

INTEGRATED
ANNUAL
REPORT

2021

**OUR
REPORT**



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Altron combines technical expertise with in-depth customer understanding to offer highly differentiated technology solutions.

**PASSIONATE
ABOUT
CUSTOMERS,
PARTNERS,
EMPLOYEES AND
COMMUNITIES.**



ABOUT THIS REPORT

Allied Electronics Corporation Limited (Altron or the group¹) is pleased to present its integrated annual report (IAR or the report).

SCOPE AND BOUNDARY

This IAR covers Altron's performance as a group for the financial year ended 28 February 2021 (FY21). Any material events which occurred between the year-end and the report's approval on 18 June 2021 are also included to provide a forward-looking narrative which is as complete as possible.

The IAR aims to provide our stakeholders with a holistic view of Altron's value-creation drivers (page 30), our strategy (page 39), governance (page 58) and performance (page 40). It also outlines the group's outlook for the financial year ending 28 February 2022 (FY22) and beyond.

REPORTING GUIDELINES

The IAR has been prepared in accordance with the following local and international reporting guidelines and requirements:

- King IV Report on Corporate Governance for South Africa, 2016 (King IV™); and
- International Integrated Reporting Council's (IIRC) International Reporting <IR> Framework.

All financial reporting is prepared in accordance with the following:

- Companies Act, No. 71 of 2008 (as amended) (the Companies Act);
- Johannesburg Stock Exchange Limited (JSE) Listings Requirements; and
- International Financial Reporting Standards (IFRS).

ASSURANCE

Altron's external auditors, PricewaterhouseCoopers (PwC), have audited the financial information contained in this report. Their unqualified audit opinion is included in the FY21 consolidated annual financial statements (AFS) on page 16. The broad-based black economic empowerment (B-BBEE) level ratings of Altron and all divisions within the group are independently verified by SizweNtsalubaGobodo Grant Thornton East London Services CC.

Altron's annual compliance report in terms of section 13C(2) of the B-BBEE Amendment Act, No. 46 of 2013 is published on the Altron website. Our internal audit function, comprising independent oversight of processes and controls, is managed by Deloitte.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that relate to Altron's future operations and performance. Such statements are not intended to be interpreted as guarantees of future performance, achievements, financial or other results. They rely on future circumstances, some of which are beyond management's control, and the outcomes implied by these statements could potentially be materially different from future results.

No assurance can be given that forward-looking statements will be accurate; thus, undue reliance should not be placed on such statements. Altron does not undertake any obligations to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of this report or to reflect the occurrence of unanticipated events.

Forward-looking statements include but are not limited to: expectations regarding the group's financial condition or results of operations such as confirmation of Altron's targets and expectations for the group's future performance generally; expectations regarding the operating environment and market conditions and trends; intentions and expectations regarding the launch, development and expansion of products and/or services and/or technology; growth in customers; expectations regarding EBITDA, capital additions, free cash flow and foreign exchange movements.

All subsequent written or oral forward-looking statements attributable to Altron, to any member of the group or to any persons acting on their behalf, are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable laws and regulations, Altron does not intend to update these forward-looking statements and does not undertake any obligation to do so.

¹ The Altron group in South Africa primarily consists of: Altron TMT Proprietary Limited, Altron Nexus Proprietary Limited, Netstar Proprietary Limited, Arrow Altech Distribution Proprietary Limited and Bytes Technology Group Proprietary Limited and their operating divisions, as applicable, and internationally: Bytes Technology Group UK (Bytes), Altron Rest of Africa and the Netstar Australia Group. Businesses within these operations are segmented according to the group's solutions and services offerings: Smart IoT, Managed Services, Digital Transformation, as well as HealthTech and FinTech. Following the demerger of Bytes from the Altron group around December 2020, Bytes ceased to be a major subsidiary of the Altron group from December 2020.

REPORTING SUITE

1

Integrated Annual Report

Management oversight; Audit committee; Risk management committee; and Board

2

Annual Statutory Report

Management oversight; Audit committee; Risk management committee; and Board

3

Audited Annual Financial Statements, including Directors' Report and Audit Committee Report

Management oversight; Audit committee; Board; External auditors (PwC); and Internal auditors (Deloitte)

4

Governance Report and King IV™ Application Register

Management oversight, including governance, sustainability, group risk and compliance functions; Internal auditors (Deloitte); Board committees; and Board

5

Remuneration Report

Management oversight; Remuneration committee; and Board

6

Social, Ethics and Sustainability Committee Report

Management oversight; Social, ethics and sustainability committee (SESCoM); and Board

All our reports including our full and summary financial statements and additional disclosures are available on <https://www.altron.com/investors/reports-results/>

FEEDBACK

We welcome all stakeholder feedback on this report via e-mail to investors@altron.com

BOARD RESPONSIBILITY STATEMENT

The Altron board acknowledges its responsibility for the integrity of the group's 2021 IAR. The board, assisted by the audit committee and the risk management committee, has applied its collective mind to the content of this report and believes that it addresses all material matters and fairly represents the performance of Altron in FY21. The board is of the opinion that this IAR is presented in compliance with the King IV Report's Principles of Good Corporate Governance as well as the IIRC's <IR> Framework and that the information is correct and relevant.

The board is of the view that this IAR provides an accurate reflection of the group's strategic commitments for the short, medium and long term.

On behalf of the Altron board:



Mike Leeming
Chairman



Mteto Nyati
Chief Executive

18 June 2021

OUR REPORT



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MESSAGES FROM OUR LEADERSHIP

The challenging operating environment posed by Covid-19 has validated our Altron 2.0 strategy and our chosen target sectors in a rapidly digitalising world.

MESSAGE FROM THE CHIEF EXECUTIVE

MTETO NYATI

Our 2021 financial year, almost exactly overlapping the first 12 months of Covid-19's presence in South Africa, brought unprecedented change in our external environment and within the Altron group. As a result our transition from One Altron to a new five-year strategy – Altron 2.0 – was accelerated. We had achieved most of our One Altron goals and we are ready to face The New Normal.



THE EMERGENCE OF ALTRON 2.0

Initiated in FY18, One Altron's central aims were to dispose of non-core assets, engage in bolt-on acquisitions where they fell into our targeted growth areas, and to achieve the financial goals of doubling EBITDA within five years, deliver leading returns for our shareholders, provide exceptional customer service, be a great place to work for all and to do good while doing good business.

At the start of FY21 we were ahead of schedule in delivering on the financial goals and beginning to construct our next five-year strategy when Covid-19 and its associated lockdown restrictions changed everything about doing business. It was also at this time when the board decided on the Bytes UK demerger.

With the demerger of a significant business within the group and a need to adapt to changed market conditions, it became untenable to continue with One Altron for its final two years and the Altron 2.0 strategy roadmap was developed.

THE BYTES UK DEMERGER

At the end of FY20 our Value Capital Partners (VCP) directors shared with the board a sum-of-the-parts (SOTP) analysis of the Altron group and, when compared with the group's market capitalisation, it became clear that the Bytes UK business was not being fairly valued by the market. After an extensive review of the SOTP exercise the board decided on a demerger of Bytes UK. The Bytes UK leadership was briefed on the decision in a meeting in Johannesburg, South Africa. They embraced the demerger and passionately ran with the project with the support of RMB, Numis, DLA Piper, VCP and the Altron board.

Our business case indicated an initial listing of £450 million minimum while the actual listing value achieved was £646 million. As I write this, Bytes UK is valued in excess of R24 billion on the London Stock Exchange, while Altron's market capitalisation is around R4,6 billion. Given that when we announced the intention of the demerger our total market capitalisation was R7,5 billion and that

Bytes UK contributed around a third of our profits, our shareholders have been well rewarded. We believe it also suggests the potential of further opportunities to unlock value in the future.

TAKING ALTRON FORWARD

The onset of the Covid-19 pandemic and the Bytes UK demerger created the conditions for demonstrating the resilience of our strategic direction and validated the choices we had made in pursuing certain growth areas.

However, it also meant that we needed to make final the decision to dispose of some business units which had long been profitable and integral divisions of the Altron group but which no longer aligned with our future direction.

The first of these is Altron Document Solutions, the largest Xerox distributor globally and Xerox partner for Africa, which suffered from a reduction in print volumes during lockdown restrictions. The second is Altron People Solutions, which operates in IT-related

“Covid-19 and its associated lockdown restrictions changed everything about doing business.”



MESSAGE FROM THE CHIEF EXECUTIVE

training and business process outsourcing. The business was similarly affected by social distancing and lockdown measures. Finally, Altron Arrow, which distributes electronic components, was able to remove costs relatively quickly under lockdown, but ultimately will not form part of Altron 2.0.

We have actively and deliberately selected the business units which will remain under Altron 2.0 and they need to comply with these key characteristics: they must be capital-light with minimal requirements of working capital; they must earn at least 65% recurring revenue in the form of annuity business; and they must have their own intellectual property (IP), which will elevate margins.

Owning our IP, rather than reselling commoditised technology, is exemplified by Netstar's EBITDA margins of around 35%. We want a strong, healthy IP business and all the remaining business divisions have the potential for playing higher up the value chain.

We have identified four key high-growth areas in the information technology (IT) sector. These are automation (DevOps), cloud services, data and security. This is where Altron 2.0's segment of digital transformation operates. Bytes UK's growth is at the back of the cloud computing trend. Given that South Africa lags behind the UK on the same trend by three to four years, we believe Altron will reap the benefits of early positioning in the cloud space through Altron Karabina.

The local construction of hyperscale cloud data centres by the likes of Microsoft, Amazon Web Services and Huawei have paved the way for South African businesses to move to the cloud, led by financial services institutions such as Standard Bank and Nedbank.

Aligned with a shift towards the cloud is the explosion of data and analysis which will become possible on the back of cloud services growth. Protecting this data will require better and more comprehensive security in the time of e-commerce, and automation will improve the effective use of this data as digital transformation intensifies.

The business units within Altron's digital transformation segment all target these four key growth areas and their nascent trends. We are therefore extremely positive about the prospects and long-term resilience of Altron 2.0.

In terms of trade-offs inherent to our chosen strategy, we have elected to build capabilities across all major cloud platforms. While this may lessen the chance of any single provider viewing us as highly strategic, our decision to remain independent was grounded in the need to align ourselves with customers who are looking for choice rather than being locked in any one vendor. This positioning is consistent with our ambition to be a trusted adviser to our customers.

“We have identified four key high-growth areas in the information technology sector.”

We have chosen to align Altron Karabina very closely to Microsoft, given our valuable experience in Bytes UK and the high level of penetration of Microsoft products within our customer base. Microsoft has appointed Altron to be its partner in the Middle East and Africa, which is an important opportunity and recognition for us. They are investing jointly with us to build Altron to become the partner Microsoft requires in this region.

Our recent acquisition (pending Competition Commission approval) in the cybersecurity space, LawTrust, will create the largest security services provider in Africa when combined with Ubusha to form Altron Security. Some of our customers may consider their level of concentration risk in their supplier base, but we believe most of our customers will favour a single service provider in such a business-critical space.

OUR PERFORMANCE

I do not hesitate to proclaim this as the most difficult and challenging year I have encountered as a business leader. As I have alluded to above, some of our divisions struggled under lockdown restrictions. Despite the sensible rationale behind lockdowns, lost sales have inevitably affected our financial results.

However, some of our business units enjoyed growth in a challenging year – among them Altron Security (Ubusha), which recorded a significant improvement from the prior year and has contributed positively to our results. Ubusha delivered ahead of its acquisition business case in a Covid-19 environment. Likewise, Altron Karabina benefited from corporate South Africa's almost instantaneous embrace of Microsoft's remote productivity solutions.

On a net basis, we had a tough year. For the first time in four years our revenue was down year on year and our headline earnings per share declined double digit. The cost-reduction measures we took across a number of our operations, though, have positioned us well for the future.

We were, like all companies, forced to institute remote working arrangements for 50% of our staff, which we were able to complete with minimal disruption to productivity and processes. The health and well-being of our employees led our list of priorities during lockdown, which necessitated an elevated volume of communications and changes to shore up the group's balance sheet.

Our employees demonstrated a truly remarkable level of selflessness and loyalty by contributing their leave to a pool which could be allocated to avoid anyone being forced to take unpaid leave during lockdown, while our leadership elected to forego half of their bonuses earned during the prior year. Regrettably, we also had to make the difficult decision to roll back salary increases and, ultimately, let some of our colleagues go in order to ensure the long-term sustainability of the group.

Ultimately, while many companies fell victim to the economic ravages induced by the pandemic, Altron continues to provide jobs for approximately 7 700 employees and we did our best to minimise job losses.

Shareholder value unlocked by
152%

Gross invoiced income up 4% to
R7,7 billion

Cash generated from
operations up 31% to
R2,2 billion

Managing the complexity of an environment in which so many variables were out of our control remained extremely challenging. As an industry we have played a role in engaging with government through the forum of the Public Private Growth Initiative, wherein I represent the information and communication technology (ICT) sector, but our influence was limited and I do not envy those who are juggling many competing interests in attempting to keep the economy as open as possible under the circumstances.

I am also proud to be part of Altron as a contributor to the Solidarity Fund – an organisation whose values ensure that we think beyond ourselves – which put down the necessary deposit for South Africa to secure Covid-19 vaccines. To me, that is part of being a good corporate citizen.



MESSAGE FROM THE CHIEF EXECUTIVE

CHANGES IN LEADERSHIP

While an effective strategy for Altron 2.0 to take shape is crucial, equally important are the right people to execute that strategy. Given the four growth areas for Altron going forward, we have made some important decisions in matching business profiles with leadership capabilities within the group.

We appointed Collin Govender, who led Altron's digital transformation as our chief information officer, as managing director of Altron Karabina, safe in the knowledge that we would not have been prepared for Covid-19 without his team's efforts. We take for granted that as an IT company we have been able to work from home, but it is due to our shared services' drive to implement standardised and flexible systems that we transitioned in the digital world seamlessly.

Altron Karabina, closely aligned with Microsoft in South Africa, carries the weight of our ambition in replicating the success of Bytes UK in the country, and we are confident Collin will help us realise its full potential.

In our Altron Systems Integration operation we identified a significant opportunity for automation, custom application development and data. Through this business we help our enterprise customers differentiate themselves and gain a competitive edge over competitors.

Leveraging his extensive and deep client relationships at Altron Managed Solutions, Chad Baker has taken over the reins at Altron Systems Integration and his track record of reducing cost structures bodes well for this operation.

Previously, Altron's HealthTech and FinTech divisions were housed under one roof, but we have now asked Johan Gellatly – from our secure transactions business – to lead FinTech while Leslie Moodley will move over from Altron Systems Integration to lead the HealthTech division. Both of these businesses will benefit from greater focus and resources as they pursue future opportunities.

We have significantly reduced the headcount at our head office and have instead strengthened the resources within our various operations. In line with this change has been the consolidation of the chief executive's and chief operations officer's roles. We have been able to reduce head office costs by R100 million. Our primary role at head office is to provide strategic direction while allocating the right resources for our operating divisions to thrive.

MILESTONES

The Bytes UK demerger is the greatest milestone we achieved during FY21, but I am also extremely pleased to note the improvements in our employee engagement score and Net Promoter Score. Our employee value proposition has been shaped by our values and it has been well received. Together, our employees are continuing to shape the culture within Altron and living our values. I believe this will be a key differentiator for Altron. Our employee engagement score increased by two percentage points to 63%.

Similarly, a jump in our Net Promoter Score from 46% to 48,2% in a tough and challenging year speaks volumes about our employees going the extra mile for our customers. Both the employee engagement score and Net Promoter Score are leading indicators of good financial performance.

Ubusha achieved the highest employee engagement score of 79%. This is a good reflection of an effective integration process that followed their acquisition into Altron.

I am also encouraged by the turnaround in Altron Nexus, which continues to make progress after suffering significant losses just a few years ago.

BOARD CONTRIBUTION

During a year beset by such dynamic complexity and economic challenges, Altron benefited tremendously through having a board that is demonstrably skilled and experienced. The Altron board set in motion the actions we needed to take to ensure the long-term sustainability of the group.

At their behest, management completely revised its FY21 plans and budget for the year despite having approved the previous budget just days before lockdown measures were announced. With the help of the board, under the leadership of Mike Leeming, we were able to draw up clear plans to take out costs, preserve cash, take care of our

employees, communicate more effectively and comply with regulations. My fellow executives and I are privileged to enjoy such a close partnership with the Altron board.

I also cannot overemphasise the role the board played as part of the steering committee in the highly successful demerger of Bytes UK. The board was largely responsible for the unlocking of significant value for shareholders in an otherwise trying year.

LOOKING AHEAD

Altron's top priority in FY22 will be concluding the disposal of the three operations which no longer fit within our revised strategy. Each of these businesses remains strong in their own right, but they do not fit into the future that we are creating through Altron 2.0.

Our second priority is to explore opportunities to further unlock value for the operations that fall under the Own Platform segment. We will partner with relevant financial and legal advisers to help us execute on this plan. We believe that this value-realisation process will be carried over twenty-four months.

Third, we aim to accelerate growth of our digital transformation segment that is housing Altron Karabina, Altron Systems Integration and Altron Security. Ubusha will lead the integration of the newly acquired LawTrust. Altron Security is also establishing a local presence in the United Kingdom where its offerings are in demand.

We are intent on Altron Karabina living up to its incredible potential. I believe we can make significant headway toward this goal in FY22 under its new leadership.

GRATITUDE

During lockdown government specified certain sectors as essential services, including financial services and healthcare. Behind the scenes, Altron employees were there, supporting essential services so that citizens could be served. These essential services depended on our employees, who took risks and made sacrifices to make sure that organisations remained operational.

