

Certified



Corporation

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 2021.

The scope of this report includes all entities in which Synlait Milk Limited has more than 50% ownership. In FY21, Synlait Milk Limited fully owned Synlait Milk Finance Limited, The New Zealand Dairy Company Limited, Eighty-Nine Richard Pearse Drive Limited, Synlait Business Consulting (Shanghai) Limited, Synlait Milk (Dunsandel Farms) Limited (incorporated in August 2020), Dairyworks Limited and Dairyworks (Australia) Pty Limited. On December 2020, Synlait Foods (Talbot Forest) Limited was amalgamated into Dairyworks Limited. Sichuan New Hope Nutritional Foods, in which Synlait has less than 50% shareholding, is excluded from the Sustainability Report’s scope.

In FY21, Synlait’s manufacturing sites were Synlait Dunsandel, Synlait Pokeno, Synlait Auckland, Talbot Forest Cheese (Temuka) and Dairyworks (Christchurch). Synlait’s leased Westney Road warehouse (Auckland) and Dairyworks’ leased Gerald Connelly warehouse (Christchurch) have been included in some environmental metrics, such

as electricity, LPG, waste and GHG emissions. Our other sites - Synlait’s innovation centre (Palmerston North), China office (Shanghai) and Press House office (Christchurch) - are negligible in terms of environmental impact and are excluded from the scope of all Environment indicators. They are nevertheless (unless otherwise stated), included in the People and Enterprise indicators.

Our on-farm indicators cover all contracted milk suppliers. In FY21, Synlait’s direct 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).

The Synlait Dunsandel farms (acquired in FY20) were leased to a farming business, that operated them and sold the milk back to Synlait, up until May 2021. Therefore, environmental impacts from the farms are included not as scope 1 and 2 (direct impacts), but as scope 3 (supply chain) impacts.

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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Milk, separated at source, is unloaded into the appropriate silos at Synlait Dunsandel's Milk Reception Bay.



Dr John Penno,
CEO



Hamish Reid,
Director – Sustainability,
Brand, Beverages and Cream

Kia ora, and welcome to Synlait’s third Sustainability Report.

Our sustainability journey started in 2017, when we realised that business could no longer talk about, and plan for, perpetual continuity. As a business in the food and fibre sector, we could no longer define ‘winning’ as we had in the past when the health of our climate, soil, biodiversity, water, and animals were suffering.

Our business is dependent upon natural systems and we are seeing them decline. On the one hand, over past 70 years since the industrialisation of food, our industry, has done brilliantly at feeding billions of people cheaply, but this has come at a cost.

Agriculture is responsible for 30% of the world’s greenhouse gas emissions (GHG) and 70% of freshwater use. As humans we have been responsible for 60% of patuanuku’s (mother nature’s) deforestation and 40% of biodiversity loss. We cannot continue along this path – 10 billion people’s lives and millions of other species depend on us to make a course correction.

So, since 2017, we have chosen to pivot, building, and delivering on, our sustainability strategy. We have bold 10-year targets across our on-farm and off-farm operations. We have work plans across 12 sustainable innovation platforms, and we are making some encouraging progress which is set out in this report.

As we published this report, we also announced Synlait’s on-farm emissions intensity, per kg of milk solids, reduced 5% over the past year or 10% compared to our FY18 base year when targets were first established. Total off-farm (scope 1 and 2) emissions have remained stable since last year, however, the emissions intensity, per kg of product, has reduced by 24% compared to FY18. We have a long way to go – as a company, as an industry, and as a country, but we are determined to change, and to inspire others to join us.

The commercialisation of our sustainability strategy is extremely important. If we can secure premiums for our products off the back of our investment in sustainability initiatives – that can be reinjected into further gains.

As you will read in this report, we are again making good progress in this space. By way of example, in April, we launched Made With Better Milk, a value-add premium ingredients offering that brings together three propositions:

- 1. Synlait’s best practice Lead With Pride™ farming system.
- 2. Our modern processing facilities with the industry’s most ambitious sustainability strategy being implemented.
- 3. Our corporate purpose which is symbolised by our B Corp™ certification.

New Zealand-made milk nutrition ingredients are well known for quality and safety; however, we need to keep differentiating ourselves. Made With Better Milk provides our global customers with the opportunity to differentiate the products they market to consumers based on a supply chain that takes better care of people and animals, and generates better outcomes for climate, water, soil, and biodiversity.

This is the future we are working toward – New Zealand made food respected for being good for people and the environment. And, accordingly, we, as a commercial business, will be rewarded for the value of that. I hope you find our progress encouraging.

Ngā manaakitanga.

Dr John Penno,
CEO

Hamish Reid,
Director – Sustainability,
Brand, Beverages and Cream

KEY HIGHLIGHTS



215,000MT

FY21 PRODUCTION*¹



\$1,367.3M

FY21 REVENUE



86,820kgMS

FY21 CONTRACTED MILK SUPPLY*
(‘000)



1,264

FY21 TOTAL EMPLOYEES*



277

FY21 MILK SUPPLIERS*

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

¹ Production figures for FY18-FY20 were restated following a change in the reporting system used. This has led to minor variations in the FY18-FY20 intensity metrics disclosed throughout this report.

OUR HEART, HEAD, HANDS



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



Ingredients



Nutritionals



Beverages
and Cream



Consumer
Foods



Net Positive for
the Planet



A Healthier
Synlait



World Class
Value Chain

DOING MILK
DIFFERENTLY

FOR A HEALTHIER
WORLD

In FY21 Synlait restructured its organisation into four business units:



INGREDIENTS

An efficient and focused business that manufactures high-quality whole and skim milk powder and milk fat products from a differentiated milk supply for leading multinationals and large Chinese customers.



BEVERAGES AND CREAM

A growing business focused on product development and innovation to manufacture high-specification, long-life consumer-packaged beverages, foodservice cream products, and ready to feed infant formula.



NUTRITIONALS

Offers a whole of supply chain solution for large-scale, world-class, multinational brand owners of infant, children, and adult formulated nutritional powders. This business also manufactures specialised nutritional ingredients such as base powders for others to blend and package, and lactoferrin as a high value ingredient.



CONSUMER FOODS

A manufacturer of consumer fresh milk, cheese, butter, and yogurt products in the New Zealand and Australia domestic markets under our own and/or private label brands.

OUR SUSTAINABILITY FRAMEWORK

Our strategy continues to be supported by three enabling pathways:



NET POSITIVE FOR THE PLANET

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

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.

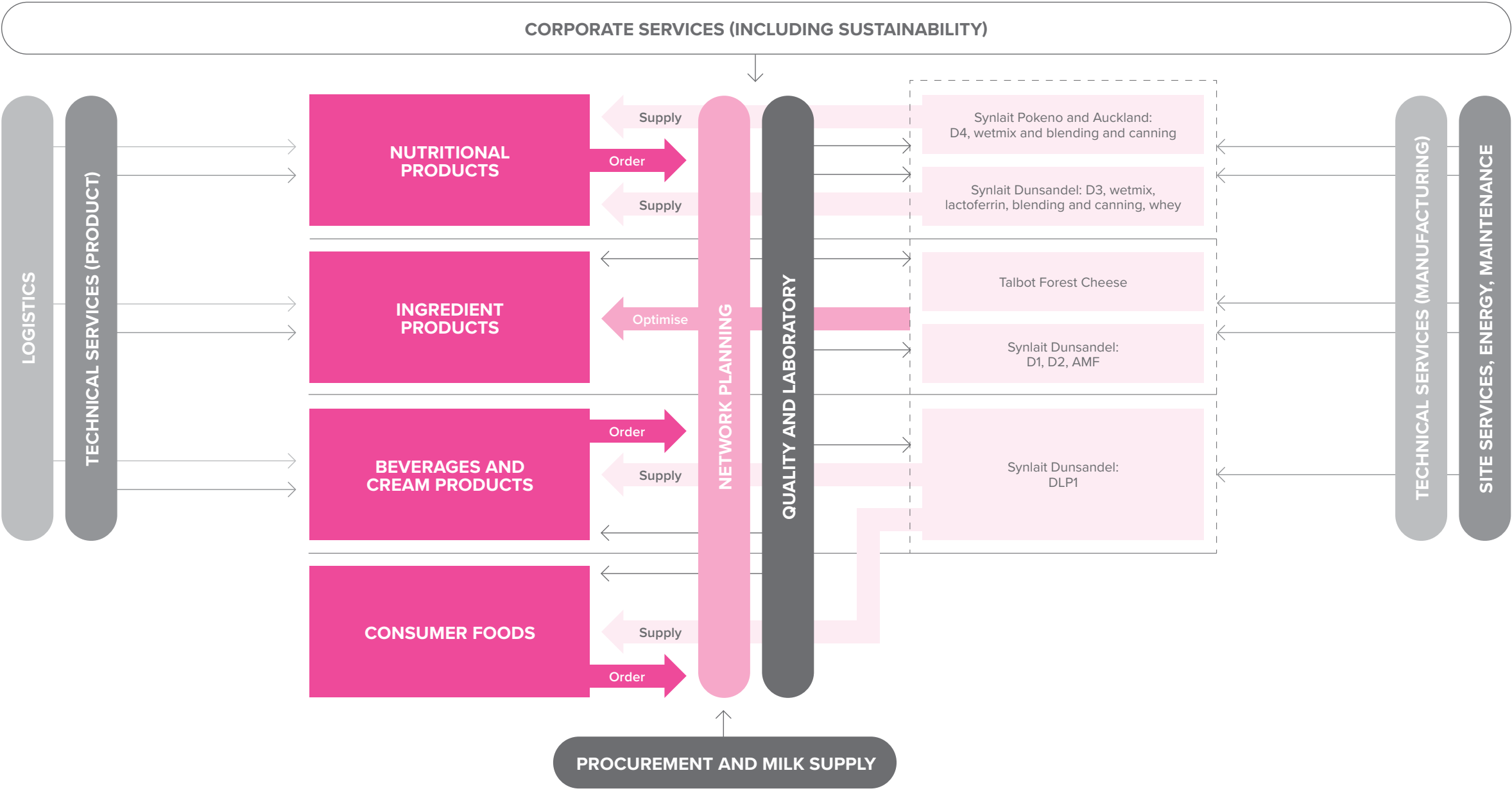


WORLD CLASS VALUE CHAIN

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?




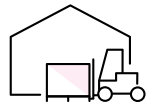




WE HAVE ALIGNED STRUCTURE TO STRATEGY TO RESET HOW WE OPERATE








HOW WE CREATE VALUE







WHAT WE HARNESS

 Natural Water, energy, land, milk	 Social Customers, farmer suppliers, regulators, community	 Human New Zealand and China-based staff Strengths-based approach to development Health and safety leadership	 Physical Owned New Zealand-based assets Integrated manufacturing systems	 Financial NZX/ASX listings Long-term strategic shareholder base linked to growth markets Shareholder capital	 Intellectual Lead with Pride™ programme Expertise to design, build and operate world-class facilities Innovation centre
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WHAT WE DO

 On-farm Reward New Zealand's most innovative farmer suppliers Source differentiated milk streams	 Operations Operate world-class facilities Process differentiated milk streams Implement best practice food safety, quality and regulatory systems In-house laboratory	 Products Invest in infant nutrition, ingredients and everyday dairy	 Customers Develop and manufacture specialised products for global brands	 Sustainability Set industry-leading targets and roadmaps
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OUTCOMES

 Nutritional, safe products Health and essential nutrition Trusted brands, product traceability Extensive product range	 Industry challenger Recognised for on-farm sustainability standards: Lead With Pride™ Catalyst for change Long-term, high-growth partnerships	 Market access Achieved due to regulatory and quality accreditations Capability to grow	 Talented employees Innovative and agile culture: Kotahitanga (unity or solidarity, in te reo Māori) World-leading engagement results	 Environmental stewardship On-track to reduce on-farm and off-farm environmental impacts Certified B Corp™	 Financial capability Lead With Pride™ incentive payments Competitive margins Revenues reinvested
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↑ DOING MILK DIFFERENTLY FOR A HEALTHIER WORLD ↓

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 economic, social and environmental topics that are most material to us and our stakeholders.

