

ALTRON



SOCIAL AND ETHICS COMMITTEE REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2019



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SOCIAL AND ETHICS COMMITTEE REPORT

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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.

INTRODUCTION

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.

Businesses in South Africa and globally may to some extent be exposed to bribery, fraud, corruption and other unethical behaviour. As such, we ensure that we conduct our business according to the strictest ethical code and do our utmost to create a strong ethical culture, a safe, transparent working environment and to maintain good corporate governance structures. The Altron Social and Ethics Committee (the Committee) facilitates Altron's approach in this regard and offers the group a structured forum for the monitoring, measuring and reporting of the group's social and ethics initiatives in support of Altron's role as a responsible corporate citizen.

The Altron board, together with the Chief Executive, is responsible for the promoting an ethical culture within the group, with support and oversight provided by the Committee.

The Committee functions within the required framework set out in Regulation 43 of the Companies Act, No 71 of 2008, as amended (Companies Act) and the King IV Report on Corporate Governance for South Africa, 2016 (King IV™).

COMPOSITION AND TERMS OF ENGAGEMENT

During the year, the Committee comprised of three members, the majority being independent non-executive directors of the Altron board. Dawn Mokhobo, who successfully served as the Committee chairperson since 2012, retired as a member of the Altron board and sub-committees with effect from 28 February 2019. Dr Phumla Mnganga was appointed as an Altron independent non-executive director and member of the Committee with effect from 1 February 2019. The Committee extends its gratitude to Ms Mokhobo for her dedication to her role over the years and welcomes Dr Mnganga to the Committee. Stewart van Graan has been appointed chairman of the Committee with effect from 3 May 2019.

The composition of the Committee and attendance for FY19 were as follows:

Committee members	Meeting attendance
DNM Mokhobo (Chairperson)	3/3
SW van Graan	3/3
M Nyati	3/3
Dr Mnganga ¹	1/1

Invitees
Altron Group Executive: Human Capital
Altron Group Executive: Marketing
Altron Group Executive: Risk and Compliance
Altron Group Executive: Legal
Altron Transformation Manager

A full description of the Committee's composition and a summary of its roles and responsibilities are available in the 2019 Governance Report at <http://www.altron.com>.

Given the restructuring of the Altron group and additional matters focussed on by the Committee in terms of its mandate, the number of meetings of the Committee were increased in FY19. The Committee now meets three times per year, and in the year under review met on 7 May 2018, 19 October 2018 and 22 February 2019.

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

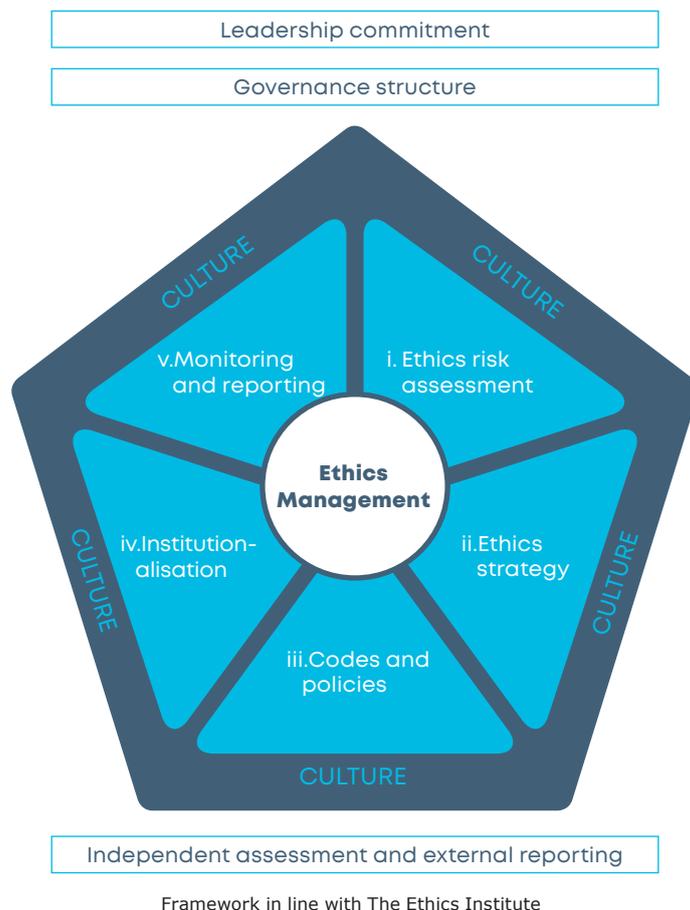
¹ Appointed to the Altron Social and Ethics Committee effective 1 February 2019.

