



Notice of 2018 Annual Shareholders' Meeting

EROAD Limited, Auckland, New Zealand

Notice is hereby given that the Annual Meeting of Shareholders of EROAD Limited ("EROAD") will be held on Thursday 2 August 2018, 4:45pm, at North Lounge, QBE Stadium, Stadium Drive, Albany, Auckland.

Business

- 1) Chairman's Overview
- 2) Chief Executive Officer's Address
- 3) Financial Statements and Auditor's report

To receive and consider the Financial Statements and Auditor's Report for the year ended 31 March 2018, as included in EROAD's 2018 Annual Report.

4) Resolutions

1. Re-election of Director

That Candace Kinser, who retires by rotation, and being eligible, is re-elected as a director of EROAD (see Explanatory Note 1).

2. Re-election of Director

That Gregg Dal Ponte, who retires by rotation, and being eligible, is re-elected as a director of EROAD (see Explanatory Note 2).

3. Election of Director

That Graham Stuart, who retires in accordance with NZX Main Board Listing Rule 3.3.6, and being eligible, is elected as a director of EROAD (see Explanatory Note 3).

4. Extension of non-executive director remuneration pool

That the non-executive director remuneration pool is extended from \$350,000 to \$500,000 a year, with this money divided among the directors as they consider appropriate (see Explanatory Note 4).

5. Auditor's Remuneration

That the Directors be authorised to fix the fees and expenses of KPMG as the auditor of EROAD (see Explanatory Note 5).

Procedural Notes

- a. The persons who will be entitled to vote on the resolutions at the Annual Shareholders' Meeting are those persons who will be the shareholders of EROAD at 4:45pm on Tuesday 31 July 2018.



- b. A shareholder may vote at the Annual Shareholders' Meeting either in person or by proxy. A body corporate which is a shareholder may appoint a representative to attend the Annual Shareholders' Meeting on its behalf in the same manner as that in which it could appoint a proxy.
- c. A proxy need not be a shareholder of EROAD. A shareholder who wishes to do so may appoint the Chairman of the Meeting to act as proxy.
- d. A proxy will vote as directed in the proxy form or, if voting is left to the proxy's discretion, then the proxy will decide how to vote on the resolutions. If the Chairman is appointed as proxy and the voting is left to his discretion, the Chairman intends to vote in favour of all Resolutions (other than Resolution 4 as explained below).
- e. A proxy form is enclosed and, if used, must be lodged with the share registrar, Computershare Investor Services Limited, in accordance with the instructions set out on the form not less than 48 hours before the time of the holding of the meeting.
- f. All resolutions must be passed by an ordinary resolution of shareholders, i.e., by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution in person or by proxy.

Explanatory Notes

1. Under Listing Rule 3.3.11 of the NZX Main Board Listing Rules, and in accordance with clause 26 of the constitution of EROAD, one third of the Directors of EROAD must retire by rotation at the Annual Shareholders' Meeting. If the Directors are eligible, they may offer themselves for re-election by shareholders at the meeting. In this case, Candace Kinser and Gregg Dal Ponte retire by rotation and, being eligible, offer themselves for re-election by shareholders at the Annual Shareholders' Meeting.

Candace Kinser is a non-executive Director and is considered by the Board to be an Independent Director, as that capacity is described in the NZX Main Board Listing Rules. A brief biography outlining Candace Kinser's history and experience is set out below.

At the Annual Shareholders' Meeting a resolution to re-elect Candace Kinser will be put to shareholders. The Board recommends that shareholders vote in favour of the re-election of Candace Kinser. Candace Kinser abstained from any consideration by the Board on her re-election and will abstain from voting her shares, and any incidental proxies she holds, on Resolution 1.

Candace Kinser

Candace joined the EROAD Board in April 2014 and is an experienced director, CEO and tech entrepreneur. Previously the CEO of the NZ Technology Industry Association and science software company Biomatters, she is currently an Advisor for Palantir Technologies. Ms Kinser is also a Director for global technology recruitment company Talent International, a Director of Livestock Improvement and Chair of their Technology Advisory Board, an Advisor for the University of Waikato's Cyber Security Lab, a NZTE Beachheads Advisor and she also serves on the University of Auckland Return on Science Investment Committee. Candace is a member of EROAD's Remuneration, Talent and Nomination Committee, and Finance, Risk and Audit Committee.



