

RISK & COMPLIANCE POLICY AND FRAMEWORK

Approved 29 May 2015

1. INTRODUCTION

- (a) The Board of Redflex Holdings Limited (**RHL** or **Company**) recognise that, as Directors of a public company listed on the Australian Securities Exchange (**ASX**), they have duties to the Company's shareholders and other stakeholders to ensure that the Company's business risks and compliance obligations are identified, prioritised, evaluated for materiality and, where appropriate, monitored, reported on and managed to minimise losses and maximise opportunities.
- (b) The Company considers ongoing risk management and compliance to be a core component of the management of its business and understands that the ability to identify and address risk and compliance issues effectively is central to achieving its goals and objectives.
- (c) This Risk & Compliance Policy and Framework outlines the program implemented by the Company to ensure appropriate risk and compliance management within its systems and culture as well as outlining all reporting policies, controls and procedures.
- (d) The Board has established, under a charter, a Risk & Compliance Committee to have oversight of the risk and compliance management function and to set the tone for risk and compliance management within the Company.
- (e) The Board therefore endorses this Policy and Framework for the Company.

2. CORE RISK MANAGEMENT AND COMPLIANCE PRINCIPLES

The Directors have a commitment to effective risk management and compliance for the entire Company. In identifying, assessing, controlling and measuring risk the Company focuses primarily on those risks that are assessed as having the potential to significantly impact the Company's performance. The Directors wish to set the tone by adopting the following guiding principles for the development and continual improvement of its Risk & Compliance Policy and Framework:

Principle 1

The Redflex Board and management have a commitment to risk management and compliance that permeates the whole Company. Likewise, the Redflex Board also expects the same commitment from the Company's distributors, intermediaries, joint venture partners, contractors, consultants, suppliers and customers.

Principle 2

This Risk & Compliance Policy and Framework is aligned to the Company's strategy and business objectives and is endorsed by the Redflex Board.



Principle 3

The Company will endeavour to dedicate resources to develop, implement, maintain and continually improve its risk management and compliance programs.

Principle 4

Both the Redflex Board and management have endorsed the objectives and strategy of the Company's risk management and compliance programs.

Principle 5

Risk management and compliance obligations are identified and assessed.

Principle 6

The Company has clearly articulated and assigned responsibility for risk management and compliance outcomes.

Principle 7

The Company will endeavour to identify and address competence and training needs to enable employees to fulfil their risk management and compliance obligations.

Principle 8

The Company encourages behaviours that create and support proper risk management and compliance and does not tolerate behaviours that do not.

Principle 9

The Company will put in place controls to manage its risk management and compliance obligations and to achieve the desired behaviours.

Principle 10

Where appropriate, the Company monitors, measures and reports on its risk management and compliance programs.

Principle 11

The Company will put in place an ability to demonstrate its risk management and compliance programs, where appropriate, through documentation and practice.

Principle 12

The Company's risk management and compliance programs will be regularly reviewed for their appropriateness and effectiveness.

Further, to support the Company's goals and objectives, the Company:



- (a) aims to use effective and efficient risk management and compliance practices to support and enhance its activities;
- (b) aims to maximise compliance with all the Company's policies, procedures and processes;
- (c) will ensure risk management and compliance is an integral part of all its decision-making processes;
- (d) will use structured risk management and compliance programs to minimise reasonably foreseeable disruption to operations, harm to people, property and the environment; and
- (e) will strive to continually improve its risk management and compliance practices and to ensure remediation action is taken where necessary and appropriate.

