

CORPORATE GOVERNANCE STATEMENT

The directors of Milton Corporation Limited (Milton) consider sound corporate governance practices promote behaviour that is in the best interests of the company and is likely to assist in the delivery of increasing returns to shareholders over the long term.

This statement details the corporate governance framework put in place by the board of directors to promote sound management of the company. Ultimately, the board is responsible for the operational and financial performance of the company.

This statement has been approved by the board of directors and is current as at 11 August 2021.

1. Code of Conduct and Core Values

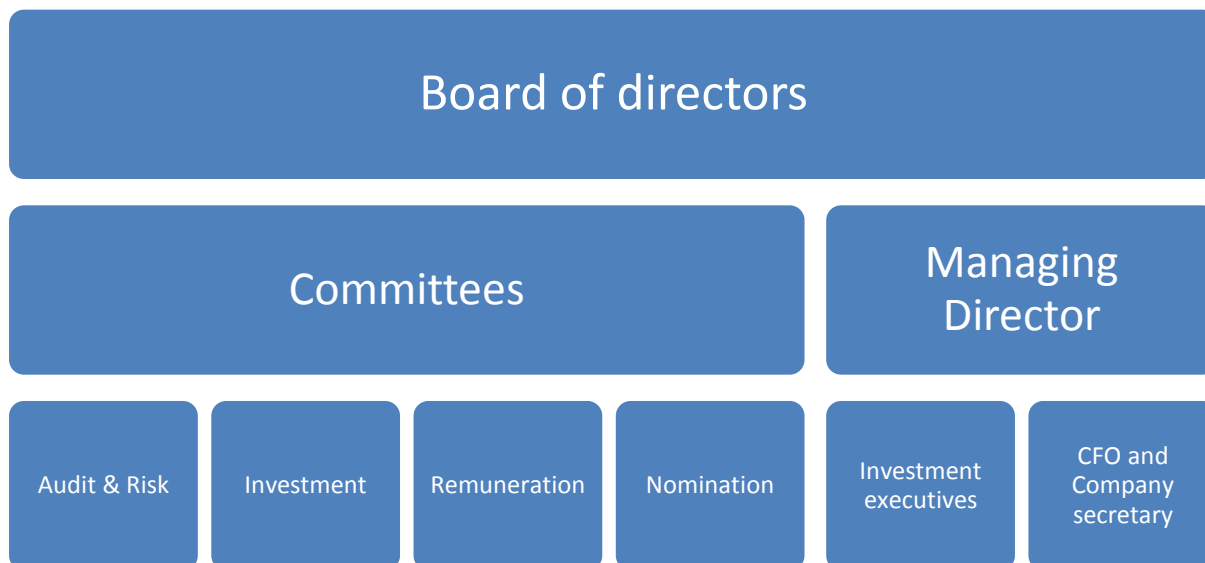
Milton's Code of Conduct disclosed in the company's website outlines the principles and standards that directors and employees are required to abide by when making decisions and discharging their duties.

Milton is committed to achieving its key objectives of increasing fully franked dividends, providing capital growth to its shareholders over time and minimizing costs by long term investing in a diversified portfolio of assets. Milton will do so whilst ensuring it acts lawfully, ethically and responsibly keeping in line with Milton's core values listed below.

- Integrity
- Transparency and accountability
- Compliance

2. Corporate structure

The chart below shows the corporate structure that has been established by the board.



3. Responsibilities

The board operates in accordance with its Board Charter which includes the responsibilities specifically reserved for the board, the board's composition and how it is to operate.

The board's responsibilities are:

- Defining Milton's purpose and setting its corporate objective;
- Approving the investment philosophy and corporate strategy;
- Approving Milton's statement of values and code of conduct;
- Oversee management in its implementation of Milton's corporate objective, instilling of the company's values and performance;
- Approving the business plan and budget;
- Approving the financial reports, shareholder communications and other public documents;
- Declaring dividends;

- Capital management including approval of all share issue offers such as the share purchase plan, dividend reinvestment plan and consideration for company acquisitions;
- Approving portfolio movement recommendations above pre set limits;
- Reviewing of the internal control systems and satisfying that Milton has in place an appropriate risk management framework and setting the risk appetite within which the board expects management to operate;
- Monitoring the effectiveness of the corporate governance practices;
- Appointment of the chair;
- Reviewing the performance of management and the Board itself;
- Approving the remuneration of the senior executives;
- Approving the appointment of senior executives; and
- Making recommendations regarding the election of directors.

Day-to-day management of the company's affairs and the implementation of strategy and policy initiatives are formally delegated by the board to the chief executive.

4. Board composition and independence

The board comprises a majority of independent directors and currently there are five non executive and the managing director.

All of the non executive directors are considered to be independent. Each year the board formally considers the independence of directors taking into account length of service and any other factors that may compromise their exercise of independent judgement. All non executive directors are required to advise the board of any change in circumstances which may affect their independence.

