

# NOTICE OF ANNUAL MEETING OF SHAREHOLDERS 2018

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Dear Shareholder,

As an important part of our Synlait investor group, we hope you can attend our upcoming Annual Meeting. The 2018 Annual Meeting of Shareholders of Synlait Milk Limited will be held on **Wednesday 28 November 2018** from **1:00pm** at **Tait Technology Centre**, 245 Wooldridge Road, Christchurch 8051, New Zealand.

At our Annual Meeting, we will recap our results and our announced plans for 2019.

We look forward to seeing you on 28 November. If you cannot make it please remember to complete and submit the enclosed Proxy Form so that it reaches our share registrar, Computershare Investor Services Limited, by 1:00pm on 26 November.

For those shareholders who are attending the Annual Meeting in person, please bring the enclosed Proxy Form with you to assist with your registration.

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# AGENDA

Our Annual Meeting agenda is as follows:

## 1:00PM - ANNUAL MEETING COMMENCES

### 1. WELCOME

### 2. CHAIRMAN'S ADDRESS

### 3. CHIEF EXECUTIVE OFFICER'S ADDRESS

### 4. CHIEF FINANCIAL OFFICER'S REVIEW

### 5. OUTLOOK

## 6. FORMAL RESOLUTIONS

(please see the Explanatory Notes at the end of this Notice)

#### (i) Auditor's Remuneration

##### RESOLUTION 1:

To consider and, if thought fit, pass the following as an ordinary resolution:

*"That the Board be authorised to determine the auditor's fees and expenses for the 2019 financial year."*

#### (ii) Re-election of Director

##### RESOLUTION 2:

To consider and, if thought fit, pass the following as an ordinary resolution:

*"That Graeme Milne be re-elected as a Director."*

#### (iii) Directors' Remuneration

##### RESOLUTION 3:

To consider and, if thought fit, pass the following as an ordinary resolution:

*"That the annual fee for each Director be \$85,000, except for the annual fees of each of the two Committee Chairs, which will be \$97,000 and the Chairman of the Board, which will be \$169,000. All these increases apply from 1 April 2019."*

#### (iv) Constitution Amendment

##### RESOLUTION 4:

To consider and, if thought fit, pass the following as an ordinary resolution:

*"That Synlait Milk Limited's Constitution be amended, with effect from the close of the Annual Meeting, as set out in Appendix 1 to the Notice of the Annual Meeting."*

#### (v) John Penno's Board Appointment

##### RESOLUTION 5:

To consider and, if thought fit, pass the following as an ordinary resolution:

*"That John Penno be re-elected as a Director, and, if Resolution 4 is passed, that John Penno is elected as the Board Appointed Director."*

## 7. ANY OTHER BUSINESS

To consider any other business that may be properly brought before the meeting.

## 3:00PM - ANNUAL MEETING CONCLUDES

Refreshments served.

# OUR PROCEDURAL NOTES

## ENTITLEMENT TO VOTE

The persons who will be entitled to vote on the resolutions at this Annual Meeting are those persons who will be the shareholders of the company at 5:00pm on 26 November 2018.

## PROXIES

A Proxy Form is included with this Notice.

Any of our shareholders who are entitled to attend and vote at the Annual Meeting, may appoint a proxy to attend the meeting and vote on their behalf. A proxy does not have to be a fellow shareholder, and you can nominate the Chairman (or any of our other Directors) as your proxy if you wish.

The Chairman and the Directors intend to vote any discretionary proxies in favour of all resolutions, to the extent permitted by the NZX Listing Rules, ASX Listing Rules, and the company's constitution.

To be valid, a completed Proxy Form must be sent to Computershare Investor Services Limited (**Private Bag 92119, Auckland 1142, New Zealand**). You can also appoint your proxy online at [www.investorvote.co.nz](http://www.investorvote.co.nz) (note you will need your CSN/ Shareholder Number and Postcode). Please see the Proxy Form for further detail.

In all cases your completed Proxy Form must be received no later than 1:00pm on Monday 26 November 2018. Any Proxy Form received after this time will not be valid.

## RESOLUTION REQUIREMENTS

An ordinary resolution is a resolution approved by a simple majority of votes of shareholders who are entitled to vote on the resolution and who exercise their right to vote.

A special resolution means a resolution approved by a majority of 75% or more of the votes of those shareholders entitled to vote on the resolution and who exercise their right to vote.