In FY20, we performed a full desktop materiality assessment, reviewing reports from suppliers, customers, investors and other external stakeholders to assess relevant issues that can affect value.











Working from a long list of topics, a shortlist was created and then discussed with a group of key internal stakeholders.

In FY21, we took into account our internal and external contexts to update this list and review the ranking of our most material topics.

MATERIAL TOPICS

- 1 FOOD SAFETY
- 2 HEALTH, SAFETY AND WELLBEING OF EMPLOYEES
- 3 PROFITABILITY
- 4 CLIMATE CHANGE
- 5 WATER QUALITY
- 6 CUSTOMER DIVERSIFICATION
- 7 LAND, BIODIVERSITY AND REGENERATIVE AGRICULTURE
- 8 ANIMAL WELFARE
- 9 PRODUCT PROVENANCE AND TRACEABILITY
- 10 ORGANISATIONAL CAPABILITY AND CULTURE
- 11 PLANT-BASED PRODUCTS AND INNOVATION
- 12 PLASTIC PACKAGING, WASTE, REUSE AND RECYCLING
- 13 CYBER SECURITY
- 14 SOCIAL RESPONSIBILITY
- 15 NUTRITION

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	Healthy farming	68
	GOOD HEALTH AND WELLBEING	3.4 - Reduce premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being	Safe food	64
			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	Diversity and inclusion	54
	CLEAN WATER AND SANITATION	6.3 - Improve water quality by reducing pollution and minimizing release of hazardous chemicals	Water	30
		6.4 - Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals of freshwater		
	AFFORDABLE AND CLEAN ENERGY	7.2 - Increase substantially the share of renewable energy in the global energy mix	Climate	24
	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	Talent attraction and development	50
			Diversity and inclusion	54
			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	Circular economy	40
			Sustainable supply	74
			Transparency	78
	CLIMATE ACTION	13.2 - Integrate climate change measures into national policies, strategies and planning	Climate	24
	LIFE ON LAND	15.2 - By 2020, promote sustainable management of all types of forests, halt deforestation, restore degraded forests and increase afforestation	Culture and community	58
		15.3 - Combat desertification, restore degraded land and soil, and strive to achieve a land degradation-neutral world	Welfare	36
	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	Healthy farming	68
			Sustainable supply	74
			Culture and community	58

¹ Sustainable Innovation Platform

PRODUCT

MADE WITH BETTER MILK

CREATING VALUE FROM OUR SUSTAINABILITY INVESTMENT

Consumers and customers globally are demanding a new approach to food and New Zealand is well placed to play a strong role in the supply of sustainable food to the world.

The industrialisation of food production over the past 70 years has successfully fed billions of people, but that has often come at a great cost to the health of our climate, soil, biodiversity, water, and animals. But it is not too late to turn over a new leaf, to build back the respect that our biosphere so desperately calls for.

Synlait is working with our farmer suppliers to evolve New Zealand’s reputation as a responsible and sustainable producer of food. Together we are harnessing our natural capital to differentiate ourselves and create value.

Made With Better Milk provides our global base of food-producing customers with opportunities to add value to their products and communicate the integrity and provenance of the ingredients they use.

The programme brings three propositions together:

- 1. Milk used for our Made With Better Milk products is streamed from our highest performing Lead With Pride™ farms.
- 2. Our modern processing facilities have the industry’s most ambitious sustainability strategy being implemented.
- 3. In 2018 we placed sustainability at the centre of our corporate purpose – in evidence by securing B Corp™ certification in 2020.

Streaming milk from our Lead With Pride™ farms provides our customers with the level of assurance and transparency they seek from their supply chain. Lead With Pride™ farms are audited by an external third party each year. Additionally, we have state of the art plants that are agile and capable of segregating milk streams throughout the factory that are aimed at different customers and products.

Synlait’s Made With Better Milk Whole Milk Powder.



MADE WITH BETTER MILK INCLUDES EIGHT DIFFERENT CATEGORIES WITH SEVERAL VALUE PROPOSITIONS IN EACH CATEGORY

CATEGORY 1



HEALTH AND NUTRITION

CATEGORY 2



ANIMAL WELLBEING

CATEGORY 3



PEOPLE AND LIVELIHOODS

CATEGORY 4



CLIMATE

CATEGORY 5



WASTE AND PACKAGING

CATEGORY 6



NATURE

CATEGORY 7



PRODUCT SAFETY AND QUALITY

CATEGORY 8



TRANSPARENCY AND PROVENANCE

Looking out over the next several years to 2028, 44 value propositions have been identified, based on our environmental and social sustainability roadmaps.

The value propositions are in different stages of development. Some are available now; some are in development but could be fast-tracked within a few months to meet a specific customer request, and others are more long-term aspirations.

Our aim is to enable our customers to meet their needs at a brand and/or corporate level. For example, some value propositions will help them achieve their corporate commitments and targets, such as reducing their supply chain’s greenhouse gas emissions. Other value propositions will provide opportunities for their brands to differentiate through unique product claims and labels, such as grass-fed certification.

A CLOSER LOOK AT THREE VALUE PROPOSITIONS

Grass-fed certification

Although the grass-fed herd may be perceived as ubiquitous in New Zealand, not all grass-fed claims are equal. The provenance of Synlait’s grass-fed milk is verified by AsureQuality, a state-owned enterprise that provides auditing and assurance certification for the New Zealand food sector. The AsureQuality Grass-Fed standard requires that each farm is audited annually; that the diet of cows consists of at least 95% grass; and that the milk produced is segregated from farm to factory.

Numerous studies have shown that, compared to milk from cows with total mixed-ration (TMR) or grain-based diets, the nutrient profile of grass-fed milk has unique properties that are beneficial for human health. It has higher levels of heart-healthy omega-3 fatty acids, and up to five times the levels of conjugated linoleic acid (CLA), which is thought to help regulate immune function, maintain cardiovascular health, and provide anti-inflammatory properties.

Grass-fed milk has higher levels of beta-carotene, an antioxidant and a source of vitamin A, which is important for a healthy immune system, and eye and skin health, as well as higher levels of vitamin B2, which is known to help reduce tiredness and fatigue.

Palm free milk

The clearing of tropical forests for palm oil plantations has led to widespread loss of biodiversity, soil degradation, greenhouse gas emissions, and human rights violations.

Palm Kernel Expeller (PKE), a by-product of the palm oil industry, has increasingly been fed to dairy cows in the past few years, becoming the largest imported animal feed in New Zealand in 2018. At Synlait, we believe that we should remove palm inputs from our supply chain to prevent global deforestation. Several European studies have also indicated a general consumer preference for “palm free” products.

We source palm free milk from farmer suppliers that have committed, through our Lead With Pride™ programme, not to use PKE. This milk is segregated throughout our supply chain to ensure its integrity. These farms are audited annually to ensure they are PKE free, and they also provide documentation about their feed plans. Furthermore, we undertake testing to verify that their raw milk is PKE free. Farmer suppliers who are PKE free are financially rewarded with a dedicated incentive payment.

Low GHG milk

Climate change is one of the world’s greatest threats, and livestock – including the cows used for dairy farming – is a significant contributor to global greenhouse gas (GHG) emissions.

Recent analysis of 55% of global milk production, including the major milk producing countries, found the average New Zealand dairy farm’s GHG footprint to be 48% less than the average of 18 countries studied. In FY21, Synlait farmer suppliers had an average GHG footprint of 0.84 kgCO₂e per kg of Fat and Protein Corrected Milk.

We actively work with our farmer suppliers to help them reduce on-farm emissions. Using Overseer®, a complex modelling tool, each farm has access to the detailed profile of its GHG footprint, including a breakdown of emissions by source and type of greenhouse gas. Additionally, we require our Lead With Pride™ farmers to develop a detailed GHG Management Plan. From the 2020-2021 milk season, they must also provide evidence to show how GHG reduction measures are effectively being implemented on the farm, with the impact of these measures determining the amount of incentive payments Synlait will award them.

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 initiatives both on-farm and off-farm to reduce greenhouse gas (GHG) 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 on. We have developed four Sustainable Innovation Platforms that inform our actions for environmental stewardship.



CLIMATE

How we contribute to reducing greenhouse emissions in line with the Paris Agreement and stay well below 2°C of warming by 2100, and ideally, 1.5°C.



WATER

How we strive to eliminate over-consumption and degradation of water resources.



WELFARE

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



CIRCULAR ECONOMY

How we substantially reduce our manufacturing and packaging waste, and promote reusing and recycling.



The Whakapuāwai nursery at Synlait Dunsandel is planted with locally sourced native trees and shrubs.





CLIMATE

Scientists are observing changes in the Earth's climate in every region and across the whole climate system. However, according to the Sixth Assessment Report from the Intergovernmental Panel on Climate Change, strong and sustained reductions in emissions of carbon dioxide and other greenhouse gases such as methane could limit climate change.

The dairy industry is a significant contributor to New Zealand's greenhouse gas footprint and Synlait is committed to playing its part in the country's necessary transition to a low carbon economy.

We believe that efficient and profitable farming can align with reducing GHG emissions. For example, optimising nitrogen fertiliser usage can reduce costs and assist in the reduction of nitrous oxide, which is a potent GHG.

Our roadmap towards a low-emitting future requires us to, over time, replace our coal use with biomass or electricity, explore on-site electricity generation and reduce our transport emissions. In the short term, our greatest emissions gains are expected to be from transitioning our boiler fuel from coal to biomass and from maximising the utilisation of our electrode boiler installed at Synlait Dunsandel.

OUR COMMITMENT

We have an ambitious energy masterplan to reduce emissions from our manufacturing processes. We are transitioning to renewable energy and will not build another coal-fired manufacturing facility.

In 2019 Synlait Dunsandel commissioned New Zealand's first large-scale electrode boiler to provide process heat to the advanced dairy liquid packaging facility.

CLIMATE TARGETS

On-farm
30% reduction in Scope 3 GHG emissions from on-farm purchased goods and services¹, per kilogram of milk solids, by FY28 from a FY20 base year.

This Scope 3 target meets the Science Based Targets initiative’s (SBTi) criteria for ambitious value chain goals, meaning it is in line with current best practice.

Off-farm
45% reduction in absolute Scope 1 and 2 GHG emissions by FY28 from a FY20 base year.²

We have reset our Scope 1 and 2 greenhouse gas emissions target to align with the New Zealand Government’s commitment to keep warming to 1.5°C versus pre-industrial levels. The target was approved by the Science Based Targets initiative (SBTi) in April 2021.

FY21 INITIATIVES

Synlait Dunsandel Boiler
Two moves to biomass
A trial started in FY20 to replace coal with biomass in Boiler Two at Synlait Dunsandel has progressed to become a fully-fledged permanent project with wood pellets phased in from April 2022.

The wood pellets are made from waste wood shavings and sawdust. A renewable form of energy, they are sourced from New Zealand’s plantation forests and timber processing industry.

During the year, the Government Investment in Decarbonising Industry (GIDI) programme, managed by the Energy Efficiency and Conservation Authority (EECA), approved our application to co-fund the capital and operational funds required to transition the boiler to wood pellets.

With the funding in place and capital investment approved, we are working with engineering consultants and suppliers to install a bulk wood pellet hopper, and to design and modify safety systems for feeding wood pellets instead of coal into Boiler Two. The boiler currently accounts for around 40% of our coal consumption.

Initially, the boiler will combust wood pellets over a series of successive, periodic campaigns. By 2026 we expect to be exclusively burning biomass in Boiler Two. Once fully transitioned to wood pellets, this project will save around 40,000 tonnes of CO₂ per annum.

In the longer term, coal will also be phased out in Boilers One and Three at Dunsandel. We are currently exploring additional opportunities for the sourcing of biomass in the South Island.

