

Traffic Technologies Ltd
Corporate Governance Statement

The Board and management of Traffic Technologies Ltd (**Company**) are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared this Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed and provides reasons for not following such Recommendations.

This Corporate Governance Statement is accurate and up to date as at 30 June 2015 and has been approved by the Board.

The Company's corporate governance policies and charters are all available on the Company's website (www.trafficltd.com.au).

ASX Recommendation		Status	Reference/Comment
Principle 1 – Lay solid foundations for management and oversight <i>A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.</i>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	Complying	The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board delegates to the Managing Director and the executive management team responsibility for the operation and administration of the consolidated entity. A copy of the Company's Board Charter, which sets out the role and responsibilities of the Board, is available on the Company's website in the Corporate Governance section.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Complying	The Nomination & Remuneration Committee performs appropriate checks on candidates for the Board including checks as to the candidate's character, experience, education, criminal record and bankruptcy history. Where appropriate, external consultants may be engaged to assist in searching for candidates and undertaking relevant checks. The Company will continue to provide information to shareholders about Directors seeking re-election or a candidate seeking election to the Board, including their relevant qualifications, experience and skills as well as details of any other listed directorships held in the preceding 3 years, whether the Director is considered to be independent and a recommendation by the Board in respect of the re-election or election as a Director.

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1.3	A listed entity should have a written agreement with each director and senior executive setting the terms of their appointment.	Complying	<p>Each Director is given a letter upon his or her appointment which outlines the Director's duties, obligations, remuneration, expected time commitments and notification of the Company's policies. In this regard, Mr. Daley who was appointed as a director in November 2014 was given a letter upon his appointment setting out among other things, his duties, obligations, remuneration, expected time commitments and notification of the Company's policies.</p> <p>Senior executives including the Managing Director and CFO have a formal services agreement setting out the terms of their employment.</p>
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair on all matters to do with the proper functioning of the board.	Complying	<p>The company secretary is responsible for co-ordination of all Board business, including board calendar, agendas, board papers, minutes, communication with regulatory bodies, ASX, ASIC and all statutory and other filings. The company secretary is accountable to the Board and all Directors have access to the company secretary. The decision to appoint or remove the company secretary is made by the Board.</p>

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1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	Complying	<p>The Company has established a diversity policy, which is available on the Company's website. The diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity and annually assess both the objectives and the progress in achieving those objectives. The Board has developed objectives regarding gender diversity and aims to achieve these objectives over the next five years as Director and senior executive positions become vacant and appropriately qualified candidates become available.</p> <p>As at 30 June 2015, the Company does not have any female Board members and has one senior executive. A senior executive for the purpose of gender diversity targets is defined as levels 2 to 4 within the organisation, where the Managing Director represents level 1. A key business commitment for the Company is to increase the percentage of women in leadership positions (at both a senior executive and Board level) to 25% within 3 years. Additionally, with females comprising of 18% of the Company's workforce, the Company recognises the importance of building a strong female presence across all tiers of the business. In this regard, the Company is also committed to increasing the percentage of women employed by the Company to 25% over the next 5 years.</p> <p>The Company's diversity objectives and progress towards achieving them are disclosed on the Company's website in the Corporate Governance section.</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Complying	<p>The performance of the Board, Board Committees and individual Directors is reviewed regularly by the Board as a whole. During the reporting period, the Board reviewed the performance of each Board member. The performance criteria against which Directors are assessed are aligned with the financial and non-financial objectives of the Company. A performance evaluation was undertaken in the financial year ended 30 June 2015 in accordance with that process.</p>

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1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Complying	<p>The Board and the Managing Director evaluate the performance of senior management annually against Key Performance Indicators (KPI's), including measuring actual performance against planned performance. A performance evaluation was undertaken in the financial year ended 30 June 2015 in accordance with that process.</p>
<p style="text-align: center;">Principle 2 – Structure the board to add value <i>A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</i></p>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	Complying	<p>The Company has a Nomination & Remuneration Committee. The Nomination & Remuneration Committee comprises the three independent non-executive Directors and is chaired by Mr. Hardgrave, who is an independent Director. The charter of the committee is disclosed on the Company's website in the Corporate Governance section. Details of the number of times the committee met throughout the period and the individual attendances of the members at those meetings are disclosed in the Directors' Report. Where necessary, the Board seeks advice of external advisers in connection with the suitability of applicants for Board membership.</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	Complying	<p>The Board considers that the current Directors have an appropriate mix of skills to enable the Board as a collective to effectively discharge its responsibilities. The Board of Directors, comprising Mr. Brown, Mr. Liosatos, Mr. Hardgrave and Mr. Daley, collectively have skills and experience in corporate governance, traffic management & infrastructure, ASX listed companies, human resources, legal,</p>

