

AUDIT & RISK COMMITTEE CHARTER

1. GENERAL SCOPE AND AUTHORITY

1.1 Introduction

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

1.2 Purpose

The Audit & Risk Committee (**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:

Audit

- (a) independently verify the integrity of the Company's financial reporting, the Annual Report and the Company's financial reporting policies, controls and procedures;
- (b) ensure the integrity of the Company's financial statements and the independent audit of the Company's financial statements;
- (c) ensure oversight of the Company's financing, treasury risk management and, when delegated by the Board, the capital structure and 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;

Risk and Compliance

- (i) monitor and review matters relating to non-financial risk and compliance, including:
 - (i) the Company's Risk & Compliance Policy and Framework;



- (ii) the Company's risk tolerance and alignment of risk and compliance management with the Company's goals and objectives;
 - (iii) the Company's risk and compliance programs;
 - (iv) compliance with Company policies and procedures;
 - (v) significant legal or regulatory compliance exposures including significant litigation and disputes and material incidents or reports; and
 - (vi) material communications from government or regulatory authorities; and
- (j) monitor management's setting of the tone and developing a corporate culture relating to risk and compliance management, promoting open discussion regarding risk and compliance, integrating risk and compliance management into the Company's goals, objectives and compensation structure and creating a corporate culture such that people at all levels effectively manage risk and compliance issues; and
- (k) have oversight over the Company's global insurance program and the adequacy of that program.

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 and the Company's risk and compliance function.

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 Committee shall have 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 Committee members should be financially literate and at least one member must have recent and relevant financial expertise and experience.
- (c) Membership of the 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 Committee may request to convene a meeting of the 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 a 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 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, the Group Chief Financial Officer and the External Auditor may be invited to 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 Committee meetings.
- (i) For the avoidance of doubt, any non-executive director who wishes to attend a Committee meeting has a standing invitation to do so.

4. RESPONSIBILITIES

4.1 Primary Responsibilities

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

Audit

- (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;
- (f) the assessment of the performance and independence of the internal and External Auditors;

Risk and Compliance

- (g) the Company's Risk & Compliance Policy and Framework;
- (h) that there is an effective system of risk and compliance monitoring within the Company to identify material risk and compliance issues facing the Company and to manage such risks and compliance issues to minimise losses and to maximise opportunities;
- (i) the implementation of action plans developed by management to address material business risks and compliance issues within the Company and to regularly review such action plans;
- (j) the Company's global insurance program and the adequacy of that program; and
- (k) any other risk and compliance matter referred to it by another committee of the Board or by the Board.

4.2 Specific Responsibilities

The Committee will also have specific responsibilities in relation to the following matters:

- (a) **Compliance Program and compliance with the Company's policies and procedures:**
 - (i) monitor and review management's processes to achieve compliance with Company policies and procedures including, but not limited to, the Company's Employee Code of Conduct and Ethics, the Global Anti-Bribery and Anti-Corruption Policy, 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 and Procedures**);
 - (ii) monitor and review management's processes to train employees with respect to the Company's Employee Code of Conduct and Ethics and the Global Anti-Bribery and Anti-Corruption Policies and Procedures;
 - (iii) monitor and review the Company's implementation of its risk and compliance programs, policies and procedures that:



- (A) respond to the various risks and compliance obligations facing the Company or that the Company may face in the future; and
 - (B) are communicated effectively to the Company's employees;
 - (iv) monitor and review management's processes to assess the risks relating to business continuity, disaster recovery, occupational health and safety and reputation;
 - (v) monitor and review management's implementation of remediation plans which are identified as a result of the Committee fulfilling its responsibilities; and
 - (vi) monitor and review management reports concerning any relevant policy violations, compliance breaches and 'near misses' in order to oversee the Company's compliance obligations;
- (b) **Risk Management and Insurance:**
- (i) monitor and review:
 - (A) the Company's risk management policies, strategies and processes;
 - (B) the Company's enterprise risks, and in so doing, the Committee recognises the responsibilities delegated to other committees by the Board and understands that the other committees of the Board may emphasise specific risk monitoring through their respective activities;
 - (C) approve the risk management infrastructure and the critical risk management policies adopted by the Company;
 - (D) the risk management capabilities within the Company; and
 - (E) the Company's risk profile and its actual and potential exposure to risks of various types;
 - (ii) receive reports from management concerning:
 - (A) relevant material business risks; and
 - (B) the implications of new and emerging material risks;
 - (iii) monitor and review the Company's global insurance program and the adequacy of that program;



(c) **Legal Obligations:**

- (i) monitor and review management's processes for the implementation of its legal obligations arising under statute, the common law or by virtue of written agreements or contracts entered into by the Company;
- (ii) monitor and review management's processes to support the Company's compliance with the Corporations Act and the ASX Listing Rules;

