

# FY2019 REMUNERATION STRATEGY

## 1. INTRODUCTION

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- (a) The Company's Remuneration Strategy is based on the principles of:
  - (i) providing a remuneration strategy (inclusive of incentives) with achievable goals that align with corporate goals;
  - (ii) attracting, retaining and rewarding the best possible talent to work at Redflex;
  - (iii) creating a performance-based culture across the Redflex Group;
  - (iv) motivating employees by establishing achievable targets that incentivize productivity and employee commitment to achieving goals;
  - (v) continual management and review of remuneration costs across Redflex with consistent rules; and
  - (vi) compliance with local laws and regulatory requirements including the ASX Listing Rules and the ASX Corporate Governance Council's Corporate Governance Principles & Recommendations.
- (b) The Company's Remuneration Strategy is also underpinned by the Redflex Group's:
  - (i) core values of collaboration, trust, making a difference, innovation and achieving results; and
  - (ii) gender pay equity objectives.
- (c) The Redflex Group's gender pay equity objectives are:
  - (i) to achieve and maintain gender pay equity within the Redflex Group, as a whole;
  - (ii) to ensure that no gender bias occurs at any point in the remuneration review process (e.g. at commencement, annual review, out of cycle reviews and with performance or incentive pay);
  - (iii) to be transparent about pay scales and salary bands;
  - (iv) to ensure managers are held accountable for gender pay equity outcomes; and
  - (v) to commit to a rigorous and fair performance and pay review assessment process.
- (d) The Company's aim has been, and will remain, to maintain simplicity and transparency in all remuneration plans and practices.
- (e) In this Remuneration Strategy:
  - (i) **Employee** refers to those employees of Redflex who are not classified as Senior Executives.

- (ii) **Financial Measures** will be the financial targets, outcomes or results that the Redflex Group, as a whole, must achieve as a pre-condition to an employee receiving any incentive award attributable to achievement of Financial Measures (e.g. Redflex Group Revenue Targets and/or a Redflex Group EBITDA Targets).
- (iii) **Group CEO** means the Group Chief Executive Officer of the Redflex Group.
- (iv) **Manager Level Employees** refers to those employees of the Redflex Group who are not classified as Senior Executives but are managers of a function or department and have more than five (5) direct reports.
- (v) **Non-Financial Measures** will be individual performance targets, outcomes or results applicable to a specific employee for that employee to achieve and which are not directly related to the achievement of Financial Measures.
- (vi) **Senior Executive** means an executive direct report to the Group CEO.

## 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 targets, outcomes and results 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-based culture regardless of gender. 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 **core values**;
  - (iv) **gender pay equity** objectives are being achieved;
  - (v) remuneration plans and practices will **differentiate** outcomes based on financial and individual performance;
  - (vi) Redflex pays **competitive** remuneration within our **markets for talent** to ensure we can **attract, retain and reward** the right calibre of employees to deliver on our business strategy;
  - (vii) remuneration decisions will **balance** outcomes with Company and shareholder outcomes; and
  - (viii) 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 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 of the Company's Financial Measures for Senior Executives and Employees will include a combination of Redflex Group Revenue Targets and/or Redflex Group EBITDA Targets (as determined by the Board each financial year).
- (b) All Senior Executives and Employees will also need to meet Non-Financial Measures (as determined by the Group CEO and noted by the Board).
- (c) The Financial Measures and Non-Financial Measures for Senior Executives will be determined by the Board each financial year. The Board has also determined that these Financial Measures should cascade down (as appropriate) through the organisation for all Redflex Employee 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, retain and reward high performing Senior 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 **FY2019 Group CEO Short Term Incentive** is designed to reward the Group CEO with a cash incentive for achieving both Financial Measures and Non-Financial

Measures (set by the Board) that are aligned with creating value and Company and individual long-term performance. The Company's Group CEO Long Term Incentive and Option arrangements were previously disclosed to the market on August 2, 2017.

- (b) The Company's **FY2019 Long Term Incentive Plan (LTIP)** is designed to reward Senior Executives with a portion of short term cash and long term equity incentive for achieving Financial Measures and Non-Financial Measures (set by the Board) aligned with the Company's approved business strategy.
- (c) The Company's **FY2019 Short Term Incentive Plan (STIP) for Manager Level Employees** is designed to reward Manager Level Employees with a short-term cash incentive for the achievement of both Financial Measures and Non-Financial Measures (set by the Board) aligned with the Company's approved business strategy.

#### **4. REMUNERATION REVIEWS**

##### **4.1 Group CEO and Senior Executives**

- (a) Remuneration for the Group CEO is reviewed by the Board each year.
- (b) The Group CEO will review remuneration for all Senior Executives each year after consulting with the People, Culture & Remuneration Committee and the Board. The Group CEO will report to the Board with recommended remuneration levels for Senior Executives for each year.
- (c) The 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 CEO, the Board has access to external advice, independent of management, if desired.

##### **4.2 Employees**

- (a) Remuneration for Employees will be reviewed by the relevant supervisor or manager and approved by the relevant Senior Executive and the Group CEO.
- (b) 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.
- (c) Under the Company's 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 are applied to be effective on 1 October each year (unless otherwise determined by the Board).
- (d) The review process ensures that remuneration is in line with the market and is reasonable in the context of Australian and local remuneration or compensation practices. The process involves reviewing job requirements and accountabilities to establish position matches and then comparing them to appropriate market remuneration data.
- (e) Remuneration for individuals is set within plus or minus 10-15% 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 CEO, Senior Executives, Employees and Non-Executive Directors.
- (b) The remuneration for the Group CEO 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 for the Group CEO, Senior Executives, Employees 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 Senior Executive team.
- (d) In accordance with best practice corporate governance, the structure of Group CEO, Senior 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 way 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.

**9. 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
4.0	Annual Review	3 July 2018