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			<p>finance, commercial, government contracts as well as other areas of business.</p> <p>Further detail about the skills (including the skills matrix), experience and expertise held by each Director in office is disclosed in the Director's Report (contained in the 2015 Annual Report).</p>
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	Complying	<p>With the exception of Mr. Liosatos (Managing Director) who is a full time executive and substantial shareholder of the Company, each of the other Directors of the Company (being Mr. Brown, Mr. Hardgrave, and Mr. Daley) are considered to be independent within the criteria described in Box 2.3.</p> <p>The date of appointment of each Director is as follows: Mr. Brown – appointed in January 2004 Mr. Liosatos – appointed in April 2003 Mr. Hardgrave – appointed in January 2013 Mr. Daley – appointed in November 2014</p>
2.4	A majority of the board of a listed entity should be independent directors.	Complying	<p>With the exception of Mr. Liosatos (Managing Director) who is a full time executive and substantial shareholder of the Company, each of the other Directors (being Mr. Brown, Mr. Hardgrave, and Mr. Daley) are considered to be independent within the criteria described in Box 2.3.</p>
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Complying	<p>The chair of the board, Mr. Brown is an independent director and is not the CEO of the Company.</p>
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Complying	<p>The Company has policies and procedures in place to assist Directors in fulfilling their responsibilities. When Directors join the Board, they undertake a comprehensive induction program, which includes information on the Company's core values, strategy, objectives, as well as its governance framework and operations. New Directors also meet with senior management to gain a better appreciation of the Company's operations and capabilities. The Board receives ongoing governance updates as required, including in relation to recent legislative and regulatory changes and developments in corporate governance. All Directors have ongoing access</p>

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			to information on the Company's operations and to the Company's senior management. The Company provides the capacity for any Director to obtain separate professional advice on any matter being discussed by the Board and for the Company to pay the cost incurred.
<p style="text-align: center;">Principle 3 – Act ethically and responsibly <i>A listed entity should act ethically and responsibly.</i></p>			
3.1	<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	Complying	<p>The Board has drawn up a formal code of conduct to guide Board members, executives and employees in carrying out their duties and responsibilities, to guide compliance with legal and other obligations and to maintain confidence in the Company's integrity. Executives and employees are encouraged to report to Board members any concerns regarding potentially unethical practices. The code of conduct is disclosed on the Company's website in the Corporate Governance section.</p>
<p style="text-align: center;">Principle 4 – Safeguard integrity in corporate reporting <i>A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</i></p>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the</p>	Complying	<p>The Board has established an Audit & Risk Committee which plays a key role in assisting the Board of Directors with its responsibilities relating to accounting, developing internal control systems, reporting practices and risk management and ensuring the independence of the Company's auditors.</p> <p>The Company's Audit & Risk Committee consists only of independent non-executive Directors and has an independent chair, who is not the chair of the Board.</p> <p>All members of the Board with the exception of the Managing Director are members of the Audit & Risk Committee. The Audit & Risk Committee is chaired by Mr. Hardgrave, who is an independent chairman and who is not chair of the Board.</p> <p>A copy of the Company's Audit & Risk Committee Charter is available on the Company's website in the Corporate Governance section.</p> <p>The Chair of the Audit & Risk Committee, Mr. Hardgrave, is a qualified chartered accountant and has worked in the finance sector for many</p>

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	processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.		<p>years. All Audit & Risk Committee members have extensive business experience at Board level and in senior management positions.</p> <p>Meetings of the Committee are held a minimum of twice a year, represented by one meeting to review each of the full year and half year financial reports and make recommendation to the Board. Further meetings may be held for discussion on policies and procedures and risk management matters. The auditors of the company will also be invited to make recommendations to the Committee on policies and procedures for discussion.</p> <p>Audit & Risk Committee meetings are attended by the partner responsible for the Company's audit. For details of meetings of the Audit & Risk Committee held during the year and attendance at those meetings, refer to the Directors' Report.</p>
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Complying	The Board confirms that it receives, before it approves the Company's financial statements for a financial period, written confirmation from the Managing Director and the Chief Financial Officer that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complying	The external auditor is required to attend the Annual General Meeting of the Company and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.
<p style="text-align: center;">Principle 5 – Make timely and balanced disclosure</p> <p style="text-align: center;"><i>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</i></p>			
5.1	A listed entity should:	Complying	The Company's Continuous Disclosure Policy is designed to promote transparency and investor confidence and ensure that all interested parties have an equal opportunity to

