



INTEGRATED
ANNUAL
REPORT

2020

ABOUT THIS REPORT

Cartrack is a next generation vertical Software-as-a-Service (SaaS) platform that provides mobile asset and workforce management, safety and security solutions. On the back of considerable experience and know-how, new transformational initiatives are constantly being added to the platform. Cartrack has become the trusted technology platform for consumers and small, medium and large commercial customers seeking mobility solutions.

Scope and boundary

The 2020 integrated annual report (IAR) should be read with the audited consolidated annual financial statements for the year ended 29 February 2020, which contain the Audit and Risk Committee report, as well as the Nominations and Remuneration Committee report. All subsidiaries are included in the consolidated financial information. The 2020 IAR covers relevant aspects of all Cartrack's operations. There has been no change in the scope and boundary of this report, relative to our previous report, nor have there been significant changes in the size, structure or ownership during the current reporting period.

Although new jurisdictions are constantly being added to the group's regional base, no new offices were opened in the past year.

There was no substantive restatement of information provided in earlier reports. Where historical data has been adjusted in this report, the relevant numbers have been annotated and a brief explanation included at the bottom of the tables.

Materiality

The information in this report has been selected to provide for the interests of stakeholders who require a broad overview of the present and future direction and prospects of Cartrack, including an overview of the business strategy and leadership, a review of the governance performance and of sustainability. Stakeholders with more in-depth requirements are invited to contact Cartrack directly or visit our website for further information.

Frameworks

The content and structure of our IAR are guided by the principles of the King Report on Corporate Governance™ for South Africa, 2016 (King IV)* and the framework endorsed by the Integrated Reporting Committee of South Africa. Cartrack fully complies with the JSE Listings Requirements (LR), the Companies Act of South Africa 71 of 2008, as amended (the Companies Act) and the International Financial Reporting Standards (IFRS) and is committed to embracing best practice in reporting to ensure transparency and improve stakeholder engagement.

Assurance

The Cartrack board of directors (the Board) and its subcommittees have reviewed the report and have satisfied themselves of the materiality, accuracy and balance of disclosures in this report. The Board has not sought independent assurance of the report, other than for the annual financial statements.

Supplementary information

The IAR forms part of and should be read in conjunction with additional reports available on our website at www.cartrack.com. Other reports available include:

- » Annual financial statements for 2020
- » A King IV compliance register
- » Analyst booklet
- » SENS announcements
- » Notice of AGM and directors' report

Forward-looking statements

There may be statements in this report that constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Cartrack and its subsidiaries to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements.

The company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These statements have not been reviewed or reported on by the group's auditors.

For more information, please contact Annamè de Villiers at anname.devilliers@cartrack.com

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Approval of the IAR

The board of directors acknowledges its responsibility to ensure the integrity of this report. The directors confirm that they have collectively assessed the content of the IAR and believe it addresses the material issues and is a fair representation of the integrated performance of the group. The board of directors has therefore approved the 2020 IAR for publication.

On behalf of the board:



David Brown
Chairman



Zak Calisto
Chief executive officer (CEO)

Vision

Cartrack's vision is to achieve global leadership in smart mobility, providing the technology platform of choice for users seeking intelligent and actionable insights.

Mission

Cartrack's mission is to understand our customers' current and future needs in order to provide software solutions that put them in control.

CORPORATE PROFILE

Who we are

Cartrack is a leading global Software-as-a-Service provider of mobility solutions for small, medium and large fleets and an insurance analytics, security and safety provider for both businesses and consumers. Data analytics remain Cartrack's primary offering while growing its artificial intelligence and value-added services to deliver a tangible return on investment to its subscribers. Cartrack is also renowned for its agility and speed in developing innovative, first-to-market solutions that are aimed at further enhancing customer experience.

Cartrack's impressive organic growth since being launched in 2004 has resulted in an extensive footprint in 23 countries across Africa, Europe, North America, Asia Pacific, and the Middle East. With an active subscriber base now in excess of 1.1 million, the Group ranks among the largest of its peer companies globally.

Cartrack is a vertically integrated service-centric company, owning all its unique intellectual property and business processes, ranging from in-house design to device and software development, mobile-technical-workshops and sales.

Our values

Our 2 538 employees across 5 continents live one culture by ascribing to these core values:

- » Accountability
- » Integrity
- » Service orientation
- » Relationship
- » Entrepreneurial and owner-oriented mindset

Ethics

At Cartrack we believe that sustained value creation is built on ethical and values-driven business practices supported by continuous focus on strong governance. A code of ethics policy, which includes monitoring of gifts and entertainment to appropriately manage and monitor bribery and corruption; and whistle-blowing policy have been in effect for many years and form part of the induction training of all employees. Awareness training and reinforcement is a continuous process. With the implementation of the GDPR within the European Union and increasing global focus on data privacy, a data privacy policy was implemented in the prior reporting period in accordance with global best practice. This policy and related processes are regularly reviewed and enhanced as the environment evolves and would be aligned, to the extent required, with the Protection of Personal Information (POPI) Act when fully implemented in South Africa.

OUR PERFORMANCE

Financial highlights

TOTAL REVENUE

R1 942 million **+15%**

(2019: R1 693 million)

EBITDA

R969 million **+27%**

(2019: R761 million)

CASH GENERATED FROM OPERATIONS

R914 million **+94%**

(2019: R472 million)

SUBSCRIPTION REVENUE

R1 888 million **+24%**

(2019: R1 521 million)

BASIC EARNINGS PER SHARE

148.3 **+27%**

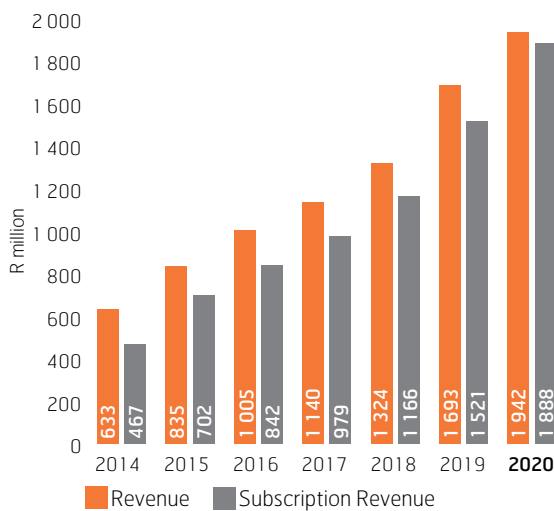
(2019: 116.4)

TOTAL SUBSCRIBERS

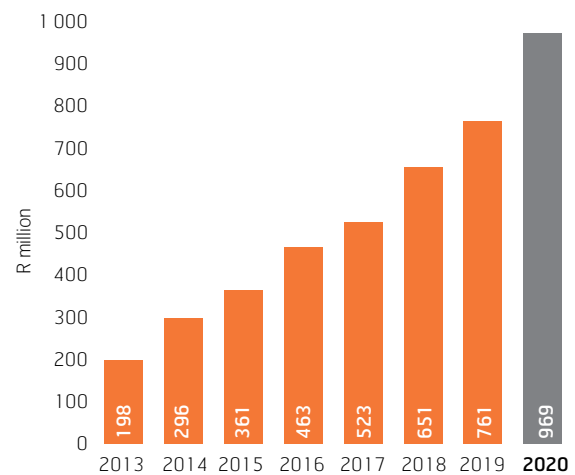
1 126 515 **+17%**

(2019: 960 718)

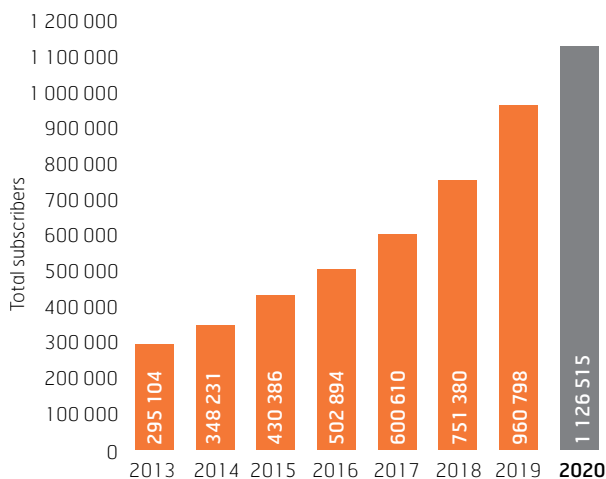
Robust Revenue Growth



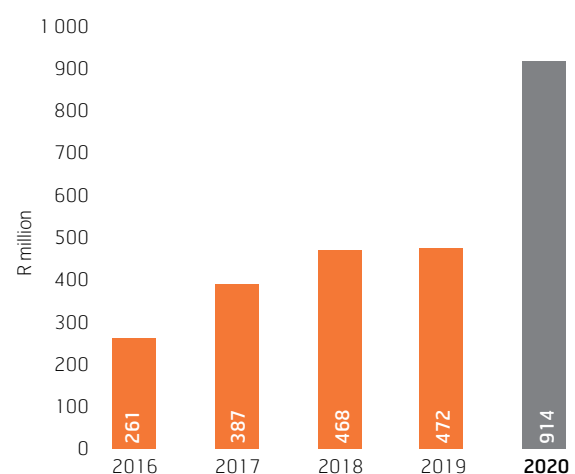
Strong EBITDA Growth



Robust Subscriber Growth



Strong Cash Generation



Our investment case

- » A HISTORY OF STRONG CASH FLOW GENERATION AND CASH CONVERSION, LOW FINANCIAL LEVERAGE AND HEALTHY MARGINS
- » A WELL-ESTABLISHED AND PROVEN PLATFORM FOR GROWTH IN A HIGH-GROWTH INDUSTRY
- » A LARGE AND GEOGRAPHICALLY DIVERSE SUBSCRIBER BASE
- » A SUBSCRIPTION-BASED BUSINESS MODEL THAT PROVIDES STRONG VISIBILITY OF EARNINGS
- » A PROVEN TRACK RECORD OF PROFITABILITY AND STRONG FINANCIAL METRICS
- » STRONGLY INNOVATIVE, FOCUSED ON DEVELOPING UNDERPENETRATED MARKETS
- » AN EXPERIENCED AND STABLE MANAGEMENT TEAM

