



28 October 2019

IOOF Corporate Governance Statement

IOOF today released its Appendix 4G which contains a link to IOOF's Corporate Governance Statement. In accordance with ASX Listing Rule 4.7.4, a copy of that Corporate Governance Statement is attached.

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About IOOF Holdings Ltd

IOOF has been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become one of the largest groups in the financial services industry.

IOOF provides advisers and their clients with the following services:

- **Financial Advice** services via our extensive network of financial advisers;
- **Portfolio & Estate Administration** for advisers, their clients and hundreds of employers in Australia; and
- **Investment Management** products that are designed to suit any investor's needs

Further information about IOOF can be found at www.ioof.com.au



IOOF

Corporate Governance Statement

The Board of Directors of IOOF Holdings Ltd (IOOF) is responsible for the governance of IOOF and its controlled entities (the Group). Key aspects of the Group's corporate governance framework, policies and practices are set out in this Statement.

28 October 2019

Introduction

Our approach to corporate governance is based on a set of values and behaviours that underpin day-to-day activities, provide transparency and fair dealing, and seek to protect stakeholder interests. The Board of Directors and management of IOOF recognise the importance of good corporate governance and are committed to maintaining the highest standards of corporate governance within the Group.

This Statement reports against the ASX Corporate Governance Principles and Recommendations, 3rd Edition (**ASX Governance Principles**). Further information regarding IOOF's compliance with the ASX Governance Principles is set out in IOOF's Appendix 4G, which is a checklist cross-referencing the ASX Governance Principles to the relevant disclosures in this Statement or other relevant documents.

Details about the ASX Governance Principles can be found on the ASX Limited (**ASX**) website www.asx.com.au

Board, Committees and oversight of management

Roles and responsibilities of the Board

The Board Charter and Delegated Authorities Policy outline the roles and responsibilities of the Board and management. Some of the key responsibilities of the Board which are exercised in consultation with the Chief Executive Officer and Managing Director (CEO) in his executive capacity, include:

- approving the strategic direction of the IOOF Group and significant corporate initiatives;
- reviewing, approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestures;
- approving the Group's annual targets and financial statements and monitoring financial performance against forecast and prior periods;
- developing and approving succession plans for the Board and key senior executives;
- monitoring the senior executive team's performance and implementation of strategy and ensuring appropriate resources are available;
- establishing, monitoring and regularly reviewing systems of internal governance compliance, risk management and control, and systems of legal compliance that govern the operations of the Group and ensuring that they are operating effectively;
- monitoring and reviewing policies and processes relating to WH&S, compliance with laws and the maintenance of high ethical standards;
- setting the values and principles which drive the Group's culture; and
- providing oversight of governance arrangements.

The following matters are expressly reserved to the Board under the terms of the Charter:

- organisation wide operational or legal restructures;
- significant business acquisitions or divestments;
- entering into incorporated joint ventures;
- wind up of significant legal entities;
- appointing and removing the CEO;
- approval of policies as required by the Board;
- matters which exceed the CEO's delegation under the Delegations Policy; and
- matters required by the Corporations Act or ASX to be undertaken by the Board.

Delegations to CEO

The Board delegates overall management of all day to day operations to the CEO. Clear lines of communication have been established between the Chairman and the CEO to ensure these responsibilities are understood. These responsibilities are specifically set out in the Board Charter, the Delegated Authorities Policy and other specific IOOF Group policies and delegations.

Appointment of Directors

The Board is responsible for the review of the Board's composition and performance. Prior to any formal appointment to the Board, the candidate will attend interviews with members of the Group Nominations Committee and undertake other processes required by the Committee. The selected candidate must complete a police check and must satisfy relevant fit and proper criteria.

All new Non-Executive Directors must stand for election by shareholders at the first Annual General Meeting (**AGM**) after their appointment and all Non-Executive Directors must then stand for re-election at the third AGM after their first election or any subsequent re-election. As the CEO's position as Managing Director is linked to an executive office, the CEO is not required to stand for election.

Before each AGM, the Board reviews the performance of each Non-Executive Director standing for election or re-election and advises shareholders if it recommends their election or re-election. The Notice of Meeting provides any material information relevant to the election or re-election of each Director.

Each appointed Director receives a letter of appointment and associated documents (including a Deed of Indemnity, a copy of the Constitution and a copy of the Directors & Officers insurance policy) setting out remuneration, power and duties as well as disclosure requirements. Before accepting the position, the Director must confirm that they have sufficient time to fulfil their obligations to the Company and provide details of their other commitments.

Induction of Directors, education and access to information

Upon appointment, all Directors receive an induction pack which sets out the Board's responsibilities, the Director's duties and the role of the Committees. In addition, newly appointed Directors are invited to participate in one-on-one sessions with each business head to understand their relevant business, organisational structure, strategy and their annual objectives.

All Directors must complete at least 10 hours of relevant education and training per annum to remain on the Board. IOOF supports the Directors with education and training by arranging in-house education facilitated by individuals with the relevant expertise. In addition, IOOF ensures that Directors can have access to any external training they require to ensure they remain fit and proper. Education provided throughout the year included FASEA updates, structural changes to the superannuation industry, digital strategy and benefits of modern technology, fraud update, political climate and developments, wealth management and the future of advice, the BEAR regime, conflicts of interest and industry remuneration framework changes.

