

# **Traffic Technologies Ltd**

## **Corporate Governance Statement**

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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 2017 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](http://www.trafficltd.com.au)).

### **Principle 1 – Lay solid foundations for management and oversight**

#### **Role and Responsibilities of the Board of Management**

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.

#### **Director Appointment and Election**

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.

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.

Senior executives including the Managing Director and CFO have a formal services agreement setting out the terms of their employment.

#### **Company Secretary**

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.

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### **Diversity Policy**

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.

The respective proportion of women and men in the Company as at 30 June 2017 was as follows:

	<b>Proportion of women</b>	<b>Proportion of men</b>
On the Board	0%	100%
In senior executive positions	7%	93%
Across the whole organisation	20%	80%

As indicated above, 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 20% 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.

The Company's diversity objectives and progress towards achieving them are disclosed on the Company's website in the Corporate Governance section.

### **Performance Assessment**

The performance of the Board, Board Committees and individual Directors is reviewed regularly by the Board and at least annually. 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 2017 in accordance with that process.

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 2017 in accordance with that process.

### **Principle 2 – Structure the Board to add value**

#### **Nomination and Remuneration Committee**

The Company has a Nomination & Remuneration Committee. The Nomination & Remuneration Committee comprises the independent non-executive Directors (being, Mr. Lowrey and Mr. Hardgrave) and is chaired by Mr. Hardgrave, who is an independent Director. The Corporate Governance Council recommends that the Nomination & Remuneration Committee have at least 3 members. Given the size of the Board, the Company's Nomination & Remuneration Committee has 2 members. The Board will continue to seek to identify suitable candidates to fill vacancies as they arise. 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.

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Where necessary, the Board seeks advice of external advisers in connection with the suitability of applicants for Board membership.

#### **Skills Matrix**

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 members of the Board of Directors, collectively have skills and experience in corporate governance, traffic management & infrastructure, ASX listed companies, human resources, legal, finance, commercial, manufacture/assembly, government contracts as well as other areas of business.

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 2017 Annual Report).

#### **Composition of the Board**

Details of the Board of Directors, their appointment dates and independence status are as follows:

<b>Name of Director</b>	<b>Position</b>	<b>Independence Status</b>	<b>Tenure</b>
Mr Garry Patrick Lowrey	Non-executive Director and Non-executive Chairman	Independent	24/11/2015 – current
Mr Constantinos Lambros Liosatos	Managing Director	Not independent	11/04/2003 – current
Mr Mark Hardgrave	Non-executive Director	Independent	30/01/2013 – current
Mr Kenneth Daley	Non-executive Director	Independent	25/11/2014 – 24/11/2016

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 are considered to be independent within the criteria described in Box 2.3 of the Recommendations.

The chair of the Board is an independent director and is not the CEO of the Company.

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 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.

#### **Principle 3 – Act ethically and responsibly**

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.

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### **Principle 4 – Safeguard integrity in corporate reporting**

#### **Audit Committee**

The Board has established an Audit Committee which plays a key role in assisting the Board of Directors with its responsibilities relating to accounting and ensuring the independence of the Company's auditors.

The Company's Audit Committee consists only of independent non-executive Directors and has an independent chair, who is not the chair of the Board.

A copy of the Company's Audit Committee Charter is available on the Company's website in the Corporate Governance section.

All members of the Board with the exception of the Managing Director are members of the Audit Committee. The Audit Committee is chaired by Mr. Hardgrave, who is an independent chairman and who is not chair of the Board. The Corporate Governance Council recommends that the Audit Committee have at least 3 members all of whom are independent. Given the size of the Board and the independence status of the Company's Board, the Company's Audit Committee has 2 members. The Board will continue to seek to identify suitable candidates to fill vacancies as they arise.

The Chair of the Audit Committee, Mr. Hardgrave, is a qualified chartered accountant and has worked in the finance sector for many years. All Audit Committee members have extensive business experience at Board level and in senior management positions.

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 recommendations 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.

Audit Committee meetings are attended by the accounting firm audit partner responsible for the Company's audit. For details of meetings of the Audit Committee held during the year and attendance at those meetings, refer to the Directors' Report.

#### **Financial Reporting**

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.

#### **External Auditor**

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.

### **Principle 5 – Make timely and balanced disclosure**

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 obtain information which is issued by the Company. Additionally, the Company is committed to complying with the continuous disclosure obligations contained in the

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ASX Listing Rules and the Corporations Act 2001. In this regard, as at 30 June 2017 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.

#### **Principle 6 – Respect the rights of security holders**

The Board informs shareholders of all major developments affecting the Company as follows:

- 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.

The Company's communication strategy is to promote effective communication with shareholders. During the financial year ending 30 June 2017, the Company has:

- 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.

#### **Shareholder Participation and Correspondence**

The Board encourages full participation of shareholders at the Annual General Meeting (AGM) to ensure a high level of accountability and identification with the Company's strategy and goals.

The 2017 Notice of AGM will be provided to all shareholders and made available on the Company website.

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.

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.

#### **Principle 7 – Recognise and manage risk**

The 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 Risk Committee and the Board of Directors.

The Risk Committee comprises the independent non-executive Directors (being, Mr. Lowrey and Mr. Hardgrave) and the Managing Director Constantinos Liosatos. The Risk Committee 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 2017 and the individual attendances of the members at those meetings are disclosed in the Directors' Report.

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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. A review has taken place in the financial year ended 30 June 2017.

The Company does not currently have an internal audit function. Management reviews the Company'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 Company's material business risks are appropriate and that these risks are being effectively managed. The Company's risk management processes are monitored and reported against on an ongoing basis.

The Company's operations are not subject to any significant environmental regulations under Commonwealth or State legislation. The Directors believe that the Company has adequate systems in place for the management of its economic, environmental and social sustainability risks as they apply to the Company.

#### **Principle 8 – Remunerate fairly and responsibly**

The Company has a Nomination & Remuneration Committee which is responsible for:

- 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.

The Nomination & Remuneration Committee comprises the independent non-executive Directors (being, Mr. Lowrey, and Mr. Hardgrave) and is chaired by Mr. Hardgrave, who is an independent Director. The Corporate Governance Council recommends that the Nomination & Remuneration Committee have at least 3 members. Given the size of the Board, the Company's Nomination & Remuneration Committee has 2 members. The Board will continue to seek to identify suitable candidates to fill vacancies as they arise.

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 2017 and the individual attendances of the members at those meetings are disclosed in the Directors' Report.

Details of Directors' and key management personnel remuneration for the period ending 30 June 2017 are set out in the Remuneration Report (contained in the 2017 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 2017 Annual Report).

The Company's equity-based remuneration scheme is subject to shareholder approval.

#### **Employee Share Option Plan**

The Company has an employee share option plan made available to certain employees. Details of this plan can be found in the Company's annual report.