



altron.[®]

2018

**KING IV™
APPLICATION
REGISTER**

FOR THE YEAR ENDED 28 FEBRUARY 2018

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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 17 corporate governance principles by Altron as recommended by King IV™.

<p>Principle 1</p>	<p>The governing body should lead ethically and effectively.</p>	<p>Application: The Nomination Committee identifies and recommends suitable Board appointments taking into consideration necessary competencies and knowledge to execute the 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>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 encourages our directors to seek independent advice funded by Altron.</p> <p>Explanation: 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>Principle 2</p>	<p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>Application: During the year, Altron’s Code of Ethics and various internal policies were revised and approved by the Board. With the guidance of the Social and Ethics Committee (SEC), the group’s ethics office, together with the established Altron Ethics Management Committee, assists the Board in promoting and embedding a culture of ethics throughout the group.</p> <p>The Ethics Management Committee reports into the SEC which offers the group a structured forum for the monitoring, measuring and reporting on ethics. Altron’s recently adopted Ethics Framework is aligned with Altron’s mission, vision and values.</p> <p>The Altron Board is committed to ethical leadership by having approved a revised Altron Ethics Strategy during the year. 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 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 policy on human rights and labour.</p> <p>Altron is a member of Business Leadership South Africa (BLSA) and The Ethics Institute (TEI). Altron supports various TEI initiatives, for instance being a sponsor of TEI’s annual conference.</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>Explanation: The Altron Board’s commitment to embedding an ethical culture from the top remains evident by its policies and ethics governance practices.</p>

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<p>Principle 3</p>	<p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>Application: Altron continues to make direct investment in ICT-based skills development programmes in KwaMashu, KwaZulu-Natal and Soweto, Gauteng. These programmes were developed in partnership with PROTEC (Programme for Technological Careers) and Bytes People Solutions.</p> <p>Arrow Altech Distribution, Bytes Document Solutions and Bytes Managed Solutions are involved in the recycling of smart phones, packaging and toners, and other e-waste initiatives.</p> <p>Altron improved its performance against its transformation objectives in a number of areas with respect to management and employment. The percentage of black employees have increased from 68% in 2017 to 73% and the percentage of our employees that are women from 30% to 42%.</p> <p>To promote employee wellness and to address gender and diversity issues, Altron has updated its maternity leave policy to ensure a more inclusive, current and family-focused working environment.</p> <p>In terms of local procurement, our best efforts are made to purchase from suppliers that achieve and maintain a minimum of a Level 4. Analysis of the individual B-BBEE Scorecard measures for 2018 for each of the operations shows 81.18% of local purchasing was placed with B-BBEE compliant suppliers (excluding inter-group purchasing).</p> <p>Explanation: Altron remains focused on initiatives to facilitate transformation and uplift the South African community in contributing towards economic growth. Our socio-economic development initiatives aim to be a catalyst for economic growth and employment within the ICT sector. We have key focus areas that will be 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 health and safety reviews conducted throughout the Altron group during the year under review. Further, no significant negative environmental impacts relating to group's activities have been identified. Altron's environmental footprint has reduced following the disposal of non-core assets in the manufacturing sector.</p> <p>With Altron's full transition from manufacturing to ICT nearing completion, we will re-assess environmental and societal risks associated with our new business model. We are in the process of revising our sustainability strategy.</p> <p>At Altron we believe that technology recovery and recycling can significantly contribute to the reduction of e-waste and the protection of our environment. We continue to encourage recycling of waste, especially glass, paper, plastic and metals within our office environments.</p>
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<p>Principle 4</p>	<p>The governing body should ensure 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>Application: Annual strategic sessions are held for the Board to review and approve the strategy proposed by group operations taking into account related risks, opportunities, the availability of capital and resources, sustainability and stakeholder interests. During the year Altron adopted a revised ICT focused strategy. The group continuously monitors its performance against the targets set by the new strategy.</p> <p>Risk management now 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 governance, risk, compliance and sustainability requirements and to track the performance of these requirements against set targets. The integration of these functions 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.</p> <p>The Altron group risk assessment and ranking methodology is reviewed by the 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 and not as an obstacle to progress. The appointment of a group risk manager has further enhanced the assessment and monitoring of environmental, health and safety risk factors within, and external, to the business.</p> <p>Explanation: Executive’s performance is measured against the achievement of Altron’s strategy and objectives and bonuses are linked to the delivery thereof. The collective achievement of Altron’s objectives ultimately creates value for all stakeholders.</p>
<p>Principle 5</p>	<p>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>Application: Reports are issued by group operations and departments to the various Board committees. These reports, among others, form the basis of the 2018 Integrated Annual Report. In addition, the company issues unaudited interim results and audited consolidated financial statements for year-end results.</p> <p>The publication of external reports, press releases and releases on SENS enable stakeholders to make informed assessments of Altron’s performance.</p> <p>Explanation: The review of reports by the various committees ensures integrity and transparency of the group’s reporting and ensures 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 reports back to shareholders at each annual general meeting of the company.</p>

