INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED
29 FEBRUARY 2020

FY20

Altron combines technical expertise with in-depth customer understanding to provide end-to-end holistic technology solutions.

Passionate about customers, partners, employees and communities

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About this report

Allied Electronics Corporation Limited (Altron or the group[1]) is pleased to present its integrated annual report (IAR or the report).

SCOPE AND BOUNDARY

This report covers Altron's performance as a group for the financial year ended 29 February 2020 (FY20). Any material events which occurred between the year-end and the report's approval on 13 May 2020 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 26], our One Altron strategy [page 22], governance [page 54] and performance [page 16]. It also outlines the group's outlook for the financial year ending 28 February 2021 (FY21) 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 to the extent that it is included in the FY20 consolidated annual financial statements (AFS). Their unqualified audit opinion is included in the AFS, which can be found at https://www.altron.com/investors/. The broad-based black economic empowerment (B-BBEE) level ratings of Altron and all divisions within the group are independently verified by SNG Grant Thornton. Our annual compliance report in terms of section 13G(2) of the B-BBEE Amendment Act, No. 46 of 2013 is published on the Altron

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, 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.

FEEDBACK

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

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/

website with all notifications on SENS in accordance with the JSE Listings Requirements. As was the case in FY19, Altron will participate in the Carbon Disclosure Project's (CDP) climate change programme in FY20. We will submit our CDP report in July 2020 – as per the CDP timelines. 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.

BOARD RESPONSIBILITY STATEMENT

The Altron board acknowledges its responsibility for the integrity of the group's 2020 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 FY20. 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.

On behalf of the Altron board:

Mike Leeming
Chairman

Mteto Nyati
Chief Executive

28 May 2020

Messages from our leadership

The Altron group has navigated a testing year and we continue to position the group to thrive in challenging market conditions.

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Message from the **Chief Executive**

Having reached several milestones in the 2020 financial year, we now regard the turnaround of the business as complete. We are turning our attention to the last stages of the One Altron strategy, and the formulation of the next driving strategy for the group.

MTETO NYATI

OUR ONE ALTRON STRATEGY

We created a five-year roadmap called the One Altron strategy three years ago, prioritising revenue growth, improving profitability, transforming the customer experience and employee excellence. All indications are that this strategy will be fully implemented ahead of schedule.

The core of the One Altron strategy is collaboration – among our operating divisions, our employees, and between Altron and our partners and customers – and this is the central theme of the developments which we detail in this year's integrated annual report.

To educate our employees on behaviours underpinning each of our six values, we rolled out an awareness programme. As a result our employees now have a common understanding of each of our values. To change corporate culture we needed to create clarity of each value across our operation. When there is clarity, behaviour changes. For example, many of our staff now understand, and embrace, collaboration: teaming up to benefit customers.

This has provided the Altron group with a competitive advantage, because collaboration among our operations has brought the full breadth of our expertise, solutions and service offerings to bear as we embarked on a drive to do more business with our top 44 customers. The results are plain to see: Altron has enjoyed significant contract wins, which would simply not have been possible without inter-divisional collaboration.

We have been able to penetrate key potential customers we targeted because of the unique value proposition we have been able to construct. The most significant win from a collaborative point of view was at Standard Bank, where at least four of our divisions will be collaborating to provide services to one of the country's largest financial services players through a single point of contact.

Our collaborative strategy has also led to sizeable contract awards from Capitec, Coca-Cola Beverages Africa and Barloworld. [See page 17.]

Large corporates like Standard Bank electing to move to cloud-based services also vindicated our decision to focus on four growth areas as we continue to transform Altron into a modern technology services business: cloud computing, data analytics, Internet of Things (IoT) and security. We have made significant bets on the technological and business landscape of tomorrow and are positioning ourselves to be South Africa's market leader in these fields.

The expected outcome of our five-year plan was to provide leading returns for our shareholders – over the past three years our total shareholder return of 167% ranks us as the best-performing ICT company in South Africa. Altron is delivering on the promise of shareholder value. We remain on track to double our EBITDA by the 2022 financial year. Altron has not deviated from the One Altron strategy, proving that it was the correct one to follow.

As we near the next phase of Altron's transformation, we will again formulate a strategy to drive the group forward with a refined focus on our stated growth areas, while continuing to provide leading returns for our shareholders.

"Altron has enjoyed significant contract wins, which would simply not have been possible without inter-divisional collaboration."

A GREAT PLACE FOR ALL TO WORK

South African companies retrenching employees has become a commonplace media headline in the last year. We have been in the fortunate position to both avoid downsizing and to be a consistent hirer through the financial year. As a group operating in the ICT services sector, our work and output is only as good as our employees, since our collective ability to deliver comes down to our employees' expertise.

Our annual employee engagement survey shows that our employees are engaged, and this is important to us. The scarce skills shortage, not only in South Africa but across the world, impacts the ICT sector tremendously, so we have set a strong focus on being a great place to work for all current and potential employees.

In the 2020 financial year our shared services and human capital teams collaborated to lay the groundwork for rolling out digital, cloud-based platforms which would allow managers to take control of their team administration, allow employees to engage in self-service HR processes and allow for greater collaboration by enabling virtual workspaces. Our employees have requested greater ability to be productive remotely and these tools will make that possible.

Though we must acknowledge disappointment in the matter of parting ways with three executives at one of our operating divisions, Altron Nexus, we are heartened that the tip-off came from an employee within the company. We have spent a lot of time breaking down our group values into behaviours and concepts, and the results are beginning to show. Our employees feel they can express themselves and their concerns without being victimised and are fully embracing our shared values.

Several executive appointments during the year were key to the group's ability to deliver a strong performance in a tough economic environment. The appointment of Cedric Miller as chief financial officer in May 2019 brought a wealth of experience and fiscal discipline with his arrival, and Collin Govender's appointment as chief information officer – a role which was previously not filled – has allowed us to roll out digital platforms that not only improved our employees' working experience but have contributed significantly to our collaboration with our partners and customers.

"Our board committees have been strengthened and are driven by a clear purpose with clear lines of accountability, and all our employees are benefiting from their collective direction."

The appointment of Sayeeda Khan as group executive for risk and compliance was also an important step in bolstering the group's governance and decision-making. Her introduction into the group has not only ensured that risk considerations and business controls are given their rightful place within the board and executive structures, but has also freed up our business leaders to focus more fully on their operational roles.

We also benefit from a highly involved, professional and deeply invested board. Altron's allocation of capital, in particular, has benefited from their experience and valuable input, and our strategy as management is regularly interrogated. Our board committees have been strengthened and are driven by a clear purpose with clear lines of accountability, and all our employees are benefiting from their collective direction.

WINNING TOGETHER WITH OUR CUSTOMERS

Our investment in customer research and market insights led us to taking a decision to collaborate more with our customers to deliver innovative solutions to them. The ethos behind this way of operating is that we learn about customers' problems and then work with them to build solutions, rather than trying to retrofit solutions over customer needs.

We are becoming an externally focused business and will take this journey with our customers and partners. In this financial year our conscious effort to learn the buying patterns of our customers has borne fruit: our typical customer wants to reduce complexity in their vendor environment and do more business with fewer suppliers. To be a strategic and valuable supplier, we had to develop stronger relationships with our key customers.

Through inter-divisional collaboration we developed more business with existing customers, which enables us to pass on better pricing and find winning solutions based on closer relationships. Where "wallet expansion" leads to concentration risk becoming a consideration, we have the option to move higher up the value chain to select the types of services we offer for the same value, fundamentally improving Altron's margins. In the coming financial year we aim to employ a group sales executive to continue the good work we have done in aligning more closely with our customers.

A highlight for Altron in this year was our collaboration with Toyota and Vodacom in creating the Toyota Connect connectivity hub, which speaks directly to our future areas of focus as a technology solutions company. Toyota, as well as the Automobile Association, insurers and drivers, will be able to harness data analytics for convenience, safety and connectivity in an IoT environment which has never before been seen in the automotive sector. With the Vodafone group's involvement, and our intended expansion of Netstar's capabilities both in South Africa and offshore, we are certain this platform has the potential to be rolled out around the globe.

ACHIEVING GROWTH IN A DIFFICULT ENVIRONMENT

In some areas, Altron's performance has exceeded expectations. We have displayed consistent growth in markets that are flat or declining, indicating that we are taking market share from our competitors. We have also made a conscious decision to diversify from South Africa to have a presence in the UK, Australia, Africa and, to a lesser extent, India.

Our UK operations accounted for 45% of our group revenue and our offshore operations contributed roughly half of group revenue. The UK's move to digital has buoyed the ICT market to 20% growth during the year, but our UK division has grown revenue by 46%.

A shortage of skills in the South African ICT market has meant that corporate customers are looking to outsource their IT functions to third parties, thereby freeing up the resources they have to focus on innovation. We have positioned Altron as a preferred partner who can manage IT systems on behalf of customers, and we will continue to take market share in this area and become more efficient as we do so.

Our growth strategy is not driven by acquisitions but focuses on organic growth and doing more business with our customers. The acquisitions we have made have not been for revenue, but for complementary capability. During the 2020 financial year we bedded down the two acquisitions we made the prior year: Phoenix Software in the UK and Altron Karabina in South Africa. While Phoenix delivered exceptionally well in the cloud computing space and contributed to our substantial growth in the UK, Altron Karabina has not yet lived up to our expectations in its ability to convert cloud computing pipeline projects into revenue in the South African market. We will continue to work with Karabina's leadership to provide guidance and support in reaching the heights we know the business is capable of.

Despite Altron's stated growth objectives, given the political and economic backdrop through the year, we remained exceptionally cautious and selective in writing new business. While some of our competitors servicing the public sector in South Africa have struggled, our market share in this space remains below expectation, given our capabilities as a group, because we have chosen to pursue opportunities that match our risk appetite. We believe we have an important role to play in collaborating with the public sector for the benefit of all South Africans, and will continue to do what we can to improve service delivery through ICT solutions.

INNOVATION THROUGH PARTNERSHIPS

Our relationship with our partners is one of mutual interest in collaborative growth. Whether it is Huawei, Microsoft, AWS, Cisco, IBM or Oracle – they have chosen to partner with Altron because we have proved ourselves to be a highly competent, ethical and innovative ICT company.

Our partnerships with leading companies like those mentioned above enable us to provide quality products and services at low cost for our customers, and to plan strategically in the territories in which we operate. We continue to nurture our partner relationships and win both certifications and awards as a demonstration of the value we bring to the partnerships.

OUR CHALLENGES

The most significant and publicised challenge facing Altron through the 2020 financial year was the necessity of parting ways with three senior executives of Altron Nexus. Acting on information supplied by a whistle-blower within the company, we immediately instituted an independent investigation which revealed internal irregularities in procurement and reporting processes.

No customers suffered any financial losses as a result of early profit recognition, nor were any existing contracts jeopardised by the findings. Our decision to act was firmly in line with our values as a company. We elected to go public with our findings immediately and to keep our stakeholders informed throughout the process. Our moves were not driven by the quantum of the revenue which needed to be properly accounted for, nor the effect it would have on our bottom line for the year, but out of our desire to demonstrate that such behaviour does not belong at Altron.

Nexus has returned a solid performance in the back half of calendar 2019 and we believe its prospects remain positive heading into the 2021 financial year after the setback.

We were also disappointed with the performance of Altron Karabina through the year. While there is much opportunity in positioning Karabina as the go-to supplier for Microsoft and cloud computing solutions in South Africa, we have so far been unable to convert this opportunity to revenue.

LOOKING AHEAD

As we head towards the end of our financial year, we are already facing uncertainty with regards to the threat to society and business posed by the new Coronavirus disease, which will have unknown consequences on the global economy and on our health. The outbreak was declared a Public Health Emergency of International Concern by the World Health Organization at the end of January and in the middle of February the name Covid-19 was announced.

Despite this, the successful execution of the One Altron strategy has positioned us to be a leading IT services company on the African continent. We are looking to remain focused in Africa, serving our more than 20 000 customers and focusing on our chosen growth areas of cloud, data analytics, IoT and security.

In March 2020, following the board's annual strategy review, we announced a potential demerger of Bytes UK. 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. The board concluded that the true value of Bytes UK is not reflected in the company's share price.

This business has increasingly developed a growth trajectory and strategic levers that are different from the rest of the group and operates in a different geographical capital market with a highly rated peer group. We believe the potential demerger will allow Bytes UK to pursue its own focused growth strategy and will ultimately unlock further value for shareholders.

Our acquisition of security and authentication specialist Ubusha, which will be completed at the beginning of the 2021 financial year, provides an indicator of our future activity. Ubusha already boasts a client roster of South African blue-chip clients.

We have held strategy sessions with our leaders, from first-line managers to executives, in the first move toward creating a follow-on from One Altron beyond the 2022 financial year. We are in no way shifting focus from the final stages of our One Altron strategy; to secure the future of the Altron group we need to hone our definition of what Altron will be known for so we can ensure that we build capacity in the right areas.

"To secure the future of the Altron group we need to hone our definition of what Altron will be known for so we can ensure that we build capacity in the right areas."

Altron faces immediate challenges in the effective integration of geographically disparate operating units. We will need leaders who have experience in managing truly global companies and our human resources team will be tasked with building capability wherever we go.

Major goals for the next financial year are a continuation of the theme of winning together with our customers and partners. Altron has the chance to differentiate itself from its competitors by offering unrivalled solution suites, and we will emphasise collaboration in win-win situations for our customers.

We will also do better at doing good while doing good business. We can improve our monitoring and management of our environmental impact, refine our corporate social investment strategy so that our efforts are more effective and create technological solutions that will improve the lives of ordinary people.