Greenhouse gas on-farm mitigation tool
We have been working with our farmer suppliers since 2018 to help them understand how their management of the farm impacts on GHG emissions. Each year, each farm receives a report with their unique emissions profile, based on their own farm data and then modelled by the Overseer® software.

To maintain our leading position in managing reduction of GHG emissions we have amended the way we incentivise our Lead With Pride™ certified farmers. The incentives have changed to recognise and reward the implementation of mitigation measures on the farm.

To facilitate the incentive scheme, we have developed a tool that assesses the impact of various emission reduction measures on farm. As all farms are different, it is not expected that farmers are able to complete all the mitigations available. It provides an opportunity for farms to review their current situation and to determine how they can further reduce emissions, from the list of possible mitigations provided. The tool then automatically calculates the level of incentive payment available to the farmer. The more actions they adopt, the more points they earn, and the higher the incentive they are paid.

During FY21, we held several local events with our community of farmer suppliers to present the new tool to them and gather their feedback. Comments were considered and the tool adjusted. The final version of the tool and new incentive payment will apply from the 2021/2022 milk season.

Where mitigations are available and make economic sense, it will be expected these are more widely adopted into farming practice over time. Synlait recognises that dairy farmers are facing more regulatory

reform, but incremental change is aligned with the Synlait philosophy of continual improvement.

By having an incentive payment as well as a tool for GHG mitigations we hope to empower our farmers to actively manage the emissions from their farms.

De-tuning our Pokeno gas boiler
The 25MW gas boiler installed at Pokeno was designed to supply two milk dryers. With the plant currently operating one dryer, the boiler has not been operating at peak efficiency – often cycling off and on and causing higher gas use and maintenance requirements.

To reduce gas usage the boiler has been detuned to 18MW, decreasing its load from 38 tonnes per hour to 27 tonnes. At the lower load the boiler runs more consistently, more efficiently and will save the company substantially in gas consumption and maintenance costs. Although it is yet too early to confirm these numbers, so far we have seen a reduction of more than 10% in our gas consumption. This is also expected to have a positive impact on carbon dioxide emissions in the coming year.

Dryer packing carbon dioxide
In packing whole milk and infant base powders we use a combination of carbon dioxide (CO₂) and nitrogen (N₂) gases to modify the internal atmosphere in the bulk bags. This displaces oxygen and ensures optimum product shelf life and quality. Synlait has undertaken a project to optimise the gas mix ratios in our bulk bag formats to achieve the same specification of residual oxygen whilst maintaining shelf life, quality, and safety standards. This project has saved at least 680 tonnes of CO₂ gas across our packers on Dryer 2 and Dryer 3.

Electrified forklifts
Synlait has a plan to replace its LPG-fueled forklifts with battery-electric forklifts. However, with a fleet of 88 forklifts across four sites, it is not economically viable to replace all at once, so they are being replaced as age and condition require. By the end of August 2021, 50% or 39 out of 77 inside operating forklifts had been replaced with an electric version. Of the 11 external operating forklifts, three are electric and the remainder run on diesel or LPG. Synlait intends to fully electrify its fleet of forklifts by the end of 2025.

¹ Scope 3 on-farm GHG emissions are the emissions from the farms that Synlait has a direct agreement with for the supply of raw milk. In the 2020-2021 milk season, Synlait had 280 farmer suppliers, located in the Canterbury and Waikato regions.

² The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

FY21 CLIMATE RESULTS – ON-FARM

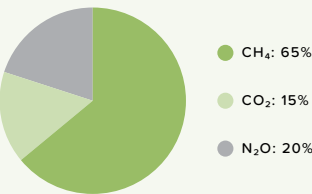
	FY18	FY19	FY20	FY21	FY18-FY21 evolution
Total scope 3 on-farm GHG emissions*	758,120 tCO ₂ e	727,574 tCO ₂ e	863,041 tCO ₂ e	931,028 tCO ₂ e	23%
- Canterbury*	758,120 tCO ₂ e	727,574 tCO ₂ e	740,226 tCO ₂ e	800,522 tCO ₂ e	-
- Waikato*	-	-	122,815 tCO ₂ e	130,506 tCO ₂ e	-
On-farm GHG emissions per tonne of milk solids*	11.92 tCO ₂ e	11.41 tCO ₂ e	11.25 tCO ₂ e	10.73 tCO ₂ e	-10%

* Indicates that data quality was reviewed by an independent third party.
For more information on our GHG emissions and calculation methodologies, please refer to our FY21 GHG Inventory Report, published on our website.

On-farm GHG emissions per tonne of milk solids*



On-farm emissions by type*



FY22 ON-FARM PLANS

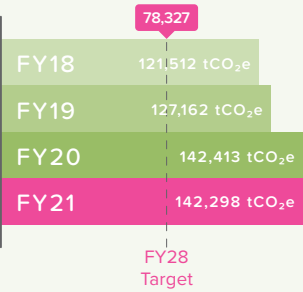
- Monitor uptake of the GHG tool and make improvements for FY23.
- Work on the feasibility and design of a trial to test a methane inhibitor in partnership with one of our farmer suppliers.

FY21 CLIMATE RESULTS – OFF-FARM³

	FY18	FY19	FY20	FY21	FY18-FY21 evolution
Total scope 1 and 2 GHG emissions*	121,512 tCO ₂ e	127,162 tCO ₂ e	142,413 tCO ₂ e	142,298 tCO ₂ e	17%
- Scope 1*	114,589 tCO ₂ e	120,127 tCO ₂ e	133,609 tCO ₂ e	133,794 tCO ₂ e	17%
- Scope 2*	6,923 tCO ₂ e	7,035 tCO ₂ e	8,804 tCO ₂ e	8,504 tCO ₂ e	23%
Scope 1 and 2 GHG emissions per tonne of product*	0.87 tCO ₂ e	0.82 tCO ₂ e	0.74 tCO ₂ e	0.66 tCO ₂ e	-24%
Total energy consumption ⁴	347,145 MWh	377,086 MWh	446,541 MWh	436,365 MWh	26%
Energy consumption per tonne of product*	2,495 kWh	2,425 kWh	2,313 kWh	2,031 kWh	-19%
Total coal consumption (Synlait Dunsandel only)*	54,287 tonnes	56,807 tonnes	56,889 tonnes	56,467 tonnes	4%
Coal consumption per tonne of product*	0.39 tonnes	0.37 tonnes	0.29 tonnes	0.26 tonnes	-33%

* Indicates that data quality was reviewed by an independent third party.
For more information on our GHG emissions and calculation methodologies, please refer to our FY21 GHG Inventory Report, published on our website.

Absolute scope 1 and 2 GHG emissions*



Scope 1 and 2 GHG emissions per tonne of product*



³ Unless otherwise stated, off-farm climate results include all Synlait and Dairyworks manufacturing sites, as well as leased warehouses where applicable.
⁴ This indicator includes all energy sources for our manufacturing and warehousing operations – electricity, coal, natural gas, diesel and LPG. FY18-FY20 figures have been restated as we previously excluded LPG.

FY22 OFF-FARM PLANS

- Implement transition to wood pellets in Boiler Two at Synlait Dunsandel.
- Start the design and engineering work to optimise our electrode boiler.



WATER

Water is a scarce resource that needs to be carefully managed, and we know that farming can have an impact on water availability as well as quality. On-farm, our goal is to help our farmer suppliers optimise their water intake and minimise water degradation, in particular through nutrient leaching and runoff. This allows the broader scope of sediment and phosphorus losses overland, which is a problem especially in heavier sloped Waikato soils. We work alongside them to identify their water-related risks and create farm environment plans that mitigate these risks.

In our processing sites, our long-term ambition is to adopt a circular approach to water. This would mean reusing a large proportion of water. For the small amount that could not be reused, we would treat and clean the water to the same, if not superior, quality level as when we sourced it. We continuously seek solutions to improve the treatment of our wastewater, with sodium and nitrogen being the two main elements that we need to address.

Synlait staff have helped a number of Synlait milk supplier's with riparian planting on their farms in Canterbury and the Waikato.

WATER TARGETS

On-farm
20% reduction in water use per kilogram of milk solids by 2028.

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

Off-farm
20% reduction in water use per kilogram of product by 2028.

20% reduction of nitrogen discharge per kilogram of product by 2028 (Synlait Dunsandel and Pokeno only).

Sodium Adsorption Ratio (SAR) of 10 (Synlait Dunsandel only).

FY21 INITIATIVES

Reducing nitrogen leaching on-farm

Nitrogen leaching, mainly from cow urine, can be a cause of water quality degradation. Synlait partnered in 2020 with a farmer supplier to trial a new technology that can reduce nitrogen leaching and promote grass growth. The system automatically detects and chemically treats urine patches in a paddock. The trial included several paddocks to measure pasture growth and a lysimeter installation to test

the effect of different solutions on nitrate leaching. Early results in 2021 indicated that the farm’s soil type could be a limiting factor and reduce the efficacy of the technology. We have modified the treatment in line with leaf analysis and decided to extend the trial on both the paddocks and lysimeter facility for another year to confirm these results and continue investigating the impact of various nitrification inhibitors.

Supporting farmers to meet the nitrogen fertiliser cap

From July 2021, a synthetic nitrogen fertiliser threshold of 190 kilograms per hectare per year will apply to all grazed land, as part of the New Zealand Government’s Essential Freshwater policy. Under the new regulations, farmers are required to provide regional councils with information regarding the application rates of synthetic nitrogen per hectare for the previous 12-month period. We are providing specific support for farmers who, in the past, have been above this threshold. Our Lead With Pride™ farmers are prepared for this new requirement as they already have an approved Nutrient Management Plan, which is revised annually, as well as relevant nutrient budgets.

Tackling sodium discharges

The presence of sodium in wastewater is a result of the use of chemicals for the hygienic cleaning of plant equipment. Synlait also uses sodium for the lactoferrin manufacturing process. Lactoferrin is a natural protein present in cow’s milk that Synlait produces as a high-value ingredient for nutritional products.

The company has been developing initiatives to reduce sodium at Synlait Dunsandel as it impacts the soil on the land where wastewater is irrigated. A higher level of sodium in irrigation water may lead to changes in soil structure, which in turn can affect infiltration rates and cause ponding.

The three identified initiatives involve:

- 1. Reducing and recovering sodium in the lactoferrin process.
- 2. Reducing the usage volume of caustic cleaning chemicals.
- 3. Using alternative cleaning chemicals, such as a potassium-based product.

Across Synlait Dunsandel, our teams are focused on cleaning process optimisation which will essentially result in reducing both chemical and water consumption.

In the lactoferrin plant, careful analysis of the process found that more sodium chloride (salt) than required was being added at the end of each batch. This additional salt was eliminated through a change in automation, saving up to 30 tonnes during the season. Recovery of salt via membrane filtration is also being investigated to reduce sodium discharge by another 12% by FY23.

Site loss optimisation

In FY21 we conducted a high-level review of milk and effluent discharges to determine the quantum of milk lost through flushing processes at Synlait Dunsandel. Flushing occurs at the end of each production run when water is pushed through the milk silos to prepare for the next run. We found we could save more than 3,000m³ of milk per annum by adjusting the pipe purges and automated flush and purge timers. The systems have been optimised to recover the milk without impact on product or processes; the result was a 1% gain in milk yield and less effluent to be treated.

Recycling water at Synlait Pokeno

Synlait Pokeno is allowed to take between 900 and 1,250 cubic meters of water every 24 hours from industrial bores. Our team focuses on getting the wastewater treatment right so they do not have to source additional water from the bores. Using reverse osmosis, process water is cleaned and ‘polished’ to a state that it can be put back through the treated water system and reused for production. That saves us from having to treat bore water as well as extra wastewater, which would otherwise need to be pumped to the municipal wastewater plant at a cost.

Improving wastewater treatment and recovery

At Synlait Pokeno, a Sequencing Batch Reactor (SBR) is used to process wastewater. It generates three types of outputs. The first output is waste activated sludge, which consists of special bacteria. To avoid being sent to landfill, this sludge is dewatered and then used by a vermicomposting company to feed their compost worms. Vermicomposting produces a high-quality compost that local farmers can use to improve their soils.