## ANY DETAILED QUESTIONS FOR THE DIRECTORS OR OUR AUDITORS

To assist us in providing a proper response to any detailed questions you may want to raise at the Annual Meeting, please forward questions to us in advance of the meeting. Questions should be sent via email to [investors@synlait.com](mailto:investors@synlait.com) no later than 5pm on Friday 23 November 2018.

The Chairman will then ensure that any questions or comments submitted will be addressed in the course of the Annual Meeting.

Please note that our Auditors (Deloitte) will be at the Annual Meeting to answer any specific queries you may have of them.

## PRESENTATION MATERIALS

If you are not able to make it to the Annual Meeting, copies of any materials presented at the meeting by our Chairman, Chief Executive Officer, and our Chief Financial Officer will be available on our website ([www.synlait.com](http://www.synlait.com)) and on the NZX website ([www.nzx.com](http://www.nzx.com)) and the ASX website ([www.asx.com.au](http://www.asx.com.au)) shortly before the Annual Meeting commences.

By order of the Board



**Graeme Milne**  
Chairman

## OUR BOARD OF DIRECTORS



Graeme Milne



John Penno



Hon. Ruth Richardson



Qikai (Albert) Lu



Sihang (Edward) Yang



Bill Roest



Sam Knowles



Min Ben

# OUR EXPLANATORY NOTES



**Graeme Milne**  
Director (Independent)

## EXPLANATORY NOTE 1

### (AUDITOR'S REMUNERATION – RESOLUTION 1)

Deloitte are our existing auditors and are automatically reappointed at the Annual Meeting under section 207T of the Companies Act 1993. The proposed resolution is to authorise the Board to fix the fees and expenses of the auditor for the coming financial year.

## EXPLANATORY NOTE 2

### (RE-ELECTION OF DIRECTOR – RESOLUTION 2)

Under clause 5 of Schedule 1 to our Constitution, one-third of the Independent Directors (being those who have been longest in office) must retire from office at the Annual Meeting each year, but are able to be re-elected. Accordingly, Graeme Milne retires from office, and, being eligible, offers himself for re-election. The Board considers that Graeme Milne is an Independent Director under the NZX Listing Rules.

### GRAEME MILNE

Graeme joined Synlait as a Director in 2006. With extensive experience, his career in the dairy industry has seen him working in New Zealand, Australia and Europe. He is the Chairman of Synlait Milk Limited and Synlait Milk Finance Limited.

Graeme was appointed CEO of Bay Milk Products in 1992 and has held several leadership roles since then.

This included CEO of the New Zealand Dairy Group, prior to the formation of Fonterra, and interim CEO of Richmond Limited and Bonlac Limited in Australia.

Graeme holds several other governance roles with a range of organisations. He is the Chairman of PF Olsen Ltd, Terracare Fertilisers Ltd, and Nyriad Ltd and chairs advisory boards for Pro-Form Ltd and Rimanui Farms Ltd. He is also a Director of Farm Right Ltd and Alliance Group Ltd and serves on the council of Waikato University.

The Board and Management of Synlait Milk Limited support his re-election by the shareholders.

## EXPLANATORY NOTE 3

### (DIRECTORS' REMUNERATION – RESOLUTION 3)

Director fees in New Zealand are usually determined on a combination of financial size of the company, international dimension to the business, industry and ownership, performance of the organisation and performance of the Board itself.

Our Director remuneration policy is not to set fees at the top-end of recommended fee ranges. The policy is to set Director fees at a mid-range point, relative to the market.

We engaged EY to conduct a benchmarking report to verify our current Director fees against the market. This report looked at a number of peer companies in New Zealand.

Overall, taking into account all the relevant factors, including our business performance, growing complexity of the business, increased regulatory risk and obligations, and ongoing governance requirements, the Board considered EY's recommendations and agreed to adopt the recommended increase to the Directors' fees, as follows:

- Increase the Directors' fees from \$80,000 to \$85,000.
- Increase the Chairman's fee from \$150,000 to \$169,000.
- No change to the two Committee Chairs' fees, which remain \$12,000 and are paid in addition to Directors' fees.

The total governance pool (based on one Chair and seven other Directors, including two Committee Chairs) is recommended to move from \$654,000 to \$788,000 (a 20.5% increase).

The increase from six to seven Directors is to accommodate John Penno being appointed as a "Board Appointed Director", if Resolutions 4 and 5 are passed. As a Board Appointed Director John will no longer be an employee of the company and would be eligible for Director's fees. If Resolution 4 is not passed, John will not receive Directors fees, but will continue to receive an employee salary.

# OUR EXPLANATORY NOTES [CONTINUED]

All increases will apply, if approved, from 1 April 2019.

