

This policy applies to all Synlait Milk Limited sites.

Synlait Milk Limited shall achieve this by:

## Policy Objective

To attract, reward and retain staff with skills and capabilities to ensure the successful business outcomes by providing a remuneration environment focused on productivity, performance and accountability.

Version 12 effective: 1 April 2019

## Purpose

The intent of this policy is to ensure that remuneration practices are driven from consistent principles and are competitive within the New Zealand market to enable the organisation to attract and retain a talented, high performing workforce.

## Principles

The following principles guide Synlait Milk's Strategic Remuneration Policy:

- The reward and recognition system will foster a culture that is focussed and accountable, is results and success oriented and promotes the kind of collaboration that advances the Company values, behaviours and habits.
- Remuneration systems will be robust, defensible and allow for the recruitment and retention of talented, skilled and motivated people focussed on the delivery of organisation goals.
- The organisation's reward and recognition systems will be:
  - Fair and equitable;
  - Competitive
  - Open and transparent;
  - Easy to administer;
  - Practical and workable;
  - Robust and systematic;
  - Consistently applied;
  - Flexible/open to change;
  - Affordable.
- Reward policies and practices will be designed to motivate and reinforce success and excellence in all areas of performance.

## Components

The components of the Synlait Milk Strategic Remuneration Policy are:

### Job Evaluation

- A formal job evaluation system is used to evaluate positions and determine internal relativities.
- External benchmarking of pay levels, on the basis of relevant market data survey is undertaken on an annual basis.

### Remuneration and Annual Reviews

- Salary ranges (85% to 115% of midpoint) will be used for all positions that are employed under an Individual Employment Agreement (IEA). A pay scale will be established, based on job evaluation and remuneration data, for individual positions with appointment to, and movements within the range, based on experience, capability and performance. New Zealand Private Sector market data will apply for all positions, with SLT/ELT and ‘critical key contributor’ / specialist positions compared to Total Remuneration. Fixed Remuneration will be the comparator for all other positions.
- “Positions may be classified as a ‘Critical Key Contributor’ when it satisfies the internal guideline administered by the Human Resources Manager. This guideline will be amended when necessary to ensure alignment with the strategic objectives of the company. The guideline will take into consideration; the evaluated size of the role and its impact on business outcomes, strategic objectives of the company, skill shortages within our competitive environment, legal compliance, internal equity and affordability.”
- Remuneration ranges will be reviewed annually in May each year, against market movement to year ending 31 March to ensure alignment with market conditions and incorporating a forecast movement for the next year to 31 March.
- Remuneration levels for all staff employed under an IEA will be reviewed each year, with any changes to remuneration based on market movement, position in the salary range, and individual performance, effective from 1 August.
- Salary matrix for assigning equitable salary increases:

Overall Performance Rating	Position in pay range		
	Low in the range	Around the middle of the range	High in the range
Outstanding / Exceeded Expectations	large increase – well deserved	medium increase - to recognise value to SML	small increase – one-off sum may be a better way to go
Met Expectations	medium increase	small increase	small increase – they are paid well relative to others
Not Meeting Expectations	Nil - and performance management	Nil - and performance management	Nil - and performance management

- Total remuneration shall be monitored as part of the annual salary review process to ensure that both fixed remuneration and total remuneration remain aligned with market benchmarks.
- All remuneration payable to the CEO will be recommended by the People and Governance Committee and approved by the Board.

## Authority Levels

- All salary levels (new starters and salary movements) must be confirmed as per the authority levels to ensure consistency and fit within the Synlait remuneration policy, prior to any discussions with individuals.
- The following authority levels apply:

Staff Commitments	Delegation
Appointment of new or replacement staff within the approved Organisation Structure:  CEO Level 2A or CFO Level 3 Level 4 Direct Reports to Level 4 Below Direct Reports to Level 4	Board Board; with CEO recommendation CEO; with Level 2A recommendation Level 2A; with Level 3 recommendation Level 3; with Level 4 recommendation Level 4; with manager’s recommendation
Changes to REM or terms and conditions of the IEA:  CEO SLT  Other staff	Level 1 Level 1; with recommendation from CEO  Level 3 or 4 and Director PCP
Bonus payments / additional payments outside of the IEA	Level 2A and Director PCP

- The remuneration review process will operate within Annual Review policy parameters and budget parameters approved by the Board, implemented under the authority of the Chief Executive Officer.
- The People and Governance Committee has the ability to exercise its judgement in order to make decisions outside of this policy with any such recommendation to be approved by the Board.

## Approach

- Remuneration payable to staff is on the basis of a base wage / salary. Reporting remuneration is on a “total cost to company” basis, identifying wage / salary together with any other benefits deemed as remuneration such as employer contributions under KiwiSaver and company health insurance.

- Remuneration Definitions:

Base Wage/Salary	Salary/wages paid weekly/fortnightly/monthly, excluding allowances, overtime, benefits (e.g. superannuation).
Fixed Remuneration	Base salary plus benefits deemed to be classed as remuneration (e.g. superannuation, company health insurance). Fixed remuneration includes any FBT or withholding tax (i.e. valued on a cost to employer basis).
Total Remuneration	Fixed remuneration plus variable pay

- While internal equity will be a driving consideration, Synlait’s remuneration position will be based at a level to attract the required mix of staff with specialist skills, as well as on-going capability for the future.
- Remuneration transparency is deemed important and communication around an individual’s remuneration will be treated as such. Transparency around remuneration will increase as the maturity and awareness around remuneration is built.

### Director Remuneration

- The People and Governance Committee also reviews the level of remuneration for Directors, annually. The Committee is authorised to obtain independent advice and considers the market for Director fees. The Committee then makes appropriate recommendations to the Board for shareholder approval.
- Any increases approved by shareholders and the annual general meeting are effective 1 April the following year.

### Application

- This policy shall supersede all previous policies and comes into effect from 1 April 2019.

For this policy to be successful, the active participation and support of all our employees are essential.

Leon Clement  
**Chief Executive Officer**  
 Synlait Milk Limited

Boyd Williams  
**Director, People, Culture and Performance**  
 Synlait Milk Limited

## 1. Document Information

### 1.1 Revision History

Section Number	Date	Revision	Description of what has changed
Whole document	21/07/2020	6	Change of template

The previous revision of this document is available in the Document Control System (DCS). To access please contact the Document Controller.