The second output from the SBR is treated wastewater. We are investigating options to recover this water, for example by treating and sending it back in the process system or by supplying neighbouring businesses in Pokeno that need water. The third output from the SBR is DAF sludge, some of which is sent to pig farmers as stock food (see the Circular Economy section).

In the past year, Synlait Pokeno has also installed an ammonia and nitrate analyser to sample and diagnose wastewater in real time. By testing the wastewater flow, we can see changes to ammonia and nitrate levels in real time and make informed decisions to adjust the SBR programme as required. This enables us to fast track the treatment, save energy and optimise the system.

FY21 WATER RESULTS – ON-FARM⁵

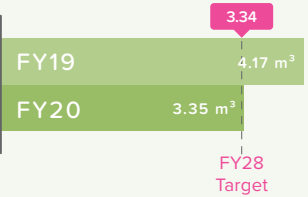
	FY18	FY19	FY20	FY21	FY18-FY21 evolution
Total on-farm water consumption (mainly for irrigation)* ⁶	- 266,075,593 m ³	257,061,367m ³		N/A	N/A
- Canterbury*	- 266,075,593 m ³	256,839,432m ³		N/A	N/A
- Waikato*	-	-	221,935m ³	281,995m ³	27%
On-farm water consumption per kg of milk solids*	-	4.17m ³	3.35m ³	N/A	N/A
Total on-farm nitrogen loss*	2,621,975 kg	2,428,443 kg	2,679,658 kg	2,755,742 kg	5%
- Canterbury*	2,621,975 kg	2,428,443 kg	2,274,582 kg	2,312,105 kg	-12%
- Waikato*	-	-	405,076 kg	443,637 kg	-
On-farm nitrogen loss per kg of milk solids*	41g	38g	35g	32g	-23%

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

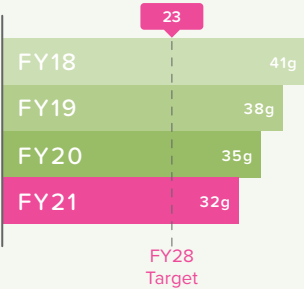
Waterways fenced to the stock-exclusion standard of the New Zealand Dairy Tomorrow Strategy*



On-farm water consumption per kilogram of milk solids*



On-farm nitrogen loss per kilogram of milk solids*



⁵ All indicators in this table are aligned with OVERSEER®’s reporting period, which is 1 July to 30 June.
⁶ 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 or stock water usage is not recorded on most farms and water usage from year to year varies significantly depending on the weather conditions. In FY21, water consumption data for the Canterbury region was deemed too incomplete, therefore we decided not to disclose the associated indicators. We will endeavour to improve the quality of our on-farm water consumption data in the next few years.

FY22 ON-FARM PLANS

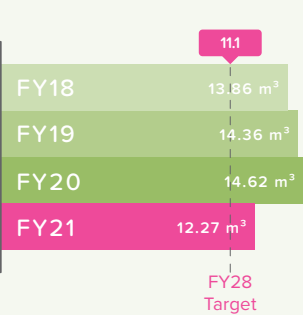
- Continue to monitor the nitrate leaching trial.

FY21 WATER RESULTS – OFF-FARM⁷

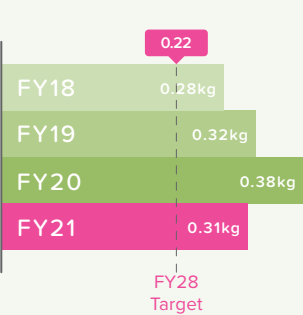
	FY18	FY19	FY20	FY21	FY18-FY21 evolution
Total off-farm water consumption*	1,927,484m ³	2,232,869m ³	2,823,454m ³	2,636,247m ³	37%
Off-farm water consumption per tonne of product*	13.86m ³	14.36m ³	14.62m ³	12.27m ³	-11%
Water recovered and reused in manufacturing operations (Synlait Pokeno only)*	-	-	17%	27%	-
Total nitrogen discharge per tonne of product (Synlait Dunsandel and Pokeno only)*	0.28kg	0.32kg	0.38kg	0.31kg	9%
90th percentile SAR (Synlait Dunsandel only)*	13.16	11.24	13.62	13.80	5%

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

Off-farm water consumption per tonne of product*



Off-farm nitrogen discharge per tonne of product (Synlait Dunsandel and Pokeno only)*



⁷ Unless otherwise stated, off-farm water results include all Synlait and Dairyworks manufacturing sites.

FY22 OFF-FARM PLANS

- Continue to trial solutions to recover salt and reduce sodium discharges.
- Identify further water efficiency and recovery opportunities.



WELFARE

Our Welfare strategy aims to protect and enhance life on land, both below ground and above ground, and includes all living beings in the wider farm ecosystem. More precisely, our strategy focuses on three areas: animal health and wellbeing, soil health and biodiversity. These focus areas are closely related to the concept of regenerative agriculture, which is gaining traction around the world, although definitions and evaluative

processes differ from one company to the other. Nevertheless, organisations are beginning to align on key objectives of regenerative agriculture. These key objectives include to measure and improve soil health, which is why Synlait has committed to carrying out research in this field. We are investing in on-field research to gain a science-based understanding of the impact of regenerative agriculture.

Cows walk along specifically designed and maintained tracks to protect against lameness.

FY21 INITIATIVES

Animal health and wellbeing

We have recently made significant changes to our animal health and welfare requirements. Farmer suppliers will now monitor clear welfare metrics such as mastitis, lameness and damage to cows’ tails, and this information will be collected by trained auditors to enable data benchmarking.

We have also worked with one key customer over the past 12 months to align the animal health and welfare pillar in Lead With Pride™ with their brand requirements. The farms that supply this customer will have one extra animal welfare inspection in FY22, increasing to four inspections per annum in FY23.

The auditors will all be PAACO certified. Professional Animal Auditor Certification Organisation (PAACO) is an organisation that provides animal welfare training and certification credentials for auditors. Internal training of our Milk Supply team will also occur over the next season to provide them with a better understanding of animal wellbeing.

Soil health partnership

Synlait has been working over the past two years with New Zealand Crown Research Institute AgResearch to better measure and improve soil health, as part of a wider ambition to explore the potential benefits of regenerative agriculture in New Zealand.

Two key observations contributed to our decision to initiate this project.

First, the assessment of on-farm soil health is often limited to chemical measures of soil fertility. Yet, to gain a more complete picture of soil health, measures of organic matter, physical and biological properties should be included. Secondly, regenerative agriculture, which primarily aims to improve soil health and biodiversity, is gaining traction around the world – and New Zealand farmers, consumers, and regulators are eager to understand its potential benefits on the dairy sector.

In partnership with a group of our farmer suppliers based in Canterbury and Waikato, Synlait and AgResearch have developed a comprehensive soil health measurement protocol as well as a guidance tool that provides recommendations to farmers when their soil indicators are outside their target range. In addition to the farmers’ own insights, the guidance tool was reviewed and enhanced by the feedback of multiple New Zealand soil scientists, experts, and regenerative agriculture practitioners.

This project will evolve into a full five-year pilot study that will start in FY22 with six of our farmer suppliers. More information will be disclosed in December 2021.

Biodiversity for beneficial insects

Because of the strong alignment with our Whakapuāwai programme, Synlait has decided to join a five-year project led by New Zealand research organisation Plant and Food Research, that will assess the ecosystem services provided by

beneficial insects (i.e. insects that contribute to pollination or pest control) that are associated with certain native plant species. The project will monitor beneficial insect diversity on multiple farms in Canterbury, across the arable, dairy, forestry and beef and sheep industries.

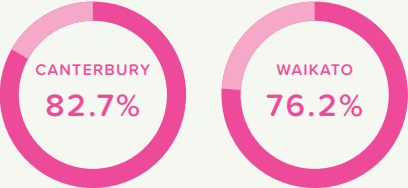
The study aims to provide farmers with evidence that within five years of establishing native plantings, beneficial insects will improve yields and yield stability under variable weather conditions. We expect this project to provide us with valuable science-backed guidance as to which native plants to prioritise in our Whakapuāwai programme.

Non-deforestation commitment

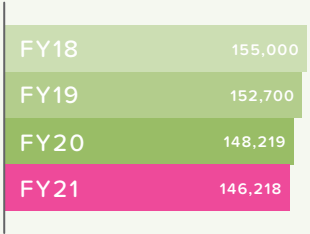
Land use change has caused the decline of many of New Zealand’s indigenous ecosystems and species. To prevent further biodiversity loss, Synlait has implemented a new land conversion policy with its farmer suppliers. From 1 June 2021, Synlait will only accept new or increased milk supply from farms that meet District Plan regulations and whose land has not been recently converted from (i) a High Carbon Stock area such as a native forest, or (ii) a High Conservation Value area such as a native bush, a native tussock/grassland, a wetland, or any protected area. Minimal levels of conversion may be accepted if considered as having a negligible impact. Synlait is also in the process of developing a policy regarding the development of peatlands and organic soils from unproductive land to pasture – this policy will be published in FY22.

FY21 WELFARE RESULTS⁸

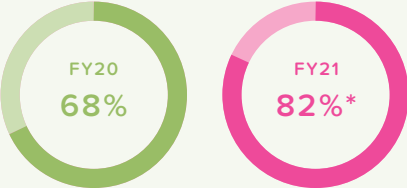
Percentage of pasture in cow feed as 30 June 2021⁹



Somatic cell count average*



Palm kernel expeller (PKE) free Lead With Pride™ farms¹⁰



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

⁸ With the exception of pasture data, all welfare indicators are for the milk season each year, from 1 June to 31 May.

⁹ This indicator is based on the pasture in diet when the cows are on the dairy platform. It does not take into account the diet of the herd when they are off-platform during winter.

¹⁰ Information on PKE free farms is captured at the beginning, and not at the end, of the milk season.

FY22 PLANS

- Complete the new animal wellbeing assessments and monitor progress in the participating farms.
- Continue investigating ways of supporting regenerative agriculture principles in New Zealand and among our farmer suppliers.



CIRCULAR ECONOMY

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

Synlait's newly launched Swappa Bottle concept is simple: Drink, Return, Repeat.

CIRCULAR ECONOMY TARGETS

- 99% of total non-hazardous manufacturing waste will be diverted from landfill by 2028.
- 100% of product packaging will be reusable, recyclable, or compostable by 2025.
- 100% of our plastic milk bottles will be composed of 100% recycled and/or renewable bio-based plastic by 2028.

FY21 INITIATIVES

Disrupting the market with stainless steel
In a New Zealand first, we launched our own Synlait branded fresh milk in reusable stainless-steel bottles, with the aim of disrupting traditional milk packaging. We believe that by providing consumers with choice we can empower a nation to step away from using plastic bottles at scale.

This project has been a year in the making. Synlait Swappa Bottle was made available to consumers in October 2021, initially at two supermarkets in Christchurch during a six-week trial period. We have been able to leverage our existing fresh milk manufacturing assets built at Synlait Dunsandel in 2018 to manufacture Synlait Swappa Bottle.

The 1.5 litre bottles are filled, labelled with a cardboard recyclable sleeve, and sealed with a recyclable tin lid and tamper-proof label. The advantage of using stainless steel over glass is the steel’s durability and longer life span, as well as better protection from light degradation.

Launched as a single SKU – standard homogenised milk – the trial with Foodstuffs South Island’s retail stores has several goals but primarily aims to see if consumers are willing to move towards a circular model for milk. The key steps are that they use, rinse and return the reusable stainless-steel bottles for them to be sterilised and refilled at Synlait Dunsandel.

Life Cycle Analyses (LCAs)
In FY21 we continued using the EcodEx software to assess 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. So far, we have completed LCAs for three of our key product categories: consumer-packaged infant formula cans, fresh milk bottles and whole milk powder bags. A fourth LCA for our anhydrous milk fat (AMF) drums is also under way. Finally, we have used the EcodEx tool to make scenarios and compare different packaging options, helping us understand the type and extent of the environmental benefits achieved when making a change on our products’ packaging.