A summary of EY's report has been posted on NZX and ASX with this notice of meeting as well as on our website: <https://www.synlait.com>.

The Directors and their Associated Persons are disqualified from voting on Resolution 3, including any discretionary proxies, as per NZX Listing Rule 9.3.1

## EXPLANATORY NOTE 4

### (CONSTITUTION AMENDMENT RESOLUTION 4)

On listing, the company's constitution (**Current Constitution**) included a number of non-standard governance arrangements which applied for so long as Bright Dairy held at least 37% of the shares in the company. NZX granted a number of waivers to the company to permit these governance arrangements (**IPO Waivers**).

The effect of these provisions was to allow Bright Dairy to continue to consolidate the company, following its listing into its accounts for financial reporting purposes. Bright Dairy agreed to the company's IPO on the basis of these non standard governance provisions.

One of the non-standard governance provisions related to the appointment and removal of the Managing Director. Under the Current Constitution, the Board of the company has the right to appoint a Managing Director. The Bright Dairy Directors on the Board have 4 of the 7 votes on the Board regarding the appointment and removal of the Managing Director. Accordingly, Bright Dairy in practice has the ability to control the appointment and removal of the Managing Director.

The position of Managing Director has been filled by John Penno, one of the company's co-founders.

Since stepping down as the company's CEO, John has continued to serve on the Board but is required to remain an employee of the company under the Current Constitution.

To address this, the company is proposing to amend the Current Constitution, so that John can cease to be an employee but remain on the Board.

This means that it will be optional, and no longer mandatory, for the Board to have an executive Director. If approved by shareholders, the amendment allows the Board to appoint either a Managing Director or a Board Appointed Director, but not both.

This change will also allow Bright Dairy to continue to control the appointment of the "Board Appointed Director" and continue to consolidate the company for financial reporting purposes while its shareholding remains at least at 37% of the shares in the company.

The Board Appointed Director will otherwise be subject to the same provisions that apply to a Managing Director, including that he or she would not be subject to rotation and would have a term of appointment not exceeding five years, (but the Board intends to appoint John for three years, similar to the Independent Directors).

The Board believes that it is in the company's best interests for John to continue as a Director so that the company may benefit from his experience and considerable skills including strategic ability and for the constitution to accurately reflect his role. This would also recognise John's contribution to the company and its success over almost 20 years.

If Resolution 4 is not passed, then John will remain on the Board (subject to Resolution 5 being passed) but, as noted above, he will be required to remain an employee to meet the requirements of the Current Constitution.

As the role of the Board Appointed Director is not subject to rotation, the company was required to apply to NZX for approval to include the special office of Board Appointed Director under Listing Rule 3.3.14.

Further, the company also applied to NZX to make consequential updates to the IPO Waivers to reflect the inclusion of the office of "Board Appointed Director".

The amendments proposed to be made to the Current Constitution have been approved by NZX under NZX Listing Rules 6.1.1, 6.1.2(c) and 3.3.14. NZX has also agreed to vary the IPO Waivers to reflect the position of the "Board Appointed Director", subject to the shareholders approving Resolution 4.

A copy of the Current Constitution, a clean copy of the amended constitution (should Resolution 4 be passed), a marked up copy showing all changes to the Current Constitution and the IPO waivers may be reviewed on the company's website: <https://www.synlait.com/investors/corporategovernance/>.

A copy of the NZX Listing Rules can be found on the NZX's website: <https://www.nzx.com/>.

The actual proposed changes to the constitution are set out in Appendix 1.

# OUR EXPLANATORY NOTES [CONTINUED]

## EXPLANATORY NOTE 5

### (JOHN PENNO'S BOARD APPOINTMENT - RESOLUTION 5)

The resolution to appoint John is a two part resolution. It deals with the ratification of his re-appointment to the Board effective earlier this year, and elects him as "Board Appointed Director" going forward, if Resolution 4 is passed.

The Board and Management of Synlait Milk Limited support both John's reelection and his appointment as Board Appointed Director.

The Board initially appointed John as its Managing Director on 21 June 2013 for a term of five years, which expired on 21 June 2018.

Under Listing Rule 3.3.9, when a term of appointment for a Director that is also an employee expires, the Director may be reappointed by the Board.

As John continues to serve on the Board and remains an employee of the company, he must retire and offer himself for re-election at this Annual Meeting.

However, if Resolution 4 is passed and the Current Constitution is amended, the Board intends to appoint John Penno as a Board Appointed Director for a term of three years, starting on 28 November 2018. The three year term was chosen because it is similar to the term of independent Directors of the company.

