



Corporate Governance

The Board of directors and management of IOOF recognise the importance of good corporate governance and is committed to maintaining the high governance standards within the Group. This is paramount since IOOF is both a listed company and an entity operating within the financial services sector, highly regulated by APRA, ASIC, the ASX, AUSTRAC and the Attorneys General offices.

The Board is responsible to its shareholders for the performance of the Company. The Board's focus is to enhance the interests of shareholders and key stakeholders (eg employees, regulators).

A summary of the Company's policies and procedures in relation to governance are available in the corporate governance section of the Company's website: www.ioof.com.au The Company's corporate governance policies and practices are reviewed annually and will continue to develop and improve its governance practices and monitor developments in best practice corporate governance.

Principle 1: Lay solid foundations for management and oversight

The Board is constituted and empowered under its constitution and the requirements of the *Corporations Act 2001*. The Board has delegated some of their powers to Board Committees and management:

- overseeing strategic objectives and direction of the company
- setting and monitoring annual operating plans
- monitoring financial objectives
- ongoing assessment and monitoring of performance
- determining group financial strategy and policies
- managing and monitoring risk and compliance, internal compliance and control

- reviewing the Company's code of conduct and overall corporate governance to ensure effective and timely disclosure of policies, procedures and other relevant data to the market, shareholders and customers.

Delegation to Managing Director

The Board delegates to the Managing Director responsibility for implementing the Company's strategy and managing day to day operations. Clear lines of communication have been established between the Chairman and the Managing Director to ensure these responsibilities are understood.

Appointment of Directors

All Directors receive an induction pack on appointment which sets out the Board's responsibilities, the Director's duties and the role of the Committees.

Principle 2: Structure the board to add value

Board Independence

A Director of IOOF will be considered independent where the Director is independent of management (ie a Non-Executive Director), does not hold a substantial interest in the company and is free from any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of independent judgement. The Board has made its own assessment to determine the independence of each Director and notes that at the date of this report five of the seven Directors are independent. The Board notes the requirement of a majority of independent Directors.

Composition of Board

At the date of this report the Board comprises six Non-Executive Directors, of which five are independent, and one Executive Director (Kelaher). Mr Ian Griffiths is not considered independent as he was previously an executive with the AWM business.

A profile of each Director is set out in the Director's report. The Chairman is selected by the Board and is an independent Director. The Chairman and Managing Director have separate roles. The Chairman provides leadership to the Board and is responsible for the efficient management of the business of the Board. The Chairman is an ex-official member of each Board Committee.

The independent Non-Executive Directors are Messrs Blair, Pfeiffer, Sexton, Venardos and Ms Harvey.

Remuneration Committee

The Board established a Group Remuneration Committee, a terms of reference has been formalised which includes responsibility for nominating and recommendation of Independent Directors and the CEO ensuring that the Managing Directors and Senior Management remuneration arrangements are performance based, correspond to the prevailing market levels and are consistent with the principles for sound compensation practices; management succession planning; and approval of all short term and long term plans across the Group.

The Committee meets at a minimum four times a year and comprises Mr Blair (Chair) and Messrs Griffiths, Sexton and Venardos.

Principle 3: Promote ethical and responsible decision making

The Board has developed a Code of Conduct which is designed to ensure a high standard of corporate and individual behaviour. Directors, executives and all employees are aware of their responsibilities under the terms of their appointment or contract of employment.

The Code provides that directors and executives must act honestly, in good faith and in the best interests of the company; use due care, skill and diligence in fulfilling their duties; use the power of their position; not allow personal interests, or those of associates, to conflict with interests of the company; exercise independent judgement and maintain confidentiality. A copy of this policy is available on the company's website.

Directors, officers and employees are subject to the *Corporations Act 2001* relative to restrictions applying for, acquiring and disposing of securities of the Company if they are in possession of insider information. Directors, officers and employees are restricted from trading in the Company's securities during certain blackout periods.

In addition, directors have entered into an agreement with the Company which requires approval before trading in the company's securities and on-going disclosure to the company of any change in the director's interest in securities within three business days of the change occurring.



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Principle 4: Safeguard Integrity in financial reporting

The Board of IOOF receives regular reports about the financial condition and operational results of IOOF and its controlled entities. The Managing Director and Chief Financial Officer report in writing to the Board that the consolidated financial statements of IOOF for each half year and full year present a true and fair view, in all material respects, of the Group's financial condition and are in accordance with accounting standards.

In addition, they report on the company's risk management system (financial; strategic and operational) and the effectiveness of such a system. The Board has established an Audit Committee to provide assistance to the Board in accordance with its established Terms of Reference.

