



DIRECTOR AND SENIOR EXECUTIVE REMUNERATION POLICY FY18

1. INTRODUCTION

- 1.1 EROAD's seeks to attract and retain high-performing individuals who deliver the company's vision and strategies in accordance with its values.
- 1.2 Therefore, the key principles are that this remuneration policy:
- a) aligns with EROAD's strategic and annual business objectives and EROAD values;
 - b) balances competitive pay with affordability;
 - c) provides flexibility to reward individuals for outstanding contribution;
 - d) helps attract, motivate and retain directors and senior executives who contribute to eroad's business outcomes;
 - e) ensures there is a direct link between performance and pay;
 - f) rewards performance, based on results achieved as well as demonstrated behaviours and competencies;
 - g) rewards achievement of strategic objectives and shareholder value creation; and
 - h) is transparent, consistent, easy to understand and simple to administer.

2. RESPONSIBILITY FOR THIS POLICY

- 2.1 The Board is ultimately responsible for setting this policy and does so with the assistance of the Remuneration, Talent and Nomination Committee.

3. DIRECTOR REMUNERATION

- 3.1 The Board's focus is on the strategic direction and overall performance of EROAD. Non-executive director remuneration is primarily related to attracting and retaining high calibre directors. Executive directors do not receive any additional remuneration for their role as a director.

Determination of Non-Executive Director Remuneration

- 3.2 Remuneration of non-executive directors is determined by taking into consideration EROAD's need to maintain appropriately experienced and qualified directors and in accordance with competitive pressures in the marketplace.
- 3.3 In order to ensure there is no bias in decision making, non-executive directors do not receive any performance based remuneration.
- 3.4 In FY18, the directors' fees are less than the aggregate fee pool of \$350,000 per annum approved by EROAD's shareholders at EROAD's 2016 annual meeting.
- 3.5 EROAD does not pay any retirement allowance for directors on resignation or cessation of office.

Extra Duties and Expenses

- 3.6 From time to time, the Board may ask individual directors to devote extra time or



to undertake extra duties by chairing the Finance, Risk and Audit Committee and the Remuneration, Talent and Nominations Committee.

3.7 From 1 January 2018, directors who chair the committees receive additional fees for this work, given the extra workload involved in that role.

3.8 Directors are also reimbursed for reasonable expenses incurred when attending Board meetings.

Review

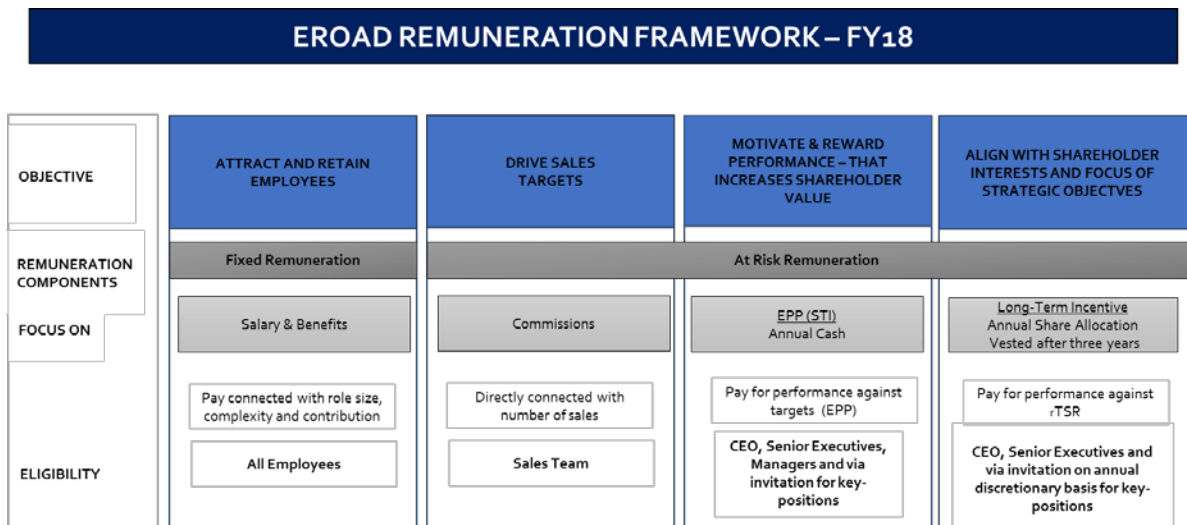
3.9 The Board reviews director remuneration periodically and may engage independent remuneration consultants to undertake benchmark assessments.

3.10 Subject to certain exceptions outlined in the NZX Main Board Listing Rules, the total amount of remuneration paid to non-executive directors must not exceed the maximum amount authorised by the shareholders.

