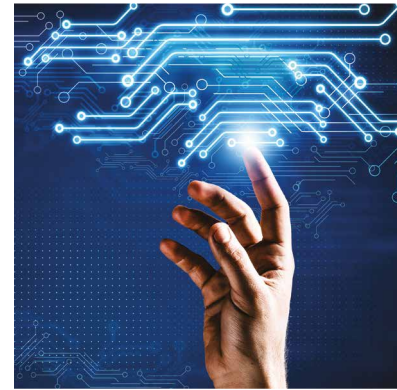
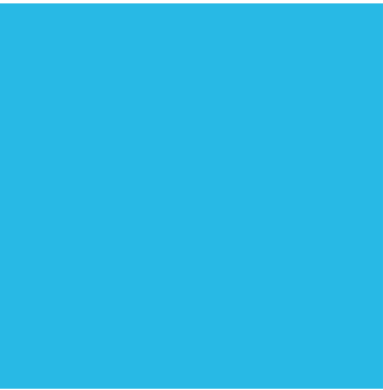


# ALTRON



## GOVERNANCE REPORT



40

# TABLE OF CONTENTS

- 1 Governance review
- 2 The Altron board
- 5 Ethics
- 6 Strategy involvement
- 7 Leadership roles
- 8 Executive committee
- 10 Our board committees
- 20 Board policies and processes
- 22 Risk management
- 24 Compliance
- 25 Technology and information governance
- 27 Combined assurance
- 28 Annexure A: King IV™ application register

# GOVERNANCE REVIEW

Altron's approach to governance remains founded on the premise that a successful business requires strong controls, sound governance structures and unwavering commitment to ethical conduct in order to reach its full potential.

## ALTRON SHAREHOLDERS

### ALTRON



### CORPORATE GOVERNANCE FRAMEWORK

Altron's board (board) and sub-committee structure is designed to oversee the group's most material issues, while empowering management to execute and deliver against our strategy. Each one of the group's operating companies have separate boards of directors, with a number of these having their own board and committee meetings, which the board and its committees oversee and guide, as appropriate. The operating companies are also governed by the limits of authority set by the board on an annual basis and permeated throughout the group.

The board is responsible for directing, governing and effectively controlling the

company. Board members have a fiduciary duty to Altron and are accountable for the company's performance. They also owe a duty of care and diligence to the company and, consequently, its stakeholders. The board's responsibilities are outlined in its charter, which the board reviews annually and adopts any changes which may be required.

### APPLICATION OF KING IV™

To ensure that we consistently practise effective corporate governance throughout the Altron group, our board embraces the principles of the King IV Report on Corporate Governance for South Africa, 2016 (King IV™). We continually aim to address any improvement areas. The group's King IV™ register is available on page 28 of this report.

### CODE OF ETHICS AND CODE OF CONDUCT

The Altron group has an established code of ethics and code of conduct which outline and reinforce our set of values and ethical behaviour. These codes are available to all employees either through the Altron intranet or upon request. An abridged version of the code of conduct is included in suppliers' contracts and terms of conditions. Service providers are expected to abide by the same level of ethics that we uphold in our own operations. We feature topics related to ethics in company publications and implement ethics training and awareness initiatives in the group. The Altron social and ethics committee (SEC), mandated by the board, is accountable for cultivating ethics within the group. The chief executive and senior management are responsible for driving an ethical culture.

### RESPONSIBLE CORPORATE CITIZENSHIP

Altron aims to be a responsible corporate citizen. The board is responsible for setting the direction of how the group approaches and addresses corporate social responsibility (CSR). Our CSR efforts aim to comply with the Constitution of South Africa (including the Bill of Rights), legislation, leading standards and our code of conduct and related policies.

The board aims to ensure that Altron's core purpose, vision and values, as well as its strategy and conduct, uplift our workplace, society, economy and environment.



# THE ALTRON BOARD

Our board performs its governance responsibilities within a framework of policies and controls, which manage our economic, environmental and social performance and provides for effective risk management.

## MR MIKE (MJ) LEEMING (75)

*Independent non-executive chairman*

**Joined Altron board: 2002**

**Appointed chairman: 2017**

Qualification: BCom (Rhodes); MCom (Wits); FIBSA; FCMA; AMP (Harvard)

## MR MTETO (M) NYATI (54)

*Chief executive*

**Joined Altron board: 2017**

Qualification: BSC in Mechanical Engineering (UKZN)

## MR CEDRIC (C) MILLER (50)

*Chief financial officer*

**Joined Altron board: 2019**

Qualification: CA (SA); BCom (NMU); Post Graduate Diploma in Accounting (NMU); Advanced Certificate in Taxation (UNISA)

## MR GRANT (GG) GELINK (69)

*Independent non-executive director*

**Joined Altron board: 2012**

Qualification: CA (SA); BCompt (Hons) (UNISA); BCom (UND) (Hons) (UNISA); Diploma in Public Administration (Peninsula Technical College)

## MR STEWART (SW) VAN GRAAN (63)

*Independent non-executive director*

**Joined Altron board: 2017**

Qualification: BCom (Hons) in Systems and Technology (UCT); Programme for Management Development (UCT Graduate School of Business)

## MR SAMUEL (S) SITHOLE (46)

*Non-executive director*

**Joined Altron board: 2017**

Qualification: BAcc (Hons); CA (SA); ACA; CA (Z)

## MR ROBERT (RE) VENTER (59)

*Non-executive director*

**Joined Altron board: 1997**

Qualification: BA (Econ) (UCLA); MBA (UCLA) (Dean's List)

## MS BERENICE (BJ) FRANCIS (43)

*Independent non-executive director*

**Joined Altron board: 2018**

Qualification: BCompt (Hons) (UNISA); MBA (IE Business School); Certified Internal Auditor (CIA)

## DR PHUMLA (P) MNGANGA (51)

*Independent non-executive director*

**Joined Altron board: 2019**

Qualification: PhD (Wits Business School); MBL (UNISA); Programme in Business Leadership (UNISA); BEd (Psych) (UKZN); HDip (UKZN); BA (UKZN)

## MR ANTONY (AC) BALL (61)

*Non-executive director*

**Joined Altron board: 2017**

Qualification: MPhil (Management Studies) (Oxford University) (Rhodes Scholar); BCom (Hons) (UCT)

## MR BRETT (BW) DAWSON (54)

*Non-executive director*

**Joined Altron board: 2017**

Qualification: CA (SA); BCom (Wits); BAcc (Wits)

Collectively, the board members bring a set of skills and experiences from various sectors, with particular focus on information and communications technology- (ICT) related knowledge, in order to appropriately govern the Altron group, as the leading technology solutions provider. The board believes that it comprises the appropriate balance of skills, experience and independence. We have a policy in place which outlines the race and gender diversity targets of the board's composition.

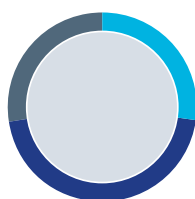
Please refer to the detailed résumés of the Altron board members at [www.altron.com](http://www.altron.com)

## BOARD COMPOSITION

**11 Members**  
(comprising)



## TENURE (AS AT 8 MAY 2019)



| 0 – 2 years   | 2 – 4 years     | > 4 years     |
|---------------|-----------------|---------------|
| Mr C Miller   | Mr M Nyati      | Mr MJ Leeming |
| Dr P Mnganga  | Mr SW van Graan | Mr RE Venter  |
| Ms BJ Francis | Mr BW Dawson    | Mr GG Gelink  |
|               | Mr AC Ball      |               |
|               | Mr S Sithole    |               |

## BOARD MEETING ATTENDANCE<sup>1</sup>

|                             |     |
|-----------------------------|-----|
| Mr MJ Leeming               | 5/5 |
| Mr GG Gelink                | 5/5 |
| Mr SW van Graan             | 5/5 |
| Mr AC Ball                  | 4/5 |
| Mr BW Dawson                | 4/5 |
| Mr S Sithole                | 4/5 |
| Mr RE Venter                | 5/5 |
| Ms BJ Francis               | 5/5 |
| Dr P Mnganga <sup>2</sup>   | 1/1 |
| Dr WP Venter <sup>3</sup>   | 1/1 |
| Dr PM Maduna <sup>4</sup>   | 5/5 |
| Ms DNM Mokhobo <sup>4</sup> | 5/5 |
| Mr M Nyati                  | 5/5 |

<sup>1</sup> Four board meetings and one strategy planning session.

<sup>2</sup> Appointed on 1 February 2019.

<sup>3</sup> Retired on 31 July 2018.

<sup>4</sup> Retired on 28 February 2019.