Independence of Directors

All our Non-Executive Directors satisfy our criteria for independence, which align with the guidance provided in the ASX Governance Principles.

The Board assesses the independence of our Directors on appointment and annually. A Director of IOOF will generally be considered independent where the Director is independent of management and:

- does not hold a substantial interest in the Company and is not an officer, or otherwise associated with, a substantial shareholder of the Company;
- has not in the last three years had any material business or other relationship with the Company or its controlled entities, and has not been an officer of, or otherwise associated with, someone with such a relationship;
- does not have a material contractual relationship with the Company or its controlled entities other than as a Director;
- has not been employed in an executive capacity or been a partner, Director or senior employee of a material professional service provider of the Company or any of its controlled entities within the last three years;
- does not have close family ties with any person who falls within the categories described above; and
- has not been a Director of the Company for such a period that their independence may have been compromised.

For each of the above matters, the Board will assess the materiality of the interest, position, association or relationship to determine whether it might interfere, or might be reasonably seen to interfere, with the Director's capacity to exercise independent

judgment. The Board has made its own assessment to determine the independence of each Director and notes that at the date of this report seven of the eight Directors (being all the Non-Executive Directors) are considered independent.

Board skills matrix

The Group Nominations Committee reviews the balance of skills, experience, independence, knowledge and diversity of Directors. This involves the creation of 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.

During the year each Board member (other than Mr Venardos) completed a skills matrix. The Board was satisfied that the skills matrix results demonstrate that the Board has the appropriate skills and experience necessary to oversee the operations and governance of IOOF. The following table summarises the board skills matrix and the skills and experience of the Directors (including Mr Andrew Bloore and Ms Michelle Somerville, who were appointed to the Board on 2 September and 1 October 2019 respectively).

Skills and experience	No of Directors
Threshold capabilities	
Honesty and integrity	7
A proven track record of creating value for shareholders	7
Time available to commit to the responsibilities	7
A preparedness to question, challenge and critique	7
A willingness to understand and commit to the highest standards of governance	7
Industry	
Superannuation	7
Financial planning	4
Funds management	7
Trustee	7
Mergers and Acquisitions	7
Responsible Entity	7
Insurance	7
Operations	7
Human Resources	7
Influencer and negotiator	7
Crisis management	7
Strategic alignment	
Strategic thinking	7
Strategic initiatives:	
• Access to capital and strategic funding options	7

• Reporting and optimisation	7
• Customer intimacy	7
Technical	
Accounting and tax	5
Financial reporting literacy	7
Audit	5
Business management	6
Stakeholder engagement	5
Legal	1
Education	7
Governance	
Regulators	7
Policy development	7
Audit expertise	5
Risk and compliance expertise	7
Information Technology	5
Executive management	5
Commercial experience	7

The Board undertook an external assessment in the 2017 year, established a plan to assist in ensuring continual improvement to the information provided to, and the business of, the Board, as well as the training and education undertaken by the Board. That plan continued to be actioned last year and the Board again undertook an external assessment in late 2018, with further detail on the Board assessment process set out below.

Chairman

The Board elects one of the independent Non-Executive Directors as Chairman. The current Chairman is Mr Allan Griffiths and his role includes:

- chairing Board meetings and shareholder meetings and facilitating discussion within each meeting;
- representing the views of the Board and the Company to shareholders and the public and ensuring the Board understands the views of major shareholders;
- reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board;
- overseeing the implementation of policies and systems for Board performance review and renewal;
- promoting constructive relations between Board members and between the Board and management;
- working with the CEO to develop corporate strategies and key strategic initiatives as well as identifying any material business risks faced by the Group; and
- ensuring the Board is provided with sufficient information relating to the Group's operations and strategies to assist the Board in discharging its duties.

Company Secretary

The Company Secretary is responsible for the operation and management of the company secretariat function.

The Company Secretary has a dual reporting line to the CEO and the Chairman (on behalf of the Board) with respect to the proper functioning of the Board. Each member of the Board has access to the Company Secretary.

The appointment and removal of the Company Secretary is determined by the Board.

Board and Board Committee Membership

Director	Director since	Status	Group Audit Committee	Group Risk & Compliance Committee	Group Remuneration Committee	Group Nominations Committee
Mr Allan Griffiths	July 2014	Non-Executive Director and Chairman, independent	Member		Member	Chair
Mr Renato Mota	June 2019	Chief Executive Officer and Managing Director				
Ms Jane Harvey	October 2005	Non-Executive Director, independent	Chair	Member	Chair	Member
Ms Elizabeth Flynn	September 2015	Non-Executive Director, independent		Chair	Member	
Mr John Selak	October 2016	Non-Executive Director, independent	Member	Member	Member	Member
Mr Andrew Bloore	September 2019	Non-Executive Director, independent	Member	Member	Member	
Ms Michelle Somerville	October 2019	Non-Executive Director, independent	Member	Member		
Mr George Venardos	April 2009	Non-Executive Director, independent	On leave as announced to the ASX on 10 December 2018			

Delegation of authorities to Board Committees

The Constitution enables the Board to delegate certain functions to Committees and management. The roles and responsibilities delegated to the Board Committees are captured in the Terms of Reference of each of the established Committees.

