



**REDFLEX HOLDINGS LIMITED** ABN 96 069 306 216  
**CORPORATE GOVERNANCE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

The Board of Directors of Redflex Holdings Limited (“Redflex”, the “Company” or the “Redflex Group”) is responsible for the corporate governance framework of the Redflex Group having regard to the ASX Corporate Governance Council’s “Corporate Governance Principles and Recommendations, Third Edition” (ASX CGC Recommendations). The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Directors of Redflex has approved this Corporate Governance Statement for the year ended 30 June 2016.

A reference to the Redflex website in this Corporate Governance Statement is to [www.redflex.com.au](http://www.redflex.com.au). There is an “Investor Relations” tab and then a “Corporate Governance” tab on the Redflex website to navigate to the relevant information contained in or referred to in this statement.

A copy of the 2016 Annual Report and all ASX announcements of the Company can be found on the Redflex website under the “Investor Relations” tab.

The table below summarises the Company’s compliance with the ASX CGC Recommendations:

	<b>Recommendation</b>	<b>Complies Yes / No</b>	<b>Reference</b>
<b>Principle 1 – Lay solid foundations for management and oversight</b>			
<b>A listed entity should establish and disclose the respective roles and responsibilities of its Board and management and how their performance is monitored and evaluated.</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and (b) those matters expressly reserved to the Board and those delegated to management.	<b>Yes</b>	Board Charter Matters Reserved for the Board Refer to “Board of Redflex” section below Refer to “Investor Relations” section of Redflex website
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	<b>Yes</b>	Nominations Committee Charter Refer to “Investor Relations” section of Redflex website Refer to “Nominations Committee” section below Refer to 2016 AGM Notice of Meeting Refer to “Investor Relations” section of Redflex website
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<b>Yes</b>	Refer to “People, Culture and Remuneration” section below

	Complies Yes / No	Reference
1.4	Yes	Board Charter Refer to “Investor Relations” section of Redflex website
1.5	Yes	Equal Employment Opportunity & Diversity Policy Refer to “Investor Relations” section of Redflex website 2016 Redflex Report to the Workplace Gender Equality Agency in the “Investor Relations” section of Redflex website Refer to “Equal Employment Opportunity and Diversity at Redflex” section below
1.6	Yes	Refer to “Board and Senior Executive Performance” section below Refer to “Board and Senior Executive Performance Evaluation” section below
1.7	Yes	Refer to “Board and Senior Executive Performance Evaluation” section below

#### Principle 2 – Structure the Board to add value

**A listed entity should have a Board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.**

2.1	Yes	Nominations Committee Charter Refer to “Investor Relations” section of Redflex website Refer to “Nominations Committee” section below
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Recommendation	Complies Yes / No	Reference
individual attendances of the members at those meetings; <b>OR</b>		
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.		
2.2 A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	<b>Yes</b>	Refer to "Structure of the Board" section below Refer to "Investor Relations" section of Redflex website
2.3 A listed entity should disclose:	<b>Yes</b>	Refer to "Structure of Board" section below
(a) the names of the directors considered by the Board to be independent directors;		
(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and		
(c) the length of service of each director.		
2.4 A majority of the Board of a listed entity should be independent directors.	<b>Yes</b>	Refer to "Structure of the Board" section below
2.5 The chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<b>No</b>	Refer to "Structure of the Board" section below
2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<b>Yes</b>	Refer to "Director Induction and Continuing Professional Development" section below
<b>Principle 3 – Act ethically and responsibly</b>		
<b>A listed entity should act ethically and responsibly.</b>		
3.1 A listed entity should:	<b>Yes</b>	Directors' and Officers' Code of Conduct and Protocols Refer to "Investor Relations" section of Redflex website
(a) have a code of conduct for its directors, senior executives and employees; and		
(b) disclose that code or a summary of it.		
<b>Principle 4 - Safeguard integrity in financial reporting</b>		
<b>A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</b>		
4.1 The Board of a listed entity should:	<b>Yes</b>	Audit Committee Charter Refer to "Investor Relations" section of Redflex website Refer to "Audit Committee" section below
(a) have an audit committee which:		
(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and		
(2) is chaired by an independent director, who is not the chair of the Board,		

Recommendation	Complies Yes / No	Reference
and disclose:		Refer to Directors' Report in the 2016 Annual Report
(3) the charter of the committee;		
(4) the relevant qualifications and experience of the members of the committee; and		
(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;		
<b>OR</b>		
(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.		
4.2 The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	<b>Yes</b>	Refer to "Group CEO and Group CFO Certification" section below
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<b>Yes</b>	Refer to "Auditor" section below
<b>Principle 5 – Make timely and balanced disclosure</b>		
<b>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</b>		
5.1 A listed entity should:	<b>Yes</b>	Continuous Disclosure Policy
(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and		Refer to "Investor Relations" section of Redflex website
(b) disclose that policy or a summary of it.		
<b>Principle 6 – Respect the rights of security holders</b>		
<b>A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</b>		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	<b>Yes</b>	Refer to "Investor Relations" section of Redflex website
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<b>Yes</b>	Continuous Disclosure Policy
		Refer to "Investor Relations" section of Redflex website
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<b>Yes</b>	Continuous Disclosure Policy
		Refer to "Investor Relations" section of Redflex website
		Refer to 2016 AGM Notice of Meeting

