

# Australian Securities Exchange Notice



23 February 2017

## ILUKA RESOURCES LIMITED (ILU) APPENDIX 4G AND 2016 CORPORATE GOVERNANCE STATEMENT

Please find attached the Appendix 4G and 2016 Corporate Governance Statement in accordance with Listing Rules 4.7.3, 4.7.4 and 4.10.3.

A handwritten signature in blue ink that reads "Sue Wilson".

**Sue Wilson**  
**Company Secretary**

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## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity

Iluka Resources Limited

ABN/ARBN

34 008 675 018

Financial year ended

31 December 2016

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

these pages of our annual report: \_\_\_\_\_

this URL on our website: <http://www.iluka.com/about-iluka/governance>

The Corporate Governance Statement is accurate and up to date as at 22 February 2017 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date here: 23 February 2017



Sign here: \_\_\_\_\_

Company Secretary

Print name: Sue Wilson

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	<p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in section 2.1 ('Role of the Board') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management):</p> <p><input checked="" type="checkbox"/> in section 2.1 ('Role of the Board') of our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Board Charter  <a href="http://www.iluka.com/about-iluka/governance">http://www.iluka.com/about-iluka/governance</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in sections 2.8 ('Director selection and succession planning') of our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2016 Notice of Meeting  <a href="http://iluka.com/investors-media/asx-disclosures/asx-releases">http://iluka.com/investors-media/asx-disclosures/asx-releases</a></p> <p>Annual Report 2016 &gt; Directors' Report on pages 44 to 46  <a href="http://iluka.com/investors-media/asx-disclosures/annual-reports">http://iluka.com/investors-media/asx-disclosures/annual-reports</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

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Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in sections 2.7 ('Director appointment, election and re-election') and 4.2 ('Director and executive remuneration') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in section 2.2 ('Role of the Company Secretary') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity’s progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity’s diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or</p> <p>(2) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in section 6.2 (‘Diversity’) of our Corporate Governance Statement <b><u>OR</u></b> at this location:</p> <hr/> <p><i>Insert location here</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Diversity Standard  <a href="http://www.iluka.com/people/diversity">http://www.iluka.com/people/diversity</a></p> <p>... the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in section 6.2 (‘Diversity’) of our Corporate Governance Statement <b><u>AND</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in section 6.2 (‘Diversity’) of our Corporate Governance Statement <b><u>AND</u></b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2015-16 Workplace Gender Equity Agency Report, which is cross-referred to in section 6.2 (‘Diversity’) of our Corporate Governance Statement  <a href="http://www.iluka.com/people/diversity">http://www.iluka.com/people/diversity</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in section 4.1 ('Performance evaluation') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in section 4.1 ('Performance evaluation') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in section 4.1 ('Performance evaluation') of our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Annual Report 2016 &gt; Remuneration Report on pages 32 to 33, which is cross-referred to in section 4.1 ('Performance evaluation') of our Corporate Governance Statement</p> <p><a href="http://iluka.com/investors-media/asx-disclosures/annual-reports">http://iluka.com/investors-media/asx-disclosures/annual-reports</a></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in section 4.1 ('Performance evaluation') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in sections 3 ('Board committees') and 3.2 ('Nominations Committee') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Nominations Committee Charter  <a href="http://www.iluka.com/about-iluka/governance">http://www.iluka.com/about-iluka/governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in sections 2.10 ('Board meetings') and 3.2 ('Nominations Committee') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose 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.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in section 2.3 ('Composition and skills of the Board') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in section 2.3 ('Composition and skills of the Board') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>... where applicable, the information referred to in paragraph (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... the length of service of each director:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Annual Report 2016 &gt; Directors' Report on pages 44 to 46, which is cross-referred to in section 2.3 ('Composition and skills of the Board') of our Corporate Governance Statement</p> <p><a href="http://iluka.com/investors-media/asx-disclosures/annual-reports">http://iluka.com/investors-media/asx-disclosures/annual-reports</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
2.4	<p>A majority of the board of a listed entity should be independent directors.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in section 2.3 ('Composition and skills of the Board') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>



Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in section 2.3 ('Composition and skills of the Board') of our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in section 2.9 ('Director induction and continuing education) of our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	<p>... our code of conduct or a summary of it:</p> <input checked="" type="checkbox"/> in section 6.1.1 ('Code of Conduct') of our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> at this location: Code of Conduct & Directors' Code of Conduct <a href="http://www.iluka.com/about-iluka/governance">http://www.iluka.com/about-iluka/governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in sections 3 ('Board committees') and 3.1 ('Audit and Risk Committee') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Audit and Risk Committee Charter  <a href="http://www.iluka.com/about-iluka/governance">http://www.iluka.com/about-iluka/governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in sections 2.10 ('Board meetings') and 3.1 ('Audit and Risk Committee') of our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Annual Report 2016 &gt; Directors' Report on pages 44 to 46, which is cross-referred to in section 3.1 ('Audit and Risk Committee') of our Corporate Governance Statement  <a href="http://iluka.com/investors-media/asx-disclosures/annual-reports">http://iluka.com/investors-media/asx-disclosures/annual-reports</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in section 5.4 ('Managing Director and CFO certifications') of our Corporate Governance Statement <b>OR</b>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
		<input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in section 6.3 ('Continuous disclosure and communications with shareholders') of our Corporate Governance Statement <b>OR</b>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b>
		<input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input checked="" type="checkbox"/> in section 6.3 ('Continuous disclosure and communications with shareholders') of our Corporate Governance Statement <b>AND</b>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
		<input checked="" type="checkbox"/> at this location: Continuous Disclosure and Market Communications Policy <a href="http://www.iluka.com/about-iluka/governance">http://www.iluka.com/about-iluka/governance</a>	

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://www.iluka.com/">http://www.iluka.com/</a>  <a href="http://www.iluka.com/about-iluka/governance">http://www.iluka.com/about-iluka/governance</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in section 6.3 ('Continuous disclosure and communications with shareholders') of our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://www.iluka.com/investors-media/shareholder-enquiries">http://www.iluka.com/investors-media/shareholder-enquiries</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <p><input checked="" type="checkbox"/> in section 6.3 ('Continuous disclosure and communications with shareholders') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable</p>
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in section 6.3 ('Continuous disclosure and communications with shareholders') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

