

SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2021

INTRODUCTION

As per its mandate, the social, ethics and sustainability committee (SESCoM) at Altron directs appropriate attention to the “soft”, but critical, dimensions of how Altron does business – specifically its value system surrounding ethical standards, safety and social responsibility, including the statutory mandate provided for under the Companies Act, No. 71 of 2008, as amended (Companies Act).

The SESCOm meets to discuss these matters of concern on a regular basis throughout the year.

The SESCOm is supported by the executive committee and the group's ethics management function, consisting of, among others, 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 SESCOm, if required.

As of FY20 the SESCOm operates with an expanded mandate (from its previous function ambit as a social and ethics committee) to ensure the group's sustainability as a long-term creator of value for its stakeholders.

Altron is a member of Business Leadership South Africa (BLSA) and we 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.

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 sustainable, transparent working environment; and to maintain good corporate governance structures.

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COMPOSITION AND TERMS OF ENGAGEMENT

The committee comprises three members, the majority being independent non-executive directors of the Altron board. The SESCom is chaired by Stewart van Graan and he is joined by Dr Phumla Mnganga and Mteto Nyati. During the year there were no changes to the composition of the committee.

The committee attendance for FY21 was as follows:

Committee members	Meeting attendance
SW van Graan	3/3
Dr P Mnganga	3/3
M Nyati	3/3

Invitees

Altron executive: human capital
 Altron executive: marketing
 Altron executive: risk and compliance
 Altron executive: CIO and shared services
 Altron 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 2021 governance report at www.altron.com.

The committee functions within the required framework set out in Regulation 43 of the Companies Act and the King IV Report on Corporate Governance for South Africa, 2016 (King IV™). 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 SESCom are reported via, *inter alia*, a number of financial review and risk committees operating within each of the group's material subsidiaries, both within South Africa and abroad.

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:

- monitoring the Altron group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
 - social and economic development;
 - the 10 principles set out in the UNGC Principles;
 - the Organization for Economic Co-operation and Development (OECD) recommendations regarding corruption;
 - the Employment Equity Act; and
 - the Broad-Based Black Economic Empowerment Act;
- good corporate citizenship, including the Altron group's:
 - promotion of equality, prevention of unfair discrimination and reduction of corruption;
 - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - record of sponsorship, donations and charitable giving;
- the environment, health and public safety, including the impact of the Altron group's activities and of its products or services;

- consumer relationships, including the Altron group's advertising, public relations and compliance with consumer protection laws;
- labour and employment, including:
 - the Altron group's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
 - the Altron group's employment relationships and its contribution toward the educational development of its employees;
- ensuring that the Altron group's ethics is managed effectively (as recommended in Principle 1.3 of King IV™), including:
 - leadership demonstrating support for ethics throughout the Altron group;
 - a strategy for managing ethics that is informed by the negative and positive risks the Altron group faces;
 - ethical standards that are articulated in a code of ethics and supporting ethics policies;
 - structures, systems and processes that are in place to ensure that the various boards, employee and supply chains are familiar with and adhere to the Altron group's ethical standards;
 - ethics performance which is included in the scope of internal audit and reported on in the integrated annual report; and
 - ethics that is embedded in the corporate culture; and
- drawing matters within its mandate and terms of reference to the attention of the board as occasion requires.

The value drivers of the SESCom, as defined in our sustainable business model, are underpinned by the application of principles of good governance, including corporate governance, ethics, risk and compliance, and reputation management. Under each value driver is a set of material themes and the SESCom is concerned with ensuring these value drivers and related material themes are considered on a regular basis. For each material theme leadership accountability, strategic objectives, targets, activities and data owners have been identified during FY21.

KEY ACTIVITIES IN FY21

During the year the SESCom ensured that executive accountability for material themes in the Altron sustainability framework was confirmed, as well as the identification of the majority of data owners for key performance indicators (KPIs) in the framework.

Reporting guidelines for all sections of the sustainability framework were developed and confirmed.

The ALTRON SUSTAINABILITY MANUAL was circulated in Q1 of FY21.

The SESCom provided oversight of the three-year Altron human capital roadmap, which is aligned with the group's sustainability framework and risk management framework. The SESCom also monitored and reviewed the group's fair and responsible pay structures.

The committee drove the creation of newsletter and intranet content on themes around Altron's value drivers, including strategic objectives and executive accountability.

The SESCom continued to monitor and evaluate data reported to the committee in line with the sustainability framework.

The SESCom monitored and provided oversight of Altron's compliance with relevant broad-based black economic empowerment (B-BBEE) legislation, and approved the appointment of SizweNtsalubaGobodo Grant Thornton (SNG Grant Thornton) as Altron's B-BBEE auditors.

During FY21 the SESCom ensured that certain legislation, based on its group-wide applicability and high impact potential on Altron as a whole, received appropriate attention, such as the Protection of Personal Information Act, the Occupational Health and Safety Act, the Competition Act, the Consumer Protection Act and the Employment Equity Act.

The SESCom provided oversight for the investigations and assessments related to issues reported to the Altron Ethics Line during the year, as well as driving the creation of a new fraud prevention and detection strategy. Existing fraud policies were reviewed and a new Altron group Procurement Policy developed.

The SESCom provided oversight of Altron's actions to promote and implement platforms and protocols which allowed employees to work from home safely during Covid-19-related lockdowns. The committee also drove the use of employee support programmes and personal protective equipment (PPE) roll-out.

The SESCom reviewed Altron's CSI and sponsorship activities, including the flagship partnership with Protec to align the group's efforts with the pressing needs of society.

The committee will continue its oversight of the digitalisation of Altron's approach to governance, to ensure that all governance information is readily available for the purposes of risk management and decision-making.

Various policies were updated and approved, including annual ethics declarations, declaration of interest policy, limits of authority procedures, and Statement of Business Principles and Conduct (which replaces Altron's previous corporate compliance code and code of conduct).

CONCLUSION

As chairperson of the committee I am satisfied, following the review by the committee for the year ended 28 February 2021, that in all material respects, the committee has achieved its objectives for FY21. 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.



Stewart van Graan

Chairperson: Altron social, ethics and sustainability committee

18 June 2021