

Introduction

The Board of Directors and management of IPH Limited (the Company) are committed to high standards of corporate governance, and have prepared this Corporate Governance Statement in response to the ASX Corporate Governance Council's Principles and Recommendations 3rd Edition (ASX Principles) and made it available on the Company's website at <http://www.iphltd.com.au/investor-information/>. Pursuant to ASX Listing Rule 4.10.3, the Company has disclosed the extent to which it has followed the ASX Principles during the financial year, including reasons where the company has not followed a recommendation and any related alternative governance practice adopted.

The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, or other noted locations is available on our website at <http://www.iphltd.com.au/investor-information/>. This Corporate Governance Statement and the ASX Appendix 4G were approved for issue by the Board on 30 September 2016, and have been lodged with the ASX.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 *Adopted*

The Company has a Board Charter which sets out the responsibilities and functions of the Board and the Managing Director, and specifies those matters reserved to the Board. The Charter also specifies the requirements of directors in performing their duties, the responsibilities of the Chairman, and provides guidelines for directors on independence, access to information, independent advice and continuing development. The Charter is available on our website at <http://www.iphltd.com.au/investor-information/>.

The number of times the Board met during the 2016 financial year is also disclosed in the Directors' Report. In addition to formal board and committee meetings, the Board spends time with senior executives and other management personnel at the different business locations of the Company, engages with other key stakeholders, and participates in industry related events.

Recommendation 1.2 *Adopted*

As part of the initial public offering process in November 2014, each of the Non-Executive Directors was screened for matters of character, experience, education, criminal record and bankruptcy history. A screening process will be part of the appointment process for future Non-Executive Directors.

Information to enable shareholders to make an informed decision will be provided on all Non-Executive Directors standing for election or re-election as a director.

Recommendation 1.3 *Adopted*

Each director and senior executive has a written agreement with the Company on the terms of their appointment, including specifying their duties, remuneration and other entitlements, requirement to comply with Company policies, and arrangements with respect to insurance.

The remuneration arrangements for the Non-Executive Directors and Key Management Personnel, and the material terms of the employment agreements with the Managing Director and the Key Management Personnel is set out in the Remuneration Report which is part of the Directors' Report dated 18 August 2016.

Recommendation 1.4 *Adopted*

The Company Secretary is accountable to the Board, through the Chairman, and is responsible for supporting the Board and its committees on matters of governance, including the preparation of meeting papers and meeting minutes.

Recommendation 1.5 *Adopted*

The Company has a Diversity Policy, which is available on our website at <http://www.iphltd.com.au/investor-information/>. In order to strengthening gender diversity the Board has adopted a target of 30% female representation for directors, senior executives and principals.

The representation of women at the Company is shown in Table A.

Table A Representation of Women

	Women	Men
Board Directors	40%	60%
Senior executive ¹ & principal roles	24%	76%
Across the Company	74%	26%

A copy of the Company's annual public report for 2016 as lodged with the Workplace Gender Equality Agency, is available on the website.

Recommendation 1.6 *Adopted*

The Company recognises the pivotal role that the Board has in the governance framework of the Company. Under the Board Charter the Chairman is responsible for scheduling regular and effective evaluations of the Board's performance. An evaluation for the 2016 financial year has been completed.

Recommendation 1.7 *Not Adopted*

The Company is developing its formal processes for the performance evaluation for senior executives and aims to conclude this work before the end of the current financial year.

Principle 2: Structure the board to add value

Recommendation 2.1 *Adopted*

The Board has a committee, the Nomination and Remuneration Committee, which comprises three independent non-executive directors, and is chaired by a director who is not the Chairman of the Company. The committee has responsibility for nomination matters, including board appointments, director re-elections, director induction and continuing development programs. The committee charter is available on our website at <http://www.iphltd.com.au/investor-information/>.

Recommendation 2.2 *Adopted*

The Board, with the assistance of the Nomination and Remuneration Committee, determines the size and composition of the Board, subject to the Company's constitution. The constitution provides that the number of directors is to be not less than three and not more than seven. The Board has five directors, comprising four independent non-executive directors (including the Chairman) and the Managing Director. The names of the directors, the period of office held by each director, and details of their qualifications, skills and experience are set out in the Directors' Report and also on our website at www.iphltd.com.au.

