

AUDIT COMMITTEE CHARTER

Approved 16 November 2016

1. GENERAL SCOPE AND AUTHORITY

1.1 Introduction

This charter governs the operations of the Audit Committee of Redflex Holdings Limited (**RHL** or **Company**).

1.2 Purpose

The Audit Committee is part of the Board of Directors of the Company (**Board**) and its purpose is to assist the Board in the effective discharge of its responsibilities to:

- (a) independently verify the integrity of the Company's financial reporting, the Annual Report and RHL's financial reporting policies, controls and procedures;
- (b) ensure the integrity of the Company's financial statements and the independent audit of RHL's financial statements;
- (c) ensure oversight of the Company's financing, capital structure and management and treasury risk management;
- (d) establish a sound system of oversight and internal control in relation to financial matters and to ensure that the system of internal controls and processes put in place are adequate, properly managed and working effectively;
- (e) ensure compliance with legal and regulatory requirements (including assisting the Board to comply with its continuous disclosure obligations) in relation to the Company's financial statements and other financial information publicly disclosed by the Company;
- (f) ensure oversight over the Company's internal and external audit function;
- (g) determine the appointment, remuneration, qualifications, independence and performance of the External Auditor and the integrity of the internal and external audit function;
- (h) ensure oversight of any due diligence and prudential supervision procedures required by relevant authorities and regulators.

1.3 Authority

The Committee is required to make recommendations to the Board and does not have any executive powers to commit the Board or management to the implementation of these recommendations, other than where the Board has delegated authority to the Committee.

1.4 Retention of Board responsibility

The Board retains overall responsibility for oversight of the Company's financial affairs.

1.5 Access to Books and Records

In discharging its oversight role, the Committee is able to have full access to all books, records, facilities, and personnel of the Company and has the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

2. MEMBERSHIP

- (a) The Audit Committee shall be at least three (3) members and shall comprise a majority of independent non-executive directors and an independent chairperson who is not the chairperson of the Board.
- (b) All Audit Committee members should be financially literate and at least one member must have recent and relevant financial expertise and experience.
- (c) Membership of the Audit Committee shall be determined by the Board.
- (d) In the event that a member of the Committee retires from the Board for any reason then that member shall cease to be a member of this Committee.

3. MEETINGS

- (a) The Committee shall meet as frequently as required or as determined by the Committee chairperson but not less than quarterly with an agenda and briefing papers circulated in a timely manner prior to the meeting.
- (b) Any member of the Audit Committee may request to convene a meeting of the Audit Committee.
- (c) The Company Secretary shall be the secretary of this Committee unless the Board or the Committee otherwise directs.
- (d) The chairperson may direct the Company Secretary or some other individual to prepare an agenda for an Audit Committee meeting for the chairperson's approval prior to distribution.
- (e) A quorum of two members shall be present prior to commencing a meeting. If the chairperson is not present for a meeting of the Committee, a chairperson for that meeting shall be elected by the members present to act as chairperson for that particular meeting.
- (f) Minutes shall be taken at Audit Committee meetings by the Company Secretary or by any other individual present at the meeting. Within a reasonable time after a Committee meeting a draft of the minutes must be prepared and presented to the chairperson of the Committee for approval prior to distribution. The approved draft minutes will then be circulated to the other members of the Committee and to the Board. Minutes will be confirmed at the next scheduled meeting of the Committee.
- (g) The Group Chief Executive Officer (if not already a member of the Committee) and the Group Chief Financial Officer and External Auditor will be invited to Audit Committee meetings, as appropriate and as requested by the Committee.

- (h) The Committee may invite any member of management, adviser, consultant or other individual to attend meetings.
- (i) For the avoidance of doubt, any non-executive director who wishes to attend an Audit Committee meeting has a standing invitation to do so.

4. RESPONSIBILITIES

The Audit Committee has the primary responsibility to oversee and make recommendations to the Board on the following matters:

- (a) the Company's annual and half year financial reporting;
- (b) the accounting policies applied in the preparation of the Company's financial reports;
- (c) the internal and external audit scope and any issues or matters arising from internal and external audits;
- (d) the policies and procedures that the Company has in place to monitor compliance with all applicable requirements relating to the Company's external financial reporting;
- (e) the appointment, terms of engagement (including remuneration), rotation and removal of the External Auditor; and
- (f) the assessment of the performance and independence of the internal and External Auditors.

5. DUTIES

5.1 Financial Reporting

The Audit Committee will:

- (a) have oversight of the Company's system of financial reporting with the purpose to review and assess the integrity of the Company's financial reporting system;
- (b) regularly review and evaluate the effectiveness and appropriateness of the Company's accounting policies, procedures and system of internal controls;
- (c) receive from management and External Auditors a timely analysis of significant financial reporting issues and practices and review such reports;
- (d) discuss and evaluate with management and the External Auditor, the audited (half year reviewed) financial statements and other financial information being made public, any significant matters arising from the audit, management judgements and accounting estimates and significant changes to the Company's auditing and accounting principles, policies, internal controls, procedures and practices;
- (e) review the Company's financial reports to assess whether they have been prepared in compliance with all applicable accounting principles, standards and requirements;

- (f) make recommendations to the Board, including actions, in relation to matters relating to Financial Reporting
- (g) review the certification provided by the Group Chief Executive Officer and the Group Chief Financial Officer on annual and half yearly financial reports and statutory requirements;
- (h) review the financial statements to assess whether they include appropriate level of disclosure of governance issues; and
- (i) undertake an evaluation of any other financial, accounting or auditing matter referred to it by the Board.

