

# THE KING IV™ CODE IMPLEMENTATION REPORT 2021



A photograph of a chessboard with a golden king and silver pawns on a dark, textured surface. The king is on the left, and several pawns are arranged in a line to its right. The background is a dark, textured surface, possibly a chessboard or a similar material.

“MERE GOOD GOVERNANCE  
IS NOT ENOUGH; IT HAS TO BE  
PRO-PEOPLE AND PRO-ACTIVE.  
**GOOD GOVERNANCE IS PUTTING  
PEOPLE AT THE CENTRE OF  
DEVELOPMENT PROCESS.**  
NARENDRA MODI

# METHODOLOGY AND APPLICATION OF KING IV™ GOVERNANCE CODE

Holistic approach to corporate governance and purposeful application of the King IV™ principles contribute immensely to value creation. Therefore, AYO's Board continues to focus on improving and entrenching good governance practices across the Group.

The Board's primary objective in terms of applying the King IV™ principles is to ensure that governance outcomes relating to ethical culture, effective control, good performance and legitimacy are deeply embedded at every level of the organization. This report provides detailed explanations and illustrative examples of how the above-mentioned principles are applied in practice. The information presented here is cross-referenced, where relevant, to our Integrated Report, Group Annual Financial Statements and other documents in the 2021 reporting suite, which are all available on the Company's website at [www.ayotsl.com](http://www.ayotsl.com). We encourage stakeholders to explore our reporting suite to fully understand the strategic decisions, everyday operations, outputs and outcomes of the Group for the reporting period.

The Board believes that effective governance is underpinned by clearly defined framework, strategically aligned decision making and cross-committee collaboration. Thus, the Group's governance framework provides clarity on roles, duties and areas of accountability within AYO's organisational structure. A complete library of policies and charters, including the Board Charter, the individual sub-committees' charters, governance policies and behaviour codes formalise the framework and provide the necessary guidelines to steer performance in a manner aimed at creating and preserving value.

AYO's governance structure ensures that the Board retains full oversight of all material matters, while providing management with the necessary agility to execute on strategic initiatives. Cross-committee membership allows for fluid communication and alignment, while eliminating duplication and inefficiencies. For detailed description of the Group governance structure, please refer to section V of the Integrated Report.



## BOARD

LEFT TO RIGHT:

**DR WALLACE MGOQI - CHAIRMAN**

HOWARD PLAATJES - CHIEF EXECUTIVE OFFICER

TATENDA BUNDO - CHIEF FINANCIAL OFFICER

VANESSA GOVENDER - DIRECTOR OF CORPORATE AFFAIRS

KHALID ABDULLA - EXECUTIVE DEPUTY CHAIRMAN

\*ISMET AMOD - NON-EXECUTIVE DIRECTOR

\*RESIGNED EFFECTIVE 23 NOVEMBER 2021



## BOARD (cont.)

LEFT TO RIGHT:

PROFESSOR LOUIS FOURIE - NON-EXECUTIVE DIRECTOR

AZIZA AMOD - NON-EXECUTIVE DIRECTOR

DR DENNIS GEORGE - NON-EXECUTIVE DIRECTOR

ROSEMARY MOSIA - NON-EXECUTIVE DIRECTOR

ADV NGOAKO RAMATLHODI - NON-EXECUTIVE DIRECTOR

SELLO RASETHABA - NON-EXECUTIVE DIRECTOR





# LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

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# ETHICAL LEADERSHIP

*The governing body should lead ethically and effectively.*

The Board is committed to driving the Group's strategy, operations and performance, based on strong ethical foundation and acting in the best interests of the Group and its various stakeholders. Thus, the continuous application of high ethical standards and stringent governance policies is enforced and monitored across all levels of the organisation.

The Board charter, code of ethical conduct and "the way we work" document, prescribe the behaviours and cultures the Company expects from its leaders and employees. These documents are reviewed and updated annually. The directors, individually and collectively, demonstrate integrity, competence, responsibility, accountability, fairness and transparency to provide effective leadership and set the tone for management and all employees throughout the organisation.

Individual directors, with the assistance of the company secretary, undergo a self- and peer- annual assessment and performance evaluation to ensure the highest level of corporate governance and ethical behaviour are consistently practiced and applied in both strategic decision-making and the day-to-day activities of the Group. Meetings and deliberations are recorded in detail and regular progress reports are presented to enable higher oversight and transparency.

The company secretary and the Group's general counsel provide professional and independent guidance to the Board collectively, and each director individually, on their duties and responsibilities and draw their attention to relevant legislation and regulations. The corporate sponsor team provides further advice on proper disclosure of governance processes and outcomes.

The nominations committee reviews and assesses the Board collectively and each director individually on a regular basis to ensure independence, as recommended by the King IV™ Code. The committee also takes into account any relevant factors that may trigger potential conflict of interests, such as director's financial and outside business interests. Additionally, the committee evaluates whether the director has demonstrated an independent state of mind and objective judgement in relation to matters affecting the Group.

The Board believes that the above-described governance structure enables it to lead the Group ethically and effectively. It is of the opinion that the monitoring and disclosure processes currently implemented, hold directors adequately accountable for their leadership role and execution.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- BOARD CHARTER
- DUTIES OF DIRECTORS DOCUMENT
- CODE OF ETHICAL CONDUCT
- THE WAY WE WORK CHARTER
- ANNUAL AND MEETING DECLARATION OF INTERESTS PROCESS

## OVERSIGHT

- BOARD
- NOMINATIONS COMMITTEE
- COMPANY SECRETARY

# ORGANISATIONAL ETHICS

*The governing body should govern the ethics of the organisation in a way that supports the establishment of ethical culture.*

The Board is committed to promote ethical behaviour throughout the organisation and acknowledges the positive effect of such conduct on enhancing the trust in and reputation of the brand and ultimately maximising the value we create for our stakeholders.