Non-financial highlights

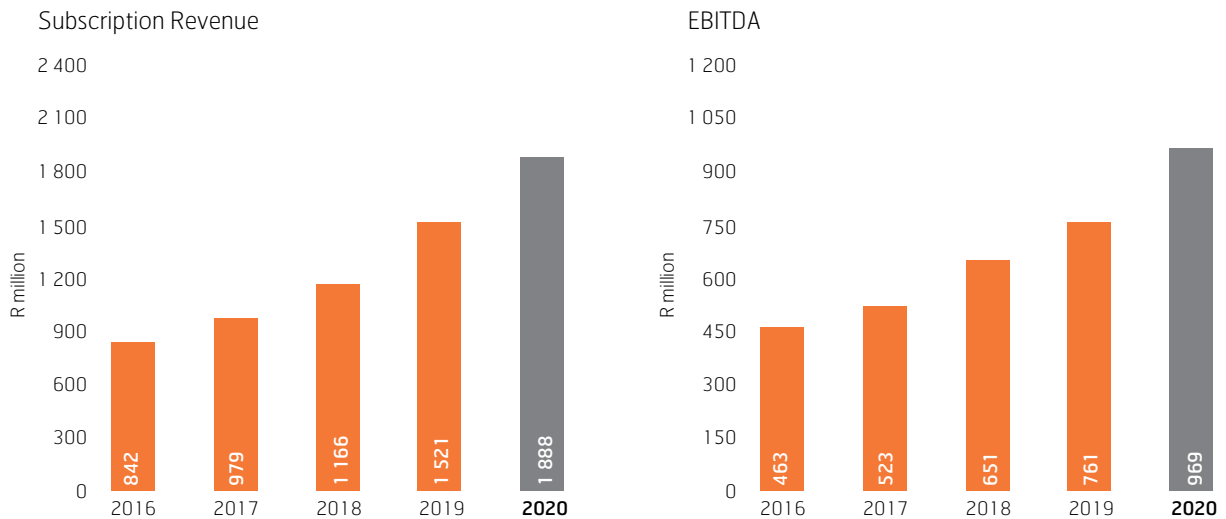
- » New transformational software initiatives are constantly being deployed, enhancing the customer experience and ensuring retention.
- » Efficiencies in distribution and the adoption of next generation technology has driven the cost of acquiring a subscriber lower, while improving customer experience.
- » Strengthened back office proprietary platform has decreased operational costs and increased staff productivity. This will continue to drive efficiency as well as allow the business to scale further.
- » Upgraded intelligent credit management proprietary platform is yielding significant results.
- » Artificial Intelligence and data analytics continue to be a significant focus which is delivering tangible results.

GLOBAL DISTRIBUTION

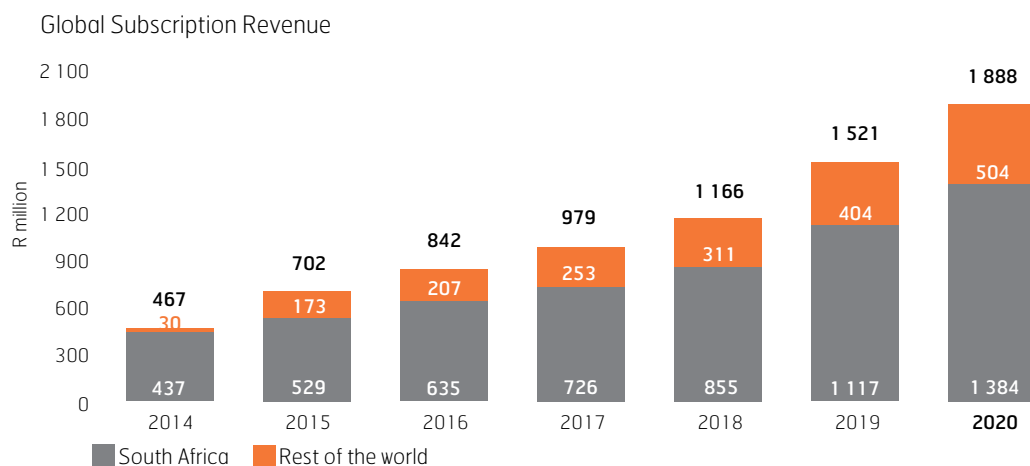
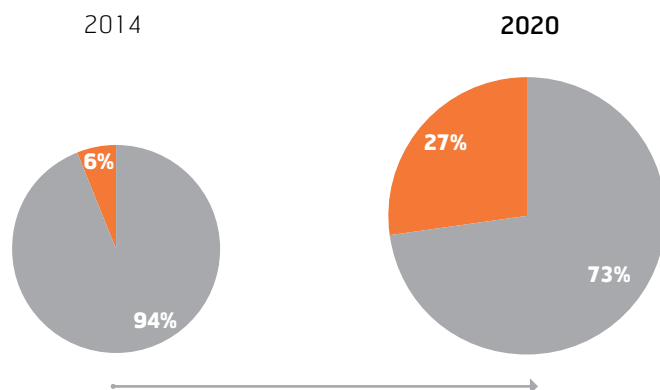
1 126 515
SUBSCRIBERS

23
COUNTRIES

5
CONTINENTS



Global Subscription Revenue now accounts for 27% of Total Revenue



BUSINESS MODEL

Cartrack provides intelligent and actionable insights through a unique vertical SaaS mobility platform which has the capability to process a high-volume of raw data collected through our proprietary developed hardware and other IoT sources. Cartrack provides solutions to consumers and small, medium and large commercial customers across a variety of industries.

Cartrack has rapidly evolved from a hardware manufacturing, stolen vehicle recovery business to a telematics data intelligence business. This evolution has closely tracked improvements in data collection technologies and advances in software capability driven by greater demand and adoption of data driven technologies within the growing Internet of Things (IoT). However, security, specialised fleet management and regulatory compliance will continue to require the design and development of proprietary hardware.

Cartrack's single, integrated and scalable SaaS platform is intuitive and powerful, yet easy to use, providing actionable data to assist in streamlining and aligning business functions.

Cartrack typically designs and develops proprietary hardware and software for mainstream applications and deploys the technology in the global markets it serves. The control of the supply chain from design to service provision enables Cartrack to be a low-cost provider and to manage service delivery levels effectively. Where appropriate, partnerships with technology providers are established to create further value to customers in the markets Cartrack serves. Cartrack's business model is designed to take maximum advantage of the digital business era through:

- » a subscription based financial model where subscribers pay an ongoing monthly fee;
- » a strong technology platform that is readily deployable for expansion into new regions and scalable for growth;
- » continuous innovation through Cartrack's in-house R&D department;
- » low fixed infrastructure cost; and
- » a wide range of reliable services with appropriate features to service the needs of a geographically- and industry diverse range of clients.

The critical inputs into the business model remain human capital and research and development. The execution of the business model requires adaptable executives and highly motivated staff supported by software solutions. The annuity nature of the business results in stable, predictable revenues, while the cost base is manageable. Once higher penetration levels are achieved, lower distribution costs will result in margin expansion.

The Cartrack advantage

- » Founder-led business and management with an owner-orientated and entrepreneurial mindset
- » Differentiated and highly scalable technology platform of proprietary software and systems
- » High-performance track record with a consistent balance sheet and capital structure
- » Innovative culture with strong implementation and execution skills
- » Robust ability to adapt to changing industry trends
- » Evolving distribution model with a proven track record
- » Customer-centric culture with high customer retention
- » Low cost of acquiring a subscriber

Our promise to customers



INCREASED FLEET PRODUCTIVITY



REDUCED OPERATIONAL COSTS



INCREASED WORKFORCE EFFICIENCY



INCREASED REVENUE



INCREASED CUSTOMER SERVICE



REGULATORY COMPLIANCE



INCREASED SAFETY AND SECURITY

BUSINESS MODEL CONTINUED

Our value proposition



FUEL
Reduce fuel consumption



MAINTENANCE
Reduce vehicle maintenance



ECO-FRIENDLY
Reduce carbon footprint



UPDATED MAPS
Improve routing



PRODUCTIVITY
Improve productivity



CUSTOMER SERVICE
Improve customer service



LABOUR
Reduce labour costs



DRIVER BEHAVIOUR
Improve driver behaviour



SECURITY
Improve security



SAFETY
Improve road and driver safety

Our outcomes

Internal

- » Employee satisfaction
- » Strengthened organisational reputation
- » Job creation
- » Training and development

Our outputs

FLEET MANAGEMENT

WORKFORCE OPTIMISATION

MOBILE ASSET SOLUTIONS

BIG DATA MANAGEMENT

VALUE-ADDED PRODUCTS

INSURANCE TELEMATICS

STOLEN VEHICLE RECOVERY

External

- » Customer satisfaction
- » Brand loyalty
- » Positive environmental impact
- » Social responsibility
- » Strong customer base
- » Wealth creation for a range of stakeholders
- » Safety and security

OPERATING CONTEXT

Global telematics operating context

Cartrack operates in developed and emerging markets across five continents. The telematics industry is growing globally and industry penetration is relatively low in all markets. While initially confined to vehicle tracking, the application of telematics data is rapidly finding traction in a broader range of asset classes and industries.