## KEY CHANGES TO THE BOARD

The following directors retired from or were appointed to the board during the year:

| DIRECTOR            | DESIGNATION                        | EFFECTIVE DATE   |
|---------------------|------------------------------------|------------------|
| <b>Retired</b>      |                                    |                  |
| Dr WP Venter        | Non-executive director             | 31 July 2018     |
| Dr PM Maduna        | Independent non-executive director | 28 February 2019 |
| Ms DNM Mokhobo      | Independent non-executive director | 28 February 2019 |
| <b>Appointments</b> |                                    |                  |
| Ms BJ Francis       | Independent non-executive director | 21 June 2018     |
| Dr P Mnganga        | Independent non-executive director | 1 February 2019  |
| Mr C Miller         | CFO and executive director         | 1 May 2019       |

# THE ALTRON BOARD *CONTINUED*

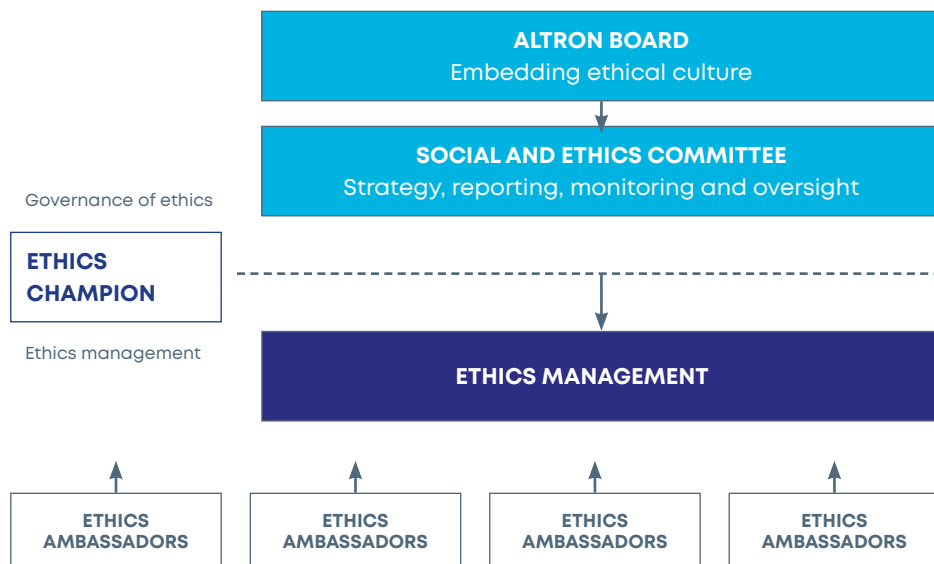
## KEY BOARD FOCUS AREAS

| FOCUS AREA  | BOARD RESPONSE IN 2019  |
|---|---|
| <b>Providing ethical and effective guidance and leadership to ensure ongoing focus on the group's core purpose and values</b>   | The board is supported by its sub-committees and works closely with the Altron executive committee in ensuring that Altron's operations, processes and activities are underpinned by a strong system of governance and ethics. Together with the board, entrusts the group's leadership team to set the ethical tone and be the custodians of our values and encourage the right behaviours amongst Altron's employees. |
| <b>Guide and support the chief executive of the Altron group and the Altron executive committee with regard the continued implementation of the One Altron strategy</b> | The board's positive relationship with the executive team continues to add value to the business in all aspects. The collaboration between the board and the executive team ensures that the group works towards the achievement of its strategic goals.  |
| <b>Continue focusing on the disposal of the group's material non-core assets</b>  | Powertech Transformers and Altech UEC/Multimedia, the last of the group's material non-core operations, were disposed of in FY19.   |
| <b>Continue focusing on reduction of the group's net debt levels</b>  | During the year the group's net debt reduced to R1,3 billion (including deferred disposal receipts).  |
| <b>Continue to assess the composition of the board to comprise the appropriate balance of skills, experience, independence and diversity</b>                            | In FY19 the composition of the board was further strengthened by the appointment of Ms Berenice Francis and Dr Phumla Mnganga as independent non-executive directors. Furthermore, Mr Cedric Miller was appointed as chief financial officer (CFO) with effect from 1 May 2019.   |
| <b>Ongoing monitoring of the implementation of the principles and recommendations set out in King IV™</b>   | The board continues to monitor the group's performance against King IV™, with actions taken on an ongoing basis to improve the effectiveness of this process.   |

# ETHICS

As part of our efforts to preserve our stakeholder’s trust, Altron conducts business ethically and protects against fraud and corruption. We follow a strict ethical code and implement robust governance structures, as well as employee engagements to enhance transparency in our workplace.

## ETHICS GOVERNANCE AND MANAGEMENT STRUCTURE



As one of Altron’s core values, the group is committed to openness, honesty and integrity, which forms the basis for conducting business within a framework of the highest ethical standards.

The Altron board, together with the chief executive, is responsible for promoting an ethical culture within the group, with support and oversight provided by the SEC.

The SEC functions within the required framework set out in Regulation 43 of the Companies Act, No. 71 of 2008, as amended (Companies Act)

and King IV™. In accordance with the requirements of the Companies Act, the SEC is the duly appointed SEC for the Altron group, incorporating its various subsidiaries. Any matters arising at a subsidiary level which require the attention of the SEC are reported via, *inter alia*, a number of financial review and risk committees operating within the group’s material subsidiaries.

Altron’s approach to ethical business is based on a foundation of actions and behaviour. Our values provide the guidance to ensure we put ethics into action. The board, together

with the chief executive, who also serves as a member of the SEC, is responsible for setting the tone for an ethical culture in the group. The SEC provides strategic direction on matters as determined by Regulation 43 of the Companies Act.

The SEC is supported by the executive committee and the group’s ethics management function, consisting of, among others, the Altron ethics ambassadors. These forums assist in promoting and embedding the ethics policies, codes of conduct and other related policies within Altron and to create an

environment where ethical dilemmas can be disclosed, discussed and brought to the attention of the SEC, if needed.

During the year we further built on the group's ethics strategy and framework to more closely align with our purpose, vision and values, and aim to build and maintain a high-trust working environment for employees and high-trust relationships with all stakeholders.

In addition, we continue to support the fight against corruption through collective action. We are a member of Business Leadership South Africa (BLSA) and remain committed to working against corruption in all its forms, including extortion and bribery, as advanced by the UN Global Compact's (UNGC) 10 Principles. Altron supports the UNGC in encouraging governments to:

- fully implement and enforce the tenets of the UN Convention Against Corruption by strengthening anti-corruption policies, laws and enforcement mechanisms

to create a level playing field and incentivise good behaviour;

- make a commitment to reduce corruption risks from procurement and contract processes of large-scale projects that are designed to support sustainable development;
- commit to engaging in competitive and transparent procurement processes through public advertising of all government procurement cases; and
- support corporate efforts to enhance anti-corruption implementation, corporate governance, innovative collective action and public-private partnership initiatives.

#### WHISTLE-BLOWING

Our whistle-blowing policy outlines the procedures for reporting instances of suspected corruption and fraud by providing a safe, trusted platform for employees to anonymously report their concerns.

We subscribe to "Tip-off Tim", an independently run whistle-blowing service that enables employees to report illegal actions and ethical misconduct. This provides us with an effective detection mechanism for combating fraud and corruption within the Altron group. Tip-offs can also be submitted via phone or e-mail. All tip-offs are actively investigated, followed up and allocated to management for further investigation and resolution, as appropriate. Our ethics office also has a secure e-mail address that employees can use to report unethical behaviour or to seek advice and guidance on ethical dilemmas.

We engage with Deloitte on an ongoing basis to ensure that steps are taken to investigate these matters with appropriate action taken as and where merited.

---

# STRATEGY INVOLVEMENT

The board reviews the implementation of the One Altron strategy on an annual basis.

In FY19, in support of the group's strategy, the board provided oversight in the process to redefine the company's value drivers. Our value drivers are: financial capital, human capital, solutions and services, partners and societal context underpinned by good governance.



# LEADERSHIP ROLES

Within Altron the roles of chairman and chief executive are separate.

## CHAIRMAN

The chairman is responsible for, among other things:

- the overall effectiveness of the board and its committees;
- ensuring that the board provides effective leadership, maintains ethical standards and is responsible, accountable, fair and transparent; and
- ensuring that strategies are developed and implemented with the aim of achieving sustainable economic, social and environmental performance.

To achieve this the chairman fosters a culture of openness and constructive dialogue within the board that allows for debate and discussion and an expression of a diversity of views. He also makes himself available to shareholders for discussions on corporate governance matters of concern to shareholders and other stakeholders.

## CHIEF EXECUTIVE OFFICER

The board's governance and management functions are linked through Mr Mteto Nyati, who is tasked with running the group and implementing the strategy and policies adopted by the board. The role and function of the chief executive is formalised and the board, through the remuneration committee, annually evaluates the performance of the chief executive against specified key performance indicators. In addition, the chief executive's performance in his capacity as a director of the board is assessed by the chairman in conjunction with the nomination committee. The chief executive delegates the appropriate authority to his executive management team in terms of defined levels of authority and retains accountability to the board.

## COMPANY SECRETARY

The Altron group company secretary is responsible for administering the proceedings and affairs of the directorate (board and sub-committee meetings), the company and, where appropriate, owners of securities in the company, in accordance with the relevant laws.

Mr WK Groenewald is the duly appointed company secretary of Altron. Mr Groenewald is neither a director nor a shareholder of Altron or any of its subsidiaries and the board is comfortable that he maintains an arm's length relationship with the executive team, the board and the individual directors. Mr Groenewald is a qualified and admitted attorney and holds BCom LLB and LLM degrees as well as the FCIS qualification and is a certified ethics officer.

# EXECUTIVE COMMITTEE

The Altron executive committee meets monthly and holds additional meetings as and when required. The committee is responsible for, among others:

- implementing the Altron group strategy;
- carrying out the board's mandates and directives;
- managing the operational activities of the Altron group;
- monitoring operational and financial performance against set objectives; and
- monitoring competitive forces in each area of operation.

The committee assists the chief executive in the performance of his duties by taking responsibility for the operational activities of the Altron group:

- developing operational plans, policies, procedures and budgets for consideration by the board;
- assessing, controlling and mitigating risk; and
- prioritising and allocating resources (including financial and human capital).

