

Synlait

SUSTAINABILITY REPORT 2020



Synlait's commitment to elevating people and planet to the same level as profit was recognised in June 2020 when we became part of the B Corp™ community.

B Corp™ is a community of leaders driving a global movement of people using business as a force for good. Certified B Corporations™ consider the impact of their decisions on

their workers, customers, suppliers, community, and the environment.

This movement resonates strongly with Synlait's purpose of *Doing Milk Differently For A Healthier World*.

Learn more about what being a B Corp™ means for our people, our community, and our customers at: synlait.com/bcorp

ABOUT THIS REPORT

WELCOME TO OUR SUSTAINABILITY REPORT.

This sustainability report reviews Synlait Milk Limited's (Synlait) social and environmental performance and achievements for the year ended 31 July 2020.

The scope of this report includes all entities in which Synlait Milk Limited has more than 50% ownership. In FY20, Synlait Milk Limited fully owned Synlait Milk Finance Limited, New Zealand Dairy Company Limited, Eighty-Nine Richard Pearse Drive Limited, Synlait Business Consulting (Shanghai) Limited and Synlait Foods (Talbot Forest) Limited.

Sichuan New Hope Nutritional Foods, in which Synlait has less than 50% shareholding, is excluded from the Sustainability Report's scope.

As the purchase of Dairyworks and the consequent approval by Overseas Investment Office were announced during the course of the financial year, Dairyworks Limited and Dairyworks (Australia) Pty Limited are both excluded from the FY20 Report's scope but will be included in FY21.

In FY20, Synlait's manufacturing sites were in Dunsandel, Pokeno, Auckland and Temuka (Talbot Forest Cheese).

The Westney Road leased warehouse in Auckland, Synlait's research and development centre in Palmerston North, Press House office in Christchurch, and our office in Shanghai, China, have negligible environmental impact and are excluded from the scope of all Planet metrics.

Regarding on-farm metrics, this report includes all contracted milk suppliers. In FY20, Synlait's milk suppliers were in Canterbury and the Waikato.

Unless another period is indicated, this report covers the period of Synlait's financial year, 1 August to 31 July annually. Some on-farm metrics are based on the milking season (1 June to 31 May) or on OVERSEER®'s reporting period (1 July to 30 June).

DATA QUALITY ASSESSMENT

Synlait engaged an independent third party to undertake a review of key elements (marked with an asterisk *) of this report for completeness and accuracy.



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Leon Clement,
Chief Executive Officer

In 2020, care for our planet and people became even more relevant and urgent as COVID-19 reverberated around the world.

Our priority, as an essential service, was to keep our people at all our sites safe and healthy while maintaining production. We moved quickly to identify and safeguard our most vulnerable employees and establish working-from-home systems for non-manufacturing staff.



Hamish Reid,
Director of Sustainability and Brand

From an environmental perspective, COVID-19 and its impact on our daily lives gave us a real insight into what the future could look like. The world experienced a six per cent reduction in greenhouse gases (GHG). In our cities we had clean air, bright skies, and birdsong. We had a sense of Papatūānuku (Earth mother, in te reo Māori) breathing again.

Talk from business and political leaders about resetting the economy and locking in pollution reductions was fleeting. Cars soon returned to the streets and we were back to business as usual. The opportunity was frail and lost.

The reality is that we need to reduce our global greenhouse gas emissions by six percent every year if we are to

achieve the Paris Agreement target of staying well below 2°C of warming by 2100, and ideally, 1.5°C.

Synlait is in a position of responsibility. Two years ago, we set ambitious environmental targets and committed to implementing meaningful initiatives to reduce our impact on the planet and improve outcomes for our people and communities.

In this second Sustainability Report, you will read of environmental projects on farm and off farm that will deliver positive results over time. Per tonne of product, our energy usage, coal consumption and off-farm greenhouse gas emissions are already decreasing compared to our FY18 base year. Similarly, our on-farm greenhouse gas emissions and nitrogen loss per kilogram of milk solids are showing year-on-year reductions. However, our water, wastewater and solid waste indicators have worsened, and we need to rapidly reverse this trend.

We have made strong progress during the past year on a range of talent development and employee engagement metrics. In addition, women in leadership positions are increasing, our gender pay gap is narrowing and we have

initiated several projects to tackle discrimination and unconscious bias.

Our sustainable farming standard Lead With Pride™ continues to gain traction amongst our farmer suppliers and is becoming a major strength for our brand and business. In FY20, an additional 49 farmers became certified, which means that now more than half (57%) of our milk-supplying farms across both islands are Lead With Pride™ certified.

To support our position and intention to be a role model within our sector, we committed to improving our transparency. Two years ago, we embarked on an aim to become a B Corp™ certified company. This was not an easy process. B Corp™ is not just another certification system or standard, it is a growing network of companies such as Danone, Patagonia and Ben & Jerry's, determined to be a force for good in the world. B Corp™ members balance purpose and profit. They consider the impact of their decisions on the planet and on all their stakeholders.

For us the journey to becoming a B Corp™ was also about understanding, at a granular level, what we were doing well and where we could make meaningful improvements. We are

certified but we know we still have a lot of work to do.

Creating a future of sustainable milk nutrition is our ambition and our value proposition. We strongly believe that sustainability pays back in multiple ways and that purpose-driven companies will benefit from their commitment towards people and planet, now and in the years to come.

Leon Clement,
Chief Executive Officer

Hamish Reid,
Director of Sustainability and Brand

OUR STRATEGY



HEART OUR PURPOSE

DOING MILK
DIFFERENTLY
FOR A HEALTHIER
WORLD



HEAD OUR AMBITION

2

\$2 billion in revenue

+

Net +ve impact on
planet and communities
+ve place to grow with
100% engagement

ZERO

Zero injuries
Zero defects
Zero losses



HANDS OUR STRATEGY



Sports
Nutrition



Everyday
Dairy



Infant
Nutrition



Foodservice



Next Big
Thing



Net Positive for
the Planet



A Healthier
Synlait



World Class
Value Chain

DOING MILK
DIFFERENTLY

FOR A HEALTHIER
WORLD

OUR PURPOSE, AMBITION AND STRATEGY

Two years ago we refined our company vision, clarified our purpose and created a roadmap for the way we want to do business.

thrive. We continually look for ways to improve, not just for Synlait – but for all New Zealanders and the industry as a whole.

Our ‘Heart, Head and Hands’ framework defines our ‘why, what and how’. It helps provide clarity for our people on why we exist, what we are aiming for, and where and how we will achieve it. It communicates Our Purpose, Ambition and Strategy, and our sustainability strategy is built directly out of its objectives.

Heart. Our Purpose. Tō Tātou Aronga
At the heart of Synlait is this purpose: *Doing Milk Differently For A Healthier World*. It is why we are here. Our purpose is driven by three elements: being different, sustainability and essential nutrition.

We are different because we believe that to be the best, we must think and act differently – and we are applying this attitude to all parts of our business, not just our approach to milk. People and planet underpin all that we do. Our investments, and the choices we make, must be net positive for the planet and help all to

Head. Our Ambition. Tō Tātou Hao Nui
Our ambition, or ‘head’, is the goal that connects us to our purpose. It is a simple formula for success: 2 + Zero. This means our aspiration is to achieve \$2 billion in revenue, have a net positive impact on our planet and communities, and improve our operations so that we reach zero injuries, zero defects and zero losses.

Hands. Our Strategy. Tō Tātou Rautaki
Our hands are where we act on an aligned heart (purpose) and head (ambition). This is our strategy. It is made up of two parts: our growth strategy (doing milk differently) and our enabling strategy (for a healthier world). It is our map to achieving 2 + Zero. Our growth strategy is made up of five complementary opportunities designed to build on our success, diversify our business and optimise the milk coming into our factories. These are Infant Nutrition, Everyday Dairy, Foodservice, Sports Nutrition and the ‘Next Big Thing’.

OUR SUSTAINABILITY
FRAMEWORK FOR A
HEALTHIER WORLD



Our enabling strategy allows us to strengthen our business and grow it in a coordinated way. This is supported by three pillars: Net Positive for the Planet, A Healthier Synlait and World Class Value Chain.

Net Positive for the Planet represents the stand we are taking for the planet. We are delivering against the sustainability targets we launched in FY18 and look to be instrumental in the industry’s response to climate change, eliminate water degradation, implement a circular economy, and lead stewardship for animals, biodiversity and soil.

A Healthier Synlait is about strengthening our company. It is about building systems that support and develop our people, making sure that we are all safe and establishing a culture of kotahitanga or unity, growing a diverse and inclusive organisation and continuing to manage our risks.

World Class Value Chain is core to our reputation. It covers healthier farming practices, safe food and market access, manufacturing excellence, building a sustainable supply chain, and transparency. Our teams are doing great work in this space because we are constantly asking ourselves: how can we think differently and make things better?

Out of our business strategy we have built a sustainability

framework based around ambitious environment, people, and enterprise targets. We are working to these goals through 12 Sustainable Innovation Platforms (SIPs), detailed roadmaps for action that will both change the way we operate and hasten the transformation of our industry.

KEY FIGURES

192,384MT ^{▲ 31%}
FY20 Production*¹

\$1,302.0M ^{▲ 27%}
FY20 Revenue²

76,714 kgMS ^{▲ 20%}
FY20 contracted milk supply* ('000)

1,144 ^{▲ 244}
FY20 total employees*

280 ^{▲ 79}
FY20 milk suppliers*³

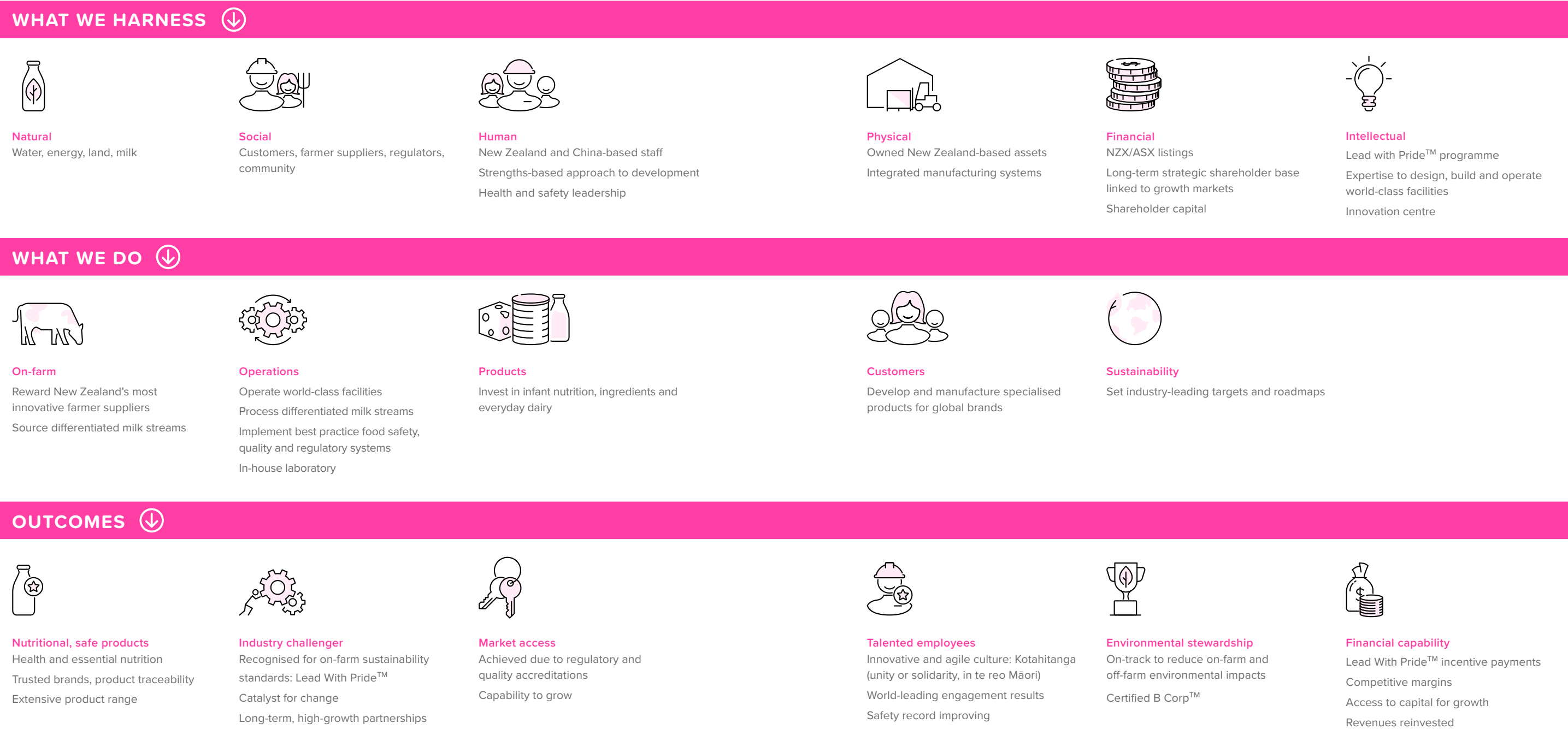
* Indicates that data quality was reviewed by an independent third party.

¹ Including fresh milk and cream (converted into metric tons using a 1L=1kg assumption), as well as Talbot Forest Cheese production

² Including Dairyworks

³ We had 256 milk suppliers at the end of the milk season, in May 2020, and 280 milk suppliers at the end of the financial year, in July 2020.