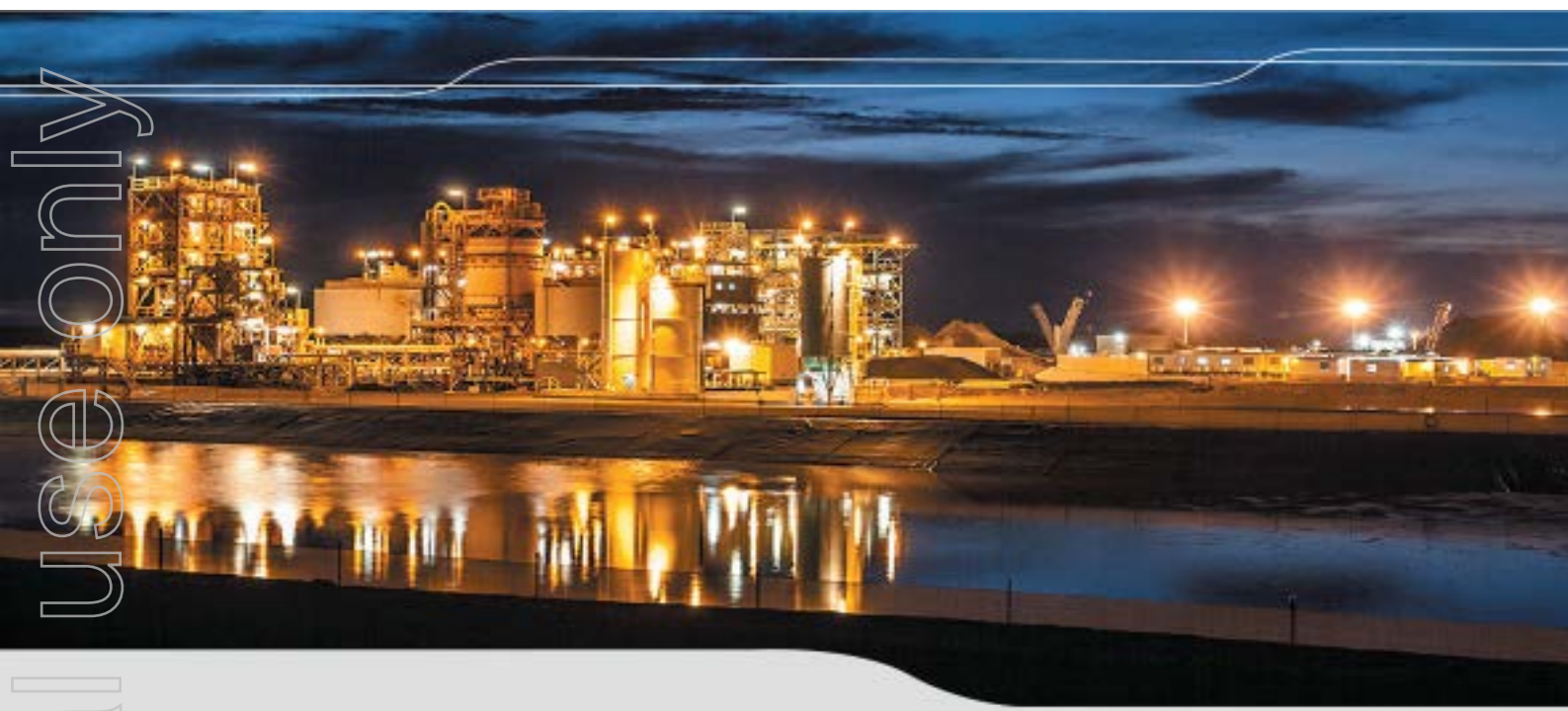
Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity’s risk management framework.</p>	<p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in sections 3 (‘Board committees’) and 3.1 (‘Audit and Risk Committee’) of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Audit and Risk Committee Charter  <a href="http://www.iluka.com/about-iluka/governance">http://www.iluka.com/about-iluka/governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in sections 2.10 (‘Board meetings’) and 3.1 (‘Audit and Risk Committee’) of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in sections 3.1 (‘Audit and Risk Committee’) and 5.1 (‘Risk management’) of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; <b>OR</b></p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in section 5.2 ('Internal audit') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Annual Report 2016 &gt; Operating and Financial Review on pages 5 to 7, which is cross-referred to in section 5.3 ('Material exposure to risks) of our Corporate Governance Statement</p> <p><a href="http://iluka.com/investors-media/asx-disclosures/annual-reports">http://iluka.com/investors-media/asx-disclosures/annual-reports</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in sections 3 ('Board committees') and 3.3 ('People and Performance Committee') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>People and Performance Committee Charter  <a href="http://www.iluka.com/about-iluka/governance">http://www.iluka.com/about-iluka/governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in sections 2.10 ('Board meetings') and 3.3 ('People and Performance Committee') of our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Annual Report 2016 &gt; Remuneration Report on pages 25 to 43, which is cross-referred to in section 4.2 ('Director and executive remuneration') of our Corporate Governance Statement  <a href="http://iluka.com/investors-media/asx-disclosures/annual-reports">http://iluka.com/investors-media/asx-disclosures/annual-reports</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in section 6.4 ('Dealing in shares') of our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Annual Report 2016 &gt; Remuneration Report on page 29  <a href="http://iluka.com/investors-media/asx-disclosures/annual-reports">http://iluka.com/investors-media/asx-disclosures/annual-reports</a></p> <p>Securities Trading Policy  <a href="http://www.iluka.com/about-iluka/governance">http://www.iluka.com/about-iluka/governance</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>





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# CORPORATE GOVERNANCE STATEMENT

# 2016

This statement is current as at 22 February 2017 and has been approved  
by the Board of Iluka Resources Limited

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## 1 Introduction

The Board of Iluka Resources Limited (**Board**) is committed to conducting Iluka's business in accordance with the highest standards of corporate governance to create and deliver value for Iluka's shareholders. The Board has established a corporate governance framework, including corporate governance policies, procedures, charters and codes to support this commitment. The framework is reviewed regularly and revised in response to changes in law, developments in corporate governance and changes to Iluka's business. Copies of these policies, procedures, charters and codes are available on the governance page of Iluka's website, [www.iluka.com](http://www.iluka.com), and are signposted throughout this document where relevant.

As a listed entity, Iluka must comply with Australian laws including the *Corporations Act 2001* (Cth) (**Corporations Act**) and the Australian Securities Exchange Listing Rules (**ASX Listing Rules**), and is required to report against the 3<sup>rd</sup> edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**). The Board considers that throughout 2016 it complied with the ASX Principles and this Corporate Governance Statement (**Statement**) reports on the corporate governance framework and practices adopted by Iluka.

The Board has a commitment to ongoing improvement of its governance practices. This year, a range of improvements to the Board's work and effectiveness were implemented, including:

- succession planning of the Board;
- a further review of the directors' skills matrix;
- the recruitment and appointment of a new Managing Director and CEO (**Managing Director**); and
- the appointment of a new non-executive director.