2. Gregg Dal Ponte is a non-executive Director who the Board considers to be an Independent Director, as that capacity is described in the NZ Main Board Listing Rules. A brief biography outlining Mr Dal Ponte's history and experience is set out below.

At the Annual Shareholders' Meeting a resolution to re-elect Gregg Dal Ponte will be put to shareholders. The Board recommends that shareholders vote in favour of the re-election of Gregg Dal Ponte. Gregg Dal Ponte abstained from any consideration by the Board on his re-election and will abstain from voting on any incidental proxies he holds on Resolution 2.

Gregg Dal Ponte

Gregg Dal Ponte has more than 38 years' experience in the transport industry, holding multiple executive leadership positions in throughout his career. From 1996 until recently, he served as Administrator for Oregon Department of Transport's (ODOT) Motor Carrier Transportation Division. Under Mr Dal Ponte's leadership, the ODOT initiated and supported a number of innovative projects and partnerships which helped revolutionise trucking through simplifying compliance and regulatory requirements, while safeguarding the Oregon transportation infrastructure. Gregg is currently Director of Regulatory Compliance for the Oregon Trucking Associations, Inc. Gregg was appointed to the EROAD board in July 2016. Gregg is part of EROAD's Remuneration, Talent and Nomination Committee.

3. Under Listing Rule 3.3.6 of the NZX Main Board Listing Rules, and in accordance with clause 25.2 of the constitution of EROAD, any person appointed as a Director of EROAD by the Board must retire at EROAD's next annual shareholders' meeting, but will be eligible for election at that meeting. In this case, Graham Stuart, appointed as a Director by the Board in January 2018, has retired and, being eligible, offers himself for election by shareholders at the Annual Shareholders' Meeting.

Graham Stuart is a non-executive Director and is considered by the Board to be an Independent Director, as that capacity is described in the NZX Main Board Listing Rules. A brief biography outlining Graham Stuart's history and experience is set out below.

At the Annual Shareholders' Meeting a resolution to elect Graham Stuart will be put to shareholders. The Board recommends that shareholders vote in favour of the election of Graham Stuart. Graham Stuart abstained from any consideration by the Board on his election and will abstain from voting his shares, and any incidental proxies he holds, on Resolution 3.

Graham Stuart

Graham Stuart, the current chair of the Finance, Risk and Audit Committee, is a highly respected director. Graham has a wealth of business experience across South East Asia, Europe, the UK and Latin America and held chief executive and chief financial officer roles in some of Australasia's largest companies. He was previously Chief Executive Officer of Sealord Group. Prior to that Graham was Chief Financial Officer then Director of Strategy & Growth at Fonterra. Graham is also currently an Independent Director of Tower Insurance and Chairman of its Audit Committee. Graham joined the EROAD Board on 1 January 2018.



4. The total amount of fees available for payment to non-executive directors was last approved by shareholders at the 2016 Annual Meeting of the company. At the 2016 Annual Meeting, the total amount of fees available for payment to non-executive directors was increased from \$300,000 to \$350,000 (a 17% increase). It is proposed that the total amount of the fee pool be increased from \$350,000 to \$500,000, which represents an increase of \$150,000 (or approximately 43%) since the 2016 increase.

When determining the fees for non-executive directors and Chairs of the Board and its committees, the Board considers the median director fee levels for comparable listed companies in New Zealand. As a result, effective from 1 January 2018, the Board resolved to increase the non-executive directors' remuneration and to start paying remuneration to the Chair of the Finance, Risk and Audit Committee and the Chair of the Remuneration, Talent and Nomination Committee (given the extra workload for these roles) as follows:

- NZ\$110,000 per annum for the Chair of the Board,
- NZ\$55,000 per annum for non-executive directors,
- NZ\$10,000 per annum for the Chair of the Finance, Risk and Audit Committee, and
- NZ\$8,000 per annum for the Chair of the Remuneration, Nomination and Talent Committee.

