

# FY2018 REMUNERATION STRATEGY

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## 1. INTRODUCTION

- (a) The Company's Remuneration Strategy is based on the principles of aligning remuneration arrangements with Redflex Group wide strategic drivers and empowering Executives and Employees by rewarding high-performance. This Remuneration Strategy is underpinned by the Group wide values of collaboration, trust, making a difference, innovation and results.
- (b) The Company's aim has been to maintain simplicity and transparency in all remuneration plans and practices.

## 2. REMUNERATION PHILOSOPHY AND APPROACH

### 2.1 General Philosophy

- (a) The Company's people, culture and remuneration strategies have been developed with the understanding that attracting and retaining people capable of achieving high-performance goals and targets is essential for generating sustainable growth and maximising shareholder value.
- (b) The Company must therefore attract, retain and reward the best talent by driving a performance oriented culture. This Remuneration Strategy and general remuneration philosophy has been designed to ensure:
  - (i) Remuneration practices reward **outcomes** and **behaviours** that support the delivery of our business strategy;
  - (ii) Performance is measured based on the level of **contribution to key strategic goals and targets**;
  - (iii) **Behaviours** are measured in line with the Company's **high-performance culture and values**;
  - (iv) Remuneration plans and practices will **differentiate** outcomes based on individual performance;
  - (v) We pay **competitive** remuneration within our **markets for talent** to ensure we can **attract** and **retain** the right calibre of employees to deliver on our strategy;
  - (vi) Remuneration decisions will **balance** individual outcomes with business unit, Company and shareholder outcomes; and
  - (vii) Remuneration plans and practices will be **fair** and decision making will be **transparent**.
- (c) The Board is committed to further strengthening links between strategy, culture, performance and compensation for all Executives and Employees within the Redflex Group. This philosophy ensures an overall alignment between individual performance to business and shareholder outcomes.

## 2.2 Performance measures

- (a) All the Company performance hurdles for Executives and Employees will include a combination of Target EBITDA, Target Group Revenue, Target Regional Revenue, Net Income, Return on Invested Capital (or a combination thereof) as determined by the Board each year. All Executives and Employees will also need to meet non-financial measures approved by the Board.
- (b) The financial and non-financial hurdles for the Group Chief Executive Officer and Executives will be determined by the Board each year. The Board has also determined that these performance hurdles should cascade down (as appropriate) through the organisation for all incentive programs.

## 3. REMUNERATION MIX

### 3.1 Fixed Remuneration

- (a) To ensure that the Company's approach to remuneration is competitive and in line with contemporary market practice fixed remuneration will be benchmarked every two years against a relevant comparator group.
- (b) The Company will also periodically seek feedback from recruitment markets as measured by the ability to attract and retain high performing Executives and Employees.
- (c) Redflex is one of the few Australian companies to build a global position in some of the world's fastest growing and yet challenging markets. As such Redflex aims to be a market median payer in all local markets, with the ability to pay above market to reflect individual contribution, role complexity and location.

### 3.2 Superannuation / Retirement and Pension Plans

- (a) In Australia, the Company provides employee 'choice of fund' and pays statutory superannuation contributions with employee flexibility to sacrifice additionally from Total Fixed Remuneration (TFR).
- (b) In the United Kingdom, the Redflex pension plan has been established in line with U.K. pensions legislation.
- (c) In the Americas, the Company pays 401K contributions and employee benefits in line with available employee benefits packages.
- (d) In other parts of the world where the Company has employees, the Company pays into retirement or pension plans as required by prevailing practice or law in those countries.

### 3.3 Variable Remuneration

- (a) The Company's **Group CEO Short Term Incentive Plan** is designed to reward the Group Chief Executive Officer with cash incentives for achieving both financial and

non-financial performance hurdles that are aligned with creating value and Company and individual long-term performance.

- (b) For the current Group CEO, there are a finite number of performance rights (as disclosed to the market on 2 August 2017) available to vest over three equal tranches beginning on 21 August 2018, 21 August 2019 and 21 August 2020, provided that the Group CEO is employed by the Company on these dates (and not within a notice period).
- (c) Further, for the current Group CEO, there are a finite number of options (as disclosed to the market on 2 August 2017) that may be acquired by the Group CEO over 48 months.
- (d) The Company's **CEO Long Term Incentive Plan (LTIP)** is designed to reward the CEO of Redflex Americas with a long term equity incentive for achieving both Company financial and non-financial performance hurdles aligned with the Company's approved strategy.
- (e) The Company's **Executive Long Term Incentive Plan (LTIP)** is designed to reward participating Executives (other than the Group Chief Executive Officer and the CEO of Redflex Americas) with a portion of short term cash and long term equity incentive for achieving both Company financial and non-financial performance hurdles aligned with the Company's approved strategy.
- (f) The Company's **Employee Short Term Incentive Plan (STIP)** is designed to reward all other employees with a short term cash incentive for the achievement of both Company financial and non-financial performance hurdles.

