

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2009

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## ***Integrated Resources Group Limited ("IRG" or "the Company") Approach to Corporate Governance and Responsibility***

The IRG Board of Directors is committed to the principles underpinning good corporate governance, applied in a manner which is most suited to IRG, and to best addressing the directors' accountability to shareholders and other stakeholders. This is supported by a commitment to the highest standards of legislative compliance and financial and ethical behaviour.

The Company continues to address directors' accountability to stakeholders in a manner consistent with the Company's individual circumstances enhanced through the introduction of publicly available policies and procedures which are designed to foster a culture of transparency in the way IRG is directed and managed.

As a measure of its stated commitment to good corporate governance principles, the Board will continue to:

- review and continually improve its governance practices; and
- monitor developments in good corporate governance.

## ***Report on Compliance with the ASX Best Practice Recommendations***

Currently, the ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the ASX Best Practice Recommendations ("Recommendations") in the reporting period.

Listed companies must identify the recommendations that have not been followed and provide reasons for the company's decision. Where a recommendation has been followed for only part of the period the company must state the period during which it had been followed.

As detailed within this Statement of Corporate Governance Practices, IRG considers its governance practices comply with:

- each of the ASX Corporate Governance Principles ("Principles"); and

- the Recommendations, except for those detailed, and for the reasons outlined, in this Report.

For the reasons expressed within this Statement, IRG has elected not to adopt Recommendations 2.1, 2.2, 2.4, 4.2 and 8.1.

IRG's Statement of Corporate Governance Practices is available in the designated corporate governance area of its website at [www.integratedresources.com.au](http://www.integratedresources.com.au)

## ***Date of this Statement***

This statement outlines the:

- Principles and Recommendations identified by the ASX as underlying good corporate governance; and
- main corporate governance practices of IRG during the year to 30 June 2009, except where stated otherwise.

## ***Principle 1: Lay solid foundations for management and oversight.***

***Companies should establish and disclose the respective roles and responsibilities of board and management.***

### ***Recommendation 1.1:***

***Formalise and disclose the functions reserved to the board and those delegated to senior executives and disclose those functions.***

### ***Recommendation 1.2:***

***Disclose the process for evaluating the performance of senior executives.***

### ***Recommendation 1.3:***

***Provide the information indicated in the Guide to reporting on Principle 1.***

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2009 (CONT.)

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### Formalisation of Board and Management Functions

The Board has formalised its roles and responsibilities into a Charter. The Board Charter clearly defines the matters that are reserved for the Board and those that the Board has delegated to management.

In summary, the responsibilities of the IRG Board include:

- oversight of the Company, including its control and accountability systems;
- setting the Company's major goals including the strategies and financial objectives to be implemented by management;
- appointing, removing and controlling the Managing Director;
- ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and/or Company Secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring that appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- corporate governance.

The Board has delegated responsibility to the Managing Director for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;

- developing IRG's annual budget, recommending it to the Board for approval and managing day-to-day operations within the budget;
- managing day-to-day operations in accordance with standards for social and ethical practices which have been set by the Board; and
- approval of capital expenditure and business transactions within predetermined limits set by the Board.

### Senior Executive Performance Evaluation

The Board is responsible for approving the performance objectives and measures for the Managing Director and assessing whether these objectives have been satisfied by the performance of the Managing Director during the relevant period and in accordance with agreed terms of engagement.

The Managing Director is responsible for approving the performance objectives and measures of other senior executives in consultation with the Board. The Board provides input into the evaluation of performance by senior executives against the established performance objectives.

The performance of senior executives is monitored by means of scrutiny by the Board of regular monthly reports provided by management regarding the group financial performance and forecasted results, presentations and operational reports, and the achievement of predetermined performance objectives.

### ***Principle 2: Structure the board to add value.***

***Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.***

#### ***Recommendation 2.1:***

***A majority of the board should be independent directors.***

#### ***Recommendation 2.2:***

***The chair should be an independent director.***

#### ***Recommendation 2.3:***

***The roles of chair and Managing Director should not be exercised by the same individual.***

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2009 (CONT.)