GRATITUDE

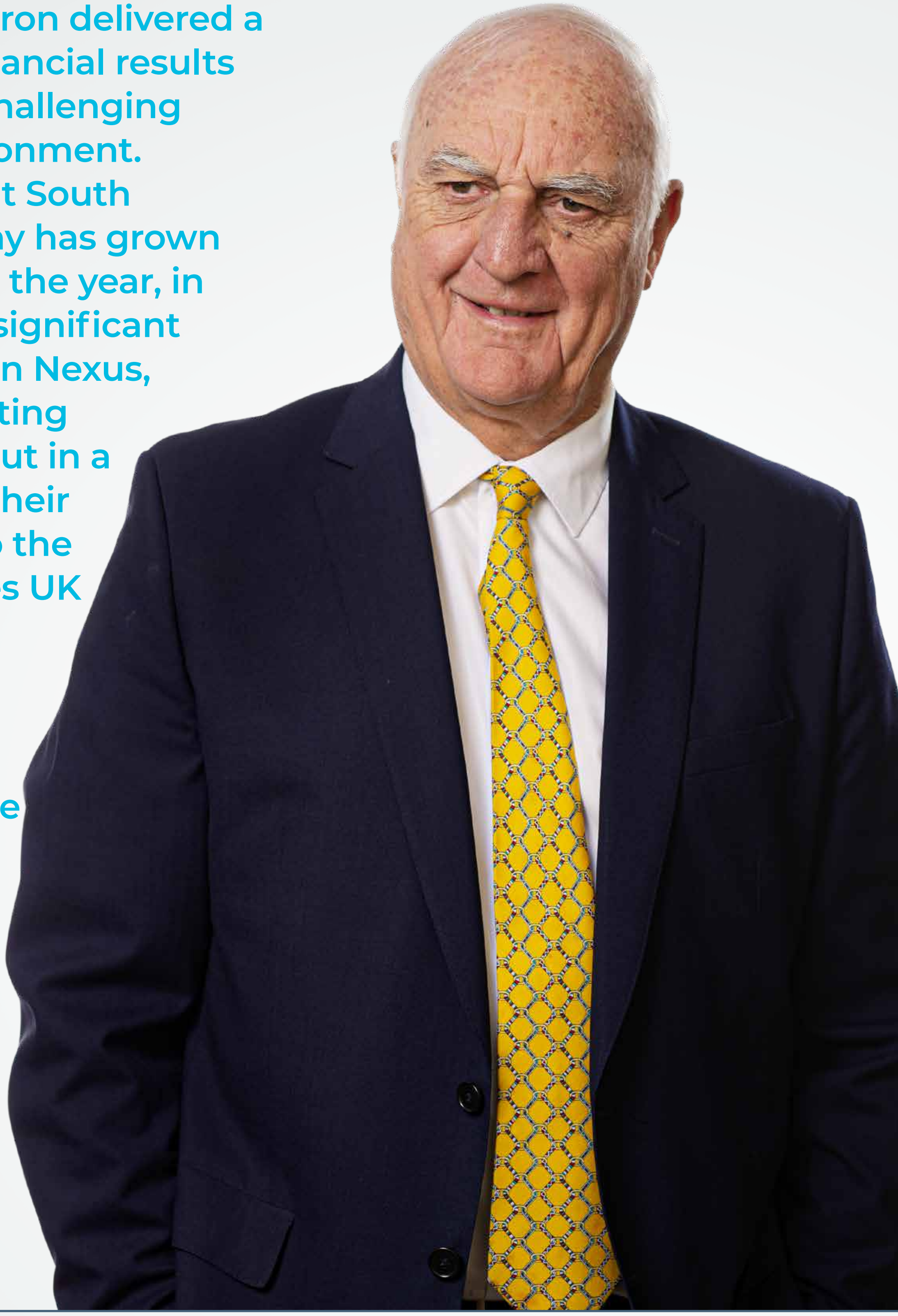
Our UK division's growth this year stands out in our results for the year, and this was under the leadership of Bytes UK MD, Neil Murphy. In similar fashion, Altron Bytes Managed Solutions' MD, Chad Baker, has taken a struggling business to being one of our leading companies in terms of contributing growth to the group. Pierre Bruwer, MD at Netstar, has also arrested customer churn at the company and mapped out a growth path for the future for the company. The highly successful partnership between Altron Bytes Systems Integration and SAS has much potential for the future, and I must commend MD Leslie Moodley for identifying the opportunity for us to collaborate with one of the world's leading data intelligence brands.

Finally, I would like to thank our active and passionate board, that is forever willing to advise and guide our leadership team, and in particular Mike Leeming, our board chair, whose partnership I appreciate deeply.

Mteto Nyati
Chief Executive

Message from the **Chairman**

During FY20 Altron delivered a strong set of financial results in what was a challenging operating environment. Considering that South Africa's economy has grown at 0,2% through the year, in addition to the significant setback at Altron Nexus, our other operating divisions have put in a stellar effort in their contributions to the group. Our Bytes UK business has had another spectacular year, with gross invoiced revenue growth of 43% and EBITDA growth of 66%.



MIKE LEEMING

OUR OPERATING CONTEXT

As a business with a long history that is integrally related to the South African economy and its people, it is with a sense of sadness, frustration and disappointment that we contemplate the challenges we will face in operating within the SA economy, though we reaffirm our commitment to doing so.

The hope that South Africa had passed through the worst and could look forward to an improvement in business confidence, trading conditions and policy has not been borne out. We believe time, and with it the country's chances of recovery, is running out. The Covid-19 crisis and the continued lockdown of our economy has created even greater problems for business and all the people of our country.

Constraints such as a lack of available spectrum for 5G and even 4G have severely hampered the ability of our South African customers to move ahead with digitalisation projects. The removal of this and other similar blockages in the ICT sector are critical, as we continue to observe the gap between South Africa and developed nations widen in the deployment of technology which can provide a competitive business advantage.

It is also not only business which will benefit from the move to allocate spectrum – healthcare, education, security and surveillance applications can all be enabled by 5G – and it is imperative that South Africa begins to take steps to provide opportunities for innovation.

"The hope that South Africa had passed through the worst and could look forward to an improvement in business confidence, trading conditions and policy has not been borne out."

An increasingly onerous regulatory environment, combined with the diversion of capital from the national fiscus away from developmental projects in favour of supporting failing state-owned enterprises, has effectively hamstrung the economy. These obstacles to economic growth outstrip even the most robust corporate strategy and already constituted a crisis before the onset of Covid-19. We are bracing for an unprecedented strain on the country's social and economic fabric in the coming year.

STRATEGY

Our One Altron strategy has allowed us to take advantage of the portfolio of products and services the group can offer as an integrated entity, and our in-depth understanding of what our customers are looking for has allowed us to deepen our relationships with key customers for mutual benefit.

The board's focus during FY20 was to keep track of the original goals of the One Altron strategy, while still providing guidance through the Altron Nexus issue. This may have been an unwelcome distraction but, through swift and considered collective action from both the executive team and the board, corrective measures were put in place immediately. We regret the issue arising, but are pleased with the company's response.

Board challenges through the year included crafting a solution to Altron's working capital issue by ensuring that all capital is being utilised as efficiently as possible, and providing an intensive level of guidance and support in the acquisition of security specialist firm Ubusha, which will help to pave the way for Altron's future in the technology solutions space.

We have also looked to revitalise our divisions' offerings to position them for the future. Netstar is a prime example of one of Altron's operating companies which has transformed its product from basic tracking as a support function for the insurance and motor industries to providing data that is useful and valuable to a host of different end-users. We have put a lot of focus into changing Netstar's profile and we believe this business has considerable potential to deliver even more than the one-third of Altron group revenue it currently contributes.

The board resolved to pursue a demerger of Bytes UK. As part of the annual strategy process the board reviews the sum-of-parts valuation of the group and it became obvious that the Altron shareholders would materially benefit in value terms by holding their shares directly, and by a partial selldown into a favourable sector trend in the UK.

Message from the Chairman (continued)

The thinking was supported by the following facts: better-than-competitor growth in sales and profitability; a management team who had been running the business for some years without material corporate support from Altron and a strategic plan that would achieve UK public market support.

The process is reasonably advanced, but will only take place if market conditions are favourable for such an offering at that time.

We will also see Netstar looking to expand its offering in Australia and with the globally represented Vodafone Group via the Toyota Connect platform.

South Africa

We were unable to predict just how difficult local operating conditions would be, with competition for delayed and reduced corporate customer spend intensifying and cut-throat margin reduction at the order of the day. However, our very capable management team, led by Mteto Nyati, continues to win market share in all areas of our local business.

UK

Our UK business has seen growth of 56% in Sterling terms over the past three years and is led by a very capable management team confident of a continuation of strong growth for the foreseeable future. Bytes UK is the number one Microsoft sales partner in the UK and Europe.

Rest of Africa

Our strategy in the rest of Africa continues to be one of following our customers and, in line with our One Altron strategy, to do more business with them. We will expand the range of products and services we offer our customers in Africa, though we remain cautious in our expansion in what remains a difficult operating environment.

GOVERNANCE AND LEADERSHIP

If there is a term to sum up the evolution of governance at Altron since the reconstitution of the board and executive team three years ago, it is "involvement". Decisions made at board level are now fully inclusive and call for greater involvement of all directors across the business for the clear objective of safeguarding the interests of each stakeholder group – not just shareholders.

The evolution of governance within the group has been enhanced significantly and has shifted from a single-minded focus on performance to an expanded definition of sustainability for Altron. From the establishment of an investment committee to the bolstering of our risk and compliance committee and expansion of the mandate of the social, ethics and sustainability committee (SESCom) in the year under review, we have now placed a magnifying glass over Altron's management of its various capitals. We have comprehensively defined our business outputs and are continually monitoring our progress as a good corporate citizen.

Over the next year we will seek to bring more experienced non-executive directors onto the boards of our main operating companies to assist the executives in enhancing their businesses and put in place the necessary governance frameworks. Our complement of non-independent directors has excelled in applying an independent mindset in supporting Altron's executive team.

BOARD COMPOSITION

There have been no changes to the composition of the board or its committees since 1 March 2019, though the mandate of the SESCom has been broadened, thanks to the efforts of the committee's chair, Stewart van Graan.

The Altron board is very involved with the executive team – much more than in many other listed companies in South Africa. We believe the board consists of individuals with real business expertise, IT experience and South African business acumen. This collective value is offered to the executives and we have seen a great appreciation of it, even while every board discussion and proposal brings robust and constructive debate. We are all aligned behind creating stakeholder value in all aspects of the business.

The board review process is under way in interview format. It will suffice to say that we have not been disappointed in our hand-picking of members with top-class skills and experience. Altron's results over the last three years bear this out. We are beginning to discuss issues of tenure, including my role as board chairman, and we will address this in due course. At this stage we are comfortable with the alignment of the board, executive and shareholders in our strategic direction and progress.

OUTLOOK

The serious medical effects of the Covid-19 pandemic has resulted in huge uncertainty as to business prospects around the world. The South African situation is particularly concerning as we were already in a negative economic cycle and the extended lockdown is likely to see many business failures, with significant job losses and a serious risk of civil unrest as the unemployed and their families are unable to feed themselves.

While the government has announced significant financial support, the competence of those tasked with getting the funds to the needy beneficiaries is likely to be a problem. In addition, the cost of these relief efforts will have to be met and this will set back the country for many years to come. The recent downgrades of our country only add to these problems.

Our particular industry is likely to see some benefit from the new way of doing business and we are geared up for the opportunity. However, many of our customers may disappear and we will be called on to assist those that are able to survive in ways that could have a short-term cost.

> ***"The South African situation is particularly concerning as we were already in a negative economic cycle and the extended lockdown is likely to see many business failures."***

We will do everything we can to assist our customers and, where possible, keep our staff employed through this difficult time.

We will continue to improve on our One Altron strategy and are conducting an in-depth study of each of the businesses to ensure their relevance and correct contribution to the group, particularly given the likely change to our work environment.

Altron will pursue the Bytes UK demerger opportunity and will see Netstar looking to expand its product offering in Australia and with the globally represented Vodafone group via the Toyota Connect platform.

ACKNOWLEDGEMENTS

I would like to thank the executive team at Altron, and in particular Mr Nyati, for their unwavering commitment to the safeguarding of stakeholder value and to the One Altron strategy, which has ensured that we are on course to achieve our major goals ahead of schedule. I would also like to thank my fellow board members for their demonstrable contributions to the group through FY20, as well as our partners and customers, with whom we continue to forge deep and lasting relationships that will propel us into the next phase of Altron's evolution.

Mike Leeming
Chairman

Performance summary

GROWING REVENUE

- Intensified focus on organic growth in our four targeted growth sectors: cloud computing, IoT, data analytics and security.
- Acquired security specialist firm Ubusha, for complementary capability. The transaction was effective 1 March 2020.
- Forged ahead with our tactic of doing more business with our existing customers, utilising the breadth of offerings across Altron's business divisions.

"Altron continues to focus on innovation that matters."

IMPROVING PROFITABILITY

- Completed digital transformation within Altron, bringing all divisions onto a unified shared services platform to streamline and simplify operations, thereby reducing costs.
- Reducing debt while investing for growth.
- Improvement in working capital management.
- Top-notch accreditation from partners and vendors allows Altron to source products at preferential rates, thereby increasing margins when onselling.

TRANSFORMING THE CUSTOMER EXPERIENCE

- Continued focus on innovation that matters with our partners and customers:
  - Collaboration with Vodacom and Toyota to create Toyota Connect, a game-changing in-vehicle analytics, safety and convenience platform.
  - Altron Bytes Managed Solutions and NCR provide Capitec with 100 cash-recycling ATMs – a first for the bank.
  - Altron awarded Microsoft Licensing Solution Provider status, positioning Altron Karabina to become the go-to Microsoft partner for South African business.
  - Altron Bytes Systems Integration became an Amazon Web Services Advanced Consulting partner.
  - Altron partners with Putco to provide telematics and data analytics to the Putco driver training academy.
  - Altron Rest of Africa division partners with Pascal Technologies to provide a seamless and integrated payment system for motorcycle public transport services in Rwanda, ultimately worth R279 million.
  - Altron partners with Red Alert Service Solutions to fight horse saddle theft using saddle tracking.
  - CyberTech, a division of Altron, has become a Platinum Partner of DigiCert, the world's leading provider of solutions for authentication, encryption and integrity of websites, enterprise digital applications and IoT. As a Platinum Partner of DigiCert, CyberTech will be able to provide South African companies of all sizes with end-to-end encryption and other services through DigiCert's complete portfolio of digital certificates and automated certificate management services.

EMPLOYEE EXCELLENCE

- Nametsegang Mamping, head of human capital at Altron, selected to Presidency's Top Under-35s programme.
- Executive committee pledges to live by Altron values, and Altron values workshop continues to be implemented across the group.
- 158 Altron employees graduated from various South African tertiary institutions in programmes facilitated by the Bill Venter Academy. Degrees, diplomas and certificates range across computer science, business administration, leadership and engineering.
- Altron executives receive executive coaching in order to position the group for global expansion.
- Altron CEO, Mteto Nyati, addressed UKZN alumni colloquium in Durban on issues of ethical leadership, and was invited to present at the Leadership Forum hosted by Coca-Cola and Ubank.

CONTRACTS AND TENDERS WON

- Altron awarded Standard Bank contract worth R280 million per year for three years.
- Altron won R110 million Barloworld equipment tender.
- Altron Mozambique won a multi-year CEDSIF Exadata contract with a total value of R27 million.
- Altron Bytes Systems Integration re-awarded tender for City of Tshwane ICT corporate network maintenance, to the value of R95 million.
- Altron Business Systems Integration won FirstRand Group contracts worth R149 million.

"Our One Altron strategy is bearing fruit in the form of several key contract wins."

AWARDS AND RECOGNITION

- Altron Karabina won three Microsoft Partner awards.
- Altron Bytes Systems Integration received ISO recertification in all regions for ISO9001:2015.
- Altron Mozambique won Partner of the Year at the annual Oracle Partner Network awards.
- Phoenix Software won a Microsoft Global award.
- Altron Bytes People Solutions won a CompTIA Global Rising Star award.
- Altron ACS won an Entrust Datacard award as Global Partner.
- Altron Bytes People Solutions won multiple awards at the 2019 Vodacom Business Partner Awards.
- Altron Bytes Security Partnerships received Gold Status from Tenable Security.
- Phoenix Software won a Microsoft Global Modern Workplace Transformation Partner of the Year award.
- Altron Bytes Document Solutions won a Xerox MEA Partner of the Year award.
- Altron Nexus and Business Systems Integration won awards at Huawei Enterprise Eco Connect SA 2019.