HOW WE CREATE VALUE



WHAT MATTERS MOST TO OUR STAKEHOLDERS AND TO OUR BUSINESS

To improve as an organisation we need to identify, understand and closely manage our performance on the topics that are most material to us and our stakeholders.

This year we performed a desktop materiality assessment, reviewing reports from suppliers, customers, investors and other external stakeholders to assess relevant issues that can affect value. The outcomes of the materiality assessment inform our decision making on where we aim to make an impact and feed into our corporate reporting framework.

The materiality assessment focuses on those topics that are most relevant or impactful for the company and its

stakeholders, covering economic, social, and environmental topics.

Working from a long list of topics, a shortlist was created for further discussion with internal stakeholders to assess their views on Synlait's impact and to find out which subjects are important for our stakeholders.

The topics with the highest priority for stakeholders and the biggest estimated impact on our business or on society appear in this matrix. All topics shown in the top right corner of the chart are considered material and high priority. Our goal is to refine this materiality analysis and matrix by interviewing external stakeholders over the coming years.

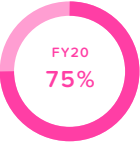
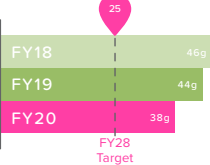

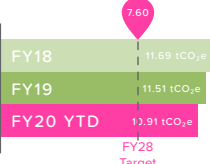
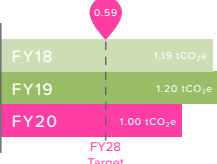
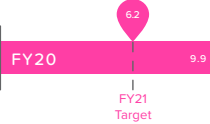
MATERIAL TOPICS

- ① Food safety
- ② Animal welfare
- ③ Water quality
- ④ Climate change
- ⑤ Safety and wellbeing of employees
- ⑥ Land degradation
- ⑦ Customer diversity
- ⑧ Market access / geopolitical unrest
- ⑨ Plant-based foods / innovation
- ⑩ Product provenance and traceability
- ⑪ Plastic packaging, waste, reuse and recycling
- ⑫ Social responsibility
- ⑬ Nutrition
- ⑭ Recessionary conditions / Net debt risk and return on investment
- ⑮ Cyber security
- ⑯ Organisational capability and culture

MATERIALITY MATRIX













FOCUS ON OUR TOP 5 MATERIAL TOPICS

| | FY20 PROGRESS | | FY20 PERFORMANCE | | SYNLAIT SIP ¹ | PAGE |
|--------------------------------------|--|--|---|---|--------------------------|------|
| 1. FOOD SAFETY | <ul style="list-style-type: none">All Synlait Dunsandel facilities FSSC 20000 certified except our Advanced Dairy Liquid Packaging FacilityOne precautionary recall carried out at Talbot Forest Cheese | | <p>Percentage of production covered by FSSC 22000*</p>  | <p>Number of consumer recalls of products for food safety reasons*</p> <div><div>FY180</div><div>FY190</div><div>FY201</div></div> | Safe food | 66 |
| 2. ANIMAL WELFARE | <ul style="list-style-type: none">Pasture in diet remains high in both supply regionsSomatic cell count shows slight year-on-year improvement (-4% vs FY18) | | <p>Percentage of pasture in cow feed in FY20*</p> <div><div>79.6%</div><div>74.0%</div></div> <div>CANTERBURYWAIKATO</div> | <p>Somatic cell count average*</p> <div><div>FY18155,000</div><div>FY19152,700</div><div>FY20148,219</div></div> | Welfare | 34 |
| 3. WATER QUALITY | <ul style="list-style-type: none">On-farm nitrogen loss per kgMS reduced by 19% vs FY18Off-farm nitrogen discharge per m3 of wastewater has worsened (+37%), partly due to changes in product mix | | <p>On-farm nitrogen loss per kilogram of milk solids*</p>  | <p>Off-farm nitrogen discharge per cubic metre of wastewater*</p>  | Water | 28 |
| 4. CLIMATE CHANGE | <ul style="list-style-type: none">On-farm GHG emissions per kgMS reduced by 7% vs FY18Off-farm GHG emissions per tonne of product decreased by 16% vs FY18 | | <p>On-farm GHG emissions per tonne of milk solids*</p>  | <p>Off-farm GHG emissions per tonne of product*</p>  | Climate | 22 |
| 5. SAFETY AND WELLBEING OF EMPLOYEES | <ul style="list-style-type: none">TRIFR of 9.9 achieved in FY20No employee fatalities since the company was formed in 2005 | | <p>Total Recordable Injury Frequency Rate (TRIFR)*</p>  | <p>Number of employee fatalities*</p> <div><div>FY180</div><div>FY190</div><div>FY200</div></div> | Safe workplace | 46 |

¹ Sustainable Innovation Platform

HOW WE CONTRIBUTE TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

| UN SDGs | SDG TARGET | HOW WE CONTRIBUTE | SYNLAIT SIP ¹ | PAGE |
|---|--|---|-----------------------------------|------|
|  | NO HUNGER 2.4 - Ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, help maintain ecosystems and strengthen capacity for adaptation to climate change | We focus on improving the resilience and sustainability of farming systems via our Lead With Pride™ programme. | Healthy farming | 70 |
| | | | | |
|  | GOOD HEALTH AND WELLBEING 3.4 - Reduce premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being | We provide food which is safe, nutritious and of the highest quality. | Safe Food | 66 |
| | | We promote and encourage our employees' mental health and wellbeing. | Safe workplace | 46 |
|  | GENDER EQUALITY 5.5 - Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life | We ensure men and women have access to equal opportunities and proactively support female leadership. | Diversity and inclusion | 54 |
|  | CLEAN WATER AND SANITATION 6.3 - Improve water quality by reducing pollution and minimizing release of hazardous chemicals 6.4 - Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals of freshwater | We aim to improve on-farm and off-farm water quality and wastewater treatment. | Water | 28 |
| | | We aim to reduce on-farm and off-farm water usage and improve water efficiency. | | |
|  | AFFORDABLE AND CLEAN ENERGY 7.2 - Increase substantially the share of renewable energy in the global energy mix | Our climate roadmap includes initiatives to replace fossil fuels with renewable energy. | Climate | 22 |
|  | DECENT WORK AND ECONOMIC GROWTH 8.5 - Achieve full and productive employment and decent work for all women and men, and equal pay for work of equal value | We strive to build meaning into staff roles and provide development opportunities for all. | Talent attraction and development | 50 |
| | | We aim to reduce our gender pay gap to below 5% and review our recruitment, remuneration and development processes regularly. | Diversity and inclusion | 54 |
| | | We have a comprehensive health and safety management system that covers all our workers, contractors and temporary staff. | Safe workplace | 46 |
|  | RESPONSIBLE CONSUMPTION AND PRODUCTION 12.5 - By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse 12.6 - Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle | We have targets to reduce manufacturing waste sent to landfill and improve our packaging sustainability. | Cicular economy | 38 |
| | | We encourage key suppliers to improve their sustainability performance. | Sustainable supply | 76 |
| | | We measure and disclose our social and environmental results and these undergo external third-party assessments. | Transparency | 80 |
|  | CLIMATE ACTION 13.2 - Integrate climate change measures into national policies, strategies and planning | Climate change is integrated into our strategy, risk management, planning and project management processes. | Climate | 22 |
|  | LIFE ON LAND 15.2 - By 2020, promote sustainable management of all types of forests, halt deforestation, restore degraded forests and increase afforestation 15.3 - Combat desertification, restore degraded land and soil, and strive to achieve a land degradation-neutral world | Our Whakapuāwai programme is dedicated to restoring native ecosystems, waterways, and wetlands. | Culture and community | 58 |
| | | We aim to protect animals and biodiversity on farm and improve soil health via sustainable farming practices. | Welfare | 34 |
|  | PARTNERSHIPS FOR THE GOALS 17.17 - Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships | We partner with farmer suppliers, dairy organisations, universities and research institutes to improve sustainability in dairy farming. | Healthy farming | 70 |
| | | We collaborate with key suppliers and customers to advance our sustainability goals together. | Sustainable supply | 76 |
| | | We engage our employees, farmer suppliers, non-profits and local communities to expand the impact of our Whakapuāwai programme. | Culture and community | 58 |

¹ Sustainable Innovation Platform

ENVIRONMENT

NET POSITIVE
FOR THE PLANET

OUR AIM IS TO HAVE
A NET POSITIVE
IMPACT ON THE
PLANET.

Achieving this means taking stock of our current environmental footprint and implementing on-farm and off-farm initiatives that reduce greenhouse gas emissions, eliminate water degradation, transition from a linear to a circular economy, procure sustainable packaging and improve the welfare of the animals and ecosystems we depend upon. We have developed four Sustainable Innovation Platforms (SIPs) that will inform our actions around environmental stewardship.



CLIMATE

The ways we contribute to the Paris Agreement target of staying well below 2°C of warming by 2100, and ideally, 1.5°C.



WATER

The ways we plan to eliminate over-consumption and degradation of water resources.



WELFARE

The ways we develop sustainable and resilient farming systems that respect and care for animals, soil and biodiversity.



CIRCULAR ECONOMY

The ways we substantially reduce our manufacturing and packaging waste sent to landfill.



Synlait team planting trees, Dunsandel, Canterbury





CLIMATE

ON-FARM

Our farmer suppliers account for around 81.3% of our total 1,029,816 tonnes of CO₂ equivalent (tCO₂e) emissions¹. Our FY20 on-farm GHG emissions totalled 837,296 tCO₂e.

Since FY18, we have provided all of our farmer suppliers with a unique greenhouse gas emissions profile². Cumulatively, this information provides us with a baseline to understand and improve our performance. A combination of new technology and best-practice farm management will result in substantial reductions of on-farm emissions.

¹ See our FY20 Greenhouse Gas Inventory Report: https://www.synlait.com/wp-content/uploads/2020/11/Synlait-FY20-GHG-Inventory-Report_20201112_FINAL.pdf. The inventory was prepared in accordance with the requirements of the ISO 14064-1:2006 standard as well as the Greenhouse Gas Protocol.

² Data is collected by Overseer, software that models agricultural GHG emissions in New Zealand.

OFF-FARM

Of our total emissions, 18.7% occur off-farm. Our GHG Inventory highlights the use of coal, at 59%, as the largest source of our off-farm emissions, followed by sea freight, 19%, and natural gas, 5%. As 85% of electricity generated in New Zealand comes from renewable sources³, we see the electrification of our operations and supply chain, along with the use of alternative renewable sources of energy, as a solution to reduce the quantity of our carbon emissions.

³ As of June 2020, according to the official data tables for electricity generation by type published by the New Zealand Ministry of Business, Innovation and Employment.

OUR COMMITMENT

We will not build another coal-fired manufacturing facility.

ON-FARM CLIMATE TARGET

35% reduction in GHG emissions per kgMS (kilogram of milk solids) by 2028*

FY20 INITIATIVES

Nitrous oxide (N₂O) modelling
To understand the optimum mechanisms to reduce N₂O emissions on farms, Synlait commissioned scenario modelling during FY20. The study examined emissions from 50 supplier farms and modelled the impact of four mitigation options. The modelling found that these mitigation options could reduce N₂O emissions by 12.2%. The study also found that some of these options would have a positive impact on CO₂ emissions, and that the combined options would reduce total GHG emissions by 5%. Finally, reducing N₂O emissions is a win-win as it generally also reduces nitrogen loss to waterways.

Solar PV feasibility study
In partnership with five volunteer farmer suppliers, Synlait commissioned a feasibility study in FY20 to establish the cost-to-benefit ratio of photovoltaic (PV) systems on farm. Synlait wanted to understand the economics, viability and barriers to PV so we could determine our role in supporting farmers with solar energy. The study found that, in all five cases, solar PV arrays would be economically viable, with payback terms varying between seven and ten years. However, we also found that the required investment and conditions to install a PV system were quite substantial. Having a solar PV array has therefore been included in our new Lead With Pride™ GHG tool (see next paragraph) as one of the measures that can contribute to obtaining a GHG incentive payment.

Lead With Pride™ new GHG tool
Since the 2017/2018 milk season, we have been requiring our farmer suppliers to have an understanding

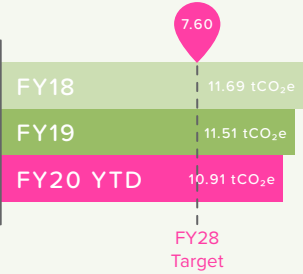
of the GHG emissions on their farm, and to create a GHG mitigation plan. In FY20, we started developing a tool that gives farmers a detailed list of GHG mitigation options - more than 40 practices spanning a variety of areas such as soil management, fertiliser use, effluent management, irrigation, feed, energy and waste. The tool provides information on the steps that need to be taken, as well as the evidence that will be required for auditing purposes. During FY21 we will offer training to farmers on how to use this tool, and integrate their feedback to further refine it. From FY22 onwards, the new tool will be used to determine the GHG incentive payment - up to three cents per kilogram of milk solids each year. The more mitigation options are implemented, the more of this incentive can be received. This aligns with Lead With Pride™'s underlying principle of financially supporting our farmers to balance environmental improvements with profitability. Over time, the tool will evolve to incorporate new technologies and solutions.