Board Committee members are chosen for the skills and experience that they can contribute to the respective Board Committees. Members and their qualifications are set out in the 2019 Directors' Report.

Group Remuneration Committee

The Board has established a Group Remuneration Committee. The Terms of Reference give the Committee responsibility for:

- ensuring that the CEO and senior executive remuneration arrangements are performance based and correspond to the prevailing market levels; and
- ensuring succession planning is in place and approving all short term and long term incentive plans across the IOOF group.

Further detail on our remuneration approach is set out below.

Group Nominations Committee

The Board has established a Group Nominations Committee. The Terms of Reference give the Committee responsibility for:

- nominating, assessing and recommending candidates for directorships and the CEO role, which may include initiating a search to be undertaken by an independent third party;
- ensuring appropriate checks are carried out on candidates which include experience, skills, character, education, qualifications and criminal record;
- assessing the Board skills matrix to determine that it includes the skills required to discharge effectively and competently the Board's duties;
- reviewing the size, structure and composition of the Board, including the mix of skills, experience, expertise and diversity having regard to the Board's skills matrix.

Group Audit Committee

The Board has established a Group Audit Committee to provide assistance to the Board in accordance with established Terms of Reference (see page 9 for additional information).

Group Risk and Compliance Committee

The Board has established a Group Risk & Compliance Committee, which is responsible for reviewing all aspects of risk and compliance on behalf of the Board (see page 10 for additional information).

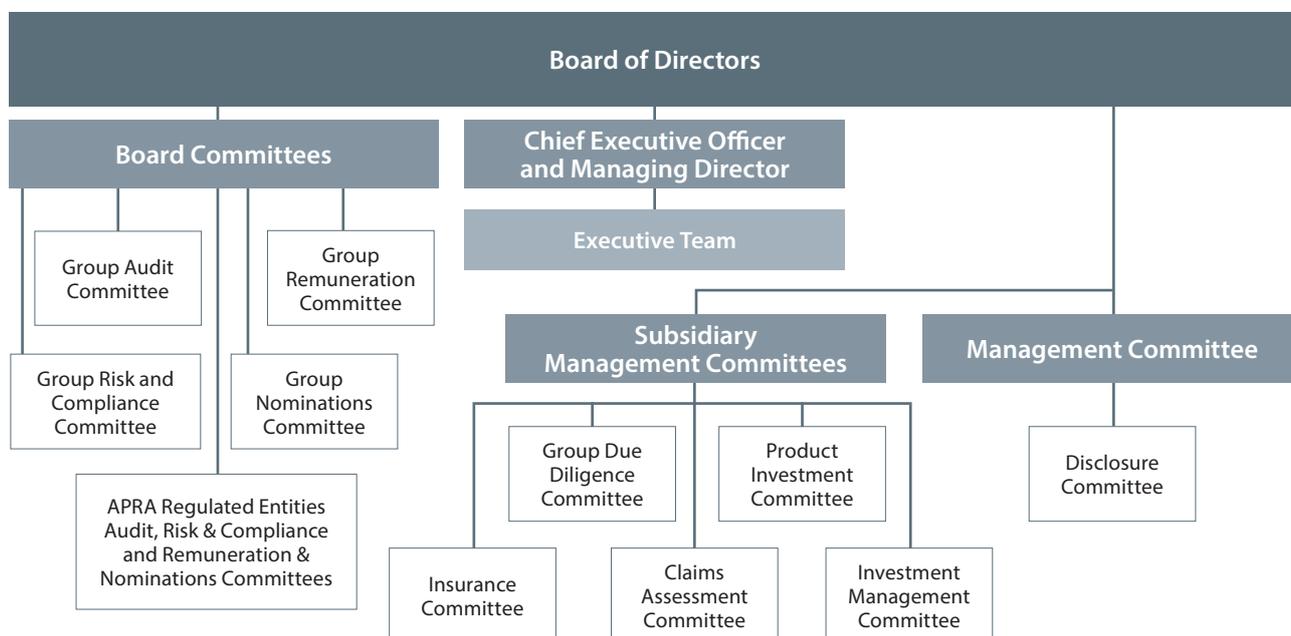
APRA Regulated Entity (ARE) Committees

The Boards of each of IOOF's ARE subsidiaries (IOOF Investment Management Limited, Australian Executor Trustees Limited and IOOF Limited) have established separate Board Audit and Risk & Compliance Committees (including separate committees for Registrable Superannuation Entity capacities and other capacities) and an ARE Remuneration and Nominations Committee.

Management Committees

The Board has established a number of management committees. Each of these Committees has a formal Terms of Reference. The minutes of each of the Committee meetings are provided to the relevant group board for noting.

Board and Committee Structure



Performance

Board, Board Committees and Directors

The performance of the Board, Committees and Directors is reviewed annually either through an internal process or an independent third party.