Performance summary (continued)

		FY20	Continued	Discontinued
FINANCIAL SUSTAINABILITY (STATUTORY)				
Revenue	(Rm)	**16 713**	**16 713**	**–**
EBITDA	(Rm)	**1 829**	**1 835**	**(6)**
EBITDA margin	(%)	**10,9**	**11,0**	**–**
Operating profit/(loss)	(Rm)	**1 081**	**1 091**	**(10)**
Profit/(loss) for the year after tax	(Rm)	**658**	**672**	**(14)**
Headline earnings/(loss)	(Rm)	**667**	**677**	**(10)**
HUMAN CAPITAL				
Total employees		**9 113**		
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)	**6,14**		

[1] Restated.

Please note that the absence of energy/carbon/waste/water usage statistics is due to the impending move to our new One Altron campus, as well as upgrades at our warehouse facility, which require a new reporting baseline to be established. We will be setting up a new environmental impact factor database management system in FY21.

FY19	Continued	Discontinued	FY18	Continued	Discontinued
16 925	15 723	1 202	17 681	14 734	2 938
1 661	1 607	54	1 242[1]	1 234[1]	8
9,8	10,2	4,5	7,0[1]	8,4[1]	0,3
1 095	1 041	54	791	783	8
750	680	70	168	421	(253)
708	663	45	448	441	7
8 733	8 733	–	8 072	7 795	277
8,7	8,7	–	1,77	–	–
30,2	30,2	–	56,8	–	–
1	–	–	5	–	–
9,39	–	–	11 597	288	11 309

"Our new One Altron campus is a Green Building rated at Level 4, and the consolidation of several of our operating divisions will result in a reduction of office footprint from 43 000 m² to 27 000 m². Our warehouse is also being fitted with PV solar capability to produce 450 kVA for the facility."

Our company

Altron continues to assess opportunities to expand and grow globally.

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Our **company**

OUR PURPOSE
Delivering innovation that matters

OUR VISION
Be the leading technology solutions provider

OUR SEGMENTS
Smart IOT | Managed Services | Digital Transformation | Fintech & Healthtech

ONE GOAL 2-5-1
Double (2) EBITDA in 5 years by:

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

ONE SET OF VALUES
- Openness, honesty and integrity
- Collaborate across teams
- Embrace diversity and inclusion
- Get things done and enjoy doing it
- Leading returns for shareholders
- Passionate about employees, customers, partners and communities

OUR SET STRATEGIC PRIORITIES
- Revenue growth
- Improving profitability
- Transform the customer experience
- Employee excellence

GROWTH AREAS
Cloud Services | IOT | Data Analytics | Security

SOCIETAL IMPACT

SAFETY AND SECURITY	SKILLS DEVELOPMENT	FINANCIAL INCLUSION	HEALTHCARE MANAGEMENT

Founded in **1965**

Operating in **4** Continents
Africa | Asia | Europe | Australia

Over **9000** Employees globally

830K Netstar vehicle subscribers

15 Strategic partners

12,5K ATMs serviced per month

Africa's largest Mission Critical Communications network

65,4bn Transactions per annum in retail and microfinance

Largest Xerox global partner

10K GPs on Altron Switch system

B-BBEEE Level: 3

OUR SEGMENTS

Altron's operating companies are clustered into four segments of ICT solutions and services capabilities:

DIGITAL TRANSFORMATION

ALTRON | NEXUS

ALTRON | BYTES SYSTEMS INTEGRATION

ALTRON | KARABINA

BYTES
A SUBSIDIARY OF ALTRON

SMART IOT

NETSTAR
A SUBSIDIARY OF ALTRON

MANAGED SERVICES

ALTRON | BYTES DOCUMENT SOLUTIONS
XEROX AUTHORISED DISTRIBUTOR

ALTRON | BYTES MANAGED SOLUTIONS

ALTRON | BYTES PEOPLE SOLUTIONS

HEALTHTECH AND FINTECH

MEDEMASS
A DIVISION OF ALTRON

MEDESERVE
A DIVISION OF ALTRON

MEDiSWITCH
A DIVISION OF ALTRON

ACS
A DIVISION OF ALTRON

DELTER
A DIVISION OF ALTRON

NUPAY
A DIVISION OF ALTRON

CYBERTECH
A DIVISION OF ALTRON

Assets disposed of in FY20	**Effective date of disposal**
Aberdare Cables (residual shareholding)	April 2019
Powertech Batteries (residual shareholding)	May 2019
Bytes Namibia (26% stake in empowerment transaction)	July 2019

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.

REST OF THE WORLD

Australia – R180,6 million
(FY19: R227,6 million)

UNITED KINGDOM

The UK represents 43% of our global business – R7,2 billion (FY19: R6,4 billion). Immediately following the close of FY20 we announced an intention to explore a potential demerger of the UK business from the Altron group, with a view to unlocking further value for shareholders. Leveraging the strength of our UK business and its growth objectives as a complementary strategic thrust in creating value for investors, we have identified FY21 as an appropriate time to consider a separate UK listing under an experienced and growth-orientated Bytes UK board. We will continue to assess market conditions through FY21 and communicate with our stakeholders accordingly as we undergo preparations for the demerger.

SOUTH AFRICA

South Africa represents 52% of our global business – R9 billion

(FY19: R8,8 billion).

REST OF AFRICA

R373 million (FY19: R272 million)

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

Our sustainable **business model**

Altron creates value by providing innovative and end-to-end technology solutions to business, government and consumers.

Value drivers	Input
Building financial prosperity	· **R1,3 billion in net debt** (FY19: R1,6 billion)
Being a great place for all to work	· **8 733 employees** · **Skilled and motivated workforce**
Providing exceptional customer service	· **Research and development (R&D) into innovative solutions and services** · **Strategic vendor partnerships**
Doing good while doing good business	· **Altron learning centres in KwaMashu and Soweto**

What we do

Our operations are clustered into the following four segments

Smart IoT

Managed Services

Digital Transformation

Fintech and Healthtech

Through these segments, we provide the following solutions and services

SAFETY AND SECURITY

SKILLS DEVELOPMENT

FINANCIAL INCLUSION

HEALTHCARE MANAGEMENT

GOVERNANCE

Corporate governance

Ethics

In support of the One Altron strategy, we redefined our value drivers. Our sustainable business model is built around the four value drivers that drive our strategy and performance. These drivers are the core of Altron's business strategy and they guide our operations.

Activities and outputs – continuing operations	Outcomes
• Organic growth through cross- and upselling • Strategic acquisitions to develop four growth areas • Expansion in rest of Africa • Deliver on Altron strategy • Engagements with investor community to build and maintain a positive investor sentiment and expand the shareholder base and profile	• **Revenue growth:** R16,7 billion revenue (FY19: R15,7 billion) • **Profitability:** R1,8 billion EBITDA (FY19: R1,6 billion) • **Leading returns:** 182 cents HEPS (FY19: 179 cents)
• 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	• Engaged employees: – 8,4% employee turnover; Altron employee engagement score of 72% • An enabling work environment • A diverse and inclusive workforce: Level 3 B-BBEE certification
• 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 • R30,05 million (FY19: R28,14 million) spend on supplier development (SD) and enterprise development (ED)	• Innovative solutions • Outstanding customer experience: Net Promoter Score: eight out of 10 operations are above global benchmark • Sustained strategic partnerships • Sustainable supply chains
• 91,66% (FY19: 87,77%) of local purchasing placed with B-BBEE-compliant suppliers; 42,41% (FY19: 33,52%) of all local purchasing placed with black businesses; 24,88% (FY19: 18,90%) of all local purchasing placed with black businesses; 305 learnerships awarded; R7,6 million spend on learning and development • Measure and monitor the environmental footprint of Altron's operations, products and services (including carbon, energy, water and waste)	• Creating a positive impact in the communities in which we operate • Establishing a transformed and sustainable value chain • Reducing our environmental impact

GOVERNANCE

Risk and compliance

Reputation management

Stakeholder **engagement**

Our engagements with all our stakeholders are instrumental in creating an enabling environment in which Altron can operate and create value. We engage with various stakeholders through a multitude of channels and forums to gain an understanding of their diverse range of concerns and respond appropriately while achieving our One Altron strategy.

We focus on building networks that enhance value creation, and relationships which are built on trust and mutual benefit. Our identification of material stakeholder concerns is carried out through practical procedures with measurable results.

How we create value

STRATEGIC PARTNERS

We depend on strategic partnerships to meet our customer needs. The group engages with credible global players in ICT to deliver technology that matters.

OUR EMPLOYEES

The group aims to attract, motivate and retain talent. Through our leading human capital practices, we have procedures which enable us to create and maintain a positive working environment.

SUPPLIERS

We engage with our suppliers to ensure a stable supply of inputs. Our supplier relationships are crucial in our efforts to deliver innovative services and solutions.

CUSTOMERS

The group provides service excellence and delivers innovative solutions and services to our customers. Altron combines technical expertise with in-depth customer understanding to provide end-to-end holistic technology solutions.

INVESTORS AND THE MEDIA

We consistently engage transparently with our investor community and the media. Altron aims to enhance shareholder value and deliver sustainable revenue growth.

GOVERNMENT AND SOEs

Altron is a responsible corporate citizen that abides by legislation and regulations of the jurisdictions in which we operate. As a service provider and supplier to government and SOEs we are committed to ethical business practices.

COMMUNITY AND ENVIRONMENT

We leverage our suite of product and service offerings to meet our corporate purpose of bringing innovation that matters. We believe that we are well positioned to address critical local and global societal challenges of safety and security, healthcare management, financial inclusion and skills development.

Our performance

Altron has delivered a satisfactory set of results in a challenging business environment in FY20.

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Building financial prosperity

Through our One Altron strategy which has seen the group complete a turnaround and establish a course for sustainable growth, we are committed to delivering revenue growth, improving profitability and producing leading returns for our shareholders.

HIGHLIGHTS

- We continue to be on track to achieve our ambitious five-year goal of doubling EBITDA by FY22.
- The group has delivered a solid set of results in an extremely challenging economic environment.
- During FY20 Altron acquired the highly regarded identity security specialist firm, Ubusha Technologies, for R367 million (including deferred payments).
- The group's net debt position has improved by 18% to R1,3 billion as a result of prudent fiscal management.
- NHEPS and HEPS decreased by 6% and 2% respectively, though the decline in HEPS is a temporary effect of the implementation of IFRS 16. [See https://www.altron.com/investors/ for our annual financial results.]
- Altron declared a total dividend of 55 cents for the full year (29 cents at interim and 26 cents per share at year-end).

CHALLENGES

- The global economic backdrop, in particular South Africa's low-growth environment, continues to negatively impact Altron's large enterprise clients.
- Altron Nexus suffered a setback during the year and is expected to recover by FY21.
- Altron Karabina's contribution to group revenue missed expectations, with substantial revenue deferred to FY21.
- Changes in accounting standards will cause HEPS to reflect negative growth for FY20.
- Significant work has gone into improving Altron's management of working capital in FY20.

MATERIAL THEMES

1 Revenue growth

2 Improving profitability

3 Leading returns

OUR TOP STRATEGIC RISKS AND OPPORTUNITIES

Customer concentration RISK RESPONSE	Altron's growth strategy places a strong focus on cross-selling and/or upselling to existing customers to address overdependence on a few customers and high dependency on public sector business. Further to this, Altron has a dependency on vendors/original equipment manufacturers to deliver and to be resilient in order to execute the cross-selling/upselling strategy. This strategy might give rise to high customer concentration in enabling delivery of the growth strategy. For this purpose Altron has a clearly defined complementary strategy for its top 44 customers.
Conduct and culture RISK OPPORTUNITY	Altron is committed to complying with all legislation, regulations and the highest standards of corporate governance and best practices relevant to our business in every country in which we operate. Altron's values are openness, honesty and integrity and we are passionate about our customers, partners, employees and communities. While governance structures have been designed to foster an ethical culture, including post mergers and acquisitions, corporate governance failures can result in a corporate trust deficit. As a group we hold all operating divisions and stakeholders to high ethical standards and therefore rate conduct and culture as a top priority, beyond compliance.
Competition for talent RISK OPPORTUNITY	Attracting, retaining and developing skilled employees is critical to delivering our strategy and remains a challenge as competition for talent continues to intensify. Targeted recruitment and poaching of core talent by local and international ICT companies leads to the prevalence of above-market-related salaries. The shortage of highly skilled technology experts and data analysts results in increased competition for talent. As such, this provides us with the opportunity to implement training, coaching and mentoring programmes for all staff as we seek to invest in and retain world-class talent.
Go-to-market strategy and execution RISK OPPORTUNITY	Altron's strategy aims to drive a substantial portion of its revenue growth through cross- and upselling to existing customers. Customer buying behaviour indicates that customers are reducing their number of vendors, desiring instead bundled services from a few key vendor relationships. Altron needs to have a strong sales and marketing as well as execution strategy in order to effectively drive its cross- and upselling objectives. Failure to ensure good customer experiences across the group may result in a failure of our cross-selling strategy.
Increased regulatory demands RISK RESPONSE	Altron operates in many jurisdictions and must comply with various laws and regulations. These include data and privacy protection and tax requirements. Despite our ongoing efforts to comply, these requirements continue to increase and are often elevated by economic conditions in the markets in which we operate. This increases the risk of statutory or regulatory sanction and material financial loss or reputational damage as a result of failure to comply with applicable laws and regulations. Our strategic response to the vast regulatory change agenda consists of the creation of a Centre of Excellence, which will be responsible for governance and ensure compliance within the group.
Disintermediation (vertical integration) RISK OPPORTUNITY	Significant businesses in the group are dependent on a small number of principals and/or suppliers. Altron's success is therefore linked to their ongoing reputation and good standing, financial stability, and the competitiveness and quality of their products and services to meet customers' evolving needs. Vendors not only drive the network infrastructure, but are also at the heart of IoT developments, as they utilise their customer relationships and network ownerships through major tech companies. Over time they integrate vertically in segments like IoT, automotive and e-health. Therefore, the risk of our suppliers selling their products directly to our customers increases. As a result Altron has invested in growing its partnership network with vendors and has strengthened supplier relationship management.

Building financial prosperity (continued)

Changing workforce RISK OPPORTUNITY	The gig economy is a major trend impacting the global workforce, and has created a new kind of diversity, with permanent employees working side by side with freelance contractors. Multiple industries are shifting focus to more managerial and strategic roles, thanks to the onset of automation. Workforce expectations are changing, with the majority of employees spending part of each day working from home. We continue to strengthen our position as an employer of choice, while updating the required skill set of the workforce in an ongoing process to attract and retain the best talent in the market.
Extended enterprise RISK RESPONSE	Altron is a global organisation with a number of partnerships and other business relationships with external parties, all of which have suppliers and partnerships of their own. While this drives value for clients, it also introduces extended enterprise risks linked to their ongoing reputations and good standing, financial stability, and the competitiveness and quality of their products and services to meet customers' evolving needs.
Agile and enabling IT infrastructure (including cybersecurity) RISK RESPONSE	Effective systems, processes and IT platforms are critical in reducing costs, increasing flexibility, and driving efficiency and productivity. Altron recognises that IT is an integral part of conducting business and is fundamental to the support, sustainability and growth of the organisation. IT serves all aspects, components and processes in the organisation and is therefore not only an operational enabler, but a strategic business asset which can be leveraged to create opportunities and to gain competitive advantage. Our One Altron strategy requires a well-governed and integrated IT system to facilitate effective and efficient service delivery to customers and provide cost-effective services. All IT risks must be well governed and controlled to ensure delivery of Altron's strategic objectives.
Data RISK OPPORTUNITY	Harnessing the power of big data analytics is a critical enabler to delivering on our growth strategy. A key pillar in improving stakeholder value is to deliver deeper insights into a business through big data analysis, machine learning and improved reporting. Altron is a responsible steward of customer information. Data analytics as a growth area requires the use of data analytics capabilities to leverage customer insights to develop new solutions and drive product innovation. Data security (including regulation) remains key to Altron in ensuring the protection of data and maintaining customers' digital trust.
Innovation and product development RISK OPPORTUNITY	As most companies do, we face the risk of business disruptions and competition, which can have a negative effect on earnings and profitability. This requires Altron to be conscientious regarding its products and service offerings, and seek opportunities that ensure that the services and products Altron provides are of the highest quality possible. Failure to develop innovative solutions will impact on our competitive advantage and inhibit the business change required to meet operational challenges and create a platform for sustainable growth. However, the opportunity exists for Altron to gain competitive differentiation by being a step ahead in innovative solutions.