FY20 ON-FARM CLIMATE RESULTS¹

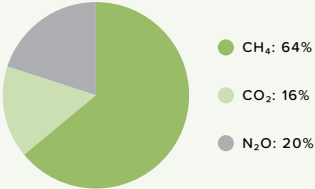
| | 2018 | 2019 | 2020 | FY18-FY20 evolution |
|---|----------------------------|----------------------------|----------------------------|---------------------|
| Total scope 3 on-farm GHG emissions* | 743,959 tCO ₂ e | 734,858 tCO ₂ e | 837,296 tCO ₂ e | 13% |
| - Canterbury* | 743,959 tCO ₂ e | 734,858 tCO ₂ e | 720,901 tCO ₂ e | -3% |
| - Waikato* | - | - | 116,395 tCO ₂ e | - |
| On-farm GHG emissions per tonne of milk solids* | 11.69 tCO ₂ e | 11.51 tCO ₂ e | 10.91 tCO ₂ e | -7% |

* Indicates that data quality was reviewed by an independent third party.

On-farm GHG emissions per tonne of milk solids*



On-farm emissions by type*



¹ Our on-farm GHG emissions and milk solids production are based on OVERSEER®'s reporting period, which is 1 July to 30 June. FY18 and FY19 emissions were restated - please refer to our FY20 GHG Inventory Report for further details.

FY21 PLANS

- Share the findings of our N₂O modelling study with our farmer suppliers
- Roll out the new GHG management tool

* All environmental targets have FY18 as a base year.

OFF-FARM CLIMATE TARGET

50% reduction in GHG emissions per kilogram of product by 2028

FY20 INITIATIVES

Wood pellets in Boiler Two
In March 2019, we commissioned New Zealand’s first large-scale electrode boiler at our Synlait Dunsandel site. As electrification of our boilers is constrained by electricity supply, we have decided to explore the use of biomass. Wood pellets cost twice as much as coal but provide a similar energy density and have no Emissions Trading Scheme liability. The cost of converting our boiler to take wood pellets is also substantially lower than replacing it entirely with an electrode boiler. Two trials on Boiler Two at our Dunsandel site were completed in

October 2019 and February 2020. Both trials exceeded expectations and presented no significant engineering risks. Once the boiler fully transitions to wood pellets, we expect to reduce off-farm emissions by nearly 37,000 tonnes of CO₂e on an annual basis (approximately 19% of our total FY20 off-farm emissions). Before switching to wood pellets, we also ensured that we were optimising the performance of our boilers. Our improvements led to a 23% reduction in coal usage per tonne of product, compared to FY18.

Talbot Forest Cheese pasteuriser heat recovery
Significant savings of carbon emissions and operational expenses were achieved at Talbot Forest Cheese with the replacement of a plate heat exchanger on the site’s milk pasteuriser. The heat exchanger recovers heat from whey and uses it to preheat milk going into a pasteuriser. Commissioned in

August 2020, the project is expected to reduce the heat load on the pasteuriser from 630kW to 220kW during normal operation. Around 700 litres of diesel per day will be saved, equating to around 660 tonnes of CO₂e per annum.

Forklift electrification
We have made good progress on our programme to phase out LPG fuelled forklifts. From November 2020, Synlait Auckland will have 100% electric forklifts. At our Pokeno facility, one of the three LPG forklifts will be replaced with an electric one by the end of 2020. In our Advanced Dairy Liquid Packaging Facility at Dunsandel, all forklifts are electric except for one which needs to operate externally, and therefore needs to remain LPG fuelled. Our largest fleet of forklifts are based at our main warehouse in Dunsandel. Three forklifts will be transitioned to electric during FY21.

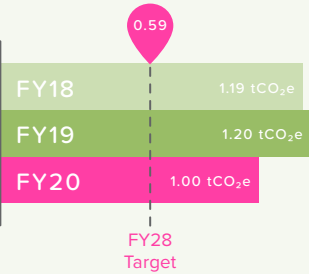
FY20 OFF-FARM CLIMATE RESULTS¹

| | 2018 | 2019 | 2020 | FY18-FY20 evolution |
|--|----------------------------|----------------------------|----------------------------|---------------------|
| Total off-farm GHG emissions* ² | 165,508 tCO ₂ e | 175,109 tCO ₂ e | 192,520 tCO ₂ e | 16% |
| - Scope 1 emissions | 114,589 | 120,127 | 133,609 | 17% |
| - Scope 2 emissions | 6,923 | 7,035 | 8,804 | 27% |
| - Scope 3 off-farm emissions | 43,996 | 47,947 | 50,107 | 14% |
| Off-farm emissions per tonne of product* | 1.19 tCO ₂ e | 1.20 tCO ₂ e | 1.00 tCO ₂ e | -16 % |
| Total energy consumption* ³ | 344,994 MWh | 374,820 MWh | 443,901 MWh | 29% |
| Energy consumption per tonne of product* | 2,473kWh | 2,562 kWh | 2,307 kWh | -7% |
| Total coal consumption (Dunsandel only)* | 54,287 tonnes ⁴ | 56,807 tonnes | 56,889 tonnes | 5% |
| Coal consumption per tonne of product* | 0.39 tonnes | 0.39 tonnes | 0.30 tonnes | -23% |

* Indicates that data quality was reviewed by an independent third party.

¹ All Synlait manufacturing sites: Dunsandel, Pokeno, Auckland and Talbot Forest Cheese.
² FY18 and FY19 emissions were restated - please refer to our FY20 GHG Inventory Report for further details.
³ This indicator includes energy consumption (electricity, gas, diesel, coal) for our manufacturing operations. It excludes energy used for transportation, such as our diesel or LPG-powered forklifts.
⁴ Our FY18 coal consumption was restated as an error was identified during the data quality review process.

Off-farm emissions per tonne of product*



FY21 PLANS

- Implement transition to wood pellets in Boiler Two
- Optimise use of electrode boiler



WATER

ON-FARM

It is accepted that dairy farming reduces water quality outcomes. The goal of our water strategy is to minimise degradation and to make sure that water availability and quality issues do not constrain the farms’ resilience and do not negatively impact local communities. We concentrate on helping farmers identify what their water-related risks are. We then work alongside them to create a farm environment plan that helps then minimise the risks specific to their farms.

OFF-FARM

Our goal is to implement a circular approach to water in our processing sites. This means that we would reuse a large proportion of water for our manufacturing processes. For the small amount that could not be reused, we would treat and clean the water to the same, if not superior, quality levels as when we sourced it. This strategy requires that we focus on water efficiency and recovery first, and then on wastewater treatment.

ON-FARM WATER TARGETS

20% reduction in water use by kilogram of milk solids by 2028

45% reduction in nitrogen loss to waterways per kilogram of milk solids by 2028

FY20 INITIATIVES

Using technology to combat nitrogen leaching

Water degradation on farm is often caused by nitrogen leaching, which mainly comes from cow urine. To address this issue, we have partnered with one of our farmer suppliers to trial a new technology that can both reduce nitrogen leaching and promote grass growth by detecting and treating urine patches in a paddock. Although shortened because of the Covid-19 outbreak, a pre-trial phase was rolled-out during autumn. The core part of the trial, which includes pasture growth monitoring and nitrogen leaching measurements via a set of lysimeters, started in September 2020.

Modelling the effect of best practices

To understand how good farm management practices can reduce nitrogen leaching on farms, we commissioned a scenario modelling project that used 50 Canterbury farm data sets. The combined mitigation options lowered nitrogen leaching by 35.2%. This result was obtained primarily by applying soil moisture monitoring to existing irrigation systems and by reducing nitrogen inputs (from effluent and/or from fertiliser). The latter remedy aligns with the Government’s Essential Freshwater Package, released in June 2020, which seeks to limit synthetic nitrogen fertiliser use on dairy farms to 190kg N/ha/year. Our Milk Supply team will provide support to farmer suppliers to effectively implement these best practices.

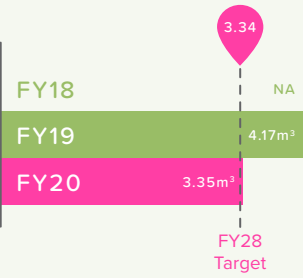
FY20 ON-FARM WATER RESULTS¹

| | 2018 | 2019 | 2020 | FY18-FY20 evolution |
|--|--------------|---------------|---------------|---------------------|
| Total on-farm water consumption ² | NA | 266,075,593m³ | 257,061,367m³ | -3% |
| - in Canterbury* | NA | 266,075,593m³ | 256,839,432m³ | -3% |
| - in Waikato* | NA | NA | 221,935m³ | - |
| On-farm water consumption per kg of MS* | NA | 4.17m³ | 3.35m³ | -20% |
| Total on-farm nitrogen loss* | 2,945,332 kg | 2,785,907 kg | 2,885,145 kg | -2% |
| - in Canterbury* | 2,945,332 kg | 2,785,907 kg | 2,473,458 kg | -16% |
| - in Waikato* | - | - | 411,687 kg | - |
| On-farm nitrogen loss per kg of MS* | 46g | 44g | 38g | -19% |

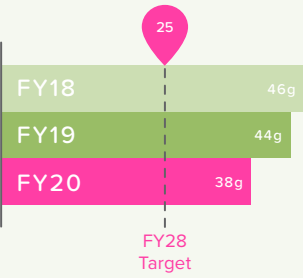
* Indicates that data quality was reviewed by an independent third party.

100% of waterways fenced to the stock-exclusion standard of the New Zealand Dairy Tomorrow Strategy in FY20.*

On-farm water consumption per kilogram of milk solids*



On-farm nitrogen loss per kilogram of milk solids*



¹ On-farm water consumption, nitrogen loss and milk solids data are all aligned with OVERSEER®’s reporting period, which is 1 July to 30 June.
² Several factors affect the overall accuracy of our on-farm water consumption data. These factors include: missing data from farms, the inability to distinguish between large blocks and individual farms in some water consents and irrigation schemes, data recording gaps and spikes from water meters. In addition, milking shed water usage is not recorded on most farms and water usage from year to year varies significantly depending on the weather conditions. We’re endeavouring to improve the accuracy of water data.

FY21 PLANS

- Monitor progress of nitrate leaching trial
- Support farmers with implementation of new freshwater regulations while still maintaining profitability

OFF-FARM WATER TARGETS

- 20% reduction in water use per kilogram of product by 2028
- 20% reduction in nitrogen discharge per cubic meter of wastewater by 2028
- 20% reduction in Sodium Adsorption Ratio (Synlait Dunsandel only)

FY20 INITIATIVES

Dunsandel water sprint
During FY20, 12 water reduction opportunities were identified across all Synlait Dunsandel manufacturing facilities. Dubbed the Water Reduction Sprint, the project found seven relatively quick and affordable projects that could save around 51,000 m³ annually. Another five more complex projects required further investigation. Our manufacturing teams worked on implementing the easy water saving initiatives during the winter manufacturing shut down. These included installing an expansion bellow on a UV water line, improving the temperature control of

vacuum pump seal water and cooling water on Evaporator 1, saving around 28,800 m³ of water per annum. We have also finished installing water meters across the site, which improve reporting and can quickly identify areas of overuse.

Lactoferrin salt recovery
Manufacturing lactoferrin at our Dunsandel facility contributes to approximately 55% of the sodium discharged into our wastewater, as the plant uses salt (for lactoferrin extraction) and caustic soda (for cleaning processes). Trials completed in 2020 found that the design of the current salt recovery system is not sufficient for removing and recycling the salt. A programme of scientific study and investment is being considered to establish an alternative salt treatment or using alternative eluates in the lactoferrin process, such as potassium chloride, which has a lower impact on the environment.

Pokeno water optimisation
Although a newly built site with advanced processing, Synlait Pokeno’s team has continued to

optimise the plant, initiating projects that reduced water usage by 73,000 m³ per year. In one case, a water saving of around 10m³ per day was achieved by recovering the ripening water from sand filters to the bore water tank after quality checks. Previously, this water had been sent to the wastewater stream and could not be recovered.

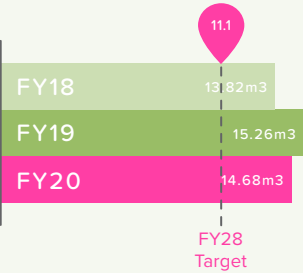
Talbot Forest Cheese wastewater reduction
Because of Temuka’s wastewater system limitations, Talbot Forest Cheese collects wastewater on site and transports it to the Timaru District Council wastewater treatment plant for processing. In FY20 a project was initiated to reduce wastewater and determine more appropriate treatment and discharge methods. To better understand the plant’s wastewater source and composition, a testing and monitoring regime is planned for FY21. Repurposing one of the storage tanks will also allow high quality wastewater to be separated and discharged under current consents, reducing the number of truck movements required to deal with the wastewater.

FY20 OFF-FARM WATER RESULTS¹

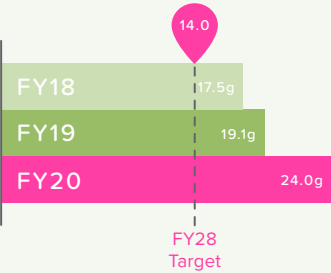
| | 2018 | 2019 | 2020 | FY18-FY20 evolution |
|---|-------------|-------------|-------------|---------------------|
| Total off-farm water consumption* | 1,927,484m³ | 2,232,869m³ | 2,823,454m³ | 46% |
| Off-farm water consumption per tonne of product* | 13.82m³ | 15.26m³ | 14.68 | 6% |
| Water recovered and reused in manufacturing operations (Pokeno only)* | NA | NA | 17.3% | - |
| Total off-farm wastewater discharge (Dunsandel and Pokeno)* | 2,235,628m³ | 2,626,787m³ | 2,973,281m³ | 33% |
| Total nitrogen discharge per m3 of wastewater (Dunsandel and Pokeno)* | 17.5g | 19.1g | 24.0g | 37% |
| 90th percentile SAR (Dunsandel only)* | 13.16 | 11.24 | 13.62 | 3% |

* Indicates that data quality was reviewed by an independent third party.