Even though John is being re-elected at this Annual Meeting as noted above, his appointment as Board Appointed Director would technically be a new appointment. Therefore, John would be required to retire and offer himself for re-election at next year's Annual Meeting, unless this election occurs at this Annual Meeting.

The Board considers that it is appropriate for the election to occur at this Annual Meeting as the appointment is related to the amendments to the Current Constitution being put to shareholders. As the Board Appointed Director is not subject to retirement by rotation during the three year term, his election at this Annual Meeting, as opposed to next year's Annual Meeting, does not have an impact on the length of his term of service or otherwise on his role.

As at the date of this notice of meeting, the Board does not consider that John is an Independent Director under the NZX Listing Rules.

If Resolution 4 is not passed and the Current Constitution is not amended, John will continue to serve on the Board (assuming Resolution 5 is passed), but will also be an employee to meet the requirements of the Current Constitution.

### JOHN PENNO

John co-founded the Synlait Group in 2000 and has been a full-time executive for the Synlait Group since 2002. After an initial period of holding the role of executive Chair, he took up the role of CEO of the group in 2006. He stood down as CEO of Synlait Milk in August 2018 and now looks forward to contributing to the governance of the company as a Board Appointed Director, if the Current Constitution is amended.

After completing an Agricultural Science degree, John commenced his career in the dairy industry as a consulting officer for the New Zealand Dairy Board before joining Dexcel as a research scientist where he completed a PhD in animal science. As a scientist and research program leader, he worked to enable New Zealand dairy farmers to increase productivity and profit.

In 2009, John received an emerging leader's award from the Sir Peter Blake Trust and the Excellence in Leadership award at the 2015 New Zealand International Business Awards.

John remains a shareholder in Synlait Milk owning 2.85% of the shares on issue.

Through Okuora Holdings, John and his wife, Maury Leyland Penno, are now active investors in early stage growth companies with a focus on sustainable agriculture and future foods. John is a director of Okuora Holdings Ltd, and is Chairman of The Pure Food Company.

John is also serving the Ministers of the Environment and Primary Industries by chairing the Fresh Water Leaders Group; charged with reviewing proposed changes to policy setting with the objective of protecting New Zealand waterways and bringing them back to a swimmable standard.

# APPENDIX 1 – AMENDMENTS TO CURRENT CONSTITUTION

The following clauses of the Current Constitution be amended as follows:

## 22.6 APPOINTMENT BY BOARD

Subject to clause 22.2 and 22.3, the Board may at any time appoint a person to be a Director. A Director so appointed holds office only until the next annual meeting of the Company but is eligible for re-election at that meeting. *For the avoidance of doubt this appointment right is in addition to the appointment right set out in Schedule 1, Part A, clause 13.*

## 22.9 EXCEPTIONS TO ROTATION

The following Directors shall be exempt from the obligation to retire pursuant to clause 22.8:

- (a) Directors appointed by the Board, who are offered for re-election pursuant to clause 22.6;
- (b) Directors appointed in accordance with clause 22.5, for so long as the Bright Shareholder is a Bright Group Company and continues to hold between the Initial Percentage and 50% (inclusive) of the ordinary Shares of the Company; and
- (c) any Managing Director appointed under clause 24.1 *and any Board Appointed Director appointed under Schedule 1, Part A, clause 13.*

## 22.14 VACATION OF OFFICE

A Director ceases to be a Director if he or she

- (a) is removed from office by an Ordinary Resolution (other than a Director appointed under clause 22.5, for so long as the Bright Shareholder continues to hold between the Initial Percentage and 50% (inclusive) of the ordinary shares of the Company and is a Bright Group Company); or
- (b) being a Director appointed under clause 22.5, is removed from office by the Bright Shareholder; or
- (c) *being a Director appointed under Schedule 1, Part A, clause 13, is removed from office by resolution of the Board; or [...]*

## 23.1 POWER TO APPOINT

Subject to clause 7, Part A of Schedule 1 to this Constitution but without limiting clause ~~43~~ 15, Part A of Schedule 1 to this Constitution, a Director may from time to time by written notice to the Company appoint any person, who is not already a Director or an Alternate Director and who is approved by a majority of the other Directors, to be that Director's alternate. No Director may appoint a deputy or agent except by way of appointment of an Alternate Director under this clause 23. [...]

