



SYNLAIT MILK LIMITED
ANNOUNCEMENT

NZX: SML
ASX: SM1

28 JUNE 2018

SYNLAIT COMMITS TO A SUSTAINABLE FUTURE WITH BOLD TARGETS

Synlait Milk (NZX: SML; ASX: SM1) has committed to reducing its environmental impact significantly over the next decade by targeting key areas of their value chain.

The commitments were revealed at Synlait's annual conference in Christchurch on Wednesday 27 and Thursday 28 June to staff, dairy farmers and partners:

- Reducing greenhouse gas emissions (GHGs) by 35% per kilogram of milk solids on-farm (consisting of -50% nitrous oxide, -30% methane and -30% carbon dioxide) and 50% per kilogram of milk solids off-farm by 2028
- Reducing water consumption by 20% per kgMS both on-farm and off-farm by 2028
- Reducing nitrogen loss on-farm by 45% per kgMS by 2028
- Significantly boosting support for best practice dairy farming through increased Lead With Pride™ premium payments, including a 100% PKE-free incentive
- Never building another coal-fired boiler and working hard to address existing coal infrastructure
- Commissioning New Zealand's first large-scale electrode boiler in January 2019 to provide renewable process heat to the upcoming advanced dairy liquids facility in Dunsandel
- Joining a global movement of organisations focused on serious sustainability progress by becoming a Certified B Corporation and adopting several of the United Nation's Sustainable Development Goals
- Establishing a social investment fund to boost support for communities, organisations and initiatives aligned to Synlait's sustainability goals

"We're stepping up to take responsibility for our business and demonstrate leadership in the primary industry that will benefit all New Zealanders," says John Penno, CEO and Managing Director.

"People, communities and land thriving is the heart of our ambition and central to the three pillars of our sustainability strategy: environment, people and enterprise."

Synlait's first ten years of production were celebrated at the conference and Mr Penno used the opportunity to outline how the organisation would approach the next ten years.

"We're a nutrition company with a value chain that starts on some of New Zealand's best farms and extends to markets around the world," says Mr Penno.



“As well as responding to the irrefutable and increasing global demand for sustainable goods, we genuinely believe an enduring and profitable business has to be built on a robust foundation that supports economic, environmental and social outcomes.”

“This principle has been a part of how we make more from milk since our inception and it came to life in the Lead With Pride™ programme we launched in 2013, which was well ahead of its time,” says Mr Penno.

Lead With Pride™ rewards independently certified dairy farmers for meeting best practice in four areas of environment, animal health and welfare, social responsibility and milk quality.

Synlait appointed Hamish Reid as Director of Sustainability and Brand in early 2018 to oversee the development and management of a sustainability strategy.

“Hamish helped me start a pivotal conversation with our leadership team in late 2017 to advance our goals in this area. We applied our entrepreneurial spirit and articulated some major ambitions that needed the dedicated focus of a senior leader to make them a reality,” says John Penno.

“Hamish’s passion has driven us a long way in a short time and my hope is this is representative of the pace we will be executing our sustainability strategy over the next decade.”

Mr Reid says “we’re progressing significantly on our tenth anniversary as we have a real opportunity to make a difference. Our targets are tough, but achievable.”

“We’re determined to succeed with the support of our staff, farmers and customers. We will also partner with a number of organisations who can help us on our journey in a variety of ways from technical expertise to strategic thinking.”

Abbie Reynolds, Executive Director of the Sustainable Business Council, applauds Synlait's commitment and the ambition in it.

“At the World Business Council for Sustainable Development conference in Switzerland in April, global businesses told me they are looking to New Zealand for solutions to some of our toughest environmental challenges, especially in agriculture. By setting big ambitions, and leveraging its innovation mindset, Synlait is one of the New Zealand companies extremely well positioned to do that.”

IMPROVING SUSTAINABILITY ON-FARM

To achieve on-farm reduction targets of GHGs by 35% per kgMS, water consumption by 20% per kgMS and nitrogen loss by 45% by 2028, Synlait will leverage elements of the Lead With Pride™ framework and tailor support to each dairy farm.

“28% of our farms are already certified best practice under Lead With Pride™, and we have a number more working through certification. They will be a major contributor to our targets and beyond this we will work closely with our other dairy farmers to focus on opportunities they have in their business to contribute,” says David Williams, Synlait’s Milk Supply Manager.



To encourage more dairy farmers to become certified Lead With Pride™, Synlait is increasing premium payments in the programme, which consists of three tiers:

1. Gold: All dairy farmers meet good practice standards across the four Lead With Pride™ pillars.
2. Gold | Plus: Dairy farmers meet additional criteria in each pillar, considered best practice, and are independently certified annually. Premiums will increase from \$0.06 kgMS to a potential \$0.20 kgMS.
3. Gold | Elite: Dairy farmers can graduate from Gold | Plus after 12 months if they meet additional criteria, considered leading practice, and independently certified annually. Premiums will increase from \$0.12 kgMS to a potential \$0.25 kgMS.