Off-farm water consumption per tonne of product*



Off-farm nitrogen discharge per cubic metre of wastewater*



Note: The increases in water consumption per tonne of product and nitrogen discharge per m³ of wastewater can be explained by the evolution of our product mix in favour of more water-intensive products, such as lactoferrin and fresh milk. Our roadmap for water usage and wastewater treatment at Dunsandel (see case study page 42) will aim to reverse this trend by FY28.

¹ All Synlait manufacturing sites: Dunsandel, Pokeno, Auckland and Talbot Forest Cheese, unless otherwise stated.

FY21 PLANS

- Develop a solution to recover salt from lactoferrin process water
- Identify further water efficiency opportunities



WELFARE

Our Welfare strategy aims to establish farming systems that protect and enhance life on land, both below ground (the soil) and above ground (cows and all forms of fauna and flora in the wider farm ecosystem). The concept of regenerative agriculture has gained traction in many countries, including in New Zealand. Although definitions vary, it is said that regenerative agriculture seeks to go beyond limiting the impact of farming on the environment,

and to actually make it net positive – which is in line with the goal of our wider environmental strategy. Our understanding is that its primary focus is on restoring and/or improving soil health, which is why we have decided to investigate this component first (see ‘Soil health partnership’ below). As research progresses and further defines how regenerative agriculture applies to the New Zealand dairy context, we will consider aligning and expanding our focus in the future.

Neighbouring farm, Synlait Dunsandel

FY20 INITIATIVES

Soil health partnership

Synlait has partnered with AgResearch to assess soil health across Synlait’s pastoral dairy farms, to understand how it can be improved over time, and confirm the link between soil health and farm profitability. Soil health encompasses the chemical, physical and biological properties that support essential ecosystem services underpinning the natural productive capacity of the soil and the wider environment. In our view, soil health is the critical component of a resilient farming system and a powerful ally in addressing the consequences of climate change. Our soil health project is intended to take at least three years. We have committed to the first of four phases:

- 1. Organise a workshop with ten of our Canterbury and Waikato farmer suppliers to develop an understanding of what soil health means to them and what indicators and technologies should be used;
- 2. Define the management practices that advance soil health in the New Zealand dairy

farming system, and their wider implications for soil function and the farm business;

- 3. Conduct a two-year pilot study to test and refine the recommended approaches for measuring and improving soil health across contrasting farms, and assess its impact on profitability; and
- 4. Roll-out baseline soil health measurements and best practices to all Synlait-supplying farms.

For phase one of the project, in a view to engage with multiple stakeholder groups on this topic, we have interviewed several global customers on their soil health expectations and have further discussions planned with internal teams, industry groups and leading New Zealand regenerative agriculture scientists.

Unique animal welfare model

Animal welfare is one of the four pillars of our Lead With Pride™ standard. Created in 2013, we annually review and update our requirements to make sure that we continue to promote leading animal welfare practices. Our aim is for every animal to experience a life of great health and

positive wellbeing. During FY20, we have been co-developing a unique set of requirements for one of our key customers. Although these are yet to be finalised, the requirements could include measures such as additional farm visits, training, data analysis and herd checks to enhance prevention of animal wellness issues. This new programme will be deployed during FY21.

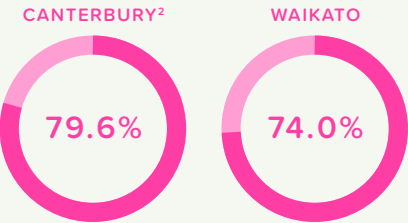
Dairy conversion policy

In New Zealand, land use conversion and invasive pests have caused indigenous ecosystems and species to decline. Around 4,000 species are threatened or at risk of becoming extinct. The country is also losing precious ecosystems and habitats such as tussock grasslands, sand dunes, scrub land and forests.

In FY20 Synlait developed a policy to only accept new milk supply from farms that meet District Plan regulations and whose land has not been recently converted from a wetland, a native forest, a native tussock, a native bush or even regenerating native bush. This policy will apply to both new milk suppliers and existing Synlait suppliers who are planning to increase their production. It will enter into force in FY21.

FY20 WELFARE RESULTS¹

Percentage of pasture in cow feed in FY20*



* Indicates that data quality was reviewed by an independent third party.

¹ Pasture data is for the reporting period 1 July to 30 June. For Canterbury, this indicator is based on the average percentage of pasture in diet when the cows are on the dairy platform. It does not take into account the cows’ diet when off platform during winter. Also, the monthly percentage entered into Overseer® does not consider the exact dates of entry/exit on the dairy platform. Somatic cell count data is for the milk season, so from 1 June to 31 May. We are conscious that these metrics do not provide a comprehensive and accurate understanding of animal wellbeing. We are working towards the development of a framework or system that would better capture the complexity of animal wellbeing.

² Seven farms in our Canterbury supplier base could not provide pasture data and have therefore been excluded from the calculation.

Somatic cell count average*

| | |
|------|---------|
| FY18 | 155,000 |
| FY19 | 152,700 |
| FY20 | 148,219 |

FY21 PLANS

- Complete Phase 1 of soil health project with farmer workshops; proceed with Phase 2 – define management practices to improve soil health
- Deploy a new unique animal welfare model



CIRCULAR ECONOMY

In a circular economy, all biological and technical materials are reused, recovered or recycled back endlessly into production systems. By increasing the availability of materials and reducing the cost of disposal to landfill, shifting to the circular model also presents economic opportunities for businesses beyond that of environment and social benefits.

In particular, the use of plastics and plastic pollution has been under the spotlight and is pressuring manufacturers to develop alternative packaging solutions. Synlait is on a path towards a fully circular model in which our operations will generate minimal waste to landfill and our materials will be kept in the economy and out of the environment.

Blending and canning operator carrying out quality control at Synlait, Dunsandel

CIRCULAR ECONOMY TARGETS

99% of total non-hazardous manufacturing waste will be diverted from landfill by 2028

100% of product packaging will be renewable, recyclable or compostable by 2025

100% of our plastic milk bottles will be composed of 100% recycled and/or bio-based plastic by 2028

FY20 INITIATIVES

Trialling new 25kg powder bags
Synlait is exploring opportunities to improve the environmental profile of our milk powder packaging solutions. We have initiated discussions with our packaging suppliers concerning multi-wall 25kg bags for milk powder, which are used for internal storage prior to canning, and for export. Aspects such as recycled content, sustainable forestry certification, material weight and recyclability have all been considered. The next step will be to conduct trials to test the technical and quality performance of the proposed alternative bags.

Life Cycle Analysis (LCA)
We have continued our project to evaluate the environmental impact of our products across their entire lifecycle, from the extraction of raw materials to product disposal. The impacts assessed are GHG emissions, water consumption, non-renewable energy and minerals, land use, and eco-toxicity. Using EcodEX software, the three-year project identifies in which stages of its life cycle an existing product, such as an infant formula can or a fresh milk bottle, has the most impact and this influences our sustainability strategies. We also use LCAs to establish scenarios and model the environmental impact of potential changes in our products – for example, a different recipe, packaging material or process – and incorporate this knowledge into our decision-making processes.

End of run canning reduction
At the end of each infant formula blending and canning run, a predetermined number of cans get disposed of as part of machine shut down. A cross-functional team was set up to investigate methods to reduce the can wastage. The team ran multiple, high-frequency tests and was able to determine a safe cut-off at a lower threshold. This has resulted in 5,000 cans being saved annually.

Sustainable packaging database
Synlait is responsible for a wide variety of primary, secondary and tertiary packaging that our customers or end consumers must manage. We realised that we needed to have a better understanding of which packaging materials we currently use, which of them are reusable or recyclable, and which of them contain recycled content. We have therefore created a database that provides these details for each single packaging component that we use in our products. Although it still needs to be expanded and refined, the database is a good starting point to develop a roadmap and improve the environmental profile of our packaging in the future.

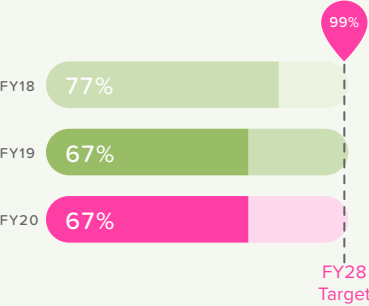
Sustainable packaging checklist
To achieve our vision of a circular economy, we have created a checklist of sustainable packaging principles to guide the development of new packaging or modifications to existing products. This checklist will be integrated in our internal project management processes and will prompt managers to consider the application of these principles in collaboration with our packaging team.

FY20 CIRCULAR ECONOMY RESULTS¹

| | 2018 | 2019 | 2020 | FY18-FY20 evolution |
|---|--------|--------|--------|---------------------|
| Total waste produced ² * | 3,044t | 3,744t | 4,830t | 59% |
| - Of which non-hazardous* | 2,586t | 3,160t | 4,518t | 75% |
| - Of which hazardous* | 458t | 584t | 312t | -32% |
| Non-hazardous waste recycled* | 77% | 67% | 67% | -13% |
| LCA coverage ³ (sales generated by the product categories for which an LCA was conducted)* | - | 45.1% | 50.6% | 12% |

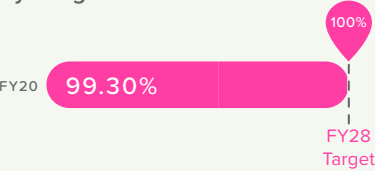
* Indicates that data quality was reviewed by an independent third party.

Total non-hazardous waste recycled*



Note: The decline in the rate of recycling after FY18 is primarily the result of recycling facilities in New Zealand enforcing stricter rules and criteria for the acceptance of recyclable items.

Percentage of reusable, recyclable or compostable packaging sold, by weight*



Note: Our assessment of recyclability was based on our technical knowledge as well as desktop research on the materials accepted by recycling facilities in New Zealand. There are currently no compostable packaging materials in Synlait’s product portfolio.

¹ Waste indicators include all Synlait manufacturing sites: Dunsandel, Pokeno, Auckland and Talbot Forest Cheese. LCA and packaging indicators include all Synlait products but exclude those of Talbot Forest Cheese.
² The significant increase in waste production is due to organic growth and increased manufacturing production in existing sites (Dunsandel and Auckland), the commissioning of our new Pokeno site and the inclusion of Talbot Forest Cheese in our reporting scope.
³ FY19 percentage restated (5% in 2019) to count sales generated by the entire product category that had an LCA done, and not only by the specific SKU.

FY21 PLANS

- Finalise trial of alternative 25kg powder bags
- Expand sustainable packaging database for Talbot Forest Cheese and Dairyworks

CASE STUDY:

**BRINGING ‘NET
POSITIVE FOR
THE PLANET’ TO
LIFE AT SYNLAIT
DUNSANDEL**

While we have started to make progress in some areas, such as energy use and greenhouse gas emissions, we know that further work is required to reach our goal of net positive for the planet.

We have initiated work on a roadmap to reach this goal. Our first step is to develop a 2028 vision for energy, water and waste at our Synlait Dunsandel site, as well as for our recently acquired neighbouring farms. Once completed, we intend to develop similar plans for our other sites.

While a vision at this stage, we are committed to operating Dunsandel as a de-carbonised, water positive and zero waste facility.

For energy, we are aiming to significantly reduce our energy consumption, eliminate coal as a source of process heat and increase our use of renewable energy. Ultimately, we want to ensure that we contribute to New Zealand’s

commitment to maintain global warming below 1.5 degrees.

For water, our ideal scenario is for the Dunsandel site to reduce its water consumption, reuse most of it in the plant, and treat residual wastewater to the point that it is better than what is extracted from the aquifer. That water can then be irrigated on our neighbouring land or discharged to ground water.

For waste, we want Dunsandel to be zero waste, meaning that all biological and technical nutrients generated on site are reduced, reused and/or recycled.

Finally, our vision for our farmland is that it becomes net positive for people, animals, planet and profit.

A multi-disciplinary team has been tasked with developing these roadmaps, which will be presented to our senior leadership team during FY21.

Milk silos, Synlait Dunsandel



PEOPLE

A HEALTHIER SYNLAIT

WE ARE CREATING OPPORTUNITIES FOR ALL TO THRIVE.

By building support for our ambition, commitment and actions, together we can transform our industry, benefit our country and leave a legacy for future generations. Our commitment to sustainability extends throughout our team members, farmer suppliers and the wider community. This section of the report focuses on the four Sustainability Innovation Platforms (SIPs) that fall under the People pillar of our Sustainability Framework. They are:



SAFE WORKPLACE

The ways we are achieving integrated health, safety and wellness, with an aspiration of zero injuries.



TALENT ATTRACTION AND DEVELOPMENT

The ways we, as a high growth company, need to recruit and develop highly skilled people for a range of manufacturing, leadership, and business development roles. By investing in our people and building meaning into staff roles, we can create a legacy of committed leaders who will help us transform our industry for the better.



DIVERSITY AND INCLUSION

The ways we ensure the wellbeing of our people by building a positive workplace culture that appeals to a diverse range of employees and aligns with our values.