The board is of the opinion that the independence of long serving directors, Messrs R.D. Millner, Graeme L. Crampton and Dr. I.A. Pollard, have not been impeded and they continue to represent all shareholders. As a long term investor Milton benefits from their experience and corporate knowledge they have gained whilst being a director of Milton.

In accordance with the Corporations Act 2001, any director who has an interest of any kind in relation to any matter dealt with at a board or committee meeting is required to advise the meeting and abstain from participation in the decision process.

Mr R.D. Millner remains as Chairman and is considered independent. Mr Millner and the other directors have recognised the potential conflict of interests presented by the Washington H. Soul Pattinson & Company Limited's bid for Milton announced to ASX on 22 June 2021. Accordingly Mr. Millner has absented himself from all Milton board and committee meetings until the bid process is concluded and during that period Mr. Graeme L. Crampton, the Chair of the Audit & Risk Committee is acting as Chairman.

The names of the current directors, the date of their appointment and their qualifications are set out below.

Name of Director	Length of service as at 30 June 2021	Qualifications
Non executive and independent		
Mr. Robert D. Millner	22 years 11 months	FAICD
Mr. Graeme L. Crampton	12 years 1 month	B.Ec, FCA, FAICD
Mr. Kevin J. Eley	9 years 7 months	CA, F Fin, FAICD
Dr. Ian A. Pollard	22 years 11 months	BA (Macq), MA (Oxon), D Phil (IMC), FIAA, FAICD
Ms. Justine E. Jarvinen	3 Year 11 months	BE (Chem), F Fin, GAICD
Executive and non independent		
Mr. Brendan O'Dea	2 year 11 months	B.Ec. M.Bus, CA, MAICD

All board members are well qualified and highly experienced in their respective fields. The board considers that individually and collectively, the directors have an appropriate mix of skills, experience and expertise to enable the board to meet both the current and future challenges of Milton.

Skills Matrix

Category	Number of Directors with these skills (Currently 6 Directors)
Investment management	6/6
Industry expertise such as banking, insurance, retail, mining, primary production, telecommunications, energy, engineering and utilities	Collective
Corporate strategy	6/6
Finance, accounting and tax	3/6
Actuarial	1/6
Technology	1/6
Governance and risk management	6/6
Mergers and acquisitions	5/6

5. Committees

The board has established committees to assist it in carrying out its responsibilities. The roles and responsibilities of these committees have been approved by the board and are detailed in their charters which are available on Milton's web site.

Audit & Risk Committee:

The Audit & Risk Committee, consisting of at least three independent directors, reviews the effectiveness of the risk management and internal controls, the reliability of financial information and the appointment and effectiveness of the external auditor. The committee for the 2020/21 year comprised Mr. G.L. Crampton (Chair), Mr. K.J. Eley and Dr. I.A. Pollard.

To assist in this function, the committee may invite the external auditor and senior executives to report to meetings. Any significant non-audit services to be provided by the external auditors must be approved in advance by the Audit & Risk Committee. The Audit & Risk Committee considers that the provision of those non-audit services provided to date by the external auditor would not affect the auditor's independence.

The latest review of the risk management framework and internal control systems and processes in relation to the 2020/21 financial year was carried out by the Audit & Risk Committee in June 2021.

Investment Committee:

The Investment Committee, consisting of three independent directors, the managing director meets regularly to review the investment portfolio, to consider management's recommendations and to make investment decisions within defined limits. The committee consists of Messrs. R.D. Millner, K.J. Eley, B. O'Dea and Ms. J.E. Jarvinen. All directors may attend the Investment Committee meetings. The defined limits are reviewed by the board from time to time.

Nomination Committee:

The Nomination Committee consists of those directors who are not retiring and seeking re-election. The committee for 2020/21 financial year consists of Dr. I.A. Pollard, Mr. B.J. O'Dea and Ms. J.E. Jarvinen. The Committee is chaired by Dr. I.A. Pollard who is an independent director. Messrs. R.D. Millner, G.L. Crampton and K.J. Eley who are due to retire in accordance with the company's constitution will be standing for re-election at the next annual general meeting.

All non-executive directors are subject to re-election at least every three years. The Nominations Committee reviews the composition of the board annually and makes recommendations on the appropriate skill mix, personal qualities, expertise and diversity. The committee also makes recommendations to the board regarding the election of directors by shareholders.

Nominations Committee is also responsible for conducting the annual review of the performance of the board as a whole and its committees in accordance with Milton's Performance Evaluation policy. The latest such performance review was conducted by the Nominations Committee in June 2021.

Remuneration Committee:

The Remuneration Committee for 2020/21 consists of Mr. G.L. Crampton (Chair) and Dr. I.A. Pollard who are independent directors.

The committee formally reviews the performance of the managing director and each year it makes specific recommendations to the board on remuneration packages and other terms of employment for senior executives and directors.

The latest performance reviews of the managing director and senior executives were conducted in June 2021.

6. Director Appointment and induction

The board is responsible for the selection and appointment of new directors after the appropriate background checks have been made.