	<b>Recommendation</b>	<b>Complies Yes / No</b>	<b>Reference</b>
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<b>Yes</b>	Members are able to request electronic communications via the Computershare website <a href="http://www.computershare.com.au">www.computershare.com.au</a>
<b>Principle 7 – Recognise and manage risk</b>			
<b>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</b>			
7.1	The Board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director,</li> </ul> </li> </ul> and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;</li> </ul> <b>OR</b> <ul style="list-style-type: none"> <li>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity’s risk management framework.</li> </ul>	<b>No</b>	Risk & Compliance Committee Charter Refer to “Investor Relations” section of Redflex website Refer to 2016 Annual Report Refer to “Risk & Compliance” section below
7.2	The Board or a committee of the Board should: <ul style="list-style-type: none"> <li>(a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and</li> <li>(b) disclose, in relation to each reporting period, whether such a review has taken place.</li> </ul>	<b>Yes</b>	Refer to “Risk and Compliance” section below
7.3	A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) if it has an internal audit function, how the function is structured and what role it performs; or</li> <li>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</li> </ul>	<b>Yes</b>	Refer to “Audit Committee” section below Refer to “Risk and Compliance Committee” section below
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	<b>Yes</b>	Refer to “Economic, Environmental and Social Sustainability Risks” section below

**Principle 8 – Remunerate fairly and responsibly**

**A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.**

8.1	The Board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a remuneration committee which: <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director,</li> </ul> </li> </ul>	<b>Yes</b>	People, Culture & Remuneration Committee Charter Refer to “Investor Relations” section of Redflex website
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Recommendation	Complies Yes / No	Reference
and disclose:		Refer to "People, Culture & Remuneration" section below
(3) the charter of the committee;		
(4) the members of the committee; and		
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;		
<b>OR</b>		
(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.		
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<b>Yes</b>	Refer to 2016 Annual Report
8.3 A listed entity which has an equity-based remuneration scheme should:	<b>Yes</b>	Redflex Securities Trading Policy
(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and		Refer to "Investor Relations" section of Redflex website
(b) disclose that policy or a summary of it.		

Unless otherwise stated in the table above or in the paragraphs of this statement that follow, the Company's corporate governance practices were in place throughout the year ended 30 June 2016.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by the Company, please refer to the "Investor Relations" section of the Redflex website.

## BOARD OF REDFLEX

The Board's role includes guiding the strategic direction of the Company, driving its performance and overseeing the activities of management and the operation of the Company. The Board may delegate the day to day operation of the Company to Management but the Board remains accountable to shareholders and other stakeholders for the Company's performance.

In its stewardship of the Company, the Board also seeks to identify and ensure delivery of outcomes against the expectations of shareholders. In so doing the Board seeks to identify and ensure compliance with the Company's regulatory and ethical expectations and obligations. The Board is responsible for identifying areas of significant business risk and for ensuring arrangements are in place to adequately manage those risks.

The Board operates under a charter that establishes the role and responsibilities of the Board. The Board Charter is reviewed at least annually to ensure it complies with current legal requirements and remains relevant and effective. The Board reviewed the Board Charter during the reporting period and approved updates on 25 February 2016.

The Board has delegated to the Group Chief Executive Officer and to senior executives the responsibility for the day to day management of the Company's business. The scope of, and limitations placed on, the authority delegated to management is outlined in a formal internal delegated authority limit policy approved by the Board and covers areas such as implementation of, and monitoring progress against, Board approved annual operating plans and budgets via the establishment and reporting of both financial and non-financial key performance indicators.

The Board is responsible for the overall operation and stewardship of the Company and, under the Board Charter, is responsible for:

### Strategy

- Providing overall leadership by assisting and supporting management in the implementation of corporate strategy and performance objectives. This includes approval of business plans and operating and annual budgets developed by management;

- Directing, monitoring and assessing performance against strategic and business plans; and
- Approving and monitoring capital management including raising of capital, major capital expenditure and acquisitions and divestments.

#### **Compliance and risk management**

- Ensuring that the Company has an appropriate compliance and risk management framework in place and setting the risk tolerance within which the Board expects the Company to operate;
- Ensuring a process is in place to identify the principal compliance obligations and risks to the Company's businesses; and
- Reviewing and assessing the integrity of the systems of compliance, risk management and internal control.

#### **Reporting and disclosure**

- Approving and monitoring financial and other reporting, including reporting to shareholders and other stakeholders;
- Establishing procedures to ensure implementation and adherence to the Company's reporting policy;
- Overseeing the integrity of the Company's accounting and corporate reporting systems, including external audit; and
- Overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

#### **Management**

- Appointing, and where appropriate, removing the Chairperson of the Board;
- Delegating appropriate authority to management;
- Appointing and approving the terms of engagement of the Group Chief Executive Officer and, where necessary, removing the Group Chief Executive Officer;
- Approving or ratifying the appointment and terms of engagement of the Group Chief Financial Officer, the Group General Counsel & Company Secretary and other senior executives;
- Appointing, and where appropriate, removing the Company Secretary;
- Ensuring that a process is in place so that the remuneration and conditions of service of senior executives is appropriately set;
- Ensuring that a process is in place for executive succession planning, and monitoring that process; and
- Overseeing management's implementation of the Company's strategic objectives and its performance generally.

