



CORPORATE GOVERNANCE STATEMENT

The Board is committed to the Company operating effectively and in the best interests of shareholders. The Board has followed the principles and best practice recommendations established by the ASX Corporate Governance Council having regard to the nature of the Company's activities and its size. The Company has adopted the ASX Corporate Governance Principles and Recommendations with 2014 Amendments (3rd Edition) for the 2015 financial year, subject to the exceptions noted below.

Lay solid foundations for management and oversight (Recommendations: 1.1 to 1.7)

The Company has a Board but no full time employees. Subject at all times to any written guidelines issued by the Board of Directors of WAM Capital Limited, the day-to-day management and investment of funds is carried out by Wilson Asset Management (International) Pty Limited ('the Manager') pursuant to a management agreement. Consequently, there is no need to delegate functions to senior management or for a process to evaluate the performance of senior executives or for a diversity policy under Recommendations 1.1, 1.3, 1.5 and 1.7.

The role of the Board is to set strategic direction, approve capital management initiatives and to be responsible for the overall corporate governance of the Company which includes:

- To oversee and monitor the performance of the Manager's compliance with the management agreement and to ensure that the Manager is monitoring the performance of other external service providers;
- Ensuring adequate internal controls exist and are appropriately monitored for compliance;
- Ensuring significant business risks are identified and appropriately managed;
- Approving the interim and final financial statements and related reports and generally various other communications to the ASX and shareholders that the Board deems material; and
- Setting appropriate business standards and codes for ethical behaviour.

The Board aims to ensure that all Directors and the Manager act with the utmost integrity and objectivity and endeavour to enhance the reputation of the Company. The Board aims to act in a manner designed to create and build sustainable value for shareholders.

Each Director has undergone background and other checks before appointment. The Board ensures that security holders are provided in advance with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. The skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report and their term in office are detailed in the Directors' Report on pages 17 to 20.

The Board comprises experienced Company directors who have each received a formal letter of engagement and who are fully aware of the terms of their appointment including their roles and responsibilities.

The Board has appointed an experienced Company Secretary who is directly accountable to the Board.

As the Company has no full time employees, a diversity policy has not been established under Recommendation 1.5. The Board's composition is reviewed on an annual basis. In the event a vacancy arises, the Board will include diversity in its nomination process. Currently, the Board has

one female officer being the Company Secretary, along with over 50% of the Manager's staff being women, including the CEO. The Company is not a relevant employer under the Workplace Gender Equality Act.

The performance of directors will be assessed and reviewed by the Board. To determine whether it is functioning effectively, the Board shall:

- review its Corporate Governance Charter annually; and
- perform an evaluation of the Board's performance at intervals considered appropriate.

The Board is responsible for undertaking an annual performance evaluation of itself and its members in light of the Company's Corporate Governance Charter. The Board will review its performance by discussion and by individual communication with the Chairman and by reference to generally accepted board performance standards. A copy of the Corporate Governance Charter can be found at the Corporate Governance section of the Company's website.

Structure the Board to add value (Recommendations: 2.1 to 2.6)

A nomination committee has not been formed under Recommendation 2.1. The Board as a whole considers the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise with the aim of achieving the optimal mix of skills and diversity.

The Company supports the appointment of Directors who bring a wide range of business, investment and professional skills and experience. While the Company does not have or disclose a formal skills matrix it does consider directors attributes prior to any appointment. The qualifications, skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report and their attendance at Board and Committee meetings is included in the Annual Report.

The Board has the following four independent Directors:

- James Chirnside
- Paul Jensen
- Lindsay Mann
- Matthew Kidman

The majority of the Board are considered independent as per the criteria outlined in the Board of Directors Charter which includes the Company's criteria for independence of Directors, and can be found in the Corporate Governance section of the Company's website. The criteria are in accordance with ASX Corporate Governance Council's Principles.

The appointment dates of each Director are shown in the Directors' Report in the Annual Report.

The Chairman is not an independent Director. The Company believes that an independent Chairman, under Recommendation 2.5, does not necessarily improve the function of the Board. The Company believes that when the Chairman is a significant driver behind the business and is a sizeable shareholder, as is the case with this Company, it adds value to the Company and all shareholders' benefit. The Company does not employ a CEO consequently the Chairman is not the CEO of the entity.

Under the Board of Directors Charter, the performance of each Director was reviewed by the Chairman during the year and the Board undertook the annual review of the performance of the Chairman to ensure the Board's activities continue to be efficiently organised and conducted. At every annual general meeting one third of the Directors must retire from office and be eligible for re-election. Shareholder approval is required on the composition of the Board.

Due to the fact that directors are chosen for their specialist knowledge of their sector, the Board induction process is of an informal nature. New Directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of Directors. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Act ethically and responsibly (Recommendations: 3.1)

The Company has established a Directors Code of Conduct which sets out the Company's key values and how they should be applied within the workplace and in dealings with those outside of the Company. The Directors Code of Conduct can be found in the Corporate Governance section of the Company's website.

Safeguarding integrity in corporate reporting (Recommendations: 4.1 to 4.3)

The Company has formed an Audit & Risk Committee consisting of four Independent Directors. The members of the Audit & Risk Committee are:

- James Chirnside Chairman, Independent director
- Paul Jensen Independent Director
- Matthew Kidman Independent Director
- Lindsay Mann Independent Director (appointed 13 May 2015)

The qualifications of those appointed to the Committee are detailed in the Directors' Report on pages 17 to 20.