AYO conducts its business dealings on the basis of compliance with applicable laws and proper regard for ethical business practices. These principles are endorsed in the Group's code of ethical conduct and several additional policies, which are applicable throughout the Group and encompass AYO's interactions with internal and external stakeholders and the broader society. New employees are introduced to the code in their induction process and reference to it is included in all employment contracts. The code applies to recruitment, performance evaluation, reward processes and disciplinary proceedings. Management teams are required to monitor adherence to the code and apply zero-tolerance to violations. Sanctions and necessary action are taken, should an infringement occur.

In addition to the code of ethical conduct, proper and upright business practices are promoted through several other behavioural policies, namely insider trading and dealings in securities and transactions policy, anti-corruption, bribery and whistle-blowers policy, acceptance of gifts and hospitality policy, as well as the over-arching behavioural guiding document - the way we work. An independently monitored whistle-blowing hotline is available to employees and stakeholders to confidentially report any suspicions activities or ethical transgressions.

References to our ethical values and behavioural expectations are further included in the code of conduct for strategic partners, which governs the conduct of contractors, agents, consultants and any other third parties who work with our Group companies.

The social, ethics and transformation committee, as delegated by the Board, oversees compliance with the above-mentioned documents and ensures that fair labour practices are implemented across the Group. The committee reports regularly to the Board and refers relevant fraud allegations to the audit and risk committee.

The Board is confident that the above-described governance structure and practices accentuate ethical behaviour throughout the organisation and that the strategies in place meaningfully contribute to social and economic development.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- CODE OF ETHICAL CONDUCT
- CODE OF CONDUCT FOR STRATEGIC PARTNERS
- ANTI-CORRUPTION, BRIBERY AND WHISTLE-BLOWING POLICY
- INSIDER TRADING AND DEALINGS IN SECURITIES AND TRANSACTIONS POLICY
- ACCEPTANCE OF GIFTS AND HOSPITALITY POLICY
- THE WAY WE WORK CHARTER
- ANNUAL AND MEETING DECLARATION OF INTERESTS PROCESS

## OVERSIGHT

- BOARD
- AUDIT AND RISK COMMITTEE
- SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

# RESPONSIBLE CORPORATE CITIZENSHIP

*The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.*

The Board, with the support of the social, ethics and transformation committee and the corporate affairs executive director, oversees and monitors how the Group's operations affect not only its financial performance, but also the environment and the society within which we function. This is measured against KPIs aligned with AYO's strategic priorities, as well as UN SDGs.

The Board is committed to respect human rights, promote equality, diversity and inclusion and eradicate discrimination. Further, the Board is steadfast to promote the advancement of UN SDGs on the African continent, particularly where this relates to access to quality education, development of women in technology and reducing inequality. Cognisant of the intensifying impact of technology on the environment, as of this financial year, the Board has also prioritised activities related to protecting the natural environment and the Group introduced its inaugural e-waste recycling drive.

AYO's corporate social investment policy, which was reviewed and enhanced in 2021, embeds the principles of social impact investment and promotes transparency and fairness of the selection and award of support processes. We form lasting partnerships with our beneficiaries to maximise value creation in the context of local social needs and challenges and enable long term impact measurement and reporting.

The profound impact of the COVID-19 pandemic on humanitarian issues has highlighted the widespread socioeconomic disparities in our communities and AYO has engaged in several initiatives and partnerships to alleviate hunger and provide access to PPE, in addition to its long term sustainability programmes. Since the onset of the pandemic, the Group has focused on prioritising the health and safety of employees, stakeholders and communities, assisting where possible and mitigating the financial, operational and social impact of the crisis.

Stakeholder engagement is governed by the newly adopted stakeholder engagement policy, which promotes open, transparent and inclusive communication, with understanding and respect for the needs and concerns of the various stakeholder groups. This assists us to build strong, mutually beneficial relationships that create value and ultimately, reinforce our social license to operate.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- CODE OF ETHICAL CONDUCT
- COMPETITION LAW COMPLIANCE POLICY
- PROCUREMENT POLICY
- CORPORATE SOCIAL INVESTMENT POLICY
- STAKEHOLDER ENGAGEMENT POLICY
- HUMAN CAPITAL POLICY AND ANNUAL WORK PLAN
- TRANSFORMATION CHARTER

## OVERSIGHT

- BOARD
- SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE
- CORPORATE AFFAIRS DIRECTOR



# STRATEGY



# STRATEGY AND PERFORMANCE

*The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.*

The Board, in accordance with the Board charter, is responsible for aligning AYO's vision, mission and strategic objectives with performance and sustainability considerations with the ultimate purpose to maximise value creation and preservation for all stakeholders. The Board acknowledges the interconnectedness of all the elements that influence the value creation chain and ensures that they all receive the necessary attention in the integrated strategic decision-making approach.

The Board reviews and monitors the capital and resources required for the achievement of the Group strategy. With the assistance of the audit and risk committee, it oversees a formalised risk management process with input from all operating divisions in the context of the external business environment. It then sets the strategy for the short, medium and long term, considering the needs and expectations of all stakeholders, in an inclusive manner. The strategy, in turn, informs AYO's investment decisions, business activities and relevant strategy documents.

The executive team provides feedback to the Board on all aspects of the Group's performance at regular quarterly meetings. Additional special Board meetings are held, where necessary, to address specific and/or urgent matters. The various Board sub-committees oversee the implementation of the Board's directives in line with the relevant governing documents, such as the investment policy, the risk tolerance and appetite statement, the transformation policy and the decision-making framework. Cross-membership of directors at the various committees ensures interconnectedness and alignment, while minimising duplication and inefficiencies.