Market size and growth prospects

Wireless communications and mobile connectivity, in the form of technology such as the internet, mobile phone applications, wearable devices and connected cars and homes, are revolutionising human interaction and daily functioning. The IoT is rapidly gaining traction and broader acceptance globally. As the demand for better and increased connectivity gains significant momentum, there is also a need for more complex software and broader applications that can maximise the utility of available data. Telematics is playing a dominant role in this evolution. The cost of devices and communication has reduced significantly, resulting in the increasing adoption of this technology among consumers and fleet owners. In South Africa and many other developing markets worldwide, the crime rate stimulates demand for stolen vehicle recovery (SVR) services.

North America remains the largest and most mature market for SaaS based fleet management, followed by Europe, the Middle

East, Africa, and the Asia-Pacific region. The Asia-Pacific region is set to grow rapidly due to the increasing number of vehicles in use, an increase in the popularity of fleet management services and the accelerating rate of adoption and use of IoT applications.

According to research by ResearchAndMarkets.Com, the global telematics market is expected to register a CAGR of 20.7%, over the next 5 years. In addition to this Allied Market Research expects the market value for the global commercial opportunity in the global transportation mobility technology space to grow from USD49.5bn in 2020 to USD100bn by 2025.

The focus of fleet management has evolved from simple vehicle location and monitoring to drivers, their safety and deeper analytical insights. SaaS based telematic solutions for monitoring driving behaviour, vehicle health and maintenance intervals assist in minimising accident risk, incidents of speeding, maintenance costs and business downtime. Given that the market is highly competitive, product innovation and improved quality will assist in taking the lead over competitors.

Business drivers

The business case for telematics applications is expanding rapidly, driven by, among others, growing regulatory compliance requirements, enhanced profitability and customer service, and the quest for improved safety and security.

The most important demand drivers are:

Commercial demand	Regulatory requirements
<p>The use of telematics products can achieve significant gains in productivity, efficiency, cost control and compliance. The maturing and consolidating fleet management market also has a growing awareness of the benefits of fleet management technology to enhance customer service. The ability to transform raw data into actionable information is a critical success factor.</p>	<p>Government regulations to improve safety on the roads are creating significant demand for telematics. These regulations serve to manage hours worked by drivers in the transport sector, roadworthiness of vehicles, implement road taxes per distances travelled and control carbon emissions, among others. Examples are Europe's E-Call initiative to install automatic emergency call devices, the CONTRAN 245 mandate in Brazil to install vehicle tracking devices in all new vehicles sold and the ELD mandate in the USA. Similar requirements are found in other jurisdictions.</p>
Autonomous vehicles and smart transportation	OEM
<p>Globally, there is growing acceptance of electric and self-driven vehicles as a solution to the need for advanced safety features and smart mobility. All these vehicles require technology to manage the vehicle and collect and interpret the data.</p>	<p>Manufacturers seek to enhance customer service and manage vehicle warranties through remote diagnostics, monitoring service due dates, providing accident and breakdown assistance and satisfying the demand for fleet management solutions.</p>
Crime	Data and new applications of technology
<p>SVR services protect assets and result in lower insurance costs and increased levels of personal security in the event of a hijack. SVR is especially in demand in developing economies in Africa, South America and Asia.</p>	<p>The IoT is generating an enormous and growing set of data. The ability to turn raw data into actionable information is a critical success factor for software and technology concerns. This growing data set increases the need to continually innovate and develop new customer-centric applications.</p>
Consumer demand	Insurance telematics
<p>Consumer demand for telematics devices is also expanding rapidly, driven by reducing costs of telematics services, increasing awareness of insurance telematics, increases in availability and reduced cost of broadband and the growing adoption of technology products and applications that require in-vehicle connectivity and services.</p>	<p>Insurance companies are adopting telematics data at a rapid rate to assist with assessing driver risk and tailor premiums to an individual's risk profile. The data is also utilised to reconstruct accident scenes and evaluate claims.</p>

For Cartrack to derive maximum benefit from the abundance of growth opportunities, it is imperative that we continue to carefully select the opportunities that are aligned to our strategy.

OPERATING CONTEXT CONTINUED

Cartrack's operating context

Subscription growth and scale in all geographies

Our business is subscription revenue driven, with 97% of our revenue generated from subscriptions. Growing the number of subscribers is key to long-term sustainable value creation.

Geographical expansion is costly and only creates value if sufficient scale is achieved for the businesses to be profitable. Cartrack has a proven expansion model with well-established operations across a number of countries, as well as greenfield developments in regions such as Asia where there is a strong focus on growing newly established businesses to scale as quickly as possible.

Cartrack's investment in the US continues to yield many key insights that have positively contributed to the Group and remains strategic in nature.

Availability of skills

Significant growth comes with additional requirements for distribution infrastructure and skills. In South Africa specifically, the challenge is to find the requisite technical skills to keep up with the demand. The establishment of the Cartrack Academy and apprenticeship programme assist in developing the skills to meet this demand.

Geographical diversification of income streams

Geographical diversification improves the resilience of our business by reducing Cartrack's dependency on the vagaries of individual economies and customer groups.

Cartrack has a strong focus on extending its subscriber base and, at the same time, continuing to diversify the base across a range of dimensions. These include diversification across the types of subscriber, the types of income from subscribers, as well as the geographies covered.

Culture transfer into new regions

As we continue to expand globally, it is imperative to instill a universal set of values and way of doing business across all operations. Cultural fit is considered during the recruitment process. Our policies and processes apply globally and regular

awareness sessions and training are done, both face to face and electronically. Senior management undergoes induction training in South Africa and general training is offered in-country and reinforced regularly.

Senior management and key employees attend annual workshops. Risk and compliance reports from all group entities are regularly submitted to the board.

Remaining at the forefront of the technology spectrum developments and utilising data to provide a competitive edge

In an industry where new application of technology and data are among key growth drivers, a deep understanding of emerging trends and continuous innovation are critical ingredients for successful value creation. Cartrack's customer proposition, competitive positioning and capacity to expand globally are strongly linked to its technological platform. Cartrack invests heavily in R&D, ensuring that its technology evolves to adapt to new compliance requirements, customer demands and developing trends. Our participation in sophisticated international markets with complex logistical and regulatory requirements which demand an advanced level of functionality, is stimulating Cartrack's development of innovative technologies. Cartrack has been able to develop and apply such learnings globally.

We have developed an extensive competitive database of behavioural and technical data over a number of years. Data analytics has the potential to add substantial new revenue streams to Cartrack and additional value-added services for customers.

Service excellence and customer retention

Cartrack maintains a strong focus on providing exceptional service to every customer. As a result, customer retention is high and the average lifecycle per subscriber is currently greater than 60 months. With the capitalised telematics devices being depreciated over 60 months, keeping customers for longer through service excellence and a superior product offering is highly beneficial to the long-term profitability of the company.

STRATEGY AND OUTLOOK

Cartrack remains focused on innovation for smart mobility, actionable business intelligence and the expansion of the Internet of Things while benefiting from the megatrend of connectivity and digital transformation. Management's medium- and long-term target is that growth is in keeping with the Group's well-established track record.

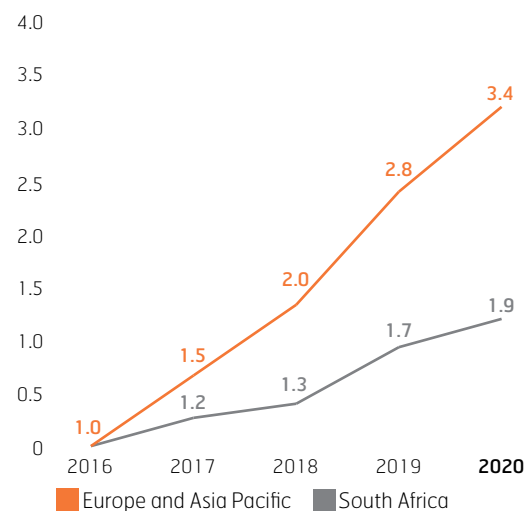
Our strategy has remained consistent. We drive stakeholder value through robust growth in our subscriber base, continuous innovation through R&D and an unrelenting focus on delivering sustainable profit margins. Cartrack's technology platform is essential to attaining these goals as it provides the backbone for products that are technologically sound and reliable and therefore relevant and attractive to our customers. Maintaining strong financial discipline and prudent investment principles provide the foundation from which to fulfil our growth aspirations.

Our long-term growth is driven by four key factors:

- » *Connected vehicles:* The Group will continue to capitalise on the growth in connected vehicles globally in what is assessed to be a materially underpenetrated global market. Cartrack's transformative platform is device agnostic and continuously enhanced to remain relevant. Cartrack aims to capitalise on present and future opportunities such as leveraging both OEM and third-party data sources.
- » *Technology investment:* Favourable industry dynamics are driving the Group's position in the marketplace as customers become increasingly reliant on accurate and intelligent data. As a result, Cartrack continues to invest in technology, information management and human resources, as well as in distribution and operating capacity.
- » *Increased demand for data analytics:* The Group has seen a notable rise in demand for data analytics across the globe. Even the largest markets in which Cartrack operates remain underpenetrated and there are many opportunities available to provide customer-centric solutions to enterprise customers and individuals. The markets across the globe have a strong need for these services and demand is anticipated to increase for the foreseeable future.

- » *Exciting new applications:* Cartrack's MiFleet, an easy-to-use fleet cost accounting software solution and Live Vision, a live video streaming management tool, are rapidly being adopted by its customers. As an ongoing commitment to meeting its customers' needs, the Group continues to invest significantly in the enhancement of much needed solutions for smart transportation.

Global Expansion – Indexed Total Revenue



CHAIRMAN'S AND CEO'S REVIEW

With the global market remaining materially underpenetrated, lucrative growth opportunities are evident across all channels to market and in each operating region as the demand for telematics data continues to increase. Cartrack's totally vertically integrated, customer-centric culture, technological advancement and innovative customer-facing solutions have translated into a proven track record of customer acquisition and retention. The relatively low cost of acquiring a subscriber, industry leading margins and cash generation, together with a proven distribution model and prudent cash allocation, provide ample support for sustainable future growth.