The Audit & Risk Committee Charter can be found in the Corporate Governance section of the Company's website.

The Committee formally reports to the Board after each meeting. Details of the number of meetings of the Audit & Risk Committee during the 2015 year are set out in the Directors' Report.

The Company's external audit is undertaken by Pitcher Partners and the audit engagement partner is required to be changed at regular intervals. Scott Whiddett, a partner of Pitcher Partners, is the partner responsible for the external audit of the Company for the 2015 financial year. The external auditors are requested to attend the Annual General Meeting and are available to answer shareholders' questions regarding the conduct of the audit and preparation of the Auditor's Report.

The Company's external accountants, along with the Manager of the Company, provide written confirmations to the Board that the Company's Financial Reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and that this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Make timely and balanced disclosure (Recommendations: 5.1)

The Company has established a continuous disclosure policy to ensure compliance with the continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*. The policy aims to ensure all investors have equal and timely access to material information concerning the Company and that Company announcements are factual and presented in a clear and balanced way. The Continuous Disclosure Policy can be found in the Corporate Governance section of the Company's website.

Respect the rights of security holders (Recommendations: 6.1 to 6.4)

The Company's Corporate Governance Charter is available on the Company's website.

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. The Company Secretary is primarily responsible for coordinating the disclosure of information to shareholders and regulators under the direction of the Board.

The Company is committed to:

- ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way through the annual and half yearly reports, Investor Presentations, ASX releases, general meetings and the Company's website;
- complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the Corporations Act in Australia; and
- encouraging shareholder participation at general meetings.

The Board encourages full participation of shareholders at the Annual General Meeting ('AGM') to ensure a high level of accountability and identification with the Company's strategy. Shareholder information sessions are also held twice a year in May and November following the AGM. These provide an informal forum where shareholders are given the opportunity to raise questions and participate in general discussion about the Company.

The Communications Policy can be found in the Corporate Governance section of the Company's website.

The Company's registrar, Boardroom Pty Limited, provides the option for shareholders to receive and send communications electronically. Shareholders are encouraged to create an online account at www.clientonline.com.au.

Recognise and manage risk (Recommendations: 7.1 to 7.4)

The Company has formed an Audit & Risk Committee consisting of four Independent Directors. The members of the Audit & Risk Committee are:

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| ➤ James Chirnside | Chairman, Independent director |
| ➤ Paul Jensen | Independent Director |
| ➤ Matthew Kidman | Independent Director |
| ➤ Lindsay Mann | Independent Director (appointed 13 May 2015) |

The qualifications of those appointed to the Committee and their attendance at Audit and Risk Committee meetings are detailed in the Directors' Report on pages 17 to 24.

The Audit & Risk Committee Charter can be found in the Corporate Governance section of the Company's website.

The Company, in conjunction with the Manager, has an established enterprise risk management program in accordance with the International Risk Standard AS/NZS ISO 31000:2009. It also has an established internal control program based upon the principles set out in the Australian Compliance Standard AS 3806:2006.

This enterprise risk management program addresses the material business risks of the Company. Each identified risk is individually assessed in terms of the likelihood of the risk event occurring and the potential consequences in the event that the risk event was to occur. The CompliSpace Assurance software has been implemented through which material business risks and the mitigating controls can be monitored in real time. It also ensures transparency of data and ease of reporting to the Board on the performance of its enterprise risk and compliance programs.

The Manager has provided to the Board a report as to the overall effectiveness of the Company's management of its material business risks.

The Board has received assurance from the Director and Chief Executive Officer of the Manager that in their view:

- the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control; and
- the system of risk management and internal control is operating effectively in all material respects in relation to financial reporting risks.

The Board requires the Manager to report annually on the operation of internal controls to manage the Company's material business risk, reviews any external audit commentary in respect to internal controls and conducts any other investigations it requires in order to report on the effectiveness of the internal control system. In respect of the current financial year all necessary declarations have been submitted to the Board.

The Company does not have an internal audit function.

A summary of financial risks including market, credit, and liquidity are included in Note 16 in the Annual Report.

The Manager is primarily responsible for recognising and managing operational risk issues such as legal and regulatory risk, systems and process risk and outsourcing risk. The Company outsources its administrative functions to service providers: Wilson Asset Management (International) Pty Limited (investment management, accounting and compliance), RBC Investor Services (custody) and Boardroom Pty Limited (share registry) and accordingly risk issues associated with these activities are handled in accordance with the service provider's policies and procedures.

Remuneration fairly and responsibly (Recommendations: 8.1 to 8.3)

A Remuneration Committee has not been formed under Recommendation 8.1. The Board believes that such a committee would not serve to protect or enhance the interests of the shareholders. The Board as a whole considers the issue of remuneration.

The maximum total remuneration of the Directors of the Company has been set at \$170,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report on page 22.

All directors of WAM Capital are non-executive directors. Accordingly, the requirement under Recommendation 8.2 to distinguish the structure of the remuneration paid to executive and non-executive directors is not applicable to the Company.

No equity based remuneration is paid to Directors. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration.

The Chairman of WAM Capital Limited is the sole Director of Wilson Asset Management (International) Pty Limited and is further remunerated by that Company. Chris Stott is the Chief Investment Officer of Wilson Asset Management (International) Pty Limited and is remunerated by that Company. Further details are provided in the Directors' Report.

Reviewed By: LV

Date: 6 May 2016

Approved by Board:

Date: 12 May 2016