Trialing new 25kg powder bags
One of our main packaging items is the 25kg multi-wall bag that we use for our bulk milk powders. Composed of an outer paper bag and an inner plastic liner, we explored various options to improve its environmental profile – looking at criteria such as resource optimisation, recycled content, and recyclability.

In FY21 we carried out trials in our plants to test a couple of alternative bags. The trial showed us that we would not be able to use the option with the most downgauged paper liner due to quality and technical constraints; but that we could still transition to a bag with slightly less paper (-8%), and a higher recycled content (20%), than our current bag. The paper is also FSC certified, assuring us that it is sourced from sustainably managed forests. The change to the new bag will be implemented during FY22.

Unfortunately, although technically recyclable, the plastic liner is difficult to recycle in practice as it is contaminated with milk powder. We are actively working with our waste management provider to find a facility in New Zealand that can wash the liners, and therefore make recycling possible.

Dairyworks’ sustainable packaging roadmap
Cheese packaging is often made of multiple layers of plastic materials that are required to maintain product quality and shelf life. For this reason, improving the environmental profile of cheese packaging is often quite challenging.

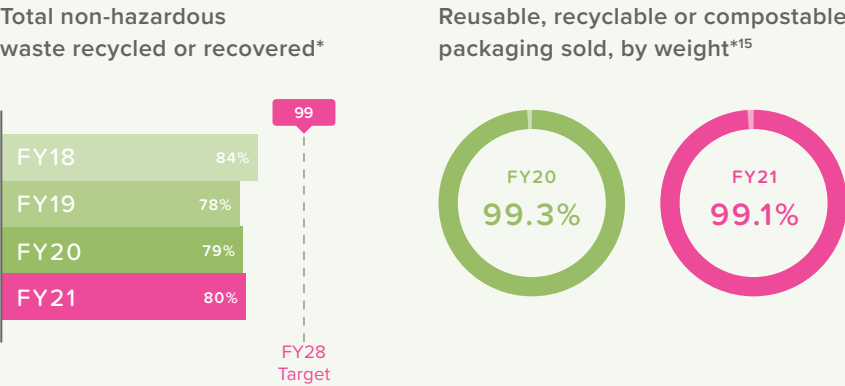
In FY21, Dairyworks decided to downgauge the plastic packaging of two key products, a 1kg cheese block and a 5kg grated cheese foodservice pack. This will lead to a reduction of 22 tonnes of plastic per annum. The team is looking at other opportunities for packaging reduction in each of the manufacturing lines.

Dairyworks and Synlait are working together on a sustainable packaging roadmap to collectively achieve 100% reusable, recyclable, or compostable packaging by 2025.

FY21 CIRCULAR ECONOMY RESULTS¹¹

	FY18	FY19	FY20	FY21	FY18-FY21 evolution
Total waste produced* ¹²	4,296 MT	5,249 MT	8,242 MT	6,744 MT	57%
- Non-hazardous*	3,838 MT	4,665 MT	7,930 MT	6,425 MT	67%
- Hazardous*	458 MT	584 MT	312 MT	319 MT	-30%
Total waste production per tonne of product*	31kg	34kg	43kg	31kg	2%
Total non-hazardous waste by type of treatment*	3,838 MT	4,665 MT	7,930 MT	6,425 MT	67%
- Recycled*	1,986 MT	2,132 MT	3,032 MT	2,095 MT	5%
- Recovered* ¹³	1,252 MT	1,505 MT	3,237 MT	3,031 MT	142%
- Landfilled*	600 MT	1,028 MT	1,661 MT	1,299 MT	116%
Non-hazardous waste recycled*	84%	78%	79%	80%	-5%
LCA sales coverage* ¹⁴	-	45.1%	50.6%	69.5%	-

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



¹¹ Unless otherwise stated, results include all Synlait and Dairyworks manufacturing sites, and leased warehouses where applicable.
¹² The waste production increase over the FY18-21 period is mainly due to increased production and the inclusion of Dairyworks in our reporting scope. Waste indicators were reviewed and now include Dissolved Air Flotation (DAF), Waste Activated Sludge (WAS) and whey. These by-products were previously excluded as they are predominantly water. We now determine the solids percentage, and included only this component in the re-stated FY18-21 waste numbers.
¹³ By “recovered”, we mean that the nutrients in the waste streams served a useful purpose and replaced other materials. This includes DAF provided as stockfood, WAS provided for vermicomposting and whey applied to farmland as fertiliser. Synlait does not practice “waste-to-energy”.
¹⁴ These are the sales (in value) generated by product categories for which an LCA was conducted. This indicator excludes Dairyworks’ sales.
¹⁵ This indicator excludes Dairyworks.

FY22 PLANS

- Monitor the results of the Synlait Swappa Bottle trial and roll-out to additional supermarkets and locations.
- Start implementing Dairyworks’ sustainable packaging roadmap.

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 reaches throughout our team members, farmer suppliers and the wider community.

This section of the report focuses on the four Sustainability Innovation Platforms (SIPs) that underpin the People pillar of our Sustainability Strategy. They are:



SAFE WORKPLACE

The ways we aim to achieve integrated health, safety, and wellness, with an aspiration of zero injuries.



TALENT ATTRACTION AND DEVELOPMENT

The ways we recruit and develop highly skilled people and create a legacy of committed leaders to 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 aligns with our values and appeals to a diverse range of employees.



CULTURE AND COMMUNITY

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



Process technicians at Synlait Dunsandel's Blending and Canning facility regularly carry out quality checks.





SAFE WORKPLACE

A safe workplace is fundamental to how we operate at Synlait and is continuously being further developed. Everyone Home Safe, Well Every Day is our bottom line. This concept has become holistic and extends beyond physical safety, through incorporating health and wellness. It is a non-negotiable at Synlait that the mental and physical well-being of our people is being supported in addition to their physical safety.

A safe workplace is the responsibility of our people at all levels of the business, including senior leadership. To us at Synlait, personal safety is about taking ownership and responsibility, developing the right behaviours, and building appropriate procedures, policies, and systems.

Over the last financial year, we have evaluated our safety culture and updated our health and safety strategy at Synlait, engaging the wider organisation in this process. We are further prioritising health and wellness, to ensure we are going beyond meeting the needs of our people.

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

SAFE WORKPLACE TARGETS

100% of all health and safety committee meetings are completed on time.

100% of senior leadership “safety walk and talks” are completed as scheduled.

FY21 INITIATIVES

Health and safety culture review
After several years of improvement, it was time to conduct an independent review of our safety culture, processes, and systems. This was carried out alongside the organisational, food safety and quality culture reviews. The purpose of these reviews was to drive a united approach to the way we work across Synlait to deliver on our purpose: *Doing Milk Differently For A Healthier World*. Several actions were undertaken including:

- A safety perception survey across all Synlait employees.
- A dozen focus groups with staff from all levels.
- Over 20 individual interviews with the executive team and key senior leaders.
- Site walks.
- A review of health and safety documentation.

Findings indicated that based on the Bradley Curve (a safety maturity model), our safety culture still needed to be strengthened. An action plan was developed to manage our

critical risks (see below) and health and safety open days were held at all sites to present the findings and gather feedback. The open days were well attended and fostered valuable discussions around safety.

Managing critical risks
A comprehensive improvement plan has been developed for the next two to three years focused on managing our critical risks and driving our safety culture towards a more interdependent state. One of the first steps taken was to align on the definition of our critical risks. At Synlait, a critical risk is an event that can kill or permanently disable one or more people. We have defined eight high level critical risks in our organisation: vehicles, mobile plant and pedestrian interaction; hazardous substances; critical lift, drop or collapse; fire, explosion and thermal energy; electricity; working at heights; machinery; and confined space. Our newly developed Critical Risk Management Standard and Framework ensures the ongoing management of our greatest risks are clear and robust. We are progressing process safety methodology and have programme teams set to manage the ongoing development. Our next step is to develop risk analyses, commonly called safety bowties, to ensure we have a deep understanding of these critical risks, the right controls in place to prevent them from occurring, as well as appropriate measures to keep our people safe if an event does occur.

Health and wellbeing
Beyond our existing network of mental health advocates, we have worked on three initiatives to

improve the health and wellbeing of our staff. Firstly, we developed a wellbeing bowtie to identify wellness-related risks, preventive measures, and remediation actions. Secondly, we partnered with Southern Cross Healthcare, to provide access to their Being Well online platform for employees. and Finally, an occupational health nurse will be engaged during FY22 at Synlait Dunsandel to perform routine health checks for our staff, such as hearing and lung function assessments, and support our COVID-19 initiatives.

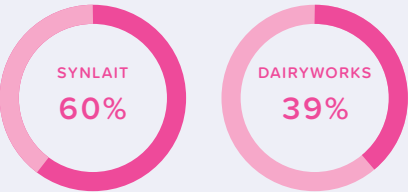
COVID-19
Our goal at Synlait is to keep our people safe, keep their families safe, keep our facilities running, and keep COVID-19 away – not just for us, but for all New Zealanders. Our response is managed by Synlait’s COVID-19 Management Team, which meets regularly and assesses the company’s risk profile against Government’s public health measures. Synlait has created, and implemented, its own versions of the Alert Level Frame and COVID-19 Protection Framework to mirror the Government’s response. Measures include, limiting all site access to teams essential to running and maintaining operations, daily health declarations and temperature checking as a prerequisite for anyone entering our sites, increased hygienic cleaning and sanitation practices across non-production workspaces, and extended advanced personal protection equipment and physical distancing controls. In addition to this, Synlait is consulting with staff and contractors on the implementation of rapid antigen testing and a vaccination policy.

FY21 SAFE WORKPLACE RESULTS¹

	FY21
Health and safety actions completed before due date - Group*	58%
- Synlait* ²	60%
- Dairyworks* ³	39%
Employee fatalities - Group*	0
Health & Safety Committee meetings held as planned - Group*	95%
- Synlait*	95%
- Dairyworks*	100%

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

Health and safety actions completed before due date*



Note: This year, we have decided to shift from TRIFR (reported in previous years) to more lagging safety indicators. Although we acknowledge TRIFR is a widely used safety metric, we do not believe it accurately captures the safety culture, level of controlled risk or performance of an organisation. To replace a TRIFR, we have introduced two new metrics: the percentage of health and safety committee meetings held, and the percentage of actions completed on time.

¹ Safe Workplace results exclude Synlait China.
² When employees log a health and safety risk onto MySafety, our health and safety portal, actions are assigned to the relevant staff with a due date.
³ Results are for Dairyworks' Christchurch site only, and exclude Talbot Forest Cheese. A new health and safety reporting system was recently introduced at Talbot Forest Cheese so we expect to be able to include the site's data from FY22.

FY22 PLANS

- Improve leadership safety training and development.
- Continue progress on critical risk management.
- Identify opportunities to further support mental wellbeing.



TALENT ATTRACTION AND DEVELOPMENT

Synlait is committed to building an engaged and empowered workforce. We believe that by investing in our people we will attract the diverse and innovative workforce we need to exceed our customers' expectations today and into the future. We are constantly evaluating the support, opportunities, and environment

our employees need to be successful. Over the last financial year, we have focused on reviewing and renewing our approach to talent development and organisational culture to ensure it is fit for purpose and harnesses the full potential and capability of our people.

The use of social collaboration tools keeps Synlait staff connected across our entire business.

FY21 INITIATIVES

Engagement survey

Our quarterly engagement surveys help us keep our finger on the pulse to identify what’s working well and what we need to improve. This year our engagement ratio increased from 5.20 to 5.30 polling in the top 20% of organizations in the Australia, New Zealand, and Oceania region (Gallup Database). Our executive leadership team continues to meet regularly to discuss how to drive engagement higher, and we actively encourage our leaders to use their engagement survey results to analyse the current work environment, encourage discussion, and build actionable steps to improve the work environment.