The fee increase effective on 1 January 2018 was the first fee increase for the Chair and non-executive directors since EROAD was listed in August 2014 and was made following a review of the non-executive directors' fees by Strategic Pay in November 2017. A summary of Strategic Pay's review is attached to this notice of meeting. Prior to the 1 January 2018 fee increase, the non-executive directors and Chair remuneration was as follows:

- NZ\$76,792 for the Chair of the Board, and
- NZ\$49,061 for non-executive directors.

The percentage of increase in the non-executive directors' remuneration was 12% and 43% for the Chair of the Board.

Since 2016, EROAD has grown significantly, particularly in the United States. A comparison of EROAD's revenue and customer numbers since 2016 is as follows:

| | 31 March 2016 | 31 March 2018 | Percentage Increase |
|-------------------------|---------------|---------------|---------------------|
| Revenue | \$26.1m | \$51.5m | 97% |
| Total TCUs ¹ | 36,953 | 77,600 | 110% |
| TCUs in North America | 4,501 | 17,757 | 295% |
| TCUs in ANZ | 32,452 | 59,843 | 84% |

¹ TCUs, or Total Contracted Units, represents the total number of EROAD devices subject to a customer contract and includes the number of EROAD devices installed in vehicles and subject to a customer contract and the total number of EROAD devices pending installment.



Based on the fee levels introduced on 1 January 2018, including an allowance for benefits and assuming the Board size remains constant, the total projected non-executive directors' remuneration is approximately \$348,000 out of a total current fee pool of \$350,000.

The Board has determined that the increase to the fees available for payment to non-executive directors to \$500,000 is necessary to allow sufficient funds to increase the number of non-executive directors on the Board. The increase is also necessary to attract new candidates, including overseas based directors, and to reflect the fee expectations of candidates in light of the increased level of governance responsibilities held by directors.

NZX Main Board Listing Rule 3.5.1 requires the proposed increase in directors' remuneration be authorised by an ordinary resolution of shareholders. In accordance with NZX Main Board Listing Rule 9.3.1, no non-executive director or any of their Associated Persons (as defined under the NZX Listing Rules) can vote in favour of this resolution, unless casting votes under an express proxy of a person who is not disqualified from voting.

5. KPMG is automatically reappointed as the auditor of EROAD under Section 207T of the Companies Act 1993. Pursuant to Section 207S of the Companies Act 1993, this resolution authorises the Board to fix the fees and expenses of the auditor.

ERoad Limited

Directors' Fees Review

November 2017

Strategic Pay Limited is independent of ERoad Limited. In this context, independence means that Strategic Pay Limited has not been subjected to any undue influence from management of ERoad Limited, any board member of ERoad Limited, or any other party in relation to the services provided by Strategic Pay Limited or the outcomes of those services.

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Overview

On behalf of the Board of Directors, Tony Gibson, Director at ERoad Limited ("ERoad" hereafter), has commissioned Strategic Pay Ltd to provide a review of its Board of Director fees. Mr Gibson supplied our background information, and was interviewed by phone.

Our approach involves constructing relevant, customised market samples from our February 2017 **New Zealand Director Fees Survey** database to determine and position appropriate Board fee levels for ERoad Limited. We then "cross-check" our data results using our proprietary Director Evaluation Methodology which considers nine factors, the majority of which are qualitative and address issues of complexity, risk and stakeholder management.

This report presents the following:

1. Background information and context;
2. Recommendation Summary;
3. Customised market samples;
4. Results of Director Evaluation Methodology;
5. Chair Fee Practice; Committee Fees;
6. Recommendation;
7. Appendix 1 – February 2017 **New Zealand Director Fees Survey** highlights;
8. Appendix 2 - Overview of Director Remuneration Issues in New Zealand;
9. Appendix 3 - Director Evaluation Methodology and factors;
10. Appendix 4 – Strategic Pay Ltd – Capabilities and Offerings.

Background

Listed on the NZSX in 2014, ERoad Limited (“ERoad” hereafter) is a fully integrated technology, tolling and services provider based in Auckland. ERoad modernises road charging and compliance for road transport by replacing paper-based systems with easy-to-use electronic systems. These services involve in-vehicle hardware and software systems. ERoad has recently entered the US market in the midst of regulatory change with the potential of revenues far exceeding those in New Zealand.