The Board has reviewed the skills and diversity of the Board and is satisfied that each director meets the fundamental requirements necessary to govern an ASX listed company with the strategic intent to be the leading intellectual property group in secondary markets. The Company seeks to have a diverse Board which collectively has:

- intellectual property knowledge and experience;
- experience in professional services businesses, nationally and internationally;
- strategic capabilities and commercial acumen;
- financial management capability, including accounting or related financial management qualifications;
- risk management understanding and experience;
- knowledge of corporate governance and compliance in listed entities;
- experience in human resource management, including workplace culture, management development and succession, health and safety, diversity, and remuneration;
- experience on the boards of other significant listed entities;
- experience in incorporating digital into business models, and information technology as an enabler in a professional services business, and
- experience in executive leadership.

The Board requires each director to demonstrate ethical behaviour, independence of mind, sound judgement, high levels of engagement, and highly developed interpersonal skills.

¹ A senior executive is a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the company's financial standing.

Recommendations 2.3, 2.4 and 2.5 Adopted

The Board has five directors, four of whom are independent non-executive directors (including the Chairman). Each of the non-executive directors is considered to be independent because each has the ability to exercise their duties unfettered by any business or other relationship, and are willing to express their opinions free of concern about their position or the position of any third party. The Board Charter provides guidelines on independence, which is available on our website at <http://www.iphltd.com.au/investor-information/>.

Recommendation 2.6 Adopted

Each of the non-executive directors was appropriately inducted into the Company, which supported their full and active participation as directors. All directors are expected to maintain and enhance their skills and knowledge so as to exercise their responsibilities and discharge their obligations to the Company. Directors are expected to participate in appropriate professional development activities. The induction and professional development of directors is a responsibility of the Nomination and Remuneration Committee. The committee charter is available on our website at <http://www.iphltd.com.au/investor-information/>.

Principle 3: Act ethically and responsibly

Recommendation 3.1 Adopted

The Company recognises that one of its most valuable assets is its reputation. Since the establishment of its business more than 125 years ago, the Company and its predecessors have been committed to maintain the highest standards in the conduct of its activities. The Company has a Code of Ethics and Professional Conduct, which is available on our website at <http://www.iphltd.com.au/investor-information/>. In addition, all professional staff are governed by codes of professional conduct for the practice of patent and trade mark attorneys and legal practitioners.

The Company also has a Share Trading Policy which prohibits insider trading, and restricts the buying and selling of shares in the Company by directors, executives, the Company Secretary and any person entitled to receive equity performance rights and / or options as part of any Company equity incentive scheme, to specified trading windows. The policy is available on our website at <http://www.iphltd.com.au/investor-information/>.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1 Adopted

The Company has an Audit Committee which comprises three independent non-executive directors, and is chaired by a director who is not the Chairman of the Company. The committee has a charter which is available on our website at <http://www.iphltd.com.au/investor-information/>. The committee operates in accordance with the charter and in a manner compliant with ASX Listing Rule 12.7. The role of the committee includes the functions listed in Recommendation 4.1.

The names and details of qualifications and experience of each committee member is detailed in the Directors Report, and is also available on our website at www.iphltd.com.au. The number of times the committee met during the 2016 financial year is also disclosed in the Directors' Report.

The members of the Audit Committee collectively have appropriate accounting and financial expertise, and a sufficient understanding of the business and industry sector in which the Company operates, to effectively discharge the committee's mandate.

Recommendation 4.2 Adopted

Pursuant to section 295A of the *Corporations Act*, the Company's financial report preparation and approval process for each financial year requires the Managing Director and the Chief Financial Officer to make the following declarations to the Board that, in their opinion:

- the Company's financial records for the reporting period have been properly kept in accordance with Section 286 of the Corporations Act 2001;
- the financial statements and associated notes comply in all material respects with the accounting standards as required by Section 296 of the Corporations Act 2001; and
- in accordance with Section 297 of the Corporations Act 2001, the Company's financial reports and accompanying notes represent a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The

Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board has received the declaration in respect of the 2016 financial year.