## 2 The Board of directors

Relevant policies and charters:

- Company Constitution
- Board Charter
- Audit and Risk Committee Charter
- Nominations Committee Charter
- People and Performance Committee Charter

### 2.1 Role of the Board

The Board Charter sets out the Board's role, powers and duties and establishes the functions reserved for the Board and those which are delegated to management. The Board is responsible for the overall corporate governance of Iluka including approving

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and overseeing Iluka's strategic direction, strategies and financial objectives, assessing the performance of management and reporting on Iluka's performance. The Board delegates to the Managing Director and senior management matters involving the implementation of corporate strategy and management of Iluka's day-to-day activities.

The following table sets out the matters which are expressly reserved to the Board and those which are delegated to management under the Board Charter.

#### **The Board is responsible for:**

- appointing and removing the Managing Director, determining his or her remuneration and terms and conditions of employment, and assessing the performance of the Managing Director and the executive management group;
- approving the policies, strategic direction, strategies and financial objectives of Iluka and ensuring appropriate resources are available;
- monitoring the implementation of those policies and strategies and the achievement of those financial objectives; and
- reporting to shareholders and the investment community on the performance and state of Iluka.



#### **Responsibilities delegated by the Board to management:**

- managing Iluka;
- recommending policy and strategic direction for Board approval; and
- conducting the day-to-day operations of Iluka.

## **2.2 Role of the Company Secretary**

The Company Secretary is accountable directly to the Board through the Chairman on all matters to do with the proper functioning of the Board. The Board Charter confirms that all directors have direct access to the Company Secretary. The Company Secretary is responsible for:

- advising the Board on corporate governance matters;
- managing the company secretarial function;
- attending all Board and Board committee meetings and taking minutes; and
- communicating with the ASX.

## **2.3 Composition and skills of the Board**

The Board comprises five independent, non-executive directors and the Managing Director. The Board, together with the Nominations Committee, determines the size and composition of the Board in accordance with Iluka's Constitution and Board Charter which

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provides that the Board must comprise a minimum of three and a maximum of 10 directors. The Board comprises a majority of independent directors with a range of skills, expertise and experiences from a diverse range of backgrounds. The Chairman is an independent non-executive director and is not the same person as the Managing Director of Iluka.

The Board considers that the current directors have the appropriate set of skills, diversity and experience to discharge their responsibilities and for the effective governance, oversight and strategic leadership of Iluka as a publicly-listed global resources company.

The collective skills and experience to be held by the Board are set out below.

### Board skills and experience summary

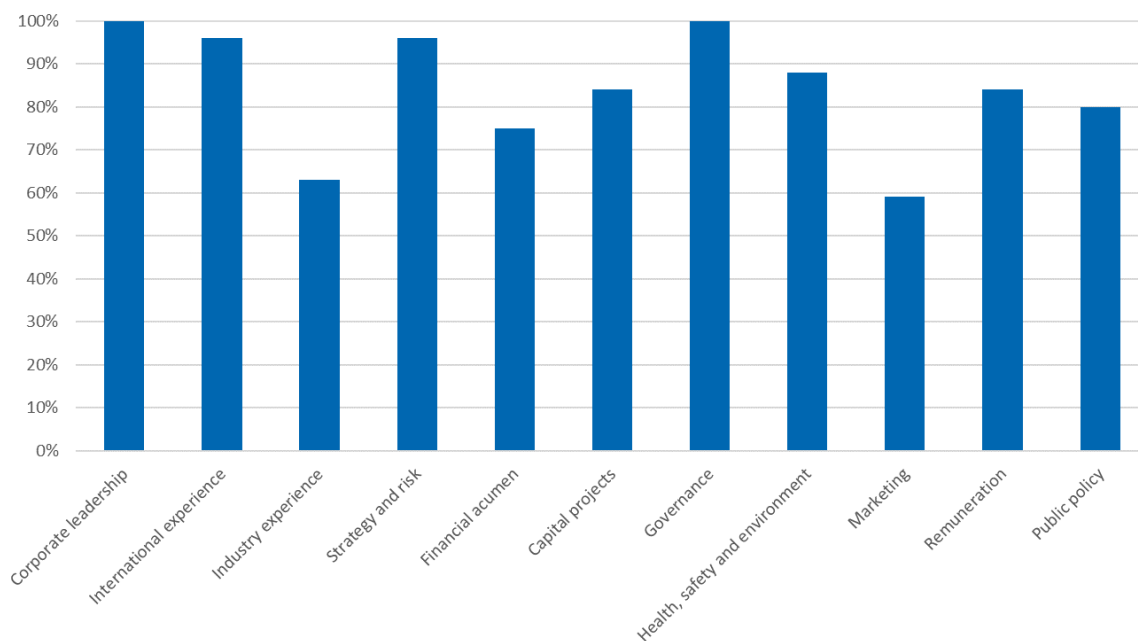
Skills / experience	Description
Corporate leadership	Successful career at senior executive level
International experience	Senior management or equivalent experience or exposure to multiple cultural, political, regulatory and business environments
Industry experience	Senior executive or long term board experience in a medium to large mining and exploration organisation with strong operational experience
Strategy and risk	Developing and overseeing the implementation of successful strategy over the long term that remains resilient to systemic risk (including appropriately probing and challenging management on the delivery of agreed strategic objectives)
Financial acumen	Senior executive or equivalent experience in financial accounting, reporting and forecasting, corporate finance and internal financial controls (including ability to probe the adequacy of financial and risk controls)
Capital projects	Experience in the delivery of large-scale capital projects and longer term investment horizons
Governance	Commitment to high standards and systems of governance and compliance and an ability to assess the effectiveness of senior management
Health, safety and environment	Experience related to workplace health and safety and with environmental and community issues in a large organisation
Marketing	Senior executive experience in trading or marketing of resources, including detailed knowledge of Iluka's markets and competitors

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Skills / experience	Description
Remuneration	Board or management level experience in relation to remuneration, including incentive programs and pensions / superannuation
Public policy	Experience in regulatory policy, government and stakeholder relations and in managing how organisations adapt and respond to changing public policy settings

The current skills and experience of the Board are illustrated below.

**Board skills / experience matrix**



The Board’s vision for diversity considers the broadest definition of diversity, including gender, ethnicity, disability, age, thought, education, experience, family responsibilities and sexuality. Our current Board represents different nationalities and backgrounds and currently includes two female directors. The average age of directors is approximately 58 years, with the age of directors on the Board ranging between 53 and 68 years. Further details regarding director experience and tenure are set out on pages 44 to 46 of the Annual Report.

The Board and Nominations Committee will continue to monitor the skills and experience of the Board to identify opportunities for director training and development and to identify skills gaps that may be addressed through future Board appointments.

