

MiX Telematics Limited (“MiX” or “the company” or “the Group”)

King III Corporate Governance Compliance Register as at 14 June 2016

MiX Telematics strives to achieve compliance with the overarching principles contained in King III. This checklist highlights the 75 major principles contained in King III that MiX Telematics is required to apply. Where principles are not applied, the reason for such non-compliance is explained and where appropriate indicates the steps that will be taken to address the non-compliance.

Chapter 1: Ethical leadership and corporate citizenship

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
1.1. The board should provide effective leadership based on an ethical foundation	Yes	Effective and ethical leadership is entrenched in the Board’s decision-making and the Board complies with the principles of the Code of Ethics, good corporate governance in terms of King III and the advice of the Social and Ethics Committee.	-
1.2. The board should ensure that the company is, and is seen to be a responsible corporate citizen	Yes	The company’s CSI programmes are focused on education and skills development while employee’s wellness and training are also a strong focus. The Code of Ethics and the initiatives set up by the Social and Ethics Committee underpin all employee relationships and compliance is monitored by the Social and Ethics Committee.	-

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
1.3. The board should ensure that the company's ethics are managed effectively	Yes	The Code of Ethics applies to all employees and a system whereby employees can report unethical conduct or risky behaviour is in place. The Social and Ethics Committee monitors compliance with our codes and policies and has taken steps to ensure that ethical business practices are pervasive throughout the Group.	-

Chapter 2: Board and Directors

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
2. 2.1. The board should act as the focal point for and custodian of corporate governance	Yes	All deliberations and decision making by the Board is conducted with the highest standards of corporate governance in mind and the Board strives to find the correct balance between conforming to governance principles and performing in an entrepreneurial way.	-
2.2. The board should appreciate that strategy, risk, performance and sustainability are inseparable	Yes	An annual strategy meeting is held to discuss and approve the strategy for the forthcoming year and ensure the sustainability of the company, alignment with stakeholder expectations and the purpose of the company. Risk assessment and the management thereof is linked to the strategy and performance of the company to ensure a sustainable business. See 2.7 & 2.8 below.	-
2.3. The board should provide effective leadership based on an ethical foundation	Yes	Please refer to principle 1.1 above.	-
2.4. The board should ensure that the company is and is seen to be a responsible corporate citizen	Yes	Please refer to principle 1.2 above.	-
2.5. The board should ensure that the company's ethics are managed effectively	Yes	Please refer to principle 1.3 above.	-

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
2.6. The board should ensure that the company has an effective and independent audit committee	Yes	The Audit and Risk committee is comprised of 3 independent non-executive directors, one of whom is the chairman of the Board. All the members have the necessary skills and experience required of the audit committee. The dual role of the chairman of the Board also being a member of the Audit and Risk committee is specifically approved by shareholders at the AGM.	-
2.7. The board should be responsible for the governance of risk	Yes	The Board oversees the management of risk and has delegated the process to the Audit and Risk committee who reports to the Board on both strategic and operational risks.	-
2.8. The board should be responsible for information technology (IT) governance	Yes	The Board takes overall responsibility for IT governance and a working group has been established which acts within the parameters of the company's IT Charter and reports back to the Board on IT performance and risk management areas.	-
2.9. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Yes	Nothing has come to the attention of the Board that the company has not complied with applicable laws. The company strives to maintain abreast of all applicable laws via regular communication with its advisors.	-
2.10. The board should ensure that there is an effective risk-based internal audit	Yes	EY are the appointed internal auditors and a risk-based internal audit plan with a focus on operational controls is approved annually.	-

