



**AYO TECHNOLOGY SOLUTIONS LIMITED**  
**("AYO")**

**REMUNERATION POLICY AND PROCEDURE DOCUMENT**

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**SEPTEMBER - 2020**

**1. PURPOSE and SCOPE OF THIS POLICY AND PROCEDURE DOCUMENT**

- a) This document is prepared in accordance with governance best practice as contained in the King IV Report on Corporate Governance (“King IV”) and complies with applicable legislation including but not limited to the Companies Act 71 of 2008 (as amended).
- b) The purpose of this document is to set out guiding principles, through an organisation-wide approach, relating to AYO’s remuneration framework and its consistent implementation that is aligned to the strategic direction of the Company.
- c) This document elaborates on each component of remuneration and should be read in conjunction with other applicable policy documents from time to time.
- d) In line with King IV, this policy will be made available on the AYO’s website, accessible through the following link: [www.ayotsl.com](http://www.ayotsl.com)
- e) AYO’s remuneration approach is aimed at remunerating Non-Executive Directors, Executive Directors, Group Executives and Employees fairly and responsibly. This approach takes cognisance of local and international remuneration best practices to ensure that the Company attracts and retains appropriate skills and talent.
- f) AYO’s remuneration is governed by the Remuneration Committee, which is mandated by and reports to the Board. The Board considers the holistic compensation model in approaching the remuneration of all executive directors and prescribed officers, including the fees paid to all non-executive directors.
- g) The fees payable to non-executive directors are recommended for approval by the Board to the shareholders at the AGM.

**The goals and intended outcomes of this policy include:**

- a) Attracting and retaining critical talent, capable executives and a skilled workforce;
- b) Motivating and assisting employees to learn and realise their professional goals, improve their performance and ultimately contribute to achieving the Company’s long-term objectives;
- c) Ensuring short-term success and long-term sustainability;
- d) Ensuring that labour costs compare favourably with the Company’s peers and competitors within the South African labour market and ICT industry;
- e) Promoting the achievement of strategic objectives within the Company’s risk appetite;

- f) Promoting an ethical culture and responsible corporate citizenship;
- g) Enhancing internal fairness through consistent, appropriate and responsible remuneration;
- h) Decision-making aligned with the Company's strategy and values;
- i) Rewarding employees in a manner which is fair, equitable and reflective of both Company and individual performance; ensuring internal equity and external competitiveness, as well as promoting positive outcomes across the integrated reporting capitals that the Company uses or affects.
- j) Rewarding directors in a manner which is fair, equitable, competitive and reflective of both Company and individual performance; ensuring internal equity and external competitiveness, as well as promoting positive outcomes across the integrated reporting capitals that the Company uses or affects.
- k) In setting and administering its remuneration policy, the Company is also committed to observing its obligations in terms of the Employment Equity Act 55 of 1998 (as amended) ("the Employment Equity Act") and the Regulations in terms thereof, specifically the principle of Equal Pay for work of Equal Value.

## **2. REMUNERATION COMPONENTS**

What AYO seeks to accomplish with each of the components of remuneration:

### **a) Guaranteed pay and benefits**

Guaranteed Pay and Benefits attract and retain talented high-performing people who can contribute technically, operationally and financially at a higher than average level, solving problems for customers and finding solutions that will contribute to the overall profitability of AYO whilst operating in a safe and responsible manner.

### **b) Bonus payments**

Critical to attracting and retaining key talent and motivating all employees to ultimately contribute to achieving the Company's long-term objectives.

### **c) Short-term incentives (STIs)**

Support and reinforce the desired behaviour to ensure the delivery and performance against the financial, non-financial, operational and strategic metrics that have been agreed.

**d) Long-term incentives (LTIs)**

Attract and retain the required talent with alignment between employee and shareholder objectives and creating sustainable wealth for employees.

