

IOOF HOLDINGS LIMITED

REMUNERATION AND NOMINATIONS COMMITTEE

TERMS OF REFERENCE

Purpose

The Board of IOOF Holdings Limited has established a Remuneration and Nominations Committee (“Committee”).

It is noted that the Committee is a sub-committee of the Board. The Committee has no decision making powers except where expressly provided by the Board. The Committee role is to make recommendations to the Board.

This Committee accords with the ASX “Principles of Good Corporate Governance and Best Practice Recommendations” and consideration of the APRA “Prudential Practice Guide – PPG 511 – Remuneration” and:

- Provides an efficient mechanism for focusing the company on appropriate remuneration policies which are designed to meet the needs of the company and to enhance corporate and individual performance; and
- Enables independent evaluation of the Board’s structure, composition and necessary competencies.

1. Constitution

1.1 Provisions of IOOF’s Constitution relating to meetings and proceedings and quorum of directors shall, so far as not altered by these Terms of Reference, apply to the Committee.

2. Functions and Objectives

2.1 The primary function and objective of the Committee is to assist and advise the Board in relation to:

- Recommend suitable remuneration arrangements that enable the Group to continue to attract and retain high caliber non-Executive Directors. These arrangements will aim to link rewards to corporate and individual performance.
- Ensure that the Professional Indemnity and Liability insurance policies provide satisfactory cover for non-Executive Directors.
- Ensure that the Managing Director’s (MD) and Senior Management’s remuneration arrangements are performance based, correspond to prevailing market levels, and that suitable termination policies are in place for all Senior Managers.
- Ensure remuneration arrangements for the Managing Director and Senior Management are consistent with the Principles for Sound Compensation Practices (refer **Annexure A**).

- Progressively enhance and improve the relationship between compensation and quality of performance throughout the organization, the value to the Group of the outcomes of the Committee's work, and the transparency and effectiveness of adopted processes.
- Nominate for Group Board appointment Directors who possess high levels of proven competence, independence and integrity; whose age, experience and skills complement and balance those of existing Directors and whose prospective contribution in the Boardroom is expected to further the progress of the Group.
- Ensure that a sustainable Management Succession Plan is in place.
- Ensures sustainable quality of Board appointments, the value to the Group of planned outcomes from the Committee's work, and the transparency and effectiveness of adopted processes.

3. Membership

- 3.1 The Board will annually confirm the membership and chairmanship of the Committee, which shall be comprised of a minimum of three suitably qualified Non-Executive Directors and the MD.
- 3.2 New Committee members will undertake an orientation process to enable them to understand their role and responsibilities. Ongoing training will be provided as required.
- 3.3 Election and removal of members by the Board will be by majority vote of the Board.
- 3.4 The Committee will be chaired by a Non-Executive Director.

4. Secretarial and Meetings

- 4.1 The Committee will meet at least four times each year and at other times, as and when the need arises.
- 4.2 In addition, the Committee Chairman can call a meeting of the Committee at his/her discretion or if requested to do so by any Committee member.
- 4.3 Any Non-Executive Director of the Board may attend a meeting, by providing reasonable notice to the Committee Chairman (on a non-remunerated basis).
- 4.4 Reasonable notice of meetings and the business to be conducted will be given to members, along with briefing materials.
- 4.5 The quorum for any Committee meeting is two Non-Executive Directors and normal Committee voting procedures apply.

- 4.6 The Secretary to the Board will also act as Secretary to the Committee. The Secretary is responsible for circulating the meeting agenda and supporting material to all Committee members and any other person advised by the Chairman. The Secretary will also prepare minutes of each meeting. Normal Committee distribution requirements for minutes, agendas and supporting material will apply.

5. General Scope and Authority

Remuneration for Directors and Key Executives

- Review published reports from competitors, independent compensation surveys and engage independent remuneration consultants periodically to check and make recommendations regarding the overall compensation arrangements for the non-Executive Directors and Key Executives of the firm.
- Ensure that payment of the equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.
- Review periodically the policy regarding desirable maximum length of service, and formulate associated retirement benefit policy to encourage corporate renewal and regeneration of ideas and skills at Board level.

Managing Director's LTI and STI

- Review and discuss with the MD his annual Long and Short Term performance target and apply these with the help of external independent expert advisers as a basis for designing a performance based incentive package.
- Review independent sources of information regarding the prevailing levels of compensation for MD's in financial operations of a similar size and level of operation to evaluate the total guaranteed compensation and bonus incentives related to STIs and LTIs.
- Measure actual annual performances across a range of targets by using audited results and other measurable qualitative and quantitative outcomes at the end of each fiscal period in order to assess the extent to which the MD merits bonus payments in accordance with pre-determined agreed KPIs.