Cartrack is a leading global Software-as-a-Service provider of mobility solutions for small, medium and large fleets and an insurance analytics, security and safety provider for both businesses and consumers. Data analytics remain Cartrack's primary offering while growing its artificial intelligence and value-added services to deliver a tangible return on investment to its subscribers. Cartrack is also renowned for its agility and speed in developing innovative, first-to-market solutions that are aimed at further enhancing customer experience. Cartrack is a vertically integrated service-centric organisation owning all its unique intellectual property and business processes ranging from in-house design, device and software development, mobile-technical-workshops and sales. Hence, Cartrack is in full control of delivering a superior service while also protecting its industry-leading margins and clean balance sheet.

Financial performance

Cartrack delivered a strong performance across its key growth metrics, with subscription revenue growing by 24%, from R1 521 million to R1 888 million. Subscription revenue now represents 97% (FY19: 90%) of total revenue and may increase further with continued growth and scale. The number of total subscribers increased by 17% from 960 798 to 1 126 515.

Cash generation from operating activities is up 94% to R914 million, reinforcing the group's cash-generative business model.

The decision for ongoing investment in pursuit of focused growth, coupled with the realisation of economies of scale across business segments, will continue to generate robust results in the future.

It is anticipated that demand for mobility solutions and actionable data will continue to increase and growth opportunities across all operating regions and distribution channels will continue to emerge. In addition, Cartrack continues to invest in data analytics and behavioural science to ensure that its customers reap the full benefits of the Cartrack platform and data-driven solutions.

Governance

A focus on long-term business sustainability underpins our operations and the governance thereof. The implementation of strong governance and risk management practices are essential to ensure the long-term sustainability of the Cartrack group, and our governance practices are continuously monitored and revised as the business grows.

As technology forms the backbone of our product offering and our brand, the audit and risk committee oversees the governance of the Information Technology function, receiving regular reports from the IT Steering Committee.

Outlook

Cartrack is gathering significant momentum in its efforts to capitalise on the increase in global trends of artificial intelligence and data analytics and tangible results are evident in our results. Our vision remains to achieve global leadership in smart mobility, providing the technology platform of choice for users seeking intelligent data, and help clients move their business operations into the digital age. As we focus on a highly underpenetrated market, Cartrack's goal is to understand our customers' and partners' needs for smart transportation and information and to fulfil these needs through advanced data management and outstanding customer service.

As at the date of this report, the economic effects arising from the COVID-19 outbreak and the effect on Cartrack for the full year of 2021 remains uncertain, but Cartrack is actively monitoring these ongoing and potential impacts of the pandemic in order to mitigate and minimise the impact on its business.



Zak Calisto
Group CEO



David Brown
Chairman

CHIEF FINANCIAL OFFICER'S REPORT

Group performance

Cartrack delivered a strong performance across its key-growth-metrics, with subscription revenue growing by 24%, from R1 521 million to R1 888 million. Subscription revenue now represents 97% (FY19: 90%) of total revenue and may increase further with continued growth and scale. The number of total subscribers increased by 17% from 960 798 to 1 126 515.

Cash generation from operating activities is up 94% to R914 million, reinforcing the Group's cash generative business model. Cartrack's margin expansion is in line with management's expectations and strategy. The Group delivered an EBITDA margin of 50% (FY19: 45%) and an operating profit margin of 33% (FY19: 30%).

Operating profit increased by 28% to R642 million from R500 million at FY19, with a basic EPS of 148.3 cents (FY19: 116.4 cents)

The decision for ongoing investment in pursuit of focused growth, coupled with the realisation of economies of scale across business segments, will continue to generate robust results in the future.

The Capital Allocation Committee maintains a focus on ensuring a meaningful return on capital invested for its shareholders.

It is anticipated that demand for mobility solutions and actionable data will continue to increase and growth opportunities across all operating regions and distribution channels will continue to emerge. In addition, Cartrack continues to invest in data analytics and behavioural science to ensure that its customers reap the full benefits of the Cartrack platform and data driven solutions.

Segment overview

South Africa

The South African segment remains the largest revenue contributor and, in line with management expectations, delivered solid revenue growth of 14% from R1 246 million to R1 418 million with a subscriber growth of 17%.

Operating expenses reduced by 0.4% year-on-year as the South African business effectively realised the efficiency of the recently deployed proprietary back-office systems. These proprietary systems will enable Cartrack to continue to effectively service an economy with many untapped opportunities despite significant economic headwinds.

Asia-Pacific

Asia Pacific is the second largest revenue contributor and the fastest growing segment in the Group, with subscription revenue up by 40% from R160 million to R225 million and a subscriber growth of 30%.

This region delivered an EBITDA of R74 million and strong EBITDA growth of 94%, from R38 million in the prior period and presents the greatest potential in the medium to long term as markets remain considerably underpenetrated due to fragmented market participants delivering entry-level offerings.

Europe

The European segment delivered subscription revenue growth of 18% from R142 million to R168 million with a subscriber growth of 20%.

The region recorded an EBITDA of R87 million (FY19: R60 million) with growth of 44%, at an EBITDA margin of 50% (FY19: 47%). This achievement is as a result of Cartrack's proprietary systems which have increased productivity and reduced operational costs.

Cartrack continues to evaluate its strategy to expand into the rest of Europe.

Africa (excluding South Africa)

The subscriber base in Africa increased by 7% and subscription revenue grew by 10% from R98 million to R107 million driven by an improvement in sales.

The African segment (excluding South Africa) delivered a consistent performance after a restructuring process which led to increased operational efficiencies and an improvement in the costs of acquiring subscribers. EBITDA was flat at R42 million (FY19: R42 million) with an EBITDA margin of 36%. This segment continues to generate positive cash flows.

Africa continues to play a critical role in ensuring a high level of service to South African customers that are increasingly doing cross-border business.

USA

Cartrack's investment in the US continues to yield many key insights that have positively contributed to the Group and remains strategic in nature.

Managing our balance sheet

Strong operating cash flows, lower cost of acquisition and tighter working capital management has resulted in a clean and net debt free balance sheet at year end. Capital allocation and cash management are particularly important in a high-growth phase. Prudent capital management remains a key focus area and is monitored and managed on an ongoing basis and overseen by the Capital Allocation Committee.

The new generation smart telematics devices have been engineered with enhanced features at a lower cost allowing the Group to carry a higher device inventory at a significantly lower value than at year-end 2019. These new devices will capture richer data allowing for a further expansion of Cartrack's data offerings as it continues to position itself at the forefront of smart transportation. The inventory levels are prudently optimised to meet distribution and production lead times.

Despite the significant headwinds in South Africa and other African countries, the debtors' days (after prudent provisions for bad debt) are marginally above that of last year at 34 days (FY19: 33 days). This is a key metric indicating the consistency and quality of sales, operational effectiveness and strong credit management.

The consistent improvement in the current and quick ratios of 1.4 (FY19: 1.3) and 1.0 (FY19: 0.7) respectively is a result of positive cash generation and a focused drive on working capital management.

Capital is continuously being deployed efficiently across Cartrack's business as evidenced by the Group's high return on equity of 44% and return on assets of 27%. Cartrack's business model continues to deliver attractive returns on capital employed for shareholders.

Notwithstanding the significant and continuing investment in research, operations and distribution, Cartrack remains highly cash generative with a strong cash flow for the foreseeable future.



Morné Grundlingh

Group chief financial officer (CFO)

STAKEHOLDER ENGAGEMENT

Stakeholder	Requirements	Focus areas	Engagement
Investment community	<ul style="list-style-type: none"> » Sustainable returns and dividend flow » Adequate and consistent disclosure of operating and financial performance » Clarity on our strategy » Sound governance practices 	<ul style="list-style-type: none"> » Responsible organic and global expansion » Governance and ethics » Competition and price pressure » OEM involvement in telematics 	<ul style="list-style-type: none"> » Formal announcement of Results and results presentation to investors, allowing for engagement with management » Investor events » Informal meetings » SENS announcements » Engagement at the AGM
Employees	<ul style="list-style-type: none"> » Competitive pay » Fair labour practices » Skills development and training 	<ul style="list-style-type: none"> » Training, sharing and standardisation of practices across multiple countries 	<ul style="list-style-type: none"> » Biannual performance appraisals » Training and development » Employee functions » Formal and informal meetings » Intranet and newsletters » Wellness days
Customers	<ul style="list-style-type: none"> » Quality products » Strong aftersales support » Safety and security » Value for money 	<ul style="list-style-type: none"> » Consistent service quality to a high volume of customers » Continuous adaptation and innovation to meet dynamic market needs in different global regions 	<ul style="list-style-type: none"> » Face-to-face meetings, telephone and e-mail » Social media and website » Public media releases, advertising newsletters and events
Media	<ul style="list-style-type: none"> » Clear and transparent reporting » Keeping stakeholders informed » Access to key spokesmen and decision-makers 	<ul style="list-style-type: none"> » Enhance awareness and understanding of Cartrack and our services globally 	<ul style="list-style-type: none"> » Shareholder reporting and announcements » Meetings and events » Media releases on topical development
Partners and suppliers	<ul style="list-style-type: none"> » Professional procurement practices » Participation in Cartrack's business opportunities and developments » Long-term sustainable partnerships 	<ul style="list-style-type: none"> » Ability to procure quality products/services at right prices and terms » Lead times for component procurement » Communication network quality 	<ul style="list-style-type: none"> » One-on-one communication » Regular meetings » Site visits and workshops
Local communities	<ul style="list-style-type: none"> » Responsible corporate citizenship » Investment in communities in which business is conducted » Social upliftment 	<ul style="list-style-type: none"> » Growing needs of communities » Skills shortages » Unemployment 	<ul style="list-style-type: none"> » Direct engagement through community projects » Business enterprise development/support » Skills transfer
Governments and regulators	<ul style="list-style-type: none"> » Compliance with laws and regulations » Good corporate citizenship » Responsible engagement in fighting crime » Provision of Cartrack services to government fleets 	<ul style="list-style-type: none"> » Industry regulators » Tender processes 	<ul style="list-style-type: none"> » Statutory compliance » Communication through industry forums and directly with appropriate government bodies, sponsor