“The best way for us to meet our on-farm sustainability targets is to encourage faster uptake of the Lead With Pride™ programme. We believe the increase in incentive payments will lead to many more of our farmers moving toward Lead With Pride™ certification.”

Mr Williams explains the premiums include an annual incentive of \$0.08 kgMS for certified dairy farmers who choose to produce milk that is 100% palm kernel expeller (PKE) free.

“We believe this incentive will lead to reduced PKE use on farms overtime. PKE use doesn’t impact our footprint in New Zealand, but PKE use indirectly supports clear-felling of native forests in Indonesia,” says Mr Williams.

“That results in reduced carbon sequestration, degraded soil health, harmed waterways, and dramatically changed biodiversity. It’s an international problem we can help solve through our 100% PKE-free incentive”.

Mr Williams says Synlait will continue to support industry-wide initiatives such as Sustainable Dairying: Water Accord and local government activities in catchment areas aimed at improving environmental performance.

“Reducing nitrogen loss by 45% is especially relevant in Canterbury, where improving water quality is a priority throughout the region. Farmers have already done some great work, this will accelerate our progress and help the region even more,” says Mr Williams.

“Reducing greenhouse gas emissions from New Zealand agriculture is challenging but opportunities for mitigation do currently exist and new opportunities will become available over the next ten years,” says Dr Harry Clark, Director of the New Zealand Agricultural Greenhouse Gas Research Centre.

“The targets set by Synlait are ambitious but in my view are achievable within the timeframe set. We look forward to working with Synlait suppliers to identify opportunities to reduce their emissions and to help monitor progress against the company targets,” adds Dr Clark.

NEW ZEALAND'S FIRST LARGE-SCALE ELECTRODE BOILER

A major step towards reducing GHGs by 50% off-farm by 2028 will be made with the commissioning



of New Zealand's first large-scale electrode boiler in January 2019.

Synlait's pledge to not build more coal infrastructure will also contribute, as will a commitment to address existing coal infrastructure.

"While we will address our coal infrastructure, we're making a start now with an out-of-the-box energy solution for our new advanced dairy liquids facility in Dunsandel," says Neil Betteridge, Synlait's Director of Operations.

"Over a ten year period, the electrode boiler's estimated emissions savings are roughly the same as emissions from 9,600 households. It's a great alternative source of process heat – at commercial scale – to coal or diesel."

"Installing New Zealand's first large-scale electrode boiler is breaking new ground. We've partnered with Orion and Energy Plant Solutions (EPS) to make it a reality and the support from the Energy Efficiency Conservation Authority (EECA) demonstrates the value of progress like this to the whole country" says Mr Betteridge.

Orion has delivered infrastructure upgrades to the Dunsandel electricity network to provide the necessary power for the electrode boiler. EPS, based in Palmerston North, are industrial boiler experts and will manage the build aspect of the project.

EECA is also helping to facilitate the project under the Technology Demonstration programme.

JOINING A GLOBAL SUSTAINABILITY MOVEMENT AND SUPPORTING COMMUNITIES

Synlait is aiming to become a Certified B Corporation by meeting rigorous global standards of environmental and social performance, accountability and transparency.

"We believe this global movement is a framework to not only demonstrate the integrity of our plans, but hold us to account for what we say we will do and measure us objectively to an international community standard," says Mr Reid.

"There are currently 16 Certified B Corporations in New Zealand, and most are small to medium enterprises (SMEs). We will be the first large scale, NZX-listed and near-billion dollar revenue business to join this pioneering cohort."

A social investment fund will also be established to further support communities, organisations and initiatives aligned to Synlait's sustainability goals.

"The annual fund will be contestable and our aim is to contribute to the projects and initiatives that will have a meaningful impact for the people and communities in the areas we operate in. We're putting the final arrangements in place and will reveal more detail when it's ready," says Mr Reid.

Mr Reid adds the United Nation's Sustainable Development Goals (SDGs) afford Synlait the ability to align its goals with other nations and organisations using a shared language and understanding of



global priorities.

“Our strategy lines up with several of the UN’s SDGs. This allows our progress to transcend international borders and clearly show how our contributions sit alongside everyone else committed to the same goals.”

Mr Penno points out that the commitments made at the 2018 Synlait Conference are a first step on a journey.

“We have a lot of work to do but we’re wholeheartedly committed in the pursuit of our ambition. We are confident in our ability to achieve all of the targets we’ve set and we look forward to reporting on our progress,” says Mr Penno.

ENDS

For more information about Synlait, visit www.synlait.com or contact:

Dan Walraven
Communications Manager, Synlait Milk

P: +64 27 836 7532

E: daniel.walraven@synlait.com