## **Recommendation 2.4:**

***The board should establish a nomination committee.***

## **Recommendation 2.5:**

***Disclose the process for evaluating the performance of the board, its committees and individual directors.***

## **Recommendation 2.6:**

***Provide the information included in the Guide to reporting on Principle 2.***

## **Independence**

An IRG director will be considered independent where he or she is:

- independent of management, that is, a non-executive director; and
- free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his or her unfettered and independent judgement.

Materiality is assessed on a case by case basis by reference to the director's individual circumstances rather than general materiality thresholds.

The IRG Board has made its own assessment to determine the independence of each director on the Board. It is the Board's view that two current non-executive directors are independent, namely: Mr T.J. Moore and Mr R. Daniell.

In view of the size of the Company and the nature of its activities, the Board considers that the current mix of skills, qualifications and experience on the Board is consistent with the long-term interests of the Company. The Board will continue to monitor the requirement for independent directors in the context of the Company's communicated long term objectives.

The Board has established criteria for assessing independence of its directors.

## **Composition of the Board**

The IRG Board currently comprises two (2) non-executive directors and one (1) executive director.

The composition of the Board is set based on the following factors:

- the Company's Constitution provides for the number of directors to be not less than three (3) and not more than ten (10) as determined by the directors from time to time;
- the Board has adopted a policy that the position of Chairman will continue to be held by a non-executive director;
- consistent with the Company's objective that the Board should encompass a broad range of relevant expertise, the present Board consists of directors with a collective of diverse skills, qualifications and experience as more fully detailed in the Company's Annual Report.

There is no shareholding requirement imposed upon directors under the Company's Constitution, however, all of the directors of IRG do hold shares in the Company.

Details of all holdings by directors in the Company is detailed within the Directors' Report.

## **Chairman**

The Chairman is selected by the Board from the non-executive directors.

The current chairman, Mr T.J. Moore, is a non-executive director appointed by the Board. Mr Moore is considered to be an independent director.

The Board has considered:

- whether it would be beneficial to appoint a lead independent director;
- other positions held by the existing chair and the other non-executive director and the available time of each director; and
- the skills, qualifications and experience of the existing non-executive directors;

and based on its overall assessment of these factors it has elected not to adopt Recommendation 2.2 to appoint:

- a lead independent director; or
- alternative chairman.

The Board will continue to assess the requirements of this recommendation in the context of the Company's individual circumstances and its communicated long term objectives.

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2009 (CONT.)

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## **Separation of roles of Chair and CEO/Managing Director**

IRG's Chairman and Managing Director have separate roles.

## **Establishment of Nomination Committee**

IRG has elected not to adopt Recommendation 2.4 because it considers that its existing selection and appointment practices, detailed within this Statement, are an efficient means of meeting the needs of the Company, particularly having regard to the fact that IRG is a relatively small publicly listed company by comparison to other listed entities which is reflected by the size of its operations, board structure and composition.

The IRG Board currently consists of only three (3) members. It is considered that further division of the Board for the purposes of establishing a formal committee structure would not achieve enhanced efficiency or enable the Board to add greater value to this process.

The small size of the IRG Board, and the nature of its business, means that IRG has the present capacity to consider director competencies, selection and nomination practices in the context of duly constituted meetings of the Board and as a part of its self-evaluation processes.

## **Board Performance Evaluation**

The Board has adopted an on-going, self-evaluation process to measure its own performance and the performance of its committee during the reporting period.

The Chairman meets periodically with individual directors to discuss the performance of the Board and the director. In addition, an evaluation is undertaken by the Chairman of the contribution of directors retiring by rotation prior to the Board endorsing their candidature.

The review process involves consideration of all of the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability, skill levels, understanding of industry complexities, risks and challenges, and value adding contribution to the overall management of the business.

A performance evaluation for the Board, its committee and directors took place during the reporting period in accordance with the process detailed within this Statement.

The outcomes of the self-assessment program are used to enhance the effectiveness of individual directors and the Board collectively.

