



Post Chicago Risk & Compliance Landscape

Background

After the City of Chicago matter was disclosed to the market on October 17, 2012, the Company embarked on a comprehensive internal investigation performed by a completely independent and reputable Chicago law firm (Sidley Austin). Sidley Austin had not acted for the Company previously and had not acted for Redflex on any other matter.

The independent investigation led by Sidley Austin culminated in various written reports being produced to the Board of Redflex which were later produced, in full, to the U.S. Department of Justice (**U.S. DOJ**) as part of the Company's complete cooperation it gave to the U.S. DOJ throughout the life of this matter not only in relation to the investigation itself but the U.S. DOJ's investigation of other bad actors (a fact that was expressly recognised in the 2016 Non-Prosecution Agreement entered into with the U.S. DOJ).

Separate to its full cooperation with the U.S. DOJ, on independent advice from Sidley Austin based on its representation of the Company and after its independent investigation, the Company also undertook a complete review of its global risk and compliance program to minimise the possibility that something like "Chicago" could happen again.

As part of the Company's comprehensive remediation program and response after the termination of the City of Chicago contract Redflex, as a global group, significantly increased and continues to maintain the rigour of its risk and compliance management systems particularly in the areas of anti-bribery and anti-corruption (see below). Throughout this development process and subsequently the maintenance of this program, the Company sought and obtained advice from independent law firms (including Baker McKenzie, a global law firm) on various aspects of it as described below.

Each year in the Company's Annual Report, the Company discloses its approach to risk and compliance management and its framework for doing so. It also discloses what it considers to be its major risks. The Company also discloses its Risk & Compliance Policy and Framework on its website.

Not only was there a new Redflex executive leadership team appointed both in the U.S. and Australia immediately after the Chicago matter was disclosed, but there was also a complete board renewal of Redflex Holdings Limited board of directors with a new chairman of the Board and a new Group Chief Executive Officer (and that Group Chief Executive Officer has since been replaced by Mr Mark J. Talbot in August 2017 after the previous Group CEO retired). The details of our current Redflex Holdings Limited board members and our new executive team can be found on the Redflex website and in the Company's most recent Annual Report.

For a list of the current Redflex Holdings Limited Board of Directors - <https://redflex.com/investors/>

Remediation and Risk & Compliance Program

In terms of specific continuing remediation efforts, Redflex has (and many of these have been the subject of public disclosure as part of the Company's commitment to good corporate governance practices and ongoing compliance with the Australian Securities Exchange (**ASX**) Listing Rules) implemented efforts including, but not limited to, the following:

- Introduced a global risk and compliance policy and framework (which is published on our internet page in the Investors / Governance section of our website www.redflex.com) which is overseen by the Board (see above);

- Constituted a dedicated Audit & Risk & Committee of the Board of Directors of the Company which operates under its own charter (and before May 2020 there was a separate Risk & Compliance Committee and separate Audit Committee), with a majority of independent directors being members of such Committee (with the members of the Committee being disclosed and the meetings recorded in the 2020 Annual Report of the Company);
- Adopted a Global Anti-Bribery and Anti-Corruption Policy for the Redflex Group of companies which provides the framework for its governance of such matters (which is published on our website in the Investors / Governance section of the Company's website www.redflex.com);
- Implemented best practice policies and procedures relating to the giving and receipt of corporate gifts and hospitality, engaging with commercial intermediaries (such as agents, distributors and consultants), charitable, political and sponsorship donations and accounting procedures;
- Implemented a rigorous and anonymous global Whistle Blower hotline (through an external service called "Your Call") for employees to report wrongdoing directly to the Risk & Compliance Committee of the Board for further action. In addition, the Company discloses its Whistle Blower Policy in the Investors / Governance section of the Company's website www.redflex.com;

Corporate Governance Practices

- The Redflex Board (**Board**) is responsible for overseeing and approving the Risk & Compliance Policy and Framework.
- The Company's Audit & Risk Committee of the Board has primary responsibility to oversee and make recommendations to the Board about the Company's Risk & Compliance Policy and Framework, the effectiveness of the Company's risk and compliance program and in managing such program to minimize losses and to maximize opportunities, the implementation of risk and compliance action plans prepared by management and to review these plans and the Company's global insurance program.
- The Board, and through the Audit & Risk Committee, oversees an annual assessment of the effectiveness of risk and compliance management and internal control within the Company. The key areas of focus for the Audit & Risk Committee include monitoring and reviewing the compliance program, internal policies and procedures, risk management and insurance, the legal obligations of the Company, compliance investigations by management, reports and complaints, internal controls and seeking assurances from management.
- Management, through the Group Chief Executive Officer, is responsible for the day-to-day implementation and achievement of the Company's risk and compliance program and objectives. Management reports to the Audit & Risk Committee which, in turn, reports to the Board on the Company's key risks and compliance obligations and the extent to which it believes these risks and compliance obligations are being adequately managed.