While working during level 5 lockdown, some of our employees put together a video diary of their work and how proud they were to be representing Altron and taking the opportunity to live our corporate values. I felt proud and inspired to be leading such courageous, passionate and committed people. Without our executives, managers and employees going the extra mile for our customers, Altron would not be where it is today.

I am also indebted to our former colleagues in Bytes UK, who readily embraced the idea of the demerger and helped to execute it so successfully. Both Neil Murphy and Keith Richardson provided exceptional leadership that paved the way for both entities to benefit fully from the decision.

As mentioned above, the Altron board provided advice, insight and leadership during an extremely challenging time. Each board member made sacrifices, not least in attending many more meetings than an average year would require. The relationship we have built with our board is one I continue to value, and Altron benefits immensely from their contribution.

I would also like to thank VCP, who demonstrated their true value as a partner, looking beyond their self-interest and considering the interests of all stakeholders in the Bytes UK demerger. Going beyond acting simply as a shareholder, they rolled up their sleeves and contributed when work was to be done.

Equally, I would like to acknowledge and thank two of our equity partners at Altron Nexus and Netstar for their contributions as they move on: Southern Palace, who helped Altron navigate the challenges in Altron Nexus through their counsel and support, and LVV Investments for being active shareholders in Netstar.



Mteto Nyati
Chief Executive

MESSAGE FROM THE CHAIRMAN

MIKE LEEMING

Despite an operating context which posed unprecedented challenges in delivering services, during FY21 Altron delivered an outstanding return for our shareholders and a strong set of financial results that bode well for the group's long-term future.



STRATEGY

The “new” Altron came into being in 2017 with the introduction of VCP as a significant and active shareholder and the appointment of a new board and a new CEO. A core objective of our One Altron strategy that was introduced was to provide leading returns to our shareholders, and FY21 proved to be incredibly successful in this regard. That the board resolved to engage in a demerger of the Bytes Technology Group plc (Bytes UK) business so early in the financial year – as the world was coming to grips with the impact of Covid-19 and its effects on trading conditions – presented both opportunities and challenges.

There was the prime opportunity to capitalise on being ahead of schedule in achieving the objectives of One Altron and to reshape the Altron group in line with the ICT trends that were accelerated by rapid digitalisation during lockdown. The development of the Altron 2.0 strategy began with the planning of the Bytes UK demerger and has laid the foundation for our future growth and enhanced profitability. Success in these objectives should result in the business continuing to provide leading returns to our shareholders.

The board and its advisers worked diligently throughout the year – all the while keeping our shareholders well informed through various announcements – culminating on the separate listing of Bytes UK on the London Stock Exchange (LSE) in December. By any standard, completing the demerger in nine months is an impressive achievement.

What made it more successful was that shareholders, who received R53,67 for each of the Bytes UK (BTG) shares that they sold, were given the opportunity to maintain up to 75% of their holdings in BTG.

The GBP646 million valuation of BTG on its own translated to R12,9 billion at listing. Considering that at the time of the initial announcement of the plans for the demerger the Altron group’s total market cap was R8 billion, our strategic decision was fully validated.

Furthermore, the situation for shareholders who elected to hold on to their Bytes UK positions improved still further through a subsequent rise in the demerged entity’s share price by 55% as at 26 February 2021. All told, our shareholders have seen the value of their initial holdings in the Altron group more than triple over the course of the year. Despite initial scepticism at the rationale for the demerger, we believe we have enabled dual shareholdings of two businesses with independent and exciting prospects which will continue to benefit investors in the longer term.

As has been outlined in the chief executive’s report, Altron will become a business with fewer debtors, less inventory and one which will be leaner with a greater focus on intellectual property. We intend to pursue targeted areas of growth, focused on leveraging the opportunities created by the Fourth Industrial Revolution, aggressively in the new financial year. To a large extent Altron’s management team was able to focus on dealing with an operating environment beset by Covid-19 while our directors supported the executive in developing the pillars of Altron 2.0, which will be outlined further in the Outlook section below. We have assessed our portfolio thanks to the work of our investment committee and communicated with the market regarding Altron’s business units to be held for sale.

In FY22 we will continue to enhance the efficiency of the Altron group. We must acknowledge that our return on invested capital, excluding the now demerged UK business, has been disappointing over the past few years. The board is working with the executive to improve value creation from the remainder of the group, where there are many opportunities for Altron to grow revenue and profitability. The acquisitions and integration of Ubusha and LawTrust will prove significant in our future strategic direction.



MESSAGE FROM THE CHAIRMAN

OUR OPERATING CONTEXT

While the Bytes UK demerger absorbed much of the board's time and attention during FY21, it is impossible to ignore the present and future impact of Covid-19 on our business. This was a year of adaptation to rapid changes in working arrangements. Certain of our operating divisions which have been the mainstay of Altron's revenue for years faced sudden and unforeseen challenges.

While we anticipate a gradual return to normality through FY22 and beyond, the board has taken the opportunity to refine our future strategic direction and consider not only the blend of services and products Altron offers but the way we use technology in the business and to service our customers.

Aside from the novel focuses of the demerger and Covid-19, we continued to address ongoing themes of significantly reducing Altron's working capital requirements and mitigating the external constraints posed by political and legal issues.

Although Covid-19 posed the most immediate threat to business over the last year, the pre-existing operating environment was already one in which it was difficult to prosper – primarily because of a lack of economic reform and stimulus. We at Altron lament another year passed without significant improvement in the regulatory and support structures which stifle South Africa's economic potential.

In September 2020, Altron's shareholders were notified that Thobela Telecoms were granted leave to appeal the decision of the High Court in the Supreme Court of Appeal (SCA). Altron appealed the matter in the SCA and the court ruled in favour of Altron. The CoT (City of Tshwane) referred the matter to the Constitutional Court around December 2020 and the CoT sought leave to appeal the decision of the SCA. Given that the CoT had filed their leave to appeal outside of the Rules of court, in an order dated 19 May 2021, the Constitutional Court refused the application for condonation brought by the CoT for the late filing of its leave to appeal application. Additionally, the court dismissed the CoT's application for leave to appeal with costs, ordering that the application did not have any reasonable prospects of success.

The board and management are pleased with the outcome of the Constitutional Court's order and note that this risk and litigation has been mitigated and resolved accordingly.

A remaining challenge thrown up by the Covid-19 pandemic and which we will continue to address moving into FY22 is the change in Altron's real estate requirements. While we made logically sound arrangements three years ago to bring our operating divisions under one roof at a consolidated Altron campus, which aimed at realising a number of benefits such as reduced travel and environmental impact, the shift to a hybrid working model – brought on by social distancing and which is likely to persist into the future – has altered our physical space requirements. Our goal now is to minimise the cost impact of any excess space and optimise our use of real estate through subletting and other arrangements.

OUTLOOK

As the chief executive has outlined in his message, FY22 will require ongoing engagement with our stakeholders on Altron 2.0 and its implications for the group's future direction. We remain intently focused on aligning the business with the target markets and segments we have identified, which will necessitate further optimisation of the core and non-core ICT assets within Altron. In that respect we aim to ensure that the operating divisions within Altron in the coming year fully reflect our strategic ambitions and are positioned to deliver returns in what remains a challenging operating context.

“We at Altron lament another year passed without significant improvement in the regulatory and support structures which stifle South Africa's economic potential.”

GOVERNANCE AND LEADERSHIP

FY21 was a year in which the blend of skills, competence and experience of the Altron board was brought to bear. The board was highly active both to drive the successful Bytes UK demerger and to provide support and oversight of the management team's response to Covid-19.

The Altron board has remained constant in its composition for more than three years and looking back at a year in which we convened on a number of occasions in various guises, I am reminded of the strength and involvement of the sub-committees and their chairs in providing Altron with a competitive advantage.

At the same time, VCP played an invaluable role – at no cost to Altron – in providing a wealth of information, research and ideas in introducing and concluding the Bytes UK demerger, which was recognised by Dealmakers South Africa as the Deal of the Year for 2020. I must commend the work of all parties including our advisers working in tandem with Altron's executive committee to achieve optimal outcomes on all fronts in such a challenging year.

I believe that our board continues to demonstrate their commitment to be integrally involved in working for the company's best interest and the feedback we receive supports this view. The ultimate outcome is tangible in the value returned to shareholders in FY21. Our other stakeholders, including customers, suppliers, employees and the broader society, also benefit from the ongoing success and opportunities provided by both Altron and Bytes UK.

Altron remains a company with a strong focus on ethical issues and we are pleased to see out FY21 with no significant incidents.

BOARD COMPOSITION

There were no significant changes within the Altron board during the year. Dr Phumla Mnganga joined our remuneration committee and nominations committee during FY21 in the only change to our board structures.

ACKNOWLEDGEMENTS

That Altron emerged from the first year of Covid-19's impact in such a strong position is due to the excellence in leadership and execution from the chief executive, Mr Nyati, and the rest of the executive team. Altron is blessed with a highly capable, ethical and socially driven management team, which has set an example that is mirrored by each and every Altron employee.

I would also like to thank my fellow board members and VCP for their part in competently and efficiently executing the Bytes UK demerger, which has been the most successful strategic operations in the group's history. Our advisers who helped us through the demerger, Numis and Rand Merchant Bank, did an incredible job in providing guidance and advice throughout the process.

Finally, I would like to thank Altron's customers for standing by us as they all passed through a difficult year. We look forward to more prosperous and fruitful years in partnership ahead.



Mike Leeming
Chairman

PERFORMANCE SUMMARY



PROFITABLE REVENUE GROWTH

GROUP

Revenue*	R15,5 billion (-7,5%)
EBITDA*	R1,7 billion (-6,3%)
HEPS*	136 cps (-21,8%)
EPS*	3 270 cps (>1 000%)



CASH AND FINANCIAL MANAGEMENT

GROUP

Net debt: EBITDA	0,0x (+0,5x)
Working capital**	R1,7 billion (+735 million)
ROIC***	16% (-340 bps)

* Includes Bytes UK's results for c. 9,5 months prior to demerger.

** Excludes Bytes UK's working capital post demerger.

*** Includes Bytes UK's results and average balance sheet for c. 9,5 months prior to demerger.



EMPOWERED EMPLOYEES

- Workplace technologies to enable distributed work arrangements rolled out to 100% of employees
- 100% of Altron employees have access to our wellness programme and support mechanisms
- Altron OneTouch allows for greater availability of all HR information and employee self-management of workplace systems



IMPROVE THE CUSTOMER EXPERIENCE

- Altron's productivity, service levels and customer support were almost unaffected by Covid-19
- Altron has met all minimum requirements for the implementation of the POPI Act
- Our vendor and partner accreditation continues to advance to offer customers leading products and services

TOP CONTRACT WINS IN FY21 (>R20 MILLION)

- SA Taxi (division of Transaction Capital) contract worth R250 million over six years (Netstar)
- Three-year Toyota Malaysia contract valued at R200 million (Netstar)
- Capitec NCR recycling ATMs and CIMA coin-accepting devices contract worth R174 million (Altron Managed Services)
- Gauteng Department of Education managed mobile internet SIMs contract worth R114 million (Altron Nexus)
- Renewed a five-year contract with PUTCO worth a total value of R100 million (Netstar)
- MultiChoice Genesys Cloud Solution contract worth R73 million (Altron Systems Integration)
- Netstar Australia was awarded an Energy Queensland contract worth R50 million
- Broadnet provision of Motorola capacity max radio solution worth R50 million (Altron Nexus)
- Consumer identity and account management contract worth R63 million (Altron Security)
- Nedbank enterprise authentication engine contract to the value of R70 million (Altron Security)
- Limpopo Connexion microwave infrastructure contract worth R58 million (Altron Nexus)
- Gautrain DMR system and radios contract to the value of R29 million (Altron Nexus)
- JMPD/MTC multimode radios supply contract worth R26 million
- FNB NCR recycling ATMs and GRB bulk cash recyclers (branch transformation) contract with R77 million (Altron Managed Services)
- Nedbank NCR ATMs and GRG branch transformation contract to the value of R65 million
- Standard Bank EDW technology refresh contract worth R43 million (Altron Systems Integration)
- MultiChoice SDWAN solution contract to the value of R43 million (Altron Systems Integration)
- Department of Home Affairs Hanis two-year contract worth R38 million (Altron Systems Integration)
- Vodacom ER RFP contract worth R35 million (Altron Systems Integration)
- Pick n Pay Group NCR POS contract to the value of R38 million (Altron Managed Services)
- Mass Group POS technology refresh contract worth R20 million (Altron Managed Services)



AWARDS AND RECOGNITION

- Mustek Huawei 10-year partner award

As Altron Karabina we were awarded the following Microsoft South Africa Partner Award.

- Microsoft Data Analytics Partner of the Year
- Xerox MPS Excellence 2020 award
- Brunswick Deal of the Year Award for the demerger and separate listing of Bytes UK

ACQUISITIONS AND DISPOSALS

Acquisition by Altron of Ubusha Technologies (Ubusha)

Effective 1 March 2020, Altron, through its wholly owned subsidiary, Altron TMT SA Group Proprietary Limited, acquired the entire issued share capital of Gydan Investments (RF) Proprietary Limited, including, *inter alia*, its wholly owned subsidiary, Ubusha Technologies Proprietary Limited (Ubusha).

The purchase price was approximately R367 million, of which R259 million was paid upfront (R223 million in cash and R36 million in the group's own treasury shares) with the balance deferred. Of the deferred payments R54 million was paid on 1 March 2021 and the final R54 million will be paid on 1 March 2022. Goodwill of R290 million has been recognised on the acquisition of Ubusha which relates to the expected future synergies flowing from the group's intention to increase its footprint in security offerings into new markets and customer segments.

The fair value of the acquired brands and customer relationships of R56 million was recognised with deferred tax of R16 million in aggregate being provided in relation to these fair value adjustments. The business of Ubusha was successfully integrated as a division of Altron TMT Proprietary Limited and rebranded as Altron Security.

Acquisition by Altron of XDN

Effective 1 March 2020, Altron, through its wholly owned subsidiary, Altron TMT Proprietary Limited, acquired the business of XDN, the Xerox dealership in Durban, for a final purchase consideration of R15 million. The fair value of the acquired brands and customer relationships of R21 million was recognised on acquisition with deferred tax of R6 million in aggregate being provided in relation to these fair value adjustments. The business was integrated with the Bytes Document Solutions KZN office on the effective date.

Unbundling and separate listing of Altron's United Kingdom subsidiary, Bytes Technology Group Limited (Bytes UK)

A fundamental and strategic goal of the board of directors of Altron has been, over time, to maximise value for shareholders. This resulted in driving a One Altron strategy, which successfully delivered the disposal of non-core assets, the rationalisation of operations and the execution of targeted acquisitions in high-growth areas. This positioned

Altron as a leading IT Services organisation in Africa and achieved a total shareholder return of 26% per annum over three years with the return on capital employed increasing from 6,3% to 20,8% over the same period.

As part of its strategic review, the board assessed each of the business units within Altron, to identify opportunities which have the potential to unlock further value for shareholders and to streamline operations. The board concluded that the true value of Bytes UK, a wholly owned subsidiary of Altron, is not reflected in the company's share price. This business has increasingly developed a growth trajectory and strategic levers that are different to the rest of the group and operates in a different geographical capital market with a highly rated peer group.

The unbundling and separate listing of Bytes UK resulted in earnings of approximately R12 billion which was attributed to the company as a result of the consideration for the demerger from the Altron group.

Consequently Altron completed:

- the separation of Bytes UK from Altron by way of a disposal by Altron of all its shares in Bytes UK to a wholly owned subsidiary of the newly established Bytes UK HoldCo, Bytes Technology HoldCo in consideration for convertible notes;
- the distribution in specie of convertible notes by Altron to Altron ordinary shareholders, in the ratio of 0,5 convertible note for every one Altron ordinary share held;
- the redemption of convertible notes as agreed by a Circular process with shareholders; and
- the conversion of convertible notes to Bytes UK HoldCo shares and the separate admission of all of the Bytes UK HoldCo shares to the premium listing segment of the Official List of the FCA and to trading on the LSE's Main Market for listed securities and to the Main Board of the JSE as a secondary listing.

The governance and leadership elements related to the transaction included:

- constituting an independent board of directors for Bytes UK;
- the separation of Bytes UK from all group functions;
- concluding arrangements with the Bytes UK management team, consistent with an independent company; and
- separating all Bytes UK operational functions to ensure a standalone operational business.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Altron Nexus Proprietary Limited (Nexus)

On 30 June 2020, the group acquired 25% plus one share of the issued shares of Nexus for R30 million, bringing the group's total share to 100%.

Immediately prior to the purchase, the carrying amount of the existing non-controlling interest in Nexus was R178 000. The group recognised a decrease in non-controlling interests of R178 000 and a decrease in equity attributable to owners of the parent of R30 million.

Netstar Proprietary Limited (Netstar)

On 17 June 2020, the group acquired an additional 5% share of the issued shares of Netstar for R4 million, bringing the group's total share to 80% minus one share. Immediately prior to the purchase, the carrying amount of the existing non-controlling interest in Netstar was a negative R253 million. The group recognised a decrease in the negative non-controlling interests of R51 million and a decrease in equity attributable to owners of the parent of R55 million.

On 30 October 2020, the group acquired an additional 20% plus one share of the issued shares of Netstar for R50 million, bringing the group's total share to 100%. Immediately prior to the purchase, the carrying amount of the existing non-controlling interest in Netstar was a negative R200 million. The group recognised a decrease in the negative non-controlling interests of R200 million and a decrease in equity attributable to owners of the parent of R250 million.