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## 2.4 Independence of directors

The Board recognises the importance of ensuring that directors are free from interests and relationships that might, or might reasonably be perceived to, materially influence a director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Iluka and its shareholders generally.

Accordingly, the Board has adopted guidelines, set out in the Board Charter, which are used to determine the independence of directors and are based on the definition of independence listed in Box 2.3 of the ASX Principles.

In accordance with these guidelines, the Board generally considers a director to be independent if he or she is not a member of management and:

- is not a substantial shareholder of Iluka or an officer of, or otherwise associated with, a substantial shareholder of Iluka;
- is not employed, or been previously employed, in an executive capacity by Iluka or another Group member, or where they were previously employed in such a capacity, there has been a period of at least three years between ceasing such employment and serving on the Board;
- within the last three years has not been a partner, director or senior employee of a provider of material professional services;
- is not in a material business relationship (e.g. as a supplier or customer) of Iluka or another Group member, or an officer of or otherwise associated with someone with such a relationship;
- has no material contractual relationship with Iluka or another Group member other than as a director of Iluka;
- does not have close family ties with any person who falls within any of the categories described above;
- has not served on the Board for a period that his or her independence may have been compromised; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Iluka.

The Board considers the materiality of a director's interests, position, association or relationship on a case by case basis. Where a director has a relationship with a supplier or customer of Iluka, the Board specifically assesses the materiality of the relationship from both Iluka's perspective and the supplier's to determine if that relationship could be perceived as potentially interfering with the director's independent judgement. Having considered all relevant relationships currently existing, the Board has determined that there are no relationships which fall into this category.

The Board also has regard to length of tenure when assessing whether a director is, or continues to be, independent. The Board is satisfied that the length of tenure of its current directors does not call into question their independence.

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Directors also have an ongoing responsibility to disclose any actual or potential transactions or interests that may create a conflict of interest. They may also be required to take steps to remove any conflict of interest. If a director cannot or will not remove a conflict of interest, then the director must be absent from the room when discussion and/or voting occurs on matters to which the conflict relates.

The Board has reviewed the independence of its directors and considers that the Chairman and each non-executive director are independent.

## **2.5 Access to independent advice**

Under the Board Charter, directors may seek independent professional advice at Iluka's expense on any matter connected with the discharge of their responsibilities with the prior written approval of the Chairman.

## **2.6 Access to Board materials and information**

Under the Deed of Indemnity, Insurance and Access, directors have access to inspect the company's records which have been prepared during or relate to the director's tenure or discharge of duties as a director in respect of the company.

## **2.7 Director appointment, election and re-election**

All new non-executive directors are required to sign a letter of appointment that sets out the terms and conditions of their appointment, including: role and responsibilities; time commitments envisaged; disclosure of interests; dealing in Iluka's securities; and the requirement to participate in a performance evaluation process.

Under Iluka's Constitution, with the exception of the Managing Director, directors may not hold office without re-election beyond the third Annual General Meeting following their election or most recent re-election.

When a director candidate stands for election or re-election at a meeting of shareholders, Iluka provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect that director in the relevant Notice of Meeting.

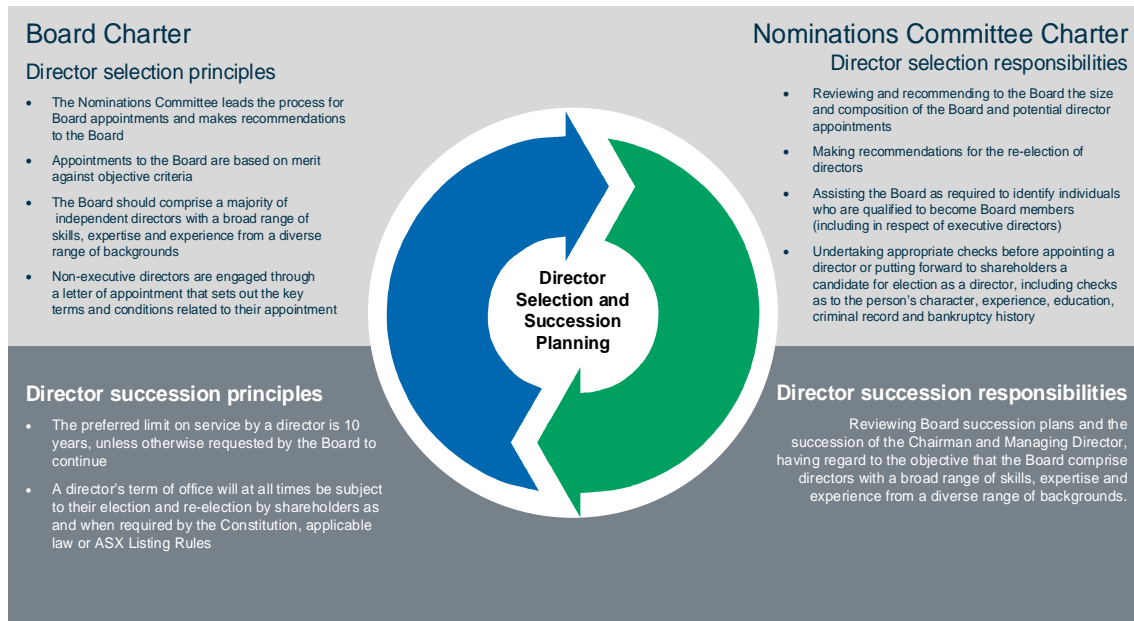
## **2.8 Director selection and succession planning**

The Board renewal process is overseen by the Nominations Committee and involves regularly reviewing the composition of the Board to ensure that the directors have an appropriate mix of skills, expertise, experience and backgrounds relevant to the management of Iluka.

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The Board Charter sets out the overarching principles regarding director selection and succession planning. The Nominations Committee Charter sets out the key nomination planning principles of the committee which is responsible for leading the process of Board appointments. The diagram below demonstrates the director selection and succession planning principles and responsibilities.



## 2.9 Director induction and continuing education

The Nominations Committee is responsible for ensuring that new directors are provided with a comprehensive induction programme (including business briefings by management and site visits).

The Board encourages directors to continue their education and maintain the skills required to discharge their duties effectively by providing professional development opportunities. Iluka meets all reasonable costs of continuing director education.

As part of Board professional development, in conjunction with Board and committee meetings, the Board participated in a number of briefings during 2016, which provided an overview of:

- the organisation or a specific function;
- the market environment in which Iluka operates;
- risks and opportunities for Iluka; and
- regulatory updates.

In addition, to ensure directors achieve a deeper understanding of the business, directors were involved in company familiarisation activities which included a visit to Iluka's operations in the Murray Basin (located throughout Victoria and New South Wales).