ERoad is all about managing and supporting growth. With a highly profitable business in New Zealand, the Company is challenged to raise the capital needed to support its significant growth opportunities. At the same time, It is challenged to build the necessary culture, branding and infrastructure to realise the huge opportunity in the US market.

For the year ending 30 March 2017, annual revenues are reported at \$32 million on a total asset base of \$46 million. As of today, future contract income for the FYE 30 March 2018 is \$75 million, without any additional sales. Given a 99% retention rate on contracts, such income can be calculated with confidence. Market capitalisation stands at \$175 million. 220 FTEs are employed, with 30 based in the US.

The Board is composed of an independent Chair and four independent Directors. The Directors are each paid an annual base fee of \$49,061 and the Chair receives an annual base fee of \$76,792. No separate committee fees are paid. Fees were last adjusted three years ago. The approved annual governance pool is \$350,000.

There are nine formal Board meetings per year.

There are two Committees:

- + Finance, Audit and Risk Committee: Quarterly meetings
- + Remuneration, Talent and Nominations Committee: Quarterly meetings.

*The Board advises that its remuneration policy positions base annual Director fees at market **Median** levels for comparable-sized, **publicly listed** organisations.*

| Organisation Demographics / Dimensions | |
|--|---|
| Organisation Type | Private sector, Listed |
| Ownership | New Zealand |
| Industry | Technology |
| Annual Turnover / Future contract income | \$32 M in FY 17; \$75 M Future Contract Income. |
| Assets | \$46 M |

Recommendation Summary

We recommend that base annual fees for Directors of ERoad increase from the existing **\$49,061** to **\$55,000** – a competitive, consensus market median level for listed businesses.

We further recommend that base annual fees for the Chair of ERoad be increased from **\$76,792** to **\$110,000** - a figure that incorporates the NZ market typical 2X:1 premium between Chair and Director base annual fees. Again, this recommendation is based upon market median fee levels for listed companies.

Additionally we believe it is appropriate to add separate Committee Chair fees at market Median levels. This equates to **\$10,000** for the Chair of the Finance, Audit & Risk Committee, and **\$8,000** for the Chair of the Remuneration, Talent and Nominations Committee.

In our view, these recommendations represent highly competitive levels for a successful, rapidly growing New Zealand publicly listed company.

RECOMMENDATION SUMMARY

| Fees | Current (\$) | Number | Proposed (\$) | Number | Proposed Total (\$) |
|---|----------------|--------|---------------|--------|---------------------|
| Chair | 76,792 | 1 | 110,000 | 1 | 110,000 |
| Directors | 49,061 | 4 | 55,000 | 4 | 220,000 |
| Chair – Finance, Audit & Risk | - | 1 | 10,000 | 1 | 10,000 |
| Chair – Remuneration, Talent & Nomination | - | 1 | 8,000 | 1 | 8,000 |
| Total | 273,036 | | | | 348,000 |

Depending on your final decisions, the annual governance pool cost rises from **\$273,036** to **\$348,000**. This represents a **27.5%** increase. While this is significant, we note that there has been no adjustment in three years, and that these proposed levels track the high growth trajectory and doubling of revenues at ERoad.

Strategic Pay's guiding principle is that it is important not to undervalue the contributions, experience or time committed by Board members.

The full recommendation appears on pages 6 and 7.

Recommendation

Our recommendation is based on several factors including the financial size, ownership, and industry of ERoad, your own guidance, and the market data presented above.

DIRECTORS FEES

First, we recommend increasing base annual Director fees from **\$49,061** to **\$55,000** as per the market sample results below:

TABLE 6: SUMMARY RESULTS – DIRECTOR FEE SAMPLES FOR EROAD:

| Sample | Positioning | Base Annual Fee (\$) |
|------------------------|----------------|----------------------|
| Revenue | Median | 60,000 |
| Assets | Median | 35,000 |
| Market Cap | Median | 55,750 |
| IT/Computer Industries | Median | 40,000 |
| Director Evaluation | Upper Quartile | 47,588 |

As you can see, while there is some variation in sample results, the two samples where we place greatest reliance: revenue and market capitalisation – fall at \$55,750 and \$60,000 respectively.