Altech UEC South Africa Proprietary Limited (UEC)

On 25 August 2020, the group acquired 25% plus one share of the issued shares of UEC for a nominal amount, bringing the group's total share to 100%. Immediately prior to the purchase, the carrying amount of the existing non-controlling interest in UEC was a negative R57 million. The group recognised a decrease in non-controlling interests of R57 million and a decrease in equity attributable to owners of the parent of R57 million.

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The board regularly evaluates the various operations against its stated purpose and vision, and during the reporting period it became evident that some of the group's current offerings do not fit the ICT mould of the future Altron. These operations include the Document and People Solutions businesses as well as the Altron Arrow electronic component distribution operation. These businesses do not fit the refined vision of a future Altron which speaks to a highly differentiated technology solutions provider.

Altron is currently exploring opportunities to exit the aforementioned businesses, actively marketing these investments at an appropriate fair value. The sale of these entities is expected to be completed in the next 12 months. Consequently, the board has taken the decision to treat these businesses as held for sale and discontinued operations effective 31 August 2020 as the classification criteria have been met.

DISPOSALS DURING THE YEAR

ASI (SAMRAS/Inpensions). Sale effective date was 1 December 2020, purchase price R45 million. Paid to date R15 million; second payment of R20 million due 30 April 2021; final payment of R10 million due 30 November 2021.

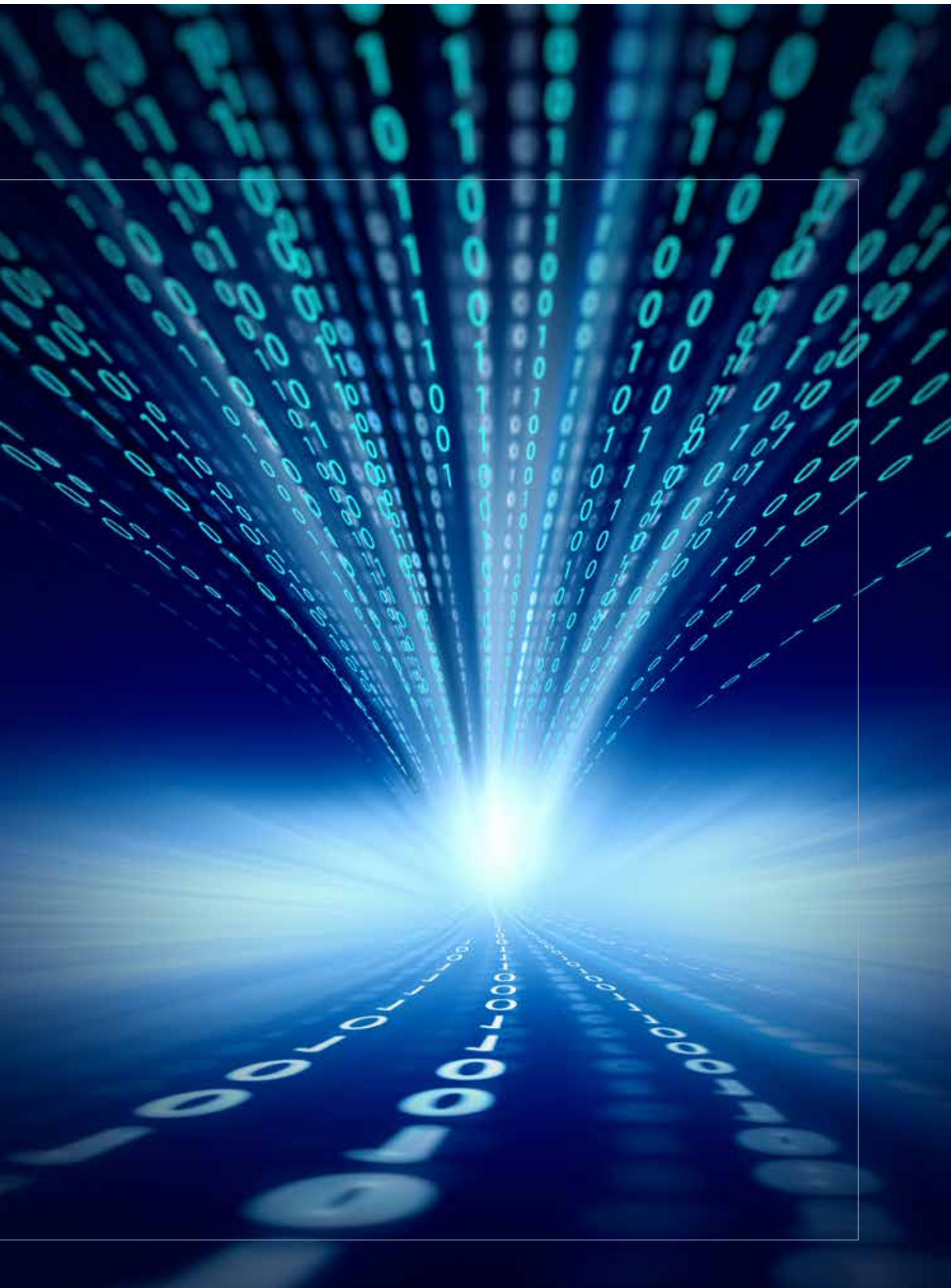
PERFORMANCE SUMMARY

		FY21	Continued	Discontinued
Financial sustainability (statutory)				
Revenue	(Rm)	15 453	7 399	8 054
EBITDA	(Rm)	1 713	1 007	706
EBITDA margin	(%)	11	14	9
Operating profit/(loss)	(Rm)	969	342	627
Profit/(loss) for the year after tax	(Rm)	12 142	68	12 074
Headline earnings/(loss)	(Rm)	504	115	389
Human capital				
Total employees		7 711	5 326	2 385
Group employee turnover rate	(%)	15,4		
Total training spend in South Africa	(Rm)	54,8		
Products and services				
Number of patents filed		-		
Operating context				
Total CSI spend	(Rm)	4		

¹ Restated.

		FY20	Continued	Discontinued
Financial sustainability (statutory)				
Revenue	(Rm)	16 713	7 383	9 330
EBITDA	(Rm)	1 829	1 100	729
EBITDA margin	(%)	11	15	8
Operating profit/(loss)	(Rm)	1 084	456	628
Profit/(loss) for the year after tax	(Rm)	628	122	506
Headline earnings/(loss)	(Rm)	644	141	503
Human capital				
Total employees		9 113	5 502	3 611
Group employee turnover rate	(%)	8,4		
Total training spend in South Africa	(Rm)	20,2		
Products and services				
Number of patents filed		21		
Operating context				
Total CSI spend	(Rm)	7		

¹ Restated.



OUR COMPANY



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-

Altron continues to
assess opportunities to
**EXPAND
AND GROW
GLOBALLY.**

OPERATING SEGMENTS AND BUSINESSES - ALTRON 2.0

MANAGED
SERVICES

ALTRON
NEXUS

ALTRON
MANAGED
SOLUTIONS

DIGITAL
TRANSFORMATION

ALTRON
SECURITY

ALTRON
KARABINA

ALTRON
SYSTEMS
INTEGRATION

**OWN
PLATFORMS**

NETSTAR

A SUBSIDIARY OF ALTRON

ALTRON
HEALTHTECH

ALTRON
FINTECH

**HELD FOR
SALE**

ALTRON
PEOPLE
SOLUTIONS

ALTRON
DOCUMENT
SOLUTIONS

ALTRON | ALTRON

GLOBAL FOOTPRINT



Our head office is located in Johannesburg, South Africa, though the group operates in multiple countries across four continents. Altron has a direct presence in 12 African countries (including the United Arab Emirates), the UK, Australia and India. Our strategic partnerships with leading international technology vendors and solutions providers give Altron an indirect presence in many other countries in Africa.

- Founded in 1965
- Approximately **7 700 employees globally**
- Operating on four continents: **Africa, Asia, Europe, Australia**
- 13 strategic partners
- 12 445 ATMs serviced per month
- Africa's largest mission-critical communications network
- Largest Xerox global partner
- 14 728 doctors on Altron's MediSwitch system
- 80 million transactions per annum in retail and microfinance, to the value of R40 billion.



UNITED KINGDOM

R6 billion*

(FY20: R7 billion).

* Included in FY21 results for circa 9,5 months.

REST OF THE WORLD

Australia

R206 million

(FY20: R181 million)

SOUTH AFRICA

South Africa represents 52% of our global business – **R8 billion**

(FY20: R9,0 billion).

REST OF AFRICA

R317 million

(FY20: R373 million)

- Botswana
- Kenya
- Lesotho
- Malawi
- Mauritius
- Mozambique
- Namibia
- Rwanda
- eSwatini (Swaziland)
- Tanzania
- United Arab Emirates
- Zambia

OUR SUSTAINABLE BUSINESS MODEL

OUR SUSTAINABILITY FRAMEWORK

The drivers in the Altron sustainability framework define the components of our performance which position the group for a sustainable future as a long-term creator of value for all stakeholders.

Our value drivers and material matters

Building financial prosperity

Revenue growth which is sustainable at a double-digit compound growth rate ensures the long-term sustainability of the group.

Improving profitability helps us grow both organically and acquisitively in order to achieve optimal scale for leveraging our intellectual property in our chosen target sectors.

Leading returns provide value for our shareholders and demand for our equity which raises our market capitalisation and allows us to take on more debt, if necessary.

Being a great place for all to work

A great place for all to work attracts, retains and motivates world-class talent, which helps us to create and develop leading solutions for our customers.

Engaged employees ensure our long-term sustainability by delivering the innovation and customer service excellence that will drive customers to select Altron as a provider.

A diverse and inclusive workplace ensures that our positive work environment creates the right conditions for our employees to thrive and contribute optimally.

An enabling work environment provides the means for our engaged employees to deliver optimal customer service.

Providing exceptional customer service

Innovative solutions keep us ahead of our competitors and ensure that we grow revenue consistently.

Outstanding customer service ensures that we benefit from a high proportion of annuity income and win new clients based on our Net Promoter Score.

Sustained strategic partnerships ensure that we are able to offer world-class products to our clients, as well as innovative technologies.

Sustainable supply chains help to meet government's development objectives and grow the broader economy, while ensuring that Altron is always able to procure the services and products it needs to operate optimally.

Doing good while doing good business

Creating a positive impact in communities in which we operate helps lift others up where we succeed.

Reducing our environmental impact prevents destruction of our natural environment and increases the sustainability of our group operations.

GOVERNANCE

Corporate governance | Ethics | Risk and compliance | Reputation management

GOVERNANCE IS THE FOUNDATION FOR ENSURING LONG-TERM VALUE CREATION THROUGH OUR VALUE DRIVERS




In FY20 we identified focus areas for sustainability which centred around developing and operationalising the Altron sustainability framework. Much of the process was completed, including framework operationalisation and the mapping of Altron's strategy against metrics for environmental management, sustainability codes and standards, sustainability marketing and communications, stakeholder engagement, sustainability in our supply chain and corporate social investment (CSI).

With the change to our Altron 2.0 five-year plan taking place during FY21, we reassessed the mapping of our sustainability framework to our strategy and were satisfied that the framework remains aligned with, and supports, Altron 2.0. We remain committed to our goal of "being a responsible ESG company" and providing supporting evidence of progress toward achievement of this goal.

During the year we attained several milestones to this end:

- The executive team has reviewed the framework and updated all indicators to ensure alignment with Altron 2.0. Executive accountability for all material themes has been confirmed.
- Health and safety indicators have been proposed and an engagement with the risk management team will take place early in FY22 to align indicators with overall sustainability objectives.
- The majority of data owners for all key performance indicators have been identified and confirmed.
- Reporting guidelines have been developed and provided to the social, ethics and sustainability board sub-committee (SESCoM) members, who maintain oversight of progress against the sustainability framework.
- The mapping of sustainability value drivers and committee focus areas has been noted and approved.
- A sustainability manual was circulated in Q1 of FY21 and further intranet/newsletter content is being developed around value driver themes.

OUR SUSTAINABLE BUSINESS MODEL

Value drivers	Affected stakeholders	Inputs	Our products and services	Activities and outputs from continuing operations	
Building financial prosperity	<ul style="list-style-type: none"> Shareholders Employees Government Strategic partners 	R453 million in net debt (FY20: R1,3 billion)	<p>Our products and services are clustered into:</p>  <p>Managed Services</p>  <p>Digital Transformation</p>  <p>Own Platforms</p>	<ul style="list-style-type: none"> Organic growth through cross- and upselling Strategic acquisitions to develop four growth areas Expansion in rest of Africa Deliver on Altron 2.0 strategy Engagements with investor community to build and maintain a positive investor sentiment and expand the shareholder base and profile 	
	<ul style="list-style-type: none"> Employees Government Customers Society 	<ul style="list-style-type: none"> 7 700 employees Skilled and motivated workforce 		<ul style="list-style-type: none"> Improve employee engagement through values and brand internalisation initiative, wellness programme, awarding employees and implementation of remuneration policy Ensure HR policies are aligned to strategy and leading practices, and implement workplace technologies Leadership, skills and talent development, as well as succession planning and recruitment 	
Being a great place for all to work	<ul style="list-style-type: none"> Customers Strategic partners Employees Government Regulators Society 	<ul style="list-style-type: none"> Research and development (R&D) into innovative solutions and services Strategic vendor partnerships 		<p>Our targeted growth areas are:</p> <p>Cloud services</p> <p>Data</p> <p>Security</p> <p>Automation</p>	<ul style="list-style-type: none"> New solutions and services in cross-divisional forums, implementation of innovative ideas and going to market with new R&D initiatives Train sales staff and manage customer relations Engagement with new and existing strategic partners 1,98% (Target: 2%) of net profit after tax spent on supplier development (SD) and enterprise development (ED). Altron spent R19,6 million on SD and ED in FY21. 2,57% of net profit after tax spent on ED and sector-specific initiatives
	<ul style="list-style-type: none"> Customers Strategic partners Employees Government Regulators Society 	<ul style="list-style-type: none"> Research and development (R&D) into innovative solutions and services Strategic vendor partnerships 		<p>Our targeted growth areas are:</p> <p>Cloud services</p> <p>Data</p> <p>Security</p> <p>Automation</p>	<ul style="list-style-type: none"> 87,42% (FY20: 91,66%) of local purchasing placed with B-BBEE-compliant suppliers; 50,69% (FY20: 42,41%) of all local purchasing placed with black businesses; 44,41% (FY20: 24,88%) of all local purchasing placed with black women-owned businesses; 6,76% spend on black small business (QSE); 7,52% spend on small black business (EME); 534 learnerships awarded; R54,8 million spent on training and development Measure and monitor the environmental footprint of Altron's operations, products and services (including carbon, energy, water and waste)
Providing exceptional customer service	<ul style="list-style-type: none"> Customers Strategic partners Employees Government Regulators Society 	<ul style="list-style-type: none"> Research and development (R&D) into innovative solutions and services Strategic vendor partnerships 	<p>Our targeted growth areas are:</p> <p>Cloud services</p> <p>Data</p> <p>Security</p> <p>Automation</p>	<ul style="list-style-type: none"> 87,42% (FY20: 91,66%) of local purchasing placed with B-BBEE-compliant suppliers; 50,69% (FY20: 42,41%) of all local purchasing placed with black businesses; 44,41% (FY20: 24,88%) of all local purchasing placed with black women-owned businesses; 6,76% spend on black small business (QSE); 7,52% spend on small black business (EME); 534 learnerships awarded; R54,8 million spent on training and development Measure and monitor the environmental footprint of Altron's operations, products and services (including carbon, energy, water and waste) 	
Doing good while doing good business	<ul style="list-style-type: none"> Society Government Employees Shareholders 	<ul style="list-style-type: none"> Flagship CSI project learning centres in Gauteng, KwaZulu-Natal and the Eastern Cape 	<p>Our targeted growth areas are:</p> <p>Cloud services</p> <p>Data</p> <p>Security</p> <p>Automation</p>	<ul style="list-style-type: none"> 87,42% (FY20: 91,66%) of local purchasing placed with B-BBEE-compliant suppliers; 50,69% (FY20: 42,41%) of all local purchasing placed with black businesses; 44,41% (FY20: 24,88%) of all local purchasing placed with black women-owned businesses; 6,76% spend on black small business (QSE); 7,52% spend on small black business (EME); 534 learnerships awarded; R54,8 million spent on training and development Measure and monitor the environmental footprint of Altron's operations, products and services (including carbon, energy, water and waste) 	

Outcomes

- **Revenue growth:** R7,4 billion revenue (FY20: R7,4 billion)
- **Profitability:** R1 billion EBITDA (FY20: R1,1 billion)
- **Investor relations capability**

Our priorities are:

- Short term: Outgrowing market growth per sector year on year
- Medium term: Regional growth exceeds market growth
- Long term: Triple operating income

Trade-offs

- Possible emergence of minor customer concentration risk through consolidation of services
- Altron will continue to ensure that the three business divisions held for sale are properly managed and positioned until they are disposed of. This will temporarily affect progress against our working capital goals

- 15,4% (FY20: 3,9%) employee turnover; Altron employee engagement score of 63% (FY20: 61%)
- An enabling work environment
- A diverse and inclusive workforce: Level 3 B-BBEE certification

Our priorities are:

- Short term: Meet employment equity targets; complete roll-out of Altron OneTouch system
- Medium term: OneTouch benefits evident in HR efficiencies; 100% employee participation in Wellness Programme; Office 365 fully adopted
- Long term: Implementation of succession plans for all critical/scarce skills roles

- While we have benefited from an ability to implement a hybrid working model effectively, Altron faces potentially elevated competition for skilled workers from around the world as distributed workforces become the norm

- Innovative solutions
- Outstanding customer experience: Net Promoter Score: 8 out of 10 operations are above global benchmark
- Sustained strategic partnerships
- Sustainable supply chains