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
2.11. The board should appreciate that stakeholders' perceptions affect the company's reputation	Yes	The company understands that communication with stakeholders in respect of financial and non-financial information is vital and open dialogue is actively pursued. A crisis communication policy is currently being adopted.	-
2.12. The board should ensure the integrity of the company's integrated report	Yes	The Audit and Risk committee is tasked with reviewing the integrity of the integrated report and reporting back to the Board. A comprehensive review is undertaken by the Board, with input from its advisors, prior to the release of the annual report.	-
2.13. The board should report on the effectiveness of the company's system of internal controls	Yes	The effectiveness of internal control is reviewed by the Audit and Risk committee and any significant matters are reported in the integrated report. Annually management report to the audit committee on the adequacy and operating effectiveness of entity level controls; financial report controls; fraud and risk controls; key account balances; and key disclosure controls.	-
2.14. The board and its directors should act in the best interests of the company	Yes	The Board of directors as a whole and as individuals understand their fiduciary responsibility to act in the best interests of the company and disclosures of interest and director's dealings are reported in accordance with policy.	-

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
2.15. The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	n/a at present	The Board has noted this responsibility and will deal with it in accordance with the provisions of the Companies Act, King III and advice received from advisors should the need arise.	-
2.16. The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	Yes	The Chairman of the Board is an independent non-executive director and his role is separate from that of the CEO.	-
2.17. The board should appoint the chief executive officer and establish a framework for the delegation of authority	Yes	A CEO has been appointed and an approvals framework (reviewed annually) is in place which delegates specific powers and delegations of authorities to operating management.	-
2.18. The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Yes	The approvals framework ensures that there is a clear balance of power and authority on the Board. The Board of directors currently consists of 3 executive directors, 5 independent non-executive directors and 1 non-executive director.	
2.19. Directors should be appointed through a formal process	Yes	The Board decides on appointments on the basis of recommendations made by the nominations and remuneration committee. Deliberations and appointments are formal and transparent.	-
2.20. The induction of and ongoing training and development of directors should be conducted through formal processes	Partially	Training is arranged for the Board as required. Members of the Board are entitled to go on training at the Company's expense.	

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
2.21. The board should be assisted by a competent, suitably qualified and experienced company secretary	Yes	The individual responsible for the company secretarial duties has the requisite knowledge and experience required of a competent company secretary.	-
2.22. The evaluation of the board, its committees and the individual directors should be performed every year	Partially	The Chairman reviews the Board's performance informally on an ongoing basis which includes monitoring the contribution of individual directors.	Given the effectiveness of the current Board, the Board feels that this informal assessment is sufficient at this time.
2.23. The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Yes	The company has established an audit and risk committee, a nominations and remunerations committee, and a social and ethics committee each of which has a formal approved charter and conduct formal meetings as required.	-
2.24. A governance framework should be agreed between the group and its subsidiary boards	Yes	The holding company and its subsidiaries operate as a single corporate group and subsidiaries are required to entrench the holding company governance framework within their day-to-day activities.	-
2.25. Companies should remunerate directors and executives fairly and responsibly	Yes	The nominations and remuneration committee remunerates fairly according to the Group's remuneration policy which is set out in the integrated report and which provides that remuneration is based on basic salary, performance bonuses, share incentive schemes and retirement and other benefits.	-

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
2.26. Companies should disclose the remuneration of each individual director and prescribed officers	Yes	The company discloses the remuneration of all of the directors in the integrated report. All key employees are part of the executive committee and their remuneration is disclosed.	-
2.27. Shareholders should approve the company's remuneration policy	No	The remuneration policy is set out in the integrated report and is not put to shareholders for approval.	The remuneration policy is put to shareholder approval by way of a non-binding advisory vote at the annual general meeting of the company.

Chapter 3: Audit Committees

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
3.1. The board should ensure that the company has an effective and independent audit committee	Yes	Please refer to principle 2.6.	-
3.2. Audit committee members should be suitably skilled and experienced independent non-executive directors	Yes	The Audit and Risk committee is comprised of 4 independent non-executive directors, one of whom is the chairman of the Board. All the members have the necessary skills and experience required of the audit committee. The dual role of the chairman of the Board also being a member of the Audit and Risk committee is specifically approved by shareholders at the AGM.	-
3.3. The audit committee should be chaired by an independent non-executive director	Yes	The Audit and Risk committee is chaired by Tony Welton, an independent non-executive director.	-
3.4. The audit committee should oversee integrated reporting	Yes	The Audit and Risk committee considers all factors and risks that may impact on the integrity of the integrated report and reviews it prior to the Board approving it.	-