Recommendation 4.3 Adopted

The Company, with the assistance of the Audit Committee, has appointed an external auditor who demonstrates expertise and independence. The external auditor is required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

An analysis of the fees paid to the external auditor, including a break-down of fees for non-audit services is set out in note 30 to the financial statements for the 2016 financial year. The Audit Committee requires the external auditor to provide an annual declaration of their independence.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 Adopted

The Company is committed to complying with its obligations under ASX Listing Rule 3.1. The Company has a Continuous Disclosure and Investor Relations Policy, which is available on our website at <http://www.iphltd.com.au/investor-information/>. In developing the policy the Company had regard to ASX Guidance Note 8 and ASIC Regulatory Guide 62.

Principle 6: Respect the rights of security holders

Recommendation 6.1 Adopted

The Board accepts it is accountable to shareholders, and acknowledges its obligations to engage with shareholders in a manner which allows them to effectively exercise their rights as shareholders. An overview of the Company's business is available on our website at www.iphltd.com.au. An investors section on the website contains the board charters, corporate policies, ASX announcements, notices to shareholders, including the notice of the annual general meeting, half year and full year reports and the Company's annual report - <http://www.iphltd.com.au/investor-information/>

The Company has a Continuous Disclosure and Investor Relations Policy, which is available on our website at <http://www.iphltd.com.au/investor-information/>.

The Company engages its share registry to manage the majority of communications with shareholders.

Recommendations 6.2 and 6.3 Adopted

The Company has an appropriate investor relations program, which includes the annual general meeting as the primary forum for communication between the Company and shareholders, a program of analyst and investor briefings, and a facility through our website for shareholder enquiries. The investor relations program is detailed in the Company's Continuous Disclosure and Investor Relations Policy, which is available on our website at <http://www.iphltd.com.au/investor-information/>. The Company also engages with a broad range of other stakeholders, including interactions with professional bodies and government.

Recommendation 6.4 Adopted

All shareholders have the option to receive communications from, and send communications to, the Company and the Company's share registry electronically, in addition to postal and facsimile communications.

Principle 7: Recognise and manage risks

Recommendation 7.1 *Adopted*

The Company recognizes that a sound risk management framework is critical to effective management of the Company. An effective risk management system identifies and manages potential risks in a continuous, proactive and systematic way through an integrated application of high quality risk management policies and processes to all facets of our business by all levels of management.

The Company has refreshed its Risk Management Policy which is available on our website at <http://www.iphltd.com.au/investor-information/>.

The Company has established a Risk Committee which comprises at least three independent non-executive directors, and is chaired by a director who is not the Chairman of the Company. The committee has a charter which is available on our website at <http://www.iphltd.com.au/investor-information/>.

The Company recently adopted an enhanced risk management framework that:

- recognizes risk management as a business process that is owned by all management;
- requires integration into key business processes, including risk based decisions in strategy, business planning and investment setting; and
- incorporates a process for ongoing review and improvement.

The risk management framework (RMF) was developed having regard to relevant regulations and guidelines including the ASX Principles and the Australian / New Zealand standard AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines*.

Recommendation 7.2 *Adopted*

In addition to receiving regular reports on financial, operational and compliance risks, the Board reviews the Company's risk management framework annually.

Recommendation 7.3 *Adopted*

The Company does not have an internal audit function.

Prior to the establishment of the Risk Committee, the financial, operational and compliance risks in the business were considered and monitored through reporting to the Audit Committee. The Risk Committee will consider the need for internal audit in the light of the growth of the group and acquisition activity.

Recommendation 7.4 *Adopted*

The Company's material economic, environmental and social sustainability risks were disclosed in the Operating and Financial Review (OFR) section of the Directors Report issued on 18 August 2016. Those risks have been reviewed by the Board and a summary of those risks and the Company's approach to the management of those risks are set out in Table B.