In 2017, the Board and all Board Committees conducted a skills and performance evaluation by way of an external assessment carried out by an independent third party. The Board performance review included evaluation to determine the effectiveness and composition of the Board; identify gaps in skills, experience and expertise; consider the operation and business of the Board and information provided to it; determine whether the Board is managing shareholder and stakeholder expectations and whether the Non-Executive Directors remain independent. Action items from that review were implemented and the Board conducted a further external evaluation of performance at the end of 2018, with further actions incorporated into its continuous improvement approach.

Management

The Board, in conjunction with the Group Remuneration Committee, is responsible for approving the performance objectives and measures for the CEO and other senior executives and providing input into the evaluation of performance against these objectives. The Group Risk & Compliance Committee also refers to the Group Remuneration Committee any matters that it may consider appropriate with respect to remuneration policy or practices.

Management performance evaluations for the financial year ended 30 June 2019 were conducted following the end of the financial year.

There is further discussion on performance objectives and performance achieved in the Remuneration Report.

Ethical and responsible decision making

The IOOF Group is committed to the highest standards of conduct and ethical behaviour in all our business activities, and to promoting and supporting a culture of honest and ethical behaviours, corporate compliance and good corporate governance.

Code of Conduct

The Board has adopted a Code of Conduct which is reviewed annually and applies to all Directors, officers, employees, contractors and consultants within the IOOF Group and is designed to ensure a high standard of honest and ethical corporate and individual behaviour. Each employee is required to read and accept the Code of Conduct as part of their induction and provide annual confirmation of its terms.

The IOOF Values that underpin the Code include:

- **Commitment** – We do what we say we will do. We persevere in the face of challenges.
- **Excellence** – We search for ways to improve. We strive to exceed expectations.
- **Empathy** – We listen, we feel, and we care. We treat each other with respect.
- **Trust** – We act honestly, openly and reliably. We nurture positive working relationships.

Our Code is an undertaking from all our people outlining the standards and values we have agreed to adopt. As we work in our day-to-day roles and deliver on our advice-led strategy, we all play a vital role in upholding the standards of the Code for our clients, the community and each other.

The Code of Conduct adopts various Group policies and associated practices including Breach and Incident Policy, Bullying and Harassment Policy, Confidentiality Undertaking, Conflict of Interest Management Framework Policy, Conflict of Interest Management Framework Procedures and Guidelines, Drug and Alcohol Policy, Equal Employment Opportunity Policy, Fraud Policy, Internal Social Media Policy, IT Code of Conduct, IT Acceptable Use Policy, Workplace Health & Safety and Whistleblower Policy. The Code of Conduct is reviewed annually by the Board and is available on our website.

Securities Trading

Under the IOOF Group Policy – Personal Trading in IOOF Holdings Limited Securities (**Group Trading Policy**) Directors, employees and certain associates of those persons are restricted from dealing in securities of IOOF if they are in possession of inside information. The Policy aims to balance the personal investment interests of IOOF staff with the responsibilities and interests of IOOF, its shareholders and the market by ensuring that all personal trading and investing activities are lawfully and properly conducted.

The Policy also prohibits Directors, employees and certain restricted persons from trading in IOOF securities during 'blackout periods' as defined in the Policy. The Policy also provides for some exceptional circumstances where trading may be permitted during a prohibited period with prior written approval.

Directors have entered into an agreement with the Company which requires approval before trading in the Company's securities as well as ongoing disclosure to the Company of any change in the Director's interest in securities within three business days of the change occurring. Certain restricted employees are also required to obtain consent before conducting any trading in IOOF securities.

The Policy also prohibits employees and their associates from engaging in trading in IOOF shares where the trading is likely to be considered short-term, speculative or excessive. It also

prohibits employees from hedging interests that have been granted under any IOOF employee share plan that are either unvested or subject to a holding lock. Any staff margin lending arrangements over IOOF shares are required to be notified to the Company Secretary.

A copy of this Policy is available on our website.

The IOOF Group also has other trading policies which govern the personal trading activities of certain staff who are part of a broking business of the Group or may have access to inside information about funds, companies and business which have been obtained during the course of their employment and is not otherwise publicly available. These policies include the Research Division Trading Policy, the Investment Division Trading Policy, Shadforth Trading Policy and Bridges Trading Policy.

Whistleblower Protection

Under the IOOF Whistleblower Policy, employees (and other eligible whistleblowers) are encouraged to raise any concerns and report instances of misconduct or dishonest or illegal activity. IOOF is committed to absolute confidentiality and fairness in all matters raised under the Policy and whistleblowers will not be personally disadvantaged in their employment by having made a report in accordance with the Policy. A whistleblower may elect to report anonymously.

The Policy outlines the channels for reporting internally or externally to the Whistleblower Hotline. A whistleblower may report to the IOOF Whistleblower Protection Officer (WPO), who is appointed to safeguard the interests of Whistleblowers, so they feel free to report without fear of retaliatory action. The WPO will provide reports of any Whistleblower notifications to the Chair of the Group Risk & Compliance Committee (and any other relevant Risk & Compliance Committees). The IOOF Whistleblower Investigation Officer (WIO) will work with an investigations team to review, assess and prepare a findings report on all Whistleblower Reports. The WPO and the WIO will work independently of each other and each will be provided direct and unrestricted access to financial, legal and operational assistance when this is required for an investigation.

