

**SUSTAINABILITY
REPORT 2022**



Synlait

Doing Milk Differently For A Healthier World

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 2022.

The scope of this report includes all entities in which Synlait Milk Limited has more than 50% ownership. In FY22, Synlait Milk Limited wholly owned Synlait Milk Finance Limited, The New Zealand Dairy Company Limited, Eighty-Nine Richard Pearse Drive Limited, Synlait Business Consulting (Shanghai) Co., Ltd, Dairyworks Limited and Dairyworks (Australia) Pty Limited, Synlait Milk (Holdings) No.1 Limited and Synlait Milk (Dunsandel Farms) Limited. Synlait has shareholdings in Sichuan New Hope Nutritional Foods Co. Ltd and Primary Collaboration New Zealand Limited. Synlait has a less than 50% shareholding in these entities, excluding them from the scope of this report.

In FY22, Synlait's manufacturing and processing sites were Synlait Dunsandel, Synlait Pokeno, Synlait Auckland, Dairyworks Hornby and the Temuka cheese plant. The Temuka cheese plant was non-operational in FY22. Synlait's leased Auckland warehouse on Westney Road and Dairyworks' leased Gerald Connelly warehouse in Christchurch have been included in some environmental metrics, such as electricity, LPG, waste and GHG emissions. Our other sites –

Synlait's Research and Development centre in Palmerston North, our China office in Shanghai and central Christchurch office – 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.

The Synlait Dunsandel farms (acquired in FY21) commenced operation under Synlait control in FY22. They were included for the first time this year in our social and environmental reporting and considered as a Synlait business unit. From a GHG accounting perspective, the farms' emissions were included in scope 1 and 2 emissions. The land was leased to graze cattle and did not supply us with milk during the 2021-2022 season.

Our on-farm indicators cover all contracted milk suppliers. They exclude the Synlait Dunsandel farms. In FY22, 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).

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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The entrance to Synlait Pokeno where 120 members of our team work.



Kia ora koutou

Over the past 11 months, I have had the privilege of leading Synlait as CEO. One of the things I have always admired about Synlait is its world-class sustainability credentials. It is, therefore, an absolute pleasure to provide an update on our performance in this area to you, our shareholders, and wider Synlait stakeholders.

Adapting to the post-pandemic world means 2022 has presented many challenges for almost all New Zealand companies. I want to thank our Synlait community, especially our staff and farmer suppliers, for their commitment and hard work as we jointly navigate labour shortages, inflation, geopolitical dynamics, and operational and supply chain stability. In addition, during the year, we have realigned our organisational structure, implemented SAP and completed the first year of our two-year recovery plan to get our business back on track financially after a period of significant change and instability.

Our refreshed strategy – the B Corp™ effect

While our purpose to *Do Milk Differently for a Healthier World* remains the same, we have reviewed our ambition and strategy as we enter FY23. Our refreshed strategy will enable greater focus and accountability, which is vital in our progression towards our ambitions.

Six metrics were selected to measure our success and reflect our ambition to balance people, planet, and profit. One of these metrics is our B Corp™ score, which we aim to progressively increase with the support of continuous improvement plans.

During the strategy refresh process, one of our key assumptions was that sustainability is no longer a nice-to-have – it has become a core business enabler. Embedding sustainability into our purpose and culture, our on-farm standard (Lead with Pride™) and customer partnerships (via our Made with Better Milk programme), are essential components of Synlait’s competitive advantage model.

Delivering against our environmental targets

To align with a 1.5-degree warming scenario, Synlait has committed to reducing Scope 1 and 2 emissions by 45% by 2028. During FY22, we progressed two key decarbonisation projects: the maximisation of our electrode boiler, so that it runs at full capacity and supplies the entire Dunsandel facility, and the conversion of our Boiler 2 from coal to biomass. Our absolute Scope 1 and 2 emissions have plateaued since FY20 and, thanks to these two projects, we expect a clear reduction from FY23.