5.2 External Audits

The Audit Committee will in addition to the things mentioned in clause 6 (relating to external audit):

- (a) conduct an annual assessment of the effectiveness of internal controls and financial reporting procedures;
- (b) determine categories of non-audit services that may be provided by the External Auditor and ensure disclosure to shareholders of the Committee's approval of them;
- (c) review reports issued by the External Auditor; and
- (d) annually review the effectiveness of the External Auditor.

5.3 Board Reports

The Audit Committee's reports to the Board should include (in addition to reporting to the Board as set out in this Charter):

- (a) an assessment of external reporting and its adequacy for shareholder needs;
- (b) an assessment of management processes supporting external financial reporting;
- (c) procedures for the selection and appointment of the External Auditor and rotation of audit engagement partners;
- (d) assessment of the performance and independence of the External Auditor;
- (e) assessment of the performance and objectivity of the internal audit function;
- (f) the results of its review of risk management and internal compliance and control systems; and
- (g) any other matter or analysis deemed relevant by the Audit Committee or the Board.

6. EXTERNAL AUDIT

6.1 Appointment

The Audit Committee will review the expertise and experience of potential External Auditors and recommend to the Board the External Auditor to be appointed by the Company for approval of the Board, subject to confirmation by shareholders at the Company's Annual General Meeting.

6.2 Remuneration

The Audit Committee will recommend the terms of the External Auditor's engagement and remuneration for approval of the Board.

6.3 Conduct of external audit

The Audit Committee will:

- (a) review the external audit plan;
- (b) ensure that all material risk areas are included in the audit plan;
- (c) ensure that the External Auditor has made sufficient disclosures about independence and other regulatory requirements to meet the standards of professional bodies in Australia and wherever an audit opinion is required;
- (d) engage with the External Auditor to resolve any issues associated with the external audit and between External Auditor and management;
- (e) be available to discuss issues or matters with the External Auditor (without management being present) and to resolve these issues and matters;
- (f) review the External Auditor representation letter before its execution by the Company;
- (g) review and discuss the External Auditor's findings in relation to the external audit, including, without limitation, significant issues or matters, accounting and auditing assessments, any identified errors during the external audit and the effectiveness of the external audit.

6.4 Rotation of External Audit Partner and Review Partner

The Audit Committee shall ensure that in line with current professional standards audit partners and review partners of its External Auditor rotate every 5 years (with at least a 2 year cooling off period before the same partner may recommence any engagement).

6.5 Removal of External Auditor

The Audit Committee will review the performance and independence of the External Auditor and may, in its absolute discretion, recommend the removal of the External Auditor for approval of the Board.



7. NON-AUDIT SERVICES BY EXTERNAL AUDITOR

7.1 External Auditor independence

Before the completion of the Company's annual financial reports, the Audit Committee must seek from the External Auditor written confirmation that the External Auditor has complied with all relevant regulatory and professional requirements relating to auditor independence.

7.2 No conflicts

The Audit Committee will ensure that the External Auditor does not provide the Company or any subsidiary or related entity of the Company with any services that may conflict with the External Auditor's independence or with the role of statutory auditor. The Audit Committee must report to the Board in relation to these matters including providing an opinion to the Board that the provision of such non-audit services will not cause any such conflicts.

7.3 Cost savings not the only matter to consider

The Audit Committee must evaluate whether or not the supply of non-audit services by the External Auditor will be in conflict with the External Auditor's independence or with the role of statutory auditor even if the External Auditor's knowledge and experience would benefit the Company by way of cost savings or other efficiencies from the use of such services.

7.4 Conditions of supply of audit and non-audit services

- (a) The Audit Committee will review and assess the provision of non-audit services by the External Auditor with particular consideration to the potential for those services to impair the External Auditor's judgement or independence in respect of the Company.
- (b) All audit and non-audit services to be provided by the External Auditor must first be approved by the Board on recommendation of the Audit Committee. The Audit Committee must not recommend the External Auditor to perform any non-audit services that may impair or have the appearance of impairment of the External Auditor's judgement or independence in respect of the Company.
- (c) The Board may delegate pre-approval authority under this section of the charter to the Audit Committee Chair whose decisions must be presented to the full Audit Committee and the Board at subsequent scheduled meetings.

7.5 Disclosure relating to the provision of non-audit services

The Audit Committee will make appropriate recommendations to the Board in relation to the appropriate disclosures in the financial reports of the details of all fees paid to the External Auditor including for non-audit services.

8. REPORTING

The chairperson of the Audit Committee will prepare and deliver a report from the Committee to the Board at the next scheduled meeting of the Board after the Committee meets. Such report should include all matters mentioned in clause 5.3 including those other matters that should be brought to the attention of the Board including the Committee's recommendations in relation to such matters.



9. COMMITTEE PERFORMANCE

The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice.

10. REVIEW OF CHARTER

- (a) The Board will review this Charter at least annually to ensure it complies with applicable legal requirements and remains relevant and effective.
- (b) This policy is not intended to be contractual in nature.
- (c) The Board may change this Charter at any time.

11. PUBLICATION

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