

Corporate Governance Statement

for the financial year ended 31 July 2016

The Board of Washington H. Soul Pattinson and Company Limited (WHSP, the Company) is committed to ensuring its policies and practices reflect good corporate governance and recognises that for its success an appropriate culture needs to be nurtured and developed throughout all levels of the Company.

This statement outlines the Company's Corporate Governance Practices in place at 31 July 2016. The practices are summarised into sections in line with the 8 core principles set out in the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd edition".

Mr Todd Barlow was appointed to the Board of Directors as the Company's Managing Director (MD) on 14 October 2015. He was formerly the Company's Chief Executive Officer (CEO).

The following persons were Directors of WHSP for the whole of the financial year:

Mr Robert D Millner – Chairman
Mr Michael J Hawker
Mr Thomas C D Millner
Mr Warwick M Negus
Ms Melinda R Roderick – Finance Director
Mr Robert G Westphal
Mr David E Wills

The following person was appointed as a Director of WHSP on 14 October 2015 and remained a Director at the end of financial year:

Mr Todd J Barlow – Managing Director

Principle 1 – Lay solid foundations for management and oversight

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

It is the responsibility of the Board to determine policies and practices and to ensure that the Company is compliant with statutory, legal and other regulatory obligations.

Responsibilities of the Board include the following:

- Determining corporate strategies, policies and guidelines for the successful performance of the Company in the present and in the future;
- Monitoring the performance and conduct of the Company;
- Accountability to Shareholders;
- Ensuring that risk management procedures and compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place;
- Ensuring the Company continually builds an honest and ethical culture;
- Appointing, and when necessary replacing, the MD; and
- Approving the appointment, and when necessary replacement, of other senior executives.

The Board has delegated responsibility for the following to management:

- Day to day management of the Company;
- Production of performance measurement reports;

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- Managing the compliance and risk management systems; and
- Management of staff including, appointment, termination, staff development and performance measurement.

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

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

The Company has written agreements with each of its Directors and senior executives which set out the terms of their appointment.

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.

Diversity

The Company values and respects the skills that people with diverse backgrounds, experiences and perspectives bring to the organisation. The Company is 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 organisation the most suitably qualified candidates are selected. As a result, diversity is promoted throughout the organisation.

The Company has established a Diversity Policy to formalise its commitment to providing equal access to opportunities irrespective of background or difference. The policy may be viewed in the Corporate Governance section of the Company's web site at www.whsp.com.au.

The policy governs the conduct of the Company, its subsidiaries (other than those in the New Hope Corporation Limited Group) and all directors and employees of those entities. New Hope Corporation Limited (New Hope) is listed on the Australian Securities Exchange (ASX) and accordingly is required to establish its own diversity policy and objectives and make the required disclosures in its Corporate Governance Statement. Therefore it is not considered appropriate for companies in the New Hope Group to be governed by the Company's policy or for the New Hope Group companies' diversity reporting to be included in this statement.

The Company has adopted the ASX Corporate Governance Principles and Recommendations on diversity. As at 31 July 2016 the organisation (excluding the New Hope Group) had 153 full time equivalent employees (2015: 141).

The proportion of female employees in the organisation as at 31 July 2016 was 33% (2015: 36%). While the Company believes that this represents a reasonable level of gender diversity, it will continue to ensure that neither gender nor any other differences interfere with the employment of individuals based on their suitability for the position available. By doing so the Company aims to increase female representation.

The proportion of women in senior executive positions as at 31 July 2016 was 11% (2015: 11%). A senior executive is defined as a person who is involved in the strategic or high level decision making process within their business segment of the organisation. The Company's objective is to incrementally increase the proportion of women in senior executive positions as vacancies allow and suitably qualified candidates are available. The small number of senior executive positions within the organisation and the low turnover rate limits the opportunity to increase female representation in this area. The Board assesses the gender diversity objective and the Company's progress in achieving it at least annually.

The proportion of women on the Board of Directors of the Company as at 31 July 2016 was 13% (2015: 14%). The Board has undertaken to include both male and female candidates in the process for selection of new Directors. During the year the Company's CEO was appointed to the Board increasing the number of Directors to eight and reducing the female representation as a result. Candidates will continue to be assessed on their skills, knowledge and experience and on the relevance of these to the Company's needs.

Board Reviews

The Chairman is responsible for monitoring and assessing the performance of individual Directors, each Board Committee and the Board as a whole. The Chairman interviews each Director and provides feedback regarding their performance. At this interview each Director is invited to comment on the performance of the Board as a whole and the performance of other Directors. The Board as a whole continuously monitors the efficiency and effectiveness of its operations on an informal basis.

The performance of each Director of the Company was assessed, as set out above, during the year.

Senior Executive Reviews

The performance of the MD is evaluated by the Board with reference to the overall performance of the Company and of its subsidiaries and associates in which the MD represents the Company. Both qualitative and quantitative measures are used to evaluate performance.

The Board evaluates the performance of the Finance Director. The MD 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.

Principle 2 – Structure the Board to add value

The Company'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 six non-executive and two executive Directors. The Board has assessed the independence of its members and is of the view that the following non-executive Directors act independently:

Mr Robert D Millner - Chairman
Mr Michael J Hawker
Mr Thomas C D Millner
Mr Warwick M Negus
Mr Robert G Westphal
Mr David E Wills

All Directors have undertaken to provide the Board with all information which is relevant to the assessment of their independence in a timely manner.

Under the ASX Corporate Governance Principles and Recommendations two of the current Non-executive Directors have interests and/or associations which may cause doubt about their independence.

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

The Board does not believe that a Director: holding shares in the Company; having an interest in a substantial holding in the Company; or being associated with a substantial Shareholder of the

Company 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.

- Mr Robert Millner has been a Director of the Company for 31 years. The Company is a long term investor and the Board values Mr Robert Millner's considerable depth of knowledge of its investments. He is a professional company director and the Board is confident that the length of his tenure does not impact on his ability to act independently.

The Board has assessed the independence of Mr Robert Millner and Mr Thomas Millner and has concluded that the above factors do not prohibit them from acting independently.

All Directors are committed to bring their independent views and judgement to the Board and, in accordance with the Corporations Act 2001, must inform the Board if they have any interest that could conflict with those of the Company. Where the Board considers that a significant conflict exists it may exercise its discretion to determine whether the Director concerned may be present at the meeting while the item is considered.

The current Chairman of the Board is Mr Robert Millner who is a Non-executive Director. For the reasons stated above he is considered to be independent. The current MD is Mr Todd Barlow.

The length of service of each Director is set out the end of this report.

The Company has established a Nomination Committee. All the members of the Committee are non-executive, independent Directors and the Committee is chaired by an independent Director. Refer above for the Board's assessment of the independence of its members. The Committee had at least three members at all times during the year.

The following persons were members of the Nomination Committee at 31 July 2016:

Mr Michael J Hawker - Chairman
Mr Robert D Millner
Mr Thomas C D Millner
Mr Warwick M Negus
Mr Robert G Westphal
Mr David E Wills

The Nomination Committee met twice during the year. The attendance of Committee members at meetings is set out the end of this report.

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 in the Corporate Governance section of the Company's web site at www.whsp.com.au.

The role of the Nomination Committee is to review and consider the structure, balance of skills and diversity of the Board and make recommendations regarding appointment, retirement and approval for Directors to stand for re-election. When a vacancy occurs the Nomination Committee identifies the necessary and desirable skills, expertise and experience required to compliment the Board and undertakes a process to identify the most appropriate candidates. The Nomination Committee may engage recruitment consultants and other independent experts to undertake research and assessment at the Company'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 the Shareholders of the Company at the next Annual General Meeting.

The Company has established a program for inducting new Directors and has undertaken to provide appropriate professional development opportunities for Directors.

The Board considers that the Directors bring an appropriate mix of skills, breadth and depth of

knowledge and experience to meet the Board's responsibilities and objectives. The range of skills and experience possessed by each of the Directors is set out in the Directors' Report within the Company's Annual Report.

A matrix of the skills held by the Directors of the Company has been compiled. The Board possesses the following skills which are relevant to the operations of the Company:

- Investment management / financial analysis;
- Mergers and acquisition / capital market / financial markets;
- Financial acumen;
- Listed company board;
- Accounting;
- Law;
- Business development and strategy; and
- Human capital management.

Principle 3 – Act ethically and responsibly

The Company has established a code of conduct dealing 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.

All Directors and employees are expected to abide by the code of conduct which requires them to:

- Act in accordance with ethical and professional standards;
- Act with honesty and integrity in dealings with shareholders, customers, suppliers and competitors;
- Ensure compliance with all laws and regulations;
- Act in accordance with standards of workplace behaviour and equal opportunity;
- Avoid actual or potential conflicts of interest between private and Company matters;
- Not engage in insider trading;
- Not accept unauthorised benefits as a result of their position in the Company;
- Ensure Company assets and confidential information are not used improperly;
- Maintain and further enhance the Company's reputation and not act in a manner which may harm that reputation; and
- Report all breaches of the code.

The Company has established a share trading policy which may be viewed in the Corporate Governance section of the Company's web site at www.whsp.com.au.

The Company has established a Diversity Policy which is discussed under Principle 1 above and may be viewed in the Corporate Governance section of the Company's web site at www.whsp.com.au.

Principle 4 – Safeguard integrity in corporate reporting

The Company 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 following persons were members of the Audit Committee at 31 July 2016:

Mr Robert G Westphal - Chairman
Mr Michael J Hawker
Mr Warwick M Negus
Mr David E Wills

The Audit Committee met seven times during the year. The attendance of Committee members at meetings is set out the end of this report.

Details of the Audit Committee members' qualifications and experience are set out in the Directors' Report within the Company's Annual Report.

Audit Committee Charter sets out the Committee's function, composition, authority, responsibilities and reporting. The Charter may be viewed in the Corporate Governance section of the Company's web site at www.whsp.com.au.

The function of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- The external reporting of financial information, including the selection and application of accounting policies;
- The independence and effectiveness of the external auditors;
- The effectiveness of internal control processes and management information systems; and
- Compliance with the Corporations Act, ASX Listing Rules and any other applicable requirements.

The MD and the Finance Director are required to state in writing to the Board that, in their opinion, the financial records of the Company have been properly maintained and that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial position and operational results and that they are in accordance with relevant accounting standards. Declarations have been received in respect of the current year.

The external auditors, Pitcher Partners Sydney, are requested by the Audit Committee to attend the appropriate meetings to report on the results of their half year review and full year audit. It is the policy of the external auditors to rotate audit engagement partners on listed companies in accordance with the requirements of the Corporations Act 2001, which is generally after five years. In accordance with that policy a new audit engagement partner was introduced for the year ended 31 July 2014.

It is the policy of the external auditors to provide an annual declaration of their independence to the Company. Information about fees paid to the external auditors is included in the Directors' Report and in the notes to the financial statements within the Company's Annual Report.

The external auditor attends the Annual General Meeting (AGM) and is available to answer Shareholders' questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5 – Make timely and balanced disclosure

The Board recognises the need to ensure that all investors have equal and timely access to material information regarding the Company and for announcements to be factual, clear, balanced and complete.

The Company has established a Continuous Disclosure Policy to ensure compliance with ASX and Corporations Act continuous disclosure requirements. The policy requires timely disclosure through the ASX announcement platform of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company'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.

The Chairman and MD are responsible for determining disclosure obligations and the Company Secretary is the nominated continuous disclosure officer for the Company.

Principle 6 – Respect the rights of Shareholders

The Company respects the rights of its Shareholders to have access to appropriate information about the Company in a timely manner.

The Company's web site, www.whsp.com.au, provides information about the Company and its governance. The Corporate Governance page contains copies of the Company's constitution, its charters and policies. The website also contains copies of annual reports, financial reports and ASX announcements.

The Company maintains an investor relations program which facilitates two-way communication with investors. The Company actively promotes Shareholder attendance and participation at the AGM and other meetings of Shareholders. Displays showcasing the operations of a number of WHSP's investee companies are provided at the AGM venue. Staff from these companies are available to answer Shareholders' questions. The Directors of WHSP are also available to meet Shareholders prior to the AGM. Written questions are accepted from Shareholders to be dealt with at the AGM.

The external auditor attends the AGM to answer Shareholders' questions in regard to 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.

The following documents are provided to Shareholders either by mail or electronically unless they have elected not to receive them.

- A Half Yearly Review of Operations in May each year;
- An Annual Report in October or November each year; and
- The Chairman's Address to the Annual General Meeting in December each year.

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

Principle 7 – Recognise and manage risk

The Company has established a Risk Committee. The majority of the members of the Risk Committee are non-executive, independent Directors and the committee is chaired by a non-executive, independent Director. Refer to principle 2 above for the Board's assessment of the independence of its members. The Committee had at least three members at all times.

At 31 July 2016 all of the Directors of the Company were members of the Risk Committee as follows:

Mr Michael J Hawker - Chairman
Mr Todd J Barlow
Mr Robert D Millner
Mr Thomas C D Millner
Mr Warwick M Negus
Ms Melinda R Roderick
Mr Robert G Westphal
Mr David E Wills

The Risk Committee met 5 times during the year. The attendance of Committee members at meetings is set out the end of this Report.

The Risk Committee Charter sets out the Committee's role, responsibilities, composition, authority and reporting. The Charter may be viewed in the Corporate Governance section of the Company's web site at www.whsp.com.au.

The Risk Committee has reviewed the Company's risk management framework during the year and has satisfied itself that it is sound and that the Company is operating within its risk appetite. The review has

focused attention on certain areas of risk which are the subject of further consideration.

The Company does not have an internal audit function as the operations of the Company and its subsidiaries, other than the New Hope Group, are not sufficiently large to justify its establishment.

New Hope is listed on the ASX and accordingly is required to establish and report on its own risk management measures. New Hope has its own internal audit function which reports to the Chair of the New Hope Audit Committee.

The Board receives management representation letters from the MD and Finance Director at the half year and year ends which confirm that the Company's internal controls are sound and operating efficiently.

The Company has undertaken an assessment of its economic sustainability, environmental sustainability and social sustainability risks.

The following material exposures to sustainability risks have been identified and are managed as described.

The operations of CopperChem Limited (CopperChem) and Exco Resources Limited (Exco) have material exposure to sustainability risks.

The Board and senior management of CopperChem/Exco constantly monitor the exposure to economic sustainability risks in formulating their business strategy. Environmental responsibility is a constant focus of both CopperChem/Exco and its staff. CopperChem/Exco has in place policies and procedures to minimise the risk of damage to the environment and is compliant with all applicable environmental regulations. Support for the local communities in which CopperChem/Exco operates is an important aspect of its business. CopperChem/Exco recognises the importance of protecting artifacts and works with the local aboriginal people to this end.

WHSP monitors the sustainability risks of CopperChem/Exco via its Chairman and MD who are directors of CopperChem/Exco.

New Hope has exposure to a number of economic, environmental and social sustainability risks which have been identified through and are managed via its risk management processes. These processes include detailed risk action plans on each material risk as well as periodic monitoring and reassessment of risk. The risk action plans flow into the development of New Hope's strategy as well as its day to day operations to ensure risks are proactively managed.

WHSP monitors the sustainability risks of New Hope via its MD and two Non-executive Directors who are directors of New Hope. WHSP does not manage New Hope's businesses and deals with its interest in New Hope as an investment. In doing so WHSP considers the sustainability risks of New Hope when reviewing its investment.

Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration Committee. All the members of the Committee are non-executive, independent Directors and the committee is chaired by a non-executive, independent Director. Refer to principle 2 above for the Board's assessment of the independence of its members. The Committee had at least three members at all times during the year.

The following persons were members of the Remuneration Committee at 31 July 2016:

Mr David E Wills - Chairman
Mr Michael J Hawker
Mr Robert D Millner
Mr Thomas C D Millner
Mr Warwick M Negus
Mr Robert G Westphal

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The Remuneration Committee met seven times during the year. The attendance of Committee members at meetings is set out the end of this Report.

The Remuneration Committee Charter may be viewed in the Corporate Governance section of the Company's web site at www.whsp.com.au.

The Remuneration Committee makes recommendations to the full Board on remuneration matters and other terms of employment for the non-executive Directors, the executive Directors and senior executives of the Company.

Senior executive performance is reviewed by the full Board. The remuneration of the senior executive staff of the Company is reviewed annually by the full Board after taking into consideration the recommendations of the Remuneration Committee. The remuneration of the executive Directors is reviewed annually by the other non-Directors after taking into consideration the recommendations of the Remuneration Committee.

The executive Directors and senior executive staff are remunerated by way of salary, non-monetary benefits, superannuation contributions and via participation in short-term and long-term incentive plans. A new variable remuneration framework was introduced for the year ended 31 July 2016 to better align executive performance with the short-term and long-term strategic objectives set by the Board. This framework is designed to ensure that senior executive variable remuneration outcomes remain consistent with shareholder returns. All participants in the Company's 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.

Fees paid to the non-executive Directors of the Company 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 Annual General Meeting and is currently set at \$1,500,000 per annum. Approval for this amount was given at the 2009 Annual General Meeting.

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 3 times the average annual fees for the 3 years prior to that date. Non-executive Directors are not entitled to receive performance or equity based remuneration.

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

Further information of Directors' and executives' remuneration is set out in the Remuneration Report within the Company's Annual Report.

Length of service of Directors

Length of service at 31 July 2016		
Mr R D Millner	32 years	Chairman 18 years
Mr T J Barlow	10 months	appointed October 2015
Mr M J Hawker	3 years	
Mr T C D Millner	4 years	
Mr W M Negus	1 year	
Ms M R Roderick	1 year	
Mr R G Westphal	10 years	
Mr D E Wills	10 years	

Attendance at meetings

The number of meetings of committees of Directors and the number of meetings attended by each Director during the year were:

	Audit Committee		Investment Committee		Nomination Committee		Remuneration Committee		Risk Committee		
	1		1	1	1		1		1		
1 - Eligible to attend	1		1	1	1		1		1		
2 - Number attended		2		2		2		2		2	
Mr R D Millner	I,N,Re,Ri	-	-	10	10	2	2	7	7	5	5
Mr T J Barlow	I,Ri	-	-	7	7	-	-	-	-	4	4
Mr M J Hawker	A,N,Re,Ri	7	7	-	-	2	2	7	7	5	5
Mr T C D Millner	I,N,Re,Ri	-	-	10	10	2	2	7	7	5	5
Mr W M Negus	A,I,N,Re,Ri	7	6	10	10	2	2	7	7	5	5
Ms M R Roderick	Ri	-	-	-	-	-	-	-	-	5	5
Mr R G Westphal	A,N,Re,Ri	7	7	-	-	2	2	7	7	5	5
Mr D E Wills	A,N,Re,Ri	7	7	-	-	2	2	7	7	5	5

A Member of the Audit Committee of Directors during the year.

I Member of the Investment Committee of Directors during the year.

N Member of the Nomination Committee of Directors during the year.

Re Member of the Remuneration Committee of Directors during the year.

Ri Member of the Risk Committee of Directors during the year.

Further Information

For further information concerning the corporate governance practices of the Company refer to the Corporate Governance section of the Company's web site at www.whsp.com.au.

Approval by the Board of Directors

This statement has been approved by the Board of Directors of the Company.