#### **Performance**

- Evaluating the Group Chief Executive Officer's performance; and
- Approving and monitoring criteria for evaluating the performance of the Group Chief Executive Officer and senior executives.

#### **Corporate governance**

- Establishing appropriate standards and encouraging ethical behaviour and compliance with the Company's own governing documents, including the Code of Business Conduct and Ethics and other Company policies and procedures; and
- Monitoring the Company's compliance with corporate governance standards and the effectiveness of the Company's governance practices.

#### **Board committees**

- Establishing and adopting charters and monitoring the performance of the following Board Committees:
  - Audit;
  - Risk & Compliance;
  - Nominations; and
  - People, Culture & Remuneration; and
- Reviewing the performance of the Board Committees to ensure that they remain relevant and effective.

As stated above, while at all times the Board retains full responsibility for the stewardship of the Company's business and operations, it makes use of Board Committees that are able to focus on particular duties and responsibilities and provide informed feedback and recommendations to the Board. The duties and responsibilities of the established Board Committees are set out in the respective Board Committee charters published in the "Investor Relations" section of the Redflex website.

There are procedures in place, agreed by the Board, to enable the Board and individual directors to seek independent professional advice at the Company's expense.

As at the year ended 30 June 2016, the number of times the Board met throughout the reporting period, the Board members and the individual attendances of Board members at those meetings is set out in the section below entitled "Directors' and Board Committee meetings".

## EQUAL EMPLOYMENT OPPORTUNITY AND DIVERSITY AT REDFLEX

The Company is committed to an inclusive workplace that embraces and promotes diversity. Equal employment opportunities are about good employment practices and efficient use of our most valuable resources – our employees. The Company recognises that its employees are critical to its success and seeks to leverage each individual’s unique skills, background and perspectives.

The Company aims to provide an environment in which all employees are included and have equal access to opportunities at work, while upholding the principle of meritocracy at all times. The Company also believes that fostering diversity at all levels allows it to provide greater alignment with customer needs, improves the creativity and innovation of leadership teams, and supports the development of an enhanced talent pipeline for key and future roles by enabling access to a broader pool of talent.

The Company also strives to create a work environment free of discrimination and harassment, and is inclusive of all people, regardless of their gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or any other area of potential difference.

To this end, the Company supports the recommendations contained in the ASX CGC Recommendations. The Company had a Diversity Policy for the whole of the reporting period which was recently updated on 26 May 2016 to the Equal Employment Opportunity & Diversity Policy which outlines the Board’s measurable objectives for achieving diversity in the workplace. The Company’s Equal Employment Opportunity & Diversity Policy is available on the “Investor Relations” section on the Redflex website.

A copy of our Workplace Gender Equality Public Report for the 12 month period 1 April 2015 to 31 March 2016 is also available on the Redflex website.

As detailed in the current Equal Employment Opportunity & Diversity Policy, the Company’s approach to equal employment opportunity and diversity is based on the following objectives (and the steps that were taken to achieve these objectives are also set out below):

Objectives	Steps taken to achieve these Objectives
<p><i>Foster an inclusive culture:</i> the Company is committed to involving persons of all genders in fostering an inclusive culture that upholds the central principle of meritocracy</p>	<ul style="list-style-type: none"> <li>• The Company has a recruitment and selection process that prohibits unlawful discrimination, demands objective and job related selection criteria, mandates job descriptions limited to job related requirements and promotes meritocracy at all times;</li> <li>• The Company has policies (including an Employee Code of Conduct and Ethics) that prescribes that the Company does not tolerate unlawful discrimination in the workplace;</li> <li>• The Company has a policy in relation to an employee’s conduct outside the workplace where that conduct is unlawful or has the capacity to bring the Company or its reputation into disrepute;</li> <li>• The Company has a policy in relation to an employee’s use of social media in that social media must not be used for any unlawful purpose including to practice unlawful discrimination;</li> <li>• The Company has a performance management and career framework that demands objective and job related criteria for all performance management, development and career opportunities, and promotes meritocracy at all times; and</li> <li>• The People, Culture and Remuneration Committee, on behalf of the Board, has oversight over the effectiveness of the Company’s culture and diversity objectives.</li> </ul>
<p><i>Multicultural diversity:</i> the Company continues to recognise and celebrate its multicultural diversity and to grow our workforce to reflect the diversity of the populations in which we operate</p>	<ul style="list-style-type: none"> <li>• The Company has a recruitment and selection process that prohibits unlawful discrimination, demands objective and job related selection criteria, mandates job descriptions limited to job related requirements and promotes meritocracy at all times;</li> <li>• Throughout the world, the Company seeks to source local employees to fill senior management and other staff roles and functions regardless of any protected characteristics;</li> </ul>



