

W | A | M *Microcap*

2021 Corporate Governance Statement

For the year ended 30 June 2021

W Wilson
Asset Management

OVER **20** Making a
YEARS difference

ABN 34 617 838 418

Corporate governance statement

The Board is committed to WAM Microcap Limited (WAM Microcap or 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 Council's Principles and Recommendations with 2019 Amendments (4th Edition) for the 2021 financial year, subject to the exceptions noted below.

Section 1: Lay solid foundations for management and oversight (Recommendations: 1.1 to 1.7)

The Company has a Board of Directors and no full-time employees. The day-to-day management of the Company and investment of funds is carried out by MAM Pty Limited (the Investment Manager or the Manager) pursuant to a management agreement, subject at all times to any written guidelines issued by the Board of Directors of WAM Microcap. Consequently, there is no need to delegate functions to senior management or for a process to evaluate the performance of senior executives under Recommendations 1.1, 1.3 and 1.7.

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

- defining the Company's corporate purpose and setting its strategic objectives;
- approving the Company's values which underpin WAM Microcap's culture;
- overseeing and monitoring 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;
- satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board and whenever required, challenging the Manager and holding it to account;
- satisfying itself that remuneration policies and practices align with the Company's corporate purpose, values, strategic objectives and risk appetite; and
- setting appropriate business standards and codes for ethical behaviour.

Further details on the roles and responsibilities of the Board and the Manager are set out in the Company's Board Charter. A copy of the Board Charter is contained in the Company's Corporate Governance Charter which is available on the [Company's website](#).

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 all shareholders.

Each Director has undergone background and other checks before appointment. The Board ensures that all 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. Details of the skills, experience, expertise

and term in office of each Director are set out in the Directors' Report in the Company's 2021 Annual Report.

The Board comprises experienced company directors who have each received a formal letter of engagement outlining the key terms of their appointment, including their roles and responsibilities.

The Board has appointed two experienced Joint Company Secretaries who are directly accountable to the Board.

The Company has a Diversity Policy designed to support its commitment to diversity. As the Company has no full-time employees, the Diversity Policy will only apply to the Board. A copy of the Diversity Policy is contained in the Company's Corporate Governance Charter which is available on the [Company's website](#).

The Board is required to develop measurable objectives and the strategy to meet these objectives, including fostering gender diversity and ensuring 30% female representation on the Board. 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 Company has two female Directors, representing 50% of the Board. The Company is not a relevant employer under the Workplace Gender Equality Act.

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 a performance evaluation of itself and its members. During the year, the Board reviewed its performance by reference to generally accepted board performance standards and in accordance with the Company's Board Charter. A copy of the Board Charter is contained in the Company's Corporate Governance Charter which is available on the Company's website.

Section 2: Structure the Board to be effective and 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. The mix of skills and diversity represented on the Board as at 30 June 2021 is as follows:

Category	Skill/quality	Level
Professional skills	Leading and managing	Very strong
	Corporate governance	Very strong
	Strategy	Very strong
	Financial	Very strong
	Audit, risk and compliance management	Very strong
	Investment management	Very strong
	Marketing and/or investor shareholder relations	Very strong
	Financial services	Very strong
Gender diversity	Female	50%
	Male	50%

The Board skills matrix is based on the average ratings received from each Director as part of a reasonable self-assessment process whereby each Board member rates their individual skills and qualities across the above-mentioned categories. Each skill and quality is based on a range from no knowledge or experience in this area, to very strong experience and demonstrated capability in this area.

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 meetings are set out in the Directors' Report in the Company's 2021 Annual Report.

The Board has one independent Director, Jacqueline Sullivan. Whilst the Company agrees with the benefits of a majority of independent Directors, the Company believes their association, together with the supervision of the independent Director, will add value to the Company and all shareholders will benefit.

The independent Director is considered independent as per the criteria outlined in the Company's Board Charter which includes the Company's criteria for independence of Directors. The criteria are in accordance with ASX Corporate Governance Council's Principles and Recommendations.

The appointment dates of each Director are shown in the Directors' Report in the Company's 2021 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, as is the case with this Company, it adds value to the Company and all shareholders benefit. The Company does not employ a Chief Executive Officer, consequently Recommendation 2.5 is not applicable.

On appointment, new Directors participate in an induction process to familiarise themselves with the business of the Company and the senior management team of the Manager. The program includes briefings on the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of Directors. Furthermore, the Company's Director professional development policy supports the Board's commitment to assessing the professional development needs for existing Directors semi-annually.

Section 3: Instil a culture of acting lawfully, ethically and responsibly (Recommendations: 3.1 to 3.4)

The Company acknowledges the importance of values and pursues the Company's purpose and investment objectives in a manner that is consistent with its values, as outlined in the Company's Board Charter. A copy of the Board Charter is contained in the Company's Corporate Governance Charter which is available on the [Company's website](#).

The Company has adopted a Code of Conduct which sets out the Company's key values and how they should be applied. The Code of Conduct is contained in the Company's Corporate Governance Charter which is available on the [Company's website](#). All material breaches of the Code of Conduct are reported to the Board.