Once an investigation has been completed, the Company Secretary and Group General Counsel will review the findings before making a determination in their final report about the appropriate course of action to be taken. The final report is provided to the Chair of the Group Audit Committee, Chair of the Group Risk & Compliance Committee (and any other relevant Risk & Compliance Committees) and the CEO (who will provide the final report to the relevant Board(s) and senior managers).

Diversity and Inclusion

IOOF has a Diversity and Inclusion Plan that sets out the diversity and inclusion initiatives for the IOOF Group. In this context, diversity and inclusion considers gender, age and life stages, ethnicity, race, sexual orientation, physical abilities, religious beliefs and other beliefs. It also extends to differences

surrounding socio economic or educational background, marital status, mental health, family responsibilities and addressing matters of domestic violence.

The current Diversity and Inclusion Plan supports a number of initiatives that focus on financial education, flexible working, parental leave, mental health, being active in the community and leadership capability. IOOF has also developed a policy specifically to address Domestic and Family Violence.

At IOOF we support our leaders to uplift their capability and foster an inclusive environment where:

- They can contribute to our strategic direction through their day to day work and supporting initiatives.
- They can benefit from effective recruitment processes to support a diverse and talented workforce.
- They can meet key responsibilities through flexible work practices.
- They have access to learning and mentoring to support engagement and career development.
- They have the confidence and support to address mental health challenges.
- They are proud of our culture and community efforts through our on-going commitment to our Reconciliation Action Plan and IOOF Foundation.

IOOF understands that leaders and teams need to value the diversity of talents, experiences, and identities that employees bring. IOOF does not tolerate any non-inclusive behaviour. Empathy is a key IOOF Value ie we listen, we feel, we care and we treat each other with respect.

IOOF's plan to manage diversity and inclusion includes facilitating equal employment opportunities based on relative ability, performance or potential and continuing to grow our workforce through multicultural diversity.

The table below sets out the number of women in board, executive and senior management positions and shows a steady increase in the representation of our women in senior positions:

Group	Sep 16	Sep 17	Sep 18*	Oct 19
Women in executive/Board positions	4	4	4	6
Women in senior management	15	19	29	29

* September 18 – adjustment based on revised reporting level criteria

The Diversity and Inclusion Committee continues to support programs important to the employees of IOOF. These include increasing the number of female employees in senior management positions and promoting culture wellness and educational initiatives across the Group.

The Board approved a Diversity and Inclusion Plan which is available on our website.

Environmental, Social & Governance practices

IOOF views sustainable and responsible environmental, social and governance (ESG) business practices as important for our business and for the communities in which we operate. ESG is about managing risks and opportunities in a way that balances the long-term needs of stakeholders, including customers, employees, shareholders, suppliers, the community and the environment.

IOOF views ESG practices as the decision-making and implementation processes that guide all of IOOF's activities, support our employees and determine company policies; including our environmental policies. We strongly believe that our ethical values, engaging culture and reputation are key factors to our continued success.

Responsible Investment

Our multi-manager investment management offering ensures ESG factors are considered by underlying investment managers in their investment decision-making processes in order to protect and manage investments for the long term.

In 2018, we developed a Responsible Investing Statement of Principles, with approval and commencement of the implementation of the principles having commenced in 2019. We undertook a process to review our approaches to the measurement and scoring of portfolios against the Responsible Investing Statement of Principles and are rolling out an investment database system called Factset capturing individual security holdings of our investment managers, which once complete (expected in FY 2020) will assist us in monitoring exposure to ESG sensitive sectors and ultimately score funds on carbon exposure and other dimensions of Responsible Investing.

This year we also modified our Investment Management Agreements with external fund managers to exclude tobacco, with a plan to the end of September 2019 for managers to transition tobacco manufacturing companies out of our portfolios. Our Responsible Investing Statement of Principles allows for the exclusion of individual companies or sectors where the principle of engagement is unlikely to be successful in achieving Responsible Investing objectives. Notwithstanding that our investment in tobacco products was already very low, we felt that engagement with management of tobacco manufacturers was unlikely to result in reducing long term investment risks specific to this sector that may reasonably be expected to emerge, due to high proportion of total revenue generated by tobacco companies through the sale of tobacco products. Our tobacco holdings have now been divested.

We recognise that it is appropriate to continually develop our approach to providing information about how companies are managing ESG risks. This year we improved our level of ESG reporting, as assessed by the Australian Council of Superannuation Investors (ACSI). According to ACSI, IOOF's

ESG reporting is now higher than the sector average. We are mindful that reporting standards and expectations will continue to rise and are committed to maintaining our progress. We have also begun preparing to meet the reporting requirements under the new Modern Slavery Act and will be commencing a review of our exposure to modern slavery risk, including in our supply chains.

