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Corporate Governance Statement

for the year ended 31 July 2021

Washington H. Soul Pattinson and Company Limited
ABN 49 000 002 728 | ASX Code: **SOL**

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Corporate Governance Statement

for the year ended 31 July 2021

The Board of Washington H. Soul Pattinson and Company Limited (WHSP, the Company) is committed to ensuring the operation of its policies and practices embed good corporate governance in its day to day activities. We recognise that an appropriate culture needs to be sustained for our continued success.

This Corporate Governance Statement has been approved by the Board. It describes WHSP's key governance practices in place as at 31 July 2021 and articulates how decision – making is guided to meet stakeholder expectations of sound corporate governance, acknowledging WHSP's specific and broader responsibilities to its Shareholders, key stakeholders, staff and the communities in which it operates.

WHSP's corporate governance practices have been reviewed against the ASX Corporate Governance Council *Corporate Governance Principles and Recommendations – 4th Edition* (**ASX Principles**). Other than as set out in the section below on independence, WHSP's practices were consistent with the ASX Principles as at 31 July 2021.

A summary of the changes made to governance practices during the year is set out below:

Recommendation 3.2

The Board reviewed and approved a revised Code of Conduct and it was disclosed on the Company's website in July 2021.

Recommendation 5.1

The Board reviewed and approved a revised Continuous Disclosure Policy and the policy was disclosed on the Company's website in July 2021.

Recommendation 4.3

The process to verify the integrity of periodic corporate reports is disclosed in this Corporate Governance Statement.

Other FY21 Board governance activities include:

- Enhanced the level of environmental, social and governance (**ESG**) disclosure and the ESG reporting framework;
- Published WHSP's inaugural Modern Slavery Statement;
- Reviewed the Board and Board Committee Charters;
- Continued Shareholder and proxy advisor engagement;
- Sought audit firm tenders resulting in a change of auditor to EY; and
- Continued Board renewal and succession planning.

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Focus on Sustainable growth and prudent management of risk

WHSP has a track record of providing above market returns and dividend growth to its Shareholders. During the recent COVID-19 pandemic, capital was preserved and the portfolio continued to demonstrate outperformance in both "Down" and "Up" months.

The Board has an ongoing focus on sustainable growth with prudent management of associated risks. In FY19 the Board commissioned an external review of its framework for the oversight of risk, including Environmental, Social and Governance (**ESG**) risks. The recommendations of the review have largely been implemented and WHSP is committed to continuing to enhance its disclosure. For further detail on the results of this review refer to WHSP's Sustainability Report and Risk Management Report in its 2021 Annual Report.

Corporate Governance – Background and Purpose

WHSP is an investment holding company with investments in diversified portfolios giving it exposure to many industries and asset classes.

Since listing in 1903, WHSP's purpose has been to build a resilient long-term return to our Shareholders by creating capital growth along with steadily increasing dividends through disciplined investing in businesses and assets. The sustainability of industries in which we invest, the quality of the management of our investments and the impact of existing and potential investments on communities, the environment and people are key considerations when making investment and divestment decisions.

WHSP employs a small and diverse team of professionals who understand and are aligned to this purpose. Conduct and culture are set in a highly visible manner by the Board and senior executives, and there is direct monitoring of activities.

Our disciplined assessment of investments takes a long-term view where there is alignment between building a resilient long-term return for shareholders and meeting the broader needs of stakeholders, including the communities where our investee companies operate. Effective risk management, including the management of ESG risks, is embedded in the implementation of WHSP's strategy. This balanced view, integration of strategy with disciplined risk management and fostering an ethical, trusted and respected culture has driven WHSP's long period of profitability and increased dividends. Our corporate governance practices reflect this balance.

Board Oversight

The Board's role is to:

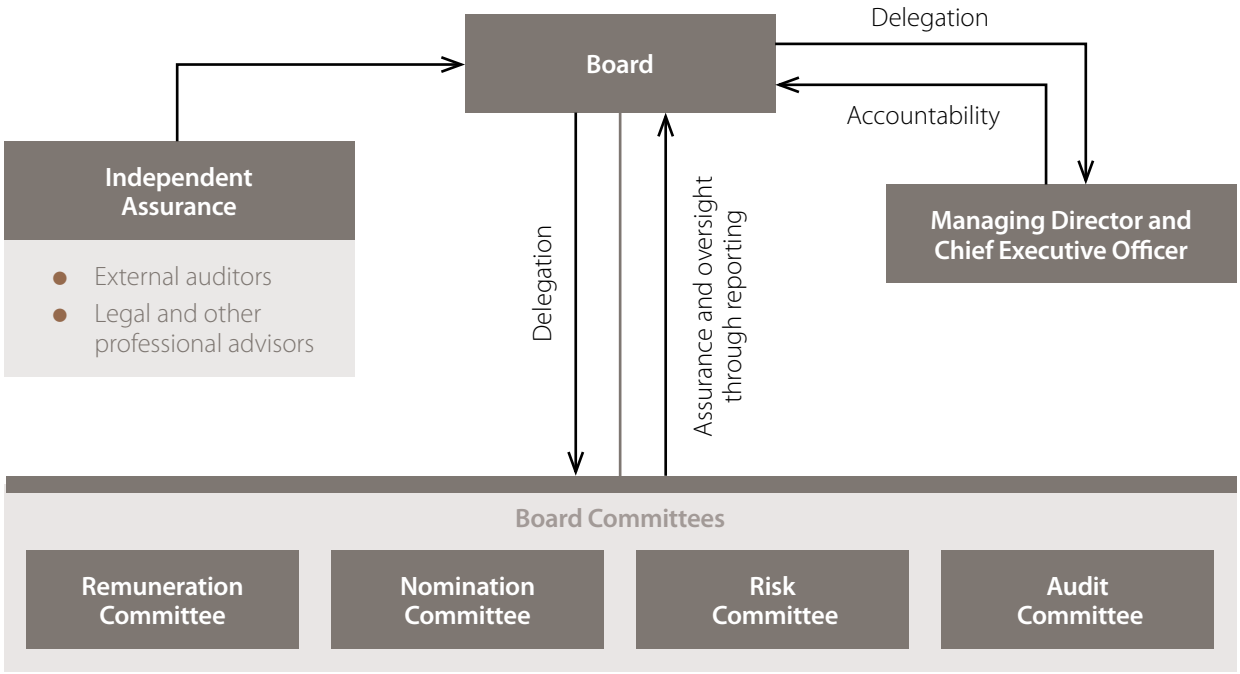
- Provide leadership and strategic guidance to WHSP;
- Oversee the performance and conduct of WHSP; and
- Represent and report to the Shareholders of WHSP.

To fulfil its role, the Board's responsibilities include approving and overseeing Managements' implementation of WHSP's strategy and business plan, as well as approving the Group's Risk Management Framework and Risk Appetite Statement. The Board also reviews the framework of systems, policies and processes by which the Company operates, makes decisions and holds people to account (**Corporate Governance Framework**).

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Corporate Governance Framework

WHSP's Corporate Governance Framework sets out the roles and responsibilities of the Board and Management and establishes policies, systems and processes for oversight and monitoring of Board and management performance, corporate reporting, disclosure, remuneration, risk management and security holder engagement.



WHSP Board and Board Committee Structure

The above diagram shows WHSP's current Corporate Governance Framework, including the current Committees of the Board.

The role and responsibilities of the Board and its Committees are detailed in the Board and each of the Board Committee Charters on WHSP's website at *www.whsp.com.au/policies*

Culture

The strong principles and values which underpin our approach to corporate governance are designed to promote transparency, fair dealing and the protection of stakeholder interests. WHSP is committed to embedding high standards of corporate governance, which it considers integral to building a sustainable and profitable business.

The Board "sets the tone from the top" in a clear and visible way, and the desired behaviours are demonstrated by senior management and communicated to staff. The Board generally meets 10 times a year and Board Committee meetings take place on the same day, before the Board meeting. All Board members are invited to attend all Board Committee meetings. The Board encourages a culture of open and frank Board discussions, where all views are respectfully considered. In the months when the Board is not scheduled to meet, financial and other reports are provided to the Board to enable ongoing oversight of material business matters. In between meetings, management notifies the Board of material matters as they arise in a timely manner.

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The Board monitors culture by engaging with management and staff in various ways:

- key management are invited to attend Board and Committee meetings, and other members of management and staff regularly attend and present on matters as subject matter experts;
- further information is provided on request, in response to Board questions and particular areas of interest and oversight; and
- informal meetings between the Board, management and staff occur periodically between meetings.

Professional Conduct

WHSP has a *Code of Conduct* which articulates our values and deals with matters of integrity and ethical standards. The Board recognises the need for the Directors and employees to adhere to the highest standards of behaviour and business ethics.

WHSP expects all Directors and employees to:

- Maintain and further enhance the Company's reputation. This includes:
  - Acting in accordance with ethical and professional standards;
  - Acting with honesty and integrity in dealings with Shareholders, suppliers, competitors and other stakeholders;
  - Protecting the reputation of the Company when dealing with actual or potential conflicts of interest between private and Company matters; and
  - Avoiding conflicts where possible.
- As custodians of shareholder wealth, protect Company assets and confidential information. This includes:
  - Complying with the Company's legal and regulatory obligations;
  - Following the Company's policies;
  - Not accepting unauthorised benefits as a result of their position in the Company; and
  - Not engaging in insider trading.
- Create a respectful workplace. This includes:
  - Treating everyone with fairness and respect;
  - Reporting discrimination, harassment or bullying; and
  - Acting in accordance with the highest standards of workplace behaviour.

Material breaches of the *Code of Conduct* are reported to the Risk Committee.

Standards of behaviour expected of staff are also set out in key, Board approved policies that are intended to instil a culture of acting lawfully, ethically and responsibly.

WHSP has a *Share Trading Policy* setting out prohibited periods for Director and staff trading in securities of the Company, a *Whistleblower Policy* to promote a culture of corporate compliance and highly ethical behaviour and an *Anti-Bribery and Corruption Policy* to articulate our commitment to a culture of zero tolerance to bribery, corruption and facilitation payments. These policies may be viewed on WHSP's website at *www.whsp.com.au/policies*

Material breaches of these policies are reported to the Risk Committee.

See our Sustainability Report and Risk Management Report in the 2021 Annual Report for further information. *www.whsp.com.au/financial-reports/*

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Board and Management

The Board is ultimately responsible for the operations, management and performance of WHSP. In discharging this responsibility, the Board delegates to Senior Executives, whose role it is to manage WHSP in accordance with the directions and policies set by the Board. The Board monitors the activities of Senior Executives in the performance of their delegated duties.

It is the responsibility of the Board to determine policies and practices and take steps to satisfy itself that WHSP is compliant with statutory, legal and other regulatory obligations.

To fulfil its role, the Board's responsibilities include approving and monitoring managements' implementation of WHSP's strategy and business plan, monitoring WHSP's performance, overseeing WHSP's financial position, approving WHSP's risk management framework, including major policies relating to remuneration, conduct and diversity, approving WHSP's Risk Appetite Statement and reviewing the management of material risks. The responsibilities of the Board are set out in the *Board Charter* on the website at *www.whsp.com.au/policies/*

The role of the Board is to provide leadership and strategic guidance, oversee the performance and conduct of WHSP and represent and report to our Shareholders. The Board appoints a Managing Director and Chief Executive Officer (**MD & CEO**) who is responsible for the overall operational management and performance of WHSP. Subject to certain powers the Board reserves for itself and financial limits on delegated authority, the MD & CEO is authorised to exercise all of the powers of the Board. The powers reserved for the Board are set out in the Board's Charter. A summary of the responsibilities of the Board is set out below:

- considers, approves and monitors the implementation of WHSP's strategy and the performance of the Company;
- approves investments and divestments as well as capital and non-capital expenditure above specified thresholds;
- oversees WHSP's financial position, funding and capital management and monitors liquidity;
- approves dividend payments, the Company's annual and interim financial reports;
- approves or endorses major policies including policies relating to culture, conduct and diversity;
- approves and monitors the operation of WHSP's risk appetite statement and risk management framework;
- approves WHSP's remuneration policy;
- appoints the MD & CEO;
- reviews the performance of and approves the remuneration for the MD & CEO and key management personnel (**KMP**); and
- determines the role of Board Committees and considers reporting from Board Committees.

The Board has delegated responsibility to management for the overall operational management and performance of WHSP in accordance with the strategy, plans and policies approved by the Board.

Management's responsibilities include:

- day to day management of WHSP;
- monitoring the investment portfolio;
- making investment/divestment decisions within Board delegated limits;
- producing performance measurement reports;
- managing the compliance and risk management systems; and
- appointing, managing and developing staff.

The MD & CEO is responsible for ensuring that the responsibilities delegated by the Board are properly discharged.

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Board Renewal and Diversity

WHSP's constitution states that its Board is to comprise of no less than three and no more than ten Directors. At the end of the year the Board consisted of seven non-executive and one executive Director. All directors are non-executive with the exception of the MD & CEO and the majority of the Board are Independent Directors.

Recommendation 1.5 of the ASX Principles[1] sets the measurable objective for a board's gender diversity at not less than 30% of its directors of each gender and requires measurable gender targets to be set and disclosed. The Board has adopted this objective. Board succession plans have improved gender diversity in the composition of the Board (FY19:14% to FY21:25%). Upon the retirement of Mr Westphal from the Board in December 2021 and subject to re-election of any Director standing for re-election at the 2021 Annual General Meeting (**AGM**), gender diversity will increase to 28.5%.

Appropriate background checks are undertaken by the Board before any person is appointed as a Director of WHSP or before any candidate is put forward to the Shareholders of WHSP for election as a Director.

Information regarding the skills, expertise and experience of persons standing for election or re-election as a Director at a meeting of Shareholders is included in the explanatory notes which accompany the notice of the meeting.

WHSP has written agreements with each of its Directors and senior executives which set out the terms of their appointment. Material terms of appointment include:

- remuneration;
- duties and responsibilities including compliance with company policies;
- disclosure and notification obligations;
- indemnification and officers' liability insurance; and
- any requirement for election and subsequent re-election by Shareholders.

Board skills and experience

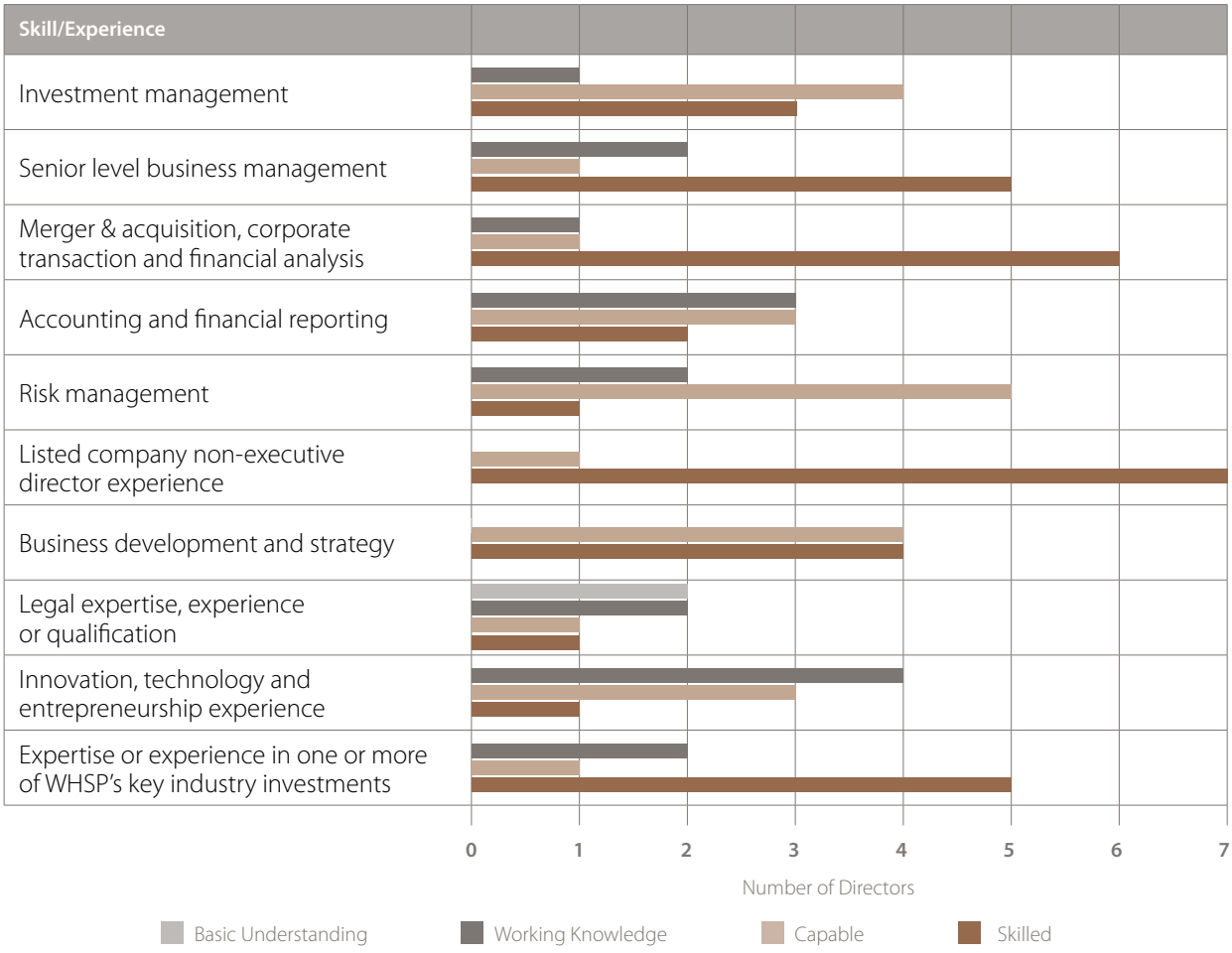
The Board is comprised of highly qualified Directors with a diverse range of relevant skills and experience. The Board considers that the Directors bring an appropriate mix of skills, breadth and depth of knowledge and experience to fulfil the Board's role.

Together, the Directors have a broad range of relevant skills, capabilities and knowledge, and the extensive experience necessary to guide WHSP. Details of each Director's qualifications and experience are set out in Section 1 of the Directors' Report, in our 2021 Annual Report.

1. *All references to 'Recommendations' are to the recommendations in the ASX Principles.*

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The Board possesses the following skills which are relevant to the operations of the Company.



Director Independence

The Board assesses the independence of Directors on appointment and annually.

The Board has reviewed the independence of its members against the guidance provided in Box 2.3 of the ASX Principles *Factors relevant to assessing the independence of a director* and considers the following Non-executive Directors to be Independent Directors:

- Mr Michael J Hawker – Lead Independent Director
- Mrs Tiffany L Fuller
- Mr Warwick M Negus
- Mrs Josephine L Sukkar
- Mr Robert G Westphal

Having regard to the ASX Principles, two of the Non-executive Directors have interests and/or associations which may impact their independence.

- Mr Robert Millner and Mr Thomas Millner have relevant interests in substantial shareholdings in WHSP as disclosed in the Directors' Report and the Remuneration Report within WHSP's 2021 Annual Report.
- Mr Robert Millner is also a director of Brickworks Limited which is a major shareholder of WHSP.

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The Board does not believe that a Director:

(a) holding shares in WHSP;

(b) having an interest in a substantial holding in WHSP; or

(c) being associated with a substantial shareholder of WHSP;

is detrimental to other Shareholders. The Board considers that such holdings further align the interests of those Directors with the interests of the Company's Shareholders as a whole.

While there are factors that may impact their capacity to bring independent judgement, the Board considers that they act independently in executing their duties as Directors. The Board acknowledges the importance of independent board decision making and in addition to appointing Mr Hawker as the Lead Independent Director, the Board has in place formal *Board Guidelines for Dealing with Conflicts of Interest*.

Recommendation 2.5 specifies that the Chair of the board of a listed entity should be independent. WHSP is governed by a Board comprising a majority of independent, professional and highly experienced directors. Chairman Robert Millner is a Non-executive Director, however his long tenure and the substantial extended Millner family shareholding in WHSP might reasonably be seen to impact his capacity to bring independent judgement. Accordingly, the Board has appointed a Lead Independent Director, Mr Michael Hawker. Mr Hawker is a professional company director with over 30 years of experience in financial markets and investment.

The Board believes it is appropriate in the particular circumstances of WHSP for Mr Millner to remain Chairman of WHSP, notwithstanding he is not regarded as independent:

- as there are few people more experienced as a chairman and his skill, experience and shareholding are key assets of the business; and
- a substantial, long-term family shareholding in the business creates significant alignment with Shareholders' interests. Mr Millner is the 4th generation of family members involved in the governance of the business.

The responsibilities of the Lead Independent Director include acting as Chairman when the Chairman may be conflicted, assisting to review the performance of the Chairman and to provide a separate channel of communication for internal and external stakeholder and shareholders, particularly where those communications may involve the Chairman or an associate of the Chairman.

Management of Conflicts

All Directors are committed to bringing their independent views and judgement to the Board and, in accordance with the Corporations Act 2001, inform the Board if they have any interest that could conflict with those of WHSP. The Board has approved *Guidelines for Dealing with Conflicts of Interest* to appropriately manage all perceived, actual and potential conflicts of interest. Directors are required to disclose actual, potential or perceived conflicts, and to appropriately manage a conflict the Director:

- will not receive board papers on the subject of interest, but may, at the discretion of the other Directors, be advised that certain board papers have been excluded;
- cannot be present when the matter is considered unless otherwise permitted by law or the other Directors resolve that the Director in question can be present;
- cannot vote on the matter unless the other Directors resolve that the Director in question can vote;
- cannot have access to minutes of the Board or any Board Committee meeting in relation to the subject of interest; and
- may be required by the Board to take such other steps as are necessary and reasonable to resolve any conflict of interest within an appropriate period.

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Company Secretary

The Company Secretary is accountable to the Board through the Chairman and each Director is able to communicate directly with the Company Secretary and vice versa. The decision to appoint or remove the Company Secretary is approved by the Board.

Board Committees

The Board has established and delegated its authority for specific responsibilities to four standing Committees:

- Nomination Committee;
- Audit Committee;
- Risk Committee; and
- Remuneration Committee.

The authority of each Committee is set out in its Charter. The Board on occasion may constitute other Committee's or request Directors to undertake additional duties, such as due diligence committees in relation to strategic decisions and capital and funding matters.

The diagram below illustrates the core functions of the four standing Committees.



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Board and Board Committee membership

Details of each Director's tenure and Committee membership as at 31 July 2021 are shown in the table below:

Director Name	Appointment Date	Years of Service	Nomination Committee	Audit Committee	Risk Committee	Remuneration Committee
Composition			The majority of members are Independent Non-executive Directors	All members are Independent Non-executive Directors	All Directors are members	The majority of members are Independent Non-executive Directors
Mr R D Millner	Non-executive Director since 1984 (Chair since 1998)	37 (22 as Chair)	✓		✓	✓
Mr T J Barlow	Managing Director since 2015	5			✓	
Mrs T L Fuller	Independent Non-executive Director since 2017	3	✓	✓	✓	✓
Mr M J Hawker	Lead Independent Non-executive Director since 2012	8	✓ Chair	✓	✓ Chair	✓
Mr T C D Millner	Non-executive Director since 2011	10	✓		✓	✓
Mr W M Negus	Independent Non-executive Director since 2014	6	✓	✓	✓	✓ Chair
Mr R G Westphal	Independent Non-executive Director since July 2020	15	✓	✓ Chair	✓	✓
Mrs J L Sukkar	Independent Non-executive Director since July 2020	1	✓		✓	✓

Board Renewal

Nomination Committee

WHSP has established a Nomination Committee. All the members of the Committee are Non-executive Directors and the majority of the Committee are independent Directors. The Committee is chaired by an Independent Director. The Committee had at least three members at all times during the year.

The Nomination Committee met four times during the year. The attendance of Committee members at meetings is set out in the Directors' Report in WHSP's 2021 Annual Report.

The role of the Nomination Committee is to assist the Board with respect to:

- selection of new Directors;
- nomination of Directors for re-election;
- succession planning for the Board; and
- development of a process to evaluate the performance of the Board and the Directors.

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The Nomination Committee Charter sets out the process by which candidates are identified and selected, the use of professional intermediaries and the requirement for a diverse range of candidates to be considered. The Charter may be viewed on the Company's website at *www.whsp.com.au/policies*.

Director Appointment, Induction and Development

The Nomination Committee reviews and considers the structure, balance of skills and diversity of the Board and makes recommendations regarding appointment, retirement and approval of Directors to stand for re-election. When a vacancy occurs the Nomination Committee identifies the necessary and desirable skills, expertise and experience required to complement the Board and undertakes a process to identify the most appropriate candidates. The Nomination Committee has regard to the results of the annual appraisal of the Boards' performance, the performance of each Director and ongoing succession planning.

The Nomination Committee may engage recruitment consultants and other independent experts to undertake research and assessment at WHSP's expense.

Directors are initially appointed by the full Board, following consideration of recommendations made by the Nomination Committee. Appointment is subject to re-election by WHSP's Shareholders at the next Annual General Meeting.

WHSP has a program for inducting new Directors and for periodically reviewing whether there is a need for Directors to undertake professional development. WHSP provides appropriate professional development opportunities for Directors as agreed with individual Directors to maintain the necessary skills and knowledge required to discharge their responsibilities.

Diversity and Inclusion

WHSP values and respects the skills that people with diverse backgrounds, experiences and perspectives bring to achieving our purpose to grow the capital value and yield of our investment portfolio. We believe a diverse workforce incorporates a number of different factors, including gender, ethnicity, age and educational experience. We are committed to providing a work environment in which everyone is treated fairly, and with respect.

In promoting diversity we are committed to rewarding performance and providing opportunities that allow individuals to reach their full potential irrespective of background or difference. When appointing new staff or promoting people within the organization the most suitably qualified candidates are selected. Recruitment, selection and succession planning have regard to diversity criteria and objectives for achieving diversity, including gender balance.

WHSP's *Diversity Policy* formalises its commitment to providing equal access to opportunities irrespective of background or difference. The policy may be viewed on the Company's website at *www.whsp.com.au/policies*.

The *Diversity Policy* governs the conduct of all Directors and employees of the Company.

Governance

The Board reviews the diversity of the Board and senior management as part of its review of succession planning.

The Board Remuneration Committee sets measurable objectives for achieving gender balance in the composition of the Board, senior executives, and the workplace generally. The objectives set by the Committee include objectives relating to gender balance on the Board, recruitment, and workplace practices to support a culture that attracts a diverse workforce.

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Gender Diversity

Each year WHSP submits reporting under the *Workplace Gender Equality Act 2012* (Cth) and reports on the respective proportion of men and women on the Board and in senior management positions in its Corporate Governance Statement. Despite the relatively small number of staff that make up the workforce of its direct operations and the low level of turnover, the Board and management assess the diversity of its workforce, including gender diversity, at least annually. The following sets out the gender balance of the Board, senior management, senior executives and the workforce as at 31 July 2021.

2021	Board of Directors	Non-executive Directors	Senior Management	Senior Executive*	WHSP Workforce
Total	8	7	3	12	28
Male	75.00%	71.43%	66.67%	75.00%	60.71%
Female	25.00%	28.57%	33.33%	25.00%	39.29%

Review of Performance

Performance of the Board and Board Committees

The Board as a whole monitors the effectiveness of its oversight and meetings during the year and conducts an annual review of its performance.

The process for conducting the annual review is agreed by the Board. Typically, the process includes individual interviews by the Chair or an external facilitator with each Director and the use of a self assessment questionnaire to cover matters such as:

- the Board's contribution to developing strategy and policy;
- Board and Board Committee performance against its stated role;
- interactions between the Board and Management;
- the Board's oversight of business performance and compliance, risk controls and Management;
- board composition, including consideration of relevant skills and structure; and
- the operation of the Board, including the conduct of Board meetings and the performance of the Chairman as chairman. The Lead Independent Director or an external facilitator provides performance feedback to the Chairman based on discussion with the other Directors.

A written report summarising the results and feedback is presented to the Board and discussed at a Board meeting. The Board's review in FY2021 was conducted in accordance with the process described above. Directors were also requested to provide examples of effective Board oversight, steps the Board could have taken to improve oversight and areas of focus for the Board to improve its effectiveness.

The Board periodically uses an external facilitator to conduct its performance reviews. Such a review was undertaken in 2019.

Performance of Senior Executives

The performance of the MD & CEO is evaluated by the Board with reference to the overall performance of WHSP and of its subsidiaries and associates. Both qualitative and quantitative measures are used to evaluate performance.

The MD & CEO evaluates the performance of the other Senior Executives. The Board also reviews the performance of these executives via the monthly Board reports and their attendance at Board meetings.

The performance of the Senior Executives of the Company was assessed, as set out above, during the year. The remuneration of Senior Executives is assessed against financial and non-financial performance criteria and approved by the Board. The Remuneration Report in the 2021 Annual Report sets out further detail on the criteria used to assess the performance of Senior Executives.

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Oversight of Risk

WHSP has a proud history of focusing on its investors and delivering sustainable and strong net returns. Thinking, behaving, and investing responsibly underpins this approach. As a long-term investor with a portfolio of investments across diverse industry sectors, risk management is central to the investment decision making and monitoring processes.

Risk governance

The Board endorses WHSP's strategy annually taking into consideration the Board approved Risk Appetite Statement. The Board has established a Risk Committee. The Board Risk Committee assists the Board with monitoring and reviewing WHSP's key financial and non-financial risks including:

- investment risk;
- sustainability and environmental risk;
- regulatory and compliance risk; and
- brand and reputation risk.

Each year the Risk Committee undertakes an annual review of risk, including a review of the Board approved Risk Appetite Statement and Risk Management Strategy.

Senior management has established a Management Risk Committee, chaired by the CEO, that is responsible for proactively identifying changes in WHSP's risk profile, formally reviewing key risks and reporting material risk matters to the Board.

Risk Committee

The role of the Risk Committee is the assist the Company in setting the risk appetite of WHSP, including the balance of risk and reward for new and existing undertakings, and in monitoring the operation of the risk management framework.

The Risk Committee Charter sets out the Committee's role, responsibilities, composition, authority and reporting. While all Directors are members of the Risk Committee, the Risk Committee has the full power of the Board.

The Committee Chair and the majority of the members of the Risk Committee are Independent Non-executive Directors. The Membership of the Risk Committee is detailed in the table of Board and Committee membership on page 11 of this Corporate Governance Statement.

The Risk Committee met four times during the year. The attendance of Committee members at meetings is set out in the Directors' Report in the 2021 Annual Report.

The Charter may be viewed on the Company's website at *www.whsp.com.au/policies*

Risk Management

WHSP brings an in-depth understanding of each sector in which capital is deployed, including: ESG factors; demand and supply dynamics; competitive environment; and regulation. WHSP is an active investor and evaluates opportunities based on facts and research, seeking to understand the downside risks to any investment. WHSP looks at avenues for mitigating these risks where possible.

WHSP's investments are made in accordance with its Sustainable Investment Policy, Climate Change Policy, Human Rights Policy and Anti-Bribery and Corruption Policy. These policies may be viewed on the Company's website at *www.whsp.com.au/policies*. Details of WHSP's approach to financial risk management is contained in the Note 28 – Financial Risk Management in WHSP's 2021 Annual Report on the Company's website at *whsp.com.au/financial-reports/*

WHSP believes its Shareholders are best served by maintaining a reputation as an ethical, trusted and respected investment company. WHSP seeks to be an investor of choice and partner with investees to create long-term sustainable businesses which make a positive contribution to their stakeholders.

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The success of WHSP's business is based on taking risks that are known, understood, assessed and managed in line with the Board approved Risk Appetite Statement. The ongoing review of risk includes an annual risk review that is undertaken alongside the annual strategy review. The annual risk review includes an assessment of whether adjustments to the risk appetite need to be made as WHSP's strategy evolves.

WHSP actively identifies all material risks that may affect its business and ensures that these are managed appropriately. When assessing risk appetite, WHSP specifies the acceptable risk level for each of the identified risks. The most conservative risk appetite is in the management of critical areas such as reputation, regulatory compliance, workplace health and safety and protection of the environment. This means that the Board has a narrower tolerance for these risks. In relation to risks associated with business growth the Board accepts a higher risk appetite, consistent with WHSP's strategic objective.

For further information on WHSP's approach to risk management refer to the Risk Management Report in the 2021 Annual Report.

Assurance

The Risk Committee has satisfied itself that the risk management framework continues to be sound and that WHSP is operating within the risk appetite set by the Board.

The Board receives a management representation letter from the MD & CEO and Chief Financial Officer (**CFO**) each half year and year end ahead of approving WHSP's financial reports confirming that WHSP's internal controls are sound and operating efficiently.

WHSP is an investment company with fewer than 30 direct employees, predominantly in investment, finance and administration. The size and nature of these operations does not justify the establishment of an internal audit function.

ESG governance and oversight

We believe that sustainable investing is consistent with successful long-term investing. The Company reviews and monitors its economic sustainability, environmental sustainability and social sustainability risks. Our approach to managing these risks is set out in our *Sustainable Investment, Climate Change* and *Human Rights Policies*.

The risk of climate change in WHSP's investment portfolio is assessed at the origination of a significant new investment and continues after an investment is made through the ongoing investment review and monitoring processes. Exposures with a medium or high risk profile are subject to additional due diligence and heightened consideration and assessment. As at 31 July 2021, the Directors considered climate-related risk in the preparation of the financial statements.

ESG Risk embedded in investment assessment and monitoring

The Board is responsible for approving material investments and considers ESG issues in relation to new and existing investments on an ongoing basis. The Board proactively considers ESG factors in fulfilling our purpose to hold a diversified portfolio of assets which generate a growing income stream for distribution to Shareholders in the form of fully franked dividends and to provide capital growth. The management team are tasked with reporting to the Board on sustainability and ESG issues affecting investments.

WHSP's ESG Investment approach is guided by the following core beliefs:

- Attention to ESG performance can improve the quality and consistency of long-term value creation;
- As an active owner, we are well positioned to provide counsel and independent challenge to our investees in relation to their approaches for managing ESG risks and taking advantage of ESG opportunities, therefore enhancing returns; and
- Our actions and decisions can affect practices in the entities in which we invest. We have both a duty and an interest in managing this influence to maximise long-term value for our investee companies and our investors.

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For further information on WHSP's approach to ESG see the Sustainability Report in the 2021 Annual Report.

Oversight of Remuneration

Remuneration Committee

WHSP has established a Remuneration Committee. All the members of the Remuneration Committee are Non-executive Directors and the majority of the Committee are Independent Directors. The Committee is chaired by an Independent, Non-executive Director. The Committee had at least three members at all times during the year.

The membership of the Remuneration Committee is detailed in the table of Board and Committee membership on page 11 of this Corporate Governance Statement.

The role of the Remuneration Committee is to make recommendations to the Board with regard to the following:

- remuneration for Non-executive Directors, the MD & CEO and KMP;
- WHSP's Remuneration policy; and
- any other matters referred to it by the Board.

The Remuneration Committee met once during the year. The attendance of Committee members at meetings is set out in the Directors' Report in the 2021 Annual Report.

The Remuneration Committee Charter may be viewed on the Company's website at *www.whsp.com.au/policies*

The Remuneration Committee makes recommendations to the full Board on remuneration matters and other terms of employment for the Non-executive Directors, the MD & CEO and Senior Executives of the Company.

Executive Remuneration

Senior executive performance is reviewed by the Board. The remuneration of the Senior Executives is reviewed annually by the Board after taking into consideration the recommendations of the Remuneration Committee.

The MD & CEO and Senior Executives are remunerated by way of salary, non-monetary benefits, superannuation contributions and via participation in short-term and long-term incentive plans. This variable remuneration framework aligns executive performance with the short-term and long-term strategic objectives set by the Board. It is designed to ensure that senior executive variable remuneration outcomes remain consistent with Shareholder returns. All participants in the long-term incentive plan are prohibited from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the plan.

Non-Executive Director Remuneration

Fees paid to the Non-executive Directors of WHSP are reviewed annually by the full Board after taking into consideration the recommendations of the Remuneration Committee. The aggregate amount of fees which may be paid to Non-executive Directors is subject to the approval of Shareholders at the AGM and is currently set at $2,000,000 per annum. Approval for this amount was given at the 2016 AGM.

Non-executive Directors are remunerated by way of fees in the form of cash, non-monetary benefits, and statutory superannuation contributions. Non-executive Directors appointed prior to 1 August 2004 are also entitled to receive a retiring allowance. With effect from 31 July 2004 this retiring allowance was frozen at three times the average annual fees for the three years prior to that date. Mr Robert Millner is the only Director entitled to a retiring allowance. Non-executive Directors are not entitled to receive performance or equity-based remuneration.

Remuneration is set to attract and retain suitable personnel and to motivate them to pursue the long-term growth and success of the Company.

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Approach to Executive Remuneration

There were no changes to the following remuneration structure during the year:

- **The Board has a discretion to cancel or modify the Short-Term Incentive (STI) and Long-Term Incentive (LTI) programs at any time.** In making remuneration decisions the Board considers a wide range of measures such as ethical behaviours, operating within the law and meeting community expectations on ESG standards. Whilst remuneration is set using financial measures, the WHSP Board is able to exercise its right to make changes to remuneration should outcomes fall short of expectations in these areas. In confirming remuneration each year, the Board explicitly confirms that management had met these standards.
- **The Board has implemented performance conditions in its LTI plan that are measurable.** The Board has discretion to set the terms on which it will grant rights. All performance rights granted are subject to vesting conditions. The Board also has discretion to clawback any incentive in the event of any error in accounting resulting in a miscalculation of incentives or acts of serious negligence or bad faith on the part of the LTI participant.
- **STI objectives focus management on cash flow and the growth of Net Asset Valuation relative to the market (ASX 200 Accumulation Index).** Cash flow is important to continue to consistently grow dividends.
- **Fixed Remuneration of all KMP.** WHSP's policy is to benchmark remuneration to the median of ASX listed companies with the same market capitalisation as WHSP across all industries
- **As an investment company with a mandate to invest across any industry, the Board has determined that the relevant Comparator Index is the whole market (All Ordinaries Index).** LTI performance conditions are measured over a 3 year period. WHSP must exceed the performance of the All Ordinaries Index for 3 years. The stretch target is 3% per annum above the market for 3 years.

Further information about Directors' and executives' remuneration is set out in the Remuneration Report in the 2021 Annual Report.

Financial Reporting

Audit Committee

WHSP has established an Audit Committee. All the members of the Audit Committee are Non-executive, independent Directors. The Chairman of the Audit Committee is not the Chairman of the Board. The Chairman of the Board is not a member of the Audit Committee. The Committee had at least three members at all times during the year.

The membership of the Remuneration Committee is detailed in the table of Board and Committee membership on page 11 of this Corporate Governance Statement.

The Audit Committee met nine times during the year. The attendance of Committee members at meetings and their qualifications and experience are set out in the Directors' Report in the 2021 Annual Report.

The Audit Committee Charter sets out the Committee's function, composition, authority, responsibilities and reporting. The Charter may be viewed on the Company's website at *www.whsp.com.au/policies*

The role of the Audit Committee is to assist the Board in discharging its responsibilities in relation to the external audit function, accounting policies, financial reporting and related financial reporting compliance matters.

Financial Reporting assurance

The MD & CEO and the CFO are required to state in writing to the Board that:

- in their opinion, the financial records of WHSP have been properly maintained;
- in their opinion, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of WHSP; and
- their opinion is formed on the basis of a sound system of risk management and internal compliance and control, which is operating effectively in all material respects.

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Declarations have been received by the Board prior to approval of the half year and full year financial statements in respect of the current reporting year.

Auditor Engagement and Independence

The external auditor attends Audit Committee meetings and reports on the results of their half year review and full year audit. It is the policy of the external auditor to rotate audit engagement partners on listed companies in accordance with the requirements of the *Corporations Act 2001*, which is generally after five years.

The external auditor provides an annual declaration of their independence to the Company. Information about fees paid to the external auditor is included in the Directors' Report and in the notes to the financial statements in the 2021 Annual Report.

Proposals to engage the external auditor for non-audit assignments are notified in writing to the Audit Committee Chairman prior to engagement and reported to the Audit Committee at the subsequent Audit Committee meeting.

The lead engagement partner for the Company's external auditor attended the AGM in 2020 and was available to answer Shareholders' questions about the conduct of the audit and the preparation and content of the audit report. During FY21, the Company appointed Ernst & Young (**EY**) as its external auditor. WHSP Shareholders will consider the appointment of EY as auditor of WHSP at the Company's 2021 AGM.

Due Diligence on unaudited periodic corporate reports

WHSP periodically releases corporate reports to the market which are unaudited or not reviewed by the External Auditor, such as annual directors' reports, annual sustainability reports and investor presentations (**Corporate Reports**). Prior to the release of Corporate Reports, a verification process is undertaken to ensure that the report is materially accurate, balanced and provides investors with appropriate information to make informed investment decisions.

WHSP's process to verify the integrity of any Corporate Report depends on the nature of the information in the report. The process typically includes:

- Internal subject matter experts draft the relevant sections of the report and take steps to verify the accuracy of the statements made or the information provided in the Corporate Report through either:
  - first-hand knowledge; or
  - evidence such as analysis, original document or confirmation from another person with appropriate first-hand knowledge and accountability;
- Financial components are reviewed by the CFO and non-financial components are reviewed by the MD & CEO and Group Executive – Legal and Governance;
- The report as a whole may also be reviewed by external advisors;
- Where formal Board approval is required, consideration by the appropriate Board Committee for recommendation to the Board, followed by consideration and approval by all members of the Board; and
- Any matters not requiring formal approval by the Board are approved by the Chair and MD & CEO for release to the market.

Commitment to shareholders and an informed market

WHSP respects the rights of its Shareholders and provides access to appropriate information about the Company in a timely manner.

Market updates

The Board recognises the need to provide all investors with equal and timely access to material information regarding WHSP and for announcements to be factual, clear, balanced and complete.

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WHSP has established a *Continuous Disclosure Policy* to put in place a framework for compliance with ASX and Corporations Act continuous disclosure requirements. The policy requires timely disclosure through the ASX announcement platform of information concerning WHSP that a reasonable person would expect to have a material effect on the price or value of WHSP's securities or which would materially influence the decision making of investors. Internal procedures are in place to ensure that relevant information is communicated promptly:

- New and substantive investor or analyst presentation materials are released to ASX before they are given;
- Shareholders are given the opportunity to participate in market update presentations; and
- The Board receives copies of all material market announcements promptly after they have been made.

The Chairman and MD & CEO are responsible for determining disclosure obligations and the Company Secretary is the nominated ASX continuous disclosure contact for the Company. The *Continuous Disclosure Policy* is available on the Company's website.

Website

WHSP's website, *www.whsp.com.au*, provides information about the Company and its governance.

The Governance page provides links to:

- Details of Directors and Senior Executives;
- WHSP's constitution, its charters and policies, and
- Other corporate governance materials including current and past Corporate Governance Statements and the Company's Modern Slavery Statement.

The website also contains copies of current and past annual reports, financial reports, key financial dates, share registry details, material presentations and ASX announcements.

Shareholder meetings

WHSP facilitates two-way communication with investors. WHSP actively promotes Shareholder attendance and participation at the AGM and other meetings of Shareholders. The notice of meeting sent to all shareholders sets out clear instructions for participating at the meeting.

The safety of Shareholders and staff is of primary importance to us. Due to the COVID-19 pandemic, the Company's 2020 AGM was held as a virtual meeting. Shareholders were able to vote, ask questions and provide comments via the virtual meeting platform.

The external auditor attends the AGM to answer Shareholders' questions regarding the conduct of the audit and the content of the auditor's report.

Shareholders who are unable to attend the AGM are encouraged to vote on the resolutions of the meeting by proxy. All resolutions at the 2020 AGM were decided on a poll.

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically.

Further information

For further information concerning the corporate governance practices of the Company, refer to the Governance section of the Company's website at *www.whsp.com.au*