Risks and opportunities	Management approach	Strength of relationship
<ul style="list-style-type: none"> » A well-informed and broad investor base will support demand for the share » Illiquid shares may detract from investment case 	<ul style="list-style-type: none"> » Support access to management and the board » Continue to broaden the potential investor base » Provide clear and transparent reporting » Focus on maintaining sustainable returns 	<ul style="list-style-type: none"> » Good management access and robust discussions
<ul style="list-style-type: none"> » Our technical training programme provides opportunities for employment and improves quality of customer service » Skills shortage may restrict growth and expansion 	<ul style="list-style-type: none"> » Focus on recruitment process and job profiling » Training and development through both e-learning and classroom methods » Investment in external tertiary qualifications » Ongoing alignment of skills to operational structures 	<ul style="list-style-type: none"> » Strong, evidenced by low turnover of key employees
<ul style="list-style-type: none"> » Extended customer retention improves profitability » Innovative products launched will attract a previously untapped customer base 	<ul style="list-style-type: none"> » Continuous improvement in service delivery and investment in R&D » Investment in innovation and development » System efficiency improvement and simplification of processes 	<ul style="list-style-type: none"> » Strong customer growth and high customer retention
<ul style="list-style-type: none"> » Increased exposure will promote the brand » Uninformed or inaccurate reporting can damage the brand 	<ul style="list-style-type: none"> » Ensure good access to Cartrack management » Arrangement of interviews, site visits and special events » Distribution of press releases for publication 	<ul style="list-style-type: none"> » Moderate exposure » Continuous endeavours to strengthen relationships
<ul style="list-style-type: none"> » Strong relationships may provide access to opportunities » Interrupted supply and long lead times may create business risks 	<ul style="list-style-type: none"> » Transparent and ethical procurement practices » Partnership approach » Selection of suppliers with values and objectives aligned with those of Cartrack 	<ul style="list-style-type: none"> » Long-term relationships
<ul style="list-style-type: none"> » Negative perceptions may impact brand reputation » Cartrack's growth will create new employment opportunities » Sponsorship initiatives create future brand ambassadors 	<ul style="list-style-type: none"> » Corporate social investment (CSI) spend » Education and training initiatives » Employment opportunities 	<ul style="list-style-type: none"> » Focused brand and reputation management and strategic investment
<ul style="list-style-type: none"> » Increased regulations create further demand for telematics services » Cooperation with law enforcement authorities improves safety and security efforts » Non-compliance may cause reputational damage 	<ul style="list-style-type: none"> » Focus on governance and compliance » Tender submission process and compliance » Maximise stolen vehicle recovery rate and police relationships 	<ul style="list-style-type: none"> » Strong compliance culture » Supportive working relationship with regulators and law enforcement authorities

BOARD OF DIRECTORS

Short curricula vitae of the directors and company secretary are set out below.

Isaias Jose Calisto (Zak) (53)

Group CEO

Appointed: 1 July 2008

Years of service as executive: 19

Zak is the founder of Cartrack and Group CEO. Zak has an impressive entrepreneurial history with over 25 years of experience in the telematics industry. Having founded and operated a number of businesses, Zak has a wide range of technical and operational knowledge relating to business models and information technology (IT).

Morné Grundlingh (45)

Group CFO

Appointed: 1 September 2018

Years of service as executive: 2

Morné is a qualified Chartered Accountant and a member of the South African Institute of Chartered Accountants (SAICA) and the Institute of Chartered Accountants in England and Wales (ICAEW). He holds a BComm (Hons) from the University of Johannesburg and an MSc (Accounting and Finance) from Birmingham City University. After finishing his training in 2000 at Deloitte, Morné worked at Blackrock and Barclays in the London and Singapore offices. Morné initially joined Cartrack in February 2017 as CFO for the Asia-Pacific region.

David Jamie Brown (65)

Independent chairman

Appointed: 13 October 2014

Years of service: 6

David holds a BComm from the University of South Africa and an MBA from the University of Cape Town. In addition, he attended the Management Development Programme at the School of Business Leadership, and the Advanced Management Programme at Harvard Business School in the USA. He spent 30 years with the Standard Bank Group, where he held various senior positions, including managing director of Stanbic Bank Botswana, managing director of Stanbic Bank Zambia, managing director of Stannic Asset Finance and managing director of Standard Bank's Commercial Banking division. He was appointed CEO of Mercantile Bank and Mercantile Holdings Limited (a JSE-listed company) in 2004 and stepped down as CEO in 2013.

Thebe Ikalafeng (53)

Independent non-executive director

Appointed: 13 October 2014

Years of service: 6

Thebe holds a BSc (Business Administration) and MBA from Marquette University in the USA and has completed executive development courses in finance at Wits and Harvard Business School. A Chartered Marketer (CM(SA)), he has held various marketing positions in the USA and Africa. He is the founder and managing director of Brand Leadership Group and Brand Africa and non-executive director of South African Tourism and WWF South Africa. He has held directorships at Foodcorp and Mercantile Bank.

Kim White (44)

Independent non-executive director

Appointed: 13 October 2014

Years of service: 6

Kim is a qualified Chartered Accountant and Registered Auditor. Kim has over 16 years of experience in the accounting and auditing sector servicing a wide variety of industries. She holds a postgraduate certificate in advanced taxation and a postgraduate certificate in international taxation, as well as being a certified financial planner and a master tax practitioner (SA). Kim is a registered member of SAICA, a member of the South African Institute of Tax Professionals and is registered with the Regulatory Board of Auditors (IRBA).

Sharoda Rapeti (56)

Independent non-executive director

Appointed: 31 August 2018

Years of service: 2

Sharoda has a National Higher Diploma: Electronic Engineering, a Master's in Business Administration and over 30 years of strategic and operational experience in the telecommunications, media and technology industries. She was a director at Deloitte Africa where she established the TMT advisory services practice for Deloitte Africa. She was also the Smart Cities Leader and Digital Payments Leader for Deloitte Africa.

Sharoda has extensive non-executive director experience in the built environment and in banking where she served as South Africa's first female vice-president of the Engineering Council of South Africa and as non-executive director on the board of Mercantile Bank.

Annamè de Villiers (63)

Company secretary

Appointed: 13 October 2014

Years of service: 6

Annamè holds a BProc and LLB as well as a postgraduate diploma in corporate law. She is an admitted attorney in South Africa and specialises in regulatory compliance and corporate governance with specific emphasis on the application of the Companies Act, JSE Rules and Listings Requirements and related global best practices. She has held various positions in the financial services industry including acting as company secretary for two JSE-listed entities.

Board structure and composition

The group has a unitary board structure comprising a majority of independent non-executive directors (including the chairman). There are six directors in total, four of whom are non-executive, and two full-time salaried executive directors. The board's diversity policy is reviewed annually. The size of the board is appropriate given the nature and size of the business and the board is comfortable that it adequately embraces representation in relation to gender and ethnicity in accordance with the principles of the King Code.

The roles of the chairman and the CEO are separate and clearly defined. This division of responsibilities ensures a balance of authority and power. The range of skills, experience and

backgrounds currently represented on the board ensures robust decision-making processes and diversity of viewpoints, enhancing the effective governance of the group with no individual director having unrestricted decision-making authority. A number of board committees assist the board in fulfilling its mandate, and the roles and responsibilities of the respective committees are set out in their formal terms of reference. The terms of reference of the board and the respective committees are reviewed annually to ensure that they remain relevant and are available on the company's website.

Board of directors and committees

Name	Status	Tenure	Attendance			
			Board	Audit and risk committee	Remuneration and nominations committee	Social and ethics committee
DJ Brown Chairman of the board Chairman of the nominations committee Chairman of the social and ethics committee	Independent non-executive	Five years and seven months (appointed October 2014)	6/6	6/6	4/4	3/3
AT Ikalafeng Chairman of the remuneration committee	Independent non-executive	Five years and seven months (appointed October 2014)	6/6	N/A	4/4	N/A
K White Chairperson of the audit and risk committee	Independent non-executive	Five years and seven months (appointed October 2014)	6/6	6/6	4/4	N/A
S Rapeti Member of the audit and risk committee	Independent non-executive	One year and Nine months (appointed 31 August 2018)	6/6	5/6	N/A	N/A
IJ Calisto Group CEO	Executive	Twelve years (appointed July 2008)	6/6	5/6	3/4	N/A
M Grundlingh Group CFO	Executive	One year Nine months (appointed 1 September 2018)	6/6	6/6	4/4	2/3

Board composition analysis

The majority of directors are non-executive and all non-executive directors are independent. The non-executive directors are representative of the racial and gender diversity of South Africa, with 50% female and 50% black representation.

CORPORATE GOVERNANCE

Leadership and governance

Commitment and approach

The board is committed to good governance and endorses the principles of the King Code in both letter and spirit to ensure consistent practices throughout the group, providing effective leadership that displays integrity, competence, responsibility, accountability, fairness and transparency in directing the business of the company to create and maintain value. During this financial year the board continued to review and enhance the application of the King IV principles and is satisfied that these have been substantially applied. There will be continued focus on governance best practices in FY21.

A report on the steps taken by the company to comply with the King Code is available on the company's website (www.cartrack.com/About Us/Corporate Governance).

Organisational ethics

The directors acknowledge that the ethical tone is set from the top and proactively review and assess the assimilation and entrenchment of governance best practices in the group. As a listed company, Cartrack is required to adhere to the LR. Directors of Cartrack are bound by the provisions of the LR, both in their capacities as directors and in their personal capacities. To ensure the integrity of directors' duties towards the company, conflicts of interest are managed through annual written declarations which are confirmed and updated, if required, prior to the commencement of each board meeting.