On-farm, we have committed to achieving a 30% reduction in GHG emissions per kg of milk solids by 2028. To enable this, we developed a GHG mitigation tool and incentive scheme, which our farmer suppliers have widely adopted. Between FY18 and FY22, our on-farm GHG emission intensity reduced by 9%. To accelerate the development of solutions to mitigate biological emissions from agriculture, we have also decided to invest in the Centre for Climate Action Joint Venture, alongside the New Zealand government and other primary industry partners.

Finally, we have further developed our Made with Better Milk programme, with partnerships actively progressed with farmers and customers in sustainable packaging, animal welfare and regenerative agriculture.

On-farm excellence remains a key focus

Coming back to our refreshed strategy, our six key enablers also include achieving on-farm excellence.

I have particularly valued getting to know our farmer suppliers. It is critical to Synlait that we engage our farmers, add value on-farm, and share a united vision. Over the coming years, we will aim to improve our payment systems, digital tools, and industry and community engagement, alongside our Lead with Pride™ and Made with Better Milk programmes. We have also elevated milk supply to the Executive Leadership Team, with the addition of the Director of On-Farm Excellence and Business Sustainability role to ensure we achieve this.

We are on a journey to become an employer of choice once again

For Synlait to become an employer of choice, we need to further stabilise and rebuild our culture following a period of constant change and reorganisation. To strengthen engagement, we are actively promoting internal talent and resetting our health, safety, and wellbeing performance via the launch of a new internal campaign called Synlait Safe.

The resilience of our Synlait community has been tested over the past two years, but we remain committed to building a future where food production positively impacts people and the planet. We are also committed to continuing to lead the way in sustainability and engaging our staff, farmers, customers, and community with us on this journey.

Nga mihi.



Grant Watson
CEO

KEY HIGHLIGHTS



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

OUR HEART, HEAD, HANDS



HEART OUR PURPOSE



HEAD OUR AMBITION



HANDS OUR STRATEGY

DOING MILK
DIFFERENTLY
FOR A HEALTHIER
WORLD

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



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

SYNLAIT'S STRATEGY FY23-FY27

During FY22, Synlait refreshed its strategy. The company's purpose, *Doing Milk Differently For A Healthier World*, was not changed. However, our ambition and strategy were both reviewed and updated. Synlait's ambition now has six metrics that measure success.

Our four business units are:

- 1 Advanced Nutrition
- 2 Ingredients
- 3 Consumer
- 4 Foodservice

The refreshed strategy will be presented in next year's sustainability report.



OUR SUSTAINABILITY FRAMEWORK

Our framework is based on the following three enabling pathways:



NET POSITIVE FOR THE PLANET

Net Positive for the Planet represents the stand we are taking for Papatūānuku. 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?

Synlait’s sustainability framework will be reviewed to align with the refreshed strategy in FY23.



SUSTAINABILITY GOVERNANCE

BOARD OF DIRECTORS

The purpose of the People, Environment and Governance Committee (Committee) is to assist the Board on all material matters in relation to people, the environment, and governance at Synlait.

This includes establishing a coherent framework for management of the Human Resource policy and remuneration structure, enabling Synlait to attract, retain and reward talent; and establishing policies and strategies to ensure Synlait meets its commitment to create a business impact that is net positive for the planet across its entire value chain.

Key responsibilities include:

- To monitor and review the effectiveness of our Human Resources strategy, talent management and processes;
- To review Synlait's investment strategies against our sustainability commitments;
- To monitor and review the effectiveness of our sustainability strategies; and
- To review and approve progress against strategies and targets.

The Committee consists of at least three members, the majority of whom are independent directors. Committee meetings are held at least five times a year.

EXECUTIVE LEADERSHIP TEAM

All members of our Executive Leadership Team share responsibility for our social and environmental performance. In line with our goal of balancing people, planet and profit, our corporate scorecard includes people and environmental metrics, alongside financial, quality, production, and sales indicators.