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<p>Principle 6</p>	<p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>Application: The Board Charter guides the Board in the execution of its duties together with its memorandum of incorporation. The Board annually reviews and approves its Charter, as well as committee mandates and terms of reference.</p> <p>Explanation: Although the Board is supported by various committees and management reporting structures, it accepts responsibility for corporate governance within the group and for relevant and transparent disclosure and reporting of corporate governance.</p>
<p>Principle 7</p>	<p>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>Application: The Board consists of diverse members in terms of race and experience. The Board comprises 11 directors, of which one is an executive, five are non-executive and five are independent non-executive. Following the resignation of the Chief Financial Officer (CFO) at the end of the financial year, the group will appoint a permanent CFO in due course, with this role currently fulfilled on an acting basis. Steps are being taken in order for the Board to comprise of a majority of independent non-executive directors. This is being done 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 are aligned with this policy and the B-BBEE codes.</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. 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 re-appointment of the Chairman every year.</p> <p>Explanation: Following the restructuring of Altron, the Altron Board it is more aligned in terms of its ICT focus.</p> <p>The variety of Board member qualifications provides assurance that Altron's business is considered from different perspectives with a view to providing a holistic review of the company's strategy. A short CV of each director can be found in the 2018 Governance Report.</p> <p>Altron remains committed to improve gender and race representation.</p>

<p>Principle 8</p>	<p>The governing body should ensure that its arrangements for delegation within its own structure promote independent judgment, and assist with balance of power and the effective discharge of its duties.</p>	<p>Application: The Board Charter and Altron’s memorandum of incorporation provides 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: the Nomination Committee, the Audit Committee, the Risk Management Committee, the Remuneration Committee, the Social and Ethics Committee and the Investment Committee. The SEC has one sub-committee, the Ethics Management Committee. 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 only.</p> <p>Explanation: 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 all projects and business plans. The committees provide feedback to the Board, which facilitates the execution of its responsibilities.</p>
<p>Principle 9</p>	<p>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>Application: The Board conducted a self-appraisal assessment during the year under review. Bonuses and remuneration of the executive directors are linked to their performance reviews.</p> <p>Explanation: The evaluation conducted assessed performance against the Board Charter and best governance practices. Performance evaluations of the Board’s committees will be undertaken during the current financial year following the restructuring of the Board and committees.</p> <p>The Nomination Committee annually considers the competence of the Group Company Secretary. The Audit Committee annually considers the competence of the CFO. As recorded in the annual financial statements, both the CFO 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>