Objectives	Steps taken to achieve these Objectives
	<ul style="list-style-type: none"> <li>• The Company has a performance management and career framework that demands objective and job related criteria for all performance management, development and career opportunities, and promotes meritocracy at all times; and</li> <li>• The People, Culture and Remuneration Committee, on behalf of the Board, has oversight over the effectiveness of the Company's multicultural diversity objectives.</li> </ul>
<p><i>Disadvantage diversity:</i> provide employment opportunities and career advancement to persons with disabilities</p>	<ul style="list-style-type: none"> <li>• The Company has a recruitment and selection process that prohibits unlawful discrimination, demands objective and job related selection criteria, mandates job descriptions limited to job related requirements and promotes meritocracy at all times;</li> <li>• Throughout the world, the Company seeks to source local employees to fill senior management and other staff roles and functions regardless of any protected characteristics;</li> <li>• The Company has a performance management and career framework that demands objective and job related criteria for all performance management, development and career opportunities, and promotes meritocracy at all times; and</li> <li>• The People, Culture and Remuneration Committee, on behalf of the Board, has oversight over the effectiveness of the Company's disadvantage diversity objectives.</li> </ul>
<p><i>Promoting women in leadership is good talent management:</i> the Company is committed to embedding diversity initiatives into its broader talent management processes in order to support the development of all talent and to increase the representation of women in management roles</p>	<ul style="list-style-type: none"> <li>• The Company has a recruitment and selection process that prohibits unlawful discrimination, demands objective and job related selection criteria, mandates job descriptions limited to job related requirements and promotes meritocracy at all times;</li> <li>• The Company has an employment policy that promotes meritocracy at all times</li> <li>• The Company has a parental leave policy that allows employees, particularly female employees, employed by a Redflex Group entity to take up to 12 months unpaid parental leave;</li> <li>• The Company permits any employee taking up to half of their personal leave (and more if approved) to be the primary carer of dependent children; and</li> <li>• The People, Culture and Remuneration Committee, on behalf of the Board, has oversight over the effectiveness of the Company's program for promotion of women in management roles.</li> </ul>
<p><i>Enhance recruitment practices:</i> the Company is committed to hiring the best person for the job, which requires the consideration of a broad and diverse pool of talent</p>	<ul style="list-style-type: none"> <li>• The Company has a recruitment and selection process that prohibits unlawful discrimination, demands objective and job related selection criteria, mandates job descriptions limited to job related requirements and promotes meritocracy at all times;</li> <li>• The Company frequently engages specialist recruitment consultants and agencies around the world and uses online recruitment websites to ensure its recruitment searches identifies a potential broad and diverse pool of talent; and</li> <li>• The Company has a selection process that prohibits the appointment of any specialist recruitment consultant or agency that engages in practices that are inconsistent with the Company's commitment to Equal Employment Opportunity and Diversity;</li> </ul>

Objectives	Steps taken to achieve these Objectives
	<ul style="list-style-type: none"> <li>• The People, Culture and Remuneration Committee, on behalf of the Board, has oversight over the effectiveness of the Company's recruitment practices.</li> </ul>
<p><i>Ensure pay equity:</i> the Company is committed to ensuring equal pay for equal work across its workforce, and the Company has programs in place to manage pay equity</p>	<ul style="list-style-type: none"> <li>• The Company has a performance and remuneration framework that demands objective and job related criteria for all proposals relating to pay and remuneration;</li> <li>• Roles and positions within Redflex are salary benchmarked (regardless of gender) and independently verified every few years;</li> <li>• Available incentives for senior executives and staff are role based and have objective performance criteria and hurdles which are not gender specific;</li> <li>• The Group Chief Executive Officer is responsible for reviewing and approving salaries and salary increases within the Company to ensure pay equity; and</li> <li>• The People, Culture and Remuneration Committee, on behalf of the Board, has oversight over the effectiveness of the Company's pay equity programs.</li> </ul>
<p><i>Grievances:</i> that employees have an avenue to raise grievances and complaints, anonymously if they wish, about equal employment opportunity and diversity within the Company</p>	<ul style="list-style-type: none"> <li>• The Company has a formal grievance or complaints procedure in place and available to its employees;</li> <li>• The Company has a whistle blower hotline which is operated by an unrelated third party supplier separate to Redflex where employees and others are able to raise grievances or complaints anonymously if they wish; and</li> <li>• The Risk &amp; Compliance Committee, on behalf of the Board, has oversight over the effectiveness of the Company's employee grievance and whistle blower policies and the handling of employee grievances and whistle blower complaints.</li> </ul>

## BOARD AND SENIOR EXECUTIVE PERFORMANCE EVALUATION

### *Board and Senior Executives*

The effective functioning of the Board, along with the performance of the Company's senior executives, is a crucial element to achieving the desired financial, non-financial and governance outcomes for the Company. Performance of the Board, individual directors and senior executives is therefore evaluated regularly and formally once per year against both measurable and qualitative indicators that are aligned with these financial, non-financial and governance outcomes.