4. CEO AND SENIOR EXECUTIVE REMUNERATION

Remuneration Framework

4.1 EROAD uses a total remuneration package approach in setting salary and rewards for employees as follows.



4.2 The total remuneration package comprises a mix of:

- a) **Fixed remuneration**, which includes a guaranteed base salary, allowances and other benefits (inclusive of all taxes). Allowances and other benefits may include a motor vehicle allowance, EROAD’s superannuation contribution, mobile phone allowance and others, on either ongoing or temporary basis.
- b) **Variable “at risk” remuneration**, which for the CEO and senior executives may include:
 - i. EROAD Performance Plan, which is a short-term incentive plan;
 - ii. Long Term Incentive plan; and
 - iii. Any additional rewards.



4.3 Variable remuneration is paid on top of fixed remuneration. Variable pay rewards are not entitlements and must be re-earned each performance period. Variable payments are entirely at the discretion of the Board and entitlement is not guaranteed even if expectations have been met.

4.4 In light of this, the following matrix sets out the allocation of incentives for the CEO and senior executives within EROAD for FY18. This structure is subject to the discretion of the Remuneration, Talent and Nomination Committee and the Board and is reviewed periodically to determine if changes are required:

EROAD Remuneration Structure			
	Total Fixed Remuneration (TFR)	Max EPP % of TFR	Max LTI% of TFR
CEO	Base Salary	Up to 30%	Up to 60%
Senior Executive Team		Up to 25%	Up to 50%

Note: This table is a guideline. Specific remuneration structure for each senior executive may vary and is subject to the provision of adequate substantiation (e.g. retention of key technical skills, reward outstanding performance, etc).

4.5 The proportion of each senior executive’s total remuneration paid as EPP increases in line with their role within EROAD.

Fixed Remuneration Rates

4.6 In setting fixed remuneration rates EROAD considers external market trends, the intrinsic value of a job and internal relativities. The intrinsic value of a job is determined based on the:

- individual’s level of experience, skill and knowledge relevant to the job;
- amount of responsibility; and
- required level of performance and contribution to EROAD.

Fixed Remuneration Reviews

4.7 Fixed remuneration is reviewed, but not necessarily increased, on an annual basis. Any remuneration increases for senior executives are approved by the Board. In conducting reviews EROAD will take into account the market conditions relating to EROAD and each position, the level of responsibility assigned to each employee and each employee’s individual performance.

4.8 To assess individual performance, each senior executive and the CEO must participate in periodic performance reviews measuring their achievement against operational and strategic objectives. The results of the performance review will form the basis of any remuneration review.

EROAD Performance Plan (EPP)

4.9 The EPP program is designed to link specific annual performance targets with the opportunity to earn cash incentives based on a percentage of fixed base salary. It creates alignment between shareholder value creation and employee reward.

4.10 The EPP also provides cash that could be used to purchase EROAD Limited shares. This improves the long-term retention of high-performing employees.

4.11 EPP payments are subject to approval by the Board and at the sole discretion of the Board.

4.12 For FY18, the EPP amount payable is based on individual and group performance measures, with each measure having a weighting of 50%.



Long Term Incentive Plan (LTI)

- 4.13** Eligible senior employees are invited to purchase EROAD shares under the EROAD LTI plan. Under the terms of the scheme the purchase of the shares is funded by a loan granted to the eligible senior employees by EROAD. The shares are granted to EROAD LTI Trustee Ltd (**Trustee**) to hold on trust for the benefit of an eligible employee. At the end of the vesting period the senior employee will be paid a net bonus in relation to the shares that vest to the senior employee, equal to the amount of their loan outstanding to EROAD, enabling the loan to be repaid.
- 4.14** Shares issued under the scheme are held in trust for the senior employees during a 3 year restrictive period. If the employee ceases to be an employee during the restrictive period the Trustees will repurchase the employees shares at the original issue price. Shares under the LTI will only vest to eligible employees if EROAD meets or exceeds the total shareholder return performance hurdle that was set for the LTI at the time the shares were granted.
- 4.15** Employee shares that are forfeited due to failure to meet the total shareholder return performance hurdle will be repurchased by the Trustee at the original grant date price.
- 4.16** As with the EPP payments, the Board retains discretion over the final outcome of LTI payments, to allow appropriate adjustments where unanticipated circumstances may impact performance, positively or negatively, over the measurement period.

5. EFFECTIVE DATE

- 5.1** This policy takes effect from 1 April 2017 subject to approval by the Board.

6. POLICY REVIEW DATE

- 6.1** This policy will have a full review and approval each year, or earlier if deemed necessary.

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