Conflicts, if any, are dealt with in accordance with the requirements of the Companies Act. The company's ethics are managed through a number of policies which are approved by the board and implemented, monitored and reported on to the board by management.

Policy	Objectives and focus	Implementation	Monitoring and outcome
Code of ethics and online gifts register (including entertainment)	<p>Addresses acceptable conduct for employees and directors in interaction with colleagues, customers, suppliers and other stakeholders</p> <p>Applies to the company, its leaders, employees, contractors, suppliers and other stakeholders</p> <p>Focused on detailed and accurate disclosure of gifts and entertainment to ensure appropriate conduct and compliance with Anti-Bribery and Corruption requirements</p>	<p>Induction training for new employees</p> <p>Regular training, awareness and reinforcement</p> <p>Publication on the external and internal website</p> <p>Annual confirmation</p>	<p>Review of gifts register by internal risk committee</p> <p>Regular reporting to the audit and risk committee</p> <p>There were no matters of concern</p>
Whistle-blowing policy	<p>Encourages and protects disclosure of perceived unethical behaviour that may affect the company and ensures transparency and accountability</p> <p>Applies to the company, its leaders, employees, contractors, suppliers and other stakeholders</p> <p>Focused on the work environment</p>	<p>Induction training for new employees</p> <p>Regular training, awareness and reinforcement</p> <p>Publication on the external and internal website</p> <p>Annual confirmation</p> <p>Induction training for new employees</p>	<p>Independent review of disclosures</p> <p>Regular training and awareness</p> <p>There were no matters of concern</p>
Media policy	<p>Outlines appropriate communication with the media and determines acceptable social media behaviour</p> <p>Focused on entrenching the principles of acceptable social media behaviour</p>	<p>Regular training, awareness and reinforcement</p> <p>Publication on the external and internal website</p> <p>Annual confirmation</p>	<p>Regular review of and reporting on social media disclosures</p> <p>Regular training and awareness</p> <p>There were no matters of concern</p>

Policy	Objectives and focus	Implementation	Monitoring and outcome
Personal account dealing policy	Restrictions in dealing in the company's securities	Targeted training, reinforcement and advice Notification of closed periods Pre-approval of trading is formal and strictly enforced, SENS announcements are published where required	Monitoring by the company secretary against the monthly share register There were no transgressions
Data privacy policy	Governs the collection, use and disclosure of personal data provided to Cartrack. It directs how personal data is gathered, stored and handled and transferred, in accordance with relevant data protection legislation	Targeted training and reinforcement Publication on the external and internal website Inclusion of principles in employment contracts Appointment of dedicated data protection officers	Monitoring and continuous training, dedicated project, given ongoing evolution of requirements There were no transgressions

Responsibilities and accountability

The board is responsible for directing, governing and controlling the company's business by, inter alia, developing and approving the company's strategic direction, financial budget, risk and governance framework and supporting policies and procedures. The board delegates to management the detailed planning and implementation of the group's strategic objectives and policies in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through performance reporting and regular business updates. The board operates in accordance with approved terms of reference that are reviewed on an annual basis. The responsibility for ensuring that key management functions are appropriately

resourced and directed has been delegated to the CEO. The company's executive directors are involved in the day-to-day management of the company and business activities of the group in accordance with the framework of authority delegated to them by the board, containing formal levels and parameters for all group companies which are reviewed annually.

Executive and senior management are required to acknowledge and confirm the relevant levels of authority by signature and are responsible for implementing procedures to enforce and monitor adherence.

The board has delegated certain of its functions to board committees but remains ultimately responsible and accountable for these functions.

Key focus areas for 2020	Focus areas for 2021
Strengthening the governance of compliance across the group	Maintaining, interrogating, reviewing and adjusting the governance of compliance to support an evolving and growing business, with particular focus on different jurisdictional requirements across the group
Strengthening the governance of risk management in accordance with the King Code and global best practices	Continuing to augment and adjust the governance of risk management to adequately support the business, particularly amidst the COVID-19 pandemic
Enhancing reporting and controls	Maturing reporting and controls
Enhancing communication, transparency and stakeholder engagement	Continuing to adjust communication, transparency and stakeholder engagement to the evolving business and investment environment

CORPORATE GOVERNANCE CONTINUED

Board appointments

Directors are appointed by the board in a formal and transparent manner. The nominations committee annually reviews the size of the board and its committees and the required mix of skills and experience needed to provide strategic direction and leadership. In consultation with the CEO, it considers suitable candidates and nominates persons for appointment as directors to the board.

One-third of the directors are required to retire by rotation at the annual general meeting (AGM) of shareholders. Retiring directors may offer themselves for re-election. Directors appointed during the financial reporting period are required to have their appointments ratified at the following AGM. Directors generally have no fixed term of appointment. Executive directors retire at the age of 65 unless fixed-term contracts are negotiated with the board beyond this age. There is no prescribed retirement age for non-executive directors.

Board induction and development

Directors are introduced to the company through a formal induction programme and ongoing training and development is planned annually to enable directors to make the maximum contribution to the company and to remain informed about changes in risks, legislation, accounting standards and policies and the environment that the company operates in.

Director independence

All non-executive directors, including the chairman, are independent in terms of the definition in the King Code and the guidelines outlined in the LR. The directors have a clear understanding of their fiduciary duties as directors of Cartrack. The directors individually and collectively are committed to exercise due care and diligence in the performance of their duties in accordance with the highest possible standards.

All directors have reasonable and unfettered access to the group's records, facilities, management and any other resources that may be required to ensure optimal ability to discharge their duties.

Board and director evaluations

An annual evaluation is conducted to assess the effectiveness of the board as a unit, the board committees and the individual contributions of the directors through a process of self-evaluation. The chairman discusses results of the individual director evaluations with the relevant directors and suitable developmental plans are agreed with them if required. The results of the evaluation of the CEO are distributed to all board members for consideration. Evaluations for FY2020 were satisfactory and no specific areas of concern were raised.

Company secretary assessment

The company secretary acts as steward of the group's corporate governance framework, ensuring that board procedures and relevant legislation and regulations are observed. The company secretary acts as the secretary for all committees of the board and has unrestricted access to the CEO and the non-executive directors. Her responsibilities include, among others:

- » induction and continued training of directors;
- » preparing meeting agendas and recording minutes;
- » providing guidance to directors on governance, compliance and fiduciary responsibilities; and
- » liaising with regulatory bodies.

Based on the outcome of a formal assessment conducted by the chairman, CEO, CFO and audit and risk committee chairman, the board is satisfied with the competence, qualifications and experience of the company secretary and believes that the company secretary provides the board with the requisite support for its efficient functioning and discharge of its duties. In line with the principles of the King Code, the company secretary is not a director within the group and is considered suitably independent of the board to be effective.

Risk management

While the board has delegated its responsibility for risk management to the audit and risk committee, the board remains ultimately responsible for the governance of risk. The risk management framework defines Cartrack's risk management philosophy and encourages a risk-conscious business culture through agreed internal controls and commitment to mitigating actions.

Cartrack's risk management framework implements a bottom-up and top-down approach and has been reviewed to specifically consider the governance of risk to support the achievement of strategic objectives, including compliance and performance-related matters. To this end, the identification and assessment of structural opportunities will be further explored to achieve a complete risk response.

The risk management plan ensures an effective system of risk identification, analysis, evaluation and treatment throughout the group. Major risk categories have been identified as financial risk, operational risk, business risk and legal and regulatory risk. A dashboard of significant risks is compiled through the internal risk committee from risks identified by business. Individual risk ratings are determined by the probability and impact of each risk.

Appropriate risk response planning is ascribed to each risk and mitigating actions are monitored. This report is regularly reviewed and interrogated by the audit and risk committee.

A system of internal controls, designed to protect value and enable business growth in a sustainable manner, encompasses financial, operational, compliance and sustainability issues. This system includes a documented organisational structure and division of responsibility, clarity of accountability, established policies and procedures which are communicated throughout the group, and the careful selection, training and development of people.

The internal audit function has been outsourced to PricewaterhouseCoopers Incorporated (PwC). An annual internal audit plan, containing a programme of financial and operational audits and reviews for the group, was agreed with the audit and risk committee. This plan is developed by applying a risk-based approach and is reviewed and ultimately approved by the board on recommendation of the audit and risk committee. It is regularly revised to ensure that it remains relevant to the key business priorities and changing risk environment.

For details on the top of mind risks, refer to the risk report.

Statutory compliance

The company is duly incorporated in accordance with the provisions of the Companies Act and operates in conformity with its MOI.

IT governance

The board is responsible for the governance of IT, which, in view of its importance as a key driver of Cartrack's strategy and value proposition, demands specific emphasis. Governance is achieved through the adoption of appropriate policies and procedures and the management and monitoring of compliance.

As a management structure reporting to the board, the IT steering committee assumes responsibility for the following:

- » strategic alignment between IT and business;
- » delivery of value;
- » measurement of IT performance;
- » risk management;
- » IT resource deployment; and
- » proper and effective use of IT within the business.

The IT governance officer is responsible for compiling regular reports to the audit and risk committee, which consist of a comprehensive governance report and dedicated risk register, from which significant risks are included in the top 10 risks dashboard. At the request of the board, the external auditors performed a focused review of the IT function as part of the annual audit. The report is awaiting final comments from management at the date of this publication.

The implementation of the General Data Protection Regulation (GDPR) has assisted in reviewing internal processes with data privacy requirements across all business activities and resulted in improved awareness. Once the POPI Act is fully implemented in South Africa, the current policies and procedures would be expanded, to the extent necessary, to meet local requirements.

As customers become increasingly reliant on intelligent data, Cartrack continues to invest in technology, information management, distribution, operating capacity, human resources and R&D.