The performance of directors is reviewed annually by the Board Chair, with the assistance of the chair of the Nominations Committee, after each director has provided an assessment of the performance of their fellow directors and the Chair. The performance of the Board Chair is also assessed by each non-executive director and the results are collated by the chair of the Nominations Committee. As part of the directors' performance review the directors also provided feedback on Board effectiveness. The directors' performance review was completed for the reporting period.

The performance of the Group Chief Executive Officer is formally reviewed annually by the Nominations Committee and the Board each year. This review was completed for the reporting period.

The performance of senior executives (reporting to the Group Chief Executive Officer) is reviewed annually by the Group Chief Executive Officer. These reviews were completed for the reporting period.

### *Group Chief Executive Officer*

The Nominations Committee undertook a review of the performance of the Group Chief Executive Officer for the year ended 30 June 2016. This review was based on measurable and qualitative indicators in the areas of the Redflex Group's financial performance (EBITDA financial performance) and non-financial factors including customer satisfaction, employee engagement and reducing complexity and risk across the Company.

## Outcomes

Outcomes of Board performance evaluations are discussed by the Board. For individual non-executive directors, if any areas are identified for improvement, this may be dealt with by informal mentoring and coaching by fellow directors or by the Board Chair. Further formal training and professional development activities may also be required for non-executive directors. In any case, all non-executive directors are encouraged to participate in continuing professional development.

The non-executive directors consider that the insights from the most recent Board evaluation include that, collectively, the Board has the desired level of financial and commercial acumen, has a diverse range of skills, experience, expertise and individual backgrounds, has a sound understanding of the Company's technology and its process for product innovation, has a sound understanding of the Company's customer base and needs, is able to understand the Company's risks and monitor the effectiveness of its risk management and compliance framework and understands the imperative for shareholder alignment. The Board has identified further Board gender diversity as a key objective along with continual improvement and effectiveness of its shareholder engagement.

If non-executive director performance is considered unsatisfactory, and not able to be improved significantly despite best efforts, the non-executive director would be requested to retire.

For the Group Chief Executive Officer and other senior executives, if performance is considered unsatisfactory, and not able to be improved significantly despite best efforts, the senior executive would be removed.

## NOMINATIONS COMMITTEE

The Nominations Committee operates under a charter approved by the Board which is published in the "Investor Relations" section of the Redflex website.

The purpose of the Nominations Committee is to:

- identify and assess individuals qualified to become Board members;
- review succession plans for the Board, Group Chief Executive Officer and other senior executives;
- ensure performance of Board members is reviewed;
- evaluate performance of the Board, as a whole; and
- develop and recommend to the Board the appropriate process for evaluation of the performance of the Group Chief Executive Officer and assist the Board in such evaluation of the performance of the Group Chief Executive Officer.

The Company appoints an external firm to undertake appropriate background checks before appointing a person, or putting forward to security holders a candidate for election, as a director.

The Nominations Committee comprises the full Board (other than Mr Clark) and is chaired by Mr Schwarz, an independent director of the Board.

As at the year ended 30 June 2016, the number of times the Nominations Committee met throughout the reporting period, the members of the Nominations Committee and the individual attendances of the members at those meetings is set out in the sections below entitled "Directors' and Board Committee meetings" and "Board Committee membership".

## STRUCTURE OF THE BOARD

To ensure that the Board is well equipped and appropriately qualified to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board. The skills, experience and expertise of each director relevant to the position of director is included in the Directors' Report (set out in the 2016 Annual Report) and is published on the Redflex website.

Directors of Redflex are considered to be independent when they are independent of management and free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, a director's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

In the context of director independence, "materiality" is considered from both the Redflex and the individual director's perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it, and other factors which point to the actual ability of the director in question to shape the direction of Redflex. The Board regularly assesses whether each non-executive director is independent. If a non-executive director's independent status changes during the reporting period, the Company will disclose this to the market promptly and without delay.

In accordance with the definition and the set materiality thresholds, the independence status of non-executive directors of the Company as at the year ended 30 June 2016 is as follows:

Adam Gray, Chair	
Clark Davey	Independent
Robert DeVincenzi	
David McIntyre	Independent
Herman Schwarz	Independent
Terence Winters	Independent

Accordingly, the Board of the Company comprises a majority of independent directors.

Mr Gray, although meeting other criteria, and bringing independent judgement to bear on his role, is not defined as independent within the ASX CGC Recommendations, primarily due to the fact that he is an officer of Coliseum Capital, which is a substantial shareholder of the Company. The Board acknowledges the ASX Recommendation that the Board Chair should be an independent director. However, as at the date of this statement, the Board believes that compliance is not in the best interests of the Company, particularly since the Board is confident that Mr Gray brings objective judgement to the Board's deliberations and that Mr Gray makes invaluable contributions to the Company through his deep understanding of Redflex' business.

Mr DeVincenzi is not an independent director within the definition above as he held the position of Chief Executive Officer of the Company for the period from 10 September 2012 to 16 January 2014.

The Board disclosed its Board Skills & Diversity Matrix for the whole of the reporting period. The Board has determined that all appointments of non-executive directors are made on the basis of their range of skills, experience, expertise and attributes that the Board considers desirable for the Company, its business and its shareholders.