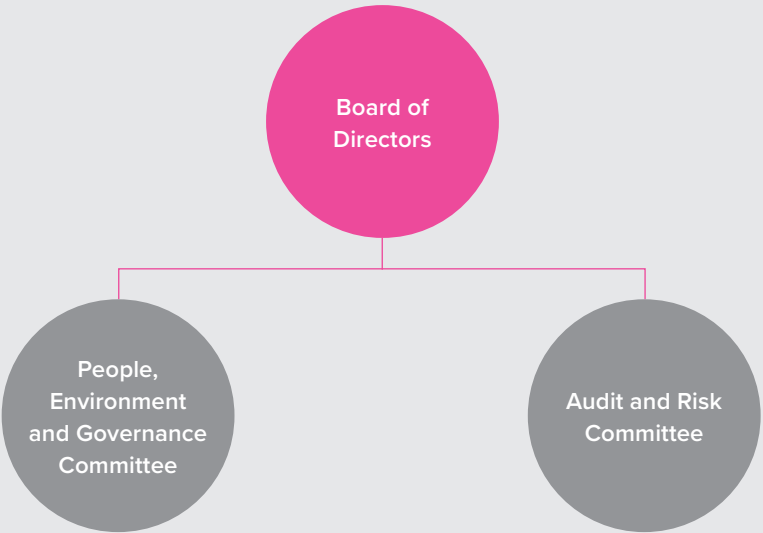
The Executive Leadership Team members are directly accountable for delivering specific programmes under our sustainability framework:

- The Director of On-Farm Excellence and Business Sustainability is responsible for milk supply, on-farm excellence, and sustainability, ensuring that our milk pools remain highly competitive while continuing to accelerate our environmental targets on and off-farm.
- The Director of People and Culture is responsible for health, safety and wellbeing, diversity and inclusion, and the development of a framework that strengthens our capability and culture, creates career pathways for key talent, and promotes high performing teams.

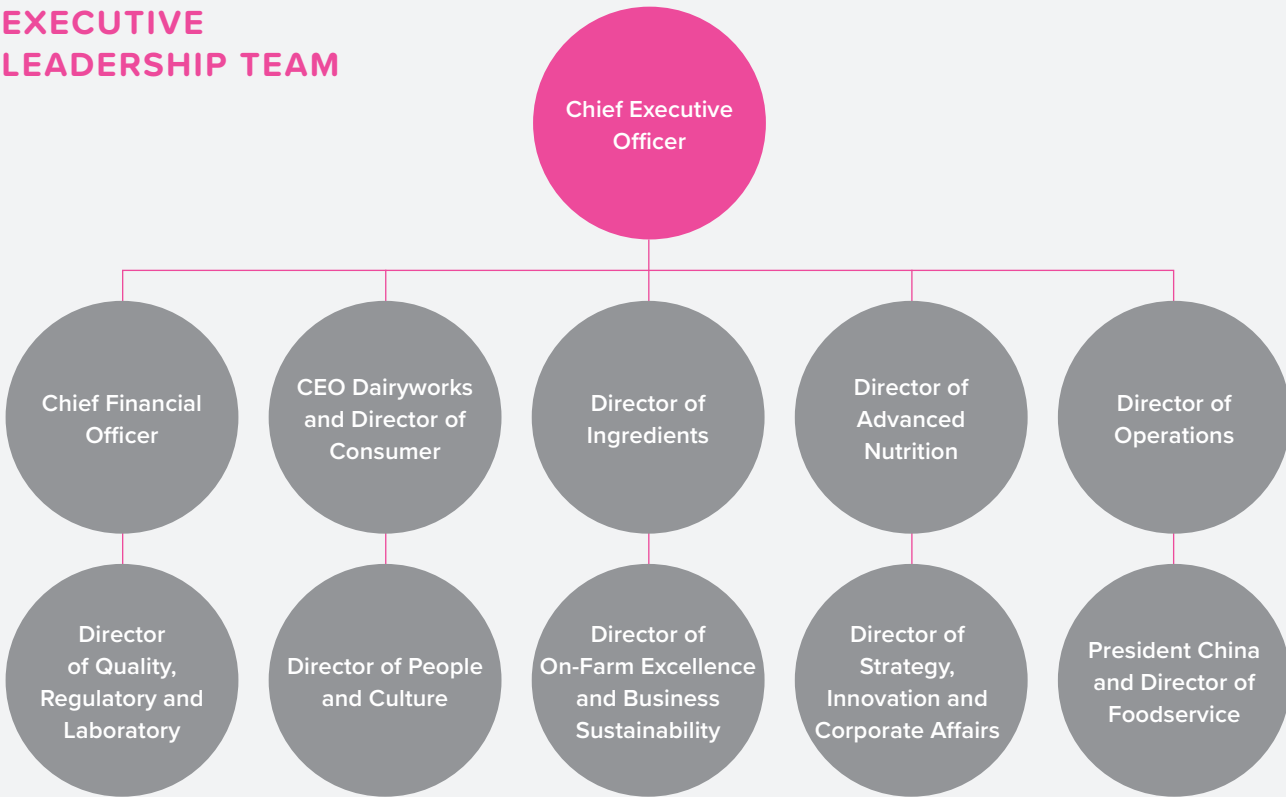
- The Director of Quality, Regulatory and Laboratory is responsible for ensuring that we manufacture products under world-class food safety and quality standards.

