



altron.[®]

2018

SOCIAL AND ETHICS COMMITTEE REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2018

SOCIAL AND ETHICS COMMITTEE

INTRODUCTION

Businesses in South Africa and globally 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 strong ethical culture, a safe, transparent working environment and 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 on ethics and certain other non-financial aspects of Altron's business.

The Altron Board, together with the Chief Executive, is responsible for the ethical culture of the group, with support and oversight provided by the Committee.

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

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 www.altron.com in the 2018 Governance Report that details how we govern our business.

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

During 2018, an Altron Ethics Management Committee was established, which is supported by Ethics Ambassadors chosen from each operation within the group and the Altron ethics office. The ambassadors are responsible for promoting and embedding a culture of ethics throughout the group and for acting as an additional level of ethics awareness and training in Altron.

The Committee meets biannually and during the year under review, the Committee met on 8 May 2017 and 22 October 2017.

For the 2018 reporting period, the Committee remained 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. During the year Altron implemented a group-wide ethics awareness campaign and on-line ethics training programme. This initiative included training on the group's Anti-Bribery and Corruption, as well as its Competition Law policies among all levels of employees in the organisation.

During 2018, the Committee reviewed and updated the Altron Group Ethics Strategy to ensure alignment with King IV™ and Altron's new corporate strategy.

The Committee is implementing a new Ethics Framework which is aligned with our mission, vision and values and takes into consideration the various flows of actions based on, among others, external influences, legislation, regulatory frameworks and other international factors, as well as our four value drivers, financial sustainability, human capital, products and services and operating context. The outcome is viewed through the lens of our value drivers and material issues defined through our sustainable business strategy.

LEGISLATION, CODES OF BEST PRACTICE AND ETHICS

All Altron Board members have committed themselves to ethical leadership by confirming 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 2018 annual declarations were 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 support and subscribe to the principles set out by the UN Global Compact. Through our continued involvement and association with these organisations, we remain committed to working 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”).

Altron’s information officer and Compliance Department continues 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 the Promotion of Access to Information Act, No 2 of 2000 (“PAIA”) across the group. Further, Altron is in the process of embedding best practice in terms of The General Data Protection Regulation (“GDPR”) in the relevant jurisdictions.

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.

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.

Although divestment in Aberdare Cables was completed in 2018, Altron still cooperates with the Competition Commission’s investigation into alleged cartel conduct. The group awaits the Competition Commission’s conclusion on the matter with the other affected parties and continue to fully comply with the Commission’s requirements as set out in the conditional immunity agreement. The group does not anticipate incurring any fines or penalties.

Altron also responded to allegations of tender collusion made against Altech UEC and Arrow Altech Distribution by conducting an internal investigation and appointing an external legal firm to conduct an independent enquiry. Both investigations concluded that there was no anti-competitive conduct on the part of either Altech UEC or Arrow Altech Distribution.

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 whistleblowing service that enables employees to anonymously report illegal actions and ethical misconduct. All tip-offs are actively investigated and dealt with in terms of the relevant resolution structures within the group. Any material risks identified are elevated to the Altron Risk Management Committee. 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 Ethics Officer.

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 No. 66 of 1995, as amended, 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 continues to monitor this aspect during the following year.

SOCIAL AND ETHICS COMMITTEE CONTINUED

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 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 has again been rated against the ICT Charter and maintained its level 4 rating. 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 shown 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.

SKILLS

The pre-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. During the year ahead, Altron is set to establish viable initiatives, with measurable outcomes, such as the Altron Youth Development Programme, to actively 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. 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.

Given the group's ongoing disposal of its remaining non-core assets and withdrawal from the manufacturing environment to focus on the ICT sector, the reporting on the environmental footprint for its core operations continuous to decrease from previous periods. 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 customers as well. During the coming year, the group will develop a revised sustainability framework in line with its ICT focussed strategy. For more detail on the group's reported environmental footprint refer to our Performance Summary as part of the 2018 Integrated Annual Report.

CONCLUSION

As chairperson of the Committee I am satisfied that following the review by the Committee for the year ended 28 February 2018, that in all material respects, the committee has achieved its objectives for the financial year ended 28 February 2018. 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.



Dawn Mokhobo

Chair

7 May 2018





Altron House
4 Sherborne Road, Parktown 2193
Gauteng SOUTH AFRICA

POSTAL
PO Box 981, Houghton 2041
Gauteng SOUTH AFRICA

www.altron.com