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<p>Principle 10</p>	<p>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibility.</p>	<p>Application: 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 is an invitee to remaining Board committees.</p> <p>The Board annually reviews the delegation of authority to the Chief Executive, who in turn delegates authority to operational executives and prescribed officers. Professional secretarial services are provided by the Group Company Secretary on behalf of Altron Management Services Proprietary Limited (Altron’s registered secretaries). The Group Company Secretary is evaluated on an annual basis by the Nomination Committee and Board. The Group Company Secretary reports to the Board on all statutory and governance matters and to the Chief Executive on all other duties and secretarial matters.</p> <p>Explanation: The Nomination Committee comprises the necessary experience required to ensure a balanced constitution of the Board and are 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 the company’s strategy. Following the changes to the Board and Executive Committee during the year, succession planning for senior executives is a focus areas for the group in FY2019.</p>
<p>Principle 11</p>	<p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>Application: 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.</p> <p>Altron has initiated a group-wide process to develop and embed appropriate operating models into the day-to-day management of each of the group’s operations. This has resulted in improved risk reporting policies and escalation procedures and the group has realised benefits such as reducing unnecessary redundancy in reporting and improved, pro-active monitoring and mitigation of operational risks. Further to this, we are currently embarking on implementing a combined assurance model. This will assist the group with monthly monitoring of key control risks to ensure that any gaps in the control environment are adequately addressed. This initiative will be implemented through a phased approach in collaboration with our Internal Auditor.</p> <p>Explanation: 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>Principle 12</p>	<p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>Application: In order to assist the Board, IT Shared Services recently developed an IT Governance Framework Policy which was approved by the Altron Board. This framework will provide 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 re-constituted IM Council will govern all non-core information and technology commonly used in the Altron group. Business units will be 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 cyber security and resilience position. The forum will address information security, business continuity and data resilience. Preliminary assessments were conducted 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, specifically their right to privacy.</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 in regard to their fiduciary duties and responsibilities. The Board recognises that it is ultimately responsible for technology and information governance.</p> <p>Explanation: Preliminary assessments are important tools for accountability as they help responsible parties to not only comply with requirements of the Protection of Personal Information Act, 4 of 2013, but also to demonstrate that appropriate measures have been taken to ensure compliance with this legislation.</p> <p>Progress on technology and information governance is 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 business.</p>
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<p>Principle 13</p>	<p>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>Application: The Board has delegated responsibility for the implementation and execution of effective compliance management to management. The Board is, however, aware that its remains ultimately responsible for compliance with <i>inter alia</i> applicable laws, adopted non-binding rules, codes and standards.</p> <p>Through subsidiary boards and their committees and reporting structures, the Altron Board and its committees are appraised of any material incidences of non-compliance with legislative or regulatory requirements or a breach of internal controls. Operational boards, committees and management are kept abreast with relevant new legislation and regulations by attending various workshops scheduled from time to time and by reading various legal and business articles included in meeting packs.</p> <p>This integrated GRCS function reviews <i>inter alia</i> compliance. 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 group compliance function monitors and reviews the said framework to ensure that the group consistently follows best practice in relation to legislative and regulatory compliance. The monitoring of the group’s compliance with legislation and regulatory requirements is mainly performed through the Exclaim Compliance software system. We are currently setting up a new structure within the Exclaim system to comply with ICT requirements.</p> <p>The group compliance function is continuing the process of evaluating the entire spectrum of national legislation to establish a regulatory universe for the group. This is required as the company evolves into the ICT sector. This process is timeous and we will therefore be engaging with Deloitte to assist with enhancing and speeding up this process.</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>Altron embarked on an ethical training project specifically focusing on what constitutes bribery, corruption and anti-competitive conduct. Around 8 000 employees have completed this and we are targeting the balance of the employees during the course of the year. This project has been very successful and high levels of awareness of what ethical conduct is about, were created. This initiative remains ongoing.</p> <p>Explanation: By reviewing policies on a regular basis and providing training in this regard, Altron ensures that employees are keep abreast with latest developments and will be able to address any issues as and when they arise.</p>
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<p>Principle 14</p>	<p>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>Application: 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 shareholder advisory vote. The policy and implementation reports are published online as a part of the 2018 Remuneration Report.</p> <p>Explanation: The Remuneration Policy is reviewed annually to ensure that Altron remunerates fairly, responsibly and transparently at all levels enabling Altron to achieve its strategic objectives and to secure positive outcomes for its stakeholders.</p> <p>Shareholders have been engaged in relation to Altron's approach to short-term incentive and the long-term share-based incentive schemes.</p>
<p>Principle 15</p>	<p>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 of the organisation's external reports.</p>	<p>Application: The Board, in the statement of responsibility of directors, provides their independent assurance of the information provided in the 2018 Integrated Annual Report.</p> <p>Explanation: Altron's combined assurance model will ensure objectivity of all information provided to stakeholders. Board and committees are made up of diverse skills and experience to ensure that risks and opportunities are considered from various perspectives.</p>
<p>Principle 16</p>	<p>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>Application: Altron's marketing and investor relations function contributes to the execution of Altron's strategy by ensuring integration across internal communications, consumer affairs, brand, public relations and stakeholder relations. The head of marketing and investor relations is a member of the Executive Committee. Engagement with stakeholders is undertaken throughout the year and any material issues are reported to the Board.</p> <p>Explanation: Regular stakeholder engagement ensures that the Board is advised of material issues that may impact the company. The management of stakeholder risk forms part of Altron's GRCS function.</p>
<p>Principle 17</p>	<p>The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and creation of value by the companies in which it invests.</p>	<p>Not applicable. Altron is not an institutional investor.</p>



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