The other Executive Leadership Team members directly or indirectly support the achievement of our social and environmental goals. For example, our four business units aim to embed sustainability into their products, processes and/or customer relationships, in particular via our Made With Better Milk programme.

BOARD OF DIRECTORS



EXECUTIVE LEADERSHIP TEAM



MATERIALITY ANALYSIS

To improve and sustainably develop as an organisation we need to identify, understand, and closely manage our performance on the economic, social, and environmental topics most material to us and our stakeholders.











In FY20, we performed a full desktop materiality assessment. This involved reviewing reports from suppliers, customers, investors, and other external stakeholders to assess relevant issues that could impact value. Working from a long list of topics, a shortlist was created and discussed within a group of key internal stakeholders.

In FY22, we analysed our internal and external contexts to update this list and review the ranking of our most material topics. We considered our new strategy and organisational priorities, such as being an employer of choice, achieving on-farm excellence and improving manufacturing efficiencies.

MATERIAL TOPICS

- ① FOOD SAFETY AND QUALITY
- ② HEALTH, SAFETY AND WELLBEING OF EMPLOYEES
- ③ EMPLOYEE ENGAGEMENT, CULTURE, AND CAPABILITY
- ④ PROFITABILITY
- ⑤ MARKET ACCESS
- ⑥ CLIMATE CHANGE
- ⑦ CUSTOMER PARTNERSHIPS AND DIVERSIFICATION
- ⑧ WATER QUALITY
- ⑨ OPERATIONAL EXCELLENCE
- ⑩ COMPETITIVE MILK POOL
- ⑪ LAND, BIODIVERSITY, AND REGENERATIVE AGRICULTURE
- ⑫ PRODUCT INNOVATION
- ⑬ ANIMAL WELFARE
- ⑭ SUSTAINABLE PACKAGING, WASTE, AND RECYCLING
- ⑮ NUTRITION AND HEALTH
- ⑯ PRODUCT PROVENANCE AND TRACEABILITY
- ⑰ INFORMATION SERVICES
- ⑱ RESPONSIBLE PROCUREMENT

OUR CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

UN SDGs	SDG Target	How We Contribute	Synlait Programme	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	69
	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	65
			Safe workplace	47
	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	55
	CLEAN WATER AND SANITATION	6.3 - Improve water quality by reducing pollution and minimizing release of hazardous chemicals	Water	31
		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	25
	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	51
			Diversity and inclusion	55
			Safe workplace	47
	RESPONSIBLE CONSUMPTION AND PRODUCTION	12.5 - By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	Circular economy	41
		12.6 - Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle	Sustainable supply	75
			Transparency	79
	CLIMATE ACTION	13.2 - Integrate climate change measures into national policies, strategies and planning	Climate	25
	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	59
		15.3 - Combat desertification, restore degraded land and soil, and strive to achieve a land degradation-neutral world	Welfare	37
	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	69
			Made With Better Milk	19

PRODUCT

MADE WITH BETTER MILK

COLLABORATING ACROSS THE VALUE CHAIN TO ADVANCE SUSTAINABILITY

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.

