



ABN 99 080 135 913

FLAGSHIP INVESTMENTS LIMITED

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 June 2021

This statement outlines the main corporate governance practices that were in place for the year ended 30 June 2021. The statement explains the extent to which the Company complies with the ASX Corporate Governance Principles and Recommendations (4th Edition), including explanations of why certain recommendations have not been followed. For ease of comparison with the Principles and Recommendations, this section summarises the Company's compliance with each of the specific recommendations as follows.

PRINCIPLE 1:

Lay solid foundations for management and oversight

Recommendation 1.1: Disclose a Board Charter that sets out the respective roles and responsibilities of its Board and Management

Compliant

The Board is responsible for the overall corporate governance of the entity and its overriding objective is to protect and increase Shareholder value. The Board guides and monitors the business to ensure that the Company is properly managed in the best interest of Shareholders. The Board is accountable to its Shareholders.

It is responsible for a broad range of matters including:

- ◆ monitoring the Investment Manager and the composition and performance of the investment portfolio;
- ◆ monitoring and assessing the performance of the Managing Director;
- ◆ undertaking Director nomination matters including succession planning for the Board to ensure an appropriate mix of skills, experience, expertise and diversity is maintained;
- ◆ ensuring the Managing Director has an adequate management succession plan;
- ◆ approving and maintaining appropriate risk management and internal control systems to identify, assess, monitor and manage the Company's business risks on an ongoing basis;

- ◆ overseeing the Company's process for disclosure and communications; and
- ◆ developing and approving appropriate Company policies, procedures and codes of behaviour as required to maintain a culture of integrity and a strong framework of corporate governance.

The Board has adopted a formal Board Charter that details the Board's role, authority, responsibilities, membership and operations, and is available on the Company's website www.flagshipinvestments.com.au

The Charter sets out the matters specifically reserved for the Board and the powers delegated to its Committees and to the Managing Director.

The Board has determined the responsibilities of the Chairman and the Managing Director. A summary of these responsibilities are:

Chairman

The Chairman's responsibilities are:

- ◆ The overall leadership of the Board.
- ◆ Communication with Shareholders (jointly with Managing Director).
- ◆ Keeping Directors informed with accurate, timely and relevant information.
- ◆ Evaluating the performance of the Board and individual Directors, including the Managing Director.
- ◆ Managing the business of the Board.
- ◆ Ensuring the effective operation of Board Committees.
- ◆ Ensuring appropriate standards for corporate governance are in place and complied with.
- ◆ Monitoring conflicts of interest.
- ◆ Ensuring effective communication with the Managing Director.



In particular, the Chairman will:

- ◆ Be responsible for the efficient organization and conduct of Board business, including chairing meetings, briefing Directors on issues relevant to the Board, establishing appropriate agendas for meetings.
- ◆ Facilitate the effective contribution of all Directors to, at and between meetings.
- ◆ Be the spokesperson for the Company at the Annual General Meeting particularly in regard to policy and strategic issues.
- ◆ Ensure that the performance of the Investment Manager/service provider is formally reviewed by the Audit and Risk Committee at least once per year.
- ◆ Ensure, in conjunction with the Managing Director, that corporate and strategic priorities and objectives for the Company are developed and considered by the Board on an annual basis.

Managing Director

The responsibility of the Managing Director is broadly to work with the Board and the Chairman to achieve the Company's corporate and strategic objectives and to undertake those duties not specifically assigned to the Board or the Chairman and generally are:

- ◆ Day to day management of the business.
- ◆ Implementing decisions of the Board and reporting to the Board on progress/outcomes.
- ◆ Providing the Chairman and other Board members with accurate and timely information on all matters relevant to the business and operations of the Company.
- ◆ Ensuring that there is effective communication between himself, the Chairman and other Directors.
- ◆ Ensuring that the services provided to the Company are consistent with the needs of the Company as assessed by the Board and that the service provided is regularly evaluated for efficiency and value for money.
- ◆ Reporting to the Board regularly on the performance of the business against strategic priorities and objectives.
- ◆ Communication with Shareholders (jointly with Chairman).

Recommendation 1.2: Information prior to Director election/re-election or engaging Senior Executives

Compliant

The full Board conducts the selection and appointment of Directors, re-election of existing Directors and Senior Executives. Before the Board appoints a new Senior Executive or Director or puts forward a candidate for election, the Board will ensure that appropriate background checks are undertaken.