CULTURE AND COMMUNITY

The ways we plan to make a tangible contribution in the areas where we work, uniting our employees, farmers and local communities around ecosystem restoration projects.



A Synlait Dunsandel warehouse operator loads an order of fresh milk and cream from the coolstore for delivery to Foodstuffs South Island stores





SAFE WORKPLACE

Personal safety at work requires much the same approach as product quality and food safety – it is about taking ownership, investing in systems and developing behaviours. At the end of the day, Everyone Home Safe, Every Day is our bottom line.

In 2020, the need to provide a safe workplace became even more critical. In addition to reducing the chance

of contracting COVID-19, the extra pressure on our people through on and off again lockdowns and travel restrictions, meant that holistic wellbeing and mental health also needed attention. Extra support structures and events were created to provide personal mentoring and group workshops on mental resilience, happiness and dealing with uncertain times.

Synlait employee cycling along our Pink Pathway

SAFE WORKPLACE TARGET

6.2 Total Recordable Injury Frequency Rate by the end of FY21

FY20 INITIATIVES

Real Time Training

We have strengthened our focus on quality real time health and safety training that is specific to the needs of our plant operators and risks they encounter. During FY20 a review of external training provider capability and capacity was completed. This resulted in two core providers being selected to deliver tailored training that surpasses or meets NZQA Unit Standards. One of the key factors is having the trainers deliver this training on our site with our people. This makes the training specific and allows the trainers to use our plant as the training canvas as opposed to just theoretical learning.

Ammonia safety improvement

In September 2018, the Synlait Dunsandel site experienced an uncontrolled release of ammonia while a contractor was taking a routine sample from one of the chillers. Since the incident, we have taken multiple corrective actions, including an investigation made both by Synlait

and the contractor’s firm, a review of the sampling procedure, tests of the related equipment, installation of new alarms and sensors, updated internal induction and additional training. Following significant improvements to our plant and system, an external safety assessment was completed in 2020, which reported a compliance audit score of 76%.

Removing the risk of falling

To minimise the risk of a person falling from heights, we initiated a new project that took a risk-based approach and looked for engineering controls to reduce risk and create a safety redundancy. The improvements were categorised into priorities to be initiated over three years. In FY20 we planned to make 64 physical modifications to reduce the risk. However, due to COVID-19 we were able to complete only 45 of these, with the remaining to be addressed in FY21. A total of 86 engineering controls are planned for the coming year.

A focus on mental health

In FY20 the business continued to support team members in all aspects of wellness using te whare tapa whā model, with a particular focus on mental health. We trained 12 of our 21 Mental Wellbeing Advocates in Psychological First Aid. During COVID-19 lockdown

(in March and April 2020), each week, our Mental Wellbeing Advocates posted a personal video to the business about how they manage their own mental health (as per the guidance from the Mental Health Foundation). We also leveraged our ability to reach more people through Microsoft Teams and held six Mental Wellbeing sessions with an external consultant, covering the following themes: Building resilience; Happiness and wellbeing; Choosing our responses in uncertain times; Using strengths to get results; Intelligently using emotions; and Positive communication and positive relationships. Finally, we organised ‘Mindfulness for Performance’ workshops at our Dunsandel and Auckland sites, which were attended by 70 employees in total.

Internal health and safety audit

In FY20 we conducted an internal audit of our occupational health and safety management systems. We used the ISO45001 framework, as it is an internationally recognised standard for the effective identification and management of health and safety risk. The audit has helped us identify some improvements to our processes and procedures to ensure that our framework is robust and flexible enough to adapt to the business, now and in the future.

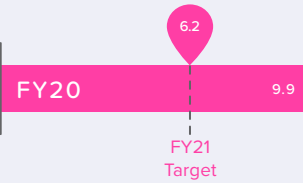
FY20 SAFE WORKPLACE RESULTS¹

| | 2018 | 2019 | 2020 |
|---|------|------|------|
| Total Recordable Injury Frequency Rate (TRIFR)* | - | - | 9.9 |
| Fatalities* | 0 | 0 | 0 |

* Indicates that data quality was reviewed by an independent third party.

Note: we have found errors in our previous FY18 and FY19 TRIFR calculations and are therefore unable to provide the results for these years.

Total Recordable Injury Frequency Rate (TRIFR)*



¹ Results exclude Synlait China and Talbot Forest Cheese.

FY21 PLANS

- Strengthen Health, Safety & Wellbeing leadership capabilities through training and coaching
- Streamline systems to enable easier access to Health, Safety & Wellbeing data
- Develop a Critical Risk Management Standard



TALENT ATTRACTION AND DEVELOPMENT

A dedicated and skilled team is critical to our performance. In the past three years, our workforce has increased from 682 to 1,144. It is important to us that we bring people on board effectively. One way we do this is via Synlait 101, our comprehensive induction programme for all new employees. The three-day programme includes a site tour, a visit to the Whakapuāwai nursery and a visit to

a Lead With Pride™ dairy farm. During the programme, new starters have presentations dealing with all aspects of our business – from manufacturing and sustainability to our information systems and financial management.

We also have several permanent initiatives that we continually improve to engage our people and build talent within the organisation.

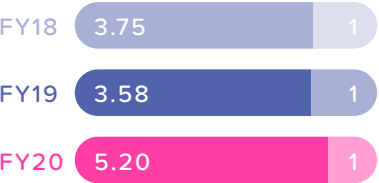
A group of our Future Leaders with James Parr, Talent Acquisition Advisor

FY20 INITIATIVES

Engagement survey

Having a highly engaged workforce is central to our business success. We keep a close eye on staff engagement and survey our people on a quarterly basis, using Gallup’s Q12 survey tool. Our leadership team meets regularly to review the data, share experiences and discuss how to drive engagement higher. Our CEO also now meets with a small group of people leaders on a monthly basis, to share insights on how they manage engagement in their teams and learn from each other. This focus is paying off, with a continued gain in engagement in FY20. The aim of the engagement programme is to listen to our people and by doing so, increase safety, improve quality, decrease staff turnover and maximise productivity.

FY20 Engagement ratio - Engaged staff:actively disengaged staff
(excluding Talbot Forest Cheese)*

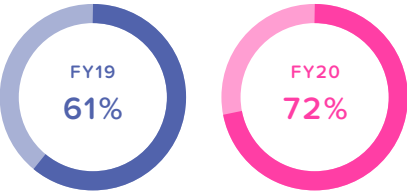


Perform and Grow

After introducing our Perform and Grow performance management process in 2015, the percentage of staff using Perform and Grow has continued to improve. Perform and Grow is how we lead and encourage leadership

and talent development within our teams. The programme provides a structure for high quality conversations between team leaders and their staff members. The conversations are designed to clarify expectations and gain agreement on priorities, drive engagement, develop capability and deliver performance. We support our team leaders through the process by providing clarity on what is expected and giving them online tools to record accurate data on their employee reviews.

Staff who received Perform and Grow reviews¹*



¹ All Synlait employees excluding Synlait China and Talbot Forest Cheese

Future Leaders

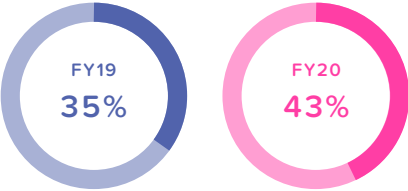
The three year-long Future Leaders programme identifies graduates with high potential from disciplines that are key to Synlait’s operations and growth. After rotating through multiple roles to gain an understanding of our processes, participants are assigned a first leadership role with ongoing mentorship. The second cohort of four Future Leaders started working for Synlait in FY20 and a third cohort has been recruited for a FY21 start. The Future Leaders are mentored by

members of the Executive Leadership Team and have gained a high profile throughout the business, validating their selection. In FY20 they completed a ‘CEO challenge’, where our CEO asked them to provide insights on a selection of strategic opportunities for the business in a post-COVID world.

In-house recruitment

As we invested and commissioned new facilities at Auckland, Pokeno and Dunsandel, we needed to hire skilled staff to operate them. While this recruitment drive has now slowed, we have grown from 682 employees in FY18 to 1,144 today. As a result, we are now a significant employer in New Zealand’s food sector, and we pride ourselves on the contribution we make to the country’s economy and communities. To support this growth, we actively encourage internal mobility – advancing staff into new roles, whether horizontally or vertically – as part of our talent development and employee retention strategy. In FY20, 144 roles were filled internally out of a total number of 337 new roles.

Roles filled by internal staff
(excluding Talbot Forest Cheese)*

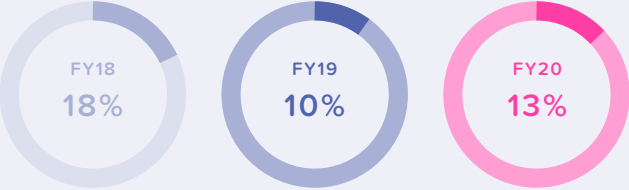


FY20 TALENT ATTRACTION AND DEVELOPMENT RESULTS

| | 2018 | 2019 | 2020 | FY18-FY20 evolution |
|---|--------|--------|-------|---------------------|
| Engagement ratio (ratio of engaged staff to actively disengaged staff)* | 3.75:1 | 3.58:1 | 5.2:1 | - |
| Perform & Grow reviews* | - | 61% | 72% | 18% |
| Roles filled by internal staff* | - | 35% | 43% | 23% |
| Employee turnover rate* | 18% | 10% | 13% | -28% |

* Indicates that data quality was reviewed by an independent third party.

Employee turnover rate
(excluding Synlait China)*



FY21 PLANS

- Maintain or improve our engagement ratio
- Further promote the use of Perform and Grow by our people leaders



DIVERSITY AND INCLUSION

We know there is a correlation between diversity in the workforce and business performance. Companies that promote diversity are more successful. We believe it is important to support our teams and build the right culture to support our values and our growth.

Impactful diversity and inclusive

thinking take commitment from all employees. Creativity and energy are required to ensure that new initiatives are broadly understood and implemented successfully. To achieve positive outcomes, we foster inclusive management by including diversity and inclusion training in our leadership programmes.

Synlait staff bring diversity of thought and experience to the table

DIVERSITY AND INCLUSION TARGETS

<5% Gender pay gap achieved by 2023

40-50% Mix of women who hold leadership positions (team leads, supervisors, specialists and above)

0 Regretted losses of high-potential women

FY20 INITIATIVES

Workplace flexibility policies
Matuā, our parental leave policy, is unique in New Zealand as it includes full pay for maternity leave for the primary carer for 26 weeks, two weeks of paid leave for partners, and payment of a childcare subsidy from birth to three years, when the government subsidy applies. A strong parental leave policy is a substantial benefit for parents as it enables them to return to work. It is also part of ensuring that Synlait is an attractive place to work for women. Our Matuā policy was one of four finalists in the 2020 Diversity Works Awards, in the Emerging Policies category.

Tāwariwari, our flexible working policy, formalised flexible working to support a range of situations including part time work, job sharing, and career breaks.

The Synlait Way of Working allows employees to choose times, locations

and spaces to work in that best suit their activities. Our people can now work from multiple sites and from home. We moved away from designated desks and that has been positively received. This approach was particularly useful in 2020 during the COVID-19 lockdown when all our administrative staff were required to work from home and achieved this move within 48 hours’ notice.

Avoiding gender bias in recruitment

Synlait wants to ensure that our recruitment advertising and job descriptions are balanced to a gender-neutral environment and engagement. We now run all our job advertisements through a gender bias decoder that highlights words that have either a male or female gender bias. Research shows that many words are associated with masculine or feminine stereotypes and can unconsciously influence the jobs people apply for. The concept of “blind CV” reviews is also being trialled along with gender-mixed selection panels. Finally, we are trialling the use of artificial intelligence to remove unconscious bias in determining the best candidate for a role.

Female leadership mentoring system

As we learnt more about diversity and inclusion in the workplace, we discovered that to have a higher number of women in leadership positions we needed to create more opportunities for engagement, such as mentorship. In FY20 we organised focus groups to understand

challenges faced by our women and how Synlait can support them. In FY21, we will launch our mentoring programme, where groups of female leaders and senior specialists will have the opportunity to regularly share learning in a supportive format and with the guidance of senior female leaders.

Addressing discrimination and unconscious bias

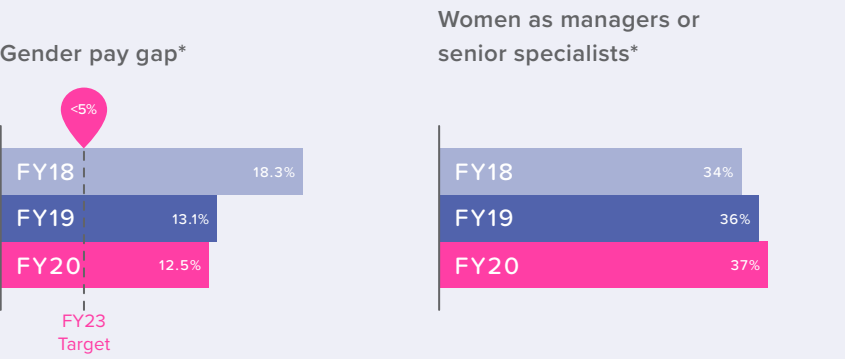
To support leaders and staff to identify and address discriminatory behaviour, we are developing an awareness and education programme focused on bullying, harassment and discrimination. An e-learning module has been developed and will be piloted in FY21.