Accordingly, we recommend an increase in base annual fees from **\$49,061** to **\$55,000**, a conservative positioning relative to these revenue and market capitalisation sample results. Such positioning reflects ERoad's own policy for setting Board fees at market medians amongst like-sized publicly listed companies.

CHAIR FEES

Next, we recommend increasing base annual fees for the Chair from **\$76,792** to **\$110,000** as per the market sample results below:

TABLE 7: SUMMARY RESULTS – CHAIR FEE SAMPLES FOR EROAD:

| Sample | Positioning | Base Annual Fee (\$) |
|------------------------|-------------|----------------------|
| Revenue | Median | 100,000 |
| Assets | Median | 60,520 |
| Market Cap | Median | 88,954 |
| IT/Computer Industries | Median | 75,000 |

As you can see, sample results for the Chair vary considerably: that is, from **\$60,520** to **\$100,000**.

Given this variation, in this case we choose to apply the market typical **2:1X ratio** premium to the recommended Director fee level above of \$55,000 such that the recommended Chair base annual fee is **\$110,000**. We believe the workload, complexity, and risk for the Chair of this high growth, listed company warrant the full **2X** premium.

COMMITTEE CHAIR FEES

At the same time, we recommend instituting a **\$10,000** committee fee for the Finance, Audit & Risk Committee Chair. This is an appropriate and conservative level for a listed company, and reflects the additional responsibilities, scope and liability inherent in this role.

At the same time, we recommend instituting an **\$8,000** committee fee for the Remuneration, Talent and Nominations Committee Chair. This, too, is an appropriate and conservative level for a publicly listed company.

Both these committee fee recommendations represent market median Committee Chair fee levels.

By implementing the adjustments recommended above, the annual governance pool cost rises from **\$273,036** **\$348,000**, an increase of **27.5%**. We note that this increase occurs at time when annual income has doubled, and the Company is highly profitable in New Zealand.

APPENDIX 4: ABOUT STRATEGIC PAY LTD

At Strategic Pay we provide innovative solutions to help organisations meet their strategic remuneration, performance development and performance improvement goals. We help improve your overall performance by ensuring employee effort, remuneration and rewards are closely aligned with business objectives.

Deliver Strategic Rewards

We work alongside you to provide a compelling proposition that attracts retains and motivates the best people.

Our adaptable solutions include:

- Remuneration and reward strategy development
- Executive remuneration and performance advice (including incentives)
- Salary options using job evaluation, grades, bands or benchmarks
- Salary review management, including processes, tools and training
- Performance development systems, including customised design and implementation

Access New Zealand's Largest Remuneration Data Services

Strategic Pay offers an unrivalled suite of nation-wide and specialist industry and sector remuneration survey reports, based on a database of more than 180,000 employees from nearly 1,100 organisations.

Our key nation-wide surveys and reports include:

- NZ Remuneration Report (published 6 monthly)
- CEO and Top Executive Remuneration Report
- NZ Benchmark Report
- Corporate Services and Executive Management
- Directors' Fees Report
- HR Metrics Survey

Use Smart Technology

We understand busy HR practitioners' needs and offer a range of smart tools to manage remuneration and survey submissions:

- RemWise®: a remuneration tool to manage all aspects of your salary review, market data and survey submissions
- Rem On-Demand®: online access to remuneration reports, resources and insights
- PayCalculator: survey data at your fingertips

Drive Organisation Performance

Superior organisational performance is critical to delivering strategic business objectives. Speak to us today about using PLUS+ to develop a future proof strategy, an organisational model and structure that supports the strategy and matching the right people to accountabilities best designed to deliver the strategy in your organisation.

Build Capability

Through a range of workshops and the Strategic Pay Academy we provide clients with comprehensive short courses in Remuneration, Performance Management and Organisational Performance. We also offer training programmes that can be tailored to meet your specific requirements.

Consult Nationwide

Strategic Pay is nationwide, servicing clients across all parts of New Zealand from our various locations. Our consultants regularly travel to visit clients around the country and are happy to meet wherever you are. Find out more at www.strategicpay.co.nz