Climate change and the environment

Climate change presents significant challenges for society and generates both risks and opportunities for IOOF's business and stakeholders. In September 2018, IOOF announced its support for the Taskforce for Climate-Related Financial Disclosure (TCFD) recommendations. The TCFD recommendations are designed to solicit consistent, decision-useful, forward-looking information on the material financial impacts of climate-related risks and opportunities, including those related to the global transition to a lower-carbon economy. As a leading provider of wealth management solutions, this will ultimately help us better understand climate-related issues and how they can impact investment decisions.

As a diversified financial services company, we seek to minimise our impact on the environment through a range of waste, energy and emission-reduction activities.

During 2017 and 2018 we completed significant projects to consolidate our property footprint, which better enables us to monitor and manage our environmental impact.

We also continue to seek better ways to minimise our environmental impact, including:

- Working with contractors, landlords and service providers to increase waste recycling.
- Reducing non-essential air travel.
- Encouraging employee work practices that reduce environmental impacts.

Detailed information can be found in our ESG report within our 2019 Annual Report.

The IOOF Foundation

At IOOF we are dedicated to making an ongoing positive contribution to the communities in which we live. Through our IOOF Foundation, we have donated more than \$14 million to community groups across Australia since 2001. We invest in initiatives that improve quality of life and help others achieve their potential to meaningfully participate in the community. Our focus areas include progressive neurological diseases, supporting basic needs for disadvantaged families and education programs supporting today's youth. Underpinning all these initiatives is the focus on mental health funding programs that focus on early intervention and prevention.

Detailed information can be found in our ESG report within our 2019 Annual Report.

Our people

Our people are our most important asset. Our success depends on them.

We are committed to attracting and retaining the best talent. We recognise the value of diversity and embrace an inclusive culture where people from diverse backgrounds, with different skills, knowledge and experiences can develop their unique talents.

Equipping our people with the right tools, knowledge and development opportunities is an investment we make for our future success. IOOF provides a number of initiatives to support all of our people, including career and development planning, learning opportunities, and commitment to financial study support. In addition, we offer a range of programs and services to support the wellbeing of all employees, including support to achieve an appropriate balance between work and family.

Further information can be found in our ESG report within our 2019 Annual Report.

Financial reporting

The Board has a strong commitment to the integrity and quality of its financial reporting and its systems for risk management, compliance and internal control. The Board of IOOF receives regular reports about the financial condition and operational performance of IOOF and its controlled entities. The CEO and Chief Financial Officer report in writing to the Board that the consolidated financial statements of IOOF and each of the subsidiaries 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 Group's risk management system (financial, strategic and operational) and its effectiveness.

Group Audit Committee

The Board has established a Group Audit Committee to provide assistance to the Board in accordance with established Terms of Reference. The Committee provides a review of the financial reporting and risk management framework, and assists the Board in carrying out its accounting, auditing, risk management, regulatory, compliance and financial reporting requirement.

The primary objectives of the Committee are to:

- review the integrity of the Group's financial reports;
- oversee the auditors' independence and recommend the appointment of internal and external auditors;
- oversee that there is a sound system of risk management, compliance and internal control framework relating to IOOF's financial risks.

The Committee comprises four independent Non-Executive Directors. The Chair of the Committee is not the Chair of the Board. All Audit Committee members have appropriate financial experience, an understanding of the financial services industry and satisfy the independence requirements under the ASX Governance Principles.

External auditor

The role of the external auditor is to provide an independent opinion that the financial reports are true and fair, and comply with applicable regulations.

Our external auditor is KPMG. The external auditor receives all Group Audit Committee and Group Risk & Compliance Committee papers, attends all meetings of these Committees and is available to Committee members at any time. The external auditor attends the AGM to answer questions from shareholders regarding the conduct of its audit, the audit report and financial statements and its independence.

KPMG is required to confirm its independence and compliance with independence standards. In order to ensure this independence, the roles of lead audit partner and review audit partner must be rotated every five years and cannot be resumed by the same person for a minimum of five years.

The Board has also adopted a formal policy on the provision of non-audit services from any audit firm engaged.

Internal audit

The internal audit function is carried out by PricewaterhouseCoopers (**PwC**). The internal audit function is governed by a Charter which is reviewed by the Group Audit Committee and approved by the Board. The Charter sets out the purpose, role and scope of the function.

The scope of responsibility of internal audit is to determine whether the organisation's network of risk management, control and governance processes are adequate and functioning. Internal audit reports administratively to the CFO and functionally Internal Audit has direct reporting lines to the Chair of the Group Audit Committee. The internal audit plan is also reviewed by the ARE Audit Committees, which also review internal audit reports.

Internal Audit has authority to audit all parts of the IOOF Group that are majority owned and has full and complete access to any of the organisation's records, physical properties and personnel relevant to the performance of an internal audit.

Each year the Board approves an internal audit plan and the findings of these reviews are presented to the Group Audit Committee, Group Risk & Compliance Committee, ARE Audit Committees, ARE Risk & Compliance Committees and other relevant personnel within the IOOF Group.

Market and shareholder communication

Market disclosure

The Board is committed to keeping its shareholders and the market fully informed of material developments that may have an impact on the Group. In line with this commitment, IOOF maintains a Disclosure and Communications Policy which governs how we communicate with shareholders and the investment community.