Shareholders are provided with all material information in our possession that is relevant to their decision on whether or not to elect or re-elect a Director through a number of channels, including via the Notice of Meeting, the Director Resumés and information contained in the Annual Report.

Recommendation 1.3: Written agreement with each Director and Senior Executive setting out the terms of their appointment

Compliant

Upon appointment, each Director receives a letter of appointment which sets out the formal terms of their appointment, along with a deed of indemnity, insurance and access.

Recommendation 1.4: The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Compliant

The Company Secretary is directly accountable to the Board on matters relating to the proper functioning of the Board.

Details regarding the Company Secretary, including experience and qualifications, are set out in the Directors' Report.

Recommendation 1.5: Gender Diversity

Compliant

The Company has a Diversity Policy which is available on the website: www.flagshipinvestments.com.au

The policy includes measurable diversity objectives of 1/3 of the independent Directors. Refer Recommendation 2.3 for details on the independent Directors. The Company currently meets its' diversity objectives: there is currently one female Director (1/2 of the independent Directors) and one female Alternate Director.

In respect of diversity, the Board considers that diversity includes differences that relate to gender, age, ethnicity and cultural background. It also includes differences in background and life experience, communication styles, interpersonal skills, education and problem solving skills.

The Board seeks to develop a culture of diversity within the Company, whereby a mix of skills and diverse backgrounds are employed by the Company at all levels, through structuring the recruitment processes at all levels so that a diverse range of candidates are considered and there are no excuses or unconscious biases that might discriminate against certain candidates.





Recommendations 1.6 and 1.7: Board and Senior Executive Evaluation

Compliant

In order for the Board to provide best-in-class oversight on behalf of our Shareholders, the Board is committed to formally evaluating its performance, the performance of the Audit and Risk Committee and individual Directors, as well as the governance processes supporting the Board. The Board does this through an annual assessment process. The assessment, conducted in December 2020, highlighted the commitment of the Directors to the Company.

PRINCIPLE 2: Structure the Board to be effective and add value

Recommendation 2.1: Establish a Nomination Committee

Non-Compliant

The Company does not have a Nomination committee. After reviewing the structure and purpose of the committee the Board determined that the full Board would maintain direct responsibility for the nomination of Directors including board succession issues and ensuring the correct balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. This occurs during the Board evaluation process.

Recommendation 2.2: Have and disclose a Board skills matrix

Compliant

The Company's objective is to have an appropriate mix of expertise and experience on our Board and its Committees so that the Board can effectively discharge its corporate governance and oversight responsibilities. This mix is described in the Board skills matrix below.

Expertise	Experience
<ul style="list-style-type: none"> ◆ Financial knowledge and experience ◆ Legal, governance and compliance ◆ Commercial acumen ◆ Risk management ◆ Remuneration and nominations 	<p>Industry</p> <p>Finance Superannuation</p> <p>Market</p> <p>Australian Listed Securities</p> <p>Geographic</p> <p>Australia</p>

Recommendation 2.3: Independent Directors

Compliant

The Board has accepted that an Independent Director is as defined in Box 2.3 of the ASX Corporate Governance Principles and Recommendations (4th Edition).

Of the current Board members, Mr Dominic McGann and Ms Sophie Mitchell are considered to be independent Directors.

The length of service of each Director is set out in the Directors' Report.

Recommendation 2.4: A majority of the Board of a listed entity should be independent Directors

Compliant

The structure of the Board does comply with this recommendation in that a majority of the Directors are independent (refer recommendation 2.3)

Recommendation 2.5: The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

Complaint

The Company's Chairman is Dominic McGann, an independent Director.

Recommendation 2.6: Director induction and professional development

Compliant

New Directors are inducted into the Company's processes and policies in a suite of ways, including the provision of a 'Board manual', interviews with senior management of the Investment Manager and out of session meetings with other Directors. All Directors are encouraged to undertake ongoing professional development both in their area of technical expertise and in the skills required to effectively execute the role of Director.

PRINCIPLE 3: Instil a culture of acting lawfully, ethically and responsibly

Recommendation 3.1: Values

Compliant

The Company has adopted a Statement of Values that is fundamental to the Company's social licence to operate. The guiding principles, standards and behaviours within are expected of Directors, Senior Executives and employees to fulfill the Company's purpose and build long term sustainable value for its security holders.