Our priorities are:

- Short term: Ongoing engagement with strategic partners
- Medium term: Growth of strategic partnerships
- Long term: Taking R&D initiatives to market

- Altron must adapt to our customers' need to implement smaller projects in the short term rather than larger projects over extended periods, as a result of economic conditions

- Creating a positive impact in the communities in which we operate
- Establishing a transformed and sustainable value chain
- Reducing our environmental impact




Our priorities are:

- Short term: Measure and monitor environmental data; develop a responsible environmental, social and governance (ESG) index; improve monitoring and evaluation data for CSI projects
- Medium term: Implementation of environmental data capture and reporting system and time-based baseline and targets
- Long term: Alignment of CSI strategies across the group; quantify environmental benefits of products and services for customers; progress against environmental targets

- Some of our existing CSI projects sponsored at operating company level will need to be brought to a close as we align our CSI efforts across the group
- Delays in moving to our new consolidated campus as a result of Covid-19 have stalled the roll-out of our environmental impact data collection system

OUR SUSTAINABLE BUSINESS MODEL

HOW WE CREATE VALUE FOR OUR STAKEHOLDERS

Stakeholder group	 Shareholders	 Strategic partners	 Customers
Material matters	<ul style="list-style-type: none"> • Revenue growth • Improving profitability • Enhancing investor relations capability • Sustained strategic partnerships • Sustainable supply chains • Creating a positive impact in the communities in which we operate 	<ul style="list-style-type: none"> • Sustained strategic partnerships • Outstanding customer service • Employee excellence • Revenue growth 	<ul style="list-style-type: none"> • Employee excellence • Innovative solutions • Outstanding customer service • Sustained strategic partnerships
Strategic response to create value	<p>We remain committed to leading returns for shareholders in the IT sector. Through consistent performance, high ethical standards, strong strategic guidance and both organic and acquisitive growth, Altron has delivered exceptional value to its shareholders through the year</p>	<p>We depend on strategic partnerships to meet our customer needs. Altron engages with credible global players in ICT to deliver technology that matters and delivers value to them by expanding their customer base</p>	<p>Our customers benefit from our leading technical products and services grounded in our relationships with the world's foremost vendors and partners. Altron's solutions help businesses across our geographical footprint lower costs, improve performance, excel and deliver value for their own stakeholders</p>
Responsible Altron bodies	<ul style="list-style-type: none"> • Board • Executive committee 	<ul style="list-style-type: none"> • Executive committee 	<ul style="list-style-type: none"> • Executive committee
IAR sections	<ul style="list-style-type: none"> • Building financial prosperity • Providing exceptional customer service • Doing good while doing good business 	<ul style="list-style-type: none"> • Building financial prosperity • Providing exceptional customer service • Engaged employees 	<ul style="list-style-type: none"> • Providing exceptional customer service • Engaged employees



Employees

- Revenue growth
- Improving profitability
- Engaged employees
- Employee excellence
- Diverse workforce
- Innovative solutions
- Outstanding customer service
- Creating a positive impact in the communities in which we operate

Altron's employees receive value from a diverse, inclusive workplace with 100% access to a wellness programme and support. We also provide cutting-edge technology, training and development and career path planning to help our employees reach their full potential

- Executive committee
- Human capital
- CSI committee

- **Building financial prosperity**
- **Providing exceptional customer service**
- **Being a great place for all to work**
- **Doing good while doing good business**



Government

- Diverse workforce
- Innovative solutions
- Sustainable supply chains
- Creating a positive impact in the communities in which we operate

As a partner to government in service provision, such as broadband internet, and policy influence, Altron is helping to shape a country that is ready for the Fourth Industrial Revolution and can meet its developmental objectives

- Board
- Executive committee
- Risk management
- Compliance
- CSI committee

- **Providing exceptional customer service**
- **Being a great place for all to work**
- **Doing good while doing good business**



Regulators

- A great place for all to work
- Diverse workforce
- Innovative solutions

In a rapidly transforming economy headed toward digital services, Altron's role in helping to store and secure important and sensitive information – of customers, employees and ordinary citizens – will be critical

- Board
- Executive committee
- Human capital
- Risk management
- Compliance

- **Providing exceptional customer service**
- **Being a great place for all to work**



Society

- A great place for all to work
- Diverse workforce
- Innovative solutions
- Sustainable supply chains
- Creating a positive impact in the communities in which we operate

Our investment in ICT skills development through our CSI projects, as well as our involvement in the provision of broadband internet and the backbone of systems operating in socially critical sectors – such as healthcare, security and financial services – bring about positive outcomes for society at large


- CSI committee
- Executive committee

- **Providing exceptional customer service**
- **Being a great place for all to work**
- **Doing good while doing good business**

OUR SUSTAINABLE BUSINESS MODEL

OUR TOP STRATEGIC RISKS AND OPPORTUNITIES

	Working capital and cash consumption risk	Profitability risk	Skills risk
Description	<p>Covid-19 has significantly impacted the global economy and as a result economic activity has and continues to slow down. This has placed pressure on Altron's working capital and cash consumption to maintain and grow business operations.</p>	<p>Covid-19 has adversely impacted on economic conditions in local and international economies, which impact on Altron's ability to grow the business, the cost of doing business and customers' spending power.</p>	<p>Altron may not have access to adequate resources with requisite capabilities and capacity when required to ensure business continuity and to successfully execute on its strategy in a competitive market.</p>
Strategic response	<p>Altron has been relentless in our efforts to preserve our business operations in a manner which would not just prevent value erosion but position us for future sustainable growth.</p> <p>During the year, we initiated a process to exit those businesses that require intensive working capital injections. The successful disposals are anticipated to release an estimate of R800 million in working capital.</p> <p>This coupled, with our continued group-wide focus on ensuring discipline in working capital management, has been instrumental in stabilising the group's working capital and cash consumption position.</p>	<p>The national lockdown necessitated adopting a cost-sentient mindset to preserve profitability. Measures implemented included:</p> <ul style="list-style-type: none"> • salary rollbacks; • forfeiture of management bonuses; and • retrenchments. <p>We remain optimistic about our growth potential, with significant opportunities existing to launch non-traditional products and services.</p>	<p>Altron has enjoyed much success in attracting and recruiting the high-calibre talent and skills to drive the One Altron strategy. Skills retention and development are crucial to business continuity and improving the country's global competitiveness, and as such we have adopted an active role in supporting the existing workforce through reskilling and upskilling interventions.</p> <p>The Altron 2.0 strategy, which is premised on "continuity and change", has seen new roles emerging and required capabilities and skills that are scarce and critical. This is not unique to Altron as we see shortages and competition for critical skills rising in South Africa, the African continent and globally.</p> <p>To enable a future-fit workforce we continuously invest in skills development.</p>
Link to material matters	Leading returns	Improving profitability	A great place for all to work

		OPPORTUNITY	
Workforce strategy risk	Cyber and information security risk	Skills opportunity	Cybersecurity control failures
Altron's workforce may not be sufficiently agile to respond to the ongoing changes within the organisation, customer requirements and global trends.	The probability of exposure or loss to Altron resulting from a cyberattack or data breach.	Altron is uniquely placed through its skills development interventions to produce a pipeline of credible and critical skills that will not only service Altron but the country and globally. Altron is also aware of the opportunities being brought about by the new remote working environment.	The escalation of digital transformation brought on by the virtual work environment, introduces significant opportunity for Altron Security.
Our employee value proposition (EVP) is an expression of the unique DNA of Altron and what matters to us. When Covid-19 arrived at our shores, we reviewed, refreshed and expedited an enhanced value proposition featuring: <ul style="list-style-type: none"> · embedding a hybrid workplace in line with our Altron policy; and · skilling/reskilling management on the new way of work. 	The remote working environment as well as the increased use of digital tools by employees increased the cyberthreat landscape. To address the risk, extensive product training and cybersecurity awareness were rolled out virtually, and additional stringent monitoring of compliance to Altron's standards were enforced. The Protection of Personal Information Act, No. 4 of 2013 (POPI Act) came into effect on 1 July 2020, requiring amongst others, that Altron ensure its entire cyber-estate was secure. We identified key cybersecurity risks through our board risk management committee and implemented appropriate controls.		

A diverse and inclusive workplace

Outstanding customer service

OUR SUSTAINABLE BUSINESS MODEL

OUR PURPOSE AND SOCIETAL IMPACT

As we embark on Altron 2.0 it is apposite to expand upon our purpose and reason for being as an organisation: *Delivering innovation that matters*. By this we mean the need to develop technology not for its own sake, but to address real problems in the society in which we operate. Our innovation is constantly directed by the question of where we can make a difference.

Our chosen areas of developing innovation that matters are healthcare, financial inclusion and security. Here are some examples of our innovation for a better tomorrow:

Healthcare

Altron provides the bulk of the technological backbone of the private healthcare system in South Africa. If our products and services were to be removed from that system tomorrow, it is very likely the health system would collapse. Approximately 15 000 healthcare practitioners use our technology daily to manage their client relationships, to create scripts and share them with both pharmacies and medical aids. Altron's practice management application is behind the smooth functioning of medical practices around the country, while our MediSwitch system is responsible for transactions and communication between doctors, pharmacies and medical aid schemes.

Looking at the current environment affected by Covid-19 and social distancing, we are thinking differently about how consultations can work in the future. Remote diagnosis through telemedicine stands to benefit people not just during social distancing and not just in the private healthcare system. We see the capabilities of telemedicine in support of doctors, nurses and clinics in rural villages where the reach of medical professionals can be multiplied exponentially.

In a country with a limited pool of medical practitioners, we see telemedicine as a growth area in which Altron can play a vital role in improving the lives of all people.

Through our various operating divisions, Altron helps contribute to Goal 3 – Good Health and Well-being – of the United Nations' Sustainable Development Goals 2030. We have:

- Assisted a mining company to track and schedule mandatory health checks and analyse and report on data through an automated, integrated system. The mining company now has an effective, streamlined occupational, primary and chronic healthcare management process which provides accurate data reporting, has eliminated employee queues and ensures effortless compliance with the SA Occupational Health and Safety Act.
- Provided a highly successful collision avoidance and safety platform developed for diversified mining

company Glencore. The solution makes mining compliant, efficient and safer by overcoming the limitations of traditional early warning systems.

- Developed a solution which significantly decreases the administrative burden and cost of oncology treatment. This has helped both patients and healthcare providers by simplifying a costly and complex system which lacked effective management, record-keeping and integration. Significant reductions in time to treatment have improved health outcomes.
- Implemented a wellness programme which includes financial, mental and physical wellness services for Altron's employees and their families.
- Collaborated with Vodacom and Toyota to create Toyota Connect – an in-vehicle analytics, safety and convenience online platform.
- Implemented a primary care clinic patient management system which has cut down on queues and increased patient turnaround. It has also virtually eliminated fraud in medical scripts and has restored the dignity of citizens visiting clinics in the Johannesburg metro area.
- Partnered with PUTCO to provide telematics and data analytics to the PUTCO Driver Training Academy.

Financial inclusion

Many people are unable to access finance from traditional institutions – whether they are employed or not. Whether it is to send their children to university or to meet more immediate needs, the need for microfinance has seen solutions in South Africa grow quickly.

Our platform has professionalised the microfinance industry by providing the tools to assess affordability, remain compliant with the Credit Act and prevent irresponsible lending. Without our technology, it is likely that the industry would be unable to function in line with regulations. Using our platform, both lenders and borrowers are able to thrive.

Looking ahead, Altron is considering the stokvel savings industry and finding ways to bring these associations into the formal sector.

Through our financial inclusion services, Altron helps contribute to Goals 8 and 9 – Decent Work and Economic Growth; and Industry, Innovation and Infrastructure – of the United Nations’ Sustainable Development Goals 2030. Altron:

- Runs automotive learnerships, through Netstar, where learners train as technicians for on-the-road fitments and installations. The ultimate goal is employment, and our operating divisions benefit.
- Is committed to fair remuneration practices, equal opportunity and transformation as guiding principles. We do not discriminate on grounds of age, ethnic or social origin, gender, sexual orientation, politics or religion.
- Focuses on funding and projects that will enhance ICT skills levels in communities, through CSI. Our objective is to create sustainable employment solutions, as well as providing support for ICT skills education through bursaries for the underprivileged with no subsequent obligation to Altron.
- Provides platforms for lenders in the informal sector to remain compliant with the National Credit Act by enabling credit checks and other capability. This business is growing strongly – we collect more than R1,5 billion on behalf of lenders each month.
- Trains candidates where they cannot be recruited. While the market is saturated with basic computer literacy skills, some of Altron’s operating companies run ICT learnerships in various communities to span end-user computing, technical support and systems support. With these skills, young learners become much more employable, which benefits employers including the Altron group itself.
- Provides hardware and software for the financial sector, launching products focusing on informal businesses and the unsecured lending environment.
- Continually conducts market research on start-up companies in the ICT sector, in partnership with some of our key vendors, and an intermediary, TechInvest, in order to find great ideas that require monetisation. If we decide to invest in or partner with a start-up, Altron has a base of more than 20 000 enterprise customers to offer. Our approach is to provide funding and, if we see value, to look for equity in these businesses.
- Plays an important role, through Altron Nexus, in contributing to the provision of broadband infrastructure in a country which sorely needs to ready itself for the Fourth Industrial Revolution.

Safety and security

Within the Altron group there are two types of security we provide: one related to assets, such as vehicles, and security of information. Netstar gained market trust in the brand through tracking vehicles but has rapidly repurposed technology for use in protecting many other types of physical assets.

A recent example is our partnership with the Gauteng Department of Education, which was looking for a way to secure technology and assets supplied to schools in the province. Netstar developed nanotechnology which can protect these assets and track their movements, if stolen, with a high degree of accuracy. The repurposing of technology to tackle a pressing social issue has been successful.

Similarly, in the taxi industry – a vital enabler of the South African economy – on the back of a successful partnership with Toyota where we developed technology to turn each vehicle into a Wi-Fi hotspot, we are developing a solution which will improve connectivity and allow for mobile productivity of taxi commuters while they travel. The conversion of downtime into productive uptime for taxi customers will allow many more people to continue working and bring economic benefits to the country.

Through our safety and security services Altron aligns with Goal 11 – Sustainable Cities and Communities – of the United Nations’ Sustainable Development Goals 2030. Through its operating companies, Altron:

- Has pioneered the vehicle tracking and stolen vehicle recovery industry in South Africa. Netstar has more than 930 145 subscribers worldwide.
- Specialises in SMART City/SAFE City and Internet of Things (IoT) technology and projects. Our goal is to support city authorities and enterprises in the creation and formulation of a smart economy vision based on digital infrastructure. We provide emergency command and control call operators with the tools needed to ensure the best and most current information. These include multiple wireless and fibre-based communication technology access, dynamic CCTV visibility and analytics, instant voice recording playback, situational and resource location visibility, patient telematics and triage, IoT sensor status monitoring and analytics-based search and alarm applications.

OUR SUSTAINABLE BUSINESS MODEL

APPROACH TO CLIMATE-RELATED RISKS AND OPPORTUNITIES

Governance

The social, ethics and sustainability committee (SESCoM), has oversight of environmental matters. The SESCOm report includes a section on Altron's greenhouse gas (GHG) emissions and monitors progress on reducing its carbon footprint.

Altron's new Environmental Policy (currently in development) commits Altron to reducing any negative environmental impacts, including the production of GHG emissions.

Altron's sustainability framework includes a section on environment (*inter alia*, carbon footprint). Sustainability matters are managed by the company secretariat, who engages external experts in an advisory capacity.

Strategy

The overarching concept of being a responsible ESG company includes monitoring and measuring Altron's GHG emissions and thus our direct impact on climate change.

Altron recognises the opportunity for its products and services, such as online communications technologies or smart vehicle systems, to assist customers in reducing their GHG emissions. In the future Altron would like to be able to quantify these positive environmental impacts.

Altron has moved its head office onto a new campus which is a registered Green Star building. Selecting a building which will operate more energy efficiently has reduced Altron's exposure to climate-related risk. In addition, solar photovoltaic (PV) systems have also been installed on the Johannesburg warehouse's roof, reducing carbon footprint but also increasing energy security.

Risk management

Climate-related risks are managed through Altron's enterprise risk management (ERM) process.

Risk appetite statement

Altron acts as a good corporate citizen in communities where we operate by managing our impacts on human health, natural resources, and the environment. Altron does not have appetite for risks that threaten our strategy to responsibly manage our impacts on society and the environment.

These specific sections are included in Altron's risk matrix:

- Environmental impact: Reduce environmental impact (GHG emissions, energy, water and paper usage)
- Environmental impact: Avoid negative impacts from preventable causes
- Supply chain footprint: Manage risk from suppliers on Altron's footprint (GHG emissions, energy, water and paper usage)

The sustainability and risk management teams collaborate on ensuring climate-related matters are covered in both the risk and sustainability frameworks.

Metrics and targets

Altron tracks Scopes 1, 2 and 3 carbon emissions and its carbon footprint. We have submitted Carbon Disclosure Project (CDP) disclosures since 2010. In 2020, Altron's score improved from a D in 2019 to a C.

Due to organisational restructuring (most significant being the divestment of manufacturing businesses) and a physical move in 2021 to a Green Star-rated, EDGE-certified head office campus in Johannesburg, previous years' data and indicators are now obsolete. The sustainability team will establish new environmental baselines, which will include climate-related indicators based on 2021 data, once collected. Intensity indicators will include GHG emissions per full-time equivalent (FTE) and GHG emissions per square meterage of office space occupied. See page 56 for more information on environmental impact.