## MR MTETO (M) NYATI

*Chief executive and chairman of the committee*

Qualification: BSC in Mechanical Engineering (UKZN)

## MR ANDREW (AJ) HOLDEN<sup>1</sup>

*Chief operating officer*

Extensive experience in the ICT sector, having been with the Altron group for the past 24 years

## MR CEDRIC (C) MILLER<sup>2</sup>

*Chief financial officer*

Qualification: CA (SA); BCom (NMU); Post Graduate Diploma in Accounting (NMU); Advanced Certificate in Taxation (UNISA)

## MR COLLIN (MCS) GOVENDER

*Group executive: shared services*

Qualification: Executive Programme (Harvard Business School); various executive development programmes as part of Deutsche Telekom's talent programmes

## MS ZIPPORAH (MZ) MAUBANE

*Group executive: marketing*

Qualification: BA (University of Limpopo); various marketing qualifications, including Bain and Company Executive Leadership Programme

## MS DOLORES (DS) MASHISHI

*Group executive: human capital*

Qualification: MSc in Education (University of Eastern Illinois, Chicago); various management programmes through INSEAD, Harvard Business School and Wits Business School

## MR CHRIS (JCR) POTGIETER

*Group executive: legal*

Qualification: BJuris (University of Potchefstroom – now North West University); LLB (UNISA); Diploma in Management Development (UCT)

## MS SAYEDA (S) KHAN<sup>3</sup>

*Group executive: risk and compliance*

Qualification: CA (SA); BAcc (University of Durban-Westville); Certified Information Systems Auditor (ISACA); Certified Internal Auditor (IIA); Senior Management Development Programme (GIBS)

## MR WK GROENEWALD

*Group company secretary*

Qualification: BCom LLB (University of Stellenbosch); LLM (UNISA); FCIS (CSSA); Certified Ethics Officer

<sup>1</sup>. Assumed the additional role of acting CFO from 20 October 2018 – 30 April 2019.

<sup>2</sup>. Joined Altron 1 May 2019.

<sup>3</sup>. Joined Altron 1 April 2019.

## EXECUTIVE COMMITTEE MEETING ATTENDANCE

|                 |       |                  |       |
|-----------------|-------|------------------|-------|
| Mr M Nyati      | 10/10 | Ms MZ Maubane    | 10/10 |
| Mr C Miller     | n/a   | Ms DS Mashishi   | 9/10  |
| Mr AJ Holden    | 10/10 | Mr JCR Potgieter | 9/10  |
| Mr MCS Govender | 10/10 | Ms S Khan        | n/a   |

Our managing directors are an integral part of our executive committee structure. As such, they are standing invitees to our executive committee meetings.

Further information, including the qualifications of the individuals below, are available at [www.altron.com](http://www.altron.com)

## MANAGING DIRECTORS

|                          |   |
|--------------------------|---|
| <b>Chad Baker</b>        | Managing director: Altron Bytes Managed Solutions           |
| <b>Ike Dube</b>          | Managing director: Altron Rest of Africa                    |
| <b>Johan Basson</b>      | Managing director: Altron Bytes Document Solutions          |
| <b>Johan Gellatly</b>    | Managing director: Altron Fintech, Healthtech and Cybertech |
| <b>Leslie Moodley</b>    | Managing director: Altron Bytes Systems Integration         |
| <b>Neil Murphy</b>       | Managing director: Altron Bytes Technology Group UK         |
| <b>Grant van der Wal</b> | Managing director: Altron Karabina                          |
| <b>Pierre Bruwer</b>     | Managing director: Netstar                                  |
| <b>Andre du Preez</b>    | Managing director: Altron Arrow                             |
| <b>Igshaan Soules</b>    | Managing director: Altron Bytes People Solutions            |
| <b>Brett Nash</b>        | Managing director: Altron Nexus                             |

## MONITORING OF RESULTS

Results against budget are monitored monthly at both operational and executive committee levels. The board is kept informed of the performance of the group through continuous communication and engagement at board and committee meetings. Management follows up and takes action regarding significant variances against the budget.

## OPERATIONS COMMITTEE MEETINGS

Operations committee meetings are held on a monthly basis and includes all operating units. Operational, financial and key management issues are identified, discussed and resolved at these meetings.

# OUR BOARD COMMITTEES

All board committees are chaired in accordance with the requirements set out in King IV™, with the exception of the remuneration committee.

During the year the committees fulfilled their responsibilities as described in their respective terms of reference.

## AUDIT COMMITTEE

3 Meetings  
4 Members



4 Independent  
- Non-independent

### MEETING ATTENDANCE

|                         |     |
|-------------------------|-----|
| GG Gelink (Chairman)    | 3/3 |
| BJ Francis <sup>1</sup> | 2/2 |
| MJ Leeming <sup>2</sup> | 1/1 |
| SW van Graan            | 3/3 |

### INVITEES

(the invitees do not have voting rights)

Altron risk management committee chairman  
Altron chief executive  
Altron CFO  
Altron operating officer  
Altron group executive: risk and compliance  
Lead partner: external auditor  
Head of internal audit  
Altron group financial manager  
Altron group tax manager

### MANDATE

The committee, *inter alia*:

- reviews the Altron group's financial statements and integrated reporting;
- reviews the findings of the internal and external auditors and oversees the internal audit function;
- obtains assurance on the financial statements, internal controls and sustainability information included in the integrated annual report; and
- carries out its statutory duties as set out in section 94 of the Companies Act.

For additional information regarding the Altron audit committee, please review the committee's report as part of the annual financial statements for the financial year ended 28 February 2019 at [www.altron.com](http://www.altron.com)

<sup>1</sup>. Appointed to the Altron board and committees effective 21 June 2018.

<sup>2</sup>. Stepped down as a member of the audit committee effective 10 July 2018.

## AUDIT COMMITTEE CONTINUED

| ONGOING FOCUS AREAS  | FY19 FOCUS AREAS   | ADDITIONAL FY20 FOCUS AREAS  |
|--|--|--|
| <ul style="list-style-type: none"> <li>• Continue to monitor the findings of the group's financial review and risk committees in terms of the strength of internal controls, compliance, legal and tax issues, and financial performance</li> <li>• Regularly focus on the Altron group's working capital requirements and ensure that Altron and its subsidiaries continue to operate as going concerns</li> <li>• Focus on treasury and cash management</li> <li>• Continuously ensuring an integrated approach in relation to audit and risk</li> <li>• Strengthening the role of internal audit within the company</li> <li>• Reviewed the internal controls within the business and satisfied itself that there were no material breakdowns in systems and controls that would need to be highlighted to the board or shareholders and that the company has established appropriate financial procedures and those procedures are working effectively</li> <li>• Confirmed its status as the audit committee for the group and its subsidiaries</li> <li>• Obtained regular feedback and reports from the company's legal, compliance, audit and tax departments</li> <li>• Approve the auditor's terms of engagement and the audit fees to be paid to the auditors</li> <li>• Recommend the company's interim and audited annual financial statements, as well as the interim and final dividend, to the board for approval and satisfy itself that the group will be a going concern for the following 12-month period</li> </ul> | <ul style="list-style-type: none"> <li>• Managed the change in Altron's external auditor and recommended PwC and the individual audit partner for approval to shareholders as the group's new external auditor at the annual general meeting</li> <li>• Constituted a Bytes UK financial review and risk committee and guided the same in the formulation of its mandate and terms of reference</li> <li>• Established closer reporting lines between the group's internal and external functions</li> <li>• Considered and reviewed the financial treatment and impact of IFRS 15 adjustments to the group</li> <li>• Conducted a committee self-evaluation exercise</li> </ul> | <ul style="list-style-type: none"> <li>• Continue to ensure an integrated approach in relation to the risk management and audit committees</li> <li>• Embed combined assurance initiatives across the group</li> <li>• Continue to assess non-audit-related services provided by the company's external auditor</li> <li>• Consider and review the financial treatment and impact of new accounting standards as they become effective, including IFRS 16</li> </ul> |



## REMUNERATION COMMITTEE

2 Meetings  
5 Members



3 Independent  
2 Non-independent

### MEETING ATTENDANCE

|                    |     |
|--------------------|-----|
| AC Ball (Chairman) | 1/2 |
| GG Gelinck         | 2/2 |
| MJ Leeming         | 2/2 |
| Dr PM Maduna       | 2/2 |
| RE Venter          | 2/2 |

### INVITEES

(the invitees do not have voting rights)

|  |
|--|
| Altron chief executive – right of attendance |
| Altron CFO                                   |
| Altron group executive: human capital        |

### MANDATE

The committee's responsibilities, which it carries out in consultation with executive management include, among others:

- ensuring appropriate and transparent disclosure of remuneration;
- ensuring that Altron's directors and executives are remunerated fairly and responsibly and that their remuneration is aligned with shareholders' interests;
- determining remuneration strategy and policy and recommending these to the board and shareholders for their consideration and approval;
- reviewing proposed changes to the short-term incentive scheme and the long-term share-based incentive plans; and
- recommending non-executive fees for shareholders' approval.

### FY19 FOCUS AREAS

- Considered the composition of the committee, as guided by the board and in line with the principles set out in King IV™
- Continued to link pay to performance and value creation by amending the short-term incentive policy and the share plan to align with the effective allocation of long-term incentives in the group
- Continued to improve annual disclosure in relation to remuneration practices, including single-figure reporting
- Improved engagement with shareholders in accordance with the principles of King IV™
- Progressed initiatives and policies managed by human capital around standardising remuneration practices across the group
- Conducted a committee self-evaluation exercise

### FY20 FOCUS AREAS

- Focused attention on the benefit schemes in the group, including the pension and provident funds
- Continue to assess and, where appropriate, improve annual disclosure in relation to remuneration practices
- Review the income ratios across the group and elements impacting on this aspect
- Ongoing engagement with shareholders in accordance with the principles set out in King IV™

## INVESTMENT COMMITTEE

4 Meetings  
5 Members



### MEETING ATTENDANCE

|                      |     |
|----------------------|-----|
| S Sithole (Chairman) | 4/4 |
| BW Dawson            | 3/4 |
| M Nyati              | 3/4 |
| SW van Graan         | 4/4 |
| RE Venter            | 4/4 |

Mr C Miller, Altron's CFO has been appointed a member of the committee effective 9 May 2019.

### INVITEES

(the invitees do not have voting rights)

Altron CFO  
Certain other senior management of the Altron group, as required

### MANDATE

The committee operates under a separate mandate of the board and is chaired by a non-executive director.