Feedback on the Group's performance is provided through the annual reporting suite, which transparently and understandably defines AYO's capital resources, environmental influences, risks and opportunities, stakeholders' needs and strategic trade-offs, as well as qualify and quantify the ultimate value created by the organisation over the reporting period.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- THE WAY WE WORK CHARTER
- RISK APPETITE AND TOLERANCE STATEMENT
- RISK CHARTER
- INVESTMENT POLICY
- CORPORATE SOCIAL INVESTMENT POLICY
- STAKEHOLDER ENGAGEMENT POLICY
- HUMAN CAPITAL POLICY AND ANNUAL WORK PLAN
- ANNUAL BUSINESS PLAN AND BUDGET

## OVERSIGHT

- BOARD
- EXECUTIVE MANAGEMENT
- NOMINATIONS COMMITTEE
- REMUNERATION COMMITTEE
- AUDIT AND RISK COMMITTEE
- INVESTMENT COMMITTEE
- SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

# REPORTING

*The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.*

AYO publishes an annual suite of reports, including the Integrated Annual Report, Group Annual Financial Statements and King IV™ Implementation Report, which are prepared in accordance with all applicable reporting frameworks and standards, and strive to meet the information needs of a diverse range of stakeholders. All annual reports are published on the Company's website at [www.ayotsl.com](http://www.ayotsl.com) under the Investor Centre tab and physical copies are available at AYO's offices.

The reporting suite aims to provide all relevant information to enable stakeholders to fully understand AYO's operations, challenges and prospects and make knowledgeable assessments of the Group's performance in a concise, logical and contextualised manner.

The reports are prepared through collaboration of multi-disciplinary teams to ensure all material information is included. Integrated assurance is provided by the internal financial control function, the executive committee, internal and external audit, overseen by the audit and risk committee, before recommending the reports to the Board for final approval.

Financial results are presented to stakeholders bi-annually, after the interim and year-end reporting periods and the publication is conveyed timeously to all interested parties. Regular trading updates and other material information is communicated to the market immediately via the official JSE SENS service.

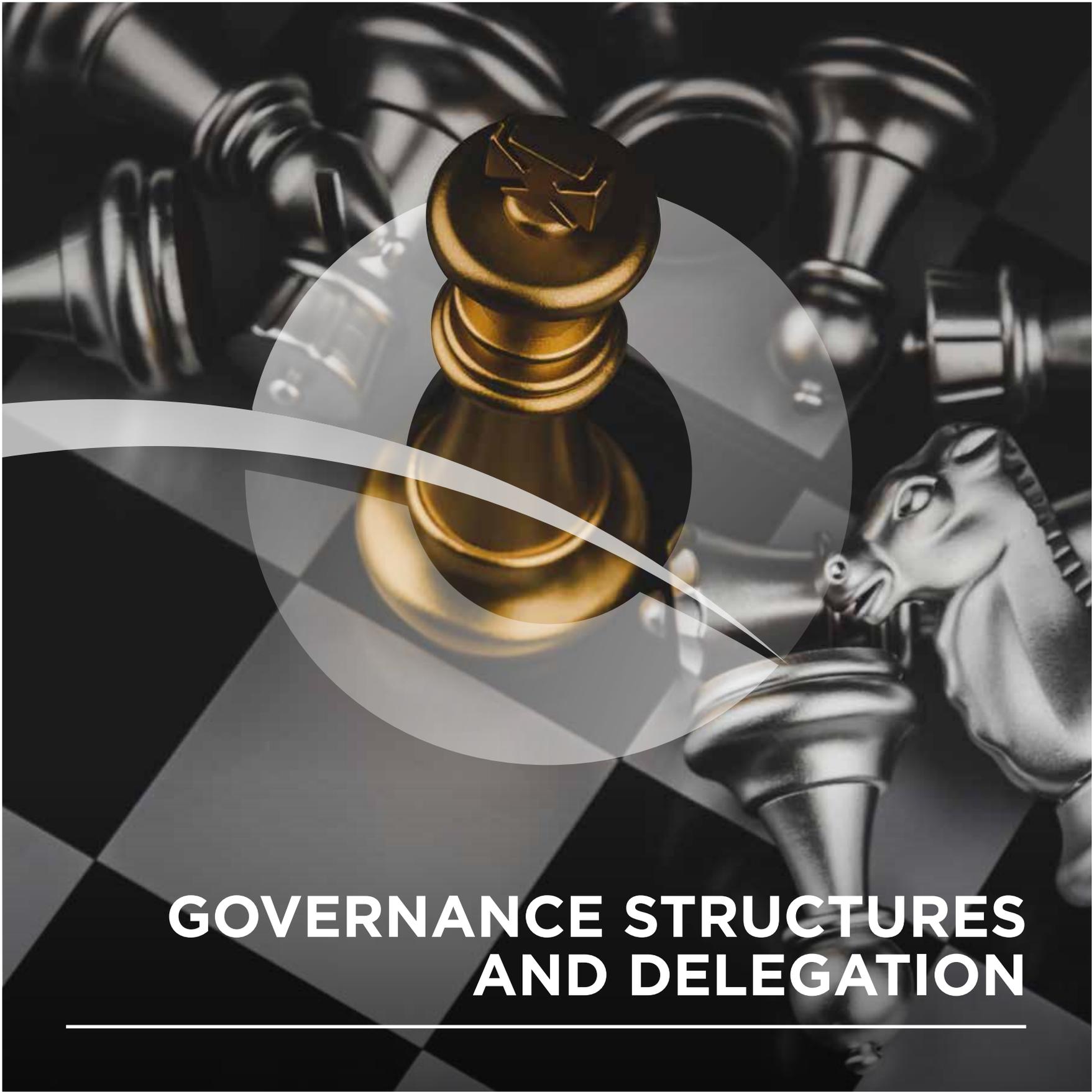
The Group continuously strives to improve its reporting practices and keeps abreast of any changes in disclosure regulations and best practices. Our reporting suite evolves every year, to ensure information is presented in the most cohesive, understandable and holistic way possible.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- ELECTRONIC COMMUNICATIONS POLICY
- TECHNOLOGY AND INFORMATION GOVERNANCE FRAMEWORK
- RECORDS RETENTION POLICY
- RISK MANAGEMENT POLICY
- SOCIAL MEDIA POLICY
- STAKEHOLDER ENGAGEMENT POLICY
- INTEGRATED ANNUAL REPORT
- GROUP ANNUAL FINANCIAL STATEMENTS
- KING IV™ IMPLEMENTATION REPORT
- REVIEWED PROVISIONAL CONDENSED FINANCIAL RESULTS
- NOTICE OF AGM