We continue to monitor the impact of Covid-19 on the global economy, our clients and the Altron group as a modifier of the risks expressed above.

Risks vs opportunities

Successfully mitigating most of our risks presents opportunities to create value.

MATERIAL THEMES

Revenue growth

- Cross- and upselling to existing customers
- Organic growth in four target areas (IoT, security, data analytics and cloud computing)
- Geographic expansion
- Strategic acquisitions within our targeted growth areas

Improving profitability

- Implementing shared services
- Automation and standardisation
- Continual optimisation of our cost base
- Providing an increased value proposition for our diverse customer base

Leading returns

- Ongoing strategic engagements with our investor community
- Building and maintaining positive investor sentiment

MATERIAL THEMES

REVENUE GROWTH

In FY20 Altron's statutory revenue increased by 6% to R16,71 billion (FY19: R15,723 billion), while EBITDA increased by 14% to R1,835 billion (FY19: R1,607 billion). Our international operations contributed 46% and 36% of our group revenue and EBITDA, respectively.

While we do not ordinarily condone or support normalisation, FY20 has presented a unique set of circumstances in which the continuing impact of the adoption of IFRS 15, and the implementation of IFRS 16 in FY20, requires that we provide a responsible normalised perspective for our stakeholders to make sense of our results and assess the performance of our operations. Normalised comparisons are therefore included to provide a basis for comparison on previous performance.

In FY20 we have reflected negative growth in HEPS, however from a normalised point of view HEPS will be in line with FY19, which speaks to the resilience of the Altron group in the face of external and internal challenges we have faced through the year.

IMPROVING PROFITABILITY

The performance of most of our operating divisions through FY20 has been exemplary – particularly in our digital transformation cluster and smart IoT cluster. However, setbacks particularly at Altron Nexus, which we expect to remain one-off events, have muted the translation of good performance to our bottom line.

Our strategy has been built around the goal of doubling Altron's EBITDA in five years, by FY22, and it is important to note that our measurement of choice has been impacted by IFRS 15 and IFRS 16. We have adjusted our EBITDA targets upwards in line with changes in accounting standards and, despite the setbacks in FY20 which have led to relatively flat growth year on year, we remain firmly on track to deliver on this goal by FY22.

"We have provided a responsible normalised perspective for our stakeholders to make sense of our results and assess the performance of our operations."

Through FY20 we continued to deliver

on our One Altron strategy in terms of collaborating to integrate our product and service offerings, to lower our cost base and target four key growth areas in becoming a leading technology solutions provider. We are pleased with our optimisation of our cost base thus far, with further savings expected to be achieved in FY21 once we have centralised our Gauteng-based operations into the Altron campus.

Despite Altron's acquisition of Ubusha Technologies, which will be completed operationally in FY21, we remain within our stated debt covenant of 1xEBITDA. We are mindful of protecting our cash flow, and despite acquiring Ubusha and consolidating our businesses at a centralised campus, significant effort in improving our working capital has ensured that cash was on hand to maintain our healthy debt position.

Altron's net debt position improved to R1,3 billion (FY19: R1,6 billion). Cash generated from our operations increased to R1,695 billion (FY19: R1,345 billion) as a result of improved working capital management.

Despite the impact of the Altron Nexus issue and the effect of leasing standards in IFRS 16, we will continue with our dividend policy of 2,5 times cover on continuing HEPS. In FY21 we anticipate that the impact of our accounting treatment of lease payments and depreciation in accordance with IFRS 16 requirements will begin to reverse, with a lessening depreciation charge going forward. This will provide a tailwind to our headline earnings from the coming year.

LEADING RETURNS

The Altron share price has continued to display forward momentum through FY20, returning 167% for shareholders through the year, leading the ICT sector on the JSE. Altron was among the top 20 performers on the bourse in a year where elevated commodity prices have created performance anomalies against a deteriorating economic backdrop. Unfortunately, towards the end of FY20, following the devastating impact of Covid-19 on global markets, Altron also lost some of its gains during the year. We continue to work hard to recover these losses. We anticipate that Altron will continue to reward shareholders for aligning with our steadfast strategy as we continue to win market share and a greater share of our clients' wallet – in an environment in which steady, predictable and resilient earnings have become highly valued, Altron has consistently grown in its target areas and has displayed resilience by absorbing losses where they have occurred.

PERFORMANCE SUMMARY

Though we consider FY20's financial performance to be satisfactory, there were pockets of excellence which reflected outstanding performance through the year. Our UK business grew 57% in an unstable, Brexit-affected economy. Altron Bytes Document Solutions has remained in line with FY19's performance in a segment that has overall shown severely declining customer spend, which indicates a considerable gain in market share through the year.

Anecdotal evidence from our operating divisions shows our strategy and diversified model is working – including several major contract wins with Standard Bank, Coca-Cola Beverages Africa and Barloworld. We do not anticipate a slowdown in our UK operations, and as a result of work done in FY20 are confident of further gains in FY21.

Our interventions at Altron Nexus, in which we have replaced executives, bolstered resources and improved financial governance, have had the intended effect and the division showed improved performance through the second half of FY20. We anticipate a return to solid performance in FY21.

Recently integrated into the Altron group, our Karabina division's difficulty in converting pipeline through FY20 belies an enviable schedule of contracts which will begin to reach relevant milestones in FY21 and return stronger revenue growth.

Smart IoT

Altron made significant investments in the sustainability of Netstar's business through FY20 and has made good progress in positioning Netstar as a fundamentally better business for the future through our interventions in Australia and South Africa to improve capacity and innovation. This has led to better performance at lower cost. These investments are material and will be positively reflected in revenue going forward.

Managed services

The managed services segment faces declining market conditions in an increasingly digitalised world. Maintaining profitability in paper printing services reflects an increase in market share. Altron Bytes Managed Solutions has had a stellar year in a highly competitive environment. Though this came at a cost, it is in line with our group values and we are satisfied with the addition to our skilled resources and the overall performance of the segment.

Our material themes

Altron's focus on these key aspects of the business is delivering tangible results.

Digital transformation

Despite Nexus and Karabina both being located in this operating segment, our digital transformation cluster has returned outstanding performance overall, marked by major contract wins and market share growth.

Healthtech and fintech

This cluster has returned revenue growth of 7,8% in an environment of low growth in the public health sector and medical insurance. We continue to do innovative and valuable work in this segment but our operations have not yet reached appropriate scale for full optimisation as a result of the poor economic backdrop and lack of public sector funding.

On the fintech front we provide platforms for lenders in the informal sector to remain compliant with the National Credit Act by enabling credit checks and other capability, and this business is growing strongly. We collect more than R1,5 billion on behalf of NCA-compliant lenders in the microlending space each month.

Altron Arrow

This 50% joint venture with one of the world's leading distributors of electronic components, Arrow Inc., remains profitable and contributes value for shareholders. We continue to see value in this well-managed and credible business.

BUSINESS CONTEXT

Our FY20 results were heavily impacted by the setback at our Altron Nexus division, while the rest of the business performed well in a difficult environment. While Altron Nexus, which operates in the public sector, faces challenges including political and ethical risk, we believe the social responsibility shouldered by this business necessitates our best efforts to ensure optimal performance.

Altron Nexus plays an important role in contributing to the provision of broadband infrastructure in a country which sorely needs to ready itself for the Fourth Industrial Revolution (4IR), and this aligns strongly with our values as a group. We remain confident that Altron Nexus will return to solid performance in FY21.

"We have made demonstrable strides in enhancing our cloud computing, IoT, data analytics and security offerings, and remain on track to double EBITDA by FY22."

Externally, Altron has displayed resilience to return high single-digit client revenue growth, excluding Altron Nexus, through focused effort and strengthened financial discipline. We continue to primarily grow organically rather than acquisitively, and this revenue growth shows the strength of our value proposition in the marketplace. We have made demonstrable strides in enhancing our cloud computing, IoT, data analytics and security offerings, and remain on track to double EBITDA by FY22.

LOOKING AHEAD

While Altron is not immune to the fragile economic backdrop, FY20's results show we continue to move in the right direction and will buck the larger trends in the economy. We have taken steps and made investments to ensure that Altron's business model is sustainable and we remain bullish about our growth mindset and our ability to deliver. Through FY21 and beyond we expect to remain on course with our strategy.

Areas for improvement in FY21 include accelerating the integration of recent acquisitions so that we can bring the strength of the broader group to bear in our service offering, a continued focus on working capital management and maintenance of healthy debt levels. We also aim to leverage our customer relationships more effectively in FY21, as demonstrated by the success of our collaborative contract wins in FY20. We will also continue to gauge the market for an appropriate time for the demerger of the Bytes UK business in order to unlock value for shareholders.

Our partner relationships, such as with Microsoft and SAS, continue to add credibility and capability to Altron and we intend to build upon the positive sentiment shown towards our solutions in our targeted growth areas in the coming year.

Being a **great place for all to work**

At Altron we are committed to ensuring that we implement leading human capital policies and practices.

OUR APPROACH

Altron's human capital policy supports a culture that reflects our values and strategic vision. In line with our One Altron strategy, our human capital theme this year is Winning Together as One. We strive for employee excellence, to be an employer of choice and to be a leading ICT services provider.

We intend to achieve these goals by providing an innovative, ethical and challenging workplace where all employees can contribute to and share in the success of the Altron group. We are committed to fair remuneration practices, diversity, 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. At Altron our employees enjoy a workspace committed to the promotion of mutual respect, trust and integrity. We view diversity as a key enabler of innovation – our approach to diversity goes beyond the scorecard and focuses on diversity in thinking, approaches, backgrounds and complementary skill sets.

HIGHLIGHTS

- 84% participation rate in employee satisfaction survey
- Reviewed and updated our human capital policies
- Introduction and implementation of a new brand across the group
- Proliferation of values programme 360-degree leadership assessment for executives and senior management
- Skills development – 626 IT graduates certified in end-user computing
- We converted most of our contract employees into full-time equivalents

MATERIAL THEMES

1 A great place to work

2 Employee excellence

3 Diverse workforce

PERFORMANCE SUMMARY

In FY21 Altron's new digital platform for human capital management will go live. Our main focus for FY20 was therefore the preparation and change management for this transition, which will significantly improve the management of our human resources, reporting and planning capability, and talent management function.

During FY20 we also continued our values programme roll-out, with a continuous emphasis on being a great place to work, a collaborative approach to providing customer service and preparation for a move to our integrated Altron campus in Johannesburg during FY21.

We continued to align policy across the group to achieve best-practice standard and uniformity. This has fed into terms and conditions of employment. Altron reissued a number of employment contracts through the year to harmonise benefits and conditions.

Given Altron's continued expansion geographically, we have made good progress in building the capability and people management skills of our leadership cohort through a 360-degree leadership upskilling programme. The programme includes all managing directors, first-line managers and our group executive team. We have defined and assessed leadership competencies, and in FY21 will focus on further developing the skills of our leaders in execution of strategy.

We have also made progress in talent management and succession planning at group level, monitoring progress of key individuals who will be ready to step into leadership roles when their time comes. We regularly interview our managing directors to obtain qualitative data on their progress, their teams and how they are populated.

Where first-line managers identify skills development requirements in their teams, the Bill Venter Academy is now open to all Altron operating divisions for qualifications from certificate level through to PhD level in various fields of technology and innovation. Where the academy cannot provide suitable training, we source it from third-party educational institutions. At Altron we encourage a culture of lifelong learning.

CHALLENGES

Our main challenge through FY20 was to take a fragmented approach to human capital and consolidate it by positioning our various operations and geographies to move onto a single Workday platform in the cloud. In line with the One Altron strategy, we have standardised group-wide processes for talent management, recruitment and remuneration, while providing for employees to take a much more self-service approach in directing their career journey. Our fully digitalised workforce management platform will go live in the middle of FY21.

A shortage of skills has challenged Altron, particularly outside of major metro areas. Our approach is to train candidates and interns if we cannot recruit, though this comes with its own set of challenges. While the market is saturated with basic computer literacy skills, some of Altron's operating companies, such as Altron Bytes People Solutions, run ICT learnerships in various communities which extend for three years to span end-user computing, tech support and systems support. With these skills, young learners become much more employable, which benefits employers, including the Altron group itself.

An environment in which it takes 95 days, on average, to hire a candidate with scarce ICT skills illustrates the effect of the skills shortage on project delivery. Altron runs a Technical Professionals Programme which seeks to recruit masters and honours graduates who place in the top of their classes. After creating a shortlist of candidates we brought 20 recruits into our technology, business and business skills training streams to mentor and coach these individuals for specific outcomes in our business context.

This initiative came at a significant cost to Altron per person, but we are currently working on scaling up the initiative to an online platform which can leverage content from external training providers to ease the strain of the shortage of skills. We are also working with government on the Public-Private Growth Initiative linked to preparation for the 4IR. This initiative aims to route funding to skills development for the industry at large.

Netstar runs automotive learnerships where learners train as technicians for on-the-road fitments and installations. The ultimate goal is employment, and our operating divisions benefit. Altron's Soweto and KwaMashu (KZN) learnerships reached completion last year, with 28 graduates being employed by various Altron operating units.

Being a great place for all to work (continued)

Talent retention has posed a significant challenge in a poorly performing economy, with emigration the most deleterious of employee moves for employers. While a certain amount of churn allows Altron an opportunity to rebalance teams and achieve its diversity aims, in the broader context the industry faces an ever-steeper challenge in retaining highly skilled talent. Altron is exploring both financial and non-financial retention mechanisms in talent retention.

This has also had an indirect impact on succession planning, where Altron is challenged by a lack of enough young, skilled employees to move up into management roles. We have put in place a strategy to track the careers, performance and aspirations of our Top 150 employees at the core of our business. We have extensive plans in place for grooming successors in the immediate, medium and long term. Our human resources team assesses qualifications, readiness and personal aptitude in preparation for promotions and movements within the group. Our reviews of succession potential within this group of 150 employees takes place every six months to ensure that our plans remain up to date.

Finally, in terms of challenges, the suspension of three executives from Altron Nexus was a blow to the morale and confidence of employees of this operating company. Our human resources team was instrumentally involved in constant communication and succession planning so that the business could continue as it should during the process, and we were pleased with the outcome of our critical incident management.