Table B Material Risks

Risk	Description	Management of Risk
Competition	The sectors in which the Company operates are subject to vigorous competition, based on factors including price, service, innovation and the ability to provide the customer with an appropriate range of IP services in a timely manner.	<p>Effective client service, comprising a high level of expertise at competitive prices delivered in a timely manner.</p> <p>All operations of the IPH Group are now or will be supported by industry leading IT systems.</p> <p>Regular marketing visits to maintain and develop client relationships</p> <p>IPH seeks to provide a broader range of intellectual property services than its competitors</p>
Regulatory environment	The Company is subject to significant regulatory and legal oversight.	<p>Senior executives ensure that all regulatory and legal issues affecting IPH's business are monitored and that any changes to the business operations necessary to comply with regulatory and legal changes are undertaken in a timely manner.</p> <p>Careful management and oversight of the Group's internal case management system.</p> <p>Principal review of all professional work and compliance with a professional work approval matrix for outgoing work. The approval matrix is correlated to the complexity and level of potential risk associated with the work.</p>
Regulatory reforms	The Group's service offerings are subject to changes to government legislation, regulation and practices including particularly, if implemented, proposals to streamline multi-jurisdictional patent filing and examination processes.	<p>The Company seeks to offer its services in a range of secondary markets. Many of these markets have less developed IP regulations and systems, and require translations into languages other than English, and are therefore less likely to be affected by such proposals if they were to be implemented than developed or primary markets.</p> <p>Other factors which help safeguard the company's role are effective technology, excellent client service and efficient operations and the likely need for IP applicants to continue to be required to record a local address for service of documents with the local IP office for examination and prosecution purposes.</p> <p>The Company also continues to seek to develop revenue streams from adjacent markets.</p>
Personnel	The Company depends on the talent and experience of its personnel. The loss of any key personnel, or a significant number of personnel generally may have an adverse effect on the Company. Employee costs represent a significant component of the Group's total cost base.	<p>Retention practices including appropriate remuneration, incentive programmes (both short and long term), retention awards, working environment and rewarding work.</p> <p>Careful management of staff numbers and salary levels and consideration of resourcing requirements as the Company grows.</p>

Risk	Description	Management of Risk
Disintermediation	The Group acts as an intermediary agent between its clients and IP offices. This role is safeguarded by clients' reliance on the Group's expertise (both general IP expertise and local expertise) and regulatory barriers such as exclusive rights of patent attorneys to provide various IP related services and requirements for IP applicants to record a local address for service of documents with the local IP office.	<p>IPH's intermediary role is safeguarded by clients' reliance on the Group's expertise (both general IP expertise and local expertise) and regulatory barriers such as exclusive rights of patent attorneys to provide various IP related services and requirements for IP applicants to record a local address for service of documents with the local IP office.</p> <p>Other factors which help safeguard the company's intermediary role are effective technology, excellent client service and efficient operations.</p>
Case management and technology systems	The Group's internally customised systems represent an important part of its operations.	<p>The Company has established business continuity plans and procedures and maintains system back up and maintenance processes. The Company continually invests in system enhancements and engages quality 3rd party suppliers to assist with its systems developments.</p> <p>The Company's transition of its IT systems to offsite 'cloud-based' systems has enabled centralised oversight and standardisation of processes.</p>
Concentration of shareholding	Following completion of the listing, former owners held approximately 49.8% of the shares, which are covered under the current escrow arrangements for 2 years from listing.	At the end of the escrow period there may be a significant number of former owners who wish to sell down some of their IPH shareholding. The Company plans to manage the risk posed to IPH's share price by seeking to facilitate any significant sell down that may be determined by former owners by means of a share placement. To ensure widespread investor support the Company undertakes an extensive programme of investor presentations.
Foreign exchange risk	The Group's financial reports are prepared in Australian dollars. However, a substantial proportion of the Group's sales revenue, expenditure and cash flows are generated in, and assets and liabilities are denominated in US dollars, Euros and Singapore dollars.	The Company monitors the foreign currency exposures that arise from its foreign currency revenue, expenditure and cash flows and from the foreign currency assets and liabilities held on its balance sheet. The Company undertakes regular sensitivity analyses of these exposures. The Company has foreign currency hedging facilities available as part of its bank facilities. The Chief Financial Officer regularly reports to the Board in respect of the Company's foreign exposures. The Board reviews its hedging policy in respect of the foreign currency exposures from time to time. Currently the Group does not hedge against its foreign currency exchange risk.
Conflict of duties	Patent and trademark attorney are required to abide by a code of conduct that requires them to act in accordance with the law, in the best interests of their client, in the public interest, and in the interests of the registered attorney's profession as a whole. There may be circumstances in which the Company is required to act in accordance with these duties contrary to other corporate responsibilities and against the interests of shareholders and the short term profitability of IPH.	Conflict of interest advice obtained from outside Counsel from which the Group has developed a comprehensive conflict of interest policy.