Enhanced effectiveness of the Board and management is also addressed through:

### ***Board Meetings***

The frequency of Board meetings and director's attendance at those meetings is detailed within the Directors' Report. Directors are expected to prepare for meetings in a manner which will enable them to attend and participate at the meeting.

Directors are also required to make on-site visits and attend workshops as required.

### ***Induction Program***

Procedures for induction of new directors are in place to allow new directors to participate fully and actively in board decision making at the earliest opportunity.

All directors are offered an induction program appropriate to their experience upon appointment so as to familiarise them with matters relating to the business, strategy and any current issues under consideration by the Board. This program consists of written background material on the Company, its products, services and operations; scheduled meetings with the Chairman and Managing Director of the Company.

### ***Director education***

The Board encourages directors to continue their education by participating in applicable workshops and seminars, attending relevant site visits and undertaking relevant external education.

The Company Secretary provides directors with on-going guidance on matters such as corporate governance, the Company's constitution and the law.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2009 (CONT.)

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### *Board Papers & Agendas*

Board agendas are structured throughout the year in order to ensure that each of the significant responsibilities of the Board is addressed.

Directors receive board packs prior to each meeting which detail financial, operational and strategy reports from senior management who are available to discuss reports with the Board.

### *Access to information*

All directors have access to company records and information, and receive regular detailed financial and operational reports from senior management.

The Company Secretary is available to all Directors and may be consulted on on-going issues of corporate governance, the IRG Constitution and the law. In addition, the Chairman and other independent non-executive directors regularly consult with the Managing Director and Chief Financial Officer, and may confer and request additional information from any IRG employee. Management are available to discuss reports, and any issue arising, with the Board as required.

The Board collectively, each Board Committee and each individual Director has the right, following appropriate consultation, to seek independent professional advice at IRG's expense to help them carry out their responsibilities.

### *Term of office, skills, experience and expertise of each director*

The qualifications, experience and expertise of the directors, and the respective terms in the office held by individual directors, are set out in the Directors' Report contained within the IRG 2009 Annual Report.

### *Independent Professional Advice*

IRG has in place a procedure whereby, after appropriate consultation, directors are entitled to seek independent professional advice, at the expense of IRG, to assist them to carry out their duties as directors. The policy of IRG provides that any such advice is made available to all directors.

### *Procedure for Selection and Appointment of New Directors*

The process for appointing a director within IRG is that, when a vacancy exists, the Board identifies candidates with the appropriate expertise and experience, using external consultants as appropriate. The most suitable candidate is appointed but must stand for election at the next annual general meeting following the appointment.

Consistent with the current law there is no retirement age for directors fixed by the *Corporations Act 2001 (Cth)* or ASX Listing Rules, although a person of or over the age of seventy-two (72) years of age may not be appointed, or re-appointed as a director except pursuant to a resolution of the Company in accordance with the Company's Constitution.

The process for re-election of a director is in accordance with the Company's Constitution, which requires that each year, at least one-third of the non-executive directors retire from office at the Annual General Meeting. The retiring directors may be eligible for re-election.

### ***Principle 3: Promote ethical and responsible decision-making.***

***Companies should actively promote ethical and responsible decision-making.***

#### ***Recommendation 3.1:***

***Establish a code of conduct and disclose the code or a summary of the code as to the:***

- ***practices necessary to maintain confidence in the company's integrity;***
- ***practices necessary to take into account their legal obligations and the reasonable expectations of shareholders; and***
- ***responsibility and accountability of individuals for reporting and investigating reports of unethical practices.***

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2009 (CONT.)

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### **Recommendation 3.2:**

***Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.***

### **Recommendation 3.3:**

***Provide the information indicated in Guide to reporting on Principle 3.***

### **Code of Conduct**

IRG is committed to the operation of its business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of the Company and the industry in which it operates.

The Board has approved a *Code of Conduct and Ethics* which applies to all directors, executives, management and employees without exception. In addition, the conduct of directors and executives is also governed by *Code of Conduct for Directors and Executives*.