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## 2.10 Board meetings

In 2016, the Board met on 12 occasions, of which seven were scheduled meetings. In addition to these formal meetings, the Board spent two days dedicated primarily to strategic planning. The Chairman chaired all the meetings. In addition, the non-executive directors periodically meet independent of management to discuss relevant issues.

Directors' attendance at Board and committee meetings during 2016 is detailed below.

### Meetings of directors - 2016

Director	Board		Audit and Risk Committee		Nominations Committee		People and Performance Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
(1) (2)								
<b>Total meetings</b>	<b>12</b>		<b>5</b>		<b>5</b>		<b>4</b>	
<b>Executive</b>								
T O'Leary <sup>(3)</sup>	4	4		1				1
D Robb <sup>(4)</sup>	8	8		4				3
<b>Non-executive</b>								
G Martin	12	12	5	5	5	5	4	4
M Bastos	12	12	5	5	5	5		3
X Liu <sup>(5)</sup>	10	9	4	4	4	4		2
W Osborn <sup>(6)</sup>	3	3		2	3	3	2	2
J Ranck <sup>(7)</sup>	12	12	5	5	5	5	3	4
G Rezos <sup>(8)</sup>	12	9		2	5	4	4	4
J Seabrook	12	12	5	5	5	5	4	4
<b>Legend:</b>	<b>Notes:</b>							
 Current Chairman	(1) "Held" indicates the number of meetings held during the period of each director's tenure. Where a director is not a member but attended meetings during the period, only the number of meetings attended is shown.							
 Prior Chairman	(2) "Attended" indicates the number of meetings attended by each director.							
 Current member	(3) Mr O'Leary was appointed a director on 13 October 2016.							
 Prior member	(4) Mr Robb retired as a director on 2 September 2016.							
	(5) Dr Liu attended one Board meeting as an observer before she was appointed a director in 19 February 2016. Dr Liu also attended one Nominations Committee meeting and one Audit and Risk Committee meeting before becoming a member of each respective committee on 19 February 2016.							
	(6) Mr Osborn retired as a director on 18 May 2016.							
	(7) Mr Ranck became a member of the People and Performance Committee on 19 February 2016 and became its Chairman on 18 May 2016.							
	(8) Mr Rezos retired as a director on 14 December 2016.							

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### 3 Board committees

Relevant policies and charters:

- Audit and Risk Committee Charter
- Nominations Committee Charter
- People and Performance Committee Charter

The Board has three committees: Audit and Risk Committee; Nominations Committee; and People and Performance Committee, to assist with the effective discharge of its duties. Each committee operates under a specific charter approved by the Board which details their respective roles, duties and membership requirements.

Each committee comprise only independent, non-executive directors. In addition, the Audit and Risk Committee and People and Performance Committee have an independent chairman who is not the Chairman of the Board.

The primary role of the committees is to make recommendations to the Board on matters set out in their respective charters. Their structure and membership are reviewed periodically.

#### 3.1 Audit and Risk Committee

The purpose of the Audit and Risk Committee is to assist the Board to protect the interests of Iluka's shareholders and stakeholders by overseeing on behalf of the Board:

- the integrity of financial reporting;
- the adequacy of the control environment and the processes for identifying and managing risk;
- the internal and external audit functions;
- treasury and taxation practices; and
- compliance with applicable legal and regulatory requirements and internal codes of conduct, as requested by the Board.

During the year, the Audit and Risk Committee conducted reviews of the effectiveness of the Group's systems of risk management and internal controls for 2016 and up to the date of the Annual Report in accordance with the ASX Principles. These reviews covered financial, operational, and compliance controls and risk assessment. During the year, management presented an assessment of the material business risks facing the company and the level of the effectiveness of risk management over the material business risks. The reviews were overseen by the Audit and Risk Committee, with findings and recommendations reported to the Board.

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## Audit and Risk Committee membership during 2016

Director	Status
Jenny Seabrook (Chairman)	Member for whole period
Marcelo Bastos	Member for whole period
Xiaoling Liu	Member since 19 February 2016
Greg Martin	Member for whole period
James (Hutch) Ranck	Member for whole period

All members of the Audit and Risk Committee (of which there must be at least three) are independent non-executive directors and are required to be financially literate. Between them, the members must have accounting and financial expertise, operational and technical knowledge, and a sufficient understanding of the industry in which Iluka operates to be able to discharge the committee's mandate effectively. Jenny Seabrook (committee Chairman) is a Chartered Accountant (FCA) who throughout her career has worked at senior levels in chartered accounting, capital markets and investment banking businesses. Further details regarding director qualifications and experience are set out on pages 44 to 46 of the Annual Report.

The Chairman of the Audit and Risk Committee must be an independent director and cannot be the Chairman of the Board.

Details of directors' attendance at Audit and Risk Committee meetings held during 2016 are set out in section 2.10 of this report.

### 3.2 Nominations Committee

The purpose of the Nominations Committee is to assist the Board in fulfilling its responsibilities in overseeing the:

- selection, performance evaluation and succession of the Board, its committees and non-executive directors; and
- the appointment and succession of the Managing Director.

The committee will also make decisions on behalf of the Board where such authority has been expressly delegated by the Board.

During the year, the key area of focus for the Nominations Committee was ensuring the Board and each committee had the appropriate number of directors, skills and experience to ensure they fulfil their responsibilities.

Dr Liu was appointed to the Board on 19 February 2016. Dr Liu replaced Mr Osborn who retired from the Board on 18 May 2016.

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With Mr Robb's planned retirement on 2 September 2016, the committee conducted an extensive search to find a suitable replacement. On 29 June 2016, the Board announced that Mr Tom O'Leary would replace Mr Robb as CEO on 5 September 2016. Mr O'Leary joined the Board as Managing Director on 13 October 2016.

Mr Rezos retired from the Board on 14 December 2016 after ten years' service as a director of Iluka. Currently a search is being conducted to find a suitable replacement.

### Nominations Committee membership during 2016

Director	Status
Greg Martin (Chairman)	Member for whole period
Marcelo Bastos	Member for whole period
Xiaoling Liu	Member since 19 February 2016
Wayne Osborn	Member until 18 May 2016
James (Hutch) Ranck	Member for whole period
Gavin Rezos	Member until 14 December 2016
Jenny Seabrook	Member for whole period

All independent non-executive directors are members of the Nominations Committee.

Details of directors' attendance at Nominations Committee meetings held during 2016 are set out in section 2.10 of this report.

### 3.3 People and Performance Committee

The purpose of the People and Performance Committee is to assist the Board in fulfilling its responsibilities in overseeing the:

- overall remuneration strategy of Iluka and its specific application to the Managing Director and direct reports, and the remuneration of non-executive directors;
- performance evaluation of the Managing Director and his direct reports; and
- employment strategy, policy and practices of Iluka.