3. RISK MANAGEMENT AND COMPLIANCE FRAMEWORK

- (a) The Company's risk management and compliance programs comprises a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its material business risks and compliance obligations.
- (b) To achieve this, the Company has clearly defined the responsibility and authority of the Redflex Board to oversee and manage the risk management and compliance framework, while conferring responsibility and authority on the Company's Risk & Compliance Committee and management to develop and maintain the risk management and compliance framework in light of the day-to-day needs of the Company.
- (c) Regular review of risk management and compliance practices provides the Company with important checks and balances to ensure its risk management and compliance framework is operating as intended.
- (d) In order to identify and assess material business risks and compliance obligations, the Company seeks to define risks, identify compliance obligations and prepare risk profiles and action plans according to its goals and objectives.
- (e) For risk management, this involves the Company conducting an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk. The Company regularly reviews its material risks to ensure that they remain consistent with the Company's business activities.
- (f) For compliance, this involves identifying material compliance obligations, determining whether and to what extent the Company is complying with those obligations and undertaking any remediation or other corrective actions to achieve compliance if there is any inadequacy. The Company regularly reviews its compliance obligations to ensure that the Company's compliance program is consistent with legal requirements and remains relevant and effective.
- (g) The Company has, amongst other things, implemented the following policies and procedures which are designed to ensure awareness of, and compliance with applicable laws and regulations as well as the Company's corporate policies and procedures relating to the operation of its businesses:



- (i) **Code of Business Conduct and Ethics** - This Code applies to and requires all employees, officers and Directors to conduct themselves with respect for the law, having respect and dignity for others and also to act with honesty, fairness and integrity. All employees are required to provide to the Company an annual attestation that they have read and understood what is expected of them;
 - (ii) **Anti-Bribery and Anti-Corruption training** - All employees, officers and Directors are required to complete an annual anti-bribery and anti-corruption training course. Employees must not engage in any conduct which would breach the Company's Anti-Bribery and Anti-Corruption Policy and Procedures, Procedures for the Retention of Commercial Intermediaries, Charitable, Political, Sponsorship Contributions and Trade Show Fee Procedures, Gifts and Hospitality Procedures and Financial and Accounting Policies and Procedures (**Global Anti-Bribery and Anti-Corruption Policies Procedures**) or in any way breaches the trust and confidence of the Company or of the public; and
 - (iii) **Whistle-blower and EthicsPoint hotline** – The Company has established a hotline which provides an avenue for any individual to anonymously report information to the Group General Counsel & Company Secretary, the RTSI Director of Compliance and the Chair of the Risk & Compliance Committee (through a third party software solution) about potential violations of laws and regulations and the Company's policies or procedures so that they can be acted upon, as appropriate.
- (h) The Company's policies and procedures are:
- (i) regularly reviewed and, where appropriate, updated to ensure that they continue to be relevant and effective; and
 - (ii) published on the Company's intranet or ADP Portal (as appropriate) so that all employees, officers and Directors can have access to them.

4. RESPONSIBILITIES

4.1 Board

- (a) The Board is ultimately responsible for:
 - (i) determining the nature and extent of the risks that the Company is prepared to take to meet its goals and objectives; and
 - (ii) compliance with the Company's legal obligations.
- (b) With the assistance of the Audit Committee and the Risk & Compliance Committee, the Board will be responsible for overseeing the establishment and implementation of the organisation's risk management, compliance obligations and internal controls.
- (c) The Board will also be responsible for reviewing, at least annually, this Risk & Compliance Policy and Framework against the Company's business activities to

satisfy itself that the Company continues to operate within the risk appetite set by the Board.

- (d) The Board will also ensure that it discloses, in each annual report, whether such a review has been undertaken and any changes which have been made to the Company's risk management and compliance framework as a result of such review.

4.2 The Audit Committee and the Risk & Compliance Committee

The Audit Committee and the Risk & Compliance Committee (as appropriate) will assist the Board in:

- (a) managing and monitoring the implementation of action plans developed to address material business risks and compliance within the Company and regularly reviewing the progress of action plans;
- (b) monitoring and reviewing corporate risks, compliance obligations and internal controls;
- (c) monitoring training programs which are implemented with respect to the Company's Global Anti-Bribery and Anti-Corruption Policies Procedures;
- (d) monitoring compliance with the Company's policies including, but not limited to, the Global Anti-Bribery and Anti-Corruption Policies Procedures and business expense policies;
- (e) monitoring and reviewing complaints received through the Company's whistle-blower hotline;
- (f) requiring management to report annually on the operation of the organisation's internal controls;
- (g) monitoring compliance with the Corporations Act and ASX Listing Rules;
- (h) monitoring risks relating to business continuity, disaster recovery, occupational health and safety, reputation, and currency/interest rate exposures;
- (i) implementing remediation plans which are identified as a result of the Audit Committee and the Risk & Compliance Committee fulfilling their roles and responsibilities; and
- (j) monitoring the adequacy of group and subsidiary insurance coverage.

