



# SYNLAIT MILK LIMITED SECURITIES TRADING POLICY AND GUIDELINES

December 2014





This policy (**Policy**) was approved by the Board of Directors (**Board**) of Synlait Milk Limited (**Company**) on 11 July 2013, as subsequently amended in September 2013 and December 2014.

This Policy applies to all Directors, officers and employees of Synlait Milk Limited (**SML**) and its subsidiaries who intend to trade in SML's shares and other listed "**securities**". In this Policy "**trade**" includes buying or selling listed securities, or agreeing to do so, whether as principal or agent. It does **not** include subscription for, or the issue of, new securities.

In addition to this Policy and Guidelines, further more specific and stringent rules also apply to trading in SML's securities by Directors and certain senior employees, or employees performing certain functions (see below under [Additional Trading Restrictions for Restricted Persons](#)).

## 1 INTRODUCTION AND PURPOSE

1.1 This document details SML's Policy on, and rules for dealing in the following securities ("**Restricted Securities**"):

1.1.1 SML Ordinary Shares; and

1.1.2 debt securities issued by SML to the public; and

1.1.3 any other listed securities of SML or its subsidiaries, and any listed derivatives (including futures contracts listed on an authorised futures exchange) in respect of SML securities, from time to time.

1.2 The requirements imposed by this Policy are separate from, and in addition to, the legal prohibitions on insider trading in New Zealand and any other country where those securities may be listed.

1.3 **If you do not understand any part of this Policy, or how it applies to you, you should raise the matter with SML's Legal Counsel or CFO, before dealing with any securities covered by this Policy.**

## 2 FUNDAMENTAL RULE - INSIDER TRADING IS PROHIBITED AT ALL TIMES

2.1 If you possess "**material information**" (refer to definition below), then **whether or not** you are a Restricted Person (as defined further below), you must **not**:

2.1.1 trade Restricted Securities;

2.1.2 advise or encourage others to trade, or hold any Restricted Securities; or

2.1.3 pass on the material information to others.

2.2 The prohibitions apply regardless of how you learn of the information, and regardless of why you are trading.

2.3 The prohibition on insider trading applies not only to information concerning SML's securities. If you have material information in relation to listed securities of another issuer (including futures contracts listed on an authorised futures exchange over listed securities) then you must not trade in those securities either.



### 3 INSIDER TRADING LAWS

- 3.1 If you have any **material information**, it is illegal for you to:
- 3.1.1 trade SML's listed securities;
  - 3.1.2 advise or encourage another person to trade or hold SML 's listed securities;
  - 3.1.3 advise or encourage a person to advise or encourage another person to trade or hold SML's listed securities; or
  - 3.1.4 pass on the material information to anyone else - including colleagues, family or friends - knowing (or where you ought to have known) that the other person will use that information to trade, continue to hold, or advise or encourage someone else to trade, or hold, SML 's listed securities.
- 3.2 This offence, called "**insider trading**", can subject you to criminal liability including large fines and/or imprisonment, and civil liability, which may include being sued by another party or SML, for any loss suffered as a result of illegal trading.

### 4 CONFIDENTIAL INFORMATION

In addition to the above, you also have a duty of confidentiality to SML. You must not reveal any confidential information concerning SML to a third party (unless that third party has signed a confidentiality agreement with SML and you have been authorised to disclose the confidential information), or to use confidential information in any way which may injure or cause loss to SML, or use confidential information to gain an advantage for yourself. You should ensure that external advisers keep SML information confidential.

### 5 WHAT IS "MATERIAL INFORMATION"?

- 5.1 "**Material information**" is information that:
- 5.1.1 is not generally available to the market; and
  - 5.1.2 if it were generally available to the market, would have a material effect on the price of SML's listed securities.
- 5.2 Information is generally available to the market if it has been released as an NZX announcement, or investors that commonly invest in SML's listed securities can readily obtain the information (whether by observation, use of expertise, purchase or other means).
- 5.3 It does not matter how you come to know the material information (including whether you learn it in the course of carrying out your responsibilities, or in passing in the corridor, or in a lift, or at a social function).
- 5.4 Information includes rumours, matters of supposition intentions of a person (including SML), and information, which is insufficiently definite to warrant disclosure to the public.