MATERIAL THEMES

ENGAGED EMPLOYEES

Values programme

Our transformation of Altron's corporate culture was a highly consultative and inclusive process during which employees were able to define the values which should be lived every day in the workplace. From a practical point of view this required driving our values and principles through every element of operations, and constant change management in order to get everyone employed at Altron talking the same language, living the same set of values and acting in a collaborative way.

The result has been that all employees can relate to the One Altron strategy and their roles in achieving it.

"The transformation of Altron's corporate culture was a highly consultative and inclusive process."

Clarity and consistency in the strategy has helped employees come together in workshops on living and demonstrating Altron's values and culture. This has gone hand in hand with our work on brand internalisation, which has transformed our presence with customers, for whom we now represent One Altron as an integrated entity. The internal and external experience of Altron is now identical.

Employee engagement

This increased cohesiveness has fed into our employee engagement score, which is a global benchmark measure to assess leadership, performance, strategy and the work we have done on Altron's culture. This year our employee engagement score was 62, an improvement from FY19.

Every Altron employee receives a breakdown of the results and these form the basis of monthly feedback to HR, which we use as a springboard for resolution of concerns and addressing shortcomings. Our response rate, which is 84% (FY19: 78%), reflects that employees have latched onto our corporate vision and are motivated.

Wellness programmes

Altron's wellness programme, which includes financial, mental and physical wellness services for our employees and their families, is managed by ICAS, which operates through an employee assistance programme portal and reports to HR on a quarterly basis.

We are currently rolling out these services to other African countries in which we operate. While our UK and Australian operations cannot be part of that programme due to regulatory barriers, they have contracted their own employee wellness providers when required. In FY20 100% (FY19: 12,5%) of our employees were enrolled in the employee assistance programme. Our divisions also hosted wellness days where they invited several healthcare and other service providers to engage with employees.

Employee awards and recognition

The Altron Annual Awards have been expanded to recognise greater aspects of performance and ethics, as of FY20. At this year's ceremony managers and employees were recognised through a transparent nomination and voting process, which has had a significant positive effect on employee motivation and morale. The FY20 annual awards ceremony was held at a gala dinner, with nominated employees flown in to Johannesburg from around the country. There are currently 14 categories in which employees and managers can participate, and team cohesion has been boosted by allowing for motivations and comments in support of team members who are nominated.

Health and safety at Altron

Altron takes all reasonable steps to guard against injuries on duty. All operations are responsible for their respective health and safety programmes. Altron had 0 fatalities in FY20 (FY19: one) and 41 injuries on duty (FY19: 88, all injuries).

AN ENABLING WORK ENVIRONMENT

Digitalisation was the main focus of our HR strategy through FY20. The roll-out of the new people management platform will effectively allow first-line managers to take control of their teams while freeing up HR to become a strategic partner in providing what managers need to create capable, diverse teams.

Performance management at Altron was previously isolated in a silo system per operating division, and many divisions were still using paper-based systems at the beginning of FY20. With the shift to digital, employees will be able to take ownership of their performance reviews and the process will become systems-driven, which improves efficiency and ensures standardisation.

Harmonised remuneration

Similarly, Altron has gone through a process of remuneration alignment during FY20, grading and classifying all job titles and career paths. This has allowed the group to align pay and team structures across all operating divisions, which has brought clarity and fairness to our entire employee base. The result has been greater visibility for managers in terms of the skills they require in recruitment, and the clearly defined budgets they have at their disposal. We are pleased at the low level of resistance to the process, which has allowed for both employees and managers to make informed decisions about their roles and aspirations within Altron.

Flexible workforce

Altron employees had also been requesting greater flexibility and mobility in doing their work, and in FY20 we have begun to deliver in response. Our shared services team has set about creating an enabling environment by establishing a full collaboration platform: an enterprise voice solution for communication across the network, videoconferencing and audioconferencing, and virtual whiteboards. Our use of e-mail as an internal communication channel has dropped substantially.

This flexibility solution has truly been put to the test by the Covid-19 pandemic-induced lockdown in South Africa, and has proven its effectiveness.

Workforce management and planning

Until FY20, Altron lacked in aligning talent metrics and workforce plan management. These have now been fully mapped out on the Workday integrated HR platform, which has not only allowed us to create organograms and plan a headcount in rightsizing for the year – it has also allowed us to understand fully the Altron span of control and to lay the groundwork for assessing skills development requirements.

"The roll-out of the new people management platform will effectively allow first-line managers to take control of their teams."

On this note, digitalisation plays its own role in making positions redundant and Altron's shift to the cloud has posed the challenge of reskilling some of our employees so that we have a more flexible employee base. Administrators who faced the loss of their positions will begin training in line with their interests so that they will be able to move into other teams when the group is fully digitalised.

The group's skills development spend in FY20 decreased to R20,2 million (FY19: R60,77 million).

Our employee satisfaction survey results show an overall engagement level of 61%.

Compliance

Altron's policies protect employees' rights in terms of the Labour Relations Act, No. 66 of 1995 and the Basic Conditions of Employment Act, No. 75 of 1997. By complying with this legislation we also comply with the United Nations Global Compact (UNGC) Principles 1 and 2, which support the protection of internationally proclaimed human rights and ensure that the group does not abuse human rights. Our international footprint in the United Kingdom and Australia requires us to also adhere to international legislation such as the UK Modern Slavery Act.

Being a great place for all to work (continued)

A DIVERSE AND INCLUSIVE WORKFORCE

Diversity beyond the scorecard

Altron's transformation policy creates an environment which attracts a diversified pool of talented employees and specialised scarce skills. We began with defining what a truly diverse workforce is, which is not limited to the definitions of diversity found in transformation scorecards or quotas. Altron's definition of an inclusive base of employees requires aligning recruitment with gender, race, experience, skills and thinking.

Typical metrics of measurement do not speak to qualitative factors and measure only representation, which we do not regard as rich information. Altron is working hard to achieve balance and we actively seek particular traits, backgrounds and capabilities to round out the teams which require diversification.

Our operating divisional managing directors have key performance indicators related to diversity and all first-line management appointments must pass through a recruitment quality process involving Altron's chief operating officer and group executive: human resources. This process asks the tough questions on suitability, culture fit and capability.

Our empowerment credentials

Altron's *2023: Growing through Transformation* policy encapsulates our vision to leverage B-BBEE as a key enabler within the group by defining the key focus areas which guide the implementation of B-BBEE. The policy is aligned to the amended *2013 B-BBEE Codes of Good Practice* and the *2016 Amended ICT Sector Code of Good Practice*. The key focus areas we identified are as follows:

- Transacting with B-BBEE-certified black-owned, black women-owned and small businesses
- Enterprise and supplier development
- Skills development

An audit of Altron's B-BBEE contribution status shows that we have attained Level 3 as a consolidated group. Each of our trading operations is independently responsible for its B-BBEE performance and each division is verified by an accredited B-BBEE audit agency on an annual basis.

	B-BBEE certified level		
COMPANY/DIVISION/ SUBSIDIARY	**Forecast level FY20**	FY19	FY18
Allied Electronics Corporation Limited	**3**	3	4
Altron Nexus	**1**	1	1
Altron TMT	**2**	2	3
Altron TMT SA Group	**2**	2	3
Altron Nexus Solutions	*****	1	1
Altron Nexus Distributors	*****	3	3
Altron Nexus @Connect	*****	2	3
Netstar	**2**	3	4
Altron Group Services	**3**	3	4
Altron Arrow	**3**	3	3
Altron BDS	**2**	2	2
Altron BMS	**2**	2	3
Altron BPS	**2**	2	3
Altron BSTS	**2**	3	4
Altron BSI	**2**	2	2

* N/A (Included in Nexus from FY20)

ELEMENT	**FY20 Forecast**	FY19 Actual	FY19 Forecast
Ownership (out of 25)	**18,36**	18,36	18,37
Management control (out of 23)	**15,50**	15,82	15,83
Skills development (out of 20)	**18,50**	18,78	18,00
Enterprise and supplier development (ESD) (out of 50)	**49,00**	49,58	46,00
Socio-economic development (SED) (out of 12)	**12**	12,00	12

BUSINESS CONTEXT

Altron cannot avoid the effects of a sluggish South African economy and we have thus taken a conservative approach to expenditure. Our shift to digital platforms and electronic meeting tools will reduce costs and unnecessary travel.

LABOUR AND HUMAN RIGHTS

Altron employees may belong to recognised bargaining councils and unions, in accordance with the Labour Relations Act of South Africa and the UNGC Principles. Altron is confident that human rights in the group are dealt with in accordance with the legislation on human rights and labour. The committee continues to monitor this aspect during the following year.

Covid-19 measures

In the final stages of FY20 Altron's flexible workforce solutions were tested by the sudden onset of the Covid-19 pandemic, which required us to take several important steps to secure the health and safety of our employees. We established a crisis management structure to ensure effective decision-making and information sharing, and implemented contingency measures to ensure that client service was uninterrupted. All our employees have been provided with information on reporting and action procedures in the event of incidents.

80% of Altron's estate has already been migrated to the cloud, with employees able to work productively from home, and desktop support is available continually through a rotational basis. All our core systems have backups in place and we have bolstered our cybersecurity team to ensure continuity.

Our procurement team has ensured continuity of supply of necessary goods and services, and we have maintained a high level of communication with our clients and other stakeholders.

Among our communication activities was a live broadcast two days prior to lockdown in which our chief executive, chief operations officer, human capital executive and chief information officer outlined all guidelines to be implemented to ensure that Altron operations identified as key to supporting essential services continued to run. Our intranet has also been used as the go-to information platform for all employees as well as to support government initiatives in placing messaging about the virus.

We have taken the following measures throughout our global operations:

- All Altron Bytes UK operations are in lockdown. 80% of staff are productive and working from home.
- Mauritius is in lockdown; Namibia has lockdown in Windhoek; our staff in Kenya, Mozambique and the UAE are 100% productive and working from home.
- Care packs containing hand sanitisers, masks and gloves have been provided to all productive staff at essential service sites.
- Care pack requirements are monitored continuously and provisions are in place to replenish when required.
- For call centres and other staff required to work at offices, social distancing and healthy working environments have been achieved through rotation of staff to ensure sufficient spacing as well as through the provision of sanitisers.
- Hygiene measures at facilities have been strengthened and Altron has adopted the Bidvest Prestige standard operating procedures.
- Our work-from-home policy requires that each employee is responsible for establishing a suitable home-based worksite that is safe and ergonomically appropriate.
- Altron's employees authorised to work from home must adhere to group requirements and responsibilities in terms of our Occupational Health and Safety Policy.
- An employee who experiences an accident, incident or sustains an injury or dangerous occurrence while working from home must report the incident immediately. This will be dealt with in terms of legislative requirements.
- All employees forming part of the South African lockdown team will be required to take annual leave. Altron is contributing 50% of the required leave days and employees will be required to take the remaining 6.5 days as annual leave.
- Additional sick leave provision for employees infected with Covid-19 remains intact.

LOOKING AHEAD

The impact of our values programme roll-out is beginning to manifest in the way Altron works with its customers. Talent management, recruitment and remuneration are all working in concert to support the One Altron strategy as we represent a unified entity to the marketplace.

In FY21 the group will enable even greater collaboration as several of our operating divisions move to a centralised One Altron campus in Johannesburg. This new campus will bring greater availability of resources and a space to showcase what we can do as a business.

The physical and technical integration of the Altron group will be our main focus as we roll out our digital HR management platform to optimise reporting and visibility, feed into financial and payroll systems, and give resource management responsibility to line managers. HR will remove a significant burden of intensive administration to become a more strategic, operational and functional partner of the executive team.

Providing exceptional **customer service**

OUR APPROACH

With Altron's transformation into an ICT-focused group complete, our One Altron strategy has focused on collaboration of operating divisions in service offerings with our customers as we bring the full capability of our portfolio of products and services to bear in solving their business problems. By targeting four key growth areas – data analytics, IoT, security and cloud computing – we are innovating with our customers to position them for digital transformation. In this way we can live up to our motto – There when it matters.

HIGHLIGHTS

- Altron divisions collaborated to win Standard Bank contract worth R280 million per year.
- Through collaboration with Altron Bytes Systems Integration, Altron Karabina won a contract with Coca-Cola worth R45 million.
- Altron was awarded a contract to supply Capitec with 100 NCR cash-recycling ATMs.
- Toyota Connect platform is a world first and holds promise for global roll-out.

CHALLENGES

- Altron Nexus suffered a performance setback during the year, challenging the rest of the group to outperform the market to restore balance.
- The conversion of pipeline into orders, particularly for Altron Karabina.
- The macroeconomic environment has slowed down customer capital expenditure and Altron has taken a similarly frugal approach to financial discipline in FY20.

MATERIAL THEMES

1 Innovative solutions

2 Outstanding customer experience

3 Sustained strategic partnerships

4 Sustainable supply chains

MATERIAL THEMES

INNOVATIVE SOLUTIONS

Innovation is alive and well in all aspects of Altron's business and continues to be actively encouraged. Each of our operating divisions is responsible for its own innovation programme, while we also encourage cross-divisional innovation forums across our four key focus segments.

Within Altron we have implemented a system called Idea Trigger, which is intended to rekindle Altron's DNA as an innovator. Idea Trigger provides the tools and mechanisms to manage ideas through the innovation process and to help rapidly evaluate, prioritise and develop ideas.

We have also made a strategic decision to work more closely with our customers in innovating to solve their business problems. In FY20 Altron Bytes Document Solutions, a Xerox authorised distributor, developed the fully automated INTELLIbox Version 1.0 solution which accurately reports printer usage via GPRS connection so that clients can be billed for their usage correctly.

Altron Bytes Managed Solutions also developed robotic process automation which can accelerate all processes related to employee onboarding, logistics and incident management, and which has resulted in a 15% increase in efficiency where it has been implemented.

Under the Idea Trigger umbrella the second annual Altron Innovation Challenge yielded a human resources management chatbot solution called Ask Gloria, created by one of our employees, and which allows all Altron staff to search for and access various types of information they require to manage their own leave, payroll and other queries.

"Netstar has created an innovative world-first solution combining available technologies."

Our approach in working with our customers has been to focus on their internal problem, allow the development time and resources to drive an outcome, create key performance indicators for the development team related to the customer's requirements, and to allow failures on the road to attainment of the innovation objective. FY20 yielded a number of positive outcomes from this process.

Most notably, Toyota South Africa Motors outlined a problem statement that drivers were demanding vehicle connectivity at increasing levels of speed that were evolving with their usage needs. A connected vehicle requires the exchange of information in real time, allowing for vehicle-to-vehicle and vehicle-to-infrastructure exchanges.

"Netstar's MyToyota smart app is a world first."

Netstar created an innovative world-first solution combining available technologies by developing a platform which would provide telematics and a Wi-Fi module to provide real-time vehicle information and high-speed connectivity. Vehicle data supplied can now be used for meaningful interaction and services for the driver through the MyToyota smart app. The availability of real-time vehicle information status updates can align service schedules while also providing a suite of value-added services which enhance the driver experience and enhance customer retention, including roadside vehicle assistance, relevant personal interaction with the vehicle owner and high-speed in-vehicle internet hot spots through the partnership with Vodacom.