### Term in Office

The term in office held by each director in office as at the year ended 30 June 2016 is as follows:

Name	Appointed	Length of Service
Adam Gray, Chair	19 December 2013	2 years, 6 months and 11 days
Paul Clark, Group Chief Executive Officer	5 April 2014	2 years, 2 months and 25 days
Clark Davey	6 January 2015	1 year, 5 months and 24 days
Robert DeVincenzi	30 September 2012	3 years and 9 months
David McIntyre	13 March 2015	1 year, 3 months and 17 days
Herman Schwarz	1 May 2014	2 years, 1 month and 29 days
Terence Winters	7 August 2013	2 years, 10 months and 23 days

## DIRECTOR INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

The Company has a program for the induction of new directors to the Company. The Company provides new directors with briefings from management and all relevant written background material related to the Company that a new director would reasonably expect to receive such as statutory information, past and present financial and non-financial information, information regarding directors' duties and responsibilities and access to past and present books and records of the Company.

Directors are also encouraged to participate in continuing professional development activities, attend or present seminars or courses and to participate in other activities designed to further develop their skills and knowledge. The Company also allows directors and officers, should they wish, to become members of the Australian Institute of Company Directors or other relevant professional associations or bodies with similar objectives of enhancing directors' skills and knowledge.

## AUDIT COMMITTEE

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information, as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has delegated responsibility for establishing and maintaining a framework of internal control to the Audit Committee which operates under a charter approved by the Board that is published on the Redflex website.

The Audit Committee provides the Board with assurance regarding the reliability of financial information for inclusion in the financial reports.

The Audit Committee comprises three non-executive directors:

- Clark Davey, committee chair;
- Adam Gray; and
- David McIntyre.

The relevant qualifications and experience of the members of the Audit Committee are set out in the Directors' Report (set out in the 2016 Annual Report) and is published on the Redflex website.

As at the year ended 30 June 2016, the number of times the Audit Committee met throughout the reporting period, the members of the Audit Committee and the individual attendances of the members at those meetings is set out in the sections below entitled "Directors' and Board Committee meetings" and "Board Committee membership".

## GROUP CEO AND CFO CERTIFICATION

The Group Chief Executive Officer and the Group Chief Financial Officer have both provided a written declaration to the Board for the reporting period that complies with section 295A(2) of the *Corporations Act 2001* (Cth) that, in their opinion: (i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001* (Cth); (ii) the financial statements and the accompanying notes to the financial statements of the Company comply with the accounting standards; (iii) the financial statements and the accompanying notes to the financial statements give a true and fair view of the financial position and of the performance of the Company and the consolidated Group for the financial year; and (iv) that the Company has complied with all other matters prescribed by the regulations in relation to the financial statements and the accompanying notes to the financial statements.

The Group Chief Executive Officer and the Group Chief Financial Officer have each given a written assurance to the Board that:

- the opinion forming the basis for the declaration made by each of them, and referred to above, was formed on the basis of a sound system of risk management and internal control which is operating effectively; and
- in accordance with Principle 4.2 in the ASX CGC Recommendations, the declaration above is founded on a sound system of risk management and internal control which implements policies adopted by the Board operating efficiently and effectively in all material respects in relation to the business and financial reporting risks.

## AUDITOR

The auditor is invited to attend each Annual General Meeting of the Company as required by section 249K of the *Corporations Act 2001* (Cth). The Company also ensures that the auditor confirms attendance at the Annual General Meeting and that members are given a reasonable opportunity to ask questions of the auditor at the Annual General Meeting (pursuant to section 250T of the *Corporations Act 2001* (Cth)).

## CONTINUOUS DISCLOSURE POLICY

Pursuant to Principle 6 of the ASX CGC Recommendations, the Company's objective is to promote effective two-way communication with its shareholders, and is committed to:

- ensuring that shareholders and the financial markets are provided with full and timely information about the Group's activities in a balanced and understandable way;
- complying with the continuous disclosure obligations contained in the ASX Listing Rules and the *Corporations Act 2001* (Cth) in Australia; and
- communicating effectively with shareholders and making it easy for shareholders to communicate with the Company.

The Company's "Continuous Disclosure Policy" is published in the "Investor Relations" section of the Redflex website.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- through the release of information to the market via the Australian Securities Exchange;
- through the Annual Report and notices of general meetings;
- through letters and other forms of communications directly with shareholders; and
- by publishing relevant information on the Redflex website.

The Redflex website has dedicated "Investor Relations" and "Corporate Governance" sections for the purpose of publishing important Company information and relevant announcements made to the market.

The Company also provides its shareholders with the option to receive communications from, and send communications to, the Company and the Company's share registry electronically.

## RISK & COMPLIANCE

The Board has delegated responsibility for establishing, maintaining and overseeing the risk management and compliance framework to the Risk & Compliance Committee which operates under a charter approved by the Board that is published on the Redflex website.

Redflex believes that effective risk management and observance of compliance obligations is an essential part of the Company's governance approach to ethical decision-making and creating long-term shareholder value.