Risk	Description	Management of Risk
Professional liability and uninsured risks	The provision of patent and trademark services and legal services by the Company gives rise to the risk of potential liability for negligence or other similar client or third party claims.	<p>The Company maintains file management processes which are highly automated, safeguarded, controlled and regularly reviewed.</p> <p>The Company has comprehensive quality assurance processes to ensure appropriate standards of professional work are maintained.</p> <p>The Group has in place a comprehensive insurance programme which includes professional indemnity insurance. To support its professional indemnity insurance arrangements, the Group has internal processes to ensure timely notification to the underwriters of any potential claim arising from its business activities.</p>

Acquisitions	The Company's growth strategy involves the acquisition of other intellectual property businesses. Risks arise in ensuring that all issues affecting the value of individual acquisitions are identified and reflected in the purchase considerations. After acquiring a new business, risks arise in ensuring the business is properly integrated into the IPH Group	The Company undertakes an extensive due diligence process covering all relevant matters relating to each acquisition target. Where appropriate the Company engages competent professional experts to assist with the due diligence process. For each acquisition the Company requires comprehensive legal contracts to be completed with the Vendors. The contracts include appropriate indemnities and warranties and employment arrangements with key individuals. For most acquisitions part of the consideration is paid in the form of IPH shares which are required to be escrowed for up to two years. Management keeps the Board closely informed throughout each acquisition process and seeks the Non-executive Directors' counsel where appropriate. The Board conducts a formal detailed review of each acquisition prior to giving its final approval. After completing an acquisition, processes are undertaken to review standards of governance, compliance with IPH policies and procedures, and levels of financial control and reporting, and where necessary brought into line with Group standards.
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Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 *Adopted*

The Company has a Nomination and Remuneration Committee which comprises three independent non-executive directors, and is chaired by a director who is not the Chairman of the Company. The committee has a charter which is available on our website at <http://www.iphltd.com.au/investor-information/>. The committee operates in accordance with the charter, and in a manner compliant with ASX Listing Rule 12.8. The role of the committee includes the functions listed in Recommendation 8.1.

The names and details of qualifications and experience of each committee member is detailed in the Directors' Report, and is also available on our website at www.iphltd.com.au. The number of times the committee met during the 2016 financial year is also disclosed in the Directors' Report.

The members of the committee collectively have appropriate skills, and a sufficient understanding of the business and industry sector in which the Company operates, to effectively discharge the Committee's mandate.

Recommendation 8.2 *Adopted*

The Company discloses its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other key management personnel in the Company's Remuneration Report, which is part of the Directors' Report. The Company's disclosure is in accordance with section 300A of the *Corporations Act*, and is subject to an advisory vote by shareholders.

Recommendation 8.3 *Adopted*

The Company has a Hedging and Margin Loan Policy which is available on our website at <http://www.iphltd.com.au/investor-information/>. This policy, which complies with section 206J of the *Corporations Act*, prohibits directors, executives, the Company Secretary, and any person who is entitled to receive equity performance rights and / or options as part of any Company equity incentive scheme, from entering into any hedging arrangements, and prohibits entry into margin lending arrangements without the Company's consent.

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