Netstar also featured in a highly successful collision avoidance and safety platform developed for diversified mining company Glencore. The problem to be solved was to make mining compliant, efficient and safer, given the limited visibility at mining operations and the tendency for existing early warning systems to produce false alarms.

As of FY20, every Glencore vehicle and every employee now carries a transponder in bodywork or clothing, and is provided with a 360-degree view of their vehicle and surrounds. While working underground in low-light conditions, drivers are warned of impending collisions based on the trajectory of all objects within range. An innovation currently in development will ensure that the vehicle assumes control of its direction if the driver fails to respond to an impending collision.

This innovation has helped Glencore reduce the number of false alarms, reduced the number of accidents and on-site vehicle-related fatalities to zero, and has provided real-time reporting and scorecards for driver behaviour while being fully compliant with all applicable standards and regulations.

During FY20 Altron Bytes Secure Transaction Solutions (ABSTS) also contributed to the improvement of health and safety at Gold Fields' mines, by replacing the company's outdated, fragmented and onerous manual healthcare system and its associated compliance and reporting functions. ABSTS provided an automated solution which has converted all Gold Fields' health and safety data into a single application including HR, and time and attendance management. The mining company can now track and schedule mandatory health checks, and analyse and report on data through an automated, integrated system.

Gold Fields now has effective, streamlined occupational, primary and chronic healthcare management processes, which has significantly reduced risks, allowed for accurate data reporting, eliminated employee queues and ensured effortless compliance with the SA Occupational Health and Safety Act.

OUTSTANDING CUSTOMER EXPERIENCE

Our One Altron, One Customer programme set out to improve our sales effectiveness and enhance the customer experience by presenting them with a seamless procurement process. Increasing alignment of our operating divisions creates opportunities to cross-sell and upsell to existing customers, as well as encouraging selling into new geographies and new customers.

Our most significant contract win in FY20 was with Standard Bank. This contract serves as a flagship project for the institutionalisation of our One Altron, One Customer programme because it illustrates the ethos perfectly. Altron Bytes Managed Solutions, Altron Bytes Systems Integration, Karabina and Altron Bytes Document Solutions will now act in concert in what is now the Altron group's single-largest outsourced project, with 40 000 users.

During FY20 we also enjoyed a contract win with Barloworld (4 000 users), Altron Bytes Managed Solutions introduced NCR ATMs into Capitec with the possibility of the introduction of further NCR products into their ecosystem, Bytes Managed Solutions also took a card solution into Boxer retailers and Karabina won a contract worth more than R100 million to take a D365 solution into Coca-Cola Beverages Africa. We have also continued to enjoy wallet expansions with Massmart and the Pepkor group during the year.

SUSTAINED STRATEGIC PARTNERSHIPS

Altron relies on strong strategic partnerships with credible global players in ICT to deliver technology that matters. These strategic partnerships with leading international technology companies give us access to leading technology capabilities and products from across the globe to meet our growth areas. Our strategic partners are available on: https://www.altron.com/about-us/altrons-partners/

Our partners are an integral part of our business. We consistently ensure that our partnerships are built on trust and collaboration. Altron regularly engages with partners formally and informally to achieve mutually beneficial and produce tangible outcomes. We add value through the application, localisation and implementation of their technologies. We actively engage in the joint development of skills.

We engage regularly with our partners, focusing on the alignment of our strategic objectives and market share drivers. The Microsoft LSP accreditation represents significant trust placed in Altron by Microsoft, and in FY21 we aim to finalise an exclusive arrangement in South Africa with SAS for public sector services, which we believe will be a great addition to our partner network.

We continue to forge ahead with our relationships with IBM and Cisco, where we are experiencing greater momentum in our partnerships to win greater market share in various geographies. Our partnership with SAS has also been material to Altron in FY20 in providing data analytics services for the public sector.

"Altron relies on strong strategic partnerships with credible global players in ICT to deliver technology that matters."

Our strategic partnerships

Altron's collaboration with partners is yielding targeted solutions.

SUSTAINABLE SUPPLY CHAINS

Altron also 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 or partner with a start-up, Altron has a base of more than 20 000 customers to offer. Our approach is to provide funding and, if we see value, to look for equity in these businesses.

Our investment committee remains cautious in selecting opportunities, but through FY20 we acquired 64,6% of Genbiz Trading 1001, now trading as Altron Aloe, for R9,7 million and subsequently amalgamated DigiCopiers, of which Altron owned 51%, into Altron Aloe. Altron now owns an effective 57,7% of the amalgamated entity. Through Altron Bytes Document Solutions we also concluded the acquisition of the business of XDN for R15 million, effective 1 March 2020.

Our sourcing of goods is in line with our position as a socially responsible group and we identify opportunities for the prioritisation of local procurement, enterprise development and socio-economic development in our supply chain. We aim to keep in line with the global benchmark of major multinational companies for whom sustainable supply chains represent 50% to 70% of their sustainability footprint (including environmental practices, labour practices and ethics).

PERFORMANCE SUMMARY

In FY20 Altron did not dispose of any non-core assets and has continued to remove complexity from customer interactions with various divisions of the group by creating a seamless process of procurement and project delivery.

A number of internal initiatives contributed to more efficient delivery of solutions for our customers, including driving digital workplace enablement and a cross-group collaboration suite. We have consolidated and standardised a number of IT platforms and processes to streamline and optimise the group's operations, including our ERP systems and our customer relationship management systems. This move to a single domain and network has all been driven by the single purpose behind our One Altron strategy.

Significant work has also gone into Altron's facilities management for its new campus in anticipation of our move to the central facility in FY21, which will complete the integration of the Altron group and further boost delivery of collaborative solutions for our customers.

BUSINESS CONTEXT

Given a low-growth economy in South Africa and a sector under pressure, Altron has been cautious in capital expenditure. Our goal has been to do more business with our top customers while increasing our efficiency and reducing our cost base, which has enabled us to deliver a solid performance under the economic circumstances.

During FY20 Altron improved its operating income and revenue under-recovery figures significantly, which will pass on savings to the group. Our consolidation of all platforms in our shared estate has also translated to a substantial drop in storage costs and requirements, has doubled our available bandwidth and has reduced our central IT cost by R9 million/6,5%.

LOOKING AHEAD

Altron's aim through FY21 is to continue to focus on our four key segments for growth opportunities: data analytics, security, IoT and cloud computing. With increasing consolidation, standardisation and collaboration, we will also further enhance our customer-centric business model and innovation drive that will enable us to harness the full breadth of our service offering for the benefit of our customers, in conjunction with our strategic partners.

Doing good **while doing good business**

OUR APPROACH

Altron's vision is to be the leading technology solutions provider, by delivering innovation that matters, but an integral part of our One Altron strategy is doing good while doing good business. We believe that our technology solutions should go beyond providing exceptional customer service and create a positive impact on the communities in which we operate. This is entrenched in our values and our passion for our employees, customers, partners and communities.

HIGHLIGHTS

- Facilitating better outcomes for oncology patients.
- Helping to deliver a more efficient justice system in Botswana.
- Partnering with service providers and communities to address the ICT skills shortage.

CHALLENGES

- Due to political and ethical risk we remain selective in our engagements with the public sector, with the result that the potential for Altron to make a greater difference to service delivery is limited.
- Our corporate social investment strategy up to FY20 has lacked strategic focus, which will be rectified in the coming year.

MATERIAL THEME

Creating a positive impact in the communities in which we operate

MATERIAL THEME

HEALTHCARE MANAGEMENT

In FY20 ABSTS developed a solution which significantly decreases the administrative burden and cost of oncology treatment. The problem faced by both patients and healthcare providers was that the process of applying for treatment authorisation was costly and complex, and lacked effective management, record-keeping and integration.

The solution provided by ABSTS involves a single, integrated system which is workflow-driven to match the patient journey. It features a single tool for recording diagnosis, scripting, motivation, costing, protocol selection and editing, authorisation, treatment trafficking and outcomes analysis. The elimination of delays has meant a significantly decreased time to treatment, which improves healthcare outcomes, and integrated data which provides valuable insight into the overall success and cost-effectiveness of oncology protocols.

Another significant achievement delivered by Altron for a major metropolitan council in South Africa was a revamping of clinic patient management from a manual, file-based system kept on premises with no historical health records. ABSTS implemented a primary care clinic patient management system which has cut down on queues and increased patient turnaround, virtually eliminated fraud in medical scripts and has restored the dignity of citizens visiting clinics in the metro.

In FY20 the system reached 700 000 people on record across 65 clinics, where patients are now seen within two hours and the quality of care has been raised as a result.

SAFETY AND SECURITY

As a result of South Africa's devastating droughts in recent years, with Cape Town's Day Zero disaster near-miss still fresh in the memory, Altron Karabina partnered with Utility Systems to help municipal water resource customers identify leakages to help conserve resources and reduce costs. The solution provided by Karabina provided an analytics-focused, cloud-based data environment which could create data dashboards accessible via the web to help customers make sense of large volumes of data coming from utility meter readings.

Municipalities and other customers have been able to benefit from early warnings of usage trend anomalies, over-consumption and fault detection to ensure that millions of litres of water do not go to waste, thereby creating a social crisis.

SOCIETAL IMPACT

The Botswana Department of Justice notoriously lacked a systematic process for case file handling, retrieval and storage, with knock-on delay effects on case rolls. The justice system suffered from a lack of collaboration due to an inability to share resources and files across courts, as well as a lack of a central repository for the storage of case files and backups. A manually intensive paper-based system meant little to no visibility of workflow through the courts.

"We provide payment terminals and payments switching in a complete ecosystem to drive fast, cost-effective and secure payment environments."

Altron Botswana, in partnership with Avenu Insights, provided a single integrated solution for scanning, case management and data storage that was workflow-driven to manage the life cycle of each case. Case scheduling, electronic diaries and court rolls can now be managed seamlessly, with secure audit trails and tracking. This solution has improved internal controls, increased efficiency for the courts and the public, and led to faster case completion.

FINANCIAL INCLUSION

Altron provides a number of payment processing and debit order solutions which help businesses of all sizes conduct transactions flexibly and seamlessly. Whether through POS sites or e-commerce via websites and mobile applications, we provide payment terminals and payments switching in a complete ecosystem to drive fast, cost-effective and secure payment environments. Small and medium-sized retailers can conduct secure transactions, obtain reconciliation, reporting and settlement with no downtime.

DebiCheck

DebiCheck is a new debit order system that will take over the EDO payment stream consisting of AEDO and NAEDO. Debit order instructions can be loaded in real-time or delayed depending on the mandate type that has been submitted. DebiCheck enables a merchant to load future-dated transactions on a third party's account, which can be authenticated via multiple methods such as USSD, online banking and via card and PIN.

Doing good while doing good business (continued)

DebiCheck comes with full reporting functionality, as well as a 24/7 contact centre, round-the-clock monitoring on responses from the banks, skilled technicians on call and dedicated account managers.

NuPayGO

The fast, simple and secure way to do business on the go. SMEs can accept debit and credit cards anywhere, at any time. No more printing receipts. Customer receipts can be sent by SMS and e-mail directly from the app. Flexible real-time reporting keeps track of transactions and an mPOS device fits in the palm of a hand and easily connects via Bluetooth to a smartphone or tablet. In just a few seconds businesses are ready to transact.

With NuPayGO's mobile POS solution, entrepreneurs and small businesses are provided with the ability to expand their payment offerings – and therefore their businesses – by enabling them to accept card payments, instead of dealing with the constraints created by being "cash only". From weekend flea market vendor, taxi drivers, handyman or start-up entrepreneur, debit and credit card payments can be accepted payments anytime, anywhere, on the go.

KwikKadima

This is a mobile loan management system targeted at informal and unregistered microlenders. One of the major challenges with the unbanked segment of the market is the estimated 40 000 unregistered lenders across the nation. We have developed KwikKadima, a mobile loan management system with a view to helping these entities to become genuinely compliant through the use of technology.

KwikKadima has been designed to assist in bringing unregistered microlenders into the regulated space by driving compliance to the NCR, PSSF and bureau enquiries, as well as integrating with the AEDO payment stream for easy collections. This solution promotes increased reach and stronger business growth; it also offers queue-busting loan origination, along with a 24/7/365 omni-channel for unsecured lending.

NuCard

NuCard is a web-based electronic facility that allows a merchant to transfer a credit value to an end customer on an electronic card. The customer can use the credit value stored on the card for card payments at any MasterCard POS pay point or withdraw cash from any ATM within South Africa. Benefits include reduced cash-handling risks, and card and pin product, web-based solutions. And the cards are valid for three years.

GoGiraffe

This is a simple and secure payment app that allows you to send money to family and friends.

Whether you're splitting the bill, pitching in on a gift to a friend or sending money to family, GoGiraffe is a simple, easy-to-use person-to-person payment app that allows you to make payments to the contacts in your mobile device. You can buy data, airtime and electricity by simply using the app.

Webfin

This is a cloud-based client and credit management system. Webfin is an online, browser-based, loan management system. No installation is required and with its easy-to-set-up design, it allows for customisation to fit any business model. Users can view reports, approve loans and manage clients from anywhere.

REDUCING OUR ENVIRONMENTAL IMPACT

While Altron's environmental footprint has been significantly reduced as a result of disposal of non-core manufacturing assets, even as we become a professional ICT services group we are cognisant of our responsibility to dispose of replaced IT products and hardware taken out of the market. We continue to be responsible in our handling of waste.

In terms of our electricity usage and carbon footprint, our consolidation to a single campus in FY21 and our implementation of virtual collaboration tools will cut down on our employee travel requirements significantly. We estimate that our new OneAltron campus will reduce our electricity usage as a group by 30%. Our new warehouse in Linbro Park, Johannesburg, will also be equipped with solar panels to reduce our reliance on the national coal-powered power grid. We will continue to focus our effort in reducing the carbon footprint of our business internally, as well as that of our customers, through the continued adoption of video-conferencing facilities which obviate the need for frequent travel.

PERFORMANCE SUMMARY

We are committed to impactful corporate social investment through delivering on our commitment to doing good while doing good business. This intent stems from our goal of being a good corporate citizen and enabling positive societal impact. We aim to achieve maximum value and return on social investments through innovation that matters and leveraging our capacity and expertise as an ICT company in joint initiatives with key strategic partners.

Our CSI strategy provides tangible evidence of the enactment of our values, and is intended to address the interests and needs of our strategic partners and stakeholders. In short, we look to apply our knowledge, expertise and innovative solutions where they can make the most impact. Our CSI strategy thus focuses on funding and projects that will enhance ICT skill levels in communities, with the objective of creating sustainable unemployment solutions, as well as providing support for ICT skills education through bursaries for the underprivileged with no subsequent obligation to Altron.

Altron's existing CSI projects continued through FY20, including our KwaMashu and Soweto training facilities.

As part of Altron's vision for societal impact as a serious and responsible corporate citizen, we have targeted the skills necessary for entrants into the ICT market, with a particular focus on emerging 4IR technologies.

Our three-year learnership programmes in Soweto and Kwa-Mashu include foundational theoretical and practical components related to emerging technologies, equipping learners who complete the qualifications with a skill set that will enable to them to pursue careers in the ICT sector.

Additional focus is placed on entrepreneurial skills to help learners turn their potential into small businesses.