## OVERSIGHT

- BOARD
- EXECUTIVE MANAGEMENT
- REMUNERATION COMMITTEE
- AUDIT AND RISK COMMITTEE



# GOVERNANCE STRUCTURES AND DELEGATION

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# ROLES & RESPONSIBILITIES OF THE GOVERNING BODY

*The governing body should serve as the focal point and custodian of corporate governance in the organisation.*

The Board champions the Group's governance philosophy and embraces its role as the custodian of governance in the organisation. To give effect to its mandate, the Board meets regularly, holding scheduled quarterly meetings where feedback on trading and general business performance is provided, as well as updates on strategic initiatives under way. In addition, ad hoc Board meetings are called to address critical business risks and opportunities as they arise, when necessary. In between, the executive team gives monthly updates to the Board and directors hold tele and video conferences to discuss those. The number of meetings and their respective attendance is reported in the governance section of the Integrated Report.

The Board charter, which forms an integral part of the governance framework, outlines the composition, scope, authority, responsibilities, powers and functions of the unit. Similarly, the charters of the individual sub-committees define the roles and ambit of the relevant structure. In addition, a library of documents, including decision-making framework, duties of directors and the way we work charter, govern the processes and formal lines of communication, which facilitate effective governance. All of these documents are reviewed annually and updated in line with relevant legislation and best practices.

Directors and committees, as stipulated in the Board charter, are able to procure independent, professional advice related to their duties. Further, directors have unrestricted access to all Group information, records, documents and facilities through the office of the company secretary. The company secretary provides the Board with regular updates to ensure the Board and the committees are kept abreast of best practice governance recommendations.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- BOARD CHARTER
- AUDIT AND RISK COMMITTEE CHARTER
- INVESTMENT COMMITTEE CHARTER
- NOMINATIONS COMMITTEE CHARTER
- SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE CHARTER
- REMUNERATION COMMITTEE CHARTER
- DECISION-MAKING FRAMEWORK
- DUTIES OF DIRECTORS
- THE WAY WE WORK CHARTER

## OVERSIGHT

- BOARD
- COMPANY SECRETARY

# GOVERNING BODY COMPOSITION

*The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.*

The Board recognises the value of having a diverse membership and composition, as this facilitates rich debate, informed decision making and ultimately, value creation. Thus, the Group has a unitary Board, consisting of majority independent non-executive directors, while the executives in the entity, including the chief executive officer and chief financial officer, ensure that the Board's directives are seamlessly discharged throughout the organisation.

Composition of the Board is considered holistically, taking into account all aspects of diversity, including race and gender, but also skill set, expertise and experience, in line with the Board diversity policy. Capitalising on differences in skills, experience and knowledge, the Board is satisfied that it is adequately structured and staffed to discharge its roles and responsibilities. The non-executive chairman has valuable Group, industry and regulatory knowledge and understanding to guide optimal strategy development and progression of the business, as well as the necessary soft skills to facilitate inclusive and balanced discussions at Board level.

The appointment of directors policy, which is aligned with the relevant King IV™ principles, is considered when evaluating candidates for nomination. Appraisal of potential Board members involves (over and above race and gender characteristics) demands of their other professional commitments, independence and specialised expertise. Non-executive directors are expected to exercise high level of independent thinking and objective judgement and their performance in this regard is evaluated annually through self and peer assessments, as well as a formal review by the nominations committee. Such assessments are framed against King IV™ recommended criteria and consider whether the non-executive director has demonstrated an independent state of mind and objective prudence in matters relating to the Group, whether any external associations or relationships with third parties could lead to potential conflict of interest and any other relevant details.

Directors who retire by rotation, as well as members of the audit and risk and social, ethics and transformation committees, are re-presented and re-elected by ordinary vote at the Group's annual general meeting.