Focus areas for the future include:

- » information security
- » the governance of data privacy
- » continuous improvement of the internal control systems
- » continued application of and alignment with the King Code

Board committees

Committee responsibilities, focus and composition

Audit and risk committee

Key focus areas for 2020	Focus areas for 2021
Continuing the upgrade of technology security and infrastructure	Information security and data privacy
Enhancing governance and risk management, compliance and reporting	Strengthen application of combined assurance framework;
Enhancing monitoring and reporting of compliance	
Enhance the resources and experience of the IT function	Continued search for appropriate resources
Strengthening the internal finance function	Further enhance internal financial controls
Strengthening the internal audit function	Evaluate and mature the internal audit function

Membership and meetings

All members are independent non-executive directors of the company and collectively have adequate and relevant knowledge and experience to effectively discharge their duties. To ensure appropriate consideration of audit and risk committee matters, the agenda of meetings is split accordingly and separate audit and risk committee meetings are held from time to time. The CEO and CFO attend meetings by invitation but do not have a vote.

The report of the audit and risk committee is included in the notice of AGM, circulated to shareholders on 29 May 2020 and is also available on the company's website.

CORPORATE GOVERNANCE CONTINUED

Social and ethics committee

Key focus areas for 2020	Focus areas for 2021
Training programmes to develop skills	Continued investment in training initiatives
Training, compliance and monitoring of gifts and entertainment	Continued awareness training and monitoring of bribery and corruption
Customer experience	Customer engagement
Review of broad-based black economic empowerment	Continuation of appropriate B-BBEE initiatives
Consideration of Organisation for Economic Co-operation and Development (OECD) implementation guidelines	Review and assess policies against global guidelines and best practice, taking into account the multiple jurisdictions in which Cartrack operates

Membership and meetings

The membership comprises an independent non-executive director who acts as chair of the committee, an executive director and a prescribed officer, who takes responsibility for the internal management committee responsible for implementation and monitoring of the governance plan in accordance with the Companies Act. Other members of senior management may attend meetings by invitation but do not have a vote.

The report of the social and ethics committee is included in the notice of AGM, posted to shareholders on 29 May 2020 and is also available on the company's website.

Remuneration and nominations committee

Key focus areas for 2020	Focus areas for 2021
<i>Remuneration</i>	
Reviewing the remuneration policy, payment of performance bonuses and short, medium and long-term incentive schemes	Consideration of appropriate incentive schemes
Employee retention, development and succession planning to ensure continuity of leadership	Employee retention, development and succession planning to ensure continuity of leadership and appropriate skills for growth and diversification of the business
<i>Nominations</i>	
Reviewing the board structure, size and composition, split between audit and risk committee meetings	Reviewing the board structure
Identification and nomination of new directors for approval by the board	
Training, specifically regarding governance and relevant regulatory requirements	Training, specifically regarding governance and relevant regulatory requirements
Conducting annual performance reviews of the performance and effectiveness of the board, board committees and individual directors	Conducting annual performance reviews of the performance and effectiveness of the board, board committees and individual directors

Membership and meetings

All members are independent non-executive directors of the company and collectively have adequate relevant knowledge and experience to effectively discharge their duties. To ensure appropriate consideration of remuneration committee and nominations committee matters, the position of chairman has been split accordingly. The CEO and CFO attend meetings by invitation but do not have a vote. Executive directors, managers and the company secretary are not present during committee discussions relating to their own compensation.

REMUNERATION PHILOSOPHY

Key principles underpinning our approach to remuneration

- » Employees are fairly and equitably rewarded for their performance and contribution.
- » Guaranteed remuneration is generally aligned with industry .
- » Risk and reward are adequately balanced to promote sound and effective risk management.
- » Remuneration is consistent with the company’s strategy, objectives and values.
- » Cartrack’s financial performance is taken into account when considering increases and bonuses.

Basic remuneration

- » Remuneration consists of a monthly basic salary. Overtime is paid in accordance with the Basic Conditions of Employment Act.
- » A car allowance or company car (depending on the employee’s position), if travelling for business is a key requirement.
- » A cellphone allowance, if regular business communication is required during or after business hours.
- » Company contribution to life insurance and a capital disability scheme.
- » The company and employees each contribute 5% to a provident fund.

Increases and bonuses

Salaries are reviewed annually on 1 March and increases are determined by:

- » individual performance;
- » company performance;
- » consumer price index (CPI) and inflation; and
- » internally assessed market conditions.

Annual increases are recommended to the remuneration and nominations committee for review and recommendation to the board for final approval.

All incentive bonuses are discretionary and no individual has a right to be paid an incentive or performance bonus.

Incentive schemes

- » Non-guaranteed annual 13th cheque payment for all permanent employees, payable in December, based on both individual and company performance.
- » Incentives are payable for collections and performance monthly in the credit control and voice logging/customer service departments.
- » Quarterly and annual incentives are payable to sales managers. These are based on the performance of their employees against national sales targets.
- » Branch managers also qualify for incentives which are calculated annually and based on performance of the branch against various targets.
- » Individual contractual bonuses may be payable to members of senior management in accordance with annual performance parameters approved by the board.

Directors’ and prescribed officers’ remuneration

Summary of reward components

Component	Operation	Purpose and link to strategy
Base salary	<ul style="list-style-type: none"> » Paid monthly in cash » Reviewed annually with increases to be effective from 1 March each year » Salary reviews take into account prevailing market practices, economic conditions and the levels of base salary increase mandates provided to the general employee population 	Attracting and retaining appropriate talent
Benefits Group life and other insurance	<ul style="list-style-type: none"> » Financial protection in the event of death or disability <p>These are:</p> <ul style="list-style-type: none"> » Appropriate in terms of level of seniority » Market-related » Death benefit is a multiple of base salary » Non-pensionable 	Employee wellness and engagement
Pension	<ul style="list-style-type: none"> » Comprises pension plans with company contributions as part of total cost to company remuneration 	Facilitate the accumulation of savings for post-retirement, contributing to financial security

REMUNERATION PHILOSOPHY CONTINUED

Component	Operation	Purpose and link to strategy
Cash incentive (bonus) <ul style="list-style-type: none"> » Align participants to targets relevant to the group's strategic goals » Drive performance » Motivate executives to achieve specific and stretched short-term goals » Reward individuals for their personal contribution and performance 	<ul style="list-style-type: none"> » All measures and objectives are reviewed and set at the beginning of the financial year » Payments are reviewed and approved at year-end by the committee based on performance against targets » Threshold is required to be met for any bonus payment to occur » Target level of bonuses varies from 35% to 65% of base salary » Criteria for 2020 subscriber growth, revenue growth, profit before tax targets and recovery rate targets » Bonuses are paid in cash 	<ul style="list-style-type: none"> » Drives a high-performance culture » Motivates and rewards the achievement of business and individual targets » Focuses employees on the growth strategies

RISK MANAGEMENT

The company believes that effective risk management is not a defensive activity. It is the active understanding, identification, measurement, appreciation of consequences and the taking of appropriate action accordingly: the capacity to make forward-looking choices about risk in relation to reward and part of doing business responsibly.

Risk management process

Identify

Risks are identified and defined using a top-down and bottom-up approach. The risk management plan and framework are used to guide the process. The four broad categories of risks identified are: financial risk, operational risk, business risk and legal and regulatory risk.

Assess and measure

Risks are assessed based on their potential impact on the business and their likelihood of occurring, after taking into account the effectiveness of controls that are in place. Risks are classified from low to moderate, medium, significant or high, based on the residual risk rating. All medium, significant and high risks are reported on.

Response and action

Mitigating actions are assigned to each risk by management and regularly reported on. The appropriateness of these is reviewed by the audit and risk committee.

Monitor and report

The risks are managed and monitored on an ongoing basis and form part of the internal audit plan. Quarterly risk reports are prepared by management and provided to the audit and risk committee, which in turn reports to the board. A separate governance and risk report is submitted for IT, which is also subject to an annual governance audit by the group's auditors.

Top of mind risks

The board regularly reviews the risk register prepared and reported on by management and monitors the risk mitigation process accordingly.

The global spread of the COVID-19 pandemic, which originated in late 2019 and was declared a pandemic by the World Health Organization in March 2020, has negatively impacted the global economy, disrupted supply chains and created significant volatility in global financial markets. Cartrack's global operations are subject to risks associated with actions taken by governmental authorities to impose changes in laws or regulations to restrict certain business operations and trade as well as domestic and regional travel.

These events, together with a number of evolving factors, including the duration and spread of the pandemic, the severity of the impact of the pandemic on economic activity and the changing actions of governmental authorities across the globe, will impact the Group's FY21 results in keeping with that of many global organisations. However, as the situation remains fluid, the economic effects arising from the COVID-19 outbreak and the resultant effect on the Company remains uncertain. Cartrack is actively monitoring these ongoing and potential impacts of COVID-19 in order to mitigate and minimise the impact on its business.