In accordance with its charter, the Risk & Compliance Committee will be required to regularly report to the Board on the status of material business risks and compliance issues which are identified by the Committee.

4.3 Group Chief Executive Officer

The Board has delegated responsibility for implementation of the Risk & Compliance Policy and Framework to the Group Chief Executive Officer.

4.4 Group General Counsel & Company Secretary

Together with the responsibilities listed below for management, the Group General Counsel & Company Secretary is responsible for ensuring that a sound system of risk management, compliance and control systems are operating effectively in all material respects and underpin the integrity of the Company's activities and financial reporting.

4.5 Management

Management is responsible:

- (a) for the development and communication of risk management, compliance processes and controls on a day-to-day basis within their divisions and functions and to encourage all employees to manage risk and to be compliant with the Company's legal obligations;
- (b) to identify, document and communicate risk management and compliance exposures in the Company's business activities;
- (c) to actively promote and participate in risk management and compliance within the Company and to integrate risk management and compliance processes into business practices, decisions and its other activities;
- (d) to provide employees with access to the Company's risk management and compliance policies and procedures, tools and training materials and access to the Group General Counsel & Company Secretary, the RTSI Director of Compliance and the Chair of the Risk & Compliance Committee and whistleblower and ethics hotline systems;
- (e) to work with the Group General Counsel & Company Secretary and the RTSI Director of Compliance (as appropriate) to integrate risk management and compliance into existing practices and procedures in their areas of responsibility;
- (f) to assist in the development and implementation of a risk management and compliance reporting system, a system for the sourcing of complaints (such as a whistleblower or ethics hotline system) and risk management and compliance performance indicators;
- (g) to assist in the analysis of risk management and compliance performance and to identify areas for improvement; and
- (h) to ensure that participation in risk management and observance of compliance obligations are included in position descriptions and third party service contracts.

4.6 Redflex Employees

- (a) All Redflex employees should:
 - (i) manage risk and compliance issues relating to the operation of the Company's business and their particular role in accordance with this Policy and Framework;
 - (ii) perform their role in an ethical, lawful and safe manner;



- (iii) undertake required training in accordance with the compliance program or in relation to any Company policy or procedure ; and
 - (iv) report risk management or compliance failures, concerns and issues to their line manager or the Group General Counsel & Company Secretary, the RTSI Director of Compliance and the Chair of the Risk & Compliance Committee through the whistle-blower and EthicsPoint hotline;
 - (v) acknowledge that they have read and understood this Policy and Framework.
- (b) Each employee is responsible for managing risks and compliance within their area of responsibility and complying with all applicable laws, regulations and Company policies and procedures.
- (c) A failure to properly manage material risks or to act in compliance with all applicable laws, regulations, Company policies and procedures may result in adverse employment consequences (up to and including termination of employment) for the individuals involved. In appropriate cases, the Company will inform law enforcement agencies of any breach of the criminal law.

5. REVIEW OF RISK MANAGEMENT AND COMPLIANCE FRAMEWORK

- (a) The Company will regularly review and evaluate the effectiveness of its risk management and compliance framework to ensure that its internal control systems, policies, procedures and processes are monitored and updated on an ongoing basis.
- (b) The division of responsibility between the Board, the Risk & Compliance Committee and management, aims to ensure that specific responsibilities for risk management and compliance are clearly communicated and understood.
- (c) The reporting obligations of these individuals and entities ensure that the Board is regularly informed of material risk management and compliance issues, incidents and actions.

6. REVIEW OF POLICY

- (a) The Board will review this Policy and Framework at least annually to ensure it complies with applicable legal requirements and remains relevant and effective.
- (b) The Board may change this Policy and Framework at any time.

7. PUBLICATION

A copy of this Policy and Framework will be available on the RHL website (www.redflex.com.au) or made available on request.

A copy of this Policy and Framework has also been disseminated to all employees of Redflex and will appear on the Company's internal intranet or ADP Portal pages.