AYO's Board has always (and continues to) exceed legal requirements, as well as self-imposed targets, in terms of gender and race metrics as represented in the following illustrations. A detailed description of directors' individual and combined expertise is further included in the Integrated Report.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- BOARD CHARTER
- NOMINATIONS COMMITTEE CHARTER
- BOARD DIVERSITY POLICY
- APPOINTMENT OF DIRECTORS POLICY
- BOARD MEMBERS ANNUAL SELF-ASSESSMENT

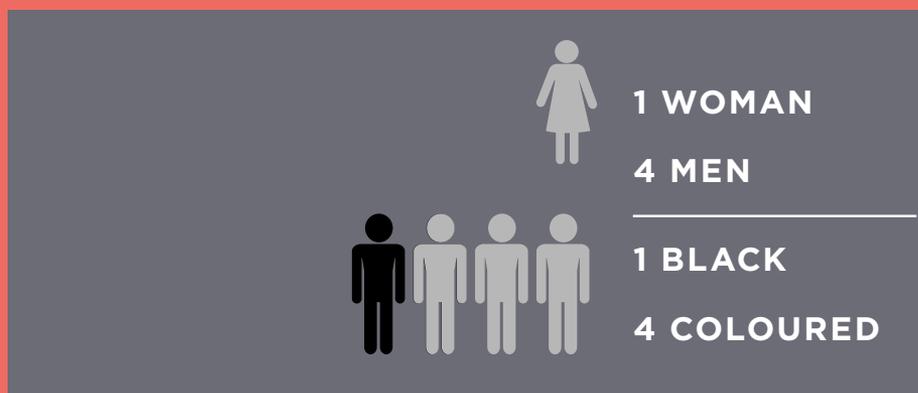
## OVERSIGHT

- BOARD
- NOMINATIONS COMMITTEE

## BOARD MEMBERS



## EXECUTIVE MANAGEMENT



# COMMITTEES OF THE GOVERNING BODY

*The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.*

In discharging its duties, the Board delegates certain functions to one or more of the five sub-committees. These committees are constituted in terms of their own respective charters, which are aligned with the Companies Act and the King IV™ requirements. They are designed to achieve effective decision-making while assuring a balanced distribution of power that prevents undue reliance being placed on or dominance of any individual director. In the case of the remuneration committee, where the chair is not independent, other committee members take responsibility to ensure the chair encourages proper deliberation on all matters requiring the committee's attention.

Each committee is responsible for regularly reviewing and updating its charter, ensuring appropriate interface of its responsibilities with the delegation of authority and reports to the Board on the outcome of such review. Each committee's composition is reviewed annually by the nominations committee and such assessments consider not only the experience, expertise and performance of existing members, but also the Board's succession requirements, committee working processes and directors' independence.

Effective collaboration between committees is achieved by cross-membership of directors. Additionally, meetings are coordinated to prevent overlap or fragmented functioning and in instances where more than one committee has jurisdiction over a related matter (for example, combating bribery and corruption), the specific role and positioning of each committee with regards to the matter is defined to prevent duplicating approaches.

Executives and other relevant parties (for example internal and external auditors) are invited to attend applicable committee meetings, which ensures directives are effectively communicated and carried out throughout the organisation. Every member of the Board is further entitled to attend any committee meeting as an observer but does not participate in voting and does not receive remuneration for such attendance.

The Board does not relinquish accountability for responsibilities delegated to the committees and/or management and, where the Board has reserved decision-making authority, it ensures that such responsibilities are performed effectively.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- BOARD CHARTER
- AUDIT AND RISK COMMITTEE CHARTER
- INVESTMENT COMMITTEE CHARTER
- NOMINATIONS COMMITTEE CHARTER
- SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE CHARTER
- REMUNERATION COMMITTEE CHARTER
- DECISION-MAKING FRAMEWORK
- THE WAY WE WORK CHARTER

## OVERSIGHT

- BOARD
- NOMINATIONS COMMITTEE
- REMUNERATION COMMITTEE
- AUDIT AND RISK COMMITTEE
- INVESTMENT COMMITTEE
- SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE



# PERFORMANCE EVALUATION OF THE GOVERNING BODY

*The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.*

As stipulated in the Board charter, the Board is responsible for the annual evaluation of its chair, the Group CEO, Group CFO, non-executive and executive directors, Group executives and Board committees. The process is led by an independent non-executive director, nominated for the function annually, who is assisted by the company secretary. Such evaluation considers, over and above the subject's performance and contributions during the year, his/her overall skillset and the evolving needs of the Company in the context of the dynamic external environment. In addition, the nominations committee performs a separate assessment of individual directors and has the authority to take steps and remove directors who do not make an appropriate contribution to the Board. This serves as a secondary failsafe mechanism in the evaluation of Board members and the governing body as a whole.

During the 2021 financial year the performance assessment was based on self and peer evaluation questionnaire facilitated by the approved King IV™ online tool, which allowed for legislative alignment as well as a more objective approach to the process. The findings reflected that the Board meets all the requirements expected of a JSE-listed entity and well-governed corporate citizen, as set out in the King IV™ Code.

Performance evaluation of the executive management team is conducted by the remuneration committee against certain financial and non-financial KPIs and reported back to the Board annually. The company secretary performance is also evaluated to ensure that there is an arm's length relationship between the Board and the company secretary, in that the objectivity and independence of the company secretary is not unduly influenced. The Chief Financial Officer is additionally evaluated by the audit and risk committee to ensure he has the relevant skills and knowledge to fulfil the requirements of the position.

Finally, the voting for election and/or re-election of directors on the Board, as well as their respective appointment and/or re-appointment to the audit and risk and social, ethics and transformation committees at the Company's annual general meeting, serves as a third line of defence and objective evaluation of the contribution of individual directors.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- BOARD CHARTER
- NOMINATIONS COMMITTEE CHARTER
- REMUNERATION COMMITTEE CHARTER
- AUDIT AND RISK COMMITTEE CHARTER
- THE WAY WE WORK CHARTER
- SELF AND PEER ASSESSMENTS OF DIRECTORS
- BOARD PERFORMANCE ASSESSMENT PROCESS

## OVERSIGHT

- BOARD
- NOMINATIONS COMMITTEE
- REMUNERATION COMMITTEE
- AUDIT AND RISK COMMITTEE
- SHAREHOLDERS PARTICIPATING IN THE AGM

# APPOINTMENT AND DELEGATION TO MANAGEMENT

*The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.*

AYO's governance framework clearly delineates roles and areas of accountability both within the Board structure and the management team and recognises the separate and interconnected positions required to effectively govern the Group. The Board charter expressly outlines the roles of the Board, chairman and Group CEO, who serves as the main link between the Board and the management team.