(d) **Investigations:**

- (i) oversee management's investigation of, and request the investigation of, any significant instances of non-compliance with relevant laws, regulations or the Company's policies or procedures;
- (ii) monitor and review management's handling of potential policy violations, compliance breaches and 'near misses' that are reported to the Committee;
- (iii) ensure that management carries out investigations in a timely manner, and where appropriate, by an independent investigator and that outcomes of investigations are reported to the Committee and to management for further action, as appropriate;
- (iv) ensure that appropriate and measured action is taken by management in response to policy violations and compliance breach reports and that all disclosure obligations relating thereto have been met;

(e) **Reports and Complaints:**

- (i) monitor and review management reports regarding any significant complaints received from internal and external sources, including from the Redflex whistle-blower and EthicsPoint hotline;
- (ii) monitor and review management's handling of any significant complaints received by the Company;
- (iii) monitor and review management's response to significant complaints to ensure that they are dealt with in a timely manner, fairly, professionally and, where appropriate, independently;

(f) **Internal Controls:**

- (i) monitor and review the delegated authority limits of management and compliance with such limits;
- (ii) require management to report, at least, annually on the operation of the Company's delegated authority limits policy and procedures;
- (iii) monitor and review the Company's policies and practices with respect to risk management and compliance and present to the full Board, at least annually, a report summarising the Committee's review of the Company's risk and compliance function;



(g) **Management:**

- (i) seek reasonable assurances from management that all known and emerging risks and compliance issues have been identified, mitigated or managed effectively;
- (ii) communicate formally and informally with management regarding risk and compliance management and oversight;
- (iii) discuss with the Group Chief Executive Officer and management about the Company's major risk and compliance exposures and review the steps management has taken to monitor and control such exposures; and
- (iv) monitor and review the effectiveness of the Company's enterprise-wide risk assessment processes, and where appropriate, review management's corrective actions for any deficiencies that arise with respect to the effectiveness of such processes.

(h) **Risk & Compliance Function:**

Unless otherwise determined by the Committee or the Board, the risk and compliance management function of the Company (if any) will provide reports to the Committee in respect of the matters in this Charter relating to the Company's risk management and compliance systems and whether they are adequate, properly managed and working effectively.

5. APPROVAL OF THE RISK AND COMPLIANCE POLICY AND FRAMEWORK

- (a) Management will develop the Risk & Compliance Policy and Framework for approval by the Committee and the Board.
- (b) The Risk & Compliance Policy and Framework should:
 - (i) set the tone for risk and compliance management in the Company;
 - (ii) indicate how risk management and compliance will support the Company's goals and objectives; and
 - (iii) include the Company's principles of risk and compliance management, its risk and compliance objectives and approach and the relevant responsibilities, within the Company.
- (c) The Committee should review the Risk & Compliance Policy and Framework at least annually.

6. DUTIES

6.1 Financial Reporting

The 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;
- (i) undertake an evaluation of any other financial, accounting or auditing matter referred to it by the Board;
- (j) review and provide input to the Board regarding risk disclosures in financial statements and other public statements regarding risk and compliance;
- (k) ensure that risk and compliance remain on the full Board's and management's agenda on a regular basis;
- (l) coordinate, together with the full Board, the relationship with other Board Committees regarding risk and compliance.

The chairperson of the Committee will also 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 that should be brought to the attention of the Board including the Committee's recommendations in relation to such matters.

6.2 External Audits

The Committee will in addition to the things mentioned in clause 7 (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.

6.3 Internal Audit Function

Unless otherwise determined by the Committee or the Board, the internal audit function of the Company (if any) will provide reports to the Committee in respect of the matters in this Charter relating to the Company's system of internal controls and processes and whether they are adequate, properly managed and working effectively.

6.4 Board Reporting

The 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 Committee or the Board.

7. EXTERNAL AUDIT

7.1 Appointment

The 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.

7.2 Remuneration

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

7.3 Conduct of external audit

The 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.

7.4 Rotation of External Audit Partner and Review Partner

The 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).

7.5 Removal of External Auditor

The 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.

8. NON-AUDIT SERVICES BY EXTERNAL AUDITOR

8.1 External Auditor independence

Before the completion of the Company's annual financial reports, the 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.

8.2 No conflicts

The 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 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.

8.3 Cost savings not the only matter to consider

The Committee must evaluate whether 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.

8.4 Conditions of supply of audit and non-audit services

- (a) The 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 Committee. The 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 Committee Chair whose decisions must be presented to the full Committee and the Board at subsequent scheduled meetings.

8.5 Disclosure relating to the provision of non-audit services

The 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.

9. REPORTING

The chairperson of the 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 6.3 including those other matters that should be brought to the attention of the Board including the Committee's recommendations in relation to such matters.

10. 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.

11. 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.

12. PUBLICATION

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



CHANGE HISTORY

Change History Log

Version	Description	Date
1.0	Initial Version	21 May 2019
2.0	Annual Review	27 May 2020