



# **CARTRACK HOLDINGS LIMITED**

## **TERMS OF REFERENCE OF THE REMUNERATION AND NOMINATION COMMITTEE**

**DATED 5 NOVEMBER 2014**





## 1. INTRODUCTION

- 1.1. The remuneration and nomination committee (the "**Committee**") is constituted as a committee required pursuant to the listings requirements (the "**JSE Listings Requirements**") of the securities exchange operated by the JSE Limited ("**JSE**") and a committee of the board of directors (the "**Board**") of Cartrack Holdings Limited (the "**Company**").
- 1.2. The duties and responsibilities of the members of the Committee as set out in these terms of reference are in addition to those duties and responsibilities that they have as members of the Board.
- 1.3. These terms of reference are subject to the provisions of the Companies Act 71 of 2008 (the "**Companies Act**"), the Company's memorandum of incorporation ("**MOI**") and any other applicable law or regulatory provision.
- 1.4. The Committee does not provide relief to Board members for their individual and collective fiduciary duties and responsibilities and they must continue to exercise due care and judgement in accordance with their obligations toward the Company.
- 1.5. The Committee shall perform the functions listed below on behalf of the Company and all South African subsidiaries of the Company (hereinafter collectively referred to as the "**Group**").

## 2. PURPOSE AND ROLE

- 2.1. The purpose of these terms of reference is to set out the Committee's roles and responsibilities, as well as the requirements for its membership and meeting procedures.
- 2.2. This Committee has an independent role and operates as an overseer, making decisions on certain matters, and making recommendations to the Board for its consideration and final approval. The Committee cannot assume the function of management which remains the responsibility of the executive directors, officers and senior management.
- 2.3. The role of the Committee is to:





- 2.3.1. regularly review the Group's incentive schemes
- 2.3.2. ensure that the Group remunerates directors and executives fairly and responsibly;
- 2.3.3. ensure that the disclosure of directors' remuneration is accurate, complete and transparent;
- 2.3.4. review the Board structure, size and composition;
- 2.3.5. identify and nominate new directors; and
- 2.3.6. oversee the induction and training of directors and conduct annual reviews of the performance and effectiveness of the Board, Board committees and directors

### 3. **AUTHORITY**

- 3.1. The Committee acts in terms of the delegated authority of the Board as recorded in these terms of reference. It has the power to investigate any activity within the scope of its terms of reference and has reasonable access to the Group's records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 3.2. The Committee is authorised and entitled to seek any information or explanation it requires from any director, prescribed officer, employee or other committee of the Company as the case may be, in order to fulfil its duties and responsibilities.
- 3.3. The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee to perform certain tasks on its behalf but the Committee remains accountable for same.
- 3.4. The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, subject to approval by the Board, at the Company's cost.
- 3.5. The Committee makes the recommendations to the Board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.





#### 4. MEMBERSHIP

- 4.1. The Committee shall consist of not less than three members nominated and elected annually by the Board, the majority of whom shall be independent non-executive directors.
- 4.2. The chairman of this Committee (the "**Chairman**") must be an independent, non-executive director. The Board shall elect the Chairman from amongst the members of this Committee and shall determine the period for which he/she shall hold office as such. The Chairman must be present at the annual general meeting of the Company and shall respond to queries on the Committee's activities.
- 4.3. The chairman of the Board may be a member of this Committee but may not be the Chairman unless he is an independent, non-executive director.
- 4.4. The Board has the authority to remove and appoint any member of the Committee. In the case of death, resignation, disqualification, removal or any other case, the Board may fill the vacancy occurring in the Committee.
- 4.5. The members of this Committee must as a whole have sufficient qualifications and experience to fulfil their duties.
- 4.6. The company secretary of the Company shall be the secretary of the Committee.

#### 5. RESPONSIBILITIES

The Committee performs all the functions as are necessary to fulfil its role as stated above, including (but not limited to) the following:

##### **Remuneration**

- 5.1. overseeing the setting and administration of remuneration of executive directors, non-executive directors and senior management;
- 5.2. considering and recommending the Group's remuneration policy for executive directors, non-executive directors and senior management with the aim of creating value for the Group over the long term and in so doing the Committee shall ensure that there is a balanced combination of fixed and variable/bonus pay, in cash, shares and other elements, which



meets the Group's needs and strategic objectives. Every year, at the Company's annual general meeting, the Group's remuneration policy should be tabled to shareholders for a non-binding advisory vote;

- 5.3. reviewing the outcomes of the implementation of the remuneration policy in order to assess whether it effectively drives the desired strategic objectives and encourages both individual performance and corporate performance;
- 5.4. ensuring that the recorded achievement of performance criteria governing the vesting of incentives is accurate and that incentives are based on the targets that are stretching, verifiable and relevant;
- 5.5. ensuring that remuneration policies do not encourage behaviour which is contrary to the Group's risk management strategy;
- 5.6. ensuring that all benefits, including retirement benefits, benefits in kind and other financial arrangements are justified, correctly valued and suitably disclosed;
- 5.7. considering the results of the performance evaluations of executive directors and senior management (both in their capacities as executives and as directors, if applicable) in determining remuneration;
- 5.8. determining the criteria against which the performance, functions and responsibilities of executive directors and senior management is measured;
- 5.9. considering the results of the performance evaluations of each executive director and senior management member in determining remuneration;
- 5.10. selecting an appropriate comparative group when comparing remuneration levels;
- 5.11. regularly reviewing incentive schemes to ensure continued contribution to shareholder value;
- 5.12. overseeing the preparation of, and making recommendations to the Board on, the annual remuneration report, to be included in the annual integrated report, in order to ensure that it:





- 5.12.1. is accurate, complete and transparent;
- 5.12.2. provides a clear explanation of:
  - 5.12.2.1. how the remuneration policy has been implemented;
  - 5.12.2.2. the policy on base pay;
  - 5.12.2.3. the policies regarding executive employment contracts; and
  - 5.12.2.4. the maximum and expected potential dilution that may result from incentive awards granted in the current year;
- 5.12.3. provides full disclosure of each individual executive and non-executive director's remuneration (including base pay, bonuses, share-based payments, granting of options or rights, restraint payments and all other benefits, including present values of future awards) and similar information in respect of the three most highly-paid employees of the Group who are not directors of the Company; and
- 5.12.4. provides sufficient forward-looking information for the shareholders to approve the directors' remuneration (for their service as directors) every two years by way of a special resolution in terms of section 66(9) of the Companies Act; and
- 5.13. agreeing to the terms and conditions upon which: (a) financial assistance (as contemplated in section 45 of the Companies Act) is provided; or (b) share/securities issuances as contemplated in section 41(1) of the Companies Act take place, pursuant to a general authority of the Group to provide such financial assistance or issue such share/securities.

## **Nomination**

- 5.14. reviewing the composition of the Board with regard to the size as well as the number of executive and non-executive directors to ensure a balance of power;
- 5.15. considering and approving the classification of non-executive directors as independent;
- 5.16. assisting in the identification and nomination of new directors for approval by the Board;





- 5.17. approving and overseeing the induction and training of directors and identifying any training needs; and
- 5.18. annually performing an evaluation of the performance and effectiveness of the Board, its committees and the individual directors.

## 6. MEETINGS AND PROCEEDINGS

- 6.1. The Chairman has the right to exclude any items to be discussed while attendees are present where a conflict of interest becomes evident.
- 6.2. Special meetings may be called by any member of the Committee (including at the request of the external auditors or legal advisors) or at the instance of the Board where such further meeting is considered necessary.

### Frequency

- 6.3. Meetings of the Committee will be held as frequently as the Committee considers appropriate but the Committee must hold sufficient meetings to discharge all its duties and shall hold at least 2 meetings per year.
- 6.4. The chief executive officer of the Company or the Board may request a Committee meeting.
- 6.5. Reasonable notice (confirming the venue, time and date) of Committee meetings must be given to the Committee members together with the agenda of items to be discussed at such meeting (including relevant supporting documentation) and such notice and agenda must ideally be circulated to Committee members at least three days before each meeting and members should ensure that they are adequately prepared for the matters to be discussed.

### Attendance

- 6.6. The Committee may invite the chief executive officer of the Company, members of senior management, professional advisers, Board members and any other person whom the Committee believes is necessary to attend its meetings; however, such invitees shall have no voting rights whatsoever at such Committee meetings.





Committee members must attend all scheduled meetings including ad hoc Committee meetings unless prior apology with reasons has been submitted to the Chairperson or the company secretary. If the Chairperson is unavailable to chair the relevant Committee meeting then the other Committee members may elect one of the members present to act as chairperson of such meeting. The company secretary of the Company, as the secretary of this Committee, and shall keep appropriate records of all Committee meetings as well as minutes of proceedings and all decisions taken at Committee meetings unless he or she is unavailable, in which case the Committee may appoint another person whom the the Committee considers appropriate to perform such function.

### **Annual Plan and Minutes**

- 6.7. The Committee should establish an annual plan that will ensure that all relevant matters are covered on its agendas of planned meetings. This plan must cover the functions and responsibilities under these terms of reference.
- 6.8. Minutes of the meeting should be completed as soon as is reasonably possible after the relevant meeting and circulated to the Committee members in good time for members to review and must be formally approved at each following meeting.
- 6.9. Once approved, these minutes should be distributed to all the members of the Board for information purposes.

### **Quorum**

A quorum for Committee meetings is a majority of Committee members present (either in person or via Electronic Communication (as defined in the Companies Act)) throughout the meeting. Invited participants are not part of the quorum and do not vote.

### **Meetings via Electronic Communication**

Committee meetings may be conducted entirely by Electronic Communication (as defined in the Companies Act) and Committee members may participate in Committee meetings by Electronic Communication (as defined in the Companies Act) so long as the Electronic Communication (as defined in the Companies Act) employed ordinarily enables all Committee members participating







in that meeting to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in that meeting.

### **Round Robin Resolutions**

Decisions of the Committee may be taken by way of a round robin resolution. A round robin resolution shall have been adopted if supported by a majority of the Committee members (and if adopted it shall have the same effect as if it had been approved by voting at a Committee meeting), provided that the relevant round robin resolution (and all supporting documentation in relation thereto) was submitted to all Committee members for consideration.

## **7. REMUNERATION**

- 7.1. Having regard to the functions performed by the members of the Committee in addition to their functions as directors and in relation to the activities of the Committee and pursuant to the specific power conferred upon the Board by the MOI of the Company, members of the Committee may be paid such remuneration in respect of their appointment as shall be fixed by the Board.
- 7.2. The Chairman shall, in addition to his or her remuneration as member, receive a further sum as determined by the Board.
- 7.3. Such remuneration in terms hereof shall be in addition to the annual fees payable to directors in their capacities as directors.

## **8. EVALUATION**

The effectiveness of the Committee shall be evaluated every year and a report on the results thereof submitted to the Board.

## **9. APPROVAL AND REVIEW OF THESE TERMS OF REFERENCE**

These terms of reference will be reviewed annually to ensure compliance with the latest corporate governance best practice and approved either: (a) by the Board; or (b) the Chairman and the chairman of the Board.