The committee will also make decisions on behalf of the Board where such authority has been expressly delegated by the Board.

During the year, key areas of focus for the People and Performance Committee included recommendations to the Board on incentive outcomes and awards for the Managing Director and his direct reports, appropriate short and long term incentive metrics, and a review of talent and development across the company. Further details including any key changes to remuneration are set out on pages 26 and 27 of the Annual Report.

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Comprehensive details of the processes and principles underlying the work of the People and Performance Committee are discussed on pages 28 and 29 of the Annual Report.

**People and Performance Committee membership during 2016**

Director	Status
James (Hutch) Ranck (Chairman)	Member since 19 February 2016
Greg Martin	Member for whole period
Wayne Osborn (prior Chairman)	Member until 18 May 2016
Gavin Rezos	Member until 14 December 2016
Jenny Seabrook	Member for whole period

All members of the People and Performance Committee (of which there must be at least three) are independent non-executive directors.

The Chairman of the People and Performance Committee must be an independent director and cannot be the Chairman of the Board.

Details of directors' attendance at People and Performance Committee meetings held during 2016 are set out in section 2.10 of this report.

**4 Performance evaluation and remuneration**

Relevant policies and charters:

- Board Charter
- Nominations Committee Charter
- People and Performance Committee Charter

**4.1 Performance evaluation**

Each year, performance evaluations of the Board, its committees and individual directors are undertaken. The Nominations Committee assists the Board in relation to the conduct of performance evaluations and development and implementation of plans for identifying, assessing and enhancing director competencies. External facilitators may be engaged to assist with the review of the Board, its committees and individual directors.

The Board, Audit and Risk Committee and People and Performance Committee also conduct an annual self-assessment of their performance, which serves to identify strengths, weaknesses and areas for improvement. The completed assessments are taken into account by the Board and each respective committee in determining performance improvements for the following year.

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In accordance with this process, the Board evaluated the performance of its directors, itself and each committee in late 2016.

The People and Performance Committee also assists the Board with evaluating the performance of the Managing Director. The People and Performance Committee provides feedback regarding the Managing Director's performance in relation to key performance measures to the Chairman of the Board, who is responsible for conducting the Managing Director's performance review.

Twice yearly, the Managing Director undertakes a review of the performance of each senior executive against individual objectives and deliverables linked to the corporate plan that were agreed at the beginning of the performance period. These personal objectives relate to key areas of performance over which the individual has accountability and influence. The process for conducting these reviews is covered on pages 32 to 33 of the Annual Report. The performance reviews of the Managing Director and senior executives were conducted in August and at the end of the performance period in accordance with this process.

## 4.2 Director and executive remuneration

The People and Performance Committee obtain independent remuneration benchmarking information for comparative purposes. Salary reviews and short-term incentives are determined by assessing performance against both individual performance and profitability and sustainability performance targets. Long-term incentives vest subject to Return on Equity and Total Shareholder Return performance compared with that of an industry peer group. In 2016, the People and Performance Committee conducted those reviews in accordance with disclosed processes.

All senior executives are employed by Iluka under written employment contracts.

Further details about the remuneration structure, remuneration policies and remuneration paid to the directors and senior executives during the reporting period, as well as details of the contractual arrangements with senior executives, are set out on pages 25 to 43 of the Annual Report.

## 5 Risk management and internal controls

Relevant policies and charters:

- Board Charter
- Audit and Risk Committee Charter
- Risk Management Policy

### 5.1 Risk management

The Board recognises that the identification and management of risk is fundamental to achieving Iluka's objective: to create and deliver value for shareholders.

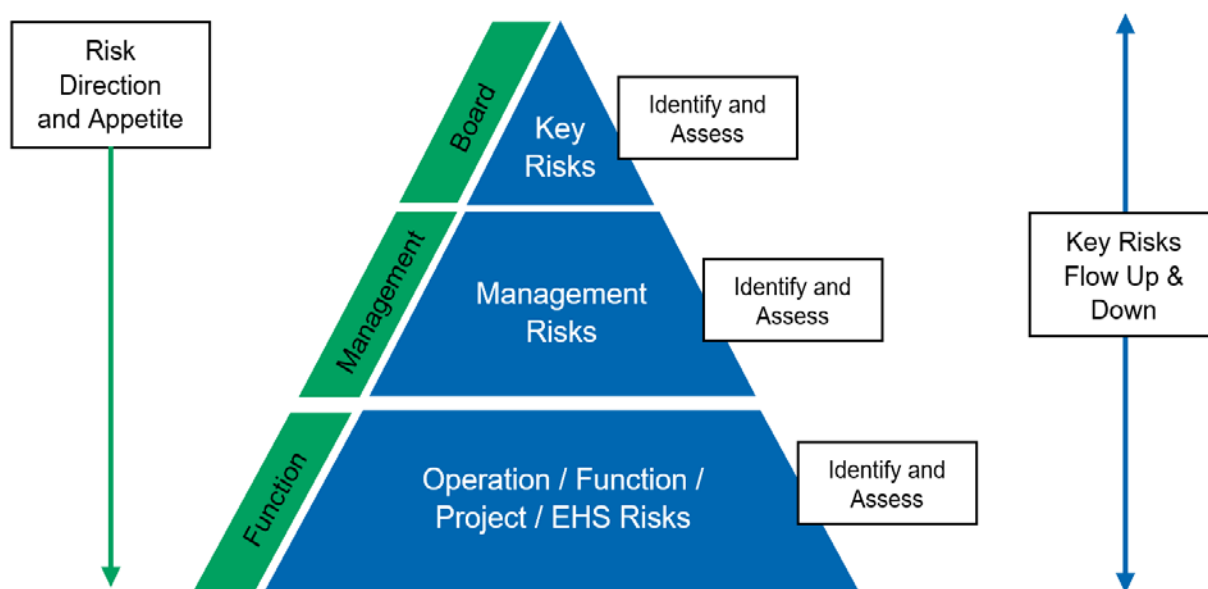
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Iluka has a Risk Management Policy which sets out the objectives and performance expectations to managing risk in a proactive and effective manner, and supporting guidance including a Risk Management Framework that defines a 'whole of business' approach to the management of risks which allows both opportunities and threats to be identified and managed effectively.

Through the policy and framework, Iluka seeks to:

- embed a culture of risk awareness in decision making;
- identify, assess and manage risks in a structured and systematic manner;
- enable prudent risk taking in line with business objectives and strategies;
- establish and monitor appropriate controls in line with business objectives and strategies;
- implement prudent insurance strategies for insurable risks;
- ensure material business risks are effectively identified, communicated and appropriately elevated throughout all levels of management to the Board; and
- fulfil governance requirements for risk management.