Additionally, unconscious bias training now forms part of our leadership curriculum. Indeed, to create a workplace that supports and encourages diverse and inclusive thinking we need to arm our people with the tools to mitigate bias. In FY20 we ran unconscious bias training workshops at Synlait Dunsandel for people leaders and hiring managers. The training sessions looked at the impact of unconscious bias in the workplace and help attendees develop strategies to mitigate bias as individuals, as teams and as an organisation. We also launched three online training modules on unconscious bias, accessible to everyone within the organisation.

FY20 DIVERSITY AND INCLUSION RESULTS¹

| | 2018 | 2019 | 2020 | FY18-FY20 evolution |
|--|-------|-------|-------|---------------------|
| Gender pay gap* | 18.3% | 13.1% | 12.5% | -32% |
| Women as managers or senior specialists* | 34% | 36% | 37% | 9% |
| Women in senior leadership team* | 14% | 14% | 25% | 79% |

* Indicates that data quality was reviewed by an independent third party.



¹ Results exclude Synlait China

FY21 PLANS

- Continue to adjust how we search and screen for candidates, ensuring that the inclusion of women and Maori are considered through the hiring process
- Launch our female leadership mentoring programme
- Expand our education and training programmes to bullying, harassment and discrimination, as well as women in leadership



CULTURE AND COMMUNITY

In December 2019, our native tree programme Whakapuāwai was officially launched by Rt Hon Jacinda Ardern, Prime Minister of New Zealand. Whakapuāwai roughly means ‘everybody thriving’ which underpins our purpose of *Doing Milk Differently for a Healthier World*. We have harnessed our ambition, enthusiasm, employees, land and financial resources to create a multi-pronged programme that can be upscaled and repeated across multiple locations.

Whakapuāwai has three components:

1. Extensively landscape and plant thousands of native trees and shrubs on 15 hectares of grazing land behind our Synlait Dunsandel site. Our plan is to also build a plant nursery, walking tracks, exercise zones and meeting areas;

2. Work with farmers to identify areas on farms that would benefit from restoration of natural ecosystems using plants from our nursery; and then provide the plants and planting labour to farmers free of charge; and
3. Form partnerships to identify and restore community areas of shared value.

Whakapuāwai is an important factor in our cultural development. The project with its nursery and tree planting affords high levels of employee involvement and participation. Synlait staff receive one day per year to contribute to Whakapuāwai. It is a way for them to engage with their communities and contribute to environmental restoration in the places where they live and work.

Rt Hon Jacinda Ardern, Prime Minister of New Zealand, planting a kowhai tree for Whakapuāwai

CULTURE AND COMMUNITY TARGETS

80% staff participation in Whakapuāwai

80,000 trees planted in FY21

FY20 INITIATIVES

Whakapuāwai comes to life

Synlait Dunsandel nursery
Nursery construction was completed during the year and it was fully operational in September 2020 with 80,000 seedlings due for delivery in October.

All new recruits to Synlait visit Whakapuāwai as part of their induction programme. They get to learn about the initiative and plant their own native plant at the site. We also organised a family planting event in September 2019 in which Synlait staff, farmer suppliers and their families had a guided tour of our Dunsandel site and planted shrubs and trees near the nursery. Later in the year, some Synlait staff used their ‘Whakapuāwai day’ to

spread woodchips around the newly planted plants.

We developed a plan for the restoration of the 15 hectares of grazing land behind the Dunsandel site. This plan will guide our thinking as this component of Whakapuāwai progresses. Although planting around the immediate nursery area is already ongoing, the development of the wider area is likely to start in FY22.

Farms
On-farm planting started in March 2020. However, due to the COVID-19 lockdowns and restrictions at work, we missed three months of planting. Despite that, we were still able to plant 12,000 plants. This was partly achieved by direct distribution to farms who planted them themselves under COVID-19 Alert Level 3 restrictions.

On-farm planting currently focuses on one farm at a time. Synlait works closely with the farmer regarding the best areas to plant, planting plans, site preparation and ongoing maintenance following planting.

All plantings include cardboard plant guards (made from recycled cardboard) and woollen weed mats which, along with the plants, are all supplied free of charge to the farmer.

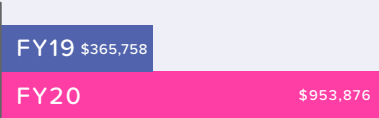
Community
Working with the community is a key part of the Whakapuāwai programme, which will build over time. In FY20 our first school group took part in an on-farm planting event, as well as our first business partner (a supplier to Synlait). Building community involvement will be a key activity during FY21.

Trees That Count Partnership
Trees That Count is part of Project Crimson, a not-for-profit organisation that aims to bring businesses and communities together to plant 200 million native trees by 2026. Since 2006, more than 23 million native trees have been planted.

Whakapuāwai supports Trees That Count by providing trees from our nursery, making land available for planting through our farmer suppliers and providing volunteer planters.

FY20 CULTURE AND COMMUNITY RESULTS

Investment in Whakapuāwai*



* Indicates that data quality was reviewed by an independent third party.

FY21 PLANS

- Successfully grow the 80,000 seedlings due for delivery at the nursery
- Involve a larger number of farms and community groups in our planting activities

CASE STUDY:

**KEEPING OUR
PEOPLE SAFE
THROUGH COVID-19
LOCKDOWN**

On 23 March 2020, Synlait was defined as an essential service which meant we were able to operate under the New Zealand Government’s COVID-19 Alert Level 4 restrictions. Alert Level 4 is the country’s highest Alert Level, requiring a complete lockdown and closure of non-essential businesses.

This was a privilege that we took seriously. We implemented comprehensive protocols at our sites to keep our people and contractors safe, including physical distancing, thorough cleaning and sanitation practices and restricting site access to only those who were required to maintain safe and quality operations.

Our administration staff worked from home and we identified operational staff who had a vulnerability to COVID-19 and provided them with a special paid leave arrangement.

While the additional measures required to manage COVID-19 were significant, the hygiene requirements for COVID-19 were not very different from the high hygiene standards maintained by Synlait. Beyond this however, operations were far from normal on our sites. As well as

applying physical distancing across sites, we adjusted shift structures to segregate shifts, moving to virtual shift handovers and staggering all break times. Despite these changes, everyone was on board with the new protocols and the teams were in good spirits and up to the challenge.

To keep collecting milk, we had to adjust the collection process so that drivers were kept physically separated from people and parts of the process. This reduced risk to our people and to people on farm.

Finally, Lead With Pride™ audits also had to undergo temporary changes. Normally, these audits are highly interactive events. This particularly applies to the full audits, where our farmer suppliers experience their first certification audits, often involving a team of both auditors and Synlait team members. Under COVID-19 Alert Level 3 and 4, this approach was not possible. The Milk Supply team needed to work quickly to establish an alternative channel of audit, which could allow those farms eager to achieve certification by the end of the 2019 - 20 season to do so. Using available technology through video conferencing, we achieved this goal successfully.

Synlait staff quickly adjusted to the new protocols put into place during COVID-19 lockdown



ENTERPRISE

WORLD CLASS VALUE CHAIN

WE PROVIDE MILK NUTRITION FOR CONSUMERS AROUND THE WORLD.

As demand for our products continues to increase, we have invested in accreditations and certifications that provide us with a competitive advantage and reputational credibility. Our customers can trust our commitment to the highest standards of food production and delivery. The Sustainable Innovation Platforms (SIPs) under this section are:



SAFE FOOD

The ways we ensure our processing systems meet the highest food quality and safety standards. Our approach to nutrient production enables our customers to confidently differentiate their products based on quality and provenance.



HEALTHY FARMING

The ways we work hand in hand with our farmer suppliers to achieve long term, sustainable milk production. This begins with Lead With Pride™, a transformational programme that guarantees the integrity of our milk and the way it is produced.



SUSTAINABLE SUPPLY

The ways we ensure that throughout our supply chain our products meet our sustainable objectives and have a positive impact on people and the planet.



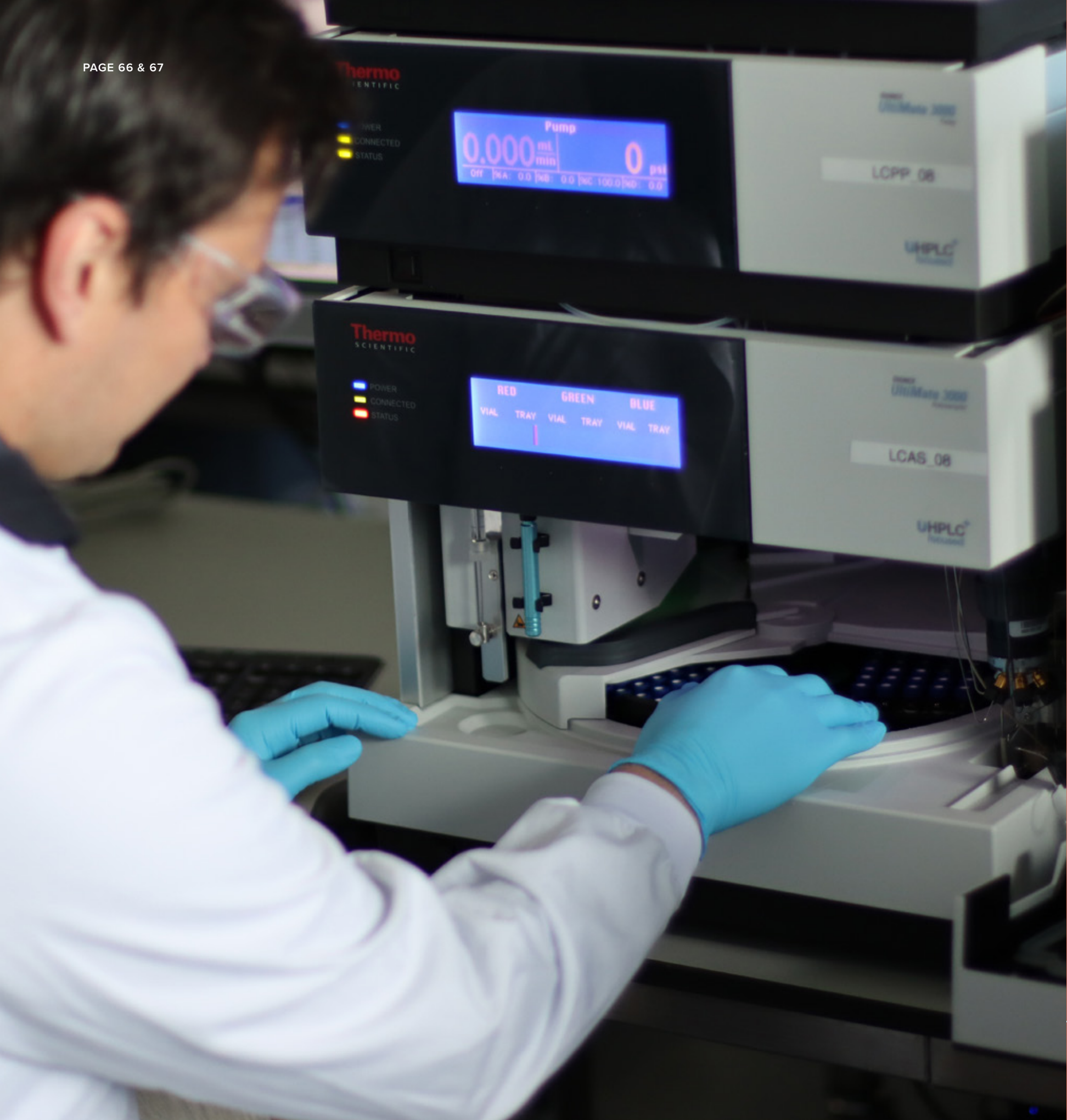
TRANSPARENCY

The ways we seek success beyond profit and undertake processes to measure our sustainability performance against global standards.



The pink health and safety pathway at Synlait Dunsandel





SAFE FOOD

Consumers are increasingly becoming conscious of the origin of their food products, demanding full transparency from the brands that they trust. In the era of a global pandemic, one that may have had its origins in a food market, consumers, and the food retailers that service them, have an even heightened interest in food safety and quality.

At Synlait, our mantra is Everyone Owns Quality. Every day we require complete supply chain integrity – from fresh milk processing and packaging for South Island consumers to packaging complex blends of infant formula into cans for international markets. We take a no compromise approach to product quality and consumer safety with dedicated in-house laboratory testing and international regulatory expertise.

Our food safety and quality system

‘Right first time’ manufacturing is the best guarantee for satisfied customers and shareholders. To support this, our people receive the relevant food safety and quality training required to perform their roles with care and confidence. Our Risk Management Programme comprehensively covers on-farm practices, milk collection, material sourcing, manufacturing processes, testing, warehousing and logistics.

We have mandatory testing to prove the absence of microbial and chemical contaminants. Every can of finished infant formula is x-rayed to confirm the content meets specification. We have a dedicated chemistry and microbiology laboratory at our Synlait Dunsandel site, as well as in-process facilities at each Synlait manufacturing sites (Dunsandel, Pokeno and Auckland). All analyses performed are ISO17025 certified and IANZ accredited.

All processes are audited by an independent third party through a minimum of four site visits a year.

Our accreditations

We have a strong track record of navigating complex regulatory environments and continue to meet the strict criteria of several product quality and safety accreditations¹. In 2019, our Dunsandel facility received FSSC 22000 certification, our first global food safety certificate, for all products apart from liquid dairy. We intend to introduce the FSSC

22000 certification process to our Synlait Auckland facility in FY21.

