



**2017**

**SOCIAL AND ETHICS COMMITTEE  
REPORT**

FOR THE YEAR ENDED 28 FEBRUARY 2017

# SOCIAL AND ETHICS COMMITTEE REPORT

## INTRODUCTION

Conducting business ethically and protecting against fraud and corruption is an important part of how we earn and preserve the trust of our stakeholders. Businesses in South Africa are to some extent exposed to bribery, fraud, corruption and other unethical behaviour, and Altron is no exception. As such, we ensure that we conduct our business according to the strictest ethical code and do our utmost to create a safe, transparent working environment.

The Altron board, together with the Chief Executive, is responsible for the ethical culture of the group, with support and oversight provided by the group social and ethics committee (SEC). Altron is committed to embedding a strong ethical culture in its businesses and maintaining good corporate governance structures. The Altron social and ethics committee facilitates Altron's approach in this regard and it offers the group a structured forum for the monitoring, measuring and reporting of the ethics and certain other non-financial aspects of Altron's business. The committee works within the framework set out in Regulation 43 of the Companies Act No 71 of 2008, as amended, (Companies Act) and the King Report on Governance for South Africa 2009 (King III).

## COMPOSITION AND TERMS OF ENGAGEMENT

A full description of the committee's composition and a summary of its roles and responsibilities are available on our website at <http://www.altron.com/> in the governance report that details how we govern our business.

In accordance with the requirements of the Companies Act, the committee performs as the duly appointed social and ethics committee for Altron TMT (incorporating Altech, Bytes and their subsidiaries) and Altron Power (incorporating Powertech and its subsidiaries) and any matters arising at Altron TMT and Altron Power which require the attention of the committee are reported on via the Altron TMT and Altron Power financial review and risk committees, as indicated in the diagram of Altron's governance structure in the report on how we govern our business.

The committee meets biannually and during the year under review, the committee met on 12 May and 13 October 2016.

For 2017 reporting period, the committee focused on and monitored Altron's activities in respect of a number of matters including, inter alia: B-BBEE, human rights and labour, the workplace environment, products and services, environmental safety and protection, sustainability, the marketplace, the social environment including the group's expenditure on donations and charitable givings, various legislation and codes of good practice, as well as ethics, including the group's ethics awareness initiatives. The committee will continue to monitor and report on these areas however, greater emphasis will be placed on matters identified as material in the following year.

The committee revised its reporting strategy during the period under review to align the requirements stipulated in Regulation 43 of the Companies Act and King III, with Altron's sustainable business strategy and the material issues facing the group.

In May 2016, the SEC approved a new group ethics framework, which is aligned with our mission, vision and values. This ethics framework takes into consideration the various flows of actions based on various aspects, such as external influences, legislation, regulatory frameworks and other international factors, and our four value drivers that influence the agenda of the SEC. These value drivers being financial sustainability, human capital, products and services, and external relationships. The outcome is viewed through the lens of our value drivers and material issues defined through our sustainable business strategy.

This revised framework was developed to ensure that committee members are guided in the right direction with regard to matters requiring debate, versus matters requiring general oversight. Accordingly, the agenda of the committee is now more structured and defines matters requiring the committee's oversight more clearly.

## LEGISLATION, CODES OF BEST PRACTICE AND ETHICS

All the Altron board members previously committed themselves to ethical leadership by signing the Altron board ethics statement. An annual declaration is signed by all senior employees indicating their adherence to and compliance with Altron group policies.

Altron's legal department continues to ensure that all legal agreements concluded between the Altron group 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 Altron's policy on human rights and labour. Altron is satisfied that it is materially compliant with the relevant consumer protection legislation in South Africa.

Locally, we are a member of Business Leadership South Africa (BLSA), The Ethics Institute (TEI) and the National Business Initiative (NBI), through which we Altron collectively engage and network with peer organisations on aspects of concern within South Africa. Internationally, we belong to World Without Corruption, an international initiative to fight corruption, and are a signatory to the UN Global Compact. Through our involvement with these groups, we commit to work against corruption in all its forms, including extortion and bribery.

The committee is satisfied with Altron's standing in terms of the 10 Principles of the United Nations Global Compact (UNGC). The annual communication on progress (COP) report was submitted to the UNGC and a copy of this is available on our public website.

The committee is also satisfied that Altron has appointed an information officer to address matters relating to information governance within the context of the Protection of Personal Information Act No 4 of 2013 (POPIA) when it becomes fully enacted, as well as overseeing the implementation of the Promotion of Access to Information Act No 2 of 2000 (PAIA) across the group.