Senior Management's LTI and STI Performance Appraisals

- Review and recommend to the Board policies and processes for compensating Senior Management by way of performance based packages comparable to that created for the MD, taking into consideration any recommendations of the MD on these matters.

- The Committee may seek input from other individuals on remuneration policies as it deems appropriate.
- Review and recommend to the Board changes to recruitment, retention and termination/retirement policies for Senior Management.
- Review and recommend to the Board changes to incentive arrangements for Senior Management.
- Review and recommend to the Board changes to Superannuation policy for Senior Management.

Nomination

- When a Board vacancy arises, confirm the specific criteria for Board membership, including the necessary and desired competencies.
- Undertake a search to identify specific individuals for nomination and discussion within the Group Chairman.
- The Group Chairman to present proposals for nomination to the Board for discussion.
- Review and approve the induction and orientation program for new Directors, prepared by the Company Secretary.

Assist the Chairman in Establishing a Process for the Group Board's Self-Appraisal

- Set criteria (such as Key Result Areas and Key Performance Indicators) for the Board's performance (individually and collectively).
- Set the timeline for each annual self assessment.
- Review self-assessments and determine which directors should be considered for appointment, re-election or removal (the Corporations Act and ASX Listing Rules cover this in some detail).

MD Reward and Compensation Arrangements

- Review and approve the MD's short and long term quantitative and qualitative targets.
- Evaluate the MD's progress towards the achievement of these targets periodically and at least annually.
- Discuss the MD's performance with The Board's non-Executive Directors annually at the Special Meeting of non-Executive Directors.

Management Succession Plan

- Ongoing assessment of competencies and plans for enhancing these competencies.
- Assessment of the required balance of skills, experience and expertise, together with the appropriateness of the Board size.
- Review and approve the Senior Management Succession Plan at least annually to ensure that the skills and experience are available to carry the business forward into the future, and to ensure that key staff are covered in the event of unforeseen departures.

Any other Responsibilities Assigned by the Board

- The Board may identify and assign other responsibilities to the Committee from time to time.
- Such other responsibilities may be ongoing matters or of a one-off nature.

6. Reporting

The Chairman of the Committee will report material findings and recommendations to the Board after each Committee meeting. The minutes of all Committee meetings will be circulated by the Secretary to members of the Board.

The Chairman of the Committee will submit an annual report to the Board summarizing the Committee's activities, findings, recommendations and results for the past year.

The Committee will formally review Terms of Reference annually and confirm to the Board the appropriateness of those Terms of Reference. Where changes are required, these will be recommended to the Board for approval.

7. External Resources Required

- The Committee shall ensure that it has sufficient information to enable informed decision making. As a matter of policy, access, if and when required, to independent recruitment specialists when seeking new Directors, independent compensation consultants and other appropriate advisers, together with independent personnel specialists on specific matters relating to such subjects as Board evaluation, long and short term incentive packaging for Senior Management, and independent skill evaluation, shall be available at the expense of the company.
- Published surveys of Board compensation and recruitment details.
- The Committee shall have the sole authority to retain and/or terminate any independent specialists that it determines are required. The Committee may

delegate its authority to subcommittees or to the Chairman of the Committee of the Committee from time to time.

Acknowledged and accepted by:

Committee Chairman

Annexure A

FSF principles for sound compensation practices*

Effective Governance of Competition	
Principle 1	The firm's board of directors must actively oversee the compensation system's design and operation.
Principle 2	The firm's board of directors must monitor and review the compensation system to ensure the system operates as intended.
Principle 3	Staff engaged in financial and risk control must be independent, have appropriate authority, and be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the firm.
Effective alignment of compensation with prudent risk taking	
Principle 4	Compensation must be adjusted for all types of risk.
Principle 5	Compensation outcomes must be symmetric with risk outcomes.
Principle 6	Compensation payout schedules must be sensitive to the time horizon of risks.
Principle 7	The mix of cash, equity and other forms of compensation must be consistent with risk alignment.
Effective supervisory oversight and engagement by stakeholders	
Principle 8	Supervisory review of compensation practices must be rigorous and sustained, and deficiencies must be addressed promptly with supervisory action.
Principle 9	Firms must disclose clear, comprehensive and timely information about their compensation practices to facilitate constructive engagement by all stakeholders.

* Financial Stability Forum of the Financial Stability Board. 2 April 2009.