## 6 WHAT ARE SOME EXAMPLES OF MATERIAL INFORMATION?

- 6.1 The following list is illustrative only. Material information could include information concerning:
- 6.1.1 the introduction of a new product, or new area of R&D;
  - 6.1.2 the financial performance of SML;
  - 6.1.3 the revaluation of SML's property, plant or equipment portfolio;
  - 6.1.4 a possible change in the strategic direction of SML;
  - 6.1.5 a possible acquisition or sale of any assets or company by SML;
  - 6.1.6 entry into or the likely entry into or termination or likely termination of material contracts or other business arrangements which are not publicly known;
  - 6.1.7 a possible change in SML's capital structure;
  - 6.1.8 a change in the historical pattern of dividends;
  - 6.1.9 senior management changes;
  - 6.1.10 a possible change in the regulatory environment affecting SML;
  - 6.1.11 a material legal claim by or against SML; or
  - 6.1.12 any other unexpected liability,
  - 6.1.13 which has not been released to the market.
- 6.2 The range of possible material information is very wide, so if you are planning to buy or sell any SML securities and you have any doubts, you should discuss it confidentially with SML's Legal Counsel.

## 7 EXCEPTIONS

- 7.1 This Policy does not apply to:
- 7.1.1 acquisitions and disposals of securities by gift or inheritance;
  - 7.1.2 acquisitions of securities through an issue of new listed securities, such as an issue of new debt securities or new shares on the exercise of options, under a rights issue, or a dividend reinvestment plan.

## 8 SHORT TERM TRADING DISCOURAGED

- 8.1 You should not engage in short term trading (the buying or selling of listed securities within a one month period), unless there are exceptional circumstances discussed with SML's Legal Counsel first, and then approved by the Chair of the Audit & Risk Committee.
- 8.2 Short term trading can be a key indicator of insider trading, particularly if undertaken on a regular basis or in large amounts. Therefore, to reduce the risk of an allegation of insider trading, do not trade listed securities on a short-term basis.



## 9 FIXED TRADING PLAN DEFENCE

- 9.1 Trading of Synlait's securities under a fixed trading plan will not breach the law if the fixed trading plan was entered into at a time when an investor had no inside information and in entering the fixed trading plan, the investor did not intend to evade the prohibition on trading on material information.
- 9.2 A fixed trading plan is a plan that is fixed for a period of time during which the investor cannot withdraw from the plan or influence trading decisions after the plan has begun.

## 10 IF IN DOUBT, DON'T

The rules contained in this Policy do not replace your legal obligations. The boundary between what is (and what is not) in breach of the law is not always clear. Sometimes behaviour that you consider to be ethical actually may be insider trading. If in doubt, don't !

## 11 BREACHES OF POLICY

Strict compliance with this Policy is a condition of employment. Breaches of this Policy will be subject to disciplinary action, which may include termination of employment.

## 12 MONITORING OF TRADING

- 12.1 SML may monitor the trading of directors and employees as part of the administration of this Policy.
- 12.2 The Financial Markets Authority and NZX take an interest in whether the Company is complying with the Securities Trading Policy.

## 13 APPLICATION OF POLICY

- 13.1 The Board may approve updates, amendments to and exemptions to this Policy from time to time, which may be implemented by written notice to you and/or posting on moogle.
- 13.2 To the extent of any inconsistency with any previous Policy or rules relating to this subject matter, this Policy prevails over them.