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
3.5. The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Yes	The committee obtains combined assurance from the external auditors, internal audit and management and ensures that the combined assurance received is appropriate to address all significant risks in the Group.	-
3.6. The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	Yes	The Audit and Risk committee reviews the performance, appropriateness and expertise of the financial director and confirms her suitability to continue to act as financial director.	-
3.7. The audit committee should be responsible for overseeing of internal audit	Yes	The outsourced internal audit undertaken by EY reports to the Audit and Risk committee, and the Audit and Risk committee reviews the findings for matters that need to be addressed. The audit committee also reviews the mandate of, the plan and the scope of the internal audit function.	-
3.8. The audit committee should be an integral component of the risk management process	Yes	As the company has a combined audit and risk committee, the risk management process is an integral component of the committee's duties.	-

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
3.9. The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Yes	The external auditor presents the external audit plan to the Audit and Risk committee on an annual basis whereafter the committee nominates, for appointment the external auditor to the shareholders at the AGM as per the Companies Act. The committee oversees the external audit process each year.	
3.10. The audit and risk committee should report to the board and shareholders on how it has discharged its duties	Yes	The Audit and Risk committee report is included in the integrated report and the chairman of the Audit and Risk committee is available at the AGM to answer any shareholder questions. The audit committee chair reports back at each Board meeting on the activities, decisions and recommendations of the audit committee.	-

Chapter 4: The governance of risk

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
4.1. The board should be responsible for the governance of risk	Yes	The Board takes overall responsibility for risk management with a formal process implemented for managing risk while delegating authority to the Audit and Risk committee.	-
4.2. The board should determine the levels of risk tolerance	Yes	On an annual basis, the Board reviews the Group risk register to ensure risks are being managed within a tolerable level and that sufficient attention is being paid to reducing items where the risk is considered unacceptable.	-
4.3. The risk committee or audit committee should assist the board in carrying out its risk responsibilities		The Audit and Risk committee sets aside two meetings a year to review matters pertaining to risk.	-
4.4. The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Yes	Risk is managed at an operational level with operations maintaining their own risk registers which are in turn consolidated at group level.	-
4.5. The board should ensure that risk assessments are performed on a continual basis	Yes	Risk registers are used at an operational level to manage the business. On an annual basis the Group risk register is updated.	-

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
4.6. The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Yes	The risk register is discussed annually at the Audit and Risk committee meeting and an action plan or additional controls implemented where the risk requires the committee to do so.	-
4.7. The board should ensure that management considers and implements appropriate risk responses	Yes	The executive committee is responsible for ensuring that the operations management considers and implement the appropriate risk responses. The audit committee reviews the risk register on an annual basis.	
4.8. The board should ensure continual risk monitoring by management	Yes	The executive committee ensures that risk management is performed on a continual basis and reports and presents to the Board on this matter on an annual basis.	-
4.9. The board should receive assurance regarding the effectiveness of the risk management process	Yes	The audit committee oversees the risk management processes within the company and reports back to the Board. Two audit committee meetings per year are dedicated to risk.	
4.10. The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Yes	This is disclosed in the integrated report annually.	

Chapter 5: The governance of information technology (IT)

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
5.1. The board should be responsible for IT governance	Yes	Please refer to principle 2.8.	-
5.2. IT should be aligned with the performance and sustainability objectives of the company	Yes	The company has an IT control framework to ensure IT is aligned with the strategy of the company.	-
5.3. The board should delegate to management the responsibility for the implementation of an IT governance framework	Yes	A working group has been established which acts within the parameters of the company's IT Charter and reports back to the Board on IT performance and risk management areas.	-
5.4. The board should monitor and evaluate significant IT investments and expenditure	Yes	At all Board meetings updates are given on IT investments and expenditure.	-
5.5. IT should form an integral part of the company's risk management	Yes	As the company is heavily dependent on IT within the business, IT risk management is a priority and the Board must ensure the availability, integrity and effectiveness of its IT systems.	-
5.6. The board should ensure that information assets are managed effectively	Yes	Refer to 5.4.	-