During FY20, Synlait Pokeno was successfully commissioned and listed for general dairy exports to China. Synlait Auckland attained GACC China Infant Formula Site registration, the culmination of an 18-month project.

Product traceability

Being able to trace back and prove the origin of a product is essential to build consumer trust. We work with Oritain to test every batch of infant formula we produce at Dunsandel and Pokeno to form a ‘fingerprint’ of the origin of that product. Oritain keep samples that can, should it be needed, be used to compare against an in-market product to confirm its origin and detect, if suspected, potential adulteration.

Supplier quality audits

Our quality team acts as both gate-keeper and gate-opener for our suppliers. They ensure that all products supplied to us are safe and compliant. In FY19, we moved to a new system of assessing raw materials, packaging, and service suppliers, allocating risk ratings of low, medium, high and critical to each one. The criteria to determine the level of risk includes the type and volumes of product supplied, and the number of non-compliances previously identified. With this new system, we expect to audit all critical and high-risk suppliers over a three-year period. Suppliers with low or medium risk ratings are required to complete self-audit questionnaires, which are then reviewed and approved by our quality team.

FY20 INITIATIVES

Roll out of SynQ

SynQ represents the systems and methods we use to develop, manufacture, and deliver safe food products for our customers, and to make sure we meet our regulatory requirements. Started in September 2019, the SynQ Project consists of three workstreams to collate and organise our food quality and food safety systems, methodologies and processes. The workstreams are:

- Content – rationalisation and updating of documents;
- Technology – the integrated information systems we use; and
- Culture – helping everyone at Synlait understand why we need to be exceptional at quality.

MyQuality

As part of the SynQ project we introduced MyQuality, an online quality event recording and maintenance system. It has built-in fields to record event details and tools to help classify Quality Events and Quality Actions. It also has workflows so that events and actions can be assigned to the appropriate people for investigation and review. As with safety, the object of MyQuality is not to lower the number of events but to raise the awareness and motivation to notify a quality event and resolve it.

FY20 SAFE FOOD RESULTS¹

Percentage of production covered by FSSC 22000*



Percentage of production covered by a 2nd or 3rd party assessed HACCP programme*

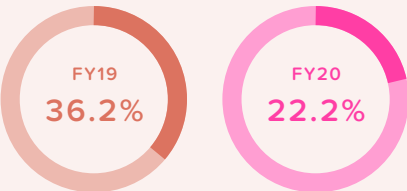


Number of consumer recalls of products for food safety reasons*



Note: In July 2020 Talbot Forest Cheese, in consultation with the Ministry for Primary Industries, undertook a precautionary call of a range of consumer products following the detection of Listeria monocytogenes in samples of these products. As of October 2020, no consumer illness has been reported and no consumer complaints have been received.

Critical and high-risk suppliers audited in FY20^{2*}



Note: As mentioned above, we have changed our supplier classification system and audit procedures. In FY19 we counted all audits of raw materials and packaging suppliers; from FY20 onwards we will only take into account audits of critical and high-risk suppliers, which are meant to be audited once every three years. Due to COVID-19, some audits were re-scheduled for 2021.

* Indicates that data quality was reviewed by an independent third party.

¹ All Synlait manufacturing sites: Dunsandel, Pokeno, Auckland and Talbot Forest Cheese, unless otherwise stated.

² Excluding Talbot Forest Cheese

FY21 PLANS

- Continue the roll-out of SynQ’s three workstreams
- Maintain our focus on improving our Right First Time performance

¹ For the full list of Synlait accreditations, please visit our website at: www.synlait.com/process



HEALTHY FARMING

At the end of July 2018, Synlait’s milk processing facilities were supplied by 201 farms; by the end of July 2020, we had supply agreements with 280 farmers. Despite this growth, we know our farmer suppliers by name, not as a number, and take pride in strengthening our relationships with them through regular farm visits and events that celebrate the successes of our farmer community.

All farmer suppliers comply with the terms and conditions of our Supplier Handbook. 100% of our

South Island farmer suppliers have a Farm Environment Plan, as well as all our North Island Lead With Pride™ certified farmers. Since FY18, we have also provided all of our farmer suppliers with their unique greenhouse gas emissions profile.

Each year, our farmer suppliers are visited by independent Farm Dairy Assessors who audit hygiene, milk quality, regulatory and environmental compliance, animal health and treatment, water usage and other key factors that contribute to healthy farming systems.

A Synlait environmental advisor visiting one of our farmer suppliers in Canterbury

The cornerstone of our sustainable farming strategy is our Lead With Pride™ certification programme. Farmer suppliers who are Lead With Pride™ certified take a holistic approach to all aspects of farming. The programme attracts farmers who want to adhere to the highest standards in terms of milk quality, animal welfare, environmental protection and social responsibility. In return, Synlait rewards them with a financial incentive. Beyond this financial support, Synlait also organises regular farm visits and events within the community of Lead With Pride™ certified farmers to share best practices and experiences. Synlait updates the Lead With Pride™ standard each year, in order to ensure that it takes into account the most recent knowledge and that its requirements remain truly leading over time.

For more information on Lead With Pride, please refer to page 74.

FY20 INITIATIVES

Onboarding Waikato farmer suppliers
As Synlait commissioned its new facility in Pokeno in FY19, we specifically procured milk from farms whose values aligned with ours, and who were interested in becoming Lead With Pride™ certified. We have onboarded 59 new farmers across the Waikato region since the 2019-2020 milk season, 17 of which have already become Lead With Pride™ certified. To support this growth, we have

established a small Milk Supply team in the North Island.

Lead With Pride™ expansion
We strongly encourage our existing farmer suppliers to adhere to our Lead With Pride™ standards. We also require all new farmer suppliers to be certified within three years of signing on as a milk supplier. While 57% of our farmer suppliers were certified in the 2019-2020 season, we expect over time that the vast majority of our farmer suppliers will become Lead With Pride™ certified.

Lead With Pride™ new requirements
Lead With Pride™ is a continually evolving standard. In FY20 we made wide-spread changes to our requirements for the new 2020-2021 milk season. Examples include:

- Developing a farm policy that needs to be signed by all employees, and which includes a farm vision for the care of people, animals, environment and milk quality;
- Communicating any new hazards to contractors coming to the farm;
- Implementing a GHG mitigation plan, with the guidance of a new GHG tool developed by Synlait (see Climate chapter page 24).

FarmIQ
For some time, farmer suppliers have indicated a need for electronic recording and reporting of their data.

We have partnered with FarmIQ to provide Lead With Pride™ farmers with free access to an online platform for recording certification-related data. The software is available in both desktop and mobile applications. The two have the ability to synchronise data and is accessible by all farm staff. Ultimately, FarmIQ will assist in the integrity of Lead With Pride™ and improve auditing efficiencies. It will also give farmers a useful tool that helps them manage their farm better.

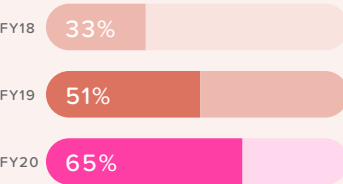
Acquisition of neighbouring Synlait Dunsandel farmland
In March 2020, Synlait acquired a 582-hectare farmland adjacent to our Dunsandel facility. This farmland has been purchased for several reasons: to have greater control over water rights and wastewater application, to develop a rail siding adjoining Dry Store 4 (see Sustainable Supply chapter page 78) and to trial sustainable farming practices. We are conscious that New Zealand farming will need to undergo significant transformation to achieve truly sustainable food production. We also know that extensive research and development will need to be carried out to test and confirm solutions that will enable our farming practices to address today's environmental challenges, while still maintaining profitability. The acquired farmland will be an opportunity for Synlait to directly perform on-farm trials, alongside our farmer suppliers who also regularly collaborate with us on research projects.

FY20 HEALTHY FARMING RESULTS¹

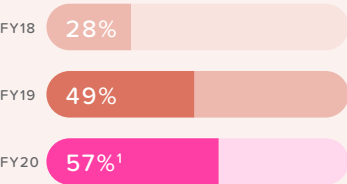
| | 2018 | 2019 | 2020 | FY18-FY20 evolution |
|--|------|------|------|---------------------|
| Average length of farmer partnership with Synlait (as of 31 May 2020)* | | | | |
| - Canterbury* | - | 6.8 | 7.8 | 15% |
| - Waikato* | - | - | 1.0 | - |
| Percentage of farms with significant environmental non-compliances (as of June 2020)²* | - | 2% | 3% | 50% |
| Lead With Pride™ certified farmer suppliers (as of 31 May 2020)* | 28% | 49% | 57% | 104% |
| Lead With Pride™ certified milk (as of 31 July 2020)* | 33% | 51% | 65% | 97% |

* Indicates that data quality was reviewed by an independent third party.

Lead With Pride™ certified milk (as of 31 July 2020)*



Lead With Pride™ certified farmer suppliers (as of 31 May 2020)*



¹ As of July 2020 (the end of our financial year), Lead With Pride™ certified farms represented 54% of total farms. The percentage is slightly lower than as of May 2020 as we onboarded 24 new farms in June 2020, for the upcoming milk season.
² There were no significant non-compliances in the Waikato region, and seven significant non-compliances in Canterbury. These were due to issues relating to water abstraction, discharge of effluent to land and discharge of sediment into a waterway. It should be noted that the reported non-compliances are only from farms visited by the regulators and, due to COVID-19, there were fewer inspections carried out in FY20 than in other years.

FY21 PLANS

- Prepare to take over the full operation of the recently acquired neighbouring farmland at Dunsandel and implement our “future farms” roadmap
- Continue to promote and expand our Lead With Pride™ programme

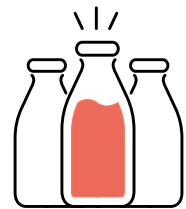
OUR FOUR
PILLARS

The Lead With Pride™ programme is comprised of four interdependent pillars: Environment, Animal Health and Welfare, Milk Quality and Social Responsibility. These pillars recognise the challenges and complexities of sustainability in the medium and long term, and are supported by financial incentives, per kilogram of milk solids, designed to encourage continuous improvement in dairy farming practices. Each year, Lead With Pride™ certified farms are independently audited to the ISO/IEC 17065 standard.



**Environment –
Lead with foresight**

New Zealand's unique environment is reflected in the quality of its milk, so protecting the environment is both good farming and good business. For dairy farming to be sustainable, our industry's environmental practices must be sustainable too. To become Certified Members, our farmer suppliers must achieve excellence in the management of water, effluent, biodiversity, soil quality, energy and GHG emissions.



**Milk quality –
Lead with greatness**

It takes modern, innovative farming methods to produce the highest quality milk that our customers want in their products. Our best suppliers are dedicated to food safety. They do this by daily milk monitoring and focus on practices that ensure the absolute integrity of their milk. Our Certified Members are recognised for excellence in areas that our customers consider essential, including dairy presentation and infrastructure, hygiene practices, milk cooling, residue management and staff training.



**Animal health and welfare –
Lead with care**

The best dairy farmers know that the health and welfare of their herd directly impacts milk quality and work hard to ensure a happy and healthy herd. Certified Members exceed New Zealand's Animal Health and Welfare standards. This includes accurately monitoring and recording animal health events and outcomes so better decisions can be made in the future, and performance improved.



**Social responsibility –
Lead with integrity**

The greatest potential on any farm lies in its people. By building cohesive teams that have real drive and passion, our farmer suppliers are able to improve overall farm performance. Taking a comprehensive human resources approach, farmers create more opportunities for success, they also attract the best employees. Certified Members take a systems approach to recruitment, management, health and safety and training. They create a sense of teamwork on farms and stand out as an employer our industry respects.



Animal health and welfare is a priority for our Synlait farmer suppliers



SUSTAINABLE SUPPLY

Sustainable procurement means making sure that the products and services we buy are as sustainable as possible, with the lowest environmental impact and most positive social results. It is also about reducing our exposure to supply chain risks.

In FY20 we have raised the sustainability bar for our suppliers through the introduction of a new procurement policy and more focus on securing sustainable alternatives for many of the goods and services we procure.

Dry Store 4 during construction shortly after the roof was completed in August 2020

FY20 INITIATIVES

New procurement policy

To support our purpose of *Doing Milk Differently for a Healthier World*, we need like-minded suppliers. In April 2020, we introduced a new Procurement Policy that reflects our values, our strategy, our safety standards, and our ethics.

The Procurement Policy covers all our sites and financial transactions including capital projects, tenders, leases, rentals, renewals, and contracts.

By including guidelines regarding environmental impact and social considerations in the Procurement Policy we now have a formal framework to promote better sustainability performance of our key suppliers. The Policy covers environmental aspects such as packaging, recycling, disposal and transportation. The Procurement Policy also states clear expectations concerning human rights standards, labour laws, health and safety and security of information and assets owned by Synlait.

Local supply

Our Procurement Policy encourages the sourcing of goods and services from suppliers who are near to our sites. Currently all of our major packaging suppliers are located within New Zealand. Our infant formula cans are produced both in

Auckland and Christchurch. All our kraft paper bags are made in South Auckland. Our continued success has also encouraged some key suppliers to invest in production facilities closer to Synlait’s own production sites, which benefits the local economy and reduces the supply chain’s environmental footprint.