Altron, its businesses and its employees are guided by the Altron Code of Ethics and Corporate Code of Conduct. An abridged version of these is included in all suppliers' contracts and terms of conditions and service providers are expected to abide by

the same level of ethics that we uphold in our own operations. The Code of Ethics is also available to employees on the group's dedicated ethics website.

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

Altron did not introduce any new and formal group-wide training or survey initiatives during the year for existing employees and rather took a decision to maintain its existing code of ethics training programme for new employees in the new employee induction programmes. In the year ahead, Altron intends implementing its formal ethics strategy for the group which will cover ongoing ethics educational initiatives for the group and will be aligned with Altron's sustainable business strategy.

No new developments with regards to the Aberdare Cables investigation into alleged cartel conduct matter have arisen. We await the Competition Commission's conclusion on the matter with the other affected parties and we continue to fully comply with the Commission's requirements as set out in the conditional immunity agreement, and do not anticipate incurring any fines or penalties.

The group did not incur any fines at group level during the year, nor were any material fines incurred by any subsidiaries.

## 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-offs Anonymous', an independently-run whistle-blowing service that enables employees to anonymously report illegal actions and ethical misconduct. Tips can also be submitted via phone, fax and email. All tip-offs are actively investigated, followed up and resolved by the internal audit department, which allocates the matter for investigation where appropriate.

In 2017, we received 22 tip-offs (2016: 26), and these have been dealt with in terms of the relevant resolution structures within the group. Altron's ethics office also has a secure email address that employees can use to report unethical behaviour or to seek advice and guidance on ethical dilemmas. This email address is only accessible to the chief ethics officer. Altron's internal audit function also compiled the Tip-off Tim register which the committee discussed and reviewed. Any material risks that are identified in the register are elevated to the Altron risk management committee for further deliberation per the risk management report. Fortunately, no incidences were reported in the year under review which required the risk management committee's attention.

The committee is satisfied that, in accordance with Altron's memorandum of incorporation, no political donations (whether direct or indirect) were made during the year under review.

## LABOUR AND HUMAN RIGHTS

All Altron employees have the freedom to 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 Altron group are dealt with in accordance with its policy on human rights and labour. The committee will continue to monitor this aspect during the following year.

## TRANSFORMATION

Broad-Based Black Economic Empowerment was addressed by the committee during the year under review and while there remains room for improvement in terms of the Altron group's employment equity statistics, Altron's standing in terms of the amended Department of Trade and Industry (dti) Codes of Good Practice remains satisfactory. Altron TMT has again been rated against the ICT Charter and retained its level 2 rating, whilst Powertech achieved a level 3 rating on the generic scorecard. 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 its required certifications.

Transformation, particularly at senior management levels, remains a concern, but as positions become available within the group, Altron sources and promotes talented black candidates where possible. The newly created Altron Group Selection Committee will monitor and manage the strategic succession planning replacement strategy.

## SKILLS

The pre-existing shortage of relevant skills within the industries in which Altron operates as well as the retention of current skilled employees is a concern shared across the group. Through initiatives such as the Bill Venter Academy, learnership and bursary programmes Altron continues to target specific skills and educational initiatives in order to grow and maintain talent pipelines.

## HEALTH & SAFETY

No major safety, health and environmental (SHE) impacts on communities, employees and/or customers, in terms of the group's operations, activities and services, were recorded during the health and safety reviews conducted throughout the Altron group during the year under review. Although injuries on duty are of course regrettable, we are pleased that the number declined from 86 in 2016 to 66 this year. No fatalities were reported during this year, compared to 1 fatality reported in the 2016 financial year.

## ENVIRONMENT

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

Given the group's strategy of disposing of non-core assets and withdrawal from the manufacturing environment, it has become very evident that the environmental footprint for its core operations are significantly less than reported previously together with the non-core operations. This does however not imply that the group should stop focussing on its environmental footprint but rather look at how ICT can be harnessed in minimising its impact on the environment not only for itself but more importantly for its customers as well. For more detail on the group's reported environmental footprint refer to External Relationship section of the IAR.

## CONCLUSION

As chairperson of the Altron the social and ethics committee I am satisfied that following the review by the committee for the year ended 28 February 2017, that in all material respects, the committee has achieved its objectives for the financial year ended 28 February 2017. There were no items reported on that would indicate non-compliance to the requirements of the social and ethics committee as set out in Regulation 43 of the Companies Act No 71 of 2008, as amended, (Companies Act).



**DNM Mokhobo**

Chairperson

8 May 2017



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