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
5.7. A risk committee and audit committee should assist the board in carrying out its IT responsibilities	No	-	<p>The Board takes overall responsibility for IT governance and this has not been delegated to the Audit and Risk committee. A working group has been established comprising the FD and IT executives which reports directly to the Board on a half yearly basis. The Board believes that the working group is best placed to assist the Board in carrying out its IT responsibilities.</p>

Chapter 6: Compliance with laws, rules, codes and standards

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
6.1. The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards	Yes	Refer to principle 2.9. The Social and Ethics committee monitors the compliance of laws within the Group.	-
6.2. The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	Yes	The company's legal advisors, sponsor and company secretary advise the company of any changes to the laws and regulations applicable to the company. The Social and Ethics committee monitors the compliance of laws within the Group.	-
6.3. Compliance risk should form an integral part of the company's risk management process	Yes	The Group risk register addresses compliance risk on an ongoing basis.	-
6.4. The board should delegate to management the implementation of an effective compliance framework and processes	Yes	Required compliance processes are delegated to management by the executive committee.	-

Chapter 7: Internal audit

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
7.1. The board should ensure that there is an effective risk based internal audit	Yes	Refer to principle 2.10	-
7.2. Internal audit should follow a risk based approach to its plan	Yes	Refer to principle 2.10	-
7.3. Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	No		Due to the size of the Group, the Board believes the internal audit budget is best spent on a risk based audit approach that adds value to the business and provides the Group with the ability to improve processes.
7.4. The audit committee should be responsible for overseeing internal audit	Yes	The Audit and Risk committee reviews the activities of internal audit, approves the mandate, scope and plan of internal audit.	-
7.5. Internal audit should be strategically positioned to achieve its objectives	Yes	Internal audit has the cooperation of the executive committee and management and is strategically positioned to achieve its objectives. Internal audit reports functionally to the audit committee.	-

Chapter 8: Governing stakeholder relationships

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
8.1. The board should appreciate that stakeholders' perceptions affect a company's reputation	Yes	Refer to principle 2.11.	-
8.2. The board should delegate to management to proactively deal with stakeholder relationships stakeholders and the outcomes of these dealings	Yes	The company has regular dialogue with institutional investors. Financial results, including quarterly reports and announcements are published in accordance with the JSE Listings Requirements and results announcements, the integrated report and presentations to shareholders and analysts are also published on the Group's website. Relationships with customers, employees, suppliers and the greater community are equally valued and managed in accordance with the Code of Ethics. The social and ethics committee is actively involved in monitoring these relationships.	-
8.3. The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Yes	The company strives to maintain a balance between the various stakeholders while acting in the best interests of the company.	-

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
8.4. Companies should ensure the equitable treatment of shareholders	Yes	The company provides timely and equitable disclosure of financial information and non-financial information is available on the company's website and in the integrated report.	-
8.5. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Yes	Refer to principle 8.4.	-
8.6. The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Yes	Open dialogue is considered the best manner of preventing disputes and any disputes are resolved effectively and efficiently. Alternate dispute resolution clauses are included in all contracts.	-

Chapter 9: Integrated reporting and disclosure

Principle	Applied YES/ NO	How principle is applied	Reason for non-compliance & action items, if any
9.1. The board should ensure the integrity of the company's integrated report	Yes	Refer to principle 2.12.	-
9.2. Sustainability reporting and disclosure should be integrated with the company's financial reporting	Yes	Sustainability initiatives from part of the company's long-term and short-term business strategy and approach and an explanation thereof is included in the integrated report.	-
9.3. Sustainability reporting and disclosure should be independently assured	No	-	Due to the nature of the company's business activities and robust nature of sustainability reporting included in the integrated report independent assurance is not warranted at this point in time.