Audits and questionnaires

To make the supplier qualification process simpler, we have developed self-audit questionnaires for new and existing suppliers. The questionnaire outlines our Supplier Quality Expectation and is an important step in our supplier assessment and approval process. The questionnaire is provided to all suppliers for materials, packaging and services. It asks a wide range of questions and requests information regarding certifications, food safety and hazard management, hygiene, ethical standards, quality controls, standards compliance, storage and distribution. Based on the quality of the self-assessment, suppliers are either approved, required to be audited or are declined as Synlait suppliers.

Working towards more sustainable purchasing

As a food manufacturing business, we use a wide variety of materials apart from the raw milk and ingredients that go into the infant formula and everyday nutrition products we produce. We are constantly looking at sustainable alternatives for these

products. This review includes low cost consumables such as wet wipes, lab coats and disposable gloves through to high-value items such as the vehicles we lease. In FY20 we found a recycling solution to the 1,500 wet wipes cannisters we use monthly. We also replaced some disposable PPE (personal protective equipment) such as certain types of coats and gloves with reusable ones. Finally, we decided to incorporate one electric car in our Milk Supply team’s vehicle fleet, after carrying out a short trial in November 2019.

Optimising our supply chain

During FY20 we commenced work on two projects that will create significant supply chain efficiencies and improve our sustainability footprint. A new 30,000 square metre Dry Store 4 will streamline our logistic activity, bring offsite storage back to Synlait Dunsandel and generate transportation efficiencies. By investing in new technology and infrastructure we also expect Dry Store 4 to deliver positive health and safety outcomes.

The investment in Dry Store 4 and purchase of neighbouring farmland will also enable us to develop a dedicated rail siding at Dunsandel. On completion, which is planned for May 2021, containerised goods will be transported by rail to Lyttelton Port, significantly reducing our carbon and emissions footprint by removing around 16,000 truck movements annually.

FY20 SUSTAINABLE SUPPLY RESULTS

Percentage of non-milk supplier expenditure with New Zealand registered companies¹*



* Indicates that data quality was reviewed by an independent third party.

¹ Excluding Talbot Forest Cheese and Synlait China

FY21 PLANS

- Establish a formal method to perform sustainability screenings of our key purchases and suppliers
- Finalise operational terms to advance construction of the rail siding near our Dunsandel Dry Store 4 and enter into commercial arrangements with KiwiRail to bring trains into the site



TRANSPARENCY

Increasingly, shareholders and stakeholders are requiring greater disclosure and transparency from publicly listed companies. At Synlait we are committed to clear and accurate reporting of our sustainable performance to our many stakeholders.

As well as producing this, our second Sustainability Report, during the past year we have undertaken a rigorous process to detail our impact on the planet and society in order to achieve B Corp™ certification and secure two Environmental, Social and Governance (ESG) linked loans, which help fund our business development strategies.



Staff driving into Synlait Dunsandel are reminded of the commitment we made to use business as a force for good

TRANSPARENCY TARGETS

120 points in the B Corp™ Impact Assessment by 2028

‘A’ score in the CDP Climate Change questionnaire by 2028

FY20 INITIATIVES

B Corp™

We proudly achieved B Corp™ certification in June 2020 and thus pledged to use business as a force for good. The B Corp™ community works toward reduced inequality, lower levels of poverty, a healthier environment, stronger communities, and the creation of more high-quality jobs with dignity and purpose. We are committed to improving our B Corp™ score over time by advancing our performance as well as our transparency regarding people and the planet. For more information, please read our case study page 84.

ESG Rating

We have been able to leverage our sustainability performance to access an ESG-linked loan from ANZ Bank. The \$50 million Environmental, Social and Governance (ESG) linked loan was a first in New Zealand and encourages a borrower to further improve performance and disclosure against a set of independent ESG criteria. A second \$50 million ESG loan was arranged in 2020 with BNZ. A discount or premium to the base lending margin is applied to the loans, depending on the evolution of our sustainability

performance. The performance is based on Sustainalytics’ ESG Risk Ratings, an annual measurement of a company’s exposure to financially material ESG risks. In February 2020 Synlait was rated 21.3 (Medium Risk) by Sustainalytics and ranked 20th out of a total of 502 food companies worldwide. Using the same methodology as in FY19, when Sustainalytics conducted its initial assessment, our score was 22.5.

CDP

The Carbon Disclosure Project (CDP) is a not-for-profit that encourages companies throughout the world to measure, manage, disclose, and ultimately reduce their greenhouse gases. For the first time, in 2019 Synlait completed the CDP climate change questionnaire that was sent to all S&P/ NZX50 companies. Only 15 of the 50 companies responded to CDP’s questionnaire. There are four scoring levels – A/A- for leadership, B/B- for management, C/C- for awareness and D/D- for disclosure. Companies that fail to respond to CDP or fail to disclose sufficient information receive an F. Synlait received a D overall. We are continuing to review our climate change risks, disclosure levels and targets that may lead to a higher rating in the future.

Science Based Targets

The Science Based Targets initiative encourages companies to set science-based GHG reduction targets to contribute towards keeping global warming well below 2 degrees Celsius or below 1.5 degrees Celsius. The SBTi is a collaboration between

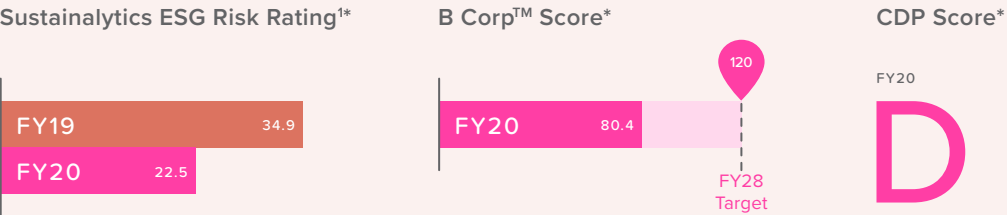
CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. Setting a science-based GHG target would help us stay ahead of future regulation and give our stakeholders confidence that we are addressing climate change.

In early 2020 we used the SBTi target-setting protocol to calculate what our new GHG targets would be to contribute to staying below 1.5 degrees of warming. However, with the recent acquisition of Talbot Forest Cheese and Dairyworks we realised that we needed to expand the scope of our GHG emissions profile and targets. We intend to recalculate our science-based targets and formally submit our application to SBTi in FY21.

Taskforce on Climate-related Financial Disclosure

Climate change is a principal risk to Synlait and has the potential to impact our business in the short, medium, and long term. We have commenced work on climate modelling, using the Taskforce on Climate-related Financial Disclosure (TCFD) scenario planning, to determine how different climate scenarios would impact our operations. We have also established a list of our climate-related risks and assessed their likelihood, time horizon and level of impact on the business. The TCFD framework divides climate-related risk into two categories – risks relating to the transition to a lower carbon economy and risks arising from the physical impact of climate change.

FY20 TRANSPARENCY RESULTS



* Indicates that data quality was reviewed by an independent third party.

¹ The FY20 ESG Risk Rating of 22.5 is based on the methodology used by Sustainalytics in FY19, to enable a like-for-like comparison. Sustainalytics has updated their methodology in FY20 and under the new version our rating is 21.3.

FY21 PLANS

- Review and submit our new GHG targets to the SBTi
- Develop a strategy to continually improve our B Corp™ performance, including for Talbot Forest Cheese and Dairyworks

CASE STUDY:
ACHIEVING B CORP™
CERTIFICATION

B Corp™ is a global community of businesses that pledge to use business as a force for good. They consider the impact of their decisions on their workers, customers, suppliers, communities, and the environment. As of September 2020, there were more than 3,500 B Corp™ certified companies from 150 industries across 74 countries.

Synlait’s mission is to be a catalyst for change in our industry and becoming a B Corporation™ commits us to balancing people, planet and profit. We used the B Corp™ assessment and process to frame our performance against global standards for environmental and social performance, accountability, and transparency. We were able to benchmark our performance against the best for the world such as Danone, Patagonia and Ben & Jerry’s.

Today’s consumers have rapidly shifting expectations on how we should care for our people and planet, and we have responded by ensuring our business, as a milk nutrition company, is fit for a better world. Being a Certified B Corp™ creates a new benchmark for our company, our customers, and our community.

Certified B Corporations™ are verified by B Lab, a non-profit organisation. The B Corp™ Impact Assessment has five sections: Governance, Community, Workers, Environment and Supply Chain.

After determining we wanted to become a B Corp™, we did a pre-screening assessment in FY19 and found that we were below the 80-point certification threshold. We then improved our performance throughout FY20 and launched a full verification process in January 2020. More than 30 Synlait staff from across the business helped complete the assessment and provide the required documentation to B Lab’s analysts.

Our certification was confirmed in June, with a score of 80.4.

Since then, we have conducted multiple internal team briefings, shared the news with our key stakeholders and engaged with the B Corp™ community in Australia and New Zealand. Our plan moving forward is to continue improving Synlait’s performance and also to set Talbot Forest Cheese and Dairyworks on their own B Corp™ journey, as both subsidiaries will be included in our re-certification process in June 2023.

Synlait staff are proud to work for a certified B Corporation™



APPENDIX - GRI CONTENT INDEX

While this Sustainability Report follows the objectives of the Global Reporting Initiative and includes a wide range of environmental and social disclosures, it is not intended to be a GRI Standards Core Option report. We have provided a table linking our disclosed information to GRI indicators as a first step towards adopting the GRI methodology.

| GRI Standard Disclosure | Disclosure | | Reference | Page Number |
|-------------------------|--------------------|---|---|-------------|
| Organisational profile | 102-1 | Name of the organisation | Synlait Milk Limited | |
| | 102-2 | Operations | Our strategy | 8-9 |
| | 102-3 | Head office | Dunsandel, New Zealand | |
| | 102-4 | Locations | About this report | 3 |
| | 102-5 | Legal type of entity | Limited liability company | |
| | 102-6 | Markets served | Global | |
| | 102-7 | Scale of the organisation | Key figures | 11 |
| | 102-8 | Workforce | Key figures | 11 |
| | 102-9 | Supply chain | How we create value | 12-13 |
| Strategy | 102-14 | Managing Director statement | Introduction | 6-7 |
| Ethics and integrity | 102-16 | Values, principles, standards | Our strategy | 8-9 |
| Reporting practice | 102-45 | Entities included | About this report | 3 |
| | 102-46 | Basis of report content | About this report | 3 |
| | 102-47 | List of material topics | Our materiality analysis | 14-15 |
| | 102-50 | Report period | 1 August 2019 – 31 July 2020 | |
| | 102-51 | Report date | November 2020 | |
| | 102-52 | Reporting cycle | Annual | |
| | 102-53 | Contact information | sustainability@synlait.com | |
| | 102-54 | GRI compliance | As above statement | |
| | 102-55 | GRI context index | This page | |
| Material topics | Related indicators | | | |
| Economic | 201-1 | Direct economic value generated and distributed | Key figures | 11 |
| | | | How we create value | 12-13 |
| | 204-1 | Expenditure on local suppliers | Sustainable supply | 78-79 |
| Environmental | 305-1 | Greenhouse gases (GHG) emissions Scope 1 | Climate | 27 |
| | 305-2 | GHG Scope 2 | Climate | 27 |
| | 305-3 | GHG Scope 3 | Climate | 25-27 |
| | 305-4 | GHG emissions intensity | Climate | 25-27 |
| | 305-5 | Reduction of GHG emissions | Climate | 23-27 |
| | 302-1 | Manufacturing Energy and Coal Consumption | Climate | 26-27 |
| | 303-1 | Nitrogen losses | Water | 30-31 |
| | 303-5 | Water consumption | Water: On-farm and off-farm consumption | 30-33 |
| | | | | |

| GRI Standard Disclosure | Disclosure | | Reference | Page Number |
|-------------------------|------------|---|---|-------------|
| Environmental | 306-2 | Total waste production and recycling | Circular economy | 40-41 |
| | 307-1 | Non-compliance with environmental regulations and laws | Healthy farming | 73 |
| | 308-2 | Negative environmental impacts in the supply chain and action taken | Healthy farming: Lead With Pride™ | 72-75 |
| Social | 404-3 | Percentage of employees receiving regular performance and career development reviews | Talent attraction and development | 52-53 |
| | 405-1 | Diversity of governance bodies and employees | Diversity and inclusion | 56-57 |
| | 405-2 | Remuneration for men and women and differential | Diversity and inclusion | 56-57 |
| | 401-1 | Annual staff turnover | Talent attraction and development | 53 |
| | 403-9 | Annual injury, severity and fatality rates | Safe workplace | 49 |
| | 413-1 | Operations with local community engagement, impact assessments and development programmes | Culture and Community | 60-61 |
| | 416-1 | Customer health and safety: Health and safety impact assessment of products | Safe food | 68-69 |
| | 417-2 | Incidents of non-compliance concerning product and service information and labelling | Safe food | 69 |
| | | | | |
| Management Approach | | | | |
| | 103-1 | Explanation of material topics | Our materiality analysis | 14-15 |
| | 103-2 | Management approach | Introduction | 6-7 |
| | | | Our strategy | 8-11 |
| | | | Net positive for the planet | 20 |
| | | | A Healthier Synlait | 44 |
| | | | World class value chain | 64 |
| | 103-3 | Evaluation of management approach | Results within each Sustainable Innovation Platform (SIP) | |



DO YOU HAVE FEEDBACK ON OUR SUSTAINABILITY STRATEGY AND REPORT?
OR HAVE A QUESTION TO ASK OUR TEAM? CONTACT US AT: SUSTAINABILITY@SYNLAIT.COM