The Policy is designed to ensure compliance with IOOF's requirements under the ASX Listing Rules and the Corporations Act. Procedures are in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure matters that are notified to the ASX are factual and made in a timely manner in accordance with the ASX Listing Rule requirements. Processes for engagement with analysts and investors are also detailed in the Policy. Once relevant information is disclosed to the market, it is also published on the IOOF website.

The Board is supported by a management Disclosure Committee which is responsible for considering potentially market sensitive information, and monitoring IOOF's disclosure processes and reporting framework. The Terms of Reference for the Disclosure Committee are available on the IOOF website.

The Company Secretary has been nominated as the person responsible for all communications with the ASX.

Information about IOOF and its governance framework

IOOF recognises the right of shareholders to receive effective communication ensuring shareholders are informed of all necessary information to fully assess the performance of the Group. IOOF communicates shareholder information about the Group through its annual report, disclosures to the ASX, at the AGM and via the IOOF website. In addition, shareholders have the opportunity to receive relevant documentation electronically via the Company's Registry and can communicate with IOOF via email.

The Board encourages active participation by shareholders at any company meetings. The Board encourages shareholders to attend the AGM and take the opportunity to ask questions of the Board. The meeting is held in Melbourne. The external auditor attends the AGM and is available to answer any questions relevant to the audit report.

The Board ensures that the Notice of Meeting and Explanatory Notes are clear and concise and provides shareholders with all necessary information in order for them to make an informed decision when voting. The Notice of Meeting provides shareholders with information on the business to be considered, including information relevant to the election or re-election of Directors. These materials, together with any presentations made at the AGM as well as the voting results, are released on the ASX.

Shareholders may appoint proxies and lodge proxy instructions for items of business to be considered at general meetings.

Investor relations program

IOOF has a scheduled program of regular disclosures to the ASX on its financial results. IOOF also hosts strategy briefings, meetings, telephone calls and webcasts for institutional and retail investors, analysts and financial media to give further information on the business, in addition to the half year and full year results.

Advance notice of investor and analyst briefings is announced via the ASX and a copy of the presentations are also made available on the ASX and IOOF websites. In all subsequent communications with investors, analysts and media, only publicly available information or information which is not market sensitive is discussed.

Risk management

Roles and responsibilities

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 framework. The Board has implemented a 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 and mitigation processes are in place and function effectively.

In addition to the Group Audit Committee, the Board has established a Group Risk & Compliance Committee which is responsible for:

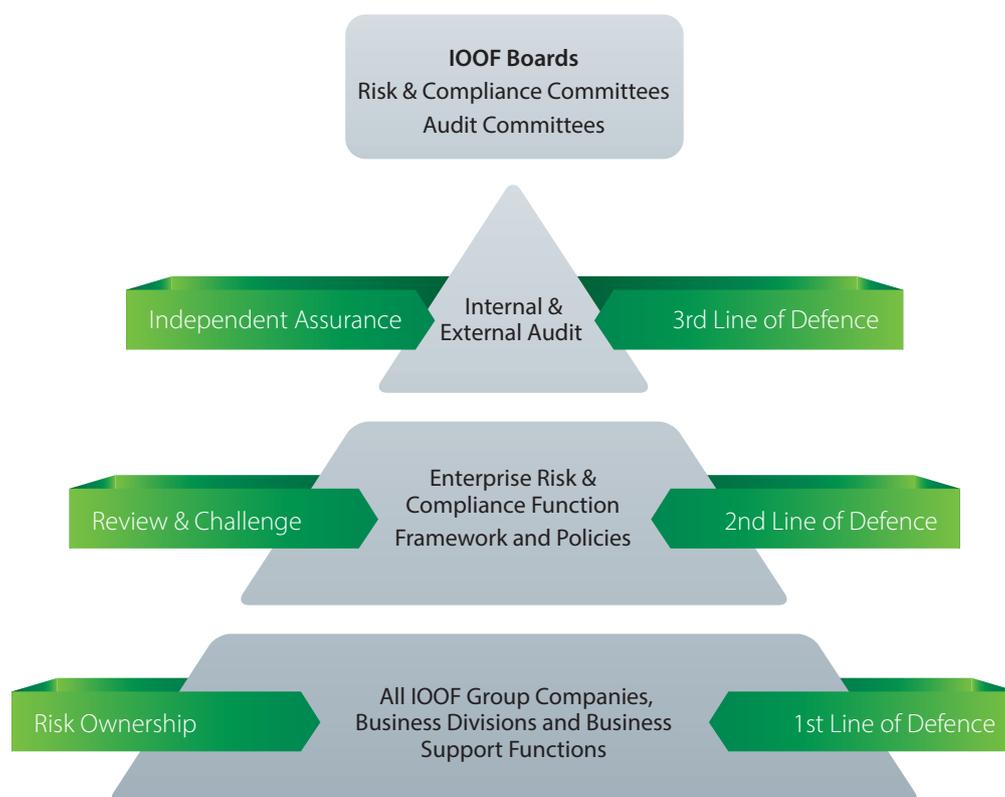
- monitoring compliance with regulatory obligations;
- monitoring internal and external service providers;
- supervising the compliance management framework and the risk management framework;
- fostering an appropriate compliance and risk culture;
- commissioning and reviewing compliance and risk reviews.