All directors are subject to re-election at least every three years. Any director (except the Managing Director) who has been appointed during the year must stand for election at the next annual general meeting (AGM).

In accordance with Milton's induction programme new directors are provided with a formal letter of Appointment, Deed of Indemnity, Insurance and Access agreement, Constitution, Corporate Governance Statement and related charters and policies. Milton has written agreements with each of its directors which details their terms of appointment.

New directors are encouraged to meet with management and attend all committee meetings to develop a deep understanding of the operation of the company.

Ongoing director professional development is facilitated through regular management presentations on key business functions as well as statutory and regulatory updates. Services of external consultants are engaged to cover specific topics of interest areas as and when required.

Independent professional advice may be sought by a director at Milton's expense with the prior approval of the chairman. A copy of advice received by the director is made available to the chairman to be dealt with at his discretion.

7. Diversity

The board has established a diversity policy, which is available on Milton's website.

The policy acknowledges the advantages of gender diversity as well as diversity of age and skills.

The key element of the diversity policy is that Milton will seek the best person with the appropriate characteristics that is available for the position and will not discriminate against candidates on the grounds of gender, age, ethnicity or cultural background.

In relation to the appointment of each new director, the board will consider a broad range of candidates and seek to appoint the person that would best complement the collective skills, experience and diversity of the current directors.

Milton is committed to have an inclusive workplace and hence discrimination, harassment, vilification and victimisation are not tolerated.

Milton considers gender diversity whenever the opportunity arises and appointment of a director will always be based on the relative merits of the candidates. At the time of this report, there were four male non-executive directors and one female non-executive director.

Milton has diversity amongst its employees with women representing 40% of total employees and 25% of senior executives. Senior executive positions at Milton include CEO, CFO and two investment managers responsible for making investment portfolio recommendations. The team members have different backgrounds, age and experience.

8. Company Secretary

Mr. Nishantha Seneviratne is the Company Secretary and Chief Financial Officer of Milton having overall responsibility for company secretarial, finance and governance functions.

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

9. Continuous disclosure and shareholder communication

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules.

The board reviews and approves all announcements to the ASX, except for the monthly net asset backing announcements which are reviewed by the Chief Financial Officer and the Managing Director. Copies of all material market announcements are distributed to all directors promptly after they have been made.

Where the company gives any new and substantive investor or analyst presentation, the company must release a copy of the presentation material on the ASX market announcement Platform ahead of the presentation.

Milton has established a website to enhance communication with its shareholders and potential investors. The website contains historical information, copies of all information disclosed to the ASX and a corporate governance section that includes details of the various committee charters and policies. Shareholders, who have advised Milton of their email addresses, are notified by email of all announcements to the ASX. The Milton communications policy is available on Milton's website.

10. Risk management

The managing director and chief financial officer report annually to the Audit & Risk Committee on Milton's risk management system.

A written declaration in relation to the 2020/21 financial year has been provided to the board by the managing director and chief financial officer stating that, in their opinion, the financial records of Milton 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 Milton and that the opinion has been formed on the basis of a sound system of risk management and internal controls which is operating effectively.

The board considers an internal audit function is not necessary due to the nature and size of Milton's operations. The external auditors report to the Audit & Risk Committee on risk management issues identified during the course of the audit. The risk management policy is available on Milton's website.

Milton is not directly exposed to material environmental and social sustainability risks. However, Milton may have indirect exposure through its investments in companies that have material exposure to such risks. Milton regularly evaluates its overall risks of its existing investments as well as potential investments. Assessment of economic, environmental and social sustainability risks of companies in which Milton invests forms part of Milton's overall evaluation of performance of its investments.

11. Trading policy in relation to listed securities

Milton has developed a trading policy to ensure directors and employees comply with insider trading provisions of the Corporations Act and to avoid the risk they are perceived to have traded while in the possession of insider information.

The trading policy is provided to all directors and employees so that they are aware of the restrictions that apply to them in relation to their dealing in securities.

The trading policy is available on the Milton webpage at milton.com.au/governance

12. Whistle-blower Policy

Milton has a Whistle-Blower Policy which is disclosed in the company's website and can be accessed via : milton.com.au/Shareholders/Charters & Policies.

The aim of Milton's Whistle-blower Policy is to;

- Encourage reporting of any suspected unethical, illegal, fraudulent conduct;
- Inform whom to report to and how to report concerns confidentially without fear of intimidation or disadvantage or reprisal;
- Inform how Milton will investigate whistle-blower reports.

This policy is reviewed every two years to ensure the policy remains relevant and consistent with the legislative requirements.

13. Anti-Corruption and Bribery Policy

Milton has an Anti-Corruption and Bribery policy, which is disclosed in the company's website and can be accessed via: milton.com.au/Shareholders/Charters & Policies.

The purpose of this policy is to establish controls to ensure compliance with all applicable anti-corruption and bribery regulations, and to ensure that Milton's business is conducted in a socially responsible manner that upholds Milton's core values.