Learning paths are determined by market demand for ICT skills as well as the MICT Seta's Strategic Sector Skills Plan for scarce and priority skills.

The total number of candidates who have participated in the programme is 300, with 144 successfully exiting the Kwa-Mashu programme (24 in FY20) with an NQF Level 4 FET Certificate in IT Technical Support and 135 successfully exiting the Soweto programme (48 in FY20) with a National Certificate in IT Systems Support, NQF Level 5.

The respective programmes aim to prepare well-rounded individuals from local communities who can access the world of work in the ICT sector with the required knowledge, skills, work experience, behaviour and attitude. Many learners did not previously have any ICT background before starting the learnership programme.

Partners associated with the Altron SED Learnership Programme (as host employers for practical experience) include:

Altron Bytes Managed Solutions
Altron Bytes Document Solutions
Altron Bytes Systems Integration
Altron Bytes People Solutions
Department Of E-Government
City of Tshwane (COT)
University of Witwatersrand (WITS)
Nelson Mandela Children's Hospital
Adcock Ingram
MASC Solutions
Global Payment Solutions – GPT
Röhlig-Grindrod
Peakford Management Consultants
Nology
Anglo American
MultiChoice

LOOKING AHEAD

We have formulated a new CSI strategy which will be rolled out in FY21, featuring a group-level flagship project with external implementation partners and smaller operational-level projects. Our group-level flagship project will channel 70% of our CSI funding, employee time, discounted services and in-kind donations. This project is intended to become fully sustainable as an entity in the ICT skills development space, since this is where we feel we can make the greatest impact with our expertise as a group.

Our operational-level projects, which will complete the balance of our CSI budget and employee volunteer work, will be managed at operational level.

The social, ethics and sustainability committee will fulfil an overall oversight role and report CSI implementation and progress to the board. The CSI committee will support the CSI division in an advisory capacity to guide CSI budget allocation, spend, project selection, and monitoring progress and project impact.

This new strategy will both reduce complexity in our CSI project line-up and allow Altron to consolidate its efforts where we believe we can achieve the most beneficial outcomes for our sector. We will make an announcement regarding our flagship project and strategic partners in FY21.

Our governance

In FY20 Altron took several key steps to enhance governance for the benefit of all stakeholders.

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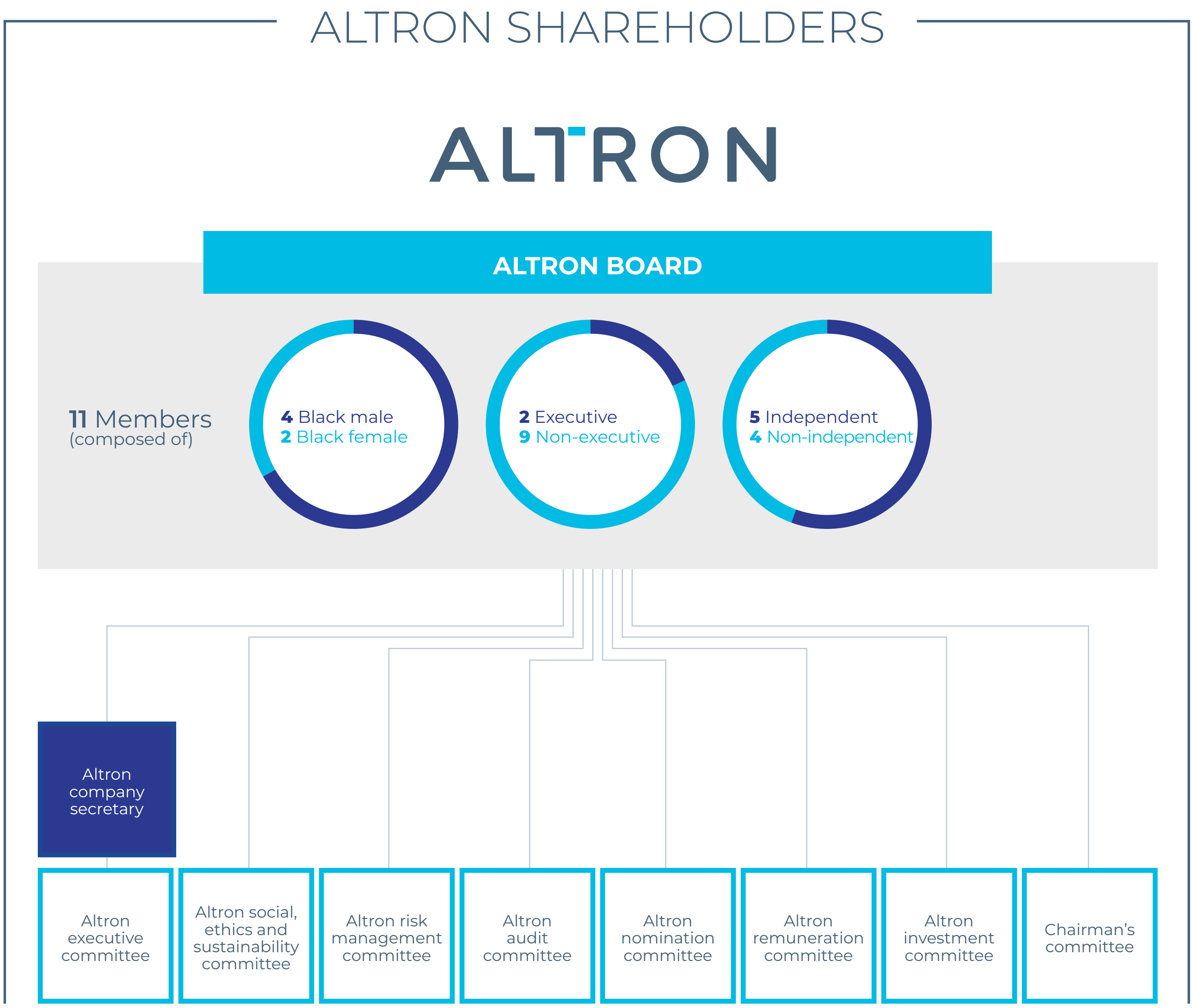
Corporate **governance**

ALTRON BOARD STRUCTURE



CHANGES IN BOARD STRUCTURE

Under the leadership of its chair, Mr Stewart van Graan, Altron's social and ethics committee has taken on a broader and more forward-looking mandate as the social, ethics and sustainability committee. This committee is now also tasked with ensuring that the non-financial aspects of the group's business, which will ensure its sustainability as a contributor of value globally in the future, are carefully and actively managed to produce desired outputs.

Mr Cedric Miller was appointed as chief financial officer of Altron and executive board member with effect from 1 May 2019. Mr Miller holds a CA (SA), CFP and Advanced Certificate in Taxation and, among others, has held the CFO position within the Personal and Business Banking (Global) division of the Standard Bank Group, as well as CFO of its Global Investment Banking division. Mr Miller has a proven record of strong execution of strategy and executive decision-making in a high-performance environment.

BOARD COMPOSITION AS AT 13 MAY 2020 AND MEETINGS HELD DURING FY20

The board, through the Altron nomination committee, regularly assesses its composition in line with its collective expertise and experience, as well as its policy on race and gender diversity adopted in line with JSE Listings Requirements. In accordance with King IV™, 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. As part of this process the board maintains a majority of independent non-executive directors.

The board met four times during the year. Board and sub-committee meeting attendance and the full biographies of all our directors are available as part of our 2020 corporate governance report 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.

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.

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 2020 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.

Fortunately, for the sake of continuity in our strategy, Altron saw no significant changes to its board composition through FY20, with the incumbent board members continuing to support the implementation of Altron's strategy and corporate governance best practices.

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 as pertaining to those within South Africa).

Any material matters that emerge, such as the Altron Nexus issue in FY20, for example, are reported to the Altron audit committee for its consideration and action. Given the significant contribution now being made to the group by its UK operations, the board, through the Altron audit and the Altron risk management committees, constituted an Altron Bytes UK financial review and risk committee, and in FY21 will seek to appoint more independent non-executive directors to this division's board to strengthen governance and depth of industry experience.

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 in compliance 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. During the year under review we placed additional focus on the areas of skills composition, and technology and information governance. 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 request from the group company secretary, WK Groenewald, wkgroenewald@altron.com

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, 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.

REMUNERATION

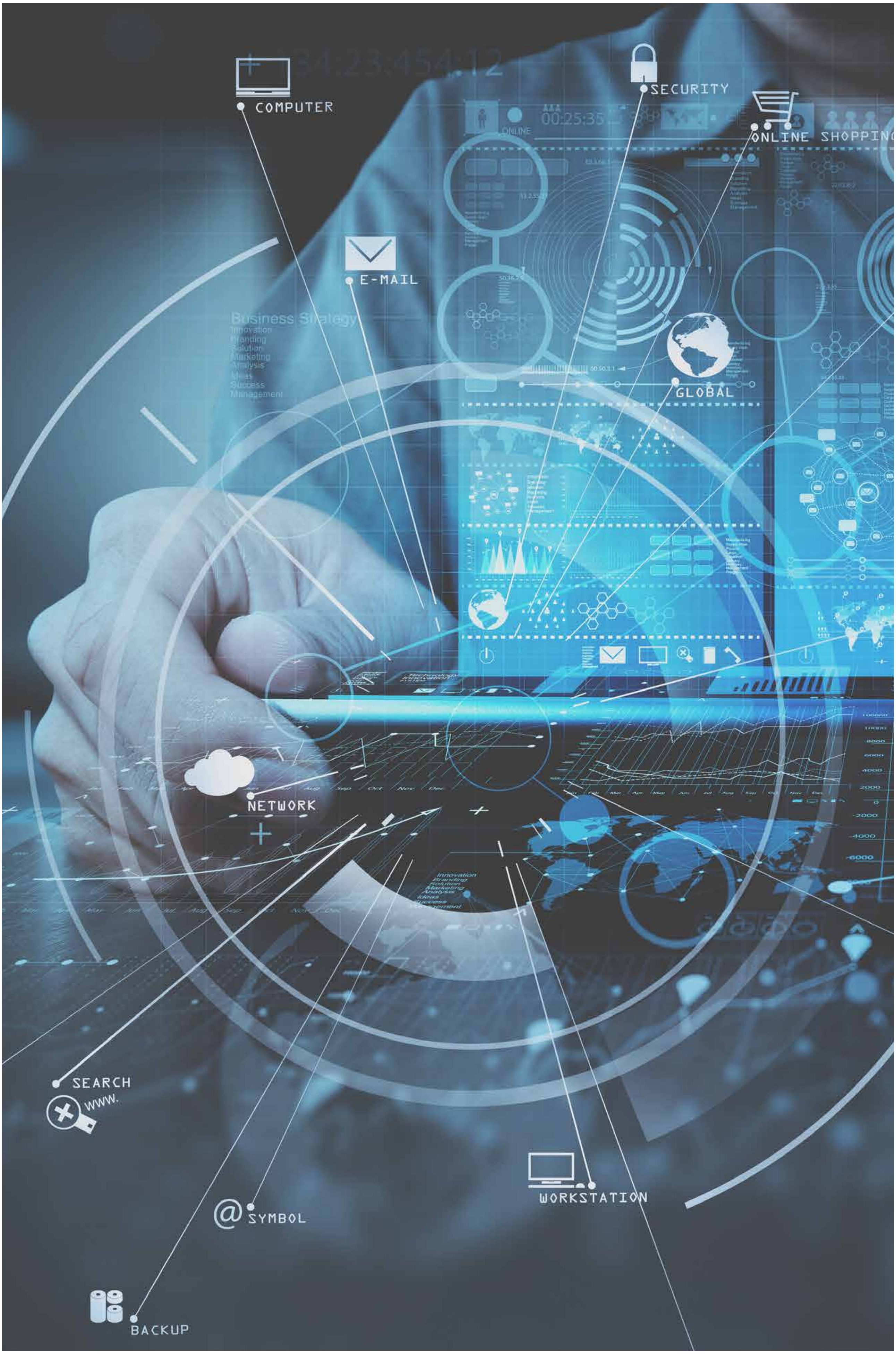
"As a responsible corporate citizen, we adopt a holistic approach to the application of the governance principles contained in King IV™."

Altron's remuneration policy, which was adopted at the 2019 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 2020 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." During FY20, through guidance by the Altron chairman, the board conducted board member self-evaluations to assess each member's effectiveness, identify matters of concern and highlight areas for improvement.

The board believes that continuous improvement of its expertise, capabilities and processes at these levels are key to ensuring optimal long-term shareholder value. Self-awareness of its strengths and weaknesses places the board in a position to maximise the group's strategic opportunities and decrease the impact of risks to it. Based on the evaluation outcomes, appropriate steps are being taken to address areas for improvement. A board sub-committee evaluation exercise was completed in FY19, with this process to again be conducted towards the end of FY21 to continuously assess the performance of the board.


COMPUTER
SECURITY
ONLINE SHOPPING
E-MAIL
Business Strategy
GLOBAL
NETWORK
SEARCH
www.
@
SYMBOL
WORKSTATION
BACKUP

Ethics

As part of our efforts to preserve our stakeholders' trust, Altron has implemented framework, oversight and processes to ensure that the group conducts business ethically and protects against fraud and corruption. We follow a strict code of ethics and implement robust governance structures as well as employee training and awareness initiatives to enhance transparency at our workplace.

OUR APPROACH TO ETHICS MANAGEMENT

As one of 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 standards. 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.

We continue to walk a journey toward achieving total alignment of ethics with our strategic values, with the ultimate goal of creating an organisational identity 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 sets 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 social, ethics and sustainability committee and also assumes the role of the Altron ethics champion. The social, ethics and sustainability committee is supported by a number of 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 a group of 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 FY20.

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 advise 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 social, ethics and sustainability committee. 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

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 FY19 the Altron group adopted a centralised corporate gifts and entertainment register in line with the associated policy, which remained in place during FY20. The corporate gifts and entertainment policy establishes principles and guidelines as to what would constitute normal and acceptable behaviour in relation to gifts and entertainment, and as to what would be regarded as unethical, criminal or contrary to good corporate governance. Declarations made through the register are monitored on an ongoing basis, with formal feedback to the committee.

During FY20 our ethics ambassadors completed a number of initiatives:

- Our ethics ambassadors teams for Altron Bytes UK, Altron Rest of Africa and Altron Karabina were expanded, and the team at Altron Arrow was reconstituted.
- The role of ethics ambassadors in relation to investigations, reporting of alleged fraud and tip-offs was clarified.
- New employee ethics inductions now form part of our human resources onboarding process.
- We have updated the Ethics page on our My Altron website.
- An Altron Ethics Bulletin has been created. This bulletin is used to create awareness around our updated code of ethics.
- A leadership commitment and ethics awareness workshop for senior leadership was held in November 2019.

We conducted an internal investigation and appointed Bowmans Attorneys to conduct an independent enquiry. Both investigations concluded that there was no anti-competitive conduct on the part of either Altech UEC/Multimedia or AAD. The Competition Commission is, however, continuing with its investigation into this matter and we continue to provide information and co-operation as required by them.