The responsibilities of the committee include:

- considering and evaluating, on an ad hoc basis, proposed investment opportunities (mergers and acquisitions), disposals and expansion projects for recommendation to the board for consideration and approval;
- providing guidance and reviewing the group's capital allocation and return on capital employed targets;
- reviewing and approving the group's capital expenditure budget; and
- conducting post-acquisition reviews.

### FOCUS AREAS

Due to the nature of the price-sensitive information discussed during the investment committee meeting and which may not already be in the public domain, no details pertaining to the deliberations of this committee or focus areas are disclosed in this report.

## NOMINATION COMMITTEE

2 Meetings  
5 Members



3 Independent  
2 Non-independent

### MEETING ATTENDANCE

|                       |     |
|-----------------------|-----|
| MJ Leeming (Chairman) | 2/2 |
| AC Ball               | 1/2 |
| GG Gelink             | 2/2 |
| Dr PM Maduna          | 2/2 |
| RE Venter             | 2/2 |

### INVITEES

(the invitees do not have voting rights)

Altron chief executive – right of attendance

### MANDATE

The responsibilities of the committee include:

- evaluating the skills requirements of the board, committees and executive management;
- continuously evaluating the performance of the chairman, board committees and its members, and the group company secretary for recommendation to the board;
- making recommendations on board, committee and executive composition, succession planning and diversity;
- considers the independence of directors and their correlating classification and thereafter makes recommendations to the board;
- ensuring that employment equity and race diversity is considered in all appointments and that the board's equity status is either maintained or improved;
- ensuring that the appointment of Altron's directors is transparent and governed by the board charter; and
- ensuring that directors retire and are re-elected in accordance with the Altron memorandum of incorporation.

| ONGOING FOCUS AREAS   | FY19 FOCUS AREAS   | ADDITIONAL FY20 FOCUS AREAS  |
|---|--|--|
| <ul style="list-style-type: none"> <li>• Continue to assess the composition of the Altron board to ensure it meets the requirements of the Altron group and principles set out in King IV™</li> <li>• Consider the expertise and capabilities of persons proposed to be appointed in non-executive positions on the Altron board, as appropriate</li> <li>• Continue to focus on attracting the right calibre of persons to fill the key positions at Altron, as well as on talent management, succession planning and the retention of key employees</li> <li>• Assess the composition of the various board committees to ensure that they remain adequately resourced in order to effectively discharge their responsibilities</li> <li>• Assess the independence of the non-executive directors and competence of the group company secretary</li> <li>• Review gender and race diversity targets in accordance with the board policy</li> <li>• Review the performance of the non-executive directors and audit committee members standing for re-election or reappointment in the following year and recommend the same to the board and shareholders</li> </ul> | <ul style="list-style-type: none"> <li>• Recommended the appointment of additional independent non-executive directors to the board</li> <li>• Considered and recommended persons appointed to the role of acting CFO during the year</li> <li>• Provided advice and guidance throughout the process of identifying a group CFO</li> <li>• Conduct a committee self-evaluation exercise</li> </ul> | <ul style="list-style-type: none"> <li>• Succession planning for executive management and the Altron chairman</li> <li>• Taking appropriate action, as and where applicable, to ensure that the board continues to work towards its voluntary gender and race diversity targets</li> </ul> |

## SOCIAL AND ETHICS COMMITTEE

3 Meetings  
4 Members



3 Independent  
1 Non-independent

### MEETING ATTENDANCE

|                              |     |
|------------------------------|-----|
| DNM Mokhobo<br>(Chairperson) | 3/3 |
| SW van Graan                 | 3/3 |
| M Nyati                      | 3/3 |
| Dr P Mnganga <sup>1</sup>    | 1/1 |

### INVITEES

(the invitees do not have voting rights)

|   |
|---|
| Altron group executive: human capital       |
| Altron group executive: marketing           |
| Altron group executive: risk and compliance |
| Altron group executive: legal               |
| Altron transformation manager               |

The SEC is constituted as a statutory committee in respect of its statutory duties in terms of section 72(4) of the Companies Act, read together with Regulation 43, and as a board committee in respect of its responsibilities prescribed by the board in its mandate and terms of reference.

### MANDATE

The committee is responsible for monitoring, overseeing and discharging certain statutory and other obligations required of a SEC in terms of the Companies Act and otherwise, on behalf of the Altron group. The primary role of the committee is to assist the board by supporting, advising and providing guidance on the effectiveness or otherwise of management's efforts in respect of social, ethics and sustainable development-related matters which include:

- ensuring a culture of ethical behaviour is embedded throughout the Altron group, assisted by the Altron ethics function;
- monitoring the group's activities with regard to any relevant legislation or codes of best practice;
- monitoring compliance with regard to social and economic development and good corporate citizenship;
- monitoring the group's performance in terms of the environment, health and public safety, including the impact of the group's activities and its products and services, and its standing in terms of broad-based black economic empowerment (B-BBEE) and employment equity;
- overseeing stakeholder engagement including consumer relations; and
- monitoring the group's activities in respect of the promotion of equality, prevention of unfair discrimination, reduction of corruption, transformation, and social responsibility policies and strategies.

For additional information regarding the SEC, please review the committee's report for the financial year ended 28 February 2019 at [www.altron.com](http://www.altron.com).

<sup>1</sup> Joined the SEC effective 1 February 2019.



| ONGOING FOCUS AREAS   | FY19 FOCUS AREAS  | ADDITIONAL FY20 FOCUS AREAS   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Monitor the group's social, transformation, economic and environmental performance and the social impact of its reputational risk</li> <li>• Report to the board and the group's stakeholders on social, transformation, economic and environmental developments and progress</li> <li>• Oversee the group's ethical conduct and confirms that it carries out its responsibilities in accordance with section 72 and Regulation 43 of the Companies Act</li> </ul> | <ul style="list-style-type: none"> <li>• Continued monitoring the group's approach to anti-corruption and bribery and its standing in terms of the 10 Principles of the UNGC</li> <li>• Continued group-wide ethics awareness and training campaigns</li> <li>• Monitored the group's donations and charitable givings policy as well as gifts and entertainment policies</li> <li>• Oversaw the continued implementation and roll-out of the ethics management framework for the Altron group</li> <li>• Monitored the group's social, transformation, economic and environmental performance</li> <li>• Conducted a committee self-evaluation exercise</li> </ul> | <ul style="list-style-type: none"> <li>• Continue to monitor the material matters arising from the group's ethics hotline</li> <li>• Monitor Altron's employment equity progress in accordance with the group's employment equity initiatives and B-BBEE accreditations</li> <li>• Review the implementation of effective enterprise and supplier development and socio-economic development (SED), as well as skills development initiatives across the group</li> <li>• Review ongoing declarations of interests made through the group's centralised corporate gifts and entertainment register</li> <li>• Monitor Altron's training and awareness initiatives around ethical conduct, with specific reference to anti-bribery and corruption</li> <li>• Review the group's declaration around compliance to anti-bribery and corruption commitments</li> <li>• Continue to monitor the group's social, health and safety, and environmental and transformation performance in line with relevant codes and legislation, and the principles set out in the UNGC, as well as the Organisation for Economic Co-operation and Development's recommendations regarding corruption</li> </ul> |

<sup>1</sup> Appointed to the Altron board and committees effective 21 June 2018.

## RISK MANAGEMENT COMMITTEE

3 Meetings  
5 Members



3 Independent  
2 Non-independent

### MEETING ATTENDANCE

|                         |     |
|-------------------------|-----|
| RE Venter (Chairman)    | 3/3 |
| SW van Graan            | 3/3 |
| BJ Francis <sup>1</sup> | 2/2 |
| DNM Mokhobo             | 3/3 |
| M Nyati                 | 3/3 |

Mr C Miller, Altron's CFO, has been appointed a member of the committee effective 9 May 2019.

### INVITEES

(the invitees do not have voting rights)

|   |
|---|
| Altron CFO  |
| Altron chief operating officer                      |
| Altron group executive: risk and compliance         |
| Altron group executive: legal                       |
| Head of internal audit                              |
| Certain other senior management of the Altron group |

### MANDATE

The committee's role is to assist the board with the discharge of its duties regarding the assessment of the effectiveness of risk management relating to the identification of risks and opportunities throughout the Altron group. The committee:

- oversees the governance of risk in conjunction with other board sub-committees, which includes the application of the Altron group's risk management framework and its system of internal controls (further set out in the risk management report in the 2019 integrated annual report) and co-ordinates Altron's risk management and assurance efforts;
- establishes a common understanding of the risk universe that the Altron group needs to consider if it is to achieve its corporate objectives;
- reviews and confirms the Altron group's levels of risk appetite and its risk profile;
- reviews and considers the effectiveness of the Altron group's existing controls, which includes the external verification of our risks by a range of independent assurers; and
- monitors external factors relating to corporate accountability, including emerging and potential risks.