Appointment of executives is a strictly formalised process, governed by the Board and nominations committee charters. The CEO is appointed by the chairman of the Board and mandated to lead the implementation and execution of the approved strategy, policy and operational planning. The Group CEO is not a member of any Board committees and attends meetings of these committees by invitation.

Performance of the Group CEO and CFO against predetermined financial and non-financial KPIs is reviewed by the remuneration committee and further details are provided in the committee's report included in the Integrated Report and the annual general meeting's notice. Additionally, the audit and risk committee is required to evaluate the performance of the CFO and the finance function annually. Executive directors are also assessed in their capacity as directors within the Board's self and peer evaluation review process.

The nominations committee is responsible for overseeing the succession planning for the Group CEO, CFO, executive management and other key positions to provide continuity of leadership. Succession plans are reviewed annually to ensure planning for the long term, as well as unforeseen situations.

The company secretary, whose role is also formally stipulated in the Board charter, provides professional and independent guidance on corporate governance and the legal obligations of the Board and its committees. The Board has assessed the competence, expertise and performance of the company secretary, Mr Wazeer Moosa, and is satisfied that Mr Moosa has the appropriate competence, gravitas and objectivity to carry out the stipulated duties on behalf of a leading JSE-listed group. In accordance with the King IV™ Code, Mr Moosa is not a director, is deemed to be suitably independent and has unfettered access to the Board, while maintaining an arm's length relationship with the directors of the Company.

The Board is satisfied that role clarity and delegation of authority is suitably addressed in the Group's governance framework and that the Group is appropriately resourced for these roles. The Board is further of the view that the delegation of certain roles and responsibilities to management supports effective governance, and that decision making is exercised effectively on Company and Group level.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- BOARD CHARTER
- NOMINATIONS COMMITTEE CHARTER
- REMUNERATION COMMITTEE CHARTER
- DECISION MAKING FRAMEWORK

## OVERSIGHT

- BOARD
- NOMINATIONS COMMITTEE
- REMUNERATION COMMITTEE



# GOVERNANCE FUNCTIONAL AREAS

**“THE REAL MECHANISM  
FOR CORPORATE GOVERNANCE  
IS THE ACTIVE INVOLVEMENT  
OF THE OWNERS  
LOUIS GERSTNER**



# RISK GOVERNANCE

*The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.*

The Board is cognisant of the importance of risk identification and management as it is linked to the strategy, performance, sustainability and value creation capacity of the business. Accordingly, risk is analysed and addressed in an integrated manner, overseen by the audit and risk committee, while the Board remains the ultimate custodian of risk governance.

The Group's risk appetite and tolerance statement, expressly defines the acceptable and appropriate levels of risk for AYO at both strategic and operational level. The risk management policy, which is regularly reviewed and updated, on the other hand, stipulate the recommended approach to managing and mitigating risks, as well as the roles, responsibilities, and respective accountability in the risk management process. Finally, the risk register itemises current risks faced by the organisation and categorises them based on relevant factors, including likelihood of occurrence and potential impact.

Responsibility for identifying, managing and mitigating risks is shared by all AYO decision makers, from Board directors, to business unit heads, through to other management functions and every employee of the organisation. Such risks are reported through various governance structures and considered when setting the strategy and discussing the annual business plan and budget. Mitigating controls are discussed and put in place, then monitored on continuous basis.

AYO's approach to risk management was robustly tested during the reporting period, as certain Group risks accelerated and new risks emerged. The agility built into our risk management processes and the reliability of the risk systems embedded throughout the Group, nevertheless facilitated decisive and informed decision making at a time of great uncertainty.

AYO applies an integrated assurance model in its risk management, with both internal and external service providers extending assurance over the process. The audit and risk committee oversee this process, but the ultimate custodian remains the Board. The Board is satisfied that the risk management process at AYO is effective in continuously assessing risks and opportunities and managing them in line with the business strategy. The Group's key risks for the year under review are described in detail in the Integrated Report and stakeholders are encouraged to review the report to better understand AYO's risk management methodology.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- BOARD CHARTER
- AUDIT AND RISK COMMITTEE CHARTER
- RISK APPETITE AND TOLERANCE STATEMENT
- RISK MANAGEMENT POLICY
- RISK REGISTER
- ANNUAL BUSINESS PLAN

## OVERSIGHT

- BOARD
- AUDIT AND RISK COMMITTEE
- INTERNAL AUDIT

# TECHNOLOGY AND INFORMATION

*The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.*

Information and technology are seen as fundamental enablers within the AYO Group and are essential to the support, growth and sustainability of our companies. The Board exercises ongoing oversight of the governance of technology and information and ensures that it results in the strategic leveraging of information as an asset to sustain and enhance the Group's intellectual capital, protection of the privacy of personal information, continual monitoring of security of information and protection of the integrity of information. The authority for setting the approach to technology governance, including adopting the appropriate frameworks and managing information and technology risks is delegated to the audit and risk committee.

In compliance with the POPI Act, which came into full effect during the reporting period, the Company has appointed an information officer, as well as deputy information officer, reviewed and augmented its existing governance policies, implemented appropriate security measures and procedures to maintain the confidentiality and integrity of personal information and rolled out an awareness and training programme across all levels of staff. A POPI Act manual has been adopted and all internal policies and procedures have been reviewed and where necessary amended to fully comply with the act's requirements.