Each Code of Conduct is designed to ensure that:

- high standards of corporate and individual behaviour are observed by all IRG directors and executives in the context of their respective roles and the performance of their duties with IRG;
- directors and executives are aware of their responsibilities to IRG under the terms of their appointment or contract of employment; and
- all of the stakeholders of the Company can be guided by the stated values and policies of IRG.

In summary, the Code provides that directors and senior executives must:

- act honestly, in good faith and in the best interests of the company;
- use due care, skill and diligence in the fulfilling their duties;
- use the powers of their position for a proper purpose, in the interests of the company;
- not make improper use of information acquired their position;

- not allow personal interests, or those of associates, conflict with the interests of the company;
- exercise independent judgement and actions;
- maintain the confidentiality of company information acquired by virtue of their position;
- not engage in conduct likely to bring discredit to the company; and
- comply at all times with both the spirit and the letter of the law, as well as, policies of the company.

Directors of the company may act in a professional capacity for the Company or its controlled entities, other than as auditor of the Company. These arrangements are subject to the restrictions of the *Corporations Act 2001 (Cth)*.

### ***Disclosure of related party transactions is set out in the Notes to the Financial Statements***

Under the Constitution of the Company, and the *Corporations Act 2001 (Cth)*, where the possibility of a conflict of interest exists and involves a director, directly or indirectly, the director must declare the fact, nature, character and extent of the conflict at the first meeting of directors held after the relevant facts come to the director's knowledge.

The director concerned does not receive copies of the relevant Board papers, if any, and withdraws from the Board meeting while such matters are considered by the remainder of the Board. Accordingly, the interested director takes no part in discussions nor exercises any influence over other members of the Board if a potential conflict of interest exists.

In addition, IRG has developed a series of policies designed to promote ethical and responsible decision making by directors, executives, employees and contractors of the Company, including:

- Trading Policy;
- Market Disclosure Policy;
- Privacy Policy;
- Occupational Health & Safety Policy;
- Code of Conduct and Ethics (General); and
- Code of Conduct for Directors' & Executives.

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Employees are actively encouraged to report activities or behaviour to senior management, the Company Secretary or the Board, which are a breach of the Code of Conduct and Ethics, other IRG policies or regulatory requirements or laws.

The Company will investigate any concerns raised in a manner that is fair, objective and affords natural justice to all people involved. The Company is committed to making necessary changes to its processes and taking appropriate action in relation to employees found to have behaved contrary to legal and company standard requirements.

### Trading Policy

Directors, senior executives and employees are subject to the *Corporations Act 2001 (Cth)* relative to restrictions applying for, acquiring and disposing of securities in, or other relevant products of, the Company (or procuring another person to do so), if they are in possession of inside information.

Inside information is that information which is not generally available, and which if generally available, a reasonable person would expect it to have a material effect on the price or value of the securities in the Company.

Under the IRG *Trading Policy*, directors, senior executives and employees of the Company are restricted from trading in the Company's securities during the period of one (1) month preceding the making of an announcement to the market by the Company relating to the:

- Company's Annual results;
- Company's Half Year results; and
- Chairman's Address.

The Company notifies the ASX of any change in a director's interests in securities, and in contracts relevant to securities, as required by the ASX Listing Rules.

### ***Principle 4: Safeguard integrity of financial reporting.***

***Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.***

### ***Recommendation 4.1:***

***The Board should establish an audit committee.***

### ***Recommendation 4.2:***

***Structure the audit committee so that it:***

- ***consists of only non-executive directors;***
- ***consists of a majority of independent directors;***
- ***is chaired by an independent chair, who is not chair of the board; and***
- ***has at least three (3) members.***

### ***Recommendation 4.3:***

***The audit committee should have a formal charter.***

### ***Recommendation 4.4:***

***Provide the information indicated in Guide to reporting on Principle 4.***

### **Establishment of Audit Committee**

The IRG Board has an established Audit Committee which continues to provide assistance to the Board in accordance with its established Terms of Reference.

### **Audit Committee Structure**

IRG does not comply with Recommendation 4.2 regarding the elements relating to a majority or independent directors and the desired number of members of the audit committee.

