directly benefits black people
- If less than 75% of the full value of CSI contributions directly benefits black people, the value of the contribution made multiplied by the percentage that benefits black people is recognisable.
- Any project or scheme targeting infrastructural development and/or reconstruction in underdeveloped areas or in rural communities or geographic areas identified in the Governments sustainable rural development and urban renewal programmes.

Inception date:

This is the date that the measures entity chooses to be measured from but must not be earlier than 5 years before commencement of this statement but binds the measured entity for the duration of the statement.

8.2 Financial resources and target

The allocation of company resources to a CSI programme sets the parameters in terms of what is achievable.

The benchmark is that company spend on CSI should amount to a percentage of profit before tax, but at the same time take into account company performance.

This benchmark figure should include financial as well as non-financial contribution to projects.

8.3 Management and administration

A CSI sub-committee was established as part of the Transformation Vision Committee (Transcom). The objective of the Transcom is to assist the Altron Executive Committee and the Office of the Chairman in the responsible discharge of their duties relating to BBBEE and accountability, associated risk and opportunities in terms of the direction, measurement and reporting for the group as a whole.

Ownership of CSI must lie with the executive management at the operating company level. The successful running of projects is their responsibility supported by their respective CSI team.

As mentioned above, each company must assign a CSI practitioner which function may be accommodated in the human resources and/or communications' departments. A committee should be formed to assist with the evaluation of proposals and the allocations of funds or investments.

Quarterly CSI reports will be compiled and be consolidated at the sub-holding company level, in other words, at the Altech, BTG and Powertech head offices for submission to their respective boards with a copy to the Transformation Vision Committee who will be responsible for monitoring progress. Copies will be issued to Altron head office for reporting to the Altron Board.

8.4 Procedure:

- Annual budgets to be drawn up by the operating companies - actual spend vs. budget to be determined by the company together with a review of its current performance;
- Proposals to be received and processed by the CSI function within the operation followed by a recommendation given to operational management, which after approval, may be communicated to potential beneficiaries. Post-mortem by means of evaluation and audits at the completion of the project should be introduced in order to gauge the impact of the CSI project and its long-term sustainability;
- Benchmarking against other companies in a similar industry sector or with similar sized budgets (information may be obtained from CSI or company annual reports or public websites);
- Stakeholder reviews - a valuable tool for auditing the perceptions of various groups, both within the company and externally, about the community development activities of the company; and
- An effort must be made to quantify financial contributions which may be attributed as a CSI activity, such as management time.