For additional information regarding Altron's risk management process, refer to the risk management report in the 2019 integrated annual report at [www.altron.com](http://www.altron.com)

<sup>1</sup> Appointed to the Altron board and committees effective 21 June 2018.

| ONGOING FOCUS AREAS   | FY19 FOCUS AREAS  | ADDITIONAL FY20 FOCUS AREAS  |
|---|---|--|
| <ul style="list-style-type: none"> <li>Review the risk methodology and ranking of risks that are implemented to assess group-wide risks</li> <li>Monitor sustainability risks impacting the group across the environment, health and safety and SED functions</li> <li>Monitored the adequacy of IT systems in place to address the increase in cybercrime</li> <li>Review the reports by the group compliance function on compliance issues and concerns</li> <li>Consider the insurance policies and practices for the group and review the consolidated insurance cover in place for the group</li> <li>Review policies within the group to ensure that they are updated and align with best practice</li> </ul> | <ul style="list-style-type: none"> <li>Continue to enhance and assess the group's risk strategy and ensure adequate mitigation actions are put in place to manage these risks</li> <li>Focus on technology and information governance and the implementation of the group's strategy</li> <li>Review and monitor proposed legislation that has the potential to impact the group</li> <li>Assess and review the information governance remedial actions throughout the Altron group to ensure that adequate steps are taken to mitigate potential impact relating to POPI and PAIA once fully enacted</li> <li>Continue to assess management intervention relating to risks associated with the local economy, the implementation of Altron's strategy and the finalisation of the disposal of non-core assets</li> <li>Conducted a committee self-evaluation exercise</li> </ul> | <ul style="list-style-type: none"> <li>Monitoring the group's key risks and ensuring adequate mitigation actions are in place to manage these risks</li> <li>Continuing to monitor all proposed legislation that could impact the group</li> <li>Given that the risk of cyberattacks is becoming more prevalent, take steps to secure cyber insurance for the group</li> <li>Continuing to monitor the group's IT governance structure to ensure it addresses critical technology and information risks. IT governance includes group business continuity, data governance, IT policies, cybersecurity, POPI and General Data Protection Regulation</li> </ul> |

# BOARD POLICIES AND PROCESSES

Clearly documented policies and procedures are set out in the Altron group policy manual which is subject to regular review and updating.

The table below highlights the key policies and changes.

|   |  |
|---|--|
| <b>Director independence</b>            | Paragraph 3.84(e) of the JSE Listings Requirements requires all public listed companies to disclose annually the capacity of each director as either executive, non-executive or independent non-executive. Each year the board conducts an assessment of the independence/ongoing independence of the relevant non-executive directors in line with best-practice guidelines set out in, <i>inter alia</i> , King IV™ as well as the company's memorandum of incorporation.   |
| <b>Delegation of authority</b>          | The delegation of responsibilities for both the Altron group's executive and operating management is clearly defined. This includes authorisation levels for all aspects of the business. The delegation of these responsibilities is reviewed annually and forms part of the group's limits of authority framework.   |
| <b>Balance of power</b>                 | Altron continues to have specific regard to maintaining a clear balance of power and authority at board level that ensures that no one director has unfettered power. Throughout the year the board was led by Mr Mike Leeming, our independent non-executive chairman. Apart from providing internal guidance to management, as relevant, the board also considers the concerns and priorities of its wider stakeholder environment in its strategic guidance and decision-making process.  |
| <b>Dealing in securities</b>            | Altron has a policy in place which provides guidance to directors and designated employees on dealing in the company's securities. The JSE Listings Requirements specifically prohibit directors and senior employees from buying or selling a listed company's shares during a closed period.   |
| <b>Appointment of directors</b>         | Directors are appointed by way of a transparent and formal procedure, governed by the mandate and terms of reference of the nomination committee and the board charter. A director's skills, knowledge, experience in relevant sectors, qualifications, availability, number of external board appointments and what they bring to the diversity of the board are among the issues considered in the selection process which is conducted, bearing Altron's strategic objectives in mind. Shareholders vote annually on the re-election of non-executive directors to the board who have served on the board for nine or more years and also those who are 70 years or older. The board votes on the reappointment of the chairman every year.   |
| <b>Rotation of directors</b>            | In terms of article 25.17 of the company's memorandum of incorporation, one-third of our directors are required to retire by rotation at each annual general meeting. They may choose to stand for re-election.  |
| <b>Directors' conflicts of interest</b> | <p>In terms of the Companies Act, King IV™ and the Altron board charter, a director must avoid a situation in which he/she has, or can have a direct or indirect personal financial interest that conflicts or may possibly conflict with the interests of the Altron group.</p> <p>Procedures have been established for directors of Altron to notify the company of any actual or potential conflict situation and to declare any personal financial interests on a quarterly basis, as well as prior to meetings (including, <i>inter alia</i>, investment committee and board meetings).</p> <p>If directors find that a conflict of interest is unavoidable, then they must disclose it and recuse themselves from any decisions regarding matters where this interest may impair their judgement.</p> <p>The Altron group's declaration of interest policy regulates the behaviour of all group employees.</p> |

|  |  |
|--|--|
| <b>Induction and training of directors</b> | When we appoint new directors, they receive a formal induction to the Altron group which includes their expected duties as directors of Altron. This includes providing them with access to electronic resources. We invest in ongoing training of our board members which ensures that they remain effective in a rapidly evolving business environment. We recognise that on occasion our directors may feel the need to seek advice from independent professionals regarding the discharge of their duties. Our board charter, as well as a detailed policy contained within a board resolution, encourages our directors to seek independent advice funded by Altron.  |
| <b>Diversity policy</b>                    | In line with the JSE Listings Requirements, the board has adopted a diversity policy which focuses on both race and gender diversity. Altron recognises and embraces the benefits of having a diverse board and sees increasing diversity at board level as an essential element in maintaining a competitive advantage. A diverse board includes and benefits from differences in the skills, regional and industry experience, background, race, gender and other distinctions between members of the board. These differences are considered in determining the optimum composition of the board and, when possible, are balanced appropriately. All board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the board as a whole requires to be effective.  |
| <b>Board evaluation</b>                    | During FY19 the board conducted sub-committee self-evaluation to assess each committee and chairperson's effectiveness, identify matters of concern and highlight areas for improvement. The board believes that continuous improvement of its expertise, capabilities and processes at these levels are key to ensuring optimal long-term shareholder value. Self-awareness of the strengths and weaknesses of its committees places the board in a position to maximise the company's strategic opportunities and decrease the impact of risks to it. Based on the evaluation outcomes, appropriate steps are being taken to address areas for improvement. A board evaluation exercise was completed in FY18, with this process to again be conducted towards the end of FY20 to continuously assess the performance of the board.  |
| <b>Stakeholder engagement</b>              | <p>Stakeholder engagement is a key focus area. The board is responsible for engagement and for communicating with our shareholders, which it does mainly via senior executives and the group's investor relations function who are responsible for regularly engaging with analysts, investors, individual shareholders and potential investors. This is done in terms of our group disclosure policy to avoid inadvertent disclosures during closed periods or any other prohibited period.</p> <p>During the year Altron engaged with various institutional shareholders as part of the ongoing implementation of the One Altron strategy. We furthermore engaged with a wide range of stakeholders on behalf of the board on key topics such as those relating to human capital, culture, ethics and the company's sustainable business strategy. We instilled a professional approach to investor engagements and made use of securities research firms to profile Altron and include the group in their portfolios to international investors. Altron achieved a number of independent mentions in broadcast media with regard to the positive strides taken by the group during the year. For any company news that is non-regulatory in nature, the robust Altron communications function shares the same with our stakeholders.</p> <p>We encourage feedback and dialogue and engage with the investor community following the release of our interim and annual results. The Altron group's policy governing all statutory and non-statutory disclosures made by Altron group directors and employees is reviewed annually.</p> |
| <b>Succession planning</b>                 | Succession planning, which involves identifying, developing and advancing future leaders and executives of the group, is an ongoing responsibility of the board and is carried out through the nomination committee. Detailed succession plans are presented and reviewed annually. Board and committee succession planning is likewise carried out through the nomination committee. The nomination committee reviews the composition of the board and all committees and the committee members' readiness to succeed a committee chairperson if the need arises.   |



# RISK MANAGEMENT

Effective risk management enables us to proactively identify, measure and monitor risks and opportunities. This safeguards our ability to create value for our stakeholders in a sustainable manner.

Risk management is fundamental to Altron's strategy. The FY19 imperative was to intensify efforts to evolve risk management into practical, effective and efficient practices in an ever-shifting internal and external environment.

Altron now has a well-established risk management framework that ensures that appropriate levels of capital and resources are allocated, with appropriate levels of focus. To enable this framework, significant effort has been made in increasing risk awareness and fostering a risk intelligent culture within our operations.

Our strategic intent is to shift from a historical monitoring role to playing an enhanced strategic advisory role in risk management. While we recognise that certain risks

are necessary for sustainable growth, we proactively mitigate avoidable risks.

Top aggregated risks are those that, based on risk assessments,

most significantly affect our ability to realise our strategic objectives. Altron implements a top-down and bottom-up approach in identifying risks which affect our operations.

