



SYNLAIT MILK LIMITED RELATED PARTY TRANSACTIONS POLICY

December 2014



This policy (**Policy**) was approved by the Board of Directors (**Board**) of Synlait Milk Limited (**Company**) on 11 July 2013.

1 PURPOSE

This Policy has been put in place to set out the process for entering into transactions with related parties of the Company.

2 WHO ARE RELATED PARTIES?

Related parties of the Company are any shareholders with a relevant interest of 10% or more of the Company's ordinary shares. Subsidiaries of the Company are related parties as are Directors of the Company and its subsidiaries.

3 PROCESS OF APPROVAL OF TRANSACTIONS WITH RELATED PARTIES

3.1 Where a new transaction or a variation to an existing transaction (including an agreement or arrangement) is proposed to be entered into between the Company and related parties the following process applies:

3.1.1 Any proposed related party transaction where the value of the commitment is less than **\$500,000** must be approved by a member of the Senior Management Team, subject to the following:

3.1.1.1 the transaction is not assessed by the member of the Senior Management Team to carry any significant risk issues;

3.1.1.2 the transaction is in the ordinary course of business;

3.1.1.3 the transaction is in the best interests of the Company, on arms-length terms and conditions and is on terms which are fair and reasonable to the Company; and

3.1.1.4 any approval is reported to the Managing Director and Chief Financial Officer so that it can be reported to the Board at its next meeting.

3.2 Any proposed related party transactions where the value of the commitment is greater than **\$500,000** must be referred to the Managing Director and Chief Financial Officer. The Managing Director may approve entry into the transaction, subject to the following:

3.2.1 the transaction is not assessed by the Managing Directors to carry any significant risk issues;

3.2.2 the transaction is in the ordinary course of business;

3.2.3 the transaction is in the best interests of the Company, on arms-length terms and conditions and is on terms which are fair and reasonable to the Company; and

3.2.4 any approval is reported to the Board at its next meeting.

3.3 Any proposed related party transactions which do not fall within the criteria under (a) or (b) above, or any transaction with any related party which meets any of the following criteria, must be approved by the Board:

3.3.1 any commitment which has a face value in excess of the lesser of \$5 million or 5% of the annual operating revenues of the Company;

- 3.3.2 entering into trading terms outside those normally applied by the Company or carrying on business in new areas or geographies where the change has, or may have, the effect of significantly increasing the Company's financial exposure;
- 3.3.3 any commitment for more than 12 months in duration and value greater than \$10m;
- 3.3.4 any variation to a transaction which required Board approval, where the change has, or may have, the effect of materially increasing the Company's financial exposure;
- 3.3.5 a variation to a transaction which when considered with the initial contract or commitment has the effect of exceeding a delegation threshold;
- 3.3.6 any contract where the Company at any time will have, or is projected to have, or can be reasonably expected to have, amounts owing from a related party in excess of \$10 million; or
- 3.3.7 not in conformance or is otherwise outside the Company's credit policy (as may be in place at that time).

Where considering approval for any of the above areas, the Board will require from management a supporting paper covering the nature of the risk, the credit review of the customer, the security arrangements in place in event of worst outcomes and any other relevant considerations.

- 3.4 According to the NZSX Listing Rules, if the value of a proposed transaction (or a related series of transactions) exceeds 1% of the Company's average market capitalisation (for services) or 10% of the Company's average market capitalisation (for sales/purchases/other transactions) minority shareholder approval will be required or the Company will need to obtain a waiver from NZX.

4 FINANCIAL STATEMENT DISCLOSURES

The Company is required to disclose transactions with related parties in its Financial Statements. Such disclosures are requirements and are governed by NZ GAAP.

5 OTHER RELATED PARTY TRANSACTIONS

All related party transactions (including transactions with Bright Dairy) will be dealt with in accordance with the requirements of the Companies Act 1993, the NZSX Listing Rules and any other regulatory requirements.

6 ACCOUNTABILITY

The Chief Financial Officer is accountable for this Policy. All employees are responsible for ensuring their own compliance with this Policy.



7 APPLICATION OF POLICY

- 7.1 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.
- 7.2 To the extent of any inconsistency with any previous Policy or rules relating to this subject matter, this Policy prevails over them.

[Last reviewed December 2014]