The Committee meets at least four times per year. The Committee comprises only Non-Executive Directors, with a majority of Independent Directors, and the Chairman of the committee is not the Chairman of the Board.

The principal functions of the Audit Committee are to review the half and full year financial report, review accounting policies, appoint the internal and external auditors and to ensure effectiveness of IOOF's systems of accounting, internal controls and risk management. The Board has adopted a formal policy on the provision of non audit services. The members of the Audit Committee are Ms Harvey (Chair), Messrs Griffiths and Pfeiffer.

Principle 5: Make timely and balanced disclosure

The Board is committed to keeping its shareholders and the market fully informed of major developments that may have an impact on the Company.

Procedures are in place to identify matters that are likely to have a material affect on the price of the company's securities and to ensure those matters are notified to the Australian Securities Exchange (ASX) in accordance with Listing Rule disclosure requirements.

The company has a continuous disclosure policy which is circulated to all employees. The IOOF Continuous Disclosure Policy is designed to meet best practice, ensuring all interested parties have an equal opportunity to obtain information which is issued by the Company. The Company Secretary is responsible for maintaining a register of information referred to her or the Managing Director that a Director, executive or employee queried as to being a potential item for disclosure. All disclosure is actioned as soon as advised.

The Company Secretary is responsible for all communications with the ASX. A copy of this policy is available on the company's website.

Principle 6: Respect rights of shareholders

IOOF recognises the right of shareholders to be informed of matters, in addition to those prescribed by law, which affect their investments in the company.

IOOF communicates information to shareholders through the annual report, disclosures to the ASX, ASIC and the company's website, which provides shareholder information and news about the company.

The Board encourages active participation by shareholders at any company meetings. IOOF ensures that the Company's auditors attend the annual general meetings or other meetings of the Company and shareholders are afforded the opportunity of asking the Company's auditor questions regarding the conduct and content of the audit. A shareholder may submit a question to the auditor prior to the meeting by emailing the Company Secretary.

Principle 7: Recognise and manage risk

The Board recognises that effective management of risk is an integral part of sound management and is vital to the continued growth and success of IOOF.

The Board is ultimately responsible for the oversight of the IOOF Group's risk management and control framework and has implemented a policy framework designed to ensure that the Group's risks are identified, analysed, evaluated, monitored and communicated within the organisation or to any relevant external party and that adequate controls are in place and effectively function.

In addition to the Audit Committee, the Board has established a Risk and Compliance Committee, which is responsible for reviewing all aspects of risk and compliance on behalf of the Board. The committee comprises three independent non-executive directors, members from the legal, compliance and internal audit and risk management team of the business and a representative from each operating business within the Group.

At this committee the Group Head of Risk reports to the Committee on the monitoring of risk through the business, risk reporting through the enterprise-wide framework including positive assurance. This Committee meets at least quarterly and reports to the Board.

The Managing Director and the Chief Financial Officer report in writing to the Board to the best of their knowledge and belief, that the statement given in accordance with best practice recommendation is founded on a sound system of risk management and internal compliance and control is operating efficiently and effectively in all material respects in so far as they relate to financial, strategic and operational risks.

This report confirms that the system implements the policies adopted by the Board either directly or through delegation to management and that the Company's risk management and internal compliance is operating effectively in all material respects as at the date of this report, based on the risk management model adopted by the Board.

The statements provide a reasonable, but not absolute, level of assurance and do not imply a guarantee against adverse events or more volatile outcomes arising in the future. In addition, it sets out that risk management and internal compliance and internal control systems are subject to periodic declarations by process owners and review by the Company's audit process and regulators.

The Company has established a number of other policies which include, but are not limited to, the Delegations Policy, Code of Conduct, IT Code of Conduct, Anti-Money Laundering and Counter-Terrorism Policy, Complaints and Breach Reporting Policy Risk Management Plan and Risk Management Policy, Capital Adequacy, Fit and Proper Policy.



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Principle 8: Remunerate fairly and responsibly

The remuneration policy objective of IOOF is to ensure that employee emoluments properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest quality and standard.

The level of remuneration of Directors and executives is set out in the Director's report and Notes to the Financial Report. The Board has established a Group Remuneration Committee. A review of compensation arrangements for the Managing Director and executives is conducted annually by the Committee and includes an individual's performance including responsibility for review of market rates for similar positions and the results of the Company during the period.

From time to time, the Board may source external assistance to provide advice.

This statement is dated 1 October 2009.