The diagram below sets out the risk hierarchy where risk identification, assessment and reporting are undertaken at all levels of the business:



The Board has overall responsibility for reviewing, approving and overseeing systems of risk management and internal control. This includes reviewing processes to identify the main risks associated with the company and reviewing processes and systems in place to manage these risks.

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The Audit and Risk Committee assists the Board with regard to oversight of Iluka's risk management practices by:

- developing an understanding of key risk areas and the consequences of major risk events;
- gaining assurance as to the adequacy of Iluka's policies and processes for integrating risk management into its operations;
- reviewing and making recommendations to the Board in relation to any incident involving fraud or other material break down of Iluka's internal controls;
- reviewing and reporting to the Board that the Audit and Risk Committee has, at least annually, reviewed Iluka's risk management framework to satisfy itself that it continues to be sound and effectively identifies areas of material potential risk; and
- reviewing the insurance strategy and determining the extent to which it aligns with the risk appetite and tolerance of Iluka.

In line with the ASX Principles, Iluka's Risk Management Framework is reviewed annually by the Audit and Risk Committee to satisfy itself and the Board that the framework continues to be sound. The review conducted during the reporting period included a consideration of its structure, procedure for risk identification and assessment, and the current approach towards risk appetite.

A copy of the Risk Management Policy can be found in the Governance section of Iluka's website. Further information outlining Iluka's approach to the management of risks is set out pages 5 to 7 of the Annual Report.

## 5.2 Internal audit

Iluka has an internal audit function (the Business Risk Management function) that assists the Board by undertaking an objective evaluation of Iluka's internal control framework. The Business Risk Manager is jointly accountable to the Chief Financial Officer (CFO) and the Audit and Risk Committee, attends Audit and Risk Committee meetings, presents internal audit activities and meets privately with the Audit and Risk Committee on a regular basis to ensure a degree of independence and objectivity to the role.

The Audit and Risk Committee is responsible for overseeing the internal audit function and its key roles are:

- reviewing the performance of the internal auditor and the approval of the annual internal audit plan;
- reviewing significant internal audit findings and action taken by management to address these; and
- facilitating a direct line of communication from the internal auditor which is independent of management.

When requested by the Board, the Audit and Risk Committee also reviews the processes and internal controls that management have put in place to ensure compliance with laws, regulations and Iluka's policies and internal codes of conduct.

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### 5.3 Material exposure to risks

Disclosure of Iluka's material exposure to, and management of, risks (including economic, environmental and social sustainability risks) and the systems Iluka has in place to manage these risks is included on pages 5 to 7 of the Annual Report.

### 5.4 Managing Director and Chief Financial Officer certifications

Prior to approving the financial statements in respect of each half and full year financial period, the Managing Director and the CFO give a declaration to the Board that:

- in their opinion, Iluka's financial records have been properly maintained and the financial reports comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Iluka; and
- that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Managing Director and the CFO gave this declaration to the Board for the half year ended 30 June 2016, and the full year ended 31 December 2016.

## 6 Governance documents

Relevant governance documents:

- Code of Conduct
- Directors' Code of Conduct
- Anti-bribery and Corruption Policy
- Whistleblower Procedure
- Diversity Statement
- Continuous Disclosure and Market Communications Policy
- Securities Trading Policy

### 6.1 Ethics and conduct

#### 6.1.1 Code of Conduct

Iluka is committed to practising high standards of conduct and has adopted a Code of Conduct that identifies the standard of ethical conduct expected of all Iluka employees and contractors. The Code of Conduct is underpinned by Iluka's values of Commitment, Integrity and Responsibility, and describes Iluka's objectives, values and standards of behaviour that employees and contractors must apply to all business practices. In addition, the Board has specifically adopted a Directors' Code of Conduct which establishes standards for appropriate ethical and professional behaviour for directors.

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Iluka treats actual or suspected breaches of its Codes of Conduct and policies seriously and has adopted mechanisms to ensure that suspected breaches are reported and acted upon fairly and effectively. The Codes of Conduct are supported by Iluka's Anti-bribery and Corruption Policy and Whistleblower Procedure.

Copies of the Code of Conduct and Directors' Code of Conduct can be found in the Governance section of Iluka's website.

### **6.1.2 Anti-bribery and corruption**

Iluka has a zero tolerance for bribery or corruption in its business. The Anti-bribery and Corruption Policy, supported by the Anti-bribery and Corruption Procedure sets out the standards and behaviour Iluka expects of its directors, officers, employees, agents, contractors and representatives, and links with the Whistleblower Procedure for the reporting of any actual or suspected breaches of the policy. Iluka also maintains a Gift Register which management are required to complete and retain as a record for the receipt of entertainment or gifts.

Any policy breaches or material incidents are reported to management and the Audit and Risk Committee.

The Anti-bribery and Corruption Policy and Procedure has been communicated to key Australian and international personnel (excluding Sierra Leone) via direct training. Additional Sierra Leone based personnel will receive training in early 2017, as all employees are required to complete appropriate training on anti-bribery and corruption. Anti-bribery and corruption risks will be a focus in 2017 reflecting Iluka's move towards further international growth in its activities and operations.

A copy of the Anti-bribery and Corruption Policy can be found in the Governance section of Iluka's website.

### **6.1.3 Whistleblower**

Iluka encourages all employees, directors, contractors and consultants to raise concerns regarding any misconduct that they believe constitutes a breach of the Code of Conduct, Iluka's policies or the law. Iluka's Whistleblower Procedure sets out the mechanism by which staff can confidently, and anonymously if they wish, raise concerns in a responsible manner without fear of discriminatory treatment, recrimination or reprisal, and Iluka's commitment to properly investigate any issues.

A copy of the Whistleblower Procedure can be found in the Governance section of Iluka's website.

