

This policy applies to all Synlait Milk Limited sites.

Synlait Milk Limited shall achieve this by:

Purpose

- Synlait Milk Ltd (Synlait) recognises that related party transactions and major transactions typically require shareholder approval under the NZX Main Board Listing Rules (“Listing Rules”) and section 129 of the Companies Act 1993 (the “Act”).
- This Policy has been put in place to set out the process for entering into major and related party transactions and should be read in conjunction with Synlait’s Delegated Authorities Policy and Continuous Disclosure Policy.

Scope

This Policy applies to all employees, officers, executive and non-executive directors, contractors and consultants engaged by Synlait from time to time, together referred to as “staff” in this Policy.

Related Party Transactions

Shareholder Approval Required

Synlait has an obligation under Listing Rule 5.2.1 not to enter into a material transaction where a related party is a direct party or beneficiary, unless the transaction has received, or is conditional upon, shareholder approval by ordinary resolution.

What is a “Material” Transaction?

The term “Material Transaction” is defined in the Listing Rules and broadly includes any transaction, or series of related transactions, where Synlait:

- buys, sells and issues shares, borrows, guarantees or gives security where the underlying asset or liability exceeds 10% of Synlait’s average market capitalisation (“AMC”);
- provides or obtains any services where the gross cost to Synlait in any financial year is likely to exceed 1% of AMC; or
- undertakes an amalgamation (except for with a wholly owned subsidiary).

The term “AMC” is defined in the Listing Rules and broadly refers to a weighted average price of Synlait’s shares taken during a 5 – 20 day trading period prior to the transaction, multiplied by the number of voting shares in issue.

Refer to the Listing Rules for detailed definitions of “Material Transaction” and “AMC”, including exceptions to the general rules. Any calculation of AMC and transaction values should be completed in accordance with the Listing Rules and NZX’s guidance note on Major and Related Party Transactions dated 1 January 2019.

Who are Related Parties?

The following persons are defined as “**Related Parties**” under the Listing Rules:

- Synlait’s directors and senior management;
- Persons with an interest (legal or beneficial) in 10% or more of Synlait’s shares;
- Persons “associated” with Synlait, or with the persons referred to above; and
- Persons in respect of whom there are current arrangements intended to result in that person becoming a Synlait Related Party in future.

The categories of “associated” persons are set out in the Listing Rules. They broadly include directors, senior managers, majority shareholders, joint venture partners and people exercising a substantial degree of influence over the relevant business.

Any person who has been a Related Party at any time within the 6 months before a Material Transaction will be deemed to be a Related Party, even if the person has ceased to meet the requirements at the time of the transaction.

Approval Process

Any transaction which may constitute a Related Party transaction should be promptly communicated to the Director – Legal, Risk and Governance for review.

All proposed Related Party transactions (including transactions with Bright Dairy) must be approved by an ordinary resolution of Synlait’s shareholders, or a valid waiver must be obtained from NZX, before being committed to. The Synlait legal team will be responsible for dealing with NZX on any waiver applications

In limited circumstances it may be acceptable for the transaction to be conditional upon receipt of shareholder approval or an NZX waiver. This decision must only be made after consultation and approval from Director – Legal, Risk and Governance.

These processes also apply to any proposed variation to an existing Material Transaction between Synlait and a Related Party.

Major Transactions

Shareholder Approval Required

Synlait has an obligation under Listing Rule 5.1.1 and section 129 of the Act not to enter into a major transaction unless the transaction has received, or is conditional upon, shareholder approval.

Where Listing Rule 5.1.1 applies, but section 129 of the Act does not, then an ordinary resolution of Synlait’s shareholders is required to approve the transaction. If both Listing Rule 5.1.1 and section 129 of the Act apply, then a special resolution is needed.

What is a “Major” Transaction?

A transaction, or series of related transactions, will be a “Major Transaction” if it meets one or more of the requirements set out below.

Listing Rule 5.1.1	Section 129 of the Companies Act
Any transaction to acquire, sell, lease exchange or otherwise dispose of assets which:	(a) an acquisition (or agreement) of assets worth more than 50% of Synlait’s assets before the acquisition;
(a) would significantly change, directly or indirectly, the nature of Synlait’s business; or	(b) a disposal (or agreement) of assets worth more than 50% of Synlait’s assets before the disposal; or
(b) involves a gross value above 50% of Synlait’s AMC.	(c) a transaction that has or is likely to have the effect of Synlait acquiring rights or incurring liabilities worth more than 50% of Synlait’s assets before the transaction (including guarantees and contingent liabilities).

Refer to the Listing Rules and the Act for detailed description of what constitutes a Major Transaction, including exceptions to the general rules.

Calculation of defined terms such as AMC, assets, gross value and transaction values generally should be completed in accordance with the provisions of the Act and NZX’s guidance note on Major and Related Party Transactions dated 1 January 2019.

Approval Process

Any transaction which may constitute a Major Transaction should be communicated to Director – Legal, Risk and Governance for review.

All proposed Major Transactions must be approved by Synlait’s shareholders by ordinary or special resolution (as applicable) before being committed to. NZX may grant a waiver in respect of approval required under Listing Rule 5.1.1 only and the Synlait legal team will be responsible for dealing with NZX on any waiver applications.

In limited circumstances it may be acceptable for the transaction to be conditional upon receipt of shareholder approval or an NZX waiver. This decision must only be made after consultation and approval from Director – Legal, Risk and Governance.

Financial Statement Disclosures

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

Compliance

Breaches of this Policy may lead to disciplinary action being taken against relevant staff. In serious cases this action may include dismissal.

Review Frequency

This Policy will be reviewed regularly by the Board to ensure that Synlait's obligations in relation to Related Party and Major transactions are being satisfied in accordance with the Listing Rules and the Act.

For this policy to be successful, the active participation and support of all our employees are essential.

The image shows two handwritten signatures in black ink. The signature on the left is for Leon Clement, and the signature on the right is for Deborah Marris. Both signatures are fluid and cursive.

Leon Clement
Chief Executive Officer
Synlait Milk Limited

Deborah Marris
General Counsel
Synlait Milk Limited

1. Document Information

1.1 Reference Documents

- N/A

1.2 Revision History

Section Number	Date	Revision	Description of what has changed
Whole document	7/07/2020	3	Change of template
Whole document	30/07/2020	4	Update of template

The previous revision of this document is available in the Document Control System (DCS). To access please contact the Document Controller.