## 26.4 EXCEPTION TO VOTING PROHIBITION

Subject to clauses ~~12~~ *and* ~~14~~, Part A of Schedule 1 but notwithstanding the provisions of clause 26.3(a), a Director may be included among the Directors present at the meeting for the purposes of a quorum and vote in respect of a matter in which he or she is interested if that matter is one in respect of which, pursuant to an express provision of the Act, Directors are required to sign a certificate or one which relates to the grant of an indemnity pursuant to section 162 of the Act.

## SCHEDULE 1 TO CONSTITUTION

**Part A** – Director Appointment Rights of the Bright Shareholder while it continues to hold between the Initial Percentage and 50% (inclusive) of the ordinary Shares of the Company.

From the time the Company is Listed, for so long as the Bright Shareholder continues to hold between the Initial Percentage and 50% of the ordinary Shares of the Company and is a Bright Group Company, subject to the Initial Percentage being not less than 37% of the ordinary Shares of the Company at the time the Company is Listed, the following provisions of this Part A of Schedule 1 shall apply:

11. The Board ~~must~~ *may* appoint a Managing Director under clause ~~23.1~~ 24.1, *if there is no Board Appointed Director* and the Managing Director must not be a Bright Director. ~~If there are more than three directors appointed otherwise than under paragraph 1, and one of them is not a Managing Director, those Directors must procure one of their number (as determined by a majority vote of those Directors unless otherwise agreed among those Directors) to resign so that a Managing Director can be appointed.~~

12. ~~The~~ A Managing Director holding office shall, for the purposes of clause 26.3, be deemed to be Interested in any matter relating to the removal of the Managing Director from office, any matter relating to the Managing Director's remuneration, and any matter relating to the appointment of a new Managing Director or Board Appointed Director (and, notwithstanding clause 26.4, shall not be included among the Directors present at the meeting for the purposes of a quorum and shall not be entitled to vote on any such matter). In any matter relating to the appointment of a director as Managing Director, the director to be appointed shall, for the purposes of clause 26.3, be deemed to be Interested in such matter (and, notwithstanding clause 26.4, shall not be included among the Directors present at the meeting for the purposes of a quorum and shall not be entitled to vote on any such matter). This clause shall apply notwithstanding anything in the Listing Rules.

13. If the Board does not appoint a Managing Director, then the Board must appoint one (1) Director to the Board for a period not exceeding five years and on such terms as the Board thinks fit to be the eighth Director on the Board (Board Appointed Director) and may at any time remove such Director. The Board Appointed Director may be reappointed upon the expiry of a term of appointment. Subject to clause 22.9(c) and in addition to the right of the Board to remove a Board Appointed Director, a Board Appointed Director is subject to the same provisions as regards resignation, removal and disqualification as the other Directors. The Board Appointed Director is subject to the same provisions as regards remuneration as the other Directors.

14. A Board Appointed Director shall, for the purposes of clause 26.3, be deemed to be Interested in any matter relating to the removal of the Board Appointed Director from office, and any matter relating to the appointment of a new Board Appointed Director or Managing Director (and, notwithstanding clause 26.4, shall not be included among the Directors present at the meeting for the purposes of a quorum and shall not be entitled to vote on any such matter). In any matter relating to the appointment of a director as Board Appointed Director, the director to be appointed shall, for the purposes of clause 26.3, be deemed to be Interested in such matter (and, notwithstanding clause 26.4, shall not be included among the Directors present at the meeting for the purposes of a quorum and shall not be entitled to vote on any such matter). This clause shall apply notwithstanding anything in the Listing Rules.

13: 15. If a Bright Director is unable to attend a meeting of the Board then that Bright Director may by notice in writing to the chairperson (to be received by the chairperson no later than 24 hours prior to the time scheduled for the meeting to commence), appoint another Bright Director to exercise that Bright Director's vote at that meeting. For the avoidance of doubt, the Bright Director that is entitled to exercise another Bright Director's vote shall not be deemed to be that other Bright Director's alternate, deputy or agent and that other Bright Director shall be deemed not to be present at the meeting for the purpose of determining whether a quorum is present. Any such appointment shall only apply in respect of the particular meeting to which it relates. This clause shall apply notwithstanding anything in the Listing Rules.

# MEETING VENUE DIRECTIONS

OUR ANNUAL MEETING WILL BE HELD AT:

**Tait Technology Centre**

245 Wooldridge Road  
Harewood  
Christchurch 8051  
New Zealand  
P+ 64 3 943 2237



Tait Technology Centre is conveniently located 2km from Christchurch airport. Parking will be available onsite. If you need assistance on the day contact the Synlait Annual Meeting representative on **03 373 3000**.