

TAX RISK MANAGEMENT POLICY

Milton Corporation Limited (Milton) considers tax risk management and governance fundamental to maintaining efficient and effective operations and ensuring compliance with regulatory authorities including the Australian Taxation Office (ATO) and Office of State Revenue (OSR).

Milton's Tax Risk Management Policy falls within the scope of Milton's overall Risk Management and corporate governance framework. In accordance with Milton's Risk Management policy, the board is responsible for establishing an effective risk management framework in line with the risk profile of Milton and the risk appetite set by the board. The role of reviewing the risk management framework and reporting on the internal control systems in operation have been delegated by the Board to the Audit and Risk Committee.

Milton's Tax Position

Milton and its wholly owned subsidiaries have formed a tax consolidated group for tax purposes and hence pays tax in respect of both its own activities and its wholly owned subsidiaries at the prevailing corporate tax rate.

Milton's revenue is primarily derived from dividends and distributions received from its long term investments and a significant portion of its dividend income is fully franked. Fully franked dividends are dividends paid by companies out of profits, which have already been subject to Australian company tax at the prevailing tax rate. Therefore, franked dividends received by Milton are eligible for a rebate for the tax paid by companies on profits distributed as dividends. All other income is subject to Australian tax.

Tax Corporate Governance Responsibilities

The specific risk management responsibilities assigned to each role in relation to the tax risk management are given below.

Board Level Responsibilities via Audit & Risk Committee

- Endorse a formalised tax control framework prepared by management that provides details of operational controls established to manage tax risks across all tax liabilities of Milton.
- Outline the company's tax risk appetite, acceptable level of risk and signoff required depending on the level of risk.
- Ensure reporting controls in place so that board/audit & risk committee is appropriately informed of Milton's material tax liabilities
- Regular review of Milton's tax obligations, monitor effective tax rate, ensure amount of tax paid aligns with Milton's taxable operations and any reasons for significant misalignments.
- Periodic internal control review to ensure sufficient internal control systems and procedures are maintained by management to timely identify tax risks and take effective steps to avoid or mitigate such risks.
- Seek independent tax advice from reputed organisations on complex tax matters where necessary.
- Oversight of disclosures of tax details in the annual report considering the guidelines given in the voluntary Tax Transparency Code (TTC) and peer reporting in the Listed Investment Company (LIC) industry.

Managerial Responsibilities – CFO

- Ensure sufficient capacity and capability to enable effective management of tax risks.
- Ensure processes are in place for effective compliance with tax reporting obligations and timely payments (Tax Return, Business Activity Statement (BAS), Instalment Activity Statement/PAYG Withholding Tax (IAS), Consolidated Activity Statement/Income Tax Instalments (CAS) and respective payment obligations).
- Regular testing of internal controls including review of monthly reconciliation of tax expense, provision for tax, deferred tax liabilities and deferred tax assets.
- Review of complex corporate actions and ensure they are correctly captured in the portfolio system and ensure effective mechanisms are in place to monitor transaction that may require future tax adjustments such as Rollover Relief transactions.
- Ensure Milton's IT systems are adequate and effective processes are in place to identify any errors in tax calculations speedily.
- Ensure documentary evidence maintained for regular tax control testing.
- Continuously monitor updates to changes in tax law and effect on Milton and industry.
- Update CEO, Board/Audit Committee on significant tax matters.
- Regular reporting to the board of effective tax rate, tax expense, provision for tax etc.

Tax Planning

- Milton to ensure that any tax planning supports commercial activity and optimisation of returns for investors is normal and appropriate. Milton should not engage in aggressive tax planning.
- Tax Risk Classification and level of signoff- The level of opinion and level of signoff will depend on level of risk involved. The table below indicates the minimum level of signoff based on risk level.

Tax Risk	Minimum Level of Opinion	Level of Sign off
Low	Opinion by CFO in consultation with an External Advisor (if required)	CFO
Medium	Reasonably arguable position (RAP*) or more likely than not opinion (MLTN**) by an External Advisor	CFO & CEO/MD
High	Written opinion from an External Advisor and written guidance from ATO (eg; Private ruling) if required	Audit & Risk Committee / Board

*RAP – Reasonably Arguable Position (Schedule 1, section 284-15 of the Tax Administration Act 1953) is where there is a percentage likelihood approaching 50% that the tax treatment of the item will be upheld if challenged.

**MLTN – More likely than not to be correct. Opinion given by an advisor which supports the merits of the tax treatment and hence if challenged, the position should be more likely than not to be correct.

Reporting Obligation

- CFO will report on general tax items to the Audit and Risk committee quarterly. The reporting will include income tax reconciliation, effective tax rate, franking account status and tax compliance with regulatory authorities.
- Tax matters regarded as material are to be reported to the Audit and Risk Committee as soon as practically possible.
- New transactions that may involve high tax risks to be reported to the Audit and Risk Committee and necessary sign offs obtained prior to implementation.

Document Retention Management

- Documents retained to meet compliance and legal obligations of Milton.
- Statutory books, board minutes and resolutions kept indefinitely.
- Accounting records and supporting documents along with employee records, payroll, wages kept for minimum of 7 years.
- Corporate tax records are kept for a minimum of 5 years (following the assessment period) and only destroyed at a later time if CFO is satisfied that those documents are unlikely to be required in proving Milton's position in a tax dispute.
- Before documents are made available to regulatory authorities in response to audits/investigations/examinations, ensure they are reviewed by relevant legal/ external advisors for potential claims for Legal Professional Privilege or other protective clauses.

Training and Awareness

- Provide training to key staff where necessary to enable them to manage tax risks efficiently and minimise errors.

Review Cycle

- Tax policy to be reviewed annually as part of internal control review process by the Audit and Risk Committee.

Non- Compliance Reporting

- CFO is responsible for oversight of this policy and is required to report any material non-compliance with the policy to the Audit and Risk Committee as soon as practicably possible.

ATO Engagement

- Milton is committed to be transparent and collaborative with ATO and other regulatory authorities and strive to foster good relationships in a professional, courteous and timely manner.