The current IRG Audit Committee comprises only two (2) non-executive directors and is chaired by Mr R. Daniell who is not chairman of the Board.

The Board considers that the technical skills, qualifications and experience represented by the involvement of members Mr R. Daniell and Mr. T.J. Moore are most suited to the effective discharge of the responsibilities of the committee.

IRG does not consider that any further value will be added by the inclusion of another member for the sake of satisfying this requirement, particularly given the small size and diversity of the IRG Board.

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IRG is not presently required to comply with the requirement for at least three (3) members on its Audit Committee under the current ASX Listing Rules.

The Board will, however, continue to monitor the requirements of this recommendation in the context of the Company's prevailing position and circumstances.

### **Audit Committee - Terms of Reference**

The IRG Audit Committee role and responsibilities, composition, structure and membership requirements are detailed in a formalised charter comprising the Audit Committee - Terms of Reference.

The principal functions of the IRG Audit Committee as detailed within the Terms of Reference are to:

- review of the annual and half yearly financial reporting carried out by IRG;
- review of the accounting policies of IRG;
- review the scope and audit programmes of the internal and external auditors and any material issues arising from these audits;
- oversee the independence of external auditors and determining procedures for the rotation of audit partners; and
- report to the Board on the effectiveness of IRG's systems of accounting and internal controls.

Reflecting the relative small size of the Company, the full Board remain responsible for:

- the sufficiency of, and compliance with, ethical guidelines and company policies affecting corporate governance, financial reporting and corporate control together with compliance with laws and external regulations;
- identification of the full range of actual or potential risk exposures which are material to IRG; and
- the effectiveness of the group's risk management systems and strategies.

### **Meetings**

The audit committee prepares and maintains a register of minutes of its meetings and these are included in the Board papers for the next full Board meeting after each audit committee meeting.

### **Reporting**

The Chair of the Audit Committee reports to the Board as and when required on matters relevant to the committee's role and responsibilities.

### **Engagement & Rotation of External Auditor**

The Audit Committee is responsible for nominating the external auditor to the Board for re-appointment. If the Audit Committee recommends a change in external auditor to the Board, the Board's nomination of external auditor requires the approval of shareholders. The Audit Committee recommends to the Board the compensation of the external auditor.

The Audit Committee meets with the external auditor throughout the year to review the adequacy of the existing external audit arrangements with particular emphasis on the scope, quality and independence of the audit.

It has been determined by the Audit Committee that the external auditor will not provide services to the Company where the auditor would:

- have a mutual or conflicting interest with the Company;
- be in a position where they audit their own work;
- function as management of the Company; or
- have their independence impaired or perceived to be impaired in any way.

Specifically, the external auditor will not normally provide the following types of services to the Company:

- bookkeeping or other services relating to the accounting records or financial statements of the Group;
- financial information or information technology systems design and implementation;
- appraisal and valuation services, fairness opinions or contributions-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions, including temporary staff assignments or human resource services, including recruitment of senior management;

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- broker or dealer services, investment advisor, corporate finance or investment banking services; and
- legal and litigation support services.

Procedures are in place governing approval of any non-audit work before the commencement of any engagement.

The Board has elected to adopt a policy which is consistent with the primary and secondary rotation obligations regarding auditors such that:

- the lead or review audit partner's responsibilities may not be performed by the same person for longer than five (5) successive years ("primary rotation obligation"); and
- the lead or review audit partner's responsibilities may not be performed by the same person for more than five (5) out of seven (7) successive years ("secondary rotation obligation").

In addition, the Board requires a minimum of two (2) consecutive years "cooling off" period before an auditor undergoing rotation can return to playing a significant role in the audit of the Company.

Ms Rose Megale of Duncan Dovico was the lead audit partner for IRG for the period ended 30 June 2009.

### Details of the members of the Audit Committee

The Board's Audit Committee consists of:

Mr R. Daniell (Chairman)  
Mr T.J. Moore

The lead signing and review External Audit Partner and the Company's Managing Director attend committee meetings by standing invitation.