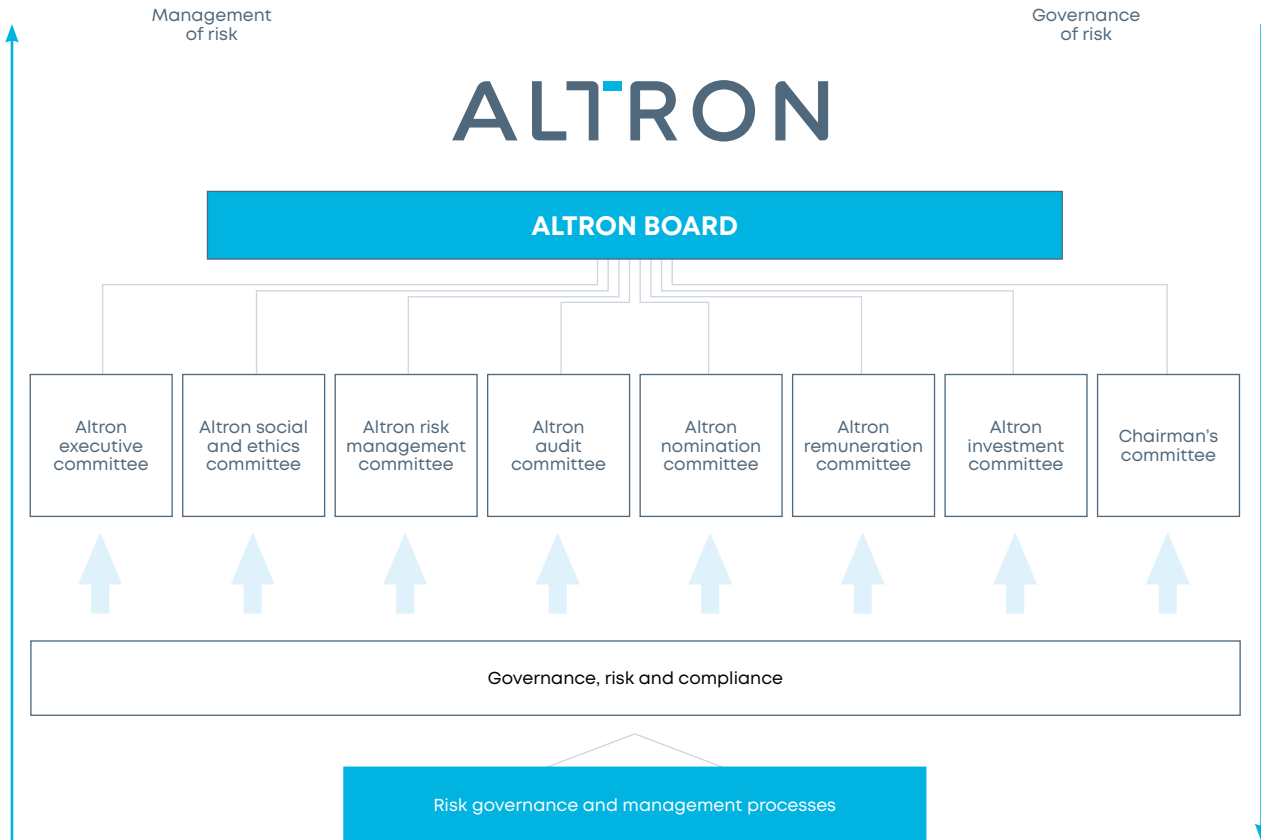
## RISK MANAGEMENT AND THE GRCS FOUNDATION

Altron recognises that a more strategic approach to business and risk management is essential in an environment in which the impact and speed of change in business are unprecedented. Consequently, the Altron group executive: risk and compliance, appointed with effect from 1 April 2019, will play an instrumental role within the governance, risk, compliance and sustainability (GRCS) function in the management of the group's risks going forward.

Risk management will need to outline a defined approach to review GRCS requirements and track the performance of these requirements against set targets. This integration will streamline governance, risk and compliance by driving collaboration between functional areas, which enables common processes, policies and technology infrastructure.

Altron continues to take steps to promote a risk-conscious culture which results in risk management being viewed as a key business enabler.

## RISK REPORTING AND MANAGEMENT PROCESSES



### Risk reporting and management process

Altron's board evaluates and manages risks strategically at a group level.

- The board oversees the risk governance and risk management processes, ensuring that these remain adequate and effective, and reviews the key risks and mitigation actions taken to ensure that they are adequate.
- The audit committee provides an opinion to the board that appropriate internal financial controls are operating as designed.

Risks reported to divisional executive committees and financial review and risk committees:

- Altron's internal audit function through Deloitte reviews

the control environments at operational level based on an approved audit plan. Its findings are reported to the audit committee.

- The Altron business risk department ensures that risk controls are adequately implemented and reports on the implementation of risk mitigation strategies to the financial review and risk committees.
- Major risks are elevated to:
  - the group chief executive through the executive committee;
  - the SEC (in respect of risks relating to the non-financial aspects of the business);
  - the risk management committee (in respect of all risks, both financial and non-financial); and
  - the audit committee.

Risk management at an operational level:

- Significant risks are identified, consolidated and managed at operational level, and are reported to the executive committee.
- Altron's internal audit performs control reviews and provides management with recommendations on corrective action items.
- The business risk department, responsible for the continuous monitoring and assessment of material risks as well as ensuring that risk mitigation strategies are timeously actioned, performs quarterly follow-ups pertaining to risk management documents.

## RISK MANAGEMENT *CONTINUED*

### RISK CATEGORIES

| STRATEGIC RISK  | FINANCIAL RISK  | OPERATIONAL RISK  | COMPLIANCE AND REGULATORY RISK   |
|---|---|---|--|
| Internal and external events and scenarios that may inhibit the group's ability to achieve its strategic objectives, i.e. business model choice, strategy execution, etc. | Risks that might have an adverse impact on the financial position of the group, i.e. unexpected internal and external changes in markets, prices, rates, and liquidity supply and demand. | Loss resulting from inadequate or failed internal processes, people and systems, or from external events, i.e. information and data management, people and technology risk. | Risk of breaching/non-compliance with laws, regulations and internal policies. |

### RISK GOVERNANCE AND CONTROLS

- A standardised set of policies and procedures (reviewed annually)
- A formal delegation of authority (reviewed annually)
- Operational management reviews
- Executive committee meetings
- Risk review meetings

Our risk universe will be reassessed in FY20 to ensure continued alignment to our One Altron strategy. Management, at operational level, assesses our inherent risk exposure to determine whether risks should be treated, tolerated, transferred or terminated. If a risk is considered significant, an action plan is developed by management to mitigate and/or reduce the risk to a more acceptable level. The action plan stipulates who is responsible for taking appropriate action, what kind of action needs to be taken, and includes a time frame within which a particular risk needs to be reduced or mitigated.

# COMPLIANCE

Compliance with laws, rules, regulations, internal policies and relevant codes is integral to Altron's risk management process.

The current year's imperative was to gain a deeper understanding of the ever-shifting internal and external environments' impact on the Altron regulatory landscape, whilst simultaneously assessing the current compliance efforts for effectiveness. Deloitte was appointed to perform a maturity assessment of compliance across the organisation. The results of the maturity assessment informed key initiatives implemented and our FY20 roadmap.

Altron now has a defined prioritised regulatory universe that ensures that appropriate levels of resources are allocated, with appropriate levels of focus. We have furthermore implemented a tool to enable compliance assessments and monitoring to be performed in a more efficient and sustainable manner.

Our strategic intent is to embed a compliance-conscious culture, which will shift the historical ways or work to that of "compliance by design".

Altron recognises that a more robust approach to compliance management is essential in an environment in which the impact and speed of change in business are unprecedented. Consequently, the Altron group executive: risk and compliance, appointed with effect from 1 April 2019, will play an instrumental role within the GRCS function in embarking on a transformation journey to enhance our compliance management programme.

# TECHNOLOGY AND INFORMATION GOVERNANCE

Altron’s technology and information governance is a key driver which will enable us to achieve our vision to be the leading technology solutions provider that delivers innovation that matters.

At Altron we differentiate between non-core and core technology and information.

|                         |   |
|-------------------------|---|
| <b>The Altron board</b> | The Altron board delegates non-core technology and information governance to the IM council.  |
| <b>The IM council</b>   | The IM council reports to the Altron board through the Altron executive committee and is responsible for setting the strategic IT direction, defining frameworks, principles and policies to be adhered to and implemented across the group.  |
| <b>Management</b>       | Management is responsible for the policy implementation and the development of plans, procedures, guidelines or handbooks to consistently implement the Altron group policies. Management is also responsible to ensure clear roles and responsibilities have been allocated, defined and documented. |
| <b>Employees</b>        | As stipulated and agreed in employees’ letters of appointment, employees are required to comply with policies and procedures, including those relating to technology and information governance.  |

| CORE IT – ALSO REFERRED TO AS BUSINESS IT  | NON-CORE IT   |
|--|---|
| <ul style="list-style-type: none"> <li>Technology and information services and solutions that are core services delivered to external customers from which revenue is derived and that are integrated into the deliverables that are the unique value proposition to that customer.</li> <li>These are unique to each operating company and the costs shall form part of the cost of sales lines of each operation.</li> </ul> | <ul style="list-style-type: none"> <li>Technology and information services and solutions that are common and used across business units (internal IT situated in shared services) or company specific (no other business unit performs these services/functions/has these systems – internal IT situated in business) but that are non-core as they enable key functional areas within business (sales, finance, HR, legal, etc.) and form part of the overhead costs of each operation.</li> </ul> |

## KEY BOARD FOCUS AREAS

- Developed an IT governance framework policy
- Developed an end-user use of technology in the workplace policy

## IT POLICY FRAMEWORK

We have a board-approved IT governance framework policy which is applicable to all operations<sup>1</sup>. IT shared services is responsible for assessing the implementation of this. The policy aims to:

- ensure effective management and governance of information and technology; and
- effectively manage and mitigate technology and information risk exposure by implementing IT risk management practices that are aligned to the enterprise-wide risk management framework.

The policy includes comprehensive policy statements relating to access control, IT operations management, hosting, acceptable use, cloud computing, application development, procurement, security, disaster recovery, as well as incident and problem management to name a few. Industry-accepted standards are adopted in cases where specific standards have not been documented and ratified.

All policy statements are published on MyAltron and the intranet site. We inform all parties regarding any changes to the

policies. Altron also provides awareness and adequate training to relevant stakeholders to enable them to perform contracted duties and responsibilities within the boundaries of the approved Altron policy statements.

## IT AUDITS

The IM council monitors the policy to ensure alignment with international standards, such as ISO and CobiT, or approved process or procedures sets such as ITIL. All policy statements shall be reviewed when changes are required, but at minimum on an annual basis.

Compliance to the policy statements may be audited at any time by internal audit, authorised independent consultants or external auditors. This may include forensic audits, where required. Company-owned devices and any business-related information held on these and user-owned devices are the property of Altron and may be accessed at any time to ensure compliance with all its statutory, regulatory and internal policy requirements.

<sup>1</sup> Excluding those that form part of the Altron Bytes UK operations.