**3. TOTAL GUARANTEED PACKAGE**

- a) Ayo's guaranteed pay is calculated on the total cost-to-company method and is inclusive of Company contributions for selected benefits. This is referred to as the Total Guaranteed Package (TGP).
- b) The TGP of employees is increased in September of each year with consideration of the official Consumer Price Index (CPI) of the relevant countries, benchmarked internal and external market increases as well as AYO's performance and affordability.
- c) The Company's defined market position for TGP is at the 50th percentile or median, with a bell-shaped curve around the median, ranging from new entrants at the lower end to sustained high performers at the higher end of the pay-scale.
- d) AYO's is a highly technical business that requires specialist skills which are critical to the success of the business. Senior Management identifies critical skills which are based on AYO's organisational competencies and requirements. Employees can either progress through the Management channel or through the Specialist channel.
- e) Payment of membership fees for affiliation or membership to professional bodies, travel expenses and essential tools of the trade as required for Group Executives and Executive Directors.
- f) Executive Directors and Group Executives TGP is based on annualised numbers.

**4. BONUS PAYMENTS**

- a) A discretionary bonus payment equivalent of one month's TGP is paid to all staff as recommended by the remuneration committee.

**5. SHORT TERM INCENTIVES (STI)**

- a) The main objective of this incentive plan is:

- To reward employee performance, measured against company, team and individual targets, set on an annual basis with due consideration of sustainability measures;
  - To enhance the competitiveness of the overall reward offering/pay mix in recognition of high performance;
  - To enhance employee engagement, satisfaction and retention by recognising contribution and value add to the company.
- b) The Short-Term Incentive Scheme is designed to help deliver on the main elements of AYO's vision, namely Trusted Performance and Innovative Solutions.
- c) AYO's STI performance scheme supports the Company's financial and non-financial targets on the various aspects of the execution of the strategy:
- **Financial**
    - a. earnings performance and return on capital.
    - b. working capital management and operational expenditure control (OPEX)
    - c. profit before tax
    - d. organic and acquisitive growth.
  - **Non Financial**
    - a. Technology and Innovation
    - b. Transformation
    - c. Strategic Stakeholder and Risk Management
    - d. AYO Brand
    - e. Team Work
- d) The Short-Term Incentive percentage rates are determined on the annual total guaranteed package, at the end of the financial period each year.
- e) The cycle leading up to the payment of the incentives starts in March with a forecast of the results to year-end, the determination and approval of the level of STI payable, an estimate of the provision to be raised at financial year-end for the constructive obligation to award the STI in August and the refinement of the numbers as per the model once the auditors have finalized the audited financial results.
- f) The Group's STI targets are determined annually by the Remuneration Committee (RC), which operates as a committee of the Board, and is thereafter approved by the Board.

- g) STI and performance targets are determined with the CEO for Group Executives and Senior Management, which is then presented to the Remuneration Committee.

## 6. ELIGIBILITY AND COMPONENTS

- a) Executive Directors and Group Executives within AYO Group will participate in a short-term incentive scheme, although quanta and structure may vary by employee category and level.
- b) The rules of any applicable scheme(s) will apply equally across all participants.
- c) Performance criteria for Directors and Executives are set as per targets agreed to in their performance contracts.
- d) The target weightings have been set reasonably high at Executive level to drive problem solving through collaboration and teamwork across the Group whilst ensuring alignment of objectives across the Group, thereby realizing the benefits of the operating model.
- e) Executive reward is individualistic, and performance based. Accordingly, there is a guaranteed component of an executive's remuneration with a variable component specific to each individual's performance.
- f) The remuneration committee will recommend to the Board the approval to award STI percentages for executive directors.

## TARGET SETTING AND WEIGHTING OF SHORT-TERM INCENTIVES

Measure	Percentage of bonus	Maximum % Annual TGP
Financial	70%	150%
Non-Financial	30%	150%

### NOTE:

Maximum bonus percentages: In exceptional cases, the Board has the authority to extend the bonus cap up to 250% of Annual TGP. This will occur if there was exceptional growth in profits, retaining market position despite unusual trading and perception complexities and exceeding targets.

**Discretion of Board:** The Board has full discretion to adjust bonuses and/or amend the rules of the scheme as it deems fit, considering the balance between fair reward for the individual and stakeholders' interests.