RISK MANAGEMENT CONTINUED

Risk category	Description	Mitigation actions	Opportunities
Network access	<p>Reliable access to networks is crucial to our service delivery</p> <p>Unavailability of access or complete failure in networks would adversely affect our customers, our ability to provide services and our reputation</p>	<p>Continuous engagement with service providers to obtain assurance of their disaster recovery and business continuity processes and status. Redundancy links are in place</p> <p>Utilisation of more than one service provider</p>	
Customer data protection	<p>Client data is an imperative part of our service delivery and contain personal information. Data privacy is therefore critical to ensure customer confidence and regulatory compliance. Breach of data privacy would result in reputational damage, loss of customers, loss of revenue and regulatory sanctions</p>	<p>Customer personal information is kept secure and private, verification processes are in place before disclosure, no information is shared without specific authorisation by the customer</p> <p>In view of the regulation of data privacy in the European Union (GDPR) and imminent implementation of similar requirements in terms of the POPI Act in South Africa, management appointed a dedicated project team to ensure compliance with the GDPR and other data privacy requirements across its businesses</p>	<p>The continuation of this project has strengthened and enhanced existing controls and processes and has put the company in a position to utilise these controls and processes to achieve compliance with the provisions of the POPI Act and other regulatory requirements in different jurisdictions across the globe</p> <p>The focus on appropriate data protection will increase customer trust</p>
Customer service	<p>Material adverse customer experiences may result in reputational and brand damage, loss of customers and loss of revenue</p>	<p>Improving engagement with clients through customer service centres and social media, by way of quality control processes and regular training, will allow for better understanding and resolution of service issues and help to identify training requirements</p> <p>The complaints procedure the company implemented to assist customers in effectively communicating complaints has yielded positive results and has assisted in efficient and swift resolution and appropriate escalation to senior management when required</p>	<p>Engagement with customers poses an opportunity to build the relationship, retain the customer, update personal information and educate the customer</p> <p>Social media creates opportunities for engagement and can be used to increase brand awareness and sales</p> <p>Awareness of repetitive issues has assisted in the identification of service deficiencies and training requirements</p> <p>Internal communication and accountability has improved</p>
Key employees	<p>Loss of skills, corporate knowledge base and leadership that may adversely affect execution on strategy, customer service, operational efficiencies and execution on strategy</p>	<p>Board-approved succession planning is continually reviewed and updated, mentoring programmes and appropriate skills transfer have been implemented to assist in alleviating the impact of the loss of a key resource</p> <p>Internal leadership programmes have been launched to nurture and grow leadership talent</p>	<p>As part of the talent management process, succession planning allows for the identification of internal talent to be developed or creates the opportunity to employ appropriate talent</p>
Technology security	<p>Exposure to external infiltration of our systems, hardware, laptops and data may result in service interruption, data corruption and/or breach of confidentiality which may adversely impact customer service, operational efficiencies, revenues and brand and possibly expose the company to extortion and regulatory sanctions</p>	<p>An IT risk assessment has been done in accordance with an approved framework and is continuously updated and reported on to the board. The external auditors perform a focused review of the IT function as part of the annual audit process</p> <p>Cyber security will remain a focus area for 2021 and beyond</p>	<p>The maturing of the GDPR project will assist in highlighting any weaknesses and enhance the current controls and processes</p> <p>Better controls will enhance reliability and mitigate risk, thereby increasing customer trust and support</p>

CORPORATE CITIZENSHIP

Human capital

Human capital comprises the Cartrack workforce as well as stakeholders we engage with. Their health, knowledge and skills combined with their attitude and motivation are essential to meeting our strategic objectives and contribute positively to the relationships with our stakeholders.

We recognise that education is the key enabler to empower individuals in a skills-driven, technology-oriented landscape. We have continued to provide training programmes, study assistance programmes, and distance learning opportunities for employees. Employees receive both formal and on-the-job training. Learning opportunities are provided through various platforms including classroom-based application training, on-the-job coaching, job shadowing, e-learning, and formal studies through tertiary institutions

Cartrack continuously offers wellness initiatives to improve the awareness of high-risk diseases, to assist with prevention of illness and to help employees adopt a healthier lifestyle.

The key challenge for growth has been, and continues to be, skills shortage. The Cartrack training department was awarded accreditation from the SERVICES SETA in June 2019, after two years of preparation which included development of a quality management system, training and registering facilitators, assessors and moderators and compiling qualification material. We continuously improve and expand our services. To date, the academy is accredited to offer the following qualifications to both permanent staff, as well as individuals from the community:

1. Qualification Nr 57712 Generic Management Certificate (Learning Programme ID 74630)
2. Qualification Nr 57712 Generic Management Certificate (Learning Programme ID 58344)
3. Qualification Nr 51695 Business Administration Certificate (Learning Programme ID 35928)
4. Qualification Nr 93996 Contact Centre Operations Certificate (Learning Programme ID 71489)
5. Qualification Nr 59201 Generic Management Certificate (Learning Programme ID 60269)
6. Qualification Nr 67465 Business Administration Certificate (Learning Programme ID 67465)

The academy's most recent successful registration is the National Diploma in Customer Management (Qualification ID 20908). The core of the qualification focuses on Marketing and Sales.

During the first six months of the Academy's existence, the academy contributed 19.67 points out of 20 Skills Development points towards Cartrack's B-BBEE status. The academy also qualified for a R2.1 million tax relief claim for this period.

Career days at universities are attended to promote Cartrack as an employer. A study funding programme is offered to eligible employees wanting to improve their skill and competency levels through tertiary educational institutions. Cartrack is accredited with the ICDL Foundation – the certifying authority behind the world-leading ICDL computer skills certification – and actively drives end-user computing proficiency throughout its business.

Social investment

Cartrack's technical training programme affords people with low-level skills, unemployed people and school leavers the opportunity to receive basic auto-electrical training and training on the installation of tracking units in vehicles.

Cartrack acknowledges its responsibility to help address South Africa's societal needs. The communities in which Cartrack operates form the core of its social and relationship focus. Cartrack is committed to making a difference in its communities

through employment opportunities, educational initiatives and social programmes. Its services and technology contribute to the safety of customers and their assets, and to a reduction in crime.

Cartrack continues to support Wheel Well (car seats for children) and Missing Children South Africa with sponsorship and funding.

Natural capital

The effective use of Cartrack's telematics offerings improves fuel consumption, reduces maintenance costs and reduces traffic congestion, among other environmentally friendly benefits to our subscribers. Efficient use of radio spectrum, a limited resource, is a key input for Cartrack's operations and essential to provide fast and clean data communication for telematics services. Renewable energy, air and land constitute other natural capital inputs on which Cartrack relies for the operation of its offices and mobile workforce of installation technicians. Cartrack encourages and facilitates energy and waste reduction practices through recycling plastic, glass, paper and all scrap materials to improve its environmental management system and reduce its ecological footprint.

- » Cartrack's technology is primarily reliant on frequency spectrums. Consumption of bandwidth is routinely monitored to ensure that the volume of transmitted data is managed and optimised effectively.
- » Cartrack complies with the Waste, Electrical and Electronic Equipment Directive, collecting all tracking units from around the world for repair or scrapping.
- » All Cartrack's products, including the battery and enclosures, comply with the European Union Restriction of Hazardous Substances (ROHS) Directive.
- » Cartrack has a team of mobile installers and, as such, is a large consumer of petrol and diesel. Cartrack employed its fleet management systems in its own fleet, which led to reduced kilometres travelled, less fuel consumption, maintenance and accidents.

Intellectual capital

Core to Cartrack's intellectual capital are:

- » its brand;
- » its trade secrets developed around the application of its services through the years;
- » the extensive senior management experience in the telematics and stolen vehicle recovery industry; and
- » its continued investment in R&D to add to a growing product suite.

Also, the collection and storage of telematics data and the ability to convert raw data into actionable business intelligence further contribute to intellectual capital.

Cartrack's proprietary technology platform and user interface that form the backbone of its product range, as well as its hardware technology, are designed, developed and maintained in-house. The entire supply chain for Cartrack's telematics devices, from design to manufacture and ultimately through to installation of units and recovery of stolen vehicles, is managed internally. Components are sourced from legitimate and responsible producers, and manufacture is performed under ISO 9000 standards.

Financial capital

The funds available to Cartrack for use in its business are its financial capital inputs. Being highly cash generative, Cartrack has very little debt. Refer to the information in the annual financial statements for more details.

DEFINITIONS

“board” or “directors”	the board of directors of the company, presently comprising the persons specified in the “board of directors” section commencing on page XX
“Cartrack” or “Cartrack Holdings” or “company” or “group”	Cartrack Holdings Limited, a public company incorporated in South Africa under registration number 2005/036316/06, its subsidiaries and Cartrack Mozambique
“Companies Act”	the Companies Act of South Africa 71 of 2008, as amended and substituted from time to time
“company secretary”	the company secretary of the group
“data management”	the collection, storage and analysis of telematics-related data
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“fleet management” or “fleet”	range of functions relating to monitoring the location, movements, status and behaviour of a vehicle or fleet of vehicles
“GDPR”	General Data Protection Rules, implemented in the European Union
“insurance telematics”	the usage of telematics to monitor driving behaviour and habits to assess and profile driver risk for insurance purposes
“IoT”	Internet of Things
“JSE”	JSE Limited, a public company incorporated in South Africa under registration number 2005/022939/06, licensed as an exchange under the Financial Markets Act
“King Code”	the South African Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance for South Africa, 2016
“Listings Requirements” or “LR”	the Listings Requirements of the JSE
“OEM”	original equipment manufacturer
“operating profit”	profit from operations, before interest and tax
“R&D”	research and development
“rand”, “R” and “cents”	the lawful currency of South Africa
“SaaS”	Software-as-a-Service
“SENS”	the Stock Exchange News Service of the JSE
“South Africa” or “SA”	the Republic of South Africa
“stolen vehicle recovery” or “SVR”	the determination of a vehicle’s location upon the occurrence of theft or another predetermined metric and the associated software and recovery services which complement the requirements surrounding the recovery thereof
“telematics”	the branch of information technology which deals with the long-distance transmission of computerised information, which includes fleet management, stolen vehicle recovery and insurance telematics markets
“vehicles”	vehicles include mainly cars, buses, motorbikes, trailers and freight vehicles and other assets that are tracked under subscription contracts

CORPORATE INFORMATION

Directors

Independent non-executive directors

David Jamie Brown (independent chairman)
Thebe Ikalafeng
Kim White
Sharoda Rapeti

Executive directors

Isaias Jose Calisto (Group CEO)
Morné Grundlingh (Group CFO)

Company secretary

Annamè de Villiers
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Sponsor

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Transfer secretary

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Legal adviser

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