In recognition of this, the Board, through the Risk & Compliance Committee, is responsible for overseeing and approving the Risk & Compliance Policy and Framework (which is also available on the Redflex website) which is reviewed annually. The Risk & Compliance Policy and Framework was reviewed by the Risk & Compliance Committee and the Board during the reporting period.

The Risk & Compliance Policy and Framework sets the tone for risk and compliance management in the Company. It also sets out how risk management and compliance supports the Company's goals and objectives, the Company's principles and objectives of, and its approach to, risk management and compliance and the relevant responsibilities for risk management and compliance within the Company.

Under the Risk & Compliance Committee Charter, the Committee has primary responsibility to oversee and make recommendations to the board about the Company's Risk & Compliance Policy and Framework, the effectiveness of the Company's risk management and compliance program in managing such program to minimize losses and to maximize opportunities, the implementation of risk management and compliance action plans prepared by management and to review these plans and the Company's global insurance program.

The Risk & Compliance Committee members are:

- Robert DeVincenzi, committee chair;
- Herman Schwarz; and
- Terence Winters.

The Board, through the Risk & Compliance Committee, oversees regular and periodic assessments of the effectiveness of risk management, compliance and internal control within the Company throughout the reporting period. While the Company does not currently have a separate and distinct internal audit function, the tasks of undertaking and assessing risk management, compliance and internal control effectiveness is delegated to the Risk & Compliance Committee and for it to report to the Board. The key areas of focus for the Risk & Compliance Committee include monitoring and reviewing the compliance program, internal policies and procedures, risk management and insurance, the legal obligations of the Company, compliance investigations by management, reports and complaints, internal controls (in conjunction with the Audit Committee) and seeking relevant assurances from management.

Management, through the Group Chief Executive Officer, is responsible for the day-to-day implementation and achievement of the Company's risk management and compliance program and objectives. Management reports to the Risk & Compliance Committee which, in turn, reports to the Board on the Company's key risks and compliance obligations and the extent to which it believes these risks and compliance obligations are being adequately managed.

The Board acknowledges the ASX CGC Recommendation that the chair of the Risk & Compliance committee should be an independent director. However, as at the date of this statement, the Board believes that compliance with the ASX CGC Recommendation is not in the best interests of the Company. While Mr DeVincenzi is not an independent director (according to the definition of independence referred to in the "Structure of the Board" section of this statement), as the chair of the Risk & Compliance Committee, Mr DeVincenzi brings to this committee significant skills, knowledge and experience in relation to risk and compliance management and oversight. Mr DeVincenzi also has a sound understanding of the Company's risks and compliance obligations and how the proper management of these enhances ethical decision-making and governance outcomes.

As at the year ended 30 June 2016, the number of times the Risk & Compliance Committee met throughout the reporting period, the members of the Risk & Compliance Committee and the individual attendances of the members at those meetings is set out in the sections below entitled "Directors' and Board Committee Meetings" and "Board Committee Membership".

## ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS

Redflex develops and manufactures and supplies a wide range of high-performing digital photo enforcement and other traffic management solutions including red light, speed, school bus stop arm and automatic number plate recognition systems which utilise the most advanced sensor and image capture technologies available. Redflex also owns and operates one of the largest networks of digital speed and red-light enforcement systems in the world.

Our continuous development of new road safety technology products has been helping to save lives for more than 20 years. The Company's continual investment in and development of traffic management technology has been contributing to better outcomes for motorists for many years.

The economic risks that the Company is subject to and must manage are set out in the “Risk Management” section of the Directors’ Report set out in the 2016 Annual Report.

In general, the Board considers that the Company is not susceptible to material environmental or social sustainability risks in operating its various businesses.

## PEOPLE, CULTURE & REMUNERATION

The Board has delegated responsibility for our people, our Company culture and remuneration strategy to the People, Culture & Remuneration Committee which operates under a charter approved by the Board that is published on the Redflex website.

The Company’s objective is to provide maximum stakeholder benefit from the retention of a high-quality Board and senior executives by remunerating directors, senior executives and employees fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the nature and amount of executive directors’ and officers’ compensation is linked to the Company’s financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key senior executives;
- attraction of quality management to the Company; and
- performance initiatives which allow executives to share the rewards of the success of the Company.

The Company prepares, and has signed, a written employment agreement (including any variations to these agreements) with each executive director and senior executive, respectively, setting out the terms and conditions of engagement.

For a full discussion of the Company’s remuneration philosophy and framework and the remuneration received by key management personnel, please refer to the Remuneration Report set out in the Directors’ Report of the 2016 Annual Report.

The Board is responsible for determining and reviewing compensation arrangements for the non-executive directors, the Group Chief Executive Officer and the Company Secretary. There is no scheme to provide retirement benefits to non-executive directors, except for superannuation, where it is applicable.

The People, Culture & Remuneration Committee comprises four non-executive directors:

- Terence Winters, committee chair;
- Adam Gray;
- Clark Davey; and
- Herman Schwarz.