Going forward, our plans for FY21 include regular employee meetings to increase ethical awareness and the implementation of annual ethics declarations and pledges. Policies to be reviewed in FY21 are:

- Whistle-blowing guideline policy
- Corporate compliance policy
- Anti-corruption and economic crimes policy
- Competition law policy
- Employee relations policy
- Data protection policy
- Declaration of interest policy
- Limits of authority procedures
- Code of conduct
- Group disclosure policy
- Corporate communications policy
- Sponsorships and donations policy

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. We subscribe to "Tip-off Tim", an independently run whistle-blowing service that enables employees to report illegal actions and ethical misconduct. 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.

Risk **management**

Altron's ambition is to drive increased efficiency across the organisation through a "One Altron" approach and value-based growth for all stakeholders by creating value as well as minimising risk threats to value.

We are on a journey, as we build the Altron of the future, taking a fresh look at our business in developing deeper insights and risk perspectives that will help us deliver sustainable business value through risk-informed decision-making and risk-based performance measures.

Our definition of success is the alignment of risk to strategy, to support sustainable performance through a holistic understanding of risk across the organisation, the design and implementation of adequate yet efficient controls to mitigate risk, and the provision of appropriate assurance to stakeholders that the control environment is effective on a continuous basis to confirm the continued health of the business.

Altron's strategic focus during FY20 was to embark on a process of refreshing our strategic risk landscape, challenging our own assumptions underlying strategic choices and identifying trends or threats that could potentially derail or affect the viability of our strategy. This process shaped the platform for developing a risk appetite framework to support conscious and profitable risk-taking and help avoid catastrophic failures.

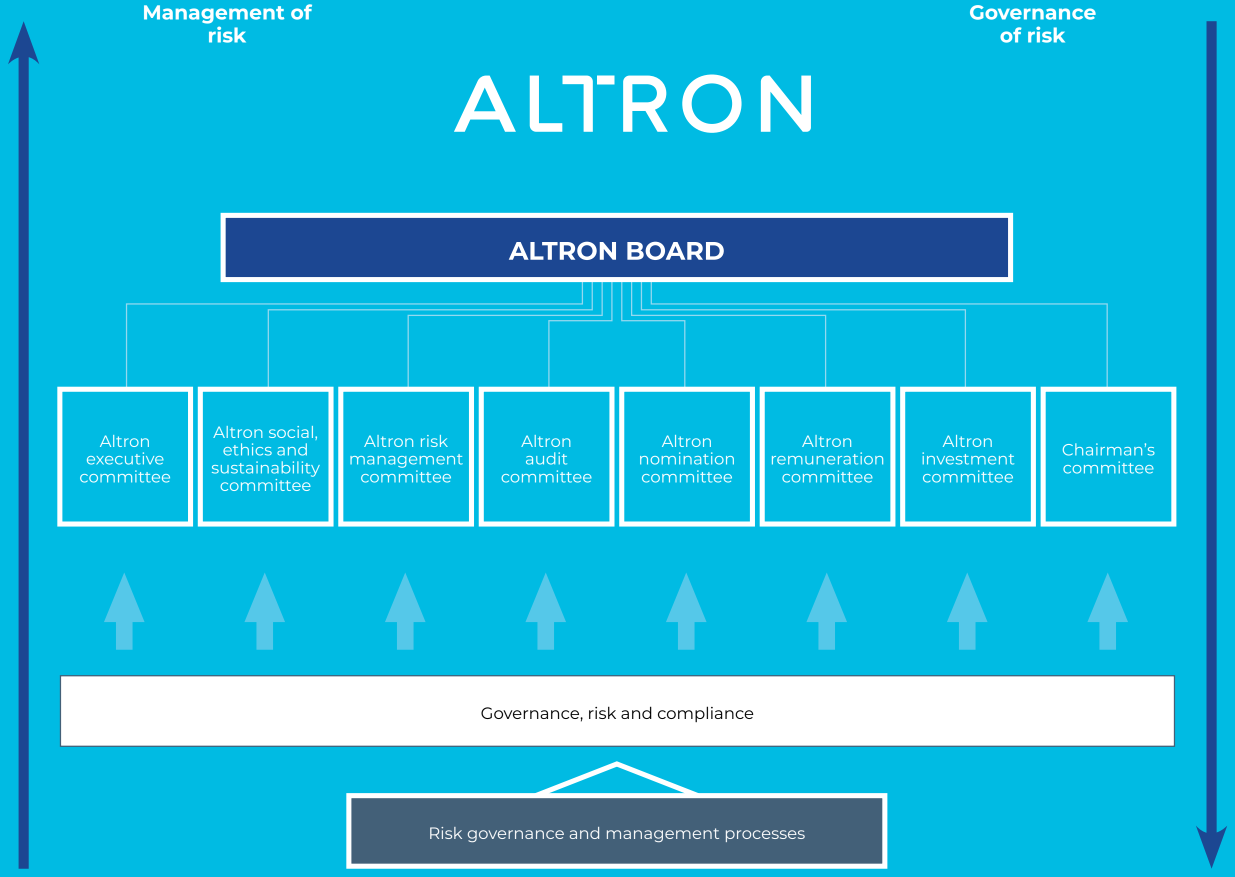
Risk appetite frameworks by design are dynamic in nature and need to be reviewed and updated on an ongoing basis, and require time to be fully embedded within an organisation. We continue to review our enterprise risk management strategy, frameworks and processes to ensure that our focus is on both value preservation and value creation. Significant traction has been made in maturing risk management.

RISK REPORTING AND MANAGEMENT PROCESSES

Altron's board evaluates and manages risks strategically at a group level.

- 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 group chief executive through the executive committee;
  - the social, ethics and sustainability committee (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.

"Our definition of success is the alignment of risk to strategy, to support sustainable performance through a holistic understanding of risk across the organisation."



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.

Risk management (continued)

COMBINED ASSURANCE

iGRC collaboration

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 (integrated governance, risk and compliance) 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.

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, who 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.

"A four-step combined assurance model has been adopted to support a flexible and dynamic approach to risk and resilience."

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). Its compliance is confirmed by means of a review conducted by Deloitte. Deloitte conducted a review during November 2014 in terms of Standard 1312 of the IIA Standards. In terms of this standard, external assessments, such as quality assurance reviews, should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation.

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 promotes 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. As a prioritised area for the current year, the compliance policy and framework have been developed as part of the ERM framework, to facilitate the detection and prevention of non-compliance with regulatory requirements, provides for the management and mitigation of compliance risk, and enhances regulatory compliance assurance.

During FY20 the group regulatory universe together with landscapes specifically applicable to each business were reviewed and updated, which provided a deeper understanding of prioritised compliance requirements and regulatory risks for the business. To support the process, compliance champions appointed at each Altron operation are responsible for implementing the compliance programme within the business, continuous monitoring and reporting quarterly to the relevant governance structures.

The compliance tool assists to ensure that the regulatory context for all jurisdictions are understood, changes to legislation is updated and disseminated, and that compliance assessments and monitoring are performed in a more efficient and sustainable manner.

Continuous and ongoing monitoring and reporting is prioritised to provide governance structures with the assurance that compliance management is effectively implemented, non-compliance is detected and critical high-risk areas are managed and mitigated.

Processes for the management and reporting of non-compliance has also been established and is closely monitored by group risk and compliance. Ongoing support, training and awareness occurs through the compliance forum, a working forum that engages on compliance matters within the group.

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.

Technology and information governance

Altron's technology and information governance is a key driver which will enable us to achieve our vision to be the leading technology solutions provider that delivers innovation that matters.

At Altron we differentiate between non-core and core technology and information.

The Altron board	The IT management council	Management	Employees
The Altron board delegates non-core technology and information governance to the IM council.	The IM council reports to the risk management committee and the executive committee and is responsible for setting the strategic IT direction, defining frameworks, principles and policies to be adhered to and implemented across the group. The IM council plays an integral role in identifying, assessing and managing risk emanating from the use and operation of Altron's IT infrastructure.	Management is responsible for the policy implementation and the development of plans, procedures and guidelines to consistently implement the Altron group policies. Management is also responsible to ensure clear roles and responsibilities have been allocated, defined and documented.	As stipulated and agreed in employees' letters of appointment, employees are required to comply with policies and procedures, including those relating to technology and information governance.

Core IT – also referred to as business IT

- Technology and information services and solutions that are core services delivered to external customers from which revenue is derived and that are integrated into the deliverables that are the unique value proposition to that customer.
- These are unique to each operating company and the costs shall form part of the cost of sales lines of each operation.

Non-core IT

Technology and information services and solutions that are common and used across business units (internal IT situated in shared services) or company specific (no other business unit performs these services/functions/ has these systems – internal IT situated in business) but that are non-core as they enable key functional areas within business (sales, finance, HR, legal, etc.) and form part of the overhead costs of each operation.

IT POLICY FRAMEWORK

We have a board-approved IT governance framework policy which is applicable to all operations[1]. 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.

1. Excluding those that form part of the Altron Bytes UK operations.

"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."

LOOKING AHEAD

Altron will continue implementing robust corporate governance principles. Further detail is contained in the 2020 corporate governance report which is available at www.altron.com

Reputation management

Our board is formally committed to ensuring that all employees conduct business which is in due regard of Altron's reputation and in the group's best interests.

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, as demonstrated through FY20 by the Altron Nexus issue and response.

REPTRAK PROCESS AND ANALYSIS

Our reputation as a corporate entity is researched and tracked by Reputation House, a credible and world-leading reputation analysis agency. Through FY20, on the back of the progress Altron has made in establishing its new brand architecture and through the One Altron customer-facing strategy, we have received a great deal of interest from our targeted responder groups. Participation rate in the reputation survey was above 80% among customers, investors and government departments, which is considerably above the norm.

The results of the RepTrak(R) Pulse survey show that Altron scored favourably within its sector and against competitors, achieving an overall score of 67,5 through 120 stakeholder responses.

The survey results indicate that the emotional bond between Altron and its various stakeholders, including customers, investors, the media, industry bodies, government, partners and the public, remains strong.

The Altron brand scored most highly in the areas of technical solutions and services, good corporate citizenship and leadership – all areas of focus in our One Altron strategy – providing positive indicators of demonstrable progress.

ENGAGEMENT WITH CUSTOMERS

Here are some of our key engagements in FY20:

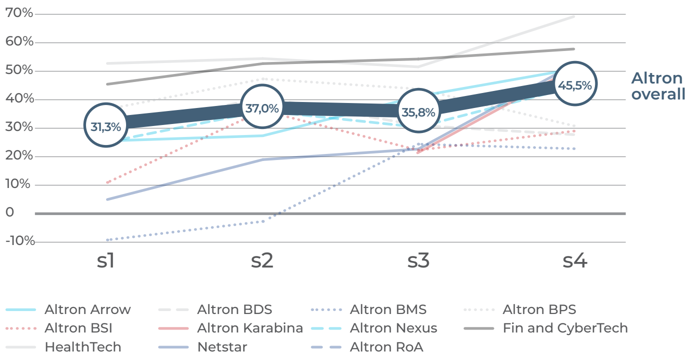
- Understandably, our most important engagements of the year addressed the Altron Nexus issue and the suspension of three of the company's executives. Our goal through this process was to remain open, honest and available to all stakeholders – particularly our customers and the media. By the time a media inquiry was received we had already taken the step of suspending the executives concerned, and held internal leadership discussions on managing the issue. Clarity of messaging and proactive presentation of the facts prevented events from being misinterpreted and, combined with internal communications, supported the Altron culture of integrity and openness. Our employees have responded positively to the effectiveness of our whistle-blowing structures and Altron's customers can rest assured that we take any wrongdoing seriously.
- The Altron Nexus issue formalised the Altron "play book" for dealing with crises, involving clear steps for briefings with leadership, employee town hall meetings, internal communications, letters to shareholders, customer communications, investor calls, media briefings and even personal calls on behalf of the chief executive. We believe we have proved that Altron lives its values in its dealings with all stakeholders.
- We believe we apply the same level of rigour in explaining and disclosing detail around any acquisitions and asset disposals. Using the soon-to-be-finalised example of Ubusha, Altron offered the investor community, shareholders, the media and its employees research and commentary on how the new entity will fit in with Altron's business model, strategy and capabilities. In this way, we believe our stakeholders can be comfortable that the company is sticking to its One Altron strategy as we create value for our stakeholders.
- In terms of engagement with strategic investors, Altron maintains an always-on approach for unstructured engagement: analysts can easily gain direct contact with management. We also schedule regular visits with the investor community, which this year included a first visit by our leadership to the US representing the unified Altron brand. In FY21 we have plans to do the same in the UK, to maintain continuous engagement with current and potential institutional investors.

> **“We held a highly successful capital markets day for the first time in the second half of calendar 2019.”**

- In FY20, given the pace of transformation within Altron, we sought out commentators on the ICT sector who regularly featured in the media to update them on our strategic milestones, goals and performance. We are pleased that the response has been extremely positive, and commentators who speak directly to the investor community via the media are now up to date with how Altron has shifted from its legacy position and are more informed about our consolidated, collaborative One Altron.
- We held a highly successful capital markets day for the first time in the second half of calendar 2019. The event allowed analysts to engage with our technological solutions and services, provided direct communications between analysts and key Altron representatives, and acted as a showcase for the brand language Altron has been using around our One Altron strategy.
- During FY20 we ramped up our involvement with technology showcase events and expos, where our strategy was to meet customers from both the private and public sectors under the One Altron banner. According to engagement tracking provided by the Gartner event, for example, our clear thinking around customer targeting and messaging saw Altron exceed all exhibitor engagement targets. This ultimately resulted in 25 leads generated from a single event. Our customer engagement activity will continue to grow through FY21.
- Our customer experience survey, run on Altron’s behalf by TNS Kantor, has revealed that 1 813 unique stakeholder responses showed an improvement in our overall Net Promoter Score from 31,3% to 45,5% during the course of the year. We track our reputation diligently, recognising that a good reputation is a valuable asset. Our customer satisfaction levels, measured by our Net Promoter Score, provides us with feedback on a quarterly basis. Our Net Promoter Score for FY20 was 45,5, with all of our operating divisions scoring above the global benchmark of 22. This represents positive progress from FY19, where two of our divisions were below the benchmark.
- At the beginning of every financial year Altron hosts a kick-off event where the group’s leadership shares plans for the coming year. This event provided valuable engagement with customers, analysts and our employees.
- One of our partners, NetUp – a cloud and data analytics specialist from the US – visited us for a partner meeting in early calendar 2020.
- We have leveraged our group and leadership profiles on social media, such as LinkedIn and Facebook, to address a broad cross-section of stakeholders on our strategic progress, our technological innovations and our investments back into society. Videos featuring our CEO have resonated widely on these platforms, with more than 50 000 followers on our Altron LinkedIn account and 30 000 followers of our chief executive on the same platform alone.
- Altron has a running relationship with Power FM where the company makes available subject experts to discuss technological issues of the day. In FY20 Altron featured 27 subject experts at all levels across the group, which provides us with a public platform to showcase our leading-edge expertise.

Our Net Promoter Score movement in FY20:

NET PROMOTER SCORE MOVEMENT



ENGAGEMENT WITH EMPLOYEES

We have introduced a lot of video content in our internal communications, featuring messages from operating division management across the group. Our Weekly Wrap e-mailed news communications achieve a response rate higher than 90%. Given our impending move to an integrated Altron campus in FY21, we have also introduced Altron One Touch as a workday solution to help with change management and providing all necessary information, including about our impending move to the new Altron integrated campus.

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