ETHICS MANAGEMENT FRAMEWORK

The Committee implemented a new Ethics Framework in FY18, as set out below, which it continued to following during the year under review. The framework is aligned with Altron’s purpose, vision and values and takes into consideration various elements based on, *inter alia*, external influences, legislation and regulatory frameworks, as well as our five value drivers being, financial sustainability, human capital, solutions and services, partners and societal context – underpinned by good corporate governance. The outcomes which the framework facilitates are viewed through the lens of our value drivers and material issues defined through our sustainable business initiatives.

The Altron Ethics Management Committee, which consists of group Ethics Ambassadors chosen from operations within the group and the Altron Ethics Office, assist in promoting a culture of ethics throughout the group and for acting as an additional level of ethics awareness and training. Steps continue to be taken for this committee to expand its reach throughout the group, including gaining representation in Altron’s international operations during FY20. Following the internal ethics training campaign conducted in FY18, the committee, Altron Legal and Deloitte (Altron’s internal auditors) will commence with a project in FY20 to educate employees on the various forms of fraud in the workplace and to create a higher level of fraud awareness. An ethics training module will also form part of this campaign.

ETHICS MANAGEMENT FRAMEWORK



For the FY19 reporting period, the Committee remained focused on and monitored Altron’s activities in respect of a number of matters including, *inter alia*: ethics management, B-BBEE, human rights and labour, the workplace environment, solutions and services, environmental safety and protection, sustainability, the marketplace, the social environment including the group’s donations and charitable givings, various legislation and codes of good practice.

During FY19, the Committee reviewed and updated its implementation plan, which supports the Altron Group Ethics Strategy to ensure ongoing alignment with King IV™ and Altron’s corporate strategy.

SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

LEGISLATION AND CODES OF BEST PRACTICE

All Altron board members have committed themselves to ethical leadership by aligning to the group's Ethics Strategy in the achievement of the outcomes of an ethical culture, good performance, effective control and legitimacy, as set out in King IV™. During FY19 annual declarations were signed by all senior employees indicating their adherence to and compliance with Altron group policies. Altron expanded on the group of participants which declare their conflict of interests by also including Executive Committee members and other senior managers to formally declare interest on an annual basis.

Altron policy require annual declarations to be signed by management and senior employees, regarding bribery, corruption, fraud and anti-competitive conduct. This declaration exercise is conducted after our financial year-end, with feedback on material matters provided to the Committee on an ongoing basis. This is also a matter that falls within the auspices of the group's GRCS function.

The group continues to ensure that all legal agreements concluded between the Altron and its 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 policy on human rights and labour. Altron is satisfied that it is materially compliant with the relevant consumer protection legislation in South Africa and as applied within our international jurisdictions. Service providers are expected to abide by the same level of ethics that we uphold in our own operations.

We are a member of Business Leadership South Africa and align to The Ethics Institute through which Altron collectively engage and network with peer organisations on aspects of concern within South Africa. We furthermore participate and support initiatives by the Coalition for Ethical Operations and gain value through its best-practice sharing philosophy. Through our continued involvement with these organisations, we remain committed to working against corruption in all forms.

The Committee is satisfied with Altron's standing in terms of the 10 Principles of the United Nations Global Compact (UNGC).

The Altron IM Council and compliance function continues to address matters relating to information governance within the context of the Protection of Personal Information Act, No 4 of 2013 (when it becomes fully enacted), as well as the Promotion of Access to Information Act, No 2 of 2000 across the group. Further, Altron has reviewed and embedded best practice in terms of The General Data Protection Regulation (GDPR) in the relevant jurisdictions.

Ongoing group-wide communication featuring Altron's ethics-related policies and maintaining awareness around the fact that unreasonable profit pressure may result in employees acting unethically, is also being used to drive ethical awareness through the Altron intranet and internal newsletters. These communication initiatives also reinforce Altron's zero tolerance policy towards crime and all forms of unethical conduct.

COMPLIANCE

It is the role of Compliance to assist the board of directors and management with their duties of managing the group's compliance with applicable legislation, rules, directives, codes and standards and by facilitating the development and maintenance of an effective compliance risk management process.

King IV™ Principle 13 determines that the board should govern compliance with applicable laws and adopted rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The Generally Accepted Compliance Practice Framework developed by the Compliance Institute of South Africa comprises principles, standards and guidelines that serve as a benchmark of compliance best practice across all industries and internationally.

The Altron group compliance function monitors and reviews such framework to ensure that the group consistently follows best practice in relation to regulatory compliance. There were no instances of material non-compliance with legislation or regulations, or non-adherence with codes of best practice in terms of the areas within the Committee's mandate during the year under review. As such, we are satisfied that the group has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development. No environmental fines were levied and we had no requests under the Promotion of Access to Information Act.

In terms of the Altron memorandum of incorporation the group does not/is prohibited from making political donations (whether direct or indirect). The Committee is satisfied that no political donations were made during the year under review.