The Statement of Corporate Values is available on the Company's website: www.flagshipinvestments.com.au

Recommendation 3.2: Code of Conduct

Compliant

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors and officers. The Code is reviewed annually and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

A copy of the Code is available on the Company's website: www.flagshipinvestments.com.au

The Code sets out the Company's commitment to conducting its business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards.

Recommendation 3.3: Whistleblower Policy

Compliant

The Company has developed a Whistleblower Policy to allow eligible whistleblowers the confidentiality and protections to speak up about any unlawful, unethical or irresponsible behaviour. The Policy is reviewed annually by the Board.

The Policy is available on the Company's website: www.flagshipinvestments.com.au

Recommendation 3.4: Anti-Bribery and Corruption Policy

Compliant

The Company has incorporated matters associated with anti-bribery and corruption within its Code of Conduct. Giving bribes or other improper payments or benefits to public officials is a serious criminal offence and is considered a serious breach of the Company values.

The Code of Conduct is available on the Company's website: www.flagshipinvestments.com.au

PRINCIPLE 4: Safeguard the integrity of corporate reports

Recommendation 4.1: Audit Committee

Compliant

The Company has an Audit and Risk Committee comprising the two independent Directors of the Board.

The composition of the Committee, a record of its meetings, and the relevant experience of each member of the Committee is set out in the Directors' Report.

The Audit and Risk Committee charter is available on the Company's website: www.flagshipinvestments.com.au

Recommendation 4.2: CEO and CFO declaration on the financial records

Compliant

The Board has received a declaration from the CEO and CFO that the Company's financial records have been properly maintained and that the Financial Statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3: Verification of Periodic Reporting

Compliant

The Company's external auditor reviews the Company's annual Directors Report, annual Remuneration Report, Interim and Final Financial Statements and the Appendix 4E and 4D announcements. Periodic reports that are not subject to external audit review such as Monthly NTA announcements and Quarterly Reports are subject to a rigorous internal review process conducted by the Manager and by the Board prior to release to the market.

PRINCIPLE 5: Make timely and balanced disclosure

Recommendation 5.1: Continuous Disclosure Policy

Compliant

The Company has a Continuous Disclosure Policy which sets out the obligations of the Company's Directors and officers in relation to continuous disclosure as well as the Company's obligations under the Corporations Act and the ASX Listing Rules

The policy also contains procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements and for the monitoring of Company compliance.

The Disclosure Policy is available on the Company's website: www.flagshipinvestments.com.au

Recommendation 5.2: The Board receives copies of all material market announcements

Compliant

The Board receives draft announcements prior to release, and in accordance with the Disclosure Policy the Company Secretary is required to notify the Board of all market announcements promptly after they have been made.

Recommendation 5.3: Investor and Analyst Presentations

Compliant

In accordance with the Disclosure Policy the Manager must release a copy of presentation materials on the ASX Market Announcements Platform.





PRINCIPLE 6: Respect the rights of security holders

Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website

Compliant

Investors and other stakeholders can find information about the Company on its website: www.flagshipinvestments.com.au Information on the Company's corporate governance practices can also be found at www.flagshipinvestments.com.au

Recommendation 6.2: A listed entity should have an investor relations program that facilitates effective two-way communication with investors

Compliant

The Company's Communications Policy sets out how the Company will communicate with Shareholders.

Information is communicated to Shareholders through the distribution of a quarterly report, annual and half-yearly financial reports, announcements through the ASX and the media, on the Company's website and through the Chairman's address at the Annual General Meeting.

If requested, the Company will provide general information by email, facsimile or post.

Through the Company's newsletter, email address and phone number, and at AGMs, the Company encourages two-way communication with Shareholders.

The Communication Policy is available on the Company's website: www.flagshipinvestments.com.au

Recommendation 6.3: Disclose how it facilitates and encourages participation at meetings of security holders

Compliant

The Company facilitates and encourages participation at meetings of security holders by having sections of each meeting dedicated to questions from the floor. Shareholders are given at least 30 days' notice of security holder meetings and those that are unable to attend in person may email or fax questions they would like answered. The Company provides a direct voting facility to allow security holders to vote ahead of AGMs without having to attend or appoint a proxy. At the 2020 AGM Shareholders were able to view the meeting via live webcasting, this option will be considered for future meetings of Shareholders.