The Company has adopted a Whistleblower Policy which outlines the Company's policy for reporting actual or suspected behaviour that has breached the Company's values, policies or the law, without fear of reprisal or dismissal. The Whistleblower Policy is available on the [Company's website](#). Material breaches reported under the Whistleblower Policy are also reported to the Board.

The Company has adopted an Anti-Bribery and Corruption Policy which sets out the Company's zero tolerance for any bribery or corruption in its business dealings. The Anti-Bribery and Corruption Policy is available on the [Company's website](#). The Board of Directors will be informed of all incidents of bribery, corruption or fraud.

Section 4: Safeguard the integrity of corporate reports (Recommendations: 4.1 to 4.3)

The Company has not established an Audit and Risk Committee due to the Company's size, Board composition and the nature of the Company's operations. As such, the Company's Board of Directors fulfil the role of the Audit and Risk Committee. The Board of Directors serve to provide oversight, protect and enhance the interests of all shareholders as a whole.

The main responsibilities of the Board of Directors in fulfilling the role of the Audit and Risk Committee are set out in the Company's Corporate Governance Charter which is available on the [Company's website](#).

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 2021 financial year.

The Board oversees processes to verify and safeguard the integrity of the Company's financial reporting, including the appointment, rotation and removal of the Company's external auditors.

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 Chief Executive Officer and Chief Financial Officer of the Investment Manager provide written confirmations to the Board that the Company's Annual Report presents a true and fair view, in all

material respects, of the Company's financial position 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.

The Company's external auditor reviews the Company's annual Directors' Report, annual Remuneration Report and interim and final financial statements. The balance of periodic corporate reports, including the annual Corporate Governance Statement and monthly Investment Updates, are subject to a rigorous internal review process coordinated by the Investment Manager.

Section 5: Make timely and balanced disclosure (Recommendations: 5.1 to 5.3)

The Company reviewed the Continuous Disclosure Policy during the year 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. A copy of the Continuous Disclosure Policy is contained in the Company's Corporate Governance Charter which is available on the [Company's website](#).

The Company uses various measures to ensure that it communicates effectively with its Board and shareholders throughout the year, including:

- an email alert system allowing members of the Board to receive a notification email following the lodgement of an ASX market announcement, along with a copy of the announcement; and
- ensuring that copies of presentation materials are available via the ASX Market Announcements Platform in advance of any presentation to new and substantive shareholders and analysts.

Section 6: Respect the rights of security holders (Recommendations: 6.1 to 6.5)

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, semi-annual shareholder presentations with the Manager, ASX releases, annual general meetings and the Company's website;
- complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the *Corporations Act 2001* in Australia; and
- encouraging shareholder participation at annual general meetings.

The Company Secretary is primarily responsible for coordinating the disclosure of information to shareholders and regulators under the direction of the Board.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy. All substantive resolutions at the 2021 Annual General Meeting will be decided by a poll. Shareholder information sessions are also held twice a year. These provide an informal forum where shareholders are given the opportunity to raise questions and participate in general discussion about the Company.

The Company's Corporate Governance Charter is available on the [Company's website](#).

The Continuous Disclosure Policy is contained in the Company's Corporate Governance Charter.

The Company's registry, 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.

Section 7: Recognise and manage risk (Recommendations: 7.1 to 7.4)

The Company has not established an Audit and Risk Committee due to the Company's size, Board composition and the nature of the Company's operations. As such, the Company's Board of Directors will fulfil the role of the Audit and Risk Committee. The Board of Directors serves to provide oversight, protect and enhance the interests of all shareholders as a whole.

The Company 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 should each risk event occur. The Board of Directors review the Company's risk management framework formally, on an annual basis and that the Company is operating with due regard to the risk appetite set by the Board. During the period, this review took place with the Board assessing its operations with consideration to the Company's risk appetite statement, which has been formally adopted by the Board.

The Board has received assurance from the Chief Executive Officer and Chief Financial 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 review and report annually on the operation of internal controls used to manage the Company's material business risk, reviews any external audit commentary with 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. Due to the size and nature of its administrative and financial operations, the Board considers that an internal audit function is not necessary or efficient. The Board monitors the effectiveness of the accounting and internal control systems and reporting of the Company.

The Company does not currently have any material exposure to environmental and social risks. As an investment company with no employees, the Company itself does not impact the environment significantly.

Section 8: Remunerate 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 \$80,000 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 in the Company's 2021 Annual Report.

All Directors of WAM Microcap 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. No equity based remuneration or bonuses are paid to Directors as part of their remuneration.

The Chairman of WAM Microcap Limited is the sole director of the Investment Manager. Further details are provided in the Directors' Report in the Company's 2021 Annual Report.

Wilson Asset Management

Level 26, Governor Phillip Tower

1 Farrer Place, Sydney NSW 2000

E info@wilsonassetmanagement.com.au

T + 61 2 9247 6755

wilsonassetmanagement.com.au