ADDRESSING ETHICAL ISSUES

Altron is committed to abide by strong ethics governance and practices as directed by the board, recognising and awarding instances of strong organisational ethics being illustrated, while addressing corruption in all its forms, including extortion, corruption and bribery. We address issues of corruption through collective action. The group adheres to Chapter 7 (Combating Corruption) of the Organization for Economic Co-operation and Development guidelines and Principle 10 (Anti-Corruption) of the United Nations Global Compact (UNGC). The group did not incur any fines at group or operational level in FY19.

During FY19 the Altron group adopted a centralised Corporate Gifts and Entertainment Register in line with the associated policy. The Corporate Gifts and Entertainment Policy establishes principles and guidelines as to what would constitute normal and acceptable behaviour in relation to gifts and entertainment, and as to what would be regarded as unethical, criminal or contrary to good corporate governance. Declarations made through the register are monitored on an ongoing basis, with formal feedback to the Committee.

The Competition Commission's investigation into alleged cartel conduct relating to Aberdare Cables, from which the group divested in FY18, was concluded and the business's conditional immunity has been confirmed.

We also reported in FY18 on allegations by the Competition Commission of tender collusion against Altech UEC/Multimedia and AAD. We conducted an internal investigation and appointed Bowmans Attorneys to conduct an independent enquiry. Both investigations concluded that there was no anti-competitive conduct on the part of either Altech UEC/Multimedia or AAD. The Competition Commission is, however, continuing with its investigation into this matter and the group continues to provide information and cooperation, as required.

WHISTLE-BLOWING

Our whistle-blowing guidelines policy outlines the procedures for reporting suspected instances of corruption and ensures that employees are not penalised for coming forward.

Altron subscribes to "Tip-off Tim", an independently managed whistle-blowing service that enables employees to report illegal actions and ethical misconduct. This provides Altron with an effective detection mechanism for combatting fraud and corruption within the group. Tip-offs can 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 actions as and where merited.

LABOUR AND HUMAN RIGHTS

Altron employees may belong to recognised bargaining councils, in accordance with the Labour Relations Act of South Africa and the UNGC Principles. Altron is confident that human rights in the group are dealt with in accordance with its policy on human rights and labour. The Committee continues to monitor this aspect during the following year.

TRANSFORMATION

The Committee continued to address Broad-Based Black Economic Empowerment during the year under review. While there remains room for improvement in terms of the group's employment equity statistics, Altron is satisfied with its standing in terms of the amended Department of Trade and Industry (dti) Codes of Good Practice. Altron has again been rated against the ICT Charter and retained its level 4 rating, while targeting a level 3 certification in FY20. Altron TMT SA is forecast to move from a level 3 to a level 2 in FY20. Altron has analysed its group operations in reference to the new ICT Sector Code requirements, and have prioritised group spend and resource allocation to ensure that each business division retains or improves its required certifications.

Transformation, across all occupational levels, has continued to show meaningful improvement during the year. In line with this initiative, as positions become available within the group, Altron sources and promotes talented black candidates where possible.

SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

SKILLS

The existing shortage of relevant skills within the industries in which Altron operates, as well as the retention of current skilled employees, remains a concern shared across the group. While this has in the past been addressed to a degree through learnership and bursary programmes, the results have been relatively mixed. In early FY20 the group launched the Altron Technology Professional Programme (TPP) which focusses on the development of scarce skills in the ICT sector. The programme, which is delivered through the University of Pretoria's GIBBS institute, includes measurable outcomes to actively target specific skills and educational initiatives in order to grow and maintain talent pipelines.

HEALTH AND SAFETY

No material safety, health and environmental (SHE) impacts on communities, employees and/or customers, in terms of the group's operations, activities and services, were reported during the health and safety assessments conducted throughout the group during the year under review. The group continues to take all reasonable steps to guard against injuries on duty on an ongoing basis.

ENVIRONMENT

Environmental reviews are conducted across the group through Deloitte and no material environmental impacts relating to group's activities had been identified.

In FY19 the group concluded the disposal of material non-core assets and effectively withdrew from the manufacturing environment to focus on its ICT growth areas, being Smart IoT, Data Analytics, Cloud Services and Security. As a result, reporting on the group's environmental footprint for its core operations has decrease significantly from previous years. However, the group remains focussed on its environmental footprint within its ICT operations, in order to minimise its impact on the environment not only for itself, but for its stakeholders as well. During the year, the group developed a revised sustainability framework, with set targets in line with its ICT focussed strategy. For more detail on the group's reported environmental footprint refer to the Performance Summary in the 2019 Integrated Annual Report.

CONCLUSION

As chairman of the Committee I am satisfied, following the review by the Committee for the year ended 28 February 2019, that in all material respects, the Committee has achieved its objectives for FY19. There were no items reported on that would indicate non-compliance to the requirements of the Committee as set out in Regulation 43 of the Companies Act. This report has furthermore been approved by Ms Mokhobo as the chairperson of the Committee during FY19.



Stewart van Graan

Chairman: Altron Social and Ethics Committee

3 May 2019

ALTRON

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