The implementation of the technology and information governance charter is monitored and evaluated by internal audit with oversight by the audit and risk committee, which provides feedback to the Board. Information and technology risks are integrated into the Group's risk management processes and risk register.

The Board, as well as the audit and risk committee, view their respective duties in terms of protecting the privacy and integrity of information as critical to the business' strategy and operations and are satisfied that appropriate and adequate structure and measures are in place for legislative compliance and implementation of best practices in this regard.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- BOARD CHARTER
- TECHNOLOGY AND INFORMATION GOVERNANCE CHARTER
- POPI ACT MANUAL
- AUDIT AND RISK COMMITTEE CHARTER
- RISK MANAGEMENT POLICY
- RISK REGISTER
- CODE OF ETHICAL CONDUCT

## OVERSIGHT

- BOARD
- AUDIT AND RISK COMMITTEE
- INTERNAL AUDIT

# COMPLIANCE GOVERNANCE

*The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.*

The Board is committed to govern the AYO organisation in an ethical manner in full compliance with all relevant and applicable laws, codes, standards and binding and non-binding rules. Thus, it exercises oversight over compliance management and integrated assurance, which are delegated to the audit and risk committee. The committee is responsible for ensuring that the compliance framework provides the appropriate levers to ensure compliance with all legal requirements as issued by all applicable regulatory bodies.

The company secretary provides guidance to the Board collectively and to the directors individually in terms of their responsibilities, powers and duties, keeping them abreast of any applicable legislation and changes thereof on an ongoing basis. Corporate attorneys and sponsors provide additional support by informing the Group of any amendments to the legal landscape. The internal audit function annually reviews the effectiveness of internal controls intended to ensure legislative compliance, in order to provide assurance to the Board that these are sufficiently robust to fulfil the intended compliance purpose.

During the reporting period, the internal audit team performed in-depth audits at all operating companies within the AYO Group and found no instances of material regulatory breaches. Further, there have been no investigations, sanctions, fines or any other penalties issued to the Group in 2021, for contravention of, or non-compliance with, statutory obligations, which is a testament to the effectiveness of the adopted internal compliance measures.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- BOARD CHARTER
- AUDIT AND RISK COMMITTEE CHARTER
- ANTI-CORRUPTION, BRIBERY AND WHISTLE-BLOWING POLICY
- COMPETITION LAW COMPLIANCE POLICY
- INSIDER TRADING AND DEALINGS IN SECURITIES AND TRANSACTIONS POLICY
- TECHNOLOGY AND INFORMATION GOVERNANCE CHARTER

## OVERSIGHT

- BOARD
- AUDIT AND RISK COMMITTEE
- INTERNAL AUDIT

“GOOD GOVERNANCE IS LESS ABOUT STRUCTURE AND RULES THAN BEING **FOCUSED, EFFECTIVE AND ACCOUNTABLE.**

**PEARL ZHU**



# REMUNERATION GOVERNANCE

*The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.*

Remuneration governance at the AYO is administered in accordance with the Group's remuneration policy and reward philosophy and strategy document, which articulate and give effect to fair, responsible and transparent remuneration that aims to achieve the Group's strategic objectives; attract, motivate, retain and reward employees and executives and ultimately, create value for the organisation and its stakeholders. The remuneration policy sets out all elements of remuneration and is aligned with King IV™ recommendations. The two documents are reviewed and updated annually, to ensure that they remain relevant to the Group's business model and operations, as well as compliant with evolving applicable regulations. The policy and rewards philosophy and strategy are adopted by the remuneration committee and approved by the Board.

A comprehensive remuneration report, alongside the remuneration policy itself, are available on the Company website and included in the annual Integrated Report, as well as the annual general meeting notice. The report includes all necessary disclosures regarding executive and non-executive directors' pay and shareholders are provided with the opportunity to exercise non-binding advisory votes on both the policy and implementation report at the Company's AGM. Dissented shareholders are formally invited for further engagement thereafter.

In 2021, the two advisory resolutions received 66.26% positive votes for a third consecutive period. Despite formal general invitations for engagement via JSE SENS, as well as direct communications sent specifically to the opposing voters, no meaningful discussions took place during the financial year. The remuneration committee continues to enhance the remuneration policy and implementation disclosures and is confident that they are fully aligned with applicable legislation and industry best practices. However, the committee is unable to address the specific concerns of dissenting shareholders until they accept the invitation to a productive dialogue.

The Board is of the opinion that remuneration, as part of the overarching employee value proposition, is a key lever in attracting, motivating, retaining and rewarding specialised knowledge and skills, which in turn offers tangible competitive advantage in the marketplace and enhances the Group's value creation capacity. Therefore, exceptional deliberation is applied in the oversight of the Group's reward philosophy and strategy, as well as remuneration policy and implementation.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- REMUNERATION COMMITTEE CHARTER
- REMUNERATION POLICY
- REWARD PHILOSOPHY AND STRATEGY
- EXECUTIVE REMUNERATION POLICY
- NON-EXECUTIVE DIRECTORS FEES POLICY
- GUARANTEED PAY GUIDELINES

## OVERSIGHT

- BOARD
- REMUNERATION COMMITTEE

# ASSURANCE

*The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.*

The Board, with the assistance of the audit and risk committee, oversees the assurance services and functions enable an effective control environment and support the integrity of information for internal decision-making and adequate disclosures in AYO's external reports.

The Group follows an integrated assurance model, which covers key risks and material matters, through an appropriate combination of assurance service providers and functions, to enable the above outcomes, based on the King IV™ recommended "three lines of defence" approach. This includes the functions that own and manage the relevant risk category (first line), the risk oversight function or internal assurance function (second line) and the external independent assurance providers (third line). The company secretary, external general counsel and corporate sponsor team guide the Board on legal requirements.