ALIGNMENT WITH KEY CODES AND STANDARDS

During FY21 Altron consciously elected to continue to commit to the following third-party codes and standards:

B-BBEE ICT Charter	Broad-Based Black Economic Empowerment Information and Communication Technology Charter	GRI Standards	Global Reporting Initiative Reporting Standards
BLSA	Business Leadership South Africa	ISO9000	ISO9000 Quality Management Standard
BUSA	Business Unity South Africa	ISO Family	Various ISO standards applied as applicable across the group
CDP	Carbon Disclosure Project	<IR>	Integrated Reporting
GBCSA	Green Building Council South Africa (for Woodmead Campus)	King IV	King IV Reporting
GHG	GHG Protocol Corporate Standard	SABS	South African Bureau of Standards (selected products)
		SDGs	Sustainable Development Goals (3, 8, 9, 11)

OUR STRATEGY

OUR PURPOSE

Delivering innovation that matters

OUR GOAL

Triple Operating Income in 5 years

- Be an employer of choice
- Best in class customer service
- Leading shareholder returns in ICT sector
- Net debt : EBITDA of 1
- A responsible ESG company

OUR GROWTH AREAS



Cloud Services



Data



Security



Automation

OUR VISION

The highly differentiated technology solutions provider

ONE SET OF VALUES

- Openness, honesty and integrity
- Collaborate across teams
- Embrace diversity and inclusion
- Get things done and enjoy doing it
- Passionate about employees, customers, partners and communities

OUR SEGMENTS



Managed Services



Digital Transformation



Platforms

OUR STRATEGIC PRIORITIES

- Profitable Revenue Growth
- Cash and Financial Management
- Empowered Employees
- Improve Customer Experience

SOCIETAL IMPACT

SAFETY AND SECURITY

FINANCIAL INCLUSION

HEALTHCARE MANAGEMENT

OUR PERFORMANCE



- 42** Building financial prosperity
- 46** Being a great place for all to work
- 50** Providing exceptional customer service
- 54** Doing good while doing good business

The beginning of our financial year preceded the first diagnosed case of Covid-19 in South Africa by four days, meaning the country's and the world's struggles to contain and overcome the pandemic remains the dominant theme which underscores our financial results.

Altron's business divisions were not equally affected by the Covid-19 pandemic. While some of our units, such as Altron Document Solutions and Altron People Solutions, suffered significant blows to sales and revenue as a result of lockdown restrictions, businesses such as Altron Systems Integration and Altron Security were net beneficiaries of the sudden acceleration of digital transformation brought on by restrictions to physical trading.

Bytes UK, which contributed to our financial results for ten months of FY21, performed exceedingly well as a result of demand for remote connectivity and online tools.

At an operational level Altron proved itself highly resilient as a collective, but we are not immune to economic gravity. Already, before the onset of Covid-19, South Africa's economy was in a technical recession after two quarters of negative growth.

Into a low-growth environment Covid-19 added massive amounts of uncertainty which required Altron to act quickly and proactively to ensure liquidity for a crisis of unknown duration. These actions included rolling back salary increases and forfeiting half of all management bonuses to preserve cash.

Consequently, Altron was in the rare position of not requiring additional financial assistance and even ending the year with a reduced debt load compared with the end of the prior year. Through the commendable strategic decisions of the board and management in managing liquidity we have avoided much of the short-term pain which has afflicted our corporate peers.

BUILDING FINANCIAL PROSPERITY

HIGHLIGHTS

- Significant unlocking of value from Bytes UK demerger, leading to 152% total shareholder return for FY21.
- One Altron five-year strategy achieved.
- Satisfactory growth in revenue against a challenging backdrop.
- Altron's debt position is extremely favourable, especially considering the difficulties faced.

In FY21 continuing operations' statutory revenue remained in line with the prior year at R7,4 billion.

CHALLENGES

- Underperforming divisions which no longer meet Altron 2.0 requirements came under pressure in an operating environment affected by lockdowns and social distancing.
- Margins under pressure and customer decision cycles extended.
- Underperforming business units caused our working capital requirements to spike temporarily during lockdown restrictions.
- We have attempted to preserve as many jobs as possible in the face of an unprecedented operating environment.

MATERIAL ISSUES

- 1 Profitable revenue growth
- 2 Investor relations capability

RELEVANT STAKEHOLDERS



Shareholders



Employees



Strategic partners

PERFORMANCE

Profitable revenue growth

The successful demerger of Bytes UK and the pending sale of three underperforming business units – Altron Document Solutions, Altron People Solutions and Altron Arrow – will significantly alter the size, shape and nature of the remaining Altron group. However, while they remain within the Altron stable, we are committed to viewing the group holistically on an annual basis.

As such, operational revenue growth in the Altron group has been slow but satisfactory given the circumstances. A sharp depreciation in the Rand provided a tailwind but a trading environment affected by Covid-19 placed pressure on revenue growth and margins. The focus of our strategy during the year was more on sustainability and preservation than growth, while ensuring that our positioning during a difficult year leaves the group leaner, stronger and with lower overheads.

A number of external factors affected our revenue performance through FY21, including the ongoing legal disputes over the City of Tshwane broadband infrastructure contract. Though Altron has once again received a comprehensively favourable ruling paving the way for the reinstatement of the contract, a lack of political continuity within the municipality has meant that we anticipate a further round of legal action at the Constitutional Court before R300 million in cash can be realised.

Of course, Covid-19-related lockdown restrictions played havoc with the operations of many of our customers, which led to several proactive pre-orders of products increasing our working capital requirements temporarily. We have also noted a significant change in sales cycles, with large projects delayed and smaller projects scheduled over very short time frames. This has led to a general reduction in large-scale IT capital expenditure as a trend to which we must adapt as the new normal.

Altron has remained ahead of the curve in seamlessly adapting to remote working arrangements and our move to the cloud has been vindicated by credible South African entities beginning to follow. The incentive of reduced IT costs through paying for variable consumption will act as a strong driver in favour of our service offering.

The market is still coming to grips with Altron 2.0 in terms of its valuation, but we are already trading well north of some market estimates. We have exceeded expectations

from a shareholder perspective and our goal is to continue on the path set by our successful gains through FY21. Our intention is to adhere to our current dividend strategy, despite the tough trading environment.

We registered success in almost doubling our EBITDA within three years of the five-year One Altron strategy and have delivered significant shareholder returns in that time. FY22 appears challenging from the point of view that the broader economy is under pressure. It will take some effort and adaptation to overcome the inertia produced by Covid-19, but we believe it is a realistic outlook that Altron will grow revenue at a double-digit compounded rate for the next five years.

Our additional goal is to triple operating income in five years from our FY20 figure (R456 million) from the base excluding Bytes UK and the three business divisions held for sale in FY22. We expect organic growth will achieve slightly more than double our previous operating income, while key acquisitions of high-quality businesses in our target markets will account for the rest.

Altron has a number of factors working in its favour headed into FY22: we have built significant brand momentum in a market in which our customers are highly selective about service providers. Our ethical standards and market-leading solution set have acted as a bulwark against competition.

What remains is to reach our financial goals of freeing up R800 million in working capital tied up by three business divisions and to refine our capital allocation model. In short, Altron will look to scale up its quality business units to achieve the return on capital that the market wants to see. The exit of underperforming businesses and scaling of high-performance businesses will be our strategic theme for the next three years.

Our priority in scaling up is the Altron Security division, which is already performing above expectations after embedding the acquisition of Ubusha Technologies, which was finalised on the first day of FY21. With the addition of LawTrust, these entities will form the bedrock of our growth and a competitive advantage going forward.

Through FY21 we also concluded minor transactions buying out non-controlling shareholders in our Netstar and Nexus divisions, which paves the way for more comprehensive and necessary changes to those businesses to become more profitable.

BUILDING FINANCIAL PROSPERITY

Cash and financial management

Altron's debt to EBITDA ratio has been satisfactory for the last two years, after improving markedly from the group's debt stress of four years ago. Our balance sheet has benefited from the ongoing sales of capital-intensive businesses and the Bytes UK demerger, the proceeds of which were used to aggressively reduce our debt levels.

Our debt covenant is set at 2 x EBITDA and in our most recent full year of earnings we have operated at a ratio of 0,5 x EBITDA. Prior to the demerger Altron utilised debt facilities of R3,8 billion, but these have been reduced to just R2 billion. We remain comfortable with debt at around 1 x EBITDA and we expect our debt to remain at this level going forward even without the revenue cover from Bytes UK.

We are excited to begin Altron 2.0 on such favourable terms. The debt structure which remains will be managed to remain sustainable.

Altron's working capital requirements have impacted our ability to reduce our debt levels. However, our process of exiting businesses with intensive working capital needs is yet to be completed. The working capital release we expect from the disposal of Altron Document Solutions, Altron People Solutions and Altron Arrow is expected to be circa R800 million.

We are committed to a continuation of the shift from capital-intensive businesses to becoming a pure ICT enterprise where we sell time and skill.

An operating environment affected by Covid-19 also required us to look closely at our cost base in order to ensure sustainability, resulting in salary rollbacks, some forfeited performance bonuses and the regrettable exit of around 600 employees from the group – 10% of our South African workforce. On the positive side, we have

already seen the benefits of these moves and R80 million in cost savings coming through. The staff exit costs were recovered through savings before the end of the financial year and further benefits will be realised in FY22.

Our overhead costs as a percentage of gross invoiced income was 13,5%. We will continue in our efforts to reduce this.

Real estate is a significant cost and we have reanalysed our space requirements and vacated surplus buildings. While there were costs associated with the termination of those leases, in the long term we will achieve significant savings. By the same token, our travel budget during FY21 dropped to almost nothing due to the use of online productivity tools, which has partially off-set those costs. This was also due to restrictive travel measures adopted by the government in FY21.

Social distancing restrictions impacted the new centralised office campus (Woodlands Campus, located in the Woodmead precinct), but the use case remains strong given the ongoing collaboration between our business units. We have given up space in the campus according to our new post-Covid requirements and have maintained stringent protocols where a return to office work is called for.

The move of our South African business units to a single campus was accompanied by a consolidation of our offices and warehouses from a collective 40 000 m² to a single 27 000 m² facility. Both the new campus and warehouse come with the major benefit of impeccable environmental credentials, reducing our carbon footprint, utilising solar power and reducing our water consumption. Along with reduced road traffic and air travel from our new working model, we expect to realise significant cost savings from FY22 onward.

LOOKING AHEAD

The bulk of our growth going forward will remain organic, driven by our large corporate customer base of more than 20 000 enterprise customers.

Strong intellectual property offerings and opportunities to grow our geographical footprint will be key factors for us in assessing potential acquisitions. We have certainly not divested from the UK with the demerger of Bytes UK and will continue to look at opportunities in that market, as well as in mainland Europe.



BEING A GREAT PLACE FOR ALL TO WORK

HIGHLIGHTS

- We have implemented a comprehensive three-year human capital roadmap to support the objectives of Altron 2.0.
- Human capital activities have been aligned to the Altron sustainability framework.
- We were able to support and protect our employees during Covid-19.
- Our employee engagement score has improved by 2% through a difficult year as endorsement for our efforts.

100%

of our employees have access to our employee wellness programme.

CHALLENGES

- Maintaining work-life balance for our employees will remain an important part of a changed working environment.
- Despite the best efforts of the company and our employees, retrenchments during FY21 were unavoidable as a result of the economic impact of Covid-19.

MATERIAL ISSUES

- 1 Engaged employees
- 2 An enabling work environment
- 3 A diverse and inclusive workplace

RELEVANT STAKEHOLDERS



Employees



Customers



Regulators



Strategic partners



Society

Workplace technology to the fore

The year in review is notable for the sudden change in our working arrangements and unplanned disruptions to our business processes. These events required quick and comprehensive changes to our workplace policies and support mechanisms – made more complex by geographical and regulatory diversity as the world underwent lockdowns.

We constituted a Covid-19 crisis committee in March 2020 and this body played an important role in assessing all potential impacts on the organisation and our employees, while also playing an oversight and strategic and tactical communications role.

We benefited from the moves begun in FY20 to standardise our digital human capital management platforms and accelerated migration to Microsoft Azure. As a result, we were largely prepared and ready for such a swift change toward employees working from home. Workplace technologies were rolled out to 100% of our employees to enable the new hybrid working model.

Our first major theme for the year was the protection and support of our employees – assisting with medical-related concerns and events, avoiding burnout and balancing work life with home life. Virtual communication platforms allowed us to monitor and respond to situations across the group, with weekly reporting to escalate matters to the executive committee and board.

Similarly, many of our employees who were unable to work initially risked being affected financially by being forced into negative leave. In response, we initiated a leave donation pool which would be used to cover all employees and eliminate financial consequences from the change in working arrangements. Full credit must go to a highly unified and collaborative Altron workforce for contributing an excess of leave to assist their colleagues.

At the same time, we reversed increases which were effective from the beginning of March 2020 for all employees in South Africa, while our leadership from first-line leadership upwards elected to forfeit half of their performance bonuses earned from the prior year in order to help preserve liquidity in the organisation. Again, we must commend the selfless actions of all employees of Altron in minimising the impact of the pandemic and saving as many jobs as possible.

Operationally, our standardisation and harmonisation of workplace technology allowed Altron to continue servicing customers without interruption. All employees were quickly allocated the tools they required to remain productive from their home environment. The necessary

trade-off to remain productive, however, was the loss of physical interaction, which elevated the risk of employee burnout and raised the challenge of collaboration, team building and inclusion over virtual platforms.

The implementation of OneTouch, completed in July 2020, allowed for all HR processes to be run from a central system, including remote performance management processes for the first time, which was a key highlight for Altron this year. Employees now have more direct control over the process and a greater understanding of performance ratings. It has also created greater visibility into our workforce and allowed us to achieve cost savings by running our employee engagement survey through this platform.

Employees are also now able to call up information such as payslips, personal details, leave balances, career objectives, team organograms and more from a central repository, which streamlines administration and improves collaboration.

OneTouch has provided for improved management of our talent matrix from a group executive level and at business division level. A further benefit of OneTouch is that responsibility for driving performance management has shifted to the line managers, who are ultimately accountable for team management. 61% of our employees are now fully enabled to engage in performance management via Altron OneTouch.



61%

of our employees are now fully enabled to engage in performance management via Altron OneTouch.

BEING A GREAT PLACE FOR ALL TO WORK

We are pleased to note that the ability to track and monitor our labour practices in greater detail through OneTouch has led to a 50% reduction in all labour-related matters, streamlining and improving the workplace experience for our employees.

The improvement in our employee engagement score from 61% to 63% is attributable to our work done through our values programme in FY20 and a greater volume of communication across the group to keep all employees involved and motivated. Through FY21 the human capital team conducted refreshers and updates on our values programme in order to maintain levels of accountability, coinciding with work conducted in our brand internalisation programme (30% completed) and representing Altron through associated individual behaviours.

100% of new and integrated employees have completed our values programme.

We ran holistic employee wellness programmes in conjunction with ICAS, our external service provider, in order to maintain an active, healthy and engaged staff cohort. Our employees were not only concerned about the health of their colleagues, but eager to contribute to their broader communities through food drives and charities to help others cope with the impact of Covid-19.

100% of our employees have access to our employee wellness programme, with a utilisation rate of 20,3%.



63%

Improvement in our employee engagement score
from 61% to 63%.

At a policy level, we reassessed and updated our disciplinary code, grievance procedure and remuneration framework and policy to align them with market terminology and trends. We have now reached 85% alignment of our remuneration framework with our remuneration policy. This has improved and updated Altron's approach to both short-term and long-term incentives and has ensured fair pay across all grades. We have also updated our sales commission governance framework to improve the clarity and consistency of our sales team's remuneration.

More capable leaders

Altron's management development initiatives in FY21 were directed at further embedding our group values across all operating divisions – including business divisions which were newly acquired in FY21, such as Ubusha Technologies (now part of Altron Security). Our group executives and divisional managing directors were presented with an intentional integrity handbook to improve leadership competencies, while these groups and our line managers were also engaged in one-on-one coaching and mentoring to further enhance their leadership skills.

54% of our employees have now completed skills transfer, monitoring and coaching initiatives.

Leadership from line managers upwards were also involved in frequent webinars on the Altron group strategy, courageous conversations and the management of teams in the virtual realm. We also implemented ongoing monitoring and feedback mechanisms to continually improve our capacity-building initiatives.

Our Bill Venter management development programme was run in conjunction with tertiary institutions including the University of Stellenbosch, with nominated leaders studying to further their skills.

Functional skills training continued as usual via virtual platforms during the year, including skills-based training and licence, certification and accreditation updates related to new products and services. In total, during FY21 Altron spent R54,8 million on training and development.

Closing the gaps in succession planning

During FY21 we focused on talent and succession planning, identifying talent and recruitment targets while celebrating two successful internal promotions to managing director level, one to chief information officer and one to group executive: human capital.

Our talent mapping, regular reviews of our talent matrix and the integrated functionality of our workplace technology platforms are bearing fruit in ensuring continuity, distribution of skills and lowering of risk within the organisation. Altron now has no vacant executive roles, with a full senior management complement. Succession planning to the level of first-line managers has been completed, with the next phase being rolled out in FY22.

25% of our critical or scarce roles now have succession plans in place, and 45% of all vacancies were filled across the group in FY21.

We continually measure the effectiveness of our managers and leaders, responding to all employee feedback and employee engagement survey flags. Our dual career path set-up allows those who would prefer to pursue technical specialist positions to opt out of the leadership stream, while those who are identified as leaders with relevant skills can be developed further within the organisation. Altron's employee turnover rate compares favourably with the industry average.