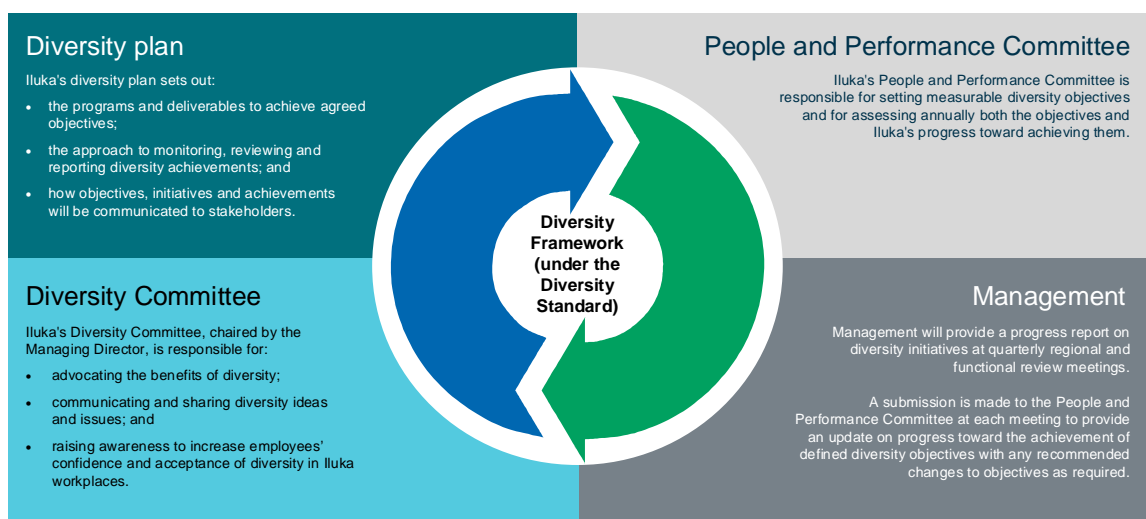
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## 6.2 Diversity

Iluka respects and encourages workplace diversity and strives to create a flexible and inclusive workplace environment. Iluka seeks to attract and retain the best people while building and maintaining a diverse, sustainable and high achieving workforce. To achieve the objective, Iluka is committed to:

- promoting awareness of diversity within Iluka;
- integrating workplace diversity principles into company activities;
- supporting skills development, aligned to the needs of Iluka, in communities in which Iluka operates;
- attracting, developing and retaining more employees across various age ranges, people with disability, women and indigenous people; and
- creating a flexible workplace culture which assists employees to balance their responsibilities.

To meet these objectives, Iluka has established a diversity framework under its Diversity Standard, as described in the diagram below:



Iluka will continue to develop and implement programmes which foster workforce and Board diversity.

The measurable objectives that applied to the Australian workforce throughout 2016 are set out in the following table:

Measurable objective	Status of the objective at 31 December 2016
30 per cent female diversity by 2018	27 per cent
8 per cent indigenous employment by 2018	5 per cent

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The table below highlights gender diversity across the Iluka Group as at 31 December 2016:

Level	Proportion of female (per cent)	Proportion of male (per cent)
Board	33	67
Senior executive <sup>(1)</sup>	9	91
Other management levels	20	80
<b>Total Australian Group</b>	<b>27</b>	<b>73</b>
<b>Total Iluka Group</b>	<b>25</b>	<b>75</b>

Further information outlining Iluka's approach and its progress towards achieving its measurable objectives will be set out in Iluka's Sustainability Report to be released later in 2017.

A copy of Iluka's Diversity Standard, as well as other diversity-related documents (including Iluka's most recent Workplace Gender Equality Agency Report) is available on Iluka's website at the following link: [www.iluka.com/people/diversity](http://www.iluka.com/people/diversity).

<sup>(1)</sup> Senior executive excludes the Managing Director.

### 6.3 Continuous disclosure and communications with shareholders

Iluka is committed to ensuring that shareholders and the market are kept fully and regularly informed of information and major developments concerning Iluka. To achieve this, Iluka has developed a Continuous Disclosure and Market Communications Policy which establishes procedures to ensure that directors and management fulfil their obligations under the Corporations Act and the ASX Listing Rules in relation to the timely disclosure of price-sensitive information.

The policy establishes a Disclosure Committee which reports to the Managing Director, comprising the Company Secretary, CFO and the General Manager Investor Relations.

The Disclosure Committee is responsible for:

- reviewing information, including consulting with Iluka management, personnel and external advisers to determine if disclosure is required;
- ensuring the Managing Director is advised of and approves all information to be disclosed to the market; and
- ensuring that the Board is kept fully informed of the Disclosure Committee's determinations and all information subsequently disclosed to the market.

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The Company Secretary is convenor of the Disclosure Committee and has primary responsibility for administration of the policy. The Company Secretary's responsibilities also include monitoring compliance with Iluka's disclosure obligations and managing all communications with the ASX.

Iluka communicates with shareholders through releases to the ASX, Iluka's website, information distributed direct to shareholders and the general meetings of shareholders. To ensure that security holders have the opportunity to participate at meetings of members:

- at the Annual General Meeting, shareholders elect the directors and have the opportunity to express their views, ask questions about company business and vote on items of business for resolution by shareholders; and
- PricewaterhouseCoopers, Iluka's external auditor, attends each Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Iluka has also established an investor relations programme to facilitate effective two-way communication with investors. In addition to providing information on the Iluka website about Iluka and its governance, this programme includes an "Investor Relations Guide", and comprehensive information (including briefing papers and presentations on Iluka's website) which is designed for those wishing to gain an understanding of the main elements of Iluka, its assets, industry context and basis for shareholder value generation. In particular, information available includes:

- Iluka's investment proposition, company and shareholder alignment and capital management framework;
- company outline, resource base and operations;
- mineral sands industry overview;
- Iluka's sales and marketing strategy and customer base;
- historical financials and company presentations;
- latest ASX releases; and
- calendar of events.

Shareholders are also able to send and receive communications to/from Iluka and its share registry, Computershare Investor Services Pty Limited electronically. Shareholders can elect to receive email notifications of major disclosures by advising Computershare. In addition, Iluka has webcast/teleconference facilities associated with full and half year results and any major business presentations. Transcripts of results presentations and major business presentations are placed on the ASX announcements platform and on the Iluka website as soon as practicable after the conclusion of such events.

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## 6.4 Dealing in shares

The Board believes it is in the best interests of shareholders for directors and employees to own shares in Iluka, subject to strict controls and guidelines on share trading.

Iluka has in place a Securities Trading Policy which applies to Iluka's directors and employees (and their "connected persons"). The policy prohibits directors and employees from trading in Iluka's securities if they are in possession of price-sensitive information which is not generally available to the market. It also prohibits dealings by directors and certain employees during defined "closed periods" except where clearance has been granted for exceptional circumstances or the dealing falls within an excluded category under the policy.

Closed periods under the policy include:

- the end of the financial year; and
- the end of a half financial year,

to the time when two business days have elapsed after the release of the annual or half yearly results respectively. Outside of these closed periods and prior to any proposed trade, directors and certain employees must seek approval prior to trading in Iluka's securities.

Directors and employees are also restricted from engaging in short-term trading of Iluka's securities and from hedging their securities unless those securities have fully vested and are no longer subject to restrictions. Key management personnel must not at any time enter into a transaction that involves using Iluka's securities as collateral in any financial transaction, including margin lending arrangements.

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