Culture transformation

2021 was a challenging year for Synlait, and we recognised early on that if want to achieve our objectives and prosper in a more volatile, uncertain, and complex world, we need to strengthen our culture. Therefore, this year has seen us take a critical look at our safety, quality and organisational culture.

We empowered our people to share their views through surveys, interviews and focus groups about our culture so they can help shape our future. With high levels of engagement in the process, we are now able to leverage our peoples’ views and insights about our culture to inform our culture transformation planning. The results showed us that our purpose of *Doing Milk Differently For a Healthier World* resonates with many of our staff but lacks a direct line of sight with day-to-day work activities. It also indicated that we need to improve how we collaborate across teams, connect with customers and empower our people

to act through removing barriers to ownership and accountability.

This process enabled our senior leaders to gain insight into the needs of our business and the expectations of our people to help catalyse faster decision making, drive innovation and empower our people to act and progress closer towards our purpose and ambition. We believe to achieve this we need to transform our organization by deepening the connection between our company, our customers and suppliers, our teams and our people and ensuring we have the structures, systems, and processes in place to support high performance. To make this a reality in the next year we will rally around our purpose, connecting employees to leaders so they feel more informed, connected, and inspired. We will also remove barriers to cross functional work across the business, embed great leadership and ensure how we attract and select talent, manage performance, and motivate our people promotes and rewards ownership, collaboration, and inclusion.

Embedding great leadership

At Synlait we offer a range of professional, management and leadership development programmes for both individuals and teams to equip our leaders to inspire and lead effectively. These include online courses, face to face workshops, and publicly available programmes across a range of topics including accelerating change and transition, commercial acumen, situational leadership and Gallup’s “boss to a coach” programme.

Internal feedback from our managers and people has revealed opportunities for us to improve how we support our first-time leaders, particularly those that are

internally promoted within Synlait. In response, we have developed an internally delivered ‘Leadership Essentials’ programme that will commence in January 2022. This eight-month programme will provide first time leaders with the essential management and leadership skills through face-to-face training, peer learning and ongoing coaching to fuel growth in our people and shape a passionate, innovative, inclusive and performance focused culture.

Future Leaders Programme

Our Future Leaders programme grew in FY21 with two new Future Leaders starting the programme in January 2021. With the programme now in its third year, it was timely to conduct a review to ensure the programme was identifying and equipping high potential graduates for success in high growth and operations roles at Synlait.

As an outcome the programme has been revised to:

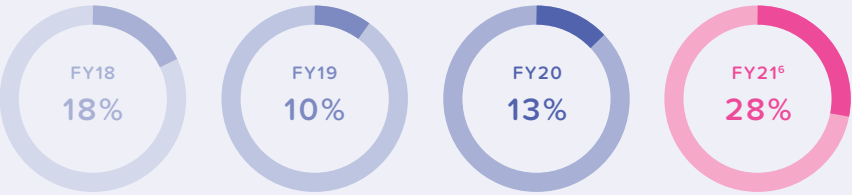
- 1. Fast track Future Leaders knowledge of the dairy industry and dairy processing during the first year by completing rotations in roles that relate to how Synlait plans, sources, processes, delivers milk to our customers.
- 2. Allow for tailored career opportunities in years two and three, through completing two or three, six-to-nine-month rotations specifically aligned to areas of the business they will have the most impact and are passionate about; and
- 3. Foster a greater sense of connection, community and belonging between Future Leaders by participating in bimonthly connection sessions.

FY21 TALENT ATTRACTION AND DEVELOPMENT RESULTS

	FY18	FY19	FY20	FY21	FY18-FY21 evolution
Engagement ratio (ratio of engaged staff to actively disengaged staff)*4	3.75:1	3.58:1	5.2:1	5.3:1	-
Employee turnover rate*					
- Synlait*	18%	10%	13%	22%	17%
- Dairyworks*5	-	-	-	48%	-

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

Employee turnover rate – Group*



⁴ Excludes Synlait China and Dairyworks.
⁵ The high turnover rate at Dairyworks is due to the Talbot Forest Cheese site in Temuka being temporarily shut down for a period of two years, as well as certain functions being outsourced instead of internalised. The increase in turnover at Synlait is mainly the effect of the restructuring process launched in November 2020.
⁶ The FY21 turnover rate is a weighted average across both Synlait and Dairyworks.

FY22 PLANS

- Maintain or improve engagement ratio.
- Strengthen our people’s connection to *Doing Milk Differently for a Healthier World* by recognising and celebrating meaning and positive impact of work.
- Remove barriers to cross functional working.
- Promote greater ownership and accountability.
- Launch Leadership Essentials programme for frontline, first time leaders.



DIVERSITY AND INCLUSION

Synlait aspires to employ and embrace a diverse range of talents to reflect the diversity of the people and communities in the markets that we serve. We want to be a place where everyone feels valued and respected, where our people feel that their uniqueness and

contribution is valued and that they belong. When all of these things are happening, we will have a workplace where our people feel empowered and can grow, helping us be creative and agile, reduce risk and driving better business outcomes.

The Synlait Dunsandel cafe provides a comfortable place for staff to connect during their breaks.

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.

FY21 INITIATIVES

Our workplace policies to support diversity and inclusion During FY21 we continued to support our workplace policies designed to encourage greater diversity and inclusion at Synlait.

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. Forty-one primary carers have benefited from full pay for 26 weeks and over 30 families are benefiting from the childcare subsidy. Matuā plays a core role in ensuring Synlait is an attractive place to work for parents.

Our support continues for Tāwariwari, our flexible working policy, that formalises flexible working to support a range of situations including part time work, job sharing, and career breaks. The Synlait Way of Working allows our employees to choose times, locations, and spaces to work in that best suit their daily work programme. In FY22, we will be updating these policies to ensure they align with the requirements of our new organisational structure.

Unconscious bias training

Alongside our policies to support a diverse and inclusive workforce, we have piloted an unconscious bias e-learning module that has been accessible to all staff in FY21. The uptake of this was minimal so as we move forward into the next financial year, we will look to integrate this into our face-to-face leadership training to encourage diverse and inclusive thinking and arm our people with the tools and strategies to mitigate bias.

Diversity and inclusion events

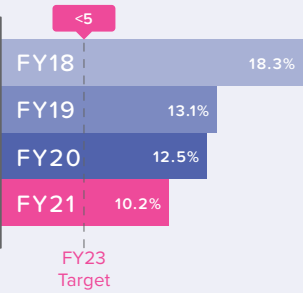
Over the course of the year, we also celebrated Maōri Language Week, Diwali, and Chinese New Year. These colourful cultural celebrations brought to life through the commitment and engagement of our people, showcased different cultures language, dress, food and customs to heighten understanding and awareness.

FY21 DIVERSITY AND INCLUSION RESULTS⁷

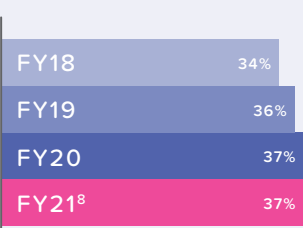
	FY18	FY19	FY20	FY21	FY18-FY21 evolution
Gender pay gap*					
- Synlait*	18.3%	13.1%	12.5%	10.2%	-44%
- Dairyworks*	-	-	-	31.5%	-
Women as managers or senior specialists - Group*	-	-	-	37%	-
- Synlait*	34%	36%	37%	36%	7%
- Dairyworks*	-	-	-	38%	-
Women in senior leadership team - Group*	-	-	-	24%	-
- Synlait*	14%	14%	25%	31%	115%
- Dairyworks*	-	-	-	0%	-

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

Gender pay gap – Synlait only*



Women as managers or senior specialists – Group*



⁷ All Diversity and inclusion results exclude Synlait China.
⁸ The FY21 percentage is a weighted average across both Synlait and Dairyworks. Please note that Dairyworks and Synlait use different HR systems so the methodology to calculate this indicator was different.

FY22 PLANS

- Initiate the setup of employee networks sponsored by senior executives, designed to connect, support and give voice to all employees.
- Organise a minimum of six diversity celebration events, celebrating the diversity of our workforce across thought, gender, and ethnicity.
- Expand our Leadership curriculum training programme to include ‘Respect in the Workplace’, a module that raises awareness and educates our leaders for the creation of a respectful and psychologically safe workplace, free from bullying, harassment, and discrimination.



CULTURE AND COMMUNITY

The backbone of our community outreach programme is our Whakapuāwai initiative, now in its second year. Whakapuāwai roughly means 'everything thriving', which underpins our purpose of *Doing Milk Differently for a Healthier World*.

Whakapuāwai is supported by a plant nursery that we have built next to our Dunsandel site. The nursery provides native plants for:

- A 15-hectare area adjacent to the nursery, which we plan to extensively landscape and plant so that it becomes an area our employees can use to walk, exercise and meet;

- Our farmer suppliers, who aim to protect and restore natural ecosystems on their properties, such as waterways and wetlands;
- Our local communities, who also wish to restore areas of shared value.

Whakapuāwai is an important factor in our cultural development. The project relies on high levels of employee involvement and participation. Synlait employees can use one paid day a year to contribute to the programme. It is a way for them to engage with their communities and contribute to environmental restoration in the places where they live and work.

Almost 80,000 plants went into the ground during the 2021 planting season as part of our Whakapuāwai programme.

CULTURE AND COMMUNITY TARGETS

80% staff participation in Whakapuāwai.

FY21 INITIATIVES

Synlait Dunsandel nursery
The nursery was completed in December 2020. It has been designed to facilitate the manoeuvre of plants by the nursery team in an ergonomic and efficient way, for example, seedlings are laid out on raised benches instead of on the ground. It has also been set up to be observed and controlled remotely, including for irrigation.

The nursery takes young seedlings from growers and grows them until they are ready to be planted out. They are then potted using an automated tray filler and dibbler that enables the team to pot seedlings three to four times faster than if doing it manually. The nursery grew a total of 80,000 seedlings during FY21. However, due to this year’s disappointing financial performance, we have had to reduce volumes to 40,000 seedlings for the next season.

All new Synlait employees visit the Whakapuāwai nursery as part of their induction programme. This year, 168 seedlings were planted in the 15ha land adjacent to the nursery thanks to our new starters.

Farms
We are on a continuous learning process as our planting programme with our farmer suppliers evolves. Firstly, we have recognised that the end-to-end process of successfully growing seedlings to planting them out requires specialised expertise.

We have learnt that high seedling survival and growth rates require good site preparation, species selection, quality planting and effective maintenance. We also realised that the farmers needed more support from Synlait prior to the planting, to appropriately set up and prepare their sites. Finally, in some cases, the planting happened to be quite physically demanding for our volunteer employees.

To address these challenges, we engaged Brailsfords, a local company specialised in the design and development of native plantings on farms. Brailsfords has streamlined the process and significantly improved the planting experience for all the stakeholders involved. They identify the best sites on farm, define the ideal position of the different species, and prepare the planting using a range of specialist cultivation tools. They also use a colour-coding system to ensure the right species are planted in the right positions.

Brailsfords has also developed and patented a guarding system for seedlings, SeedlingSock™ (patent pending), which has led to further efficiency gains in the planting process. Last year, we had used a cardboard wrap and weed mat, which our employees had to install with each individual plant. The new socking system means the seedlings are pre-wrapped and ready to be put into the ground as they are. The system is highly efficient – a team of four can pre-sock between 3,000 and 5,000 seedlings in just one day. The socks are made of plastic, which we recognise are not the ideal material to put out on farm, but the design makes them more resistant to wind and rain,

and also better supports aftercare processes. As the plants grow, the Seedling Socks will be removed and packaged for recycling.

Last year, COVID-19 delayed our tree planting schedule, but our employee and farmer volunteers still managed to actively put plants into the ground. A total of 10 Synlait farms were involved in the programme across the Spring 2020 and Autumn 2021 planting seasons. We also organised a ‘Click and Collect’ system for our farmers to collect plants from our nursery for free, for them to plant themselves. The flooding in Canterbury in May 2021 unfortunately impacted our planting effort, which means we will need to spend time next year on remediation in some of the affected farms.