#### 4. REMUNERATION REVIEWS

##### 4.1 Executive remuneration reviews

- (a) Remuneration for the Group Chief Executive Officer is reviewed by the Board each year.
- (b) The Group Chief Executive Officer will review remuneration for all executive direct reports each year after consulting with the People, Culture & Remuneration Committee and the Board.
- (c) These remuneration reviews in paragraphs 4.1(a) and (b) will have regard to a review of Group-wide, business unit and individual performance, relevant comparative remuneration in the marketplace and internal and external advice (as appropriate). For the Group Chief Executive Officer, the Board has access to external advice independent of management, if desired.
- (d) The Group Chief Executive Officer will report to the Board with recommended remuneration levels for executive direct reports and the various groups of employees or bands for the next year.

- (e) Remuneration for employees that report to executive direct reports to the Group Chief Executive Officer or the CEO of Redflex Americas will be reviewed by the relevant reporting direct line and approved by the relevant CEO.
- (f) The total remuneration increase budget for each operating business unit and country will be considered in relation to, and be consistent with, the relevant market remuneration movements and practices and the affordability for each unit.

#### **4.2 General reviews for other salaried employees**

- (a) Under the Company Performance Management Framework, remuneration reviews for employees can be conducted and applied to reward role performance and against salary position bands (within the position band matrix) at any time during the year. However, generally, as a minimum, all remuneration reviews and LTIP grants of incentives are applied to be effective on 1 October each year (unless otherwise determined by the Board).
- (b) The review process ensures that remuneration is in line with the market and is reasonable in the context of Australian and local reward practices. The process involves reviewing job requirements and accountabilities to establish position matches and then comparing them to appropriate market remuneration data.
- (c) Remuneration for individuals is set within plus or minus 15% of the assessed market rate, with annual increases to be higher than market for employees who are:
  - (i) high-performing,
  - (ii) high potential, and/or
  - (iii) currently low in the range or below the market data.

#### **5. PEOPLE, CULTURE & REMUNERATION COMMITTEE**

- (a) A People, Culture & Remuneration Committee has been established as a committee of the Board to, amongst other things, review, and make recommendations to the Board, on remuneration arrangements for the Group Chief Executive Officer, other Executives and Non-Executive Directors.
- (b) The remuneration for the Group Chief Executive Officer is ultimately determined by the Board in line with ASX guidelines, the Corporations Act and best practice.
- (c) The People, Culture & Remuneration Committee assesses the appropriateness of the mix and amount of remuneration of Executives and Non-Executive Directors:
  - (i) on a regular basis by reference to relevant employment market conditions; and
  - (ii) with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and Executive team.

- (d) In accordance with best practice corporate governance, the structure of Executive and Non-Executive Director remuneration is separate and distinct.

## **6. NON-EXECUTIVE DIRECTOR REMUNERATION**

### **6.1 Objectives**

The Board seeks to set Non-Executive Director remuneration:

- (a) at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre, while incurring a cost that is acceptable to shareholders;
- (b) so that total fees reflect the significant contribution of time and skills of the Non-Executive Directors; and
- (c) that consider exchange rate impacts of employing Non-Executive Directors residing in different international jurisdictions.

### **6.2 Structure**

- (a) The Company's Constitution and the ASX Listing Rules specify that the annual aggregate remuneration limit of Non-Executive Directors shall be approved by shareholders from time to time. An amount not exceeding the amount determined is then divided between the Non-Executive Directors, as agreed.
- (b) The amount of approved annual aggregate remuneration limit together with the level of actual remuneration to be paid, and the manner in which it is apportioned between Non-Executive Directors, is reviewed annually. The Board will consider advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies listed in the S&P/ASX 300 when undertaking the annual review.
- (c) Each Non-Executive Director receives a fixed fee for being a director of the Company. Depending on where the Non-Executive Director resides, superannuation benefits are included in the Non-Executive Directors fees. No other retirement benefits are paid.
- (d) Each Non-Executive Director is encouraged to purchase shares in the Company on the open market at times permitted and under the conditions of the Company's Securities Trading Policy.

## **7. REVIEW OF THIS DOCUMENT**

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

## 8. PUBLICATION

A copy of this document will be available in the Investors (Governance) section on the Company's website ([www.redflex.com](http://www.redflex.com)) or will be available upon request.

### CHANGE HISTORY

#### Change History Log

Version	Description	Date
1.0	Initial Version	27 October 2015
2.0	Annual Review	24 August 2016
3.0	Annual Review	24 August 2017