The qualifications of each member of the committee are set out in the Directors' Report contained within the IRG 2009 Annual Report.

### Number of Meetings and Names of Attendees

The number of meetings held during the reporting period and the attendees at these meetings is detailed within the Directors' Report contained within the IRG 2009 Annual Report.

### ***Principle 5: Make timely and balanced disclosure.***

***Companies should promote timely and balanced disclosure of all material matters concerning the company.***

#### ***Recommendation 5.1:***

***Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.***

#### ***Recommendation 5.2:***

***Provide the information indicated in Guide to reporting on Principle 5.***

### Policies & procedures regarding disclosure requirements

The IRG Board is committed to keeping its shareholders, and the market, fully informed of major developments having an impact on the Company.

Comprehensive procedures are in place to identify matters that are likely to have a material effect on the price, or value, of the IRG securities and to ensure those matters are notified to the ASX in accordance with ASX Listing Rule disclosure requirements.

Senior management and the Board are responsible for scrutinising events and information to determine whether the disclosure of the information is required in order to maintain the market integrity of the Company's shares listed on the ASX.

The Company Secretary is responsible for all communications with the ASX.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2009 (CONT.)

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### **Principle 6: Respect the rights of shareholders.**

**Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.**

#### **Recommendation 6.1:**

**Design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation by them at general meetings.**

#### **Recommendation 6.2:**

**Provide the information indicated in Guide to reporting on Principle 6.**

### **Shareholder Communication Policy**

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

IRG is committed to:

- dealing fairly, transparently and openly with both current and prospective shareholders;
- the use of available channels and cost effective technologies to reach shareholders who may be geographically dispersed and in order to communicate promptly with all shareholders; and
- facilitating participation in shareholders meetings and dealing promptly with shareholder enquiries.

IRG communicates information to shareholders through:

- the annual report;
- disclosures to the ASX and ASIC;
- notices and explanatory memoranda of annual general meetings and general meetings;
- occasional letters from the Managing Director and Chairman to inform shareholders of key matters of interest; and
- the Company's website on the internet at: [www.integratedresources.com.au](http://www.integratedresources.com.au)

The Board encourages active participation by shareholders at each Annual General Meeting, or other general meetings, to ensure a high level of accountability and understanding of IRG's strategy, performance and goals.

Consistent with best practice, important issues are presented to shareholders as single resolutions expressed in plain, unambiguous language. Proceedings are held in a locality, and at a readily accessible venue, conducive to maximising the number of shareholders present, and able to participate, at the meeting. Shareholders are provided with opportunities of asking the Board questions regarding the management of the Company.

### **Principle 7: Recognise and manage risk.**

**Companies should establish a sound system of risk oversight and management and internal control.**

#### **Recommendation 7.1:**

**Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.**

#### **Recommendation 7.2:**

**The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.**

#### **Recommendation 7.3:**

**The Board should disclose whether it has received assurance from the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.**

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### **Recommendation 7.4:**

***Companies should provide the information indicated in the Guide to reporting on Principle 7.***

### **Oversight and Management of Material Business Risks**

The Board of IRG:

- recognise that effective management of risk is an integral part of good management and vital to the continued growth and success of IRG;
- is responsible for the oversight of the group's risk management and control framework including the development of risk profiles as a part of the overall business and strategic planning process; and
- has implemented a policy framework designed to ensure that the group's risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively.

The IRG risk management and control policy framework incorporates the maintenance of appropriate policies, procedures and guidelines which address the Company's unique operating environment and is utilised by the Board as a means of identifying opportunities and avoiding or mitigating losses in the context of its businesses.

The Audit Committee assists the Board in its risk management role by reviewing the financial and reporting aspects of the group's risk management and control practices.

The Managing Director has ultimate responsibility for control and management of operational risk and the implementation of avoidance or mitigation measures within the group and may delegate control of these risks to the appropriate level of management at each site.

The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key performance measures. The Board also receives and reviews advice on areas of operational and financial risk and develops strategies, in conjunction with management, to mitigate those risks.