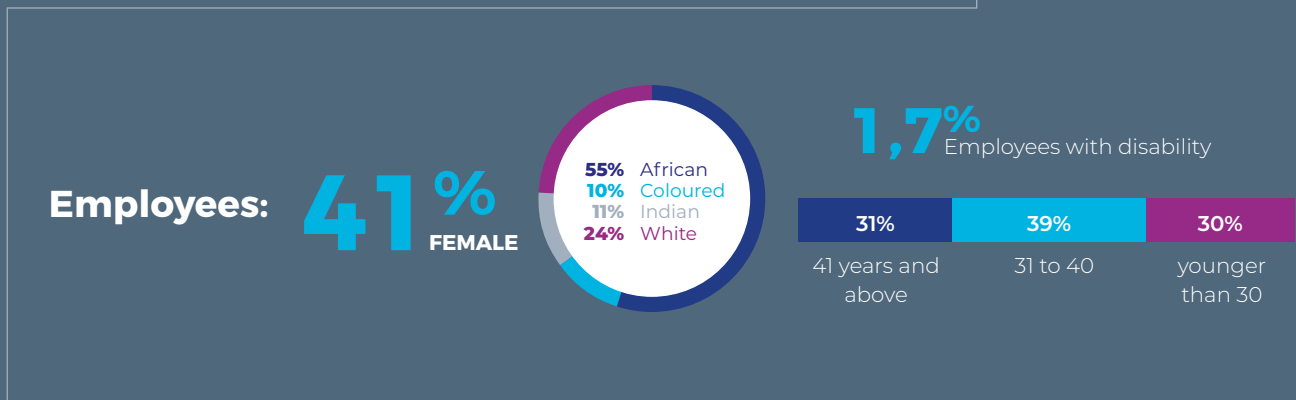
A great place for all to work

Altron's workforce demonstrates a high degree of diversity and inclusion in terms of race, age and gender. The third quarter of FY21 saw a new diversity and inclusion programme involve all executives and managing directors in training which will be escalated to further layers of leadership in FY22. We are highly intentional about creating an inclusive workplace which does not simply focus on employment equity but extends a true sense of belonging to all our employees.

We actively monitor feedback regarding employee inclusion in decision-making and our leaders are regularly ranked on their ability to encourage inclusion in the workplace. Our employee engagement survey revealed that 100% of our employees feel included in all relevant staff activities.

Our new group campus facility in Woodlands Office Park, in the Woodmead precinct, is also designed to be a disability-friendly workplace, which will facilitate further work on inclusion and diversity from FY22.

Altron currently has 7 711 employees, a 15,4% reduction from FY20. At a high level, our diversity statistics are as follows:



LOOKING AHEAD

Altron's goal is to remain an employer of choice in the ICT sector. We intend to further embed our workplace technology, assist employees in transitioning to a changed workplace environment, and remain agile and flexible as an employer. We also aim to conduct thorough benchmarking and comparison exercises to ensure that we remain competitive and offer a compelling employee proposition to attract and retain key skills.

PROVIDING EXCEPTIONAL CUSTOMER SERVICE

HIGHLIGHTS

- Our productivity was largely unaffected by the forced change to working from home.
- Altron's employees were responsible for maintaining the smooth functioning of several critical and essential sectors during lockdowns.
- Our move to the cloud and vendor contract negotiations to improve terms have been validated by Altron's resilience during Covid-19.

Altron will be a net beneficiary of the global acceleration of digital transformation.

CHALLENGES

- Transitioning to a hybrid home/office work model induced additional costs in the short term.
- Altron is adapting as quickly as possible to a sales cycle conducted largely over digital channels.

MATERIAL ISSUES

- 1 Outstanding customer experience
- 2 Innovative solutions
- 3 Sustained strategic partnerships
- 4 Sustainable supply chains

RELEVANT STAKEHOLDERS



Employees



Customers



Government



Strategic partners



Society

PERFORMANCE

The necessity of sending our employees home to work required sensitivity for inequities in home office set-ups. A large number of our employees lived in situations which were not ideal for working remotely. We quickly found ways to ensure the safety, health and productivity of our people while supplying the infrastructure and connectivity solutions, with the positive benefit of any extra bandwidth becoming available for family use, such as streaming school lessons online.

At the same time, our customers were undertaking similar measures to ensure the safety and well-being of their staff members while – as a general trend – postponing decisions over significant IT capital expenditure projects and instead breaking those projects into shorter-term goals for immediate results.

The trade-off we have had to make is converting to fully digital customer service and sales functions. Despite the extensive capabilities of the productivity tools available to businesses, customers still buy based on trust more than technical specifications. Demonstration of our ethics and values in physical interactions has always been at the forefront of our approach as a group and we have had to adapt to a changed interaction environment as quickly as possible.

We face an ongoing challenge in retraining our sales force to excel through digital-first channels. The time window for grabbing attention and making an impression is notably shorter in a virtual environment, which will be a difficult transition for many businesses – not just in the ICT space.

Another trade-off has been the balancing of work and home life to avoid employee burnout – a new and subtle change to our operations, but an important factor. While we have been able to maintain productivity and exceptionally high levels of customer service, measuring outputs for all job functions is not easy and we cannot risk the health and well-being of our employees.

Adapting to the new normal

Altron will be a net beneficiary of the global acceleration of digital transformation, but during FY21 we were faced with a 35% drop in revenue as a cost per page in our Altron Document Solutions business for the first six months, as an example of the stress placed on the group during lockdown.

Our strategic responses have been adequate and we have been able to preserve as many jobs as possible, but restructuring was inevitable as the year progressed.

We have also reassessed our enterprise software licence commitments as we look to remain agile through a period of sweeping changes post-Covid-19. 80% of our group shared services costs are related to licences and hardware. Altron's business has changed significantly since the beginning of FY21, requiring an ability to contract with key suppliers and partners on a variable basis to avoid raising our cost base unnecessarily.

In response, we have co-developed contracting processes with our partners, such as for Azure on the African continent, which are world firsts, providing both parties with benefits through consumption of services. This novel deal saw Altron drive a 12,5% reduction in cloud consumption costs for FY21. We believe that a shift to cloud-based storage has prevented far greater attrition in our business divisions in the Covid-19 operating environment.

We are also acutely aware of the risks and opportunities brought about by an increasingly remote workforce. The retention of critical skills is an obvious challenge in an employment environment which can transcend borders and obviate the previous requirement to relocate skilled employees. By the same token, Altron's strong brands can attract global talent, though we would prefer to create and sustain jobs in South Africa.

Our geographical expansion will allow our South African employees to participate in markets which are years ahead of domestic ICT trends, which will allow us to bring back those ideas to South Africa and, potentially, enjoy the best of both worlds.



12,5%

reduction in cloud consumption
costs for FY21.

PROVIDING EXCEPTIONAL CUSTOMER SERVICE

The world's movement toward digital, data and cloud services validates our strategic direction to move up the value chain to professional services and depend less on infrastructure, but the trade-off is an escalating requirement to secure and protect data. The hype cycle which mainstreams new technology has shortened radically, which has meant Altron is allocating intellectual, physical and human resources as quickly as possible to position for substantial changes in customer needs.

In terms of a competitive edge, the critical path for Altron is twofold: first, we now have more headroom in our balance sheet. Once we complete the disposal of the three business divisions held for sale, acquiring a leading security company or digitally transformed organisation in Europe or the UK will become feasible.

Second, scaling up in these markets will allow us to expand on leading trends and incorporate them so that we operate as a true multinational. We are increasingly effective at integrating and embedding high-quality businesses within the group to improve our holistic product and service offering, which gives us confidence in achieving our expansion goals.

Altron desires strong intellectual property and leading-edge technology from acquisition targets, as well as low working capital requirements.

We intend to also accelerate our participation in the lucrative licencing market, based on the success of Bytes UK. Altron was awarded Licencing Service Provider

(LSP) status for Africa by Microsoft in FY20, though Covid-19 delayed the growth of this service to scale. While licencing results in relatively low margins, on the example of Bytes UK, which grew revenue at 30% per year on the back of a 21% annual growth in Microsoft revenue, we anticipate revenue growth in Africa through Altron Karabina going forward.

The balance of the sections of the POPI Act, came into effect on 1 July 2020, requiring Altron to ensure that its entire cyber-estate was secure, rolling out multifactor authentication and implementing greater governance and controls over user accounts. We identified key cybersecurity risks through our board risk management committee and put in place appropriate controls.

During FY21 we established an IT management council (IM council) and group CIO council to bolster Altron's reporting, governance and controls at the level of each business division. The Altron group can now identify risks and drive standardisation quickly and effectively across all operating units.

Simultaneously, in order to improve our service to customers we completed an IT network harmonisation project which completed our measures begun in FY20 to double our group bandwidth while halving our IT costs. During the year we drove a strong cost reduction exercise while reducing the cost of IT support through increased efficiency, remote monitoring and remote management. Thanks to these efforts, the impact of Covid-19 on our productivity was minimal.

Improved and more cost-effective connectivity was achieved through flexible arrangements with network providers, which has allowed Altron to allocate bandwidth per employee function on a variable basis. This also require an update to our remote work policies in order to protect company assets.

We also further rolled out our standardised D365, customer relationship management and enterprise resource planning systems, which achieved a 15% reduction in our ERP cost base. This process will be completed by early FY22. The benefits of standardisation and harmonisation of our shared services platforms will become an important component of our geographical expansion into Africa in an efficient and cost-effective way.

During a year in which all businesses moved further to digital processes, Altron was the subject of numerous sophisticated phishing attacks – a trend we have noted for its exponential increase in activity – but no significant losses were recorded.



48,2

Net Promoter Score improved to 48,2
(FY20: 45,5%).



Forced delays

On the sales front, while FY21 saw no large contract wins as a result of delayed decision cycles, our pipeline remains robust and we are repositioning our Altron Systems Integration business to clarify its customer proposition to take advantage of the post-Covid trends.

FY21 also caused innovation projects to pause as we focused on the sustainability of the group and the conversion to Altron 2.0. We continue to scan the market for attractive start-up businesses for potential integration into the group, and our internal idea trigger process has once again fired up to generate innovation through FY22.

On the positive side, we have found that tackling Covid-19's challenges in reaching customer bases has generated highly innovative ideas within our group and we have set about scaling them. An example is Netstar launching its MyNetstar online platform where customers can purchase, manage and monitor their Netstar tracking devices and services directly. The bypassing of third-party sales channels has allowed us to pass on savings to the customer through lower price points.

As a result of lockdown restrictions at least 98% of our vendor and customer interactions took place remotely. Though the number of interactions was down on the previous year, caused by both our executive team and those of our customers being pressed for time, interactions were optimised for strategic value. Customer feedback to Altron regarding service delivery has anecdotally improved over the prior year and was measurably reflected by a rise in our Net Promoter Score to 48,2 (FY20: 45,5%).

Quarterly reviews of strategic partnerships were down on the prior year, as a result of the cancellation of annual conferences which would include the likes of NCR, Xerox and Cisco Systems.

In terms of vendor accreditation improvements, our Microsoft LSP status was extended to the rest of Africa in FY20, our long-standing Cisco Systems partnership has been expanded to Accredited Partner status as an entry point into the rest of Africa, and we also have NCR and Xerox accreditation to expand into Africa and our accreditation as Microsoft Cloud Solution Provider will do the same.

LOOKING AHEAD

As we look to return to a revenue growth environment despite a South African economy predicted to grow at just 3% GDP in FY22, Altron will engage in greater customer collaboration, closer relationships with vendors and geographical expansion. As part of this initiative, we intend to appoint dedicated account managers for our Top 40 customers and improve our customer complaint response mechanism.

We have also registered Altron Security as an entity and have invested in a greenfields start-up in the UK. Netstar will also be expanding its reach from its Australian base into Indonesia and Thailand.

DOING GOOD WHILE DOING GOOD BUSINESS

HIGHLIGHTS

- Despite lockdown restrictions both our flagship CSI project and our other social initiatives were largely able to continue functioning successfully.
- Altron's contribution to social goals through its service delivery played an important role in the healthcare, financial inclusion and security sectors.
- CDP score improved from a D- to a C in 2020.

70%

of our CSI budget received by Altron's flagship programmes.

CHALLENGES

- Certain training projects, such as Altron Tongaat, were unable to switch to online delivery and were thus more heavily affected by social distancing measures.

MATERIAL ISSUES

- 1 Creating a positive impact in communities in which we operate
- 2 Reducing our environmental impact

RELEVANT STAKEHOLDERS



Employees



Government



Society

Our purpose as an ICT group demands that we provide solutions and services which must have an attendant societal impact at all times. Our contributions to our targeted sectors of **healthcare, financial inclusion, and safety and security** are summarised on pages 36 and 37.

Our **CSI** strategy includes internal (employee giving) and external projects during FY21. Altron's flagship programme receives 70% of our CSI budget, with 30% spent by our operating divisions on approved projects that align with our targeted development areas.

The Altron CSI committee draws members from operating companies and our group executive leadership to direct investment appropriately, and in FY21 we completed our first year of investment in our flagship CSI programme in partnership with Protec.

Protec is a non-profit organisation (NPO) which has operated in the technical training industry since 1982, working with students studying science, technology, engineering and mathematics (STEM) subjects in grades 10 to 12.

In FY21 our partnership with Protec supported four training centres in KwaZulu-Natal, Gauteng and the Eastern Cape.

Altron Dimbaza (Buffalo City, Eastern Cape)
Altron Soweto (Johannesburg, Gauteng)
Altron INK (Inanda/KwaMashu) (Durban, KwaZulu-Natal)
Altron Tongaat (Durban, KwaZulu-Natal)*

* Computing skills

Between these four centres, more than 200 students took part in the learner programmes, covering STEM subjects and computing skills. Improvements in physical sciences and mathematics averaged at 28% and 23% respectively, among improvements in computing skills, technology and English.

Learners enter the programme through a rigorous selection process and the intention is to produce future candidates for the ICT field upon completion of their grade 12 year, to help address the skills shortage in the sector. While there is no direct link to the ICT sector, we believe that improvements in the pipeline of talent and skills in previously underserved maths and science streams will be supported by our investment.

Covid-19 initially disrupted the roll-out of training – particularly at Altron Tongaat – but delivery was quickly converted to online channels where possible.

During FY21 we also continued to support learnerships through our Altron People Solutions business.

This programme involves 80 learners from KwaZulu-Natal and Gauteng who progress through a three-year post-matric qualification which provides them with the necessary skills to embark on careers in the ICT sector.

Given our strategic focus on STEM education and training, some of our business divisions were given a grace period to wind up their non-focused CSI investments through FY21 in order to align their projects with our group focus.

In terms of employee giving and volunteerism, with opportunities to volunteer physically extremely limited through FY21, due to lockdown restrictions and social distancing, our employees elected to focus on donations – particularly to help the country's youth. We conducted a survey to find out what our people felt most passionate about, and as part of our Be the One campaign we partnered with the NPO FoodForward SA, which collects and distributes food among starving communities in South Africa.

Our employees donated food through various collection points and were proud to contribute to the 7 215 tons of food distributed by FoodForward SA during the 2020 calendar year – reaching 475 000 beneficiaries with 29 million meals.

Eighty-six boxes of food, toiletries and clothes were donated nationally by Altron employees, with 22 grocery hamper buckets weighing 220 kg collected in Gauteng alone. In all, 926 kg of food and toiletries were donated.

We also supported the Thabo Mbeki Foundation during the year. As an organisation that has committed itself to driving societal impact through its technology offerings, Altron is aligned with NPOs which have similar values around improving community livelihoods.



30%

of our CSI budget spent by our operating divisions on approved projects align with our targeted development areas.

DOING GOOD WHILE DOING GOOD BUSINESS

While we had supported the Nelson Mandela Foundation since 1994, after a thorough review of our CSI strategy and investments and their measurable impact in FY20, we elected to shift support to the Thabo Mbeki Foundation on account of its alignment with the foundation of learning and skills development as well as its values of openness, transparency, integrity and being passionate about community development.

The Thabo Mbeki Foundation facilitates initiatives such as #21stcenturyeducation, which promotes online learning among children and runs an online education platform for schoolteachers and principals.

We are also committed to **reducing our environmental impact**, which has received a significant boost through our consolidation of South African operating divisions into a single Green Star-rated Altron campus in Johannesburg. In terms of reducing our environmental impact, the clean-up of the former Altron Midrand campus was

completed during FY21 in anticipation of our move to the new consolidated campus in Woodlands Office Park, Johannesburg. All operating divisions formerly based in Midrand are now resident at the Woodlands campus, along with Altron head office, Altron Rest of Africa, most of Altron Group Services and Altron Systems Integration.

Thanks to collaboration and commitment from Altron's move champions and teams in all affected operating divisions, the results of our clean-up at the previous campus were significant in achieving our environmental impact goals and carbon footprint reduction as set out by our sustainability framework. As an example, in January and February of 2021 we recycled more than 9 tons of paper, which prevented 27 m³ of landfill, saved 235 000 trees from being felled, reduced our water consumption by 347 litres, saved 950 kWh of energy and kept 9 401 kg of pollutants out of the atmosphere. By way of comparison, Altron used +/-30 tons of paper in 2020.

Our carbon footprint

Altron's carbon footprint for 2021 was 18 881 tonnes.

	2021	2021	2020	Y-on-Y change*
Scope 1 GHG (t)	5 834	31%	7 834	-12%
Scope 2 GHG (t)	10 592	56%	6 360	65%
Scope 3 GHG (t)	2 455	13%	8 174	-67%
Total GHG emissions (t)	18 881	100%	22 367	-10%
GHG (t) per FTE	0,2			
GHG (t) per floor space sqm	2,8			

The largest contributor to GHG emissions was electricity (56%), followed by fuel consumed in company-owned vehicles (31%). Staff business travel and commute, both drastically reduced due to Covid-19, together made up 13% of total GHG emissions.