Community
Because most of the Whakapuāwai planting is organised in the South Island, we wanted to seek opportunities in the North Island for our employees in Pokeno, Auckland and Palmerston North to have a similar planting experience. In FY21, the teams there were able to contribute to local community planting projects, including through our partnership with the non-profit organisation Trees That Count.

Conversely, in the South Island, members of our local communities participated in our on-farm plantings. Several Christchurch schools and Synlait business partners provided volunteers to plant alongside our employees.

FY21 CULTURE AND COMMUNITY RESULTS

	FY19	FY20	FY21	FY19-FY21 evolution
Investment in Whakapuāwai*	\$365,758	\$953,876	\$559,630	53%
Staff participation in Whakapuāwai Day* ⁹	-	-	22%	-
Total number of native trees and shrubs supplied by the nursery*	-	-	54,290	-
- to the Dunsandel Whakapuāwai area*	-	-	168	-
- to Synlait dairy farms*	-	-	52,802	-
- to other areas in the community*	-	-	1,320	-

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

⁹ The scope of this indicator is limited to Synlait Dunsandel as the Whakapuāwai programme is not yet available to employees based in other sites. Staff participation is calculated based on time spent by our employees - not on the number of participants. Finally, as our reporting system was implemented during the Autumn planting season, we have not captured any data from the Spring planting season.

FY22 PLANS

- Review the model of our Whakapuāwai programme, with the goal of further improving scalability and efficiency of the planting experience.

ENTERPRISE

WORLD CLASS VALUE CHAIN

WE PROVIDE MILK NUTRITION FOR CONSUMERS AROUND THE WORLD.

As demand for our products continue 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 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 sustainability 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.



Palletising Process Technicians at Synlait Auckland prepare the robot to place finished product cartons on an empty pallet.





SAFE FOOD

Consumers are increasingly becoming conscious of the origin and provenance of the food they buy. More than ever, consumers require transparency and disclosure from brands they trust. Over the past 18 months or more, the pandemic has served to enhance consumer 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 for South Island consumers to packaging complex blends of infant formula into cans for international markets. Rightfully, we take a no compromise approach to product quality and consumer safety with dedicated in-house laboratory testing and international regulatory expertise.

At Synlait's Research and Development Centre in Palmerston North a Technician measures the viscosity of Ambient Drinking Yoghurt, a product currently under development.

FY21 INITIATIVES

‘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 Programmes comprehensively cover 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 an independent certified, 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.

Food safety and quality culture review
In FY21 we conducted a review of our food safety and quality culture, alongside the culture check and safety review (see A Healthier Synlait). We used a similar methodology of one-to-one interviews and focus groups. Having completed the discovery phase, the food quality team worked on an action plan. Open days were held at our sites in Auckland, Pokeno and Dunsandel, to show and discuss findings with staff, and introduce the next steps of the quality culture review.

FSSC 22000 certification
We maintained our FSSC 22000 certification for Synlait Dunsandel (with the exception of our advanced dairy liquid packaging facility) and recertified this quality standard in May 2021. The next phase is to implement FSSC 22000 at Synlait Auckland and Synlait Pokeno. The certification process is planned to start there in FY22. We are confident the foundations exist at both sites and that our existing quality assurance standards comply with FSSC. Achieving certification is about making sure we meet clauses such as management responsibility, visibility, and having the right cadence of food quality and safety meetings.

Our Dairyworks team is also aiming to achieve FSSC 22000 certification at the Christchurch site. During the past year we have worked on the first stage of the audit phase and are preparing for the second stage in FY22, which will be focused on creating a plan to achieve our food safety goals.

Progress on SynQ and MyQuality
SynQ was a project to collate all the systems and methods we use to develop, manufacture, and deliver safe food products for our customers. The SynQ project began in September 2019 and has now become a ‘business as usual’ system. A SynQ manual has been completed and handed back to the Quality Assurance team.

MyQuality, an online quality event recording system, has been operating since December 2019 and is now engrained into the company and part of our daily quality activity.

Product traceability
Tracking our milk from the farm gate through our processing to the end product in a can or bottle not only meets regulatory requirements but assures our customers that it came from where the label says.

For raw milk to finished product we need a system that can maintain full traceability. We are moving from a previously manual system to a SAP-based system that provides an electronic declaration solution meeting our compliance obligations. All dairy products require a relevant EDec (eligibility declaration) attached so the Ministry for Primary Industries has full visibility of where products are produced and distributed.

The ability to track the source of the milk also enables the verification of our milk streams, such as a2 milk, or milk from our Lead With Pride™ certified farms destined to our Made With Better Milk programme. For The a2 Milk Company we stream a2 milk and have a2 visibility all the way through the process. Each milk tanker arriving at Synlait Dunsandel or Synlait Pokeno holds up to five farms’ output of daily milk – around 1,000L per farm. We keep a record of which silo each tankerload goes into so every can of infant milk powder can be traced back to base powder, which can then be traced back to the wet mix batch which, finally, can be traced back to the farm.

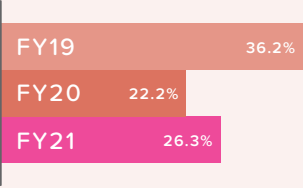
FY21 SAFE FOOD RESULTS

	FY18	FY19	FY20	FY21
Number of consumer recalls for food safety reasons*				
- Synlait*	0	0	0	0
- Dairyworks* ¹	0	0	1	1

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

¹ In FY20, Talbot Forest Cheese undertook a precautionary recall of a range of consumer products due to the detection of Listeria monocytogenes in samples of these products. In FY21, Dairyworks made a recall of a Deep South ice cream product due to an undeclared allergen - an ingredient was changed, and the packaging was updated before the previous ingredient was effectively phased out from the product.

Audits completed for critical and high-risk suppliers who were due for their three-yearly audit (excluding Dairyworks)*



Note: We changed our supplier classification system and audit procedures between FY19 and FY20. In FY19 we counted all audits of raw materials and packaging suppliers. From FY20 onwards we will only count audits of critical and high-risk suppliers, which are meant to be audited once every three years. Audit schedules were disrupted during both FY20 and FY21 due to COVID-19, which made it impossible for our auditors to travel and visit suppliers outside of New Zealand.

Percentage of production covered by FSSC 22000 – Group*



Note: The slight decrease in percentage is due to our production volume increasing with the inclusion of Dairyworks. FSSC 22000 certification of Dairyworks’ Christchurch site is under way and expected to be achieved by the end of the 2021 calendar year.

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



FY22 PLANS

- Adapting our quality management systems to meet the requirements of our new multinational customer for nutritional products.
- Aligning the quality team to Synlait’s new matrix organisational structure.
- Preparing Synlait Auckland, Synlait Pokeno and Dairyworks Christchurch for FSSC 22000 certification.



HEALTHY FARMING

Over the past four years, the number of farms that supply us with milk has increased by 44%, reaching a total of 280 in FY21. 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 throughout the year.

We often describe our farmer suppliers as the most progressive and innovative farmers of New Zealand. Together, we aim to lead the industry and uplift the social, animal welfare and environmental standards of dairy farming. Our Lead With Pride™ programme, which was created in 2013, had exactly that goal – and it has since then become the cornerstone of our sustainable farming strategy.

A Synlait Lead With Pride™ certified farm in Canterbury.

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. Providing financial support is essential to enable our farmer suppliers to improve their practices. Because Lead With Pride™ is our own standard, we are able to introduce or modify the incentive payments to reflect our priorities. For example, in FY19 we introduced a new incentive for farms that remove palm kernel expeller from their feed. Or, more recently, we transitioned our greenhouse gas incentive payment to encourage the implementation of emissions reduction measures.

Synlait also provides our farmer suppliers with technical support, including through the development of tools and guidance documents, and the expertise of our team of environmental advisors. Finally, although COVID-19 has made this more difficult, we normally organise events within the community of Lead With Pride™ certified farmers to share best practices and experiences.

FY21 INITIATIVES

Lead With Pride™ standard developments
Synlait updates the Lead With Pride™ standard each year, to ensure that it takes into account the most recent knowledge and that its requirements remain truly leading over time. Farmers are included in this process to ensure through collaboration that standards are well positioned and fit for purpose.

This year, Synlait notified Lead With Pride™ participating farmers of proposed changes to the standard in December 2020, and then organised a series of meetings to discuss these changes. There were five interactive meetings held to canvas views, collaborate, and make adjustments to the requirements, and achieve practical implementation of changes.

Most of the changes proposed for the 2021-2022 season were in the animal health and welfare pillar. New requirements include setting parameters around disease and welfare metrics including cow body condition, lameness, mastitis, and damage to tails. They enable the collection of valid, audited data supporting benchmarking for key indicators within Lead With Pride™ farms.

Due to COVID-19 disruption there was a reduction in on-farm field days to provide extension learning for farmers. However, through collaboration with Farmlands, we held three lameness prevention workshops in the Waikato and Canterbury where Neil Chesterton, a veterinarian with expertise in lameness, was hosted to present knowledge on lameness management.

FarmlQ
The Lead With Pride™ Live programme (powered by FarmlQ) enables an electronic means for suppliers to manage their farming operation as well as the tasks required by the standard. It is provided by Synlait to all Lead With Pride™ certified farms at no cost to the farmers. FarmlQ enables efficient management of the programme and a reduction in on-farm audit time. Investment continues into this platform to facilitate data benchmarking and programme efficiency.

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. 62% of our total farmer suppliers across both the Waikato and Canterbury regions were certified as of 31 May 2021. We expect over time that the vast majority of our farmer suppliers will become Lead With Pride™ certified.

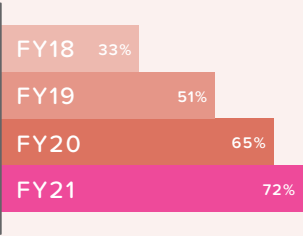
Synlait Dunsandel farmland
In March 2020, Synlait acquired a 582-hectare farmland adjacent to our Dunsandel facility. This acquisition was carried out for several reasons, including greater control over water rights and wastewater application, development of the rail siding adjoining Dry Store 4 and the ability to directly perform on-farm trials as part of our sustainability journey. Until May 2021, the two farms were leased back to the supplier who previously operated them. Since then, we have been actively working on our plans for the future operation of the farms. These will be disclosed in FY22.

FY21 HEALTHY FARMING RESULTS

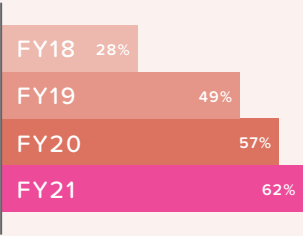
	FY18	FY19	FY20	FY21	FY18-FY21 evolution
Lead With Pride™ certified farmer suppliers (as of 31 May)*	28%	49%	57%	62%	124%
Lead With Pride™ certified milk (as of 31 July)*	33%	51%	65%	72%	119%
Farms with a Farm Environment Plan (as of 31 May)*	-	-	-	86%	-
Average length of farmer partnership with Synlait (as of 31 May)*					
- Canterbury*	-	6.8	7.8	8.0	-
- Waikato*	-	-	1.0	1.9	-
Percentage of farms with significant environmental non-compliances (as of 30 June) ^{2*}	-	2%	3%	1%	-

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

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



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



² There were two significant non-compliances in the Waikato region, and one significant non-compliance in Canterbury. All three non-compliances were related to effluent management. Synlait has access to most information relating to its farmer suppliers’ resource consents (and, importantly, to all dairy effluent consents), however we are conscious this information may not be complete. We are aiming to improve our data collection process for environmental non-compliances for the next reporting period.

FY22 PLANS

- Focus on making Lead With Pride™ more valuable for farmers, and ensure it aligns with areas that are important to consumers.
- Continue improving Lead With Pride Live (Powered by FarmlQ) to assist farmers with both the Lead With Pride™ programme, and farm management in general.