# COMBINED ASSURANCE

## INTERNAL AUDIT

Internal audit was established to assist the board and executive management with the achievement of their objectives and has remained a vital part of the group's governance and combined assurance structures. Internal audit is the primary independent assurance provider on the adequacy and effectiveness of the group's governance, risk management and control structures, systems and processes. The centralised function has been outsourced to a professional services firm, Deloitte, who operates in terms of a formal mandate, in full conformance with the International Professional Practices Framework for Internal Auditing (International Standards) and with leading risk-based and integrated methodology.

The independence of internal audit is formally considered by the audit committee on an annual basis, or as and when changes to the organisational positioning occur. It has been determined and confirmed that internal audit has remained independent of all operational functions, and

that the functional reporting to the audit committee and administrative reporting to the CFO have enabled appropriate organisational positioning. Internal audit has access to the chairman of the board, as well as free and unrestricted access to all areas within the group.

## BOARD RESPONSIBILITY

The board recognises the importance of a sound system of internal control, which supports the achievement of the Altron group's policies, aims and objectives while ensuring compliance with statutory duties and responsibilities.

It acknowledges its overall responsibility for the Altron group's system of internal controls. This includes the establishment of an appropriate control environment and framework, and a review of the effectiveness, adequacy and integrity of this system.

## INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION

Deloitte fulfils the function as the group's internal auditor. Following its annual review of the internal

audit function's independence, the audit committee concluded that it is satisfied that the independence of the function has not been impaired in any way. Should any significant issues be identified that warrant the removal of the internal audit team, the matter would be decided by a majority vote of the audit committee.

## COMPLIANCE WITH INSTITUTE OF INTERNAL AUDITING STANDARDS

The internal audit function adheres to the International Standards for the Professional Practice of Internal Auditing (IIA Standards). Its compliance is confirmed by means of a review conducted by Deloitte. Deloitte conducted a review during November 2014 in terms of Standard 1312 of the IIA Standards. In terms of this standard, external assessments, such as quality assurance reviews, should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation.

# ANNEXURE A:

## KING IV™ APPLICATION REGISTER

The Altron board embraces corporate governance as set out in King IV™, through the exercise of ethical and effective leadership towards the achievement of the outcomes of an ethical culture, good performance, effective control and legitimacy.

This document has been prepared in terms of the JSE Listings Requirements and sets out the application of the corporate governance principles by Altron as recommended by King IV™.

| PRINCIPLE   | APPLICATION AND EXPLANATION  |
|---|--|
| <p><b>1</b> The governing body should lead ethically and effectively.</p>   | <p><b>Application:</b> The nomination committee identifies and recommends suitable board appointments, taking into consideration necessary competencies and knowledge to execute required functions and responsibilities. Induction and other training programmes ensure that the Altron board, its committees and management are kept informed of applicable laws, regulations and codes of best practice, as well as Altron's code of ethics and internal policies.</p> <p>The board charter and the committee mandates and terms of reference are reviewed on an annual basis. The board determines the strategic direction of the group in support of a sustainable business. It monitors management's implementation and execution thereof.</p> <p><b>Explanation:</b> Regular attendance at board and committee meetings ensures effective oversight of the principles of accountability, integrity, fairness and transparency in sustaining a successful and ethical business to best serve the interests of the Altron group and its stakeholders.</p>   |
| <p><b>2</b> The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p> | <p><b>Application:</b> During the year Altron's code of ethics and various internal policies were revised and approved by the board. With the guidance of the SEC, together with the executive committee and the group's ethics management function, the board is assisted in promoting and embedding a culture of ethics throughout the group.</p> <p>Altron continues to drive initiatives in accordance with its ethics management framework, which is aligned to Altron's purpose, vision and values.</p> <p>The Altron board is committed to ethical leadership formulated in the Altron Ethics Strategy. Altron's chief executive is a member of the SEC and is the appointed Altron ethics champion.</p> <p>Annual declarations have been signed by all senior employees, indicating their adherence to and compliance with Altron's group policies. The Altron group declaration of interests policy regulates the behaviour of the board and all group employees.</p> <p>Legal agreements with suppliers and customers contain appropriate clauses dealing with ethical behaviour and adherence to Altron's code of ethics and code of conduct, as well as Altron's human rights and labour-related policies.</p> <p>Altron is a member of Business Leadership South Africa (BLSA) and supports various initiatives by The Ethics Institute and the Coalition for Ethical Operations.</p> <p>Deloitte Tip-Offs Anonymous manages Altron's ethics hotline (Tip-off Tim). The instances reported on the ethics hotline are investigated and followed up, with the appropriate action taken on a case-by-case basis.</p> <p><b>Explanation:</b> The Altron board's commitment to embedding an ethical culture from the top remains evident by its policies, ethics governance practices and ethics management initiatives.</p> |



| PRINCIPLE   | APPLICATION AND EXPLANATION  |
|---|--|
| <p><b>3</b> The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>  | <p><b>Application:</b> During the year Altron adopted a revised sustainability framework, with specific focus areas and targeted outcomes. Altron continues to make direct investment in ICT-based skills development programmes. These programmes were developed in partnership with Programme for Technological Careers (PROTEC) and Bytes People Solutions. A number of group operations are involved in the recycling of smart phones, packaging and toners, and other e-waste initiatives. Altron continued to improve its performance against its transformation objectives in a number of areas with respect to management and employment.</p> <p>To promote employee wellness and to address gender and diversity issues, Altron has updated its human capital policy to ensure a more inclusive, current and family-focused working environment.</p> <p><b>Explanation:</b> Altron remains focused on initiatives to facilitate transformation and uplift communities in contributing towards economic growth. Our SED initiatives are aimed at economic growth, skills development and employment within the ICT sector. We have key focus areas that are implemented in accordance with the targets as presented in the amended ICT Sector Code.</p> <p>No materially negative safety, health and environmental impacts on communities, employees and/or customers, in terms of the group's operations, activities and services, were recorded during the year under review. Further, no significant negative environmental impacts relating to the group's activities have been identified. Altron's environmental footprint has reduced following the disposal of material non-core assets in the manufacturing sector.</p> |
| <p><b>4</b> The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.</p> | <p><b>Application:</b> The board holds annual strategic sessions to review the progress around the implementation of the One Altron strategy considering related risks, opportunities, the availability of capital and resources, sustainability and stakeholder interests. At an operational level, the group continuously monitors its performance against the targets set by the group's strategy.</p> <p>Risk management forms part of the group's governance, risk, compliance and sustainability (GRCS) function. The integrated GRCS function assumes responsibility for building a defined approach to review GRCS requirements and to track the performance of these requirements against set targets. The integration of these functions has been strengthened through the appointment of a group executive for risk and compliance to further drive common processes and policies, as well as streamlining risk and compliance efforts.</p> <p>The Altron group risk assessment and ranking methodology continues to be reviewed by the executive committee, risk management committee and the board. The operational risk assessments and ranking methodologies are reviewed by subsidiary financial review and risk committees. This ensures that there is an integrated approach to the assessment of risk within the group and the embedding of a risk awareness culture where the management of risks is viewed as key to business success.</p> <p><b>Explanation:</b> Executives' performance is measured against the achievement of Altron's strategy and goals, with incentives linked to the delivery thereof. The collective achievement of Altron's objectives ultimately creates value for all stakeholders.</p>  |

## ANNEXURE A: KING IV™ APPLICATION REGISTER **CONTINUED**

| PRINCIPLE   | APPLICATION AND EXPLANATION  |
|---|--|
| <p><b>5</b> The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.</p>      | <p><b>Application:</b> Reports are issued by group operations and functions to the various board committees. These reports, together with the group's sustainability framework, form the basis of the 2019 integrated annual report. In addition, Altron issues audited consolidated financial statements for year-end results and unaudited interim results (as at 10 May 2019 and 25 October 2018).</p> <p>The publication of external reports, media releases and releases on SENS enable stakeholders to make informed assessments of Altron's performance.</p> <p><b>Explanation:</b> The review and follow-up of reports by the various committees ensure integrity and transparency of the group's reporting and ensure that the board is aware of all developments across the group and is able to track progress against set targets in the short, medium and long term. The chairperson from each committee provides feedback to the board on relevant matters. The chairperson of the SEC furthermore reports back to shareholders at each annual general meeting.</p>  |
| <p><b>6</b> The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>   | <p><b>Application:</b> The Altron memorandum of incorporation and board charter guides the board in the execution of its duties. The board annually reviews and approves its charter, as well as committee mandates and terms of reference.</p> <p><b>Explanation:</b> The charter sets out the expectations of the board in relation to their duties toward Altron. With various directors sitting on the different committees, there is direct oversight on the activities which the group is carrying out. Though the board remains ultimately responsible, the committees provide focused attention on areas to ensure that initiatives and projects are properly assessed and implemented. Further supported through management reporting structures, the board accepts responsibility for corporate governance within the group, and for relevant and transparent disclosure and reporting of corporate governance.</p>  |
| <p><b>7</b> The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p> | <p><b>Application:</b> As at the date of publication of this report the board comprises 11 directors, of whom two are executive, four are non-executive and five are independent non-executive.</p> <p>The composition of the board is assessed through the identification of individuals who will add appropriate expertise and experience to the board.</p> <p>A diversity policy has been adopted by the board, which incorporates both gender and race diversity as required by the JSE Listings Requirements. Race and gender targets for the board have been reviewed to ensure that future appointments continue to be aligned with this policy.</p> <p>Directors are appointed by way of a transparent and formal procedure, governed by the mandate and terms of reference of the nomination committee and the board charter. A director's skills, knowledge, experience in relevant sectors, qualifications, availability, number of external board appointments and what he/she brings to the diversity of the board are among the issues considered in the selection process, bearing Altron's strategic objectives in mind.</p> <p>Shareholders vote annually on the re-election of non-executive directors to the board who retire by rotation, have served for nine or more years and also those who are 70 years or older. The board votes on the reappointment of the chairman every year.</p> <p><b>Explanation:</b> Following the adoption of the One Altron strategy, the board is more aligned in terms of its ICT focus. The variety of board member qualifications provides assurance that Altron's operations are considered from different perspectives with a view to providing a holistic review of the company's strategy. Further information on the board members can be found in the 2019 governance report. The résumés of directors standing for election/ re-election at the 2019 annual general meeting are included in the corresponding statutory report.</p> |