* It must be noted that last year's comparative data is not strictly comparable, as in 2021 we expanded our data collection for Scope 3 emissions to include business travel – flights, business travel – accommodation and staff commute emissions. Additionally, last year a significant portion of the data was extrapolated due to low levels of data accessibility. This year data collection processes were vastly improved and only 2.4% of total emissions is an extrapolation this year. Altron will continue to improve the rigour and completeness of data collection in the year to come.

Methodology: The assessment methodology followed the reporting principles and guidelines by the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resource Institute (WBCSD/WRI Protocol). The Greenhouse Gas Protocol and Reporting Standard provides requirements and guidance for companies and other organisations preparing a GHG emissions inventory. The WBCSD/WRI Protocol provides a three-scope reporting framework. All three scopes were assessed. In instances where data was not available, an extrapolation based on available data and headcount was made.



Altron Awards



Altron Awards



Employee giving drive

LOOKING AHEAD

Though we were disappointed by the initial impact of Covid-19 on the roll-out of our first year of training through Protec, we aim to strengthen our relationship with this programme, as well as scaling up our involvement with the Thabo Mbeki Foundation and the impact of our Be the One employee giving campaign.

We will also complete the implementation of our digitalised environmental data tracking system, which will provide accurate and real-time data measuring the environmental impact of our new Altron campus and operations.

OUR GOVERNANCE



- 60** Corporate governance
- 64** Ethics
- 66** Risk management

Altron's corporate governance, ethical standards and reputation are

**INTEGRAL
TO OUR
LONG-TERM
SUSTAINABILITY.**

CORPORATE GOVERNANCE

ALTRON BOARD STRUCTURE

ALTRON SHAREHOLDERS

ALTRON



CHANGES IN BOARD STRUCTURE

There were no significant changes to the composition or structure of the Altron board through FY21, with the incumbent board members continuing to support the implementation of Altron's strategy and corporate governance best practices. Dr Phumla Mnganga was appointed as a member of the remuneration and nomination committees in February 2021.

With effect from 11 November 2020, Messrs Van Graan and Dawson were appointed as non-executive directors on the Netstar board. Mr Van Graan will also serve as the chairperson of Netstar with effect from 11 November 2020.

BOARD COMPOSITION AS AT 18 JUNE 2021 AND MEETINGS HELD DURING FY21

The Altron board assumes responsibility for its composition and takes appropriate steps to attain a balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities, in accordance with King IV™. As part of this process the board maintains a majority of independent non-executive directors.

The board, through the Altron nomination committee, regularly assesses its composition, collective expertise and experience, as well as its policy on race and gender diversity adopted in line with JSE Listings Requirements.

The board officially met nine times during the year – a tally markedly raised from FY20 as a result of special meetings to address the Covid-19 pandemic and its impact on the business, and further to deliberate on the Bytes UK demerger from the group. The nine board meetings include the one annual strategy session which was held in October 2020. Board and sub-committee meeting attendance and the full biographies of all our directors are available as part of our FY21 Governance Report and King IV™ Application Register at www.altron.com.



BOARD ACCOUNTABILITY

The Altron board is accountable for the group's sustainability and performance, providing oversight of Altron's strategic direction and guiding the group in achieving its core purpose and living its values. The board is supported by its sub-committees and works closely with the Altron executive committee in ensuring that Altron's operations, processes and activities are underpinned by a strong system of governance and ethics, and that our management team is empowered to execute and deliver against our strategy.

Altron's board-approved authority matrix governs the divisions' and subsidiaries' limits of authority and cascades further down the group. The Altron board and its sub-committees are constituted in line with the Companies Act and King IV™. Except for the Altron remuneration committee, with further information contained in the FY21 corporate governance report, all committees are chaired in accordance with the requirements set out in King IV™.

The committee chairs attend, or are represented at, our annual general meeting (AGM) to respond to any shareholder queries. The board committees are also encouraged to seek external or other professional advice, where necessary. Committee compositions or the

constitution of new committees are continually assessed to ensure that they can carry out their duties and meet statutory and legislative requirements.

All operating divisions within the group have separate boards of directors that are guided and overseen by our group board and its sub-committees, as applicable. Altron takes proactive steps to strengthen the strategic and industry-specific knowledge and expertise of a number of the group's subsidiary boards. To enhance transparency and collaboration, a number of the group's operating divisions hold board as well as financial review and risk committee meetings prior to the release of our interim results and at year-end.

The Altron audit committee fulfils the statutory obligations for the group's operations as stipulated by section 94(2) of the Companies Act. Despite the audit committee fulfilling their statutory duties, a number of our large subsidiaries also have their own financial review and risk committees (chaired by the Altron chief financial officer if within South Africa). Any material matters that emerge are reported to the Altron audit committee for its consideration and action.

KEY BOARD ACTIVITIES FOR FY21

Reviewed the Bytes UK demerger transactional documents and formed a steering committee comprising the non-executive independent directors to review significant transactional documents such as the independent report from the independent expert

Successfully listed Bytes UK on the London Stock Exchange

Successfully acquired the equity interests of non-controlling shareholders of Altron Nexus and Netstar, thereby increasing shareholder value

Managed and monitored management's performance and execution of the One Altron strategy

Working capital management

Focused on reducing operating expenses/ rightsizing the business post the demerger of Bytes UK

Provided oversight on the office move to the One Altron Campus

Please view our Governance Report and King IV™ Application Register for FY21 at www.altron.com for greater detail.

“We continue to assess our governance structures and processes against King IV™. The board charter outlines the board’s responsibilities and duties.”



GOVERNANCE FRAMEWORK

Altron adheres to corporate governance practices prescribed by, among others:

- the Companies Act;
- the JSE Listings Requirements;
- King IV™; and
- the Altron memorandum of incorporation.

The group is compliant with the provisions of the Companies Act, specifically relating to its incorporation and operating in conformity with its memorandum of incorporation. As a responsible corporate citizen, we adopt a holistic approach to the application of the governance principles contained in King IV™. Through our application of King IV™ we aim to achieve the outcomes envisaged in King IV™: an ethical culture, good performance, effective control and legitimacy.

We continue to assess our governance structures and processes against King IV™. The board charter outlines the board's responsibilities and duties. The board charter and sub-committee mandates and terms of reference are reviewed annually and any necessary changes are implemented. These are available on the Altron website under the Governance page: <https://www.altron.com/investors/governance/>

We govern processes and operations, and manage our economic, environmental and social performance and risks through our broader framework of internal policies and controls, including a compliance framework, sustainability framework, code of conduct and code of ethics. This framework, which is reviewed annually, is applicable to all our subsidiaries and are complemented by various policies and procedures specific to the group's underlying disciplines, including, *inter alia*, technology and information, human capital, finance and legal.

Our engagement with the CGF Research Institute, with the intention of digitalising our manual approach to Altron's daily governance operations, will shortly result in the following:

- A dashboard to assist vested, key stakeholders to manage Altron's governance processes and determine the status of good governance.
- The capability for the group and its assurance providers to attest to a greater level of enterprise-wide corporate governance status, improved levels of transparency, and better oversight and monitoring.

Implementing this framework at group level will ensure that there is a common understanding of Altron's governance structures and that all relevant and appropriate governance information is readily available to facilitate risk management and decision-making – as well as to identify responsibility and accountability functions.

The assessment process was completed in February 2020, with the outcomes of the initial assessments for each of the 32 governance elements included in the report. Recommendations for improvement in each area of governance have been constructed and will be addressed and phased in during Q1 of FY22. 42,2% of governance framework actions were implemented before the end of the year.

REMUNERATION

Altron's remuneration policy, which was adopted at the 2020 AGM, outlines performance incentives and ensures that executive salaries are aligned to shareholders' interests. During the year Altron solicited the services of PE Corporate Services to provide best-practice guidance around its 2020 remuneration policy, with this previously advised through PwC (subsequently appointed as the group's external auditors).

We engage with relevant stakeholders on our remuneration practices and policies and provide opportunity to obtain their feedback. We consider their feedback against other executive remuneration best practices to our remuneration policy. Full details are included in the group's FY21 remuneration report, available at www.altron.com.

BOARD EVALUATION

The Altron board subscribes to Principle 9 of King IV™ which states that: "The board 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." The board and committees will undergo an evaluation in FY22.

ETHICS

OUR APPROACH TO ETHICS MANAGEMENT

In line with Altron's core values, the group is committed to openness, honesty and integrity, which forms the basis for the group conducting business within a framework of the highest ethical standard. The Altron board, together with the social, ethics and sustainability committee, embodies these principles, together with those characteristics set out in King IV™ Principle 1.

By embedding our values within the organisation and aligning our behaviours with our strategic values, Altron has an organisational identity in its market that is distinctively ethical. In our vision of Altron, ethical conduct is simply a way of life. From an operational point of view, the Altron chief executive and the rest of the group's leadership team set the tone from the top in ensuring that the group continues to further strengthen its focus on embedding an ethical culture throughout the organisation.

The chief executive is a member of the SESCom and assumes the role of the Altron ethics champion. The SESCom is supported by executive committee members as standing invitees to the committee, as well as the ethics office consisting of, among others, the Altron group company secretary and ethics ambassadors.

The Altron ethics management committee, which consists of a group of ethics ambassadors chosen from each operation within the group and the Altron Ethics Office, assists 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 FY21.

We continue to be guided by the Altron Code of Ethics which was reviewed and further updated during the year and the corporate code of conduct, which all employees are required to adhere to. The code of ethics is available to employees on the group's intranet, or upon request from the ethics office. An annual declaration is signed by all senior employees indicating their adherence to and compliance with Altron group policies.

In addition, we regularly feature topics related to ethics in company publications and periodic ethics campaigns to create awareness across the group. In this regard, we launched the Altron Ethics Bulletin in FY20, which contains guidance and advice on the group's approach to ethics. Similarly, we require our suppliers and service providers to abide by the same level of ethics that we uphold within our own operations. As such, our code requirements are included in all contracts and terms of conditions. Altron has an ethics induction programme for new employees with its management in co-operation with the human capital teams.

Our ethics management framework is aligned to our vision, purpose and values, and indicates the flow of actions based on various aspects that influence the agenda of the SESCom. The ethics management framework is viewed through the lens of our value drivers and material issues defined through our sustainable business strategy.

ADDRESSING ETHICAL ISSUES

The new Altron Group Procurement Policy has mandated the central procurement office (CPO) to onboard and vet all vendors before they may be utilised by any of our operating divisions. The CPO uses BISA as the vendor onboarding portal and LexisNexis for vetting purposes.

In line with this change, all suppliers must sign the Altron non-disclosure and supplier code of conduct forms as part of the onboarding process. Operating divisions may not procure from any suppliers that have been blacklisted either by Altron or National Treasury.

After immediate and comprehensive action was taken to address potential unethical conduct at our Altron Nexus division in FY21, a forensic investigation into alleged fronting is ongoing. Partly as a result of the action necessitated in the prior year, Altron now requires all management and selected employees to declare on an annual basis that they have conducted themselves

in a proper manner and have not transgressed policies and laws dealing with anti-competitive conduct, bribery and corruption, theft and fraud, improper gifts and entertainment, and that they have no conflicts of interest.

We have continued to roll out our Altron Ethics Bulletins during the year, along with regular ethics awareness seminars, a high-level ethics risk assessment and the review and updating of our declaration of interest policy and the Altron Code of Conduct.

Altron is committed to abide by strong ethical 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 and we are a member of Business Leadership South Africa (BLSA).

We adhere 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 level in FY20. None of the group's operations incurred any fines.

During FY21 our ethics ambassadors completed a number of initiatives:

- All new Altron employees have participated in ethics induction sessions.
- Ethics and anti-bribery seminars were conducted for all sales employees. 262 of our employees attended these sessions, with the intention of rolling out this training to our procurement division in FY22.
- Our anti-bribery, fraud and anti-corruption policies were reviewed, updated and published, based upon guidelines from The Ethics Institute.
- Our ethics ambassadors team released four bulletins during the year, dealing with updates to our gifts and entertainment policy, the role of our board SESCom and our sustainability framework, to raise awareness throughout the Altron group.
- Our corporate gifts and entertainment policy is in the process of being updated.
- 75% of all Altron policies are now available online for ease of access by employees.
- Upon review, the previous Altron Code of Conduct and material elements of the compliance policy have been combined into an updated Statement of Business Principles and Conduct – which has been reviewed by the ethics ambassadors, CRG forum and Altron risk and compliance, and subsequently recommended for approval by the Altron executive team. The Statement

of Business Principles and Conduct was approved by the SESCom on 16 October 2020.

Going forward, our plans for FY22 include highlighting and reinforcing the role of the ethics ambassadors; online training for employees and greater engagement around conflicts of interest.

WHISTLE-BLOWING

Our whistle-blowing policy outlines the procedures for reporting instances of suspected corruption and fraud by providing a safe, trusted platform for employees to anonymously report their concerns. During FY21 our tip-off line was rebranded as the Altron Ethics Line, with an awareness campaign making the new number and details available internally. We also included these details in our e-mail banners, clearly outlining the use case and details, and in FY22 these details will be included on all invoices to customers and suppliers, as well as on our supplier onboarding site.

This provides us with an effective detection mechanism for combating fraud and corruption within the Altron group. Tip-offs can also 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.

During FY21 we received two reports of minor ethical incidents through our fraud hotline and both are under investigation. We are currently updating and improving our fraud prevention and detection strategy, including a fraud response strategy, while rolling out fraud awareness initiatives and providing training to create awareness of key fraud risks.

There were 24 reported incidents identified during FY21 – 21 through the ethics line and three reported directly to management.

The 21 incidents reported via the ethics line are categorised as follows:

10	5	3	2	1
human resources	fraud	theft	IT	governance

All cases were assessed and/or investigated as per Altron Fraud Response Policies and reported to the Altron risk and audit committees. All 24 matters were finalised and closed during the financial year.

RISK MANAGEMENT

Given the extraordinary and unexpected events related to Covid-19 through FY21, our focus of assessments transcended risk management to build organisational resilience. We analysed all domains and anticipated impacts on our risk management framework.

The FY21 operating context exposed Altron to risks beyond the ordinary, which required embedding a disciplined approach to a host of new risks. Our process was to identify risks through impact assessments conducted by operating company managing directors, table them at the executive committee meetings and assess impact on strategy through a holistic, comprehensive and systematic approach.

We were pleased with the robust risk identification and assessment process which identified key indicators, demonstrating management's commitment to proactive response strategies despite relatively little information about the pandemic initially being available.

During the year our operational risk matrix, risk appetites and decision framework were all 100% implemented, and our risk landscape was 100% defined.

That Altron emerged from its first year of Covid-19 impact in a relatively strong position is testament to our risk-informed decision-making and risk perspectives which allow us to deliver sustainable value. We continue to align our risk framework with strategy to support sustainable performance through a holistic understanding of risk across the organisation.

All risk mitigation controls provide appropriate assurance to stakeholders that the control environment is effective on a continuous basis to ensure the ongoing health of the business.

Prior to the onset of Covid-19, Altron had rolled out a revised risk appetite framework developed in consultation with all decision-makers. This framework clarified all roles and responsibilities and profiled each business division, with regular reviews embedded. In FY22 we anticipate completion of risk appetite frameworks and assessments for all underlying business divisions, for risks which do not aggregate to group level.

Our ERM policy began tracking against our risk appetite framework in June 2020, along with continual monitoring and assessment for relevance.

This ERM policy sets out the overall philosophy, principles, requirements and responsibilities for a sound approach to risk management and an effective and continuous internal control assurance framework required within the organisation supported by a robust ERM framework.

“That Altron emerged from its first year of Covid-19 impact in a relatively strong position is testament to our risk-informed decision-making and risk perspectives which allow us to deliver sustainable value.”

The purpose of this policy is to ensure that:

- 1** existing and potential material risks that could impact the achievement of strategy are identified, managed and mitigated;
- 2** responses to manage risk (treat, tolerate, transfer, terminate) are appropriately applied;
- 3** appropriate resources are allocated to controllable, accepted risk areas;
- 4** appropriate controls are in place for controllable, accepted risk areas;
- 5** non-controllable risks are identified, monitored, understood and mitigated where possible;
- 6** promotion and embedding of risk culture within the organisation; and
- 7** responsibility for the implementation of ERM is allocated to the board, committees of the board and management.

The ERM framework represents Altron's co-ordinated plan for risk management across the entire Altron group. The framework provides detailed guidance on the risk management processes, methodologies and roles and responsibilities within Altron for the management of risk activities.

Quarterly reviews of the Altron group strategic risk profile were conducted, with ongoing monitoring of our risk mitigation strategies and key risk indicators implemented. We also developed an emerging risk process and implemented it across the Altron group.

In FY21 risk champions were appointed by managing directors of all business divisions, as well as at group level by executives. Our risk champions have been critical in operationalising our risk frameworks.

During the year we also engaged in a thorough review of our governance documentation, including our risk management framework and policy, our risk framework compliance policy, Altron's regulatory landscape and a host of other documentation. With the assistance of Deloitte, we have conducted an internal assessment against regulatory updates. These assessments were then passed on to our risk champions at operational level and brought to the iGRC (integrated governance, risk and compliance), which acts as the combined assurance forum. Once functional leaders had provided their input, the assessments were delivered to the executive committee to be socialised and taken to the board risk committee for approval.

To bolster our risk management processes, we set up quarterly risk champion steering committees, nominated by our managing directors, to provide feedback from our operating companies and act as a channel for updates to risk governance documents, policies and frameworks.