As at the year ended 30 June 2016, the number of times the People, Culture & Remuneration Committee met throughout the reporting period, the members of the People, Culture & Remuneration Committee and the individual attendances of the members at those meetings is set out in the sections below entitled “Directors’ and Board Committee meetings” and “Board Committee membership”.

## DIRECTORS’ AND BOARD COMMITTEE MEETINGS

Directors’ and Board Committee meetings held and attended during the year ended 30 June 2016 were:

Directors’ and Board Committee meetings held and attended during the year ended 30 June 2016 were:

No. of meetings	Board		Audit Committee		People, Culture & Remuneration Committee		Risk & Compliance Committee		Nominations Committee	
	Available	Attended	Available	Attended	Available	Attended	Available	Attended	Available	Attended
Adam Gray	16	15	6	6	5	5	-	-	2	2
Paul Clark	16	13	-	-	-	-	-	-	-	-
Robert DeVincenzi	16	15	-	-	-	-	4	4	2	2
Clark Davey	16	16	6	6	5	5	-	-	2	2
David McIntyre	16	15	6	6	-	-	-	-	2	1
Herman Schwarz	16	14	-	-	5	5	4	4	2	2
Terence Winters	16	13	-	-	5	5	4	4	2	2

## BOARD COMMITTEE MEMBERSHIP

At the year ended 30 June 2016, the Company has four board committees – Audit Committee, People, Culture & Remuneration (PCR) Committee, Risk & Compliance Committee and Nominations Committee.

Members acting on the board committees during the year were:

	Audit	People, Culture & Remuneration	Risk & Compliance	Nominations
Adam Gray	Member	Member	-	Member
Paul Clark	-	-	-	-
Clark Davey	Current Chair	Member	-	Member
Robert DeVincenzi	-	-	Current Chair	Member
David McIntyre	Member	-	-	Member
Herman Schwarz	-	Member	Member	Current Chair
Terence Winters	-	Current Chair	Member	Member

## REDFLEX SECURITIES TRADING POLICY

The Redflex Securities Trading Policy (published on the Redflex website) allows a Designated Person, who is not a Restricted Person, to trade in the Company's securities at any time during the year unless:

- that person in possession of price sensitive information in relation to Redflex or the Company's securities that has not been released to the market; or
- there is a Closed Period in effect either under the policy or as designated by the Group General Counsel and Company Secretary.

The Redflex Securities Trading Policy contains a procedure for obtaining prior written trading clearance from the Group General Counsel and Company Secretary and also the exceptions to the restrictions in dealing in the Company's securities.

A Restricted Person (being a member of key management personnel including directors, senior executives and their closely related parties and immediate family members) can only trade in the Company's securities, even within a Trading Window (any part of the year outside a Closed Period), if they have received written clearance from the Group General Counsel and Company Secretary (or the Group Chief Executive Officer if the Restricted Person is the Group General Counsel and Company Secretary). Such clearance will only be given:

- if the Restricted person confirms that they have satisfied themselves that they do not possess any price sensitive information about Redflex or the Company's securities that has not been released to the market; and
- after taking into consideration the Redflex Group's circumstances at the time, the Group General Counsel & Company Secretary (or the Group Chief Executive Officer if the Restricted Person is the Group General Counsel and Company Secretary) reasonably believes that the risk of insider trading, or the appearance of insider trading, is not unacceptable.

No Designated Person or Restricted Person may trade in the Company's securities at any time if they are in possession of price sensitive information in relation to Redflex or the Company's securities that has not been released to the market.

A Restricted Person (and if directed by the Group General Counsel and Company Secretary, a Designated Person) cannot trade in the Company's securities during the Closed Period without obtaining written clearance from the Group General Counsel and Company Secretary (or the Group Chief Executive Officer if the Restricted Person is the Group General Counsel and Company Secretary).

The Company's Closed Periods are:

- 30 November to the second trading day (inclusive) after the Company's half year financial results are released to the ASX;
- 31 May to the second trading day (inclusive) after the Company's full year financial results are released to the ASX; and
- any other period during the year that the Board or the Group General Counsel and Company Secretary designates as a Closed Period.

Only in exceptional circumstances will trading clearance be given for a Designated Person or Restricted Person within a Closed Period.

No Restricted Person, entitled to an equity based component of incentive remuneration, may trade or commit to trade in a the Company's securities, trade in a derivative security product or enter into any arrangement in such a way as to limit his or her exposure to risks in relation to any unvested part of an equity based remuneration component without the prior consent of the Group General Counsel and Company Secretary (or the Group Chief Executive Officer if the Restricted Person is the Group General Counsel and Company Secretary).



Restricted Persons may not include their securities in a margin loan portfolio or otherwise deal in securities pursuant to a margin lending arrangement without first obtaining the consent of the Group General Counsel and Company Secretary (or the Group Chief Executive Officer if the Restricted Person is the Group General Counsel and Company Secretary).

Designated Persons should not engage in short-term trading of the Company's securities except on the exercise of options held by a Designated Person and where the shares received on exercise of the options will be sold shortly thereafter.

As required by ASX Listing Rules, the Company notifies the ASX of any transaction in the Company's securities by a director.