The Made With Better Milk programme leverages the integrity of our approach to milk production, transparent supply chain practices, and verified sustainability claims. It means we can provide our global customers opportunities to share the sustainable value we are creating.

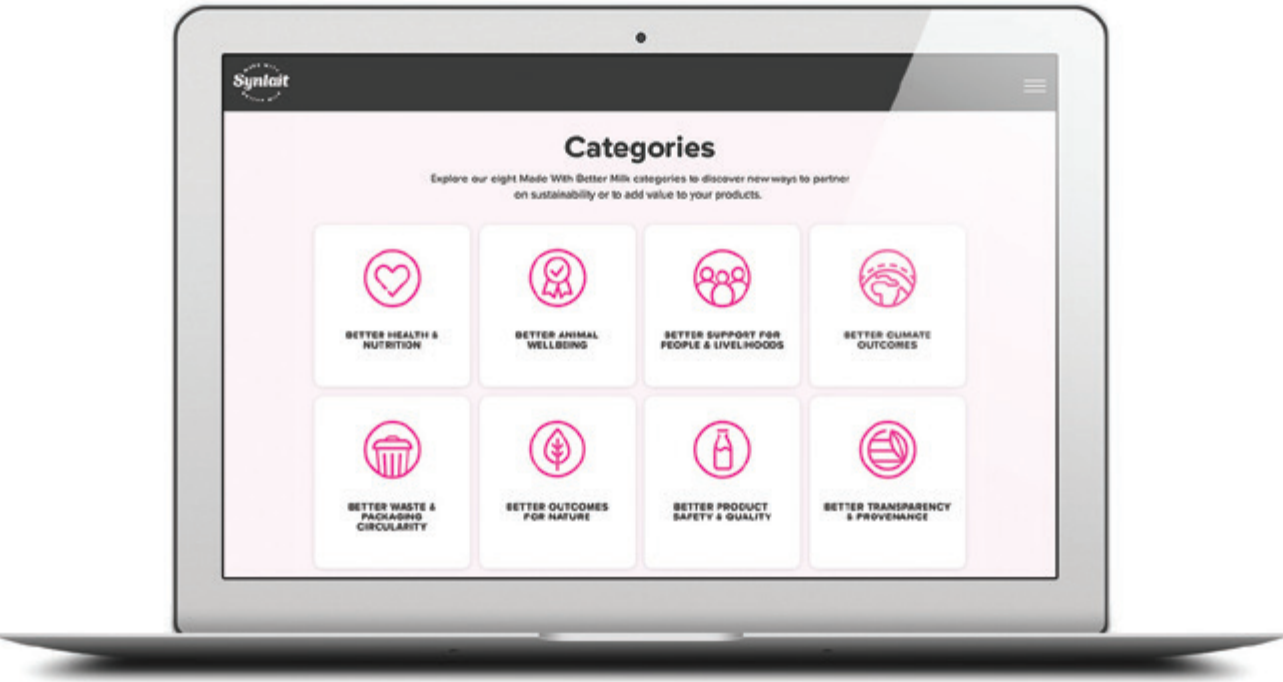
Made With Better Milk has two main objectives:

1. Enabling our customers to reach their **corporate sustainability commitments and targets** through collaborative projects on-farm and/or on-site. For example, this could involve partnering on the trial of new on-farm technologies and practices such as regenerative agriculture or new effluent management systems. Sustainability benefits are monitored, reported, and allocated to customers to demonstrate progress toward meeting their targets.