The Group Risk & Compliance Committee comprises five independent Non-Executive Directors and is attended by representatives from the Legal and Enterprise Risk & Compliance divisions, Internal and External Audit as well as representatives from each operating business within the Group. The Chief Risk Officer and the Enterprise Risk & Compliance team report to the Committee on the monitoring of risk through the enterprise-wide framework including, where appropriate, positive assurance.

The Committee meets regularly and reports to the Board and provides minutes of Committee meetings and relevant reports to the Group Audit Committee.

Risk management framework

IOOF adopts a Three Lines of Defence Model to govern risk management activities across the organisation. The model is represented as follows:



First Line of Defence – Business Ownership

The first line of defence is business line management and employees, which means that business units are accountable for identifying, managing and owning the risks inherent in the products, services, activities, processes and systems for which they are responsible.

Second Line of Defence – Independent Risk & Compliance Function

The second line of defence is the independent Risk & Compliance function comprising the Chief Risk Officer and the Enterprise Risk & Compliance Team.

The second line of defence is responsible for the design, maintenance and ongoing development of the Risk Management Framework and to support the first line in its risk management responsibilities by providing risk insight and advice, training, and performing oversight. Oversight includes assessing the use and adequacy of frameworks, systems, processes, and behaviours to form a view of how well risk and compliance is being managed across the Group.

Third Line of Defence – Independent Review

Internal and external audit provide a third line of independence and oversight over both the second line and first line activities. This oversight may include other independent reviews commissioned by the Board.

Board and Committees

The Board and Committees are responsible for:

- an effective governance structure;
- oversight of the Risk Management Framework;
- review and approval of the Risk Management Strategies;
- setting risk appetite for each risk category;
- oversight of the Group Risk Profile; and
- promoting a sound risk culture.

The Board has determined there to be eight material risk categories:

- **strategic** – the execution of a strategic plan and/or changes within the external environment;
- **governance** – management practices, communication and delegation;
- **reputation** – negative brand perception on the part of customers, counterparties, shareholders, investors or regulators that can adversely affect the ability to maintain existing, or establish new business relationships;
- **conduct** – the failure of our frameworks, product design or practices to prevent inappropriate, unethical or unlawful conduct (either by negligence or deliberate actions) or conduct that is not aligned to our purpose or within our risk appetite;

- **financial** – achieving desired financial performance and strength;
- **investment** – achieving investment objectives and investment performance;
- **operational** – losses resulting from inadequate or failed internal processes, people, systems or from external events; and
- **legal/compliance** – regulatory or legal compliance and action, disputes, contractual performance or non-performance and internal breaches.

The CEO and the Chief Financial Officer report to the Board that to the best of their knowledge the financial reporting assurances given under section 295A Corporations Act are founded on a sound system of risk management and internal compliance and control which 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 which implements the policies adopted by the Board either directly or through delegation to management, and the Group's risk management and internal compliance are operating effectively in all material respects as at the date of the report, based on the risk management model adopted by the Board. The statement provides a reasonable, but not absolute, level of assurance and does not imply a guarantee against adverse events or more volatile outcomes arising in the future. In addition, the report sets out that the risk management and internal compliance and internal control systems are subject to periodic declaration by process owners and review through the Group's internal audit process and by regulators.

Material Exposure to Economic, Environmental and Social Sustainability Risks

There are a number of material business risks that could adversely affect the Group and the achievement of the Group's financial performance objectives. These risks and how they are managed are described on pages 38 to 41 of the 2019 Annual Report.

The Board does not believe it has any material exposure to environmental and social sustainability risk. The Board is responsible for setting the Company's risk appetite and ensures that it reviews the Group risk profile for the business on a quarterly basis.

Remuneration

The remuneration policy for the Board and remuneration of each Director and senior executive is set out in the Remuneration Report. Information in relation to IOOF's remuneration framework can be found in the Remuneration Report.

The Board has also established the Group Remuneration Committee. The Committee's responsibilities are set out in the Terms of Reference which are available on the IOOF website.

The responsibilities of the Committee in relation to remuneration matters include (but are not limited to) developing, reviewing and making recommendations to the Board on:

- the remuneration framework for Non-Executive Directors, the CEO and other senior executives or other persons who may, in the opinion of the Committee, affect the financial soundness of IOOF;
- the Remuneration Policy, any changes to the Policy and the implementation of the Policy (including any shareholder approvals required) as well as assessing the Policy's effectiveness and compliance with APRA Prudential Standards;
- the remuneration of categories of persons covered by the Remuneration Policy;
- the total remuneration packages for the CEO and senior executives, any changes to remuneration packages and as part of the annual review process proposed rewards after performance evaluation procedures.

The Board may engage an external independent consultant to provide market data and to provide advice in relation to levels of remuneration and suitable short or long-term incentive arrangements. The Remuneration Committee consists of five Non-Executive Directors and is chaired by an independent Non-Executive Director, who is not the Chairman of the Board.