| PRINCIPLE  | APPLICATION AND EXPLANATION  |
|--|--|
| <p><b>8</b> The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>       | <p><b>Application:</b> The Altron memorandum of incorporation and board charter provide that the board may delegate particular roles and responsibilities to standing committees. The following committees have been established under a formal mandate and terms of reference: nomination committee, audit committee, risk management committee, remuneration committee, SEC and investment committee. The board is further supported by the chairman's committee which considers material matters relevant to this forum. The provisions of the board charter and composition of the committees are determined and approved by the board.</p> <p>The Altron executive committee is chaired by the Altron chief executive and comprises senior management. In turn, the Altron operational committee is chaired by the Altron chief operating officer (COO) and comprises certain executive and operational management.</p> <p><b>Explanation:</b> The committees play an important role in overseeing the business of Altron. Cross-membership of non-executive and independent non-executive directors ensures a collaborative and integrated approach in the execution and evaluation of material initiatives and goals within the group. The committees provide feedback to the board, which facilitates the execution of its responsibilities.</p> |
| <p><b>9</b> The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.</p> | <p><b>Application:</b> The board committees conducted self-appraisal assessments during the year under review. In turn, remuneration and incentives of the executive directors are linked to their performance reviews.</p> <p><b>Explanation:</b> The evaluation conducted assessed performance against the board charter, committee mandates and terms of reference, and best governance practices. Performance evaluations of the board will again be undertaken during the current financial year.</p> <p>The nomination committee annually considers the competence of the group company secretary. The audit committee annually considers the competence of the CFO. Both the CFO (either in an acting capacity or as pertaining to the permanent appointment made with effect from 1 May 2019) and the group company secretary have been declared competent, with the necessary expertise and experiences to carry out their functions and duties on behalf of Altron.</p>  |
| <p><b>10</b> The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>                                | <p><b>Application:</b> The chief executive, nominated by the nomination committee and appointed by the board, has a clearly defined role and is assisted by the Altron executive committee under his chairmanship. In fulfilling this role, the chief executive is a member of the risk management committee and the SEC, attends the remuneration committee by right of attendance and is an invitee to remaining board committees.</p> <p>The board annually reviews the delegation of authority to the chief executive, CFO and COO. The chief executive delegates authority to operational executives and prescribed officer(s). The group company secretary reports to the board on all statutory and governance matters and to the chief executive on all other duties.</p> <p><b>Explanation:</b> The nomination committee comprises the necessary experience required to ensure a balanced constitution of the board and is most suitably placed to evaluate the performance of the executive team. The delegation of authority by the chief executive to the members of the executive committee ensures the delivery and implementation of Altron's strategy. Succession planning for senior executives was a focus area for the group in FY19 and will continue in FY20.</p>   |

## ANNEXURE A: KING IV™ APPLICATION REGISTER **CONTINUED**

| PRINCIPLE   | APPLICATION AND EXPLANATION  |
|---|--|
| <p><b>11</b> The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>                       | <p><b>Application:</b> The board, through the risk management committee, oversees the risk governance and risk management processes, ensuring that these remain adequate and effective, and reviews the key risks and mitigation actions taken to ensure that they are adequate.</p> <p>The audit committee provides an opinion to the board that appropriate internal financial controls are operating as designed.</p> <p>Altron's top aggregated risks are deliberated on at each meeting of the risk management committee. The risk management committee furthermore monitors the maturity of the risk function through a review of risk management frameworks, methodologies and associated processes.</p> <p><b>Explanation:</b> Altron's integrated GRCS has realised important benefits such as breaking down silos between functional areas, enabling common processes, policies and technology infrastructure, as well as streamlining governance, risk and compliance efforts. Further to this, we are building a risk awareness culture where the management of risks is viewed as key to business success and not as an obstacle to progress in achieving strategic objectives.</p>   |
| <p><b>12</b> The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.</p> | <p><b>Application:</b> In order to assist the board, IT shared services implemented an IT governance framework policy. This framework provides the board with sufficient comfort around effective management and governance of information and technology and further by the implementation of effective IT risk management practices aligned to the enterprise-wide risk management framework. Altron's IM council governs all non-core information and technology commonly used in the Altron group. Business units are required to govern all core information and technology that is unique to the specific operation. A security and resilience forum has been developed to progressively mature the Altron cybersecurity and resilience position. The forum addresses information security, business continuity and data resilience.</p> <p>The deliberations of the IM council do not reduce the individual and collective responsibilities of the executive committee, risk management committee and board members with regard to their fiduciary duties and responsibilities. The board recognises that it is ultimately responsible for technology and information governance.</p> <p><b>Explanation:</b> Assessments to establish a record of how personal information is being processed within Altron and to evaluate the impact that this processing of personal information has on the fundamental rights of individuals, are important tools for accountability as they help responsible parties to not only comply with requirements of the POPI Act but also to demonstrate that appropriate measures have been taken to ensure compliance with this legislation.</p> <p>Progress on technology and information governance continues to be reported to the risk management committee to ensure an integrated approach in relation to the monitoring and assessment of technology and information risks within the group.</p> |

| PRINCIPLE  | APPLICATION AND EXPLANATION  |
|--|--|
| <p><b>13</b> The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>                          | <p><b>Application:</b> Compliance with laws, rules, regulations, internal policies and relevant codes is integral to Altron's risk management process. The risk committee is responsible to ensure that an appropriate compliance framework is in place, that non-compliance is reported and to review significant and material risk matters.</p> <p>The subsidiary companies and operating divisions have confirmed that there is sufficient management capacity and controls in place to ensure that all relevant laws, regulations, standards, policies and practices are complied with. Feedback on the group's regulatory risks is provided at the risk management committee meetings.</p> <p>A number of group policies were updated and approved by the board during the year. These policies are easily accessible to employees via the Altron intranet.</p> <p><b>Explanation:</b> By reviewing policies on a regular basis and providing training in this regard, Altron ensures that employees are kept abreast with latest developments and will be able to address any issues as and when they arise.</p>   |
| <p><b>14</b> The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>       | <p><b>Application:</b> The remuneration committee reviews the remuneration policy and implementation report annually, which is approved by the board and tabled at the annual general meeting for a non-binding advisory vote. The policy and implementation reports are published online as part of the 2019 remuneration report.</p> <p><b>Explanation:</b> The remuneration policy is reviewed annually to ensure that Altron remunerates fairly, responsibly and transparently at all levels. The policy is further aimed at attracting top talent and delivering leading returns for shareholders. Remuneration is linked to performance to ensure that executives and employees are motivated to achieve Altron's strategic objectives and goals, and that their interests are aligned with shareholders.</p> <p>Shareholders continue to be engaged in relation to the revised remuneration policy and the practices in relation to the short-term incentive and the long-term share-based incentive scheme.</p> <p>The board continues to ensure that steps are taken to ensure that further improved disclosures are provided in relation to the remuneration practices of the group.</p> |
| <p><b>15</b> The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and external reporting purposes.</p> | <p><b>Application:</b> The board, in the statement of responsibility of directors, provides their independent assurance of the information provided in the 2019 integrated annual report.</p> <p><b>Explanation:</b> Altron's combined assurance model ensures objectivity of all information provided to stakeholders. The board and committees are made up of diverse skills and experience to ensure that risks and opportunities are considered from various perspectives. This is supported by management's actions, the group's risk and compliance function, and the role of internal and external auditors.</p>  |

## ANNEXURE A: KING IV™ APPLICATION REGISTER **CONTINUED**

| PRINCIPLE  | APPLICATION AND EXPLANATION   |
|--|---|
| <p><b>16</b> In the execution of its governance role and responsibilities the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p> | <p><b>Application:</b> Altron’s marketing and investor relations contribute to the execution of Altron’s strategy by ensuring integration across internal communications, consumer affairs, brand and reputation management as well as public and stakeholder relations. The marketing and investor relations functions sit at an Altron executive committee level. Engagement with stakeholders is undertaken throughout the year, with material matters reported to the board.</p> <p><b>Explanation:</b> Regular stakeholder engagement ensures that the board is advised of material issues and relevant views that may impact the group. The management of stakeholder risk forms part of Altron’s risk and compliance function.</p> |
| <p><b>17</b> The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.</p>                              | <p>Not applicable. Altron is not an institutional investor.</p>   |

# CORPORATE INFORMATION

**REGISTRATION NUMBER:** 1947/024583/06

**SHARE CODE:** AEL

**ISIN:** ZAE000191342

## REGISTERED OFFICE

Altron House  
4 Sherborne Road  
Parktown 2193  
Gauteng  
South Africa

## POSTAL ADDRESS

PO BOX 981  
Houghton 2041  
Gauteng  
South Africa

## GROUP SECRETARY

WK Groenewald  
Altron group company secretary  
E-mail: [wkgroenewald@altron.com](mailto:wkgroenewald@altron.com)  
Telephone: +27 11 645 3600

## PRINCIPAL BANKERS

ABSA Bank Limited  
Rand Merchant Bank (a division of FirstRand Bank Limited)  
Nedbank Limited, a division of Nedcor Bank Limited  
The Standard Bank of South Africa Limited  
Investec Bank Limited

## TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)  
South Africa

## SPONSOR

Investec Bank

## AUDITORS

PricewaterhouseCoopers Inc.



# ALTRON

## CONTACT US

---

Altron  
4 Sherborne Road, Parktown 2193  
Gauteng SOUTH AFRICA

PO Box 981, Houghton 2041  
Gauteng SOUTH AFRICA

[www.altron.com](http://www.altron.com)