Two other significant risk classes emerged during the year, as a result of the Bytes UK demerger and the enactment of the POPI Act in July 2020. Altron made good progress in defining the risk landscape for both, identifying potential control gaps and defining compliance risk management plans for our operating companies to implement.



RISK REPORTING AND MANAGEMENT PROCESSES

The board of directors of Altron has overall responsibility for the process of risk management, as well as for forming its own opinion on the effectiveness of the process. Executive management is accountable to the board for the identification of major risks, designing, implementing, measuring and monitoring the process of risk management and integrating it into the day-to-day activities of the organisation.

- 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. Risks are reported to divisional executive committees and financial review and risk committees.
- Altron's internal audit function, through Deloitte, reviews the control environments at operational level based on an approved audit plan. Its findings are reported to the audit committee.
- The Altron business risk department ensures that risk controls are adequately implemented and reports on the implementation of risk mitigation strategies to the financial review and risk committees.
- Major risks are elevated to:
 - the chief executive through the executive committee;
 - the SESCom (in respect of risks relating to the non-financial aspects of the business);
 - the risk management committee (in respect of all risks, both financial and non-financial); and
 - the audit committee.

Risk management at an operational level:

- Significant risks are identified, consolidated and managed at operational level, and are reported to the executive committee.
- Altron's internal audit performs control reviews and provides management with recommendations on corrective action items.

The business risk department, responsible for the continuous monitoring and assessment of material risks as well as ensuring that risk mitigation strategies are timeously actioned, performs quarterly follow-ups pertaining to risk management documents.

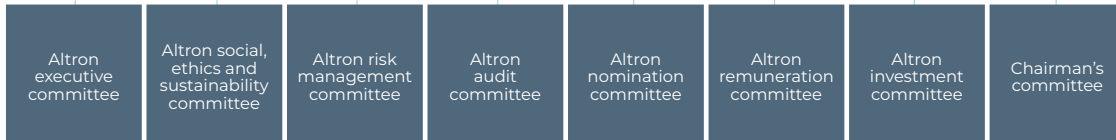
“The board of directors of Altron has overall responsibility for the process of risk management, as well as for forming its own opinion on the effectiveness of the process.”

Management of risk

Governance of risk

ALTRON

ALTRON BOARD



Governance, risk and compliance

Risk governance and management processes



COMPLIANCE

Globally, corporate governance, risk management and compliance (GRC) has emerged as a discipline that needs to be thoroughly understood and effectively implemented by an organisation in order to optimally enable the achievement of its strategic direction and to guide operational conduct.

Statutory, regulatory and supervisory requirements, as well as best-practice guidelines and industry codes, are continuing to place a growing emphasis on compliance within organisations. In line with corporate governance principles, Altron is committed to ensuring that systems and processes are in place to comply with laws; adopt non-binding rules, codes and standards in a way that supports the business; and promote a high standard of ethics, good governance and providing integrity-based performance which supports the sustainability of its business and its people.

The board of Altron is responsible and accountable for compliance and has established a dedicated, independent compliance function to drive a robust compliance programme which will ensure that the group complies with all applicable regulatory requirements and standards.

During the year our compliance programme focused on identification and prioritisation of our regulatory landscape, risk assessments (risk registers, compliance risk, mitigation plans), compliance advisory (Covid-19),

and compliance monitoring and reporting (compliance with all relevant Acts, audit assessments, a POPI internal audit and non-compliance register compilation).

Our compliance risk methodology is drawn from relevant stipulations and principles from The Compliance Institute of SA, GACP, King IV™ and our ERM framework.

During FY21 our compliance team engaged with internal audit to facilitate a detailed review of Altron's readiness for the implementation of the POPI Act. From this readiness review a list of actions to achieve full compliance emerged and were actioned, including establishing required resources and funding. A steering committee was developed to provide oversight and monitoring of our readiness. We remain on track to be fully compliant within the stipulated time frame.

In further maturing our compliance function within Altron our business division managing directors have appointed risk and compliance officers of appropriate seniority.

Steady progress is continuously being made in the advancement of compliance maturity within the business and the compliance function will continue to enhance, improve and benchmark its efforts in striving to promote a compliance culture that exemplifies integrity and professional excellence in all that we do.

“Altron is committed to ensuring that systems and processes are in place to comply with laws; adopt non-binding rules, codes and standards in a way that supports the business; and promote a high standard of ethics, good governance and providing integrity-based performance which supports the sustainability of its business and its people.”

COMBINED ASSURANCE

Combined assurance, led by the risk and compliance function, continues to drive the objectives of combined assurance through:

- directing assurance efforts to the risks that matter most;
- reduction in the repetition of reports, resulting in more efficient reporting; and
- a comprehensive approach in tracking remedial actions on weaknesses.

Historically our combined assurance effort has predominantly been focused on assurance provider collaboration. This has been strengthened through the establishment of an iGRC forum. The iGRC forum comprises senior representatives across the lines of defence.

A four-step combined assurance model has been adopted to support a flexible and dynamic approach to risk and resilience and follows a future-facing approach. The combined assurance model classifies the risk landscape into types of risk and then goes on to formulate the approach to be followed in managing risk and control. Through the use of the combined assurance model the assurance continuum will gradually evolve to ensuring an appropriate correlation of independent assurance to our risk profile.

During FY21 we established a combined assurance forum and a framework for its mandate, given that the iGRC was not appropriate for these activities and functioned temporarily as the combined assurance forum. We also formalised policy processes and frameworks, disseminating all changes throughout the organisation. Altron has made good progress in harmonising and updating its policy universe through ongoing reviews by custodians.

Internal audit

Internal audit was established to assist the board and executive management with the achievement of their objectives and has remained a vital part of the group's governance and combined assurance structures. Internal audit is the primary independent assurance provider on the adequacy and effectiveness of the group's governance, risk management and control structures, systems and processes.

The centralised function has been outsourced to a professional services firm, Deloitte, which operates in terms of a formal mandate, in full conformance with the International Professional Practices Framework for Internal Auditing (International Standards) and with

leading risk-based and integrated methodology. The independence of internal audit is formally considered by the audit committee on an annual basis, or as and when changes to the organisational positioning occur.

It has been determined and confirmed that internal audit has remained independent of all operational functions, and that the functional reporting to the audit committee and administrative reporting to the CFO have enabled appropriate organisational positioning. Internal audit has access to the chairman of the board, as well as free and unrestricted access to all areas within the group.

Board responsibility

The board recognises the importance of a sound system of internal control, which supports the achievement of the Altron group's policies, aims and objectives while ensuring compliance with statutory duties and responsibilities.

It acknowledges its overall responsibility for the Altron group's system of internal controls. This includes the establishment of an appropriate control environment and framework, and a review of the effectiveness, adequacy and integrity of this system.

Independence of the internal audit function

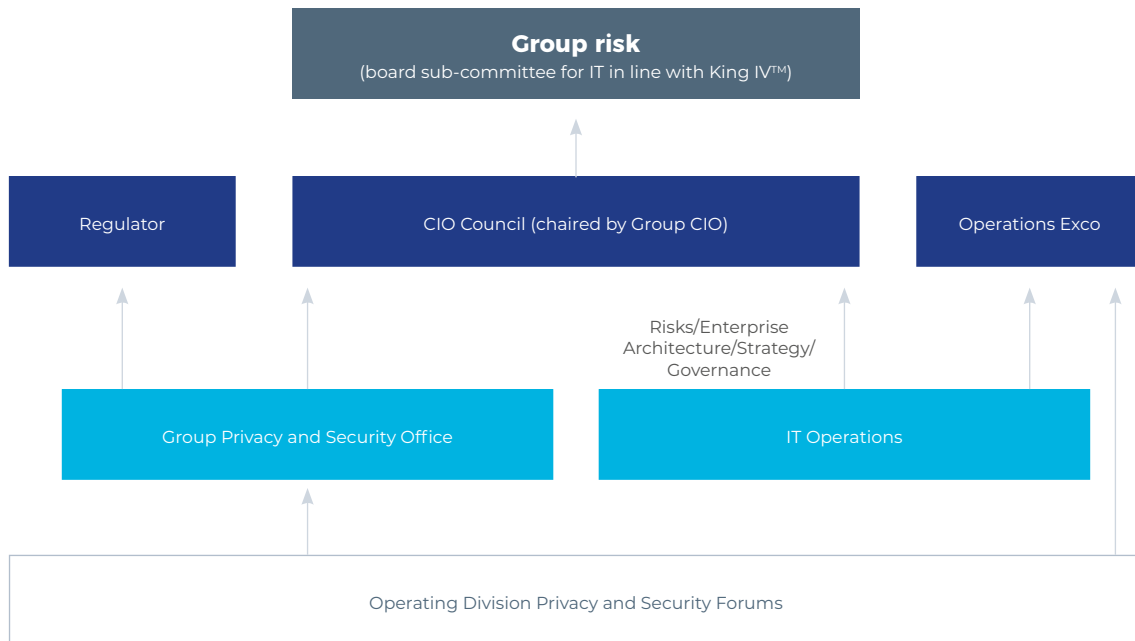
Deloitte fulfils the function as the group's internal auditor. Following its annual review of the internal audit function's independence, the audit committee concluded that it is satisfied that the independence of the function has not been impaired in any way. Should any significant issues be identified that warrant the removal of the internal audit team, the matter would be decided by a majority vote of the audit committee.

Compliance with the Institute of Internal Auditing Standards

The internal audit function adheres to the International Standards for the Professional Practice of Internal Auditing (IIA Standards). Compliance to these standards is monitored through independent reviews conducted by Deloitte, which includes a robust quality assurance process for reports, deliverables, proposals and engagement letters.



TECHNOLOGY AND INFORMATION GOVERNANCE



Altron's IM council was initially concerned with centralising our IT functions and optimising our secured use of the cloud but the strategic shift to Altron 2.0 brought about a change in our IT management strategy towards decentralisation, which directed our domain migrations, security implementation, IT audits, governance and controls. The year also included a significant effort to bolster our incident management and the POPI Act readiness, as well as driving cost reductions across the group.

Netstar, in particular, is well advanced in transitioning to the cloud and is now Azure's largest customer. Altron was Azure's first South African customer for payroll and during the year we went live with our OneTouch HR suite and productivity and collaboration tools. Our employees can now take on a self-service role in everything from performance management to claims processing.

With increased use of the cloud comes the necessity to focus on data privacy and trust – both internally and with our customers. As a holder of customer and employee data, we take our role seriously and this aspect was a central focus of our new IT governance model.

An increase in digital tools in the hands of employees required product training and cybersecurity awareness days, which we were able to roll out virtually. A distributed IT model creates certain risks in monitoring and enforcing compliance with Altron's standards. In response, we have implemented early warning systems utilising artificial intelligence and built-in monitoring systems to ensure effective governance of our IT architecture.

Operating divisions of Altron and head office communicate transparently regarding any network breaches and security standards are enforced strictly in order to meet regulatory requirements. Each operating

company will feature a specialist to provide support and disperse information across the group. Altron has achieved a cost saving by implementing a distributed IT model with a segregated portfolio for governance and oversight, with a dedicated team of specialists to provide support at subsidiary level.

Since Altron is a combination of niche businesses, we believe the benefits in finding tailored solutions and applications which work for each business unit will be realised in the customer experience. In the near future we expect that artificial intelligence solutions will drive our monitoring, oversight and reporting of non-compliance and exceptions. This model also allows us to acquire and dispose of operations more quickly and with less impact on the rest of the group.

IT policy framework

Altron has a board-approved IT governance framework policy which is applicable to all operations. IT shared services is responsible for assessing the implementation of this. The policy aims to:

- ensure effective management and governance of information and technology; and
 - effectively manage and mitigate technology and information risk exposure by implementing IT risk management practices that are aligned to the enterprise-wide risk management framework.
- The policy includes comprehensive policy statements relating to access control, IT operations management, hosting, acceptable use, cloud computing, application development, procurement, security, disaster recovery, as well as incident and problem management, to name a few. Industry-accepted standards are adopted in cases where specific standards have not been documented and ratified. All policy statements are published on My Altron and the intranet site.

We inform all parties regarding any changes to the policies. Altron also provides awareness and adequate training to relevant stakeholders to enable them to perform contracted duties and responsibilities within the boundaries of the approved Altron policy statements.

IT audits

The IM council monitors the policy to ensure alignment with international standards, such as ISO and COBIT, or approved process or procedures sets such as ITIL. All policy statements shall be reviewed when changes are required, but at minimum on an annual basis. Compliance to the policy statements may be audited at any time by internal audit, authorised independent consultants or external auditors. This may include forensic audits, where required. Company-owned devices and any business-related information held on these and user-owned devices are the property of Altron and may be accessed at any time to ensure compliance with all its statutory, regulatory and internal policy requirements.

FY21 represented the first year of a partnership between the IM council and internal audit to improve the maturity of our IT audits and we are pleased with the results. There were no adverse IT audit findings during the year.



Looking ahead

In the coming year the implementation of, and compliance with, the POPI Act is expected to absorb the majority of the IM council's time and capacity. We will also focus on the enablement and continuation of the roll-out of our hybrid working model between our campus and our employees' homes.

Cybersecurity remains a critical focus for FY22, following several investments in FY21 to ensure that our estate is appropriately secured. Lastly, we intend to maintain and improve collaboration within the IM council in order to keep innovating to improve our delivery of services within the Altron group.

Further detail is contained in the 2021 Governance Report and King IV™ Application Register which is available at www.altron.com.

RISK MANAGEMENT

REPUTATION MANAGEMENT AND STAKEHOLDER ENGAGEMENT

During a year in which our strategy pivoted from One Altron to Altron 2.0, largely as a result of the demerger of Bytes UK, engagement with customers, media, investors and analysts was critical in managing ongoing relationships and transparently communicating our strategic objectives.

We are aware of the adverse impact that social controversies and non-compliance to legal requirements could pose on our reputation. As such we consistently monitor all risks which could possibly implicate our reputation and we engage with specific stakeholders to provide clarity, where relevant.

Covid-19 also created the need to raise the level and frequency of our internal communications to ensure that our employees were safe, healthy, motivated and productive as we transitioned to a hybrid work model.

Engagement with external stakeholders

All of our engagements with both internal and external stakeholders were out of necessity shifted to the digital realm during FY21, which posed certain challenges but also brought some benefits – particularly in the form of a lowered marketing cost base – in rapidly achieving scaled engagements with large groups of stakeholders.

- Our marketing became entirely digital for the first time, supported by appropriate policy guidelines including the adoption and use of social media at an operational level and the updating of operational websites on an ongoing basis.
- We elevated and promoted the Altron values through our marketing efforts to drive brand visibility and raise awareness across the group.
- Our sales processes also embraced digital as a preferred route for driving sales across the group, though this called for training in new methods of connecting with our customers.

- We profiled the newly integrated Ubusha Technologies (now part of Altron Security) as a leading security firm through strategic engagements at virtual industry and leadership events.
- We leveraged leadership profiles, particularly in high-profile news media, to further build the Altron brand and strengthen our customer engagements. Topics addressed included the Bytes UK demerger, the integration of Altron Security, the completion of the new Altron office campus, major business deals and collaboration through various forums.
- Altron's brand architecture was also strictly controlled to reduce risk of incorrect usage or breaching of protocols online.
- An Altron Technology Day acted as an effective showcase of our end-to-end services and capabilities as an organisation, as well as a lead generation exercise which allowed for greater tracking and analytics of customer engagement.
- Other important external stakeholder engagements included an Altron Capital Markets Day to engage with analysts and communicate the changes in our strategy underpinning Altron 2.0. During FY21 our leadership met with 68% of our shareholder base.

Engagement with employees

Our internal communications during the year focused heavily on employee health and safety after the onset of Covid-19 and lockdown restrictions. We also communicated regularly with our staff regarding key group projects such as the roll-out of Altron OneTouch, the campus relocation, the implementation of D365, and our Be the One and employee giving campaigns.

Regular town hall meetings, webinars, e-mails and collaborative communications allowed our employees to maintain a sense of inclusion and community even while restricted to their homes during hard lockdown stages.

Looking ahead

In FY22 we will continue to raise awareness around our Altron 2.0 strategy among various groups of stakeholders, including employees, the investor community, customers and partners. We also aim to accelerate marketing support of sales through all available digital channels, and to revamp our group website, www.altron.com, by refreshing content, navigation options and lead generation functionality to adapt to a changed operating environment.

CORPORATE INFORMATION

REGISTRATION NUMBER: 1947/024583/06

SHARE CODE: AEL

ISIN: ZAE000191342

REGISTERED OFFICE

Altron Campus, 20 Woodlands Drive
Woodlands Office Park
Woodmead, Gauteng, South Africa 2191

POSTAL ADDRESS

PO BOX 981
Houghton 2041
Gauteng
South Africa

GROUP SECRETARY

N Morgan
Altron Group
Company Secretary
E-mail: nicole.morgan@altron.com
Telephone: +27 11 645 3672

PRINCIPAL BANKERS

ABSA Bank Limited
Rand Merchant Bank (a division of FirstRand Bank Limited)
Nedbank Limited, a division of Nedcor Bank Limited
The Standard Bank of South Africa Limited
Investec Bank Limited

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)

SPONSOR

Investec Bank

AUDITORS

PricewaterhouseCoopers Inc.

The logo for ALTRON, featuring the word in a bold, sans-serif font. The letter 'A' is dark blue, while the letters 'L', 'T', 'R', 'O', and 'N' are dark grey. The background of the entire page is a light grey with a pattern of white dots and lines that form a grid-like structure, with some lines curving and creating a sense of depth and perspective.

ALTRON

Altron Campus, 20 Woodlands Drive
Woodlands Office Park
Woodmead, Gauteng, South Africa 2191

www.altron.com