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	<p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>		<p>obtain information which is issued by the Company. Additionally, the Company is committed to complying with the continuous disclosure obligations contained in the ASX Listing Rules and the Corporations Act 2001. In this regard, as at 30 June 2015 the Company has ensured that all shareholders and the market have had an equal opportunity to obtain and review full and timely information about the Company's securities. A copy of the Company's Continuous Disclosure Policy is available on the Company's website in the Corporate Governance section.</p>
<p style="text-align: center;">Principle 6 – Respect the rights of security holders <i>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</i></p>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complying	<p>The Board informs shareholders of all major developments affecting the Group as follows:</p> <ul style="list-style-type: none"> • placing all announcements made to the market by providing a link from the Company's website to the ASX Company Announcements Platform; • publishing all corporate governance policies and charters adopted by the Board on the Company's website; and • placing the full text of notices of meeting and explanatory material on the Company's website.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complying	<p>The Company's communication strategy is to promote effective communication with shareholders. During the financial year ending 30 June 2015, the Company has:</p> <ul style="list-style-type: none"> • provided shareholders and the financial markets with full and timely information about the Company's activities in a balanced and understandable way; • complied with the continuous disclosure obligations contained in the applicable ASX Listing Rules and the Corporations Act 2001; and • communicated effectively with its shareholders and made it easier for shareholders to communicate with the Company by electronic means.

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6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complying	<p>The Board encourages full participation of shareholders at the Annual General Meeting (AGM) to ensure a high level of accountability and identification with the Group's strategy and goals.</p> <p>The 2015 Notice of AGM will be provided to all shareholders and made available on the Company website.</p> <p>The external auditor is required to attend the Annual General Meeting of the Company and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.</p>
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complying	Shareholders are able to communicate with the Company electronically and ask questions via the Company's website or by emailing the company secretary. Investors are also able to communicate with the Company's share registry electronically, by emailing the share registry or via the share registry's website.
<p style="text-align: center;">Principle 7 – Recognise and manage risk <i>A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</i></p>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	Complying	<p>The Audit & Risk Committee is responsible for ensuring that adverse risks and mitigation of these risks are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Audit & Risk Committee and the Board of Directors.</p> <p>The Audit & Risk Committee comprises the three independent non-executive Directors and is chaired by Mr. Hardgrave, who is an independent Director. The charter of the committee is disclosed on the Company's website in the Corporate Governance section. Details of the number of times the committee met throughout the period ending 30 June 2015 and the individual attendances of the members at those meetings are disclosed in the Directors' Report.</p>

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7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Complying	<p>The Company has developed a Risk & Oversight Management Policy, a copy of which is available on the Company's website in the Corporate Governance section. Management undertakes detailed risk assessments of the Company's operations, procedures and processes and reports to the Board on a regular basis.</p> <p>A review has taken place in the financial year ended 30 June 2015.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	Complying	<p>The Group does not currently have an internal audit function. Management reviews the Group's major business units, organisational structure and accounting controls and processes on a regular basis and reports accordingly to the Board. The Board is satisfied that the processes in place to identify the Group's material business risks are appropriate and that these risks are being effectively managed. The Group's risk management processes are monitored and reported against on an ongoing basis.</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	Complying	<p>The Group's operations are not subject to any significant environmental regulations under Commonwealth or State legislation. The Directors believe that the Group has adequate systems in place for the management of its economic, environmental and social sustainability risks as they apply to the Group.</p>
<p style="text-align: center;">Principle 8 – Remunerate fairly and responsibly <i>A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.</i></p>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p>	Complying	<p>The Company has a Nomination & Remuneration Committee which is responsible for:</p> <ul style="list-style-type: none"> determining and reviewing compensation arrangements for the Directors and the Managing Director; and approving parameters within which the review of the compensation arrangements for the senior executive team can be conducted by the Managing Director. <p>The Nomination & Remuneration Committee comprises the three independent non-executive</p>

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	<p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>		<p>Directors and is chaired by Mr. Hardgrave, who is an independent Director. The charter of the committee is disclosed on the Company's website in the Corporate Governance section. Details of the number of times the committee met throughout the period ending 30 June 2015 and the individual attendances of the members at those meetings are disclosed in the Directors' Report.</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	Complying	<p>Details of Directors' and key management personnel remuneration for the period ending 30 June 2015 are set out in the Remuneration Report (contained in the 2015 Annual Report). The structure of non-executive Directors' remuneration is distinct from that of executives and is detailed in the Remuneration Report (contained in the 2015 Annual Report).</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	Complying	<p>The Company's equity-based remuneration scheme is subject to shareholder approval.</p>