Each month, a report is presented to the Board by the Managing Director. The reports encompass matters including actual financial performance against budgeted forecasts, workplace health and safety, legal compliance, corporate governance, strategy, quality assurance and standards, human resources, industry and market information, operational developments and environmental conformance. Reports are prepared and submitted on a monthly basis by the Chief Financial Officer in relation to the overall financial position and performance of the Company. In addition to formalised written reporting procedures, the Board is regularly briefed by the Managing Director on emerging or developed trends in market and operational conditions having the potential to impact on the performance of the group.

Management has reported to the Board on the effectiveness of the Company's management of its material business risks in respect of the year ended 30 June 2009. This report was undertaken in accordance with the process outlined in this Statement.

### **CEO & CFO Assurance**

The Managing Director and Chief Financial Officer of IRG report annually in writing to the Board that:

- consolidated financial statements of IRG and its controlled entities for each subsequent half year and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards; and
- declarations provided in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received assurance from the Managing Director and the Chief Financial Officer equivalent under Recommendation 7.3 in respect of the year ended 30 June 2009. This assurance was provided in accordance with the process outlined in this Statement.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2009 (CONT.)

### ***Principle 8: Remunerate fairly and responsibly.***

***Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.***

#### ***Recommendation 8.1:***

***The Board should establish a remuneration committee.***

#### ***Recommendation 8.2:***

***Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.***

#### ***Recommendation 8.3:***

***Companies should provide the information indicated in the Guide to reporting on Principle 8.***

### **Establishment of Remuneration Committee**

IRG has elected not to adopt Recommendation 8.1 because it considers that its existing remuneration practices, detailed within this Statement, are an efficient means of meeting the needs of the Company, particularly having regard to the fact that IRG is a relatively small publicly listed company by comparison to other listed entities which is reflected by the size of its operations, board and management structure and composition.

The IRG Board currently consists of only three (3) members. It is considered that further division of the Board for the purposes of establishing a formal remuneration committee structure would not achieve enhanced efficiency or enable the Board to add greater value to this process.

The small size of the IRG Board, the nature of its business and its management structure, means that IRG has the present capacity of giving due consideration to the overall remuneration policies and strategies of the Company during the conduct of its regular board meetings and by appropriate recourse to relevant market data and, where applicable, to external executive remuneration consultants.

### **Executive director & Non-executive director remuneration**

The aggregate remuneration of non-executive directors is approved by shareholders.

Individual directors' remuneration is determined by the board within the approved aggregate total. In determining the appropriate level of director's fees, data from surveys undertaken of other public companies similar in size or market section to IRG is taken into account.

Non-executive directors of IRG are:

- not entitled to participate in performance based remuneration practices unless approved by shareholders; and
- currently remunerated by means of the payment of cash benefits in the form of directors' fees.

IRG does not currently have in place a retirement benefit scheme or allowance for its non-executive directors.

A review of the compensation arrangements for the Managing Director and Senior Executives is conducted by the full Board at a duly constituted Directors' Meeting. The review is performed annually and is based on criteria including the individual's performance, market rates paid for similar positions and the results of the Company during the relevant period.

The broad remuneration policy objective of IRG is to ensure that the emoluments provided properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest possible quality and standard to enable the organisation to succeed.

The IRG Employee Share Incentive Plan ("IRGESIP") has been approved by shareholders and provides the Board with the discretion to grant options and provide loans to eligible executives for the purpose of acquiring scheme shares.

The Board ensures that the payment of equity-based executive remuneration is made in accordance with thresholds established by the IRGESIP and exercises its discretion under the scheme in a manner consistent with the broad remuneration policy objectives of the Company.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2009 (CONT.)

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IRG is committed to making timely disclosure of all relevant information relating to its remuneration practices and policies in the context of its reporting obligations in the corporate governance statement, in its annual report, and pursuant to continuous disclosure requirements.

### **Policy Disclosure**

The Company's policies relating to the remuneration of Directors and Senior Executives and the level of their remuneration are detailed in the Directors' Report contained within the IRG 2009 Annual Report and Notes to and forming part of the 2009 Financial Statements.