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.

Right from their farm entrance, Synlait’s Lead With Pride™ certified farmers stand out.





SUSTAINABLE SUPPLY

Sustainable procurement means making sure that we apply our sustainability principles to our entire supply chain, beyond the raw milk that we source directly from our farmer suppliers.

Our aim is to make sure that the products and services we buy have the

lowest possible environmental impact and the most positive social results. By engaging with our suppliers on sustainability, we reduce our exposure to supply chain risks. It also unlocks opportunities to collaborate with innovative suppliers that help us meet our sustainability targets.

The rail siding at Synlait Dunsandel benefits people, planet and profit while further extending our highly integrated manufacturing facility from farm-to-port.

SUSTAINABLE
SUPPLY TARGETS

100% of our procurement tenders will include social and environmental criteria by 2028.

FY21 INITIATIVES

Optimising our supply chain
With the commissioning of a new rail siding and adjacent 30,000 sqm Dry Store 4 at Synlait Dunsandel, we have transformed our import and export operations in the South Island. The rail siding and Dry Store have jointly resulted in the reduction of 16,000 truck journeys each year between the site and Christchurch.

The new rail-based transport between Synlait Dunsandel and Port Lyttelton provides positive environmental, economic, and social outcomes. Filling containers with export powder products at the new Dry Store and loading those containers onto rail wagons instead of trucking product to leased warehouses for packing into containers in Christchurch saves the company approximately 880 tonnes of carbon per year and \$8 million in costs.

Extra efficiency gains are made if the export dairy-grade containers arrive at Synlait Dunsandel full of imported ingredients such as lactose and can leave full of powder products. This is possible when logistics managers can match suppliers’ shipping arrangements with Synlait’s shipping providers. This was particularly useful in FY21 with the global shortage of shipping containers.

Removing many trucks from the road also means lower impact on the road infrastructure between Synlait Dunsandel and Lyttelton and reduces safety risks at the intersection next to our site.

Finally, the new rail and Dry Store operation also gives Synlait greater control and quality assurance for exported products. The containers are loaded and sealed at Synlait Dunsandel, and the product is not handled again until it reaches the customer’s warehouse.

Procurement screening for sustainability
In the past year Synlait has adopted a more formalised approach to integrating sustainability into procurement policies and processes. When planning a procurement tender, category managers can now use a desktop assessment to determine the level of sustainability risk and impact associated with the supplied product or service.

If the risk is low, they can use a generic “sustainability question bank” to engage tenderers on common social and environmental issues, such as the respect of human rights, greenhouse gas emissions and waste. If the risk is deemed high, then the procurement and sustainability teams collaborate to draft customised questions that address the specific social and environmental impacts associated with the product or service.

Depending on the level of risk, the weight allocated to sustainability criteria may range between 5% and 30%.

Below are tangible examples of recent tenders that had customised sustainability assessments:

- For the supply of our 25kg milk powder bags, sustainability criteria included health and safety, living wages, business ethics, FSC or PEFC certification, recyclability and recycled content of materials, as well as the greenhouse gas footprint of the products.
- For the supply of our cartons, we reviewed aspects such as the location of the forests growing the timber as well as the processing plants, greenhouse gas emissions, FSC or PEFC certification, health and safety and general sustainability policies.
- For the supply of waste management services, we asked about the tenderers’ sustainability commitments and performance, examples of initiatives enabling their customers to divert waste from landfill, use of technology and innovations to reduce waste, diversity and inclusion policies, employee benefits and working conditions, and health and safety.

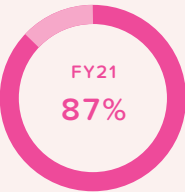
We expect to apply this process to all procurement tenders in the next few years. The next step will be to incorporate sustainability criteria into other components of the procurement cycle, such as supplier reviews and audits.

FY21 SUSTAINABLE SUPPLY RESULTS

	FY18	FY19	FY20	FY21	FY18-FY21 evolution
Non-milk supplier expenditure with New Zealand registered companies*					
- Synlait* ³	86.3%	88.4%	86.8%	N/A ⁴	-
- Dairyworks*	-	-	-	94.6%	-

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

Procurement tenders issued during the year including both social and environmental criteria*⁵



³ Excluding Synlait China.
⁴ Synlait data is unavailable for FY21 due to our transition to a new ERP still being underway. We will re-disclose this data from FY22 onwards.
⁵ Excluding Synlait China and Dairyworks.

FY22 PLANS

- Continue optimising the rail siding so that it is fully utilised.
- Test, adjust and improve our new sustainability screening process for procurement.



TRANSPARENCY

Synlait is committed to clear and accurate reporting of sustainable performance to our many stakeholders. This commitment is about going beyond compliance. We recognise that shareholders, customers, farmer suppliers, employees and all our other stakeholders require, and deserve, greater disclosure and transparency from us, especially as a public listed company.

As well as producing this Sustainability Report, Synlait contributes annually to several sustainability monitoring and evaluation processes, which use or verify our sustainability metrics and performance over the past year.

TRANSPARENCY TARGETS

120 points in the B Corp Impact Assessment by 2028.

‘A’ Score in the CDP Climate Change questionnaire by 2028.

FY21 INITIATIVES

Science Based Targets initiative
Science-based targets show companies how much and how quickly they must reduce their greenhouse gas emissions to be in line with what the latest science says is needed to prevent the worst impacts of climate change.

In 2021, we reset our Scope 1 and 2 emissions reduction target from our original target set in 2018. The new target is approved by the Science Based Targets initiative (SBTi) and aligns with the New Zealand Government’s commitment to keep global warming to 1.5°C, the most ambitious target of the Paris Agreement.

Our Scope 3 target for on-farm emissions has been adjusted to reflect the new 2020 base year but has otherwise not been changed, as it already met SBTi’s criteria for ambitious value chain goals.

CDP
Synlait supports the Carbon Disclosure Project (CDP) by completing the climate change questionnaire that is sent each year to all S&P/NZX50 companies.

In 2020 Synlait improved its score to B from D in 2019. By achieving a B, Synlait demonstrated it is taking coordinated action on climate.

It reflects improvements made in climate strategy and governance, energy and GHG emissions disclosures, climate risk management, and project implementation.

The CDP also evaluates and benchmarks a company’s engagement with their suppliers on climate change. In this rating, Synlait achieved an A-, which reflects our work to implement best practices for GHG mitigation with our farmer suppliers.

Sustainable Dairy Partnership
To support industry collaboration on sustainable agriculture, we signed on as a member of the SAI Platform in December 2020 and joined one of its key programmes, the Sustainable Dairy Partnership (SDP).

The SDP provides standard requirements and an assurance model that provides dairy buyers with confidence in the sustainability of the dairy products they buy from processors.

The SDP’s approach is to focus on management systems and to leverage work already done as part of industry wide or company specific programmes, to eliminate duplication and costs associated with multiple audits.

For Synlait, adhesion to the SDP’s requirements was relatively seamless as the criteria assessed in the programme closely align with those of our Lead With Pride™ standard, such as on-farm GHG emissions, soil nutrients, waste, water, animal welfare, and product safety and quality.

ESG rating
The ESG (environmental, social and governance) rating that underpins our \$100 million ESG-linked loans with

ANZ and BNZ banks is determined by the Sustainalytics research agency. Sustainalytics analyses a wide range of ESG indicators such as governance, water management, carbon intensity, employee engagement and turnover, quality certifications, and waste management.

In February 2021, Synlait was rated 24.5 by Sustainalytics, an increase from the previous year (21.3) mainly due to a higher perceived risk on climate and water issues. The lower the score, the lower the likely impact of ESG issues on the economic value of the company. Using the same methodology as in FY19 (for comparability), our score was 23.3.

B Corp™
In June 2020 Synlait became a certified B Corp™ company. B Corps™ are organisations that meet the highest standards of verified social and environmental performance, accountability, and transparency. By harnessing the power of business, B Corps™ use profits and growth to a greater end: positive impact for their employees, communities, suppliers, customers, and the environment.

B Corps™ need to recertify every three years, so we have been organising ourselves and developing plans to improve our scores across all five sections of the B Corp™ assessment to make sure we remain certified in 2023.

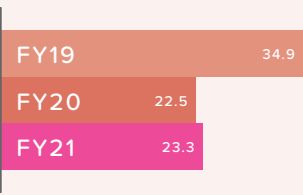
The main change will be the inclusion of Dairyworks in the scope of the assessment. The Dairyworks team has put together a detailed sustainability roadmap, which it will be implementing over the next two years.

FY21 TRANSPARENCY RESULTS

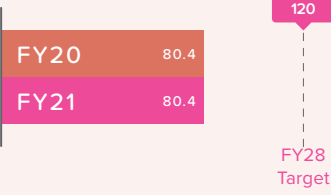
	FY19	FY20	FY21
B Corp™*	-	80.4	80.4
CDP Score*	-	D	B
Sustainalytics ESG Risk Rating* ⁶	34.9	22.5	23.3

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

Sustainalytics ESG Risk Rating*



B Corp™ Score*



⁶ The FY21 ESG Risk Rating of 23.3 is based on the methodology used by Sustainalytics in FY19, to enable a like-for-like comparison. Sustainalytics updated their methodology in FY20. Under the new version our rating in FY21 was 24.5.

FY22 PLANS

- Continually improve our CDP, Sustainalytics and SDP scores.
- Implement our B Corp improvement plans across Synlait and Dairyworks.

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	6
	102-3	Head office	Dunsandel, New Zealand	
	102-4	Locations	About this report	1
	102-5	Legal type of entity	Limited liability company	
	102-6	Markets served	Global	
	102-7	Scale of the organisation	Key highlights	5
	102-8	Workforce	Key highlights	5
	102-9	Supply chain	How we create value	12
Strategy	102-14	Managing Director statement	Introduction	4
Ethics and integrity	102-16	Values, principles, standards	Our strategy	6
Reporting practice	102-45	Entities included	About this report	1
	102-46	Basis of report content	About this report	1
	102-47	List of material topics	Our materiality analysis	14
	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 highlights	5
			How we create value	12
	204-1	Expenditure on local suppliers	Sustainable supply	74-77
Environmental	305-1	Greenhouse gases (GHG) emissions Scope 1	Climate	24-29
	305-2	GHG Scope 2	Climate	24-29
	305-3	GHG Scope 3	Climate	24-29
	305-4	GHG emissions intensity	Climate	24-29
	305-5	Reduction of GHG emissions	Climate	24-29
	302-1	Manufacturing Energy and Coal Consumption	Climate	24-29
	303-1	Nitrogen losses	Water	30-35
	303-5	Water consumption	Water: On-farm and off-farm consumption	30-35

GRI Standard Disclosure	Disclosure		Reference	Page Number
Environmental	306-2	Total waste production and recycling	Circular economy	40-43
	307-1	Non-compliance with environmental regulations and laws	Healthy farming	68-73
	308-2	Negative environmental impacts in the supply chain and action taken	Healthy farming: Lead With Pride™	68-73
Social	404-3	Percentage of employees receiving regular performance and career development reviews	Talent attraction and development	50-53
	405-1	Diversity of governance bodies and employees	Diversity and inclusion	54-57
	405-2	Remuneration for men and women and differential	Diversity and inclusion	54-57
	401-1	Annual staff turnover	Talent attraction and development	50-53
	403-9	Annual injury, severity and fatality rates	Safe workplace	46-49
	413-1	Operations with local community engagement, impact assessments and development programmes	Culture and community	58-61
	416-1	Customer health and safety: Health and safety impact assessment of products	Safe food	64-67
	417-2	Incidents of non-compliance concerning product and service information and labelling	Safe food	64-67
Management Approach				
	103-1	Explanation of material topics	Our materiality analysis	14
	103-2	Management approach	Introduction	4
			Our strategy	6
			Net positive for the planet	22
			A healthier Synlait	44
			World class value chain	62
	103-3	Evaluation of management approach	Results within each Sustainable Innovation Platform (SIP)	

Synlait

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