## ADDITIONAL TRADING RESTRICTIONS FOR RESTRICTED PERSONS

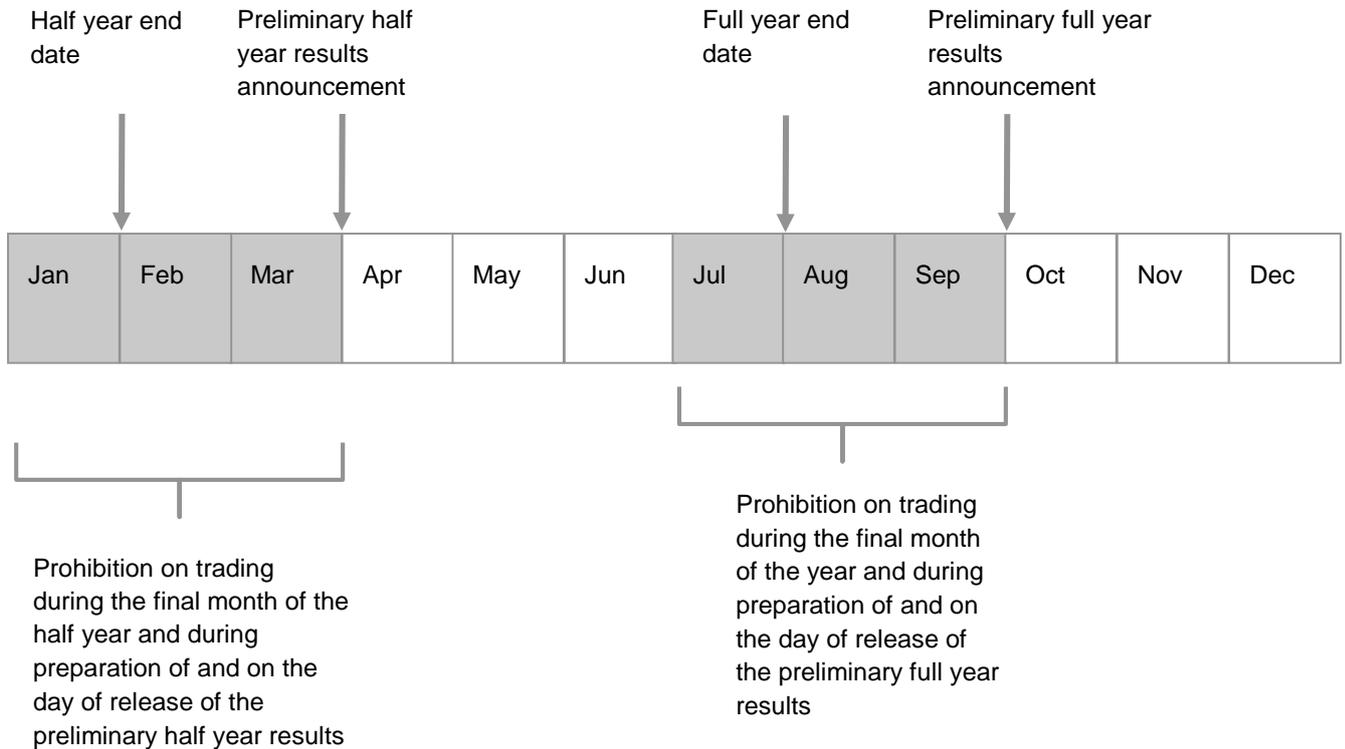
### 1 Persons Covered by Trading Restrictions on Restricted Securities

- 1.1 The additional trading restrictions set out below apply to:
  - 1.1.1 all Directors;
  - 1.1.2 the Managing Director, all members of the Senior Leadership Team;
  - 1.1.3 all direct reports to the CFO;
  - 1.1.4 the administrative staff of the Senior Leadership Team;
  - 1.1.5 all employees in the finance and corporate services team (including SML's Legal Counsel);
  - 1.1.6 trusts and companies controlled by such persons; and
  - 1.1.7 anyone else notified by SML's Legal Counsel from time to time.
- 1.2 Persons covered by these additional restrictions are called "Restricted Persons". Employees and directors will be considered responsible for the actions of trusts and companies controlled by them. In this respect, "control" is not to be construed in a technical way, but by looking at how decisions are made in practice.
- 1.3 SML's share trading Policy generally do not apply to SML securities held by family members (unless they have received material information from a staff member), but will apply where shares are held jointly with a staff member.

### 2 Blackout Periods

- 2.1 Restricted Persons must not trade in Restricted Securities during any of the following blackout periods:
  - 2.1.1 the period from the close of trading on 1 July of each year until the day following the announcement to the NZX of the preliminary final statement or full year results;
  - 2.1.2 the period from the close of trading on 1 January each year until the day following the announcement to the NZX of the half-yearly results;
  - 2.1.3 any other period that SML specifies from time to time; and
  - 2.1.4 30 days prior to release of a prospectus for a general public offer of the same class of Restricted Shares.

Please refer to the below table for Synlait's Restricted Trading Periods.



### 3 Exceptional Circumstances

- 3.1 If a Restricted Person needs to trade in Restricted Securities due to exceptional circumstances during a blackout period, the Restricted Person may seek a waiver from the Chair of the Audit & Risk Committee to trade in Restricted Securities (using the Request for Consent to Trade in Listed Securities form attached). All applications for consent will be processed on a confidential basis.
- 3.2 In the case of proposed trading during a blackout period by a Director, the Request for Consent form must be signed by the Chair of the Board or, in his or her absence, the Chair of the Audit & Risk Committee and in the case of proposed trading by the Chair of the Board, the Request for Consent form must be signed by the Managing Director and the Chair of the Audit & Risk Committee.
- 3.3 Exceptional circumstances for these purposes include severe financial hardship, compulsion by court order or any other circumstance that is deemed exceptional by the Board.
- 3.4 An application from a Restricted Person to trade during a blackout period must set out the circumstances of the proposed dealing, including an explanation as to the reason the waiver is requested. A waiver will only be granted if:
- 3.4.1 the circumstances giving rise to the request are deemed “exceptional” by the Board or its delegate, or fall within a recognised category of exceptional circumstances (ie severe financial hardship or compulsion by court order); and
- 3.4.2 the application is accompanied by sufficient evidence (in the opinion of the person from whom consent is sought under this Policy) that the trading of the relevant Restricted Securities is the most reasonable course of action available in the circumstances.