2. Helping our customers **differentiate their brands** through sustainability related product attributes and claims. We have a team of highly skilled technologists to work with customers on new product development. We are also able to provide support with marketing collateral and product certifications. A good example of this is our verified grass-fed milk pool which customers can use to make grass-fed milk claims on pack.



THE MADE WITH BETTER MILK PROGRAMME HAS BEEN DEVELOPED TO OFFER EVER-EVOLVING STANDARD AND TAILORED SOLUTIONS



In FY22 we focused on developing the Made With Better Milk programme and the associated marketing collateral. The programme consists of ‘standard’ and ‘tailored’ solutions. Standard solutions are value propositions that already exist – things that we already do and that may be of interest to our customers, for use in their corporate or brand communications. Tailored solutions are those we can co-develop with our customers. This could be in the form of tailored new product development or collaborative projects on-farm or on-site.

The menu of solutions we offer to customers is dynamic and ever evolving as we align with new trends and market expectations. We have also initiated discussions with existing and future partners (for example, Agtech start-ups, solution providers, certification bodies) to determine how we could craft unique solutions for our customers.

In February 2022 we captured imagery and filmed interviews on-site, on-farm, and in-studio. We used the footage to create a portfolio of marketing collateral

that will be used to promote Made With Better Milk, including a new website that was launched in August (madewithbettermilk.com). The website provides customers with high-level information regarding a selection of value propositions and encourages them to get in contact to discuss their specific requirements.

Additional marketing and informative content such as fact sheets and blog articles are under development, these will help customers understand what we could collaborate on and how we could help them to achieve their sustainability goals.

OUR TAILORED SOLUTIONS

Tailored solutions are value propositions that we can co-develop with our customers. This could be in the form of new product development or collaborative projects on-farm or on-site. Three examples are summarised below:

GHG reduction

New Zealand is one of the world’s lowest greenhouse gas (GHG) milk producers¹, and despite this, Synlait has ambitious plans to further reduce on-farm GHG emissions.

We can meet our emission reduction targets faster through mutually beneficial collaborations with customers on their own net-zero pathways. By partnering with customers, we can work with our farmers to identify new technologies and innovative measures which could be utilised on-farm to reduce GHG emissions.

In exchange for co-funding the GHG reduction initiatives, Synlait can allocate the GHG emissions factors from the participating farms to the customer for their GHG reporting. On-farm GHG mitigations as well as individual farm emissions are audited by a third party each year, providing our customers with assurance that they can claim the GHG reductions in their own reporting.

Regenerative agriculture

Regenerative agricultural practices have the potential to rebuild soil health and sequester carbon, increase biodiversity, and conserve water, and make farms more resilient to extreme climate events.

We are currently participating in a five-year pilot study with AgResearch, Danone and ten farmer suppliers to measure soil health improvements and compare the effects of conventional versus regenerative agriculture practices. We are also working with SAI Platform on the development of a global regenerative agriculture framework.

We wish to provide opportunities for customers to collaborate and co-invest in on-farm regenerative projects with us and our farmer suppliers. Should customers have their own regenerative agriculture frameworks, we can explore how they could be applied to our New Zealand pastoral farming system. These projects are a key step to adopting regenerative agriculture principles in a way that is relevant to New Zealand farmers, whilst helping our customers meet their sustainability targets within their supply chain.

Sustainable packaging

By 2025, 100% of Synlait product packaging will be reusable, recyclable, or compostable. It is part of our circular economy strategy, which recognises the inherent value of all materials, keeping them in the loop and out of landfill. It means that recycled content and recyclability need to be achieved together.

Achieving a circular model for our packaging means that we must reimagine all aspects of our business and apply sustainability principles in all packaging decisions. We are seeking to close the loop by incorporating recycled content in both primary and secondary packaging within our portfolio.

We also want to partner with customers and suppliers so that recyclability is achieved while maintaining the functional and technical properties required for their products. Thanks to our team of packaