



# Corporate Governance Statement

for the financial year ended 31 July 2020

**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 2020. 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*.

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

- Mr Robert D Millner – Chairman
- Mr Todd J Barlow – Managing Director
- Mr Michael J Hawker AM – Lead Independent Director
- Mrs Tiffany L Fuller
- Mr Thomas C D Millner
- Mr Warwick M Negus
- Mr Robert G Westphal

Mrs Josephine L Sukkar AM was appointed as a Director on 14 July 2020.

## 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 satisfy itself 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;
- Satisfying itself 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;
- Promoting an honest and ethical culture within the Company;
- Appointing, and when necessary replacing, the Managing Director (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;
- 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. Diversity of thought is a key selection criteria for WHSP. 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 on the Company's website at [www.whsp.com.au/policies](http://www.whsp.com.au/policies).

The policy governs the conduct of all directors and employees of the Company. WHSP as an active investor, engages with its investee companies to encourage and promote diversity throughout their organisations.

The Company has adopted the ASX Corporate Governance Principles and Recommendations on diversity.

## Gender Diversity

The proportion of women on the Board of Directors of the Company as at 31 July 2020 was 25% (2019: 14%). An additional female Director joined the Board of Directors during the year. The Board has undertaken to appoint a third female Director to the Board, either when the next Director retires, or before, when a suitable candidate is found. If an additional female Director is appointed before the next retirement the proportion women on the Board will increase to 33%. Following the resignation of a male Director this would rise to 38%. Candidates will continue to be assessed on their skills, knowledge and experience and on the relevance of these to the Company's needs.

The proportion of women who were members of the Company's key management personnel increased following 31 July to 33% (2019: 0%).

Under Workplace Gender Equality Reporting, 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 had eight senior executives as at 31 July 2020 one of whom was female. WHSP'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.

## 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 meets with each Director and provides feedback regarding their performance. At this meeting 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.

Each Director's performance was assessed, as set out above, during the year.

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

## 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 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 seven non-executive and one executive Director. The Board has assessed the independence of its members 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

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 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 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 which is 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 36 years. The Company is a long-term investor and the Board values Mr Millner's considerable depth of knowledge of its investments. The investing disciplines of the Company have been developed over a long period of time and Mr Millner's long period of service is important for the maintenance of the Company's corporate history and memory.

While Mr Robert Millner and Mr Thomas Millner are not classified as independent Directors the Board considers that they act independently in executing their duties as Directors.

All Directors are committed to bringing 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 participate in the meeting while that item is considered.

As the Chairman of the Board is not an independent Director, the Board has appointed Mr Michael Hawker as the Company's Lead Independent Director. Mr Todd Barlow is the MD and Chief Executive Officer of the Company.

The length of service of each Director is set out the end of this report. The Board has reviewed the length of service of its members and considers the mix of service periods to be appropriate for the Company.

The Company 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 following persons were members of the Nomination Committee at 31 July 2020:

Mr Michael J Hawker – Chairman  
Mrs Tiffany L Fuller  
Mr Robert D Millner  
Mr Thomas C D Millner  
Mr Warwick M Negus  
Mr Robert G Westphal

The Nomination Committee met four times during the year. The attendance of Committee members at meetings is set out in the Directors' Report in the Company's FY20 Annual 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 on the Company's website at [www.whsp.com.au/policies](http://www.whsp.com.au/policies).

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 complement 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.

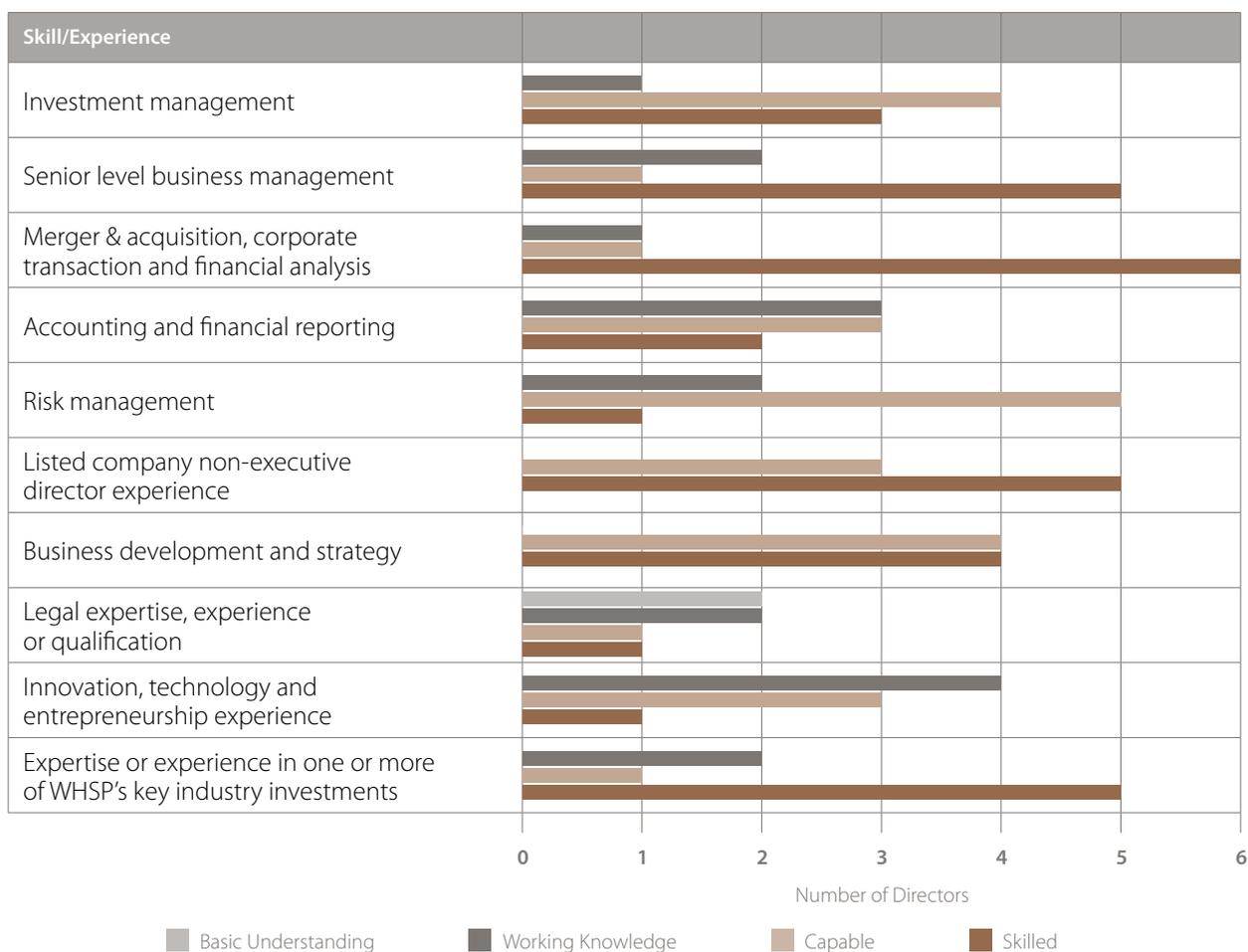
Directors are initially appointed by the full Board, following consideration of recommendations made by the Nomination Committee. Appointment is subject to re-election by the Shareholders of the Company at the next Annual General Meeting (AGM).

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

## Board Skills

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 in the Company's FY20 Annual Report.

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



### 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 and a Whistleblowing Policy which may be viewed on the Company's website at [www.whsp.com.au/policies](http://www.whsp.com.au/policies)

The Company has established a Diversity Policy which is discussed under Principle 1 above and may be viewed on the Company's website at [www.whsp.com.au/policies](http://www.whsp.com.au/policies)

### 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 2020:

- Mr Robert G Westphal – Chairman
- Mrs Tiffany L Fuller
- Mr Michael J Hawker
- Mr Warwick M Negus

The Audit Committee met eleven 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 FY20 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](http://www.whsp.com.au/policies)

The role 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; and
- The effectiveness of internal control processes and management information systems.

The MD and the Chief Financial Officer (CFO) 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 auditor, Pitcher Partners Sydney, is 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 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. In accordance with that policy a new audit engagement partner was introduced for the year ended 31 July 2019.

It is the policy of the external auditor to provide 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 within the Company's Annual Report.

The external auditor attends the 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 website, [www.whsp.com.au](http://www.whsp.com.au), provides information about the Company and its governance. The Policies & Charters 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 and 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.

Due to government restrictions in place to manage the COVID-19 pandemic, the Company will hold its AGM online in 2020.

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.

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

As an investment company WHSP takes a long-term approach to investing in a diverse portfolio of companies across a range of industries, including: natural resources, building materials, telecommunications, retail, pharmaceuticals, financial services and real estate.

The Company has a proud history of focusing on its investors and delivering sustainable and strong net returns. Thinking, behaving, and investing responsibly underpins this approach. This may require WHSP to withstand short-term challenges and volatility and make investment decisions which are contrarian in nature.

WHSP's single overarching purpose is 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 for Shareholders.

WHSP brings an in-depth understanding of each sector in which capital is deployed, including; Environmental, Social and Governance (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](http://www.whsp.com.au/policies)

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.

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. The Committee had at least three members at all times during the year.

At 31 July 2020 the following Directors of the Company were members of the Risk Committee:

- Mr Michael J Hawker - Chairman
- Mr Todd J Barlow
- Mrs Tiffany L Fuller
- Mr Robert D Millner
- Mr Thomas C D Millner
- Mr Warwick M Negus
- Mr Robert G Westphal

The Risk Committee met eight times during the year. The attendance of Committee members at meetings is set out in the Directors' Report in the Company's FY20 Annual Report.

The Risk Committee Charter sets out the Committee's role, responsibilities, composition, authority and reporting. The Charter may be viewed on the Company's website at [www.whsp.com.au/policies](http://www.whsp.com.au/policies)

The Company has a Risk Management Program (Program) to ensure risk management principles are met. The Program is subject to an annual review to confirm its effectiveness. 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 annual risk review is undertaken alongside an annual strategy review and assesses 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.

The Risk Committee has satisfied itself that the Risk Management Program is sound and that the Company is operating within its risk appetite.

The Board receives a management representation letter from the MD and CFO each half year and year end confirming that the Company's internal controls are sound and operating efficiently.

WHSP is an investment company with fewer than 20 direct employees, predominantly in finance and administration. The size and nature of these operations do not justify the establishment of an internal audit function.

The Company has undertaken an assessment of its economic sustainability, environmental sustainability and social sustainability risks and has used this process to inform the development of its 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 on-going investment review process. Exposures with a medium or high risk profile are subject to additional due diligence and heightened consideration and assessment. As at 31 July 2020, the Directors considered climate-related risk in the preparation of the financial statements.

### ESG governance and oversight

The Board is responsible for making investment decisions and considers ESG issues in relation to new and existing investments on an ongoing basis. The management team are tasked with reporting to the Board on sustainability and ESG issues affecting investments.

Our approach to governance and oversight differs between listed and unlisted investments and depends on the nature of the investment in the specific investee company or assets. This year 82.5% of our investment portfolio was invested in listed companies.

Listed Investments	Unlisted Investments
<p>Given the reporting requirements for listed companies, a number of our listed investees actively consider and report on ESG governance. In response to feedback from and engagement with their stakeholders, including shareholders, listed companies also provide transparency on their assessment of ESG matters in sustainability reporting.</p> <p>As an equity investor in listed companies, our influence and engagement is predominantly done through voting our shareholdings. The outcome of voting is determined by all shareholders who vote on items of business put before a shareholder meeting.</p> <p>Where we have a significant investment, we generally have a representative on the board.</p>	<p>We make strategic investments in companies that have high quality operations and where we assess future long term shareholder wealth creation and cash generation.</p> <p>Our role as investors in unlisted investments can include board roles as part of the oversight of our investments. We have strategic relationships with our non-listed investee companies and their managers that includes the monitoring of risks, including ESG risks. We are a trusted partner and share our view on the approach to managing ESG risks.</p> <p>The section on human rights and modern slavery set out in the FY20 Sustainability Report, describes our engagement with some of our unlisted investee companies during the year.</p>

Further information on ESG governance and oversight can be found in the FY20 Sustainability Report in the WHSP Annual Report.

## Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration 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 a non-executive, independent Director. 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 2020:

Mr Warwick M Negus – Chairman  
Mrs Tiffany L Fuller  
Mr Michael J Hawker  
Mr Robert D Millner  
Mr Thomas C D Millner  
Mr Robert G Westphal

The Remuneration Committee met twice during the year. The attendance of Committee members at meetings is set out in the Directors' Report in the Company's FY20 Annual Report.

The Remuneration Committee Charter may be viewed on the Company's website at [www.whsp.com.au/policies](http://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 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 MD is reviewed annually by the other Directors after taking into consideration the recommendations of the Remuneration Committee.

The executive Director 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. 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.

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 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 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 about 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 2020		
Mr R D Millner	36.6 years	Chairman 21 years
Mr T J Barlow	4.8 years	
Mrs T L Fuller	2.7 years	
Mr M J Hawker	7.8 years	
Mr T C D Millner	9.6 years	
Mr W M Negus	5.7 years	
Mrs J L Sukkar	18 days	
Mr R G Westphal	14.3 years	

### 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](http://www.whsp.com.au)

### Approval by the Board of Directors

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