Recommendation 6.4: Ensure that all substantive resolutions are decided by a poll rather than by a show of hands

Compliant

The Chair of a security holder meeting will conduct a poll when deciding substantive resolutions.

Recommendation 6.5: Give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically

Compliant

The Company's share registry provides the option for shareholders to receive quarterly reports and other communication by email. Email is the preferred method for all shareholder communications. If requested, the Company will provide general information by email, facsimile or post.

PRINCIPLE 7: Recognise and manage risk

Recommendation 7.1: Risk Committee

Compliant

The Audit and Risk Committee monitors the Company's business risks. The composition of the Committee and a record of its meetings is set out in the Directors' Report. The Audit and Risk Committee charter is available on the Company's website: www.flagshipinvestments.com.au

Recommendation 7.2: Annual risk management framework review

Compliant

Each year, the Audit and Risk Committee, reviews the Company's Risk Management Framework. Ad hoc reviews may also be conducted when the Board perceives that the risk environment has shifted significantly. A review was conducted during the year.

Recommendation 7.3: Internal audit function

Non-Compliant

The Company does not have an internal audit function as the Board has deemed it is not necessary, given the size and nature of the Company. Instead, the full Board, through the Audit and Risk Committee, reviews the internal control reports of key service providers and liaises closely with the Company's external auditor to identify potential improvements to the financial risk management and internal control processes.





Recommendation 7.4: Disclose material exposure to environmental and social risks and how it manages those risks

Compliant

The Board monitors the business risk and guides the affairs of the Company in the discharge of its stewardship responsibilities. The Company does not currently have any direct material exposure to environmental and social risks

The Board meeting agendas and reports advise the Board of current and forthcoming issues relevant to the Company's operations and performance. Management has designed and implemented a risk management and internal control system through a Risk Management Framework. The Framework is monitored by the Audit and Risk Committee with regular reporting to Committee meetings.

The Company's main exposure to environmental and social risks is through the investee companies in the portfolio and the Board reviews the investment portfolio at their regular meetings. The Manager is a signatory to the UN-backed Principles for Responsible Investment and is committed to responsible investment through ensuring that Environmental, Social and Governance (ESG) factors are considered during its decision making process.

The 'Pillars of a Quality Franchise' is an integrated framework developed by the Manager to better mitigate the portfolio against ESG and sustainability risks. The framework combines six pillars and breaks down each pillar into three underlying characteristics, each part contributing to the Quality Franchise Score. Specifically, under the pillars of sustainability and management it addresses exposure associated with environmental and social risks.

The Sustainability Pillar encompasses three characteristics:

1. The business must operate in an industry with a low risk of macro-environmental factors affecting future performance,
2. The business has demonstrated strong ESG performance to date and holds capacity to mitigate ESG issues, and
3. The business has dynamic capabilities that sustainably renews its competitive advantage.

The Management pillar is grounded upon academically proven elements of trustworthiness being behaviour, competency, and attitudes, and each of the assertions assesses these elements. The trustworthiness of management assists our mitigation of uncertainty by reducing the risk of managerial conduct or failure of business execution.

PRINCIPLE 8:

Remunerate fairly and responsibly

Recommendation 8.1: Remuneration Committee

Non-Compliant

The Company does not have a Remuneration Committee, instead the full Board develops the remuneration policy balancing the need to attract high quality Directors, establishing appropriate incentives and commercial control of expenses. The establishment of a committee would not provide further efficiency to the operation of the Board given the Board size and structure.

Recommendation 8.2: Disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other Senior Executives

Compliant

The maximum amount of Directors' fees is fixed by Shareholders at the Annual General Meeting and can only be varied by Shareholders in a similar manner. In determining the allocation of fees, the Board takes into account the time demands on each Director, together with the responsibilities undertaken by them and market practices of similar sized businesses in the Listed Investment Company sector.

It is the policy of the Board not to issue Directors incentive shares or options.

The details of the remuneration received by Directors in the 2020/2021 year are included in the Remuneration Report contained within the Directors' Report.

Recommendation 8.3: Equity-based remuneration

Not Applicable

The Company does not have an equity-based remuneration scheme and does not intend to establish one, Recommendation 8.3 is not applicable.