

Remuneration report (cont'd)

- Provide a common interest between employees and shareholders by linking the rewards that accrue to management to the creation of value for shareholders and our clients, while at the same time ensuring that remuneration policy has regard to market practice and conditions.

The policy seeks to support the Group's objective to be seen in the market place as "an employer of choice" by offering remuneration levels which are competitive relative to those offered by comparable employers and providing strong, transparent linkages between individual and Group performance and rewards.

2.2 Governance

The Board is responsible for ensuring that the Group's remuneration policies are equitable and aligned with the medium and long term interests of shareholders. In performing this function, the Board is conscious of the imperative for decisions on employee remuneration to be given due consideration and be in line with best practice.

To assist in this task, and to advise the Board on the enhancement and administration of the Group's remuneration policies, the Board has established a Remuneration Committee.

The remuneration framework put in place by the Remuneration Committee considers the adequacy of remuneration policies and practices within the Group on an annual basis, including:

- Determination of Managing Director and Executive KMP remuneration arrangements;
- Remuneration policy and structures applicable to Non-Executive Directors;
- Ensuring that succession planning and development plans are in place for Executive KMP;
- On-going review and monitoring of short-term and long-term incentive schemes;
- Assessment of Managing Directors' performance against company performance;
- Industrial agreements and the overall compensation arrangements of the Group; and
- Ongoing review of the composition, skill base and performance of the Non-Executive Director component of the Board.

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and Directors of the Company and of other Group senior executives.

Further details of the Remuneration Committee's charter and policies, including those for selecting and appointing

Directors, Executive KMP and diversity are available on the Corporate Governance page of the Company's website at www.ioof.com.au

2.3 Committee Members

The Remuneration Committee is comprised solely of Non-Executive Directors, all of whom are independent.

The members of the Remuneration Committee during 2011-12 were:

- Dr Roger Sexton (Appointed Chairman 1 April 2012)
- Mr Ian Blair (Former Chairman, retired 31 March 2012)
- Mr Ian Griffiths
- Mr George Venardos

The Board considers that membership of the Remuneration Committee provides an appropriate mix of skills to undertake its terms of reference, having regard to qualifications, knowledge of the financial services industry and experience in business management.

In order to ensure that it is fully informed when making remuneration decisions, the Remuneration Committee receives regular reports and updates from the Company Secretary and Head of Human Resources and other members of management who the Remuneration Committee invites to attend meetings as and when appropriate. The Remuneration Committee can also draw on services from a range of external sources, including remuneration consultants (refer 2.5 below).

2.4 How Remuneration is Determined

The Group uses a total remuneration package approach in determining remuneration that comprises both "fixed" and "at risk" components. These components reflect an employee's contribution to the Company, market benchmarks and the pay environment.

The remuneration framework is the responsibility of the Remuneration Committee, or in the case of Ord Minnett Ltd and Perennial Investment Partners Ltd, the separately constituted boards of those companies. These separately constituted Board extend to include members of the Board to ensure alignment and consistency across the Group.

The Remuneration Committee engages independent remuneration consultants from time to time to perform reviews and benchmarking exercises to assess remuneration levels paid to Directors (both Executive and Non-Executive) and Executive KMPs. This enables the Company to remain competitive with relevant competitors in the financial services sector, and the broader spectrum of public companies of similar size, revenue and profitability. Remuneration policies and arrangements are also reviewed and, where appropriate, updated to reflect relevant changes in legislation and regulation.