The audit and risk committee considers the completeness of the risk register and reviews the level of assurance obtained over the various risk categories. Internal audit forms an integral part of the assurance model and provides a formal written assessment of the design, implementation and effectiveness of the Group's system of internal controls, as well as the effectiveness of the risk management function. The head of the internal audit team attends all audit and risk committee meetings and reports directly to the committee's chair.

The scope and approach of the internal audit plan is informed by the strategy and risks facing the Group and approved by the audit and risk committee. The committee also reviews the resources and skills of the internal audit team annually, to ensure they are adequately equipped to provide the necessary assurance. Additionally, the committee evaluates the expertise, resources and experience of the finance function, as well as that of the Group chief financial officer, as set out in paragraph 3.84(g)(i) of the JSE Listing Requirements.

The Board is satisfied that the integrated assurance model is effective and sufficiently robust for it to place reliance on the combined assurance it provides. Thus, the Board explicitly accepts responsibility for the integrity of information and disclosures in a signed statement included in the integrated annual report.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- BOARD CHARTER
- AUDIT AND RISK COMMITTEE CHARTER
- INTEGRATED ASSURANCE PROCESS
- ANNUAL REPORTS REVIEW AND SIGN OFF PROCESS
- INTEGRATED REPORT

## OVERSIGHT

- BOARD
- AUDIT AND RISK COMMITTEE



# STAKEHOLDER RELATIONSHIPS

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# STAKEHOLDERS

*In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.*

The Board acknowledges that a broad range of stakeholders has an interest in the Group's activities and initiatives, as well as its own responsibility to effectively balance these interests and promote the creation of value for the organisation, its stakeholders and the community in the short, medium and long term. Due to the scope and complexity of this task, stakeholder engagement is decentralised and managed by various functions with an oversight by the social, ethics and transformation committee and ultimately, the Board.

The formal stakeholder engagement strategy and framework is the responsibility of the social, ethics and transformation committee, which also monitors the effectiveness of various engagements, their alignment and contribution to the value creation mandate and regularly reports to the Board. The Board considers all affected stakeholder groups in its decision making and steers the company in a way that promotes maximum value creation for the widest range of stakeholders. Disclosures of the key strategic trade-offs deliberated in this process during the reporting period are included in the Integrated Report.

Executive management, together with the operating functions, is expected to proactively establish and maintain authentic, open and inclusive long term relationships with all stakeholder groups. This approach fosters a conducive environment for growth, prosperity and value creation, building mutual trust and respect, while simultaneously mitigates risks. A detailed description of AYO's stakeholder clusters and the Group's engagement with each one is also included in the Integrated Report.

Information is provided to stakeholders in a fair, timely, accurate and accessible manner, cognisant of all relevant legal and regulatory requirements. The degree of disclosure and transparency is carefully balanced to enable stakeholders to gain thorough understanding of AYO's business, while protecting the confidentiality of its operating activities. Where relevant, stakeholder relationships are formalised through binding agreements, which comply with the provisions of all applicable legislation.

The operating subsidiaries of the Group are separate legal entities, each with its own Board of directors and governance framework. AYO's governance framework makes provisions for the extent to which policies and best practices adopted by the Board are implemented by subsidiary companies, as well as the reporting arrangements within the Group. This aims to promote strategic alignment across all Group companies and facilitate efficient decision making and synergy at the appropriate levels.

## RELEVANT GOVERNANCE DOCUMENTS AND PRACTICES

- BOARD CHARTER
- SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE CHARTER
- SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE MONITORING INDICATORS
- CODE OF ETHICAL CONDUCT
- ELECTRONIC COMMUNICATIONS POLICY
- SOCIAL MEDIA POLICY
- EMERGENCY PROCEDURE FOR BREACH OF PRICE SENSITIVE INFORMATION
- INSIDER TRADING AND DEALINGS IN SECURITIES AND TRANSACTIONS POLICY
- PRICE SENSITIVE INFORMATION POLICY
- INTEGRATED REPORT

## OVERSIGHT

- BOARD
- SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE



## NOMINATIONS COMMITTEE

LEFT TO RIGHT: CHAIR: DR WALLACE MGOQI | AZIZA AMOD | ROSEMARY MOSIA



## AUDIT AND RISK COMMITTEE

LEFT TO RIGHT: **CHAIR: ROSEMARY MOSIA** | DR DENNIS GEORGE | AZIZA AMOD |

ADV NGOAKO RAMATLHODI | SELLO RASETHABA



# SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

LEFT TO RIGHT: **CHAIR: DR DENNIS GEORGE** | AZIZA AMOD | ROSEMARY MOSIA



## INVESTMENT COMMITTEE

LEFT TO RIGHT: **CHAIR: DR WALLACE MGOQI** | AZIZA AMOD | ROSEMARY MOSIA |

PROF LOUIS FOURIE | KHALID ABDULLA



## REMUNERATION COMMITTEE

LEFT TO RIGHT: **CHAIR: AZIZA AMOD** | DR WALLACE MGOQI | SELLO RASETHABA



# EXECUTIVE MANAGEMENT

LEFT TO RIGHT: **CEO - HOWARD PLAATJES** | TATENDA BUNDO | VANESSA GOVENDER |

KHALID ABDULLA | \*ISMET AMOD

\*RESIGNED EFFECTIVE 23 NOVEMBER 2021

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As the custodian of ethical governance with collective responsibility for setting an ethical tone at the top, the Board steers the evolution of culture and governance, ensuring the mindful application of King IV™ principles to achieve the governance outcomes relating to an ethical culture, effective control, good performance and legitimacy. The Board is satisfied with the Group's application of the King IV™ principles during the 2021 financial year.

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