## **7. LONG TERM INCENTIVES (LTIs)**

Long-term incentives (LTIs) are compensation schemes that, in addition to fixed pay and the STI's, are designed to reward performance based on the achievement of the Group's long-term financial goals and aligning the interest of management with that of shareholders.

The following are some of the objectives that companies wish to achieve when implementing a long-term incentive scheme:

- a) Attraction and retention of key skills;
- b) To create a culture within the company that serves to align the interest of employees with that of shareholders;
- c) To drive company performance against identified strategic objectives and priorities by introducing a larger variable pay portion within the risk appetite of the company;
- d) To align the reward of senior employees and skilled staff with the achievement of company strategic objectives and the interests of stakeholders.
- e) To engender an ownership culture;
- f) To support sustainable and long-term value creation;
- g) To serve as motivation to sustain performance and/or to exhibit specific behaviours.

## **8. ELIGIBILITY AND COMPONENTS**

- a) Executive directors and group executives within AYO Group, will participate in long-term incentive scheme (share allocation schemes), although quanta and structure may vary by employee category and level.
- b) In the absence of a share allocation scheme, executive directors & group executives will be awarded a retention percentage of their ATGP at the end of each financial period, which they will be entitled to at the end of the twenty four month period from the financial year end.
- c) The award of LTI are set reasonably high to drive retention while formal LTI's are being explored.

- d) The remuneration committee will recommend to the Board the approval to award the LTI level per executive director.

<b>Long Term Incentive Level</b>	<b>% Annual TGP</b>
<b>Minimum</b>	<b>50%</b>
<b>Medium</b>	<b>70%</b>
<b>Maximum</b>	<b>100%</b>

The Board has the full discretion to award LTI /or amend the rules of the scheme as it deems fit, considering the balance between fair reward for the individual and stakeholders' interests.

## **9. ANNUAL REMUNERATION REVIEWS**

- a) For AYO to maintain appropriate remuneration competitiveness, remuneration is reviewed annually. The following guides AYO's decision-making regarding an individual employee's pay:
- The overall salary history of the individual;
  - The market worth of the role;
  - Changing nature of the role;
  - Appropriate award for good performers;
  - Decelerated adjustments for overpaid or underperforming people;
  - Ensure that salaries are within the market range, in accordance with the benchmark studies;
  - Consideration for scarce and critical skills and individual's increased specialised skills.

## **10. ATTRACTION & RETENTION**

- b) Retention of key and critical skills is a key requirement for AYO, due to the nature of the business.

- c) The retention policy defines guidelines within which AYO implements measures to counteract the loss of key employees to competitors or the general market.
- d) Retention measures include retention bonuses paid over a pre-determined period.
- e) This covers technical, financial, information technology and operational roles.
- f) Retention payments are approved by the CEO and/or the Remuneration Committee, depending on the role of the individual and the reporting lines.

## 11. TERMINATION GUIDELINES

Incentives	Voluntary Resignation	Summary Dismissal /Dismissal	Normal & early retirement, retrenchment and death	Mutual separation
<b>Bonus</b>	Forfeit, no bonus if employee is not with AYO at 31st August each year	Forfeit	Pro-rata for the period worked	Pro-rata for the period worked
<b>STIs</b>	Forfeit, no bonus if employee is not with AYO at 31st August each year	Forfeit	Pro-rata for the period worked	Pro-rata for the period Worked
<b>LTIs</b>	Forfeit	Forfeit	Pro-rata for the period worked	BOARD determines

## 12. GOVERNANCE

- a) Budgeting of remuneration increases:
  - a. As part of the business planning and operational budgeting cycle, annual remuneration increases are budgeted for and submitted to the Board for approval.
  - b. The Board approves the budget assumptions which includes remuneration increases. Annual increases take place in September of each year.
- b) Communication:
  - a. AYO shares information with its employees regarding the reward for their contribution, competitiveness of guaranteed pay, the base for decisions regarding salary increases and promotions and the fairness and equitableness of variable pay.
  - b. Managers are provided with guidance to assist in the communication of remuneration matters and the rules of schemes to all employees

### **13. IMPLEMENTATION AND REPORTING**

The duties of the Remuneration Committee with regards to remuneration reporting are as follows:

- 1) To ensure that the remuneration report is accurate, complete, transparent and in line with the principles of King IV;
- 2) To recommend the Remuneration Committee report to the Board for inclusion in the Integrated Annual Report;
- 3) Submit an annual report to the Transformation and Ethics Committee concerning the outcome of the review of the following matters:
  - i. AYO's standing in terms of the International Labour Organisation Protocol on decent work and working conditions;
  - ii. the employment relationships within AYO, and contribution toward the educational development of employees within the Group.

### **14. REMUNERATION COMMITTEE**

The Remuneration committee ensures that AYO remunerates fairly, responsibly and transparently to promote the achievement of the strategic objectives and positive outcomes of the Group in the short, medium and long term.

- I. The committee consists of the elected chairman and two non-executive members of which at least one will be independent.
- II. A quorum consists of the chairman plus two members.
- III. The committee assists the Board in discharging its oversight responsibilities relating to the remuneration of the Company's EXCO and senior managers as well as to implement appropriate retention strategies appropriate for the business.
- IV. The committee also approves the design and application of material remuneration programs, long-term incentive ownership guidelines, recruitment policies, selection criteria and succession plans of senior executives and non-executive directors.

### **15. MANDATE AND TERMS OF REFERENCE REMUNERATION COMMITTEE**

For the mandate and terms of reference of the Remuneration Committee, refer to the Remuneration Committee Charter.

**16. ADHERENCE TO THE POLICY**

The Remuneration Committee will provide AYO's Board of Directors with annual feedback on the implementation progress against the provisions of this Policy. The Committee's Terms of Reference should be read in conjunction with this Policy.

**17. NON-EXECUTIVE DIRECTORS**

An agreement is concluded with non-executive directors that includes the directors Code of Conduct and Code of Ethics to be complied with, the contribution expected from the specified individual, the remuneration for holding office as a director and the terms of directors and officers liability insurance. These agreements will be concluded annually after the re-election of such non-executive directors at the annual general meeting of the company.

- a) The remuneration of non-executive directors is reviewed annually by the AYO's Remuneration Committee and thereafter the Remuneration Committee determines the fees paid to Non-Executive Directors.
- b) Non-Executive Directors remuneration includes an annual retention fee, travel allowance, parking fee and a daily allowance for special & incidental meetings.
- c) The following factors are taken into consideration in determining these fees:
  - South African industry market rates
  - Complexity of the organisation
  - Size of the Company as determined from the South African national survey
  - Responsibilities and accountabilities
  - Preparation time required for meetings
  - Relevant experience and specialist knowledge

**18. REMUNERATION REPORT**

The Remuneration Committee via the board shall ensure that remuneration is disclosed by means of a Remuneration Report in the integrated report in three parts:

- a. background statement.
- b. An overview of the main provisions of the remuneration policy

- c. An implementation report which contains details of all remuneration awarded to individual members of the board and executive directors during the reporting period.

## 19. VOTING ON REMUNERATION

- In terms of the companies Act, fees for non-executive directors for their services as directors must be submitted for approval by special resolution by shareholders within the two years preceding payment.
  - The remuneration policy and the implementation report should be tabled every year for separate non-binding advisory votes by shareholders at the AGM.
  - In the event that either the remuneration policy or implementation report, or both have been voted against by 25% or more of the voting rights exercised, the board and remuneration shall follow:
    - An engagement process to ascertain the reason for the dissenting votes.
    - Appropriately address legitimate and reasonable objections and concerns raised, which may include amending the remuneration policy or clarifying or adjusting remuneration governance and/or processes.
    - In the event that either the remuneration policy or the implementation report, or both were voted against by 25% or more of the voting rights exercised, the following should be disclosed in the background statement of the remuneration report succeeding the voting:
      - With whom the company engaged, and the manner and form of engagement to ascertain the reasons for dissenting votes; and
      - The nature and steps taken to address legitimate and reasonable objections and concerns.
- d) No changes to the compensation and remuneration policies or rules may be introduced before the Remuneration Committee has formally approved them.

This remuneration policy will be reviewed annually.

**This revised Remuneration Policy Document was approved by the Remuneration Committee on 11 September 2020.**