- 3.5 If a waiver is granted to trade during a blackout period, the Restricted Person will be notified in writing (which may include notification via email) and in each circumstance the duration of the waiver to trade in Restricted Securities will be two trading days from the date of notification. A consent is automatically deemed to be withdrawn if the person becomes aware of material information prior to trading.
- 3.6 Unless otherwise specified in the notice, any dealing permitted during a blackout period must comply with the other sections of this Policy (to the extent applicable).

## 4 Trading outside black-out periods

- 4.1 Before trading in Restricted Securities at any time outside of a blackout period, Restricted Persons must, in writing:
- 4.1.1 notify SML's Legal Counsel of their intention to trade in securities, and seek consent to do so (using the Request for Consent to Trade in Listed Securities form attached);
  - 4.1.2 confirm that they do not hold material information; and
  - 4.1.3 confirm that there is no known reason to prohibit trading in any Restricted Securities.
- 4.2 In the case of proposed trading by a Director, the Request for Consent form must be signed by the Chair of the Audit & Risk Committee, and in the case of proposed trading by the Chair of the Audit & Risk Committee, the Request for Consent form must be signed by the Chair of the Board.
- 4.3 A consent given for a Restricted Person to trade outside the black-out period is only valid for a period of 10 trading days after notification. Consent is automatically deemed to be withdrawn if the person becomes aware of material information prior to trading.

## 5 The outcome of any Application for Consent

- 5.1 SML's decision on any application for consent is final. It is not obligated to provide reasons for any decision made.
- 5.2 Applications approved for trading, based on an appropriate factual disclosure, will mean that a person will not be considered in breach of their employment obligations under SML's policies. Consent does not in itself exclude the possibility of either civil or criminal liabilities still arising under relevant legislation.

## 6 Requirements after Trading

A Restricted Person must advise SML's Legal Counsel promptly following completion of any trade, and the Restricted Person must comply with any disclosure obligations that he or she has under the NZX Listing Rules, the Companies Act or the Financial Markets Conduct Act.



## 7 Exclusions

7.1 The additional trading restriction for Restricted Persons (as contained in this Policy) does not apply to:

7.1.1 the following categories of passive trades:

- (a) acquisition of Restricted Securities through a dividend reinvestment plan;
- (b) acquisition of Restricted Securities through a share purchase plan available to all retail shareholders;
- (c) acquisition of Restricted Securities through a rights issue; and
- (d) the disposal of Restricted Securities through the acceptance of a takeover offer;

7.1.2 trading that does not result in a change to the beneficial interest in the Restricted Securities; and

7.1.3 a disposal of Restricted Securities that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement.

Where any of the above circumstances apply, then the Restricted Person must still notify SML's Legal Counsel promptly in writing prior to the completion of any of the above activities and the transfer of any Restricted Securities.

[Last Updated December 2014]



## REQUEST FOR CONSENT TO TRADE IN LISTED SECURITIES

To: **SML's Legal Counsel**, Synlait Milk Limited (**SML**)

In accordance with SML's [Securities Trading Policy and Guidelines](#) and [Additional Trading Restrictions for Restricted Persons \(Policy\)](#), I request SML's consent be given to the following proposed transaction to be undertaken either by me or persons associated with me, within the timeframe specified under the Policy. I acknowledge SML is not advising or encouraging me to trade or hold securities and does not provide any securities recommendation.

Name: \_\_\_\_\_

Name of registered holder transacting (if different): \_\_\_\_\_

Address: \_\_\_\_\_

Position: \_\_\_\_\_

Description and number of securities: \_\_\_\_\_ ordinary shares (or specify) \_\_\_\_\_

Type of proposed transaction: Purchase / sale / other (specify) \_\_\_\_\_

Reason for proposed transaction (if transaction is to occur during a 'black-out period):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

To be effected/conducted: On market / off-market trade/ other (specify) \_\_\_\_\_

Likely date of transaction (on or about): \_\_\_\_\_

I declare that I do not hold information which:

- is not generally available to the market; and
- would have a material effect on the price of SML's listed securities if it were generally available to the market.

I know of no reason to prohibit me from trading in SML's listed securities and certify that the details given above are complete, true and correct.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_



SML hereby **consents / does not consent** to the proposed transaction described above.

Any consent is conditional on the proposed transaction being completed within 10 trading days, or where the trade is to occur during a blackout period, within two trading days, of the date of notification of this consent, and in compliance with [SML's Securities Trading Policy and Guidelines](#) and [Additional Trading Restrictions for Restricted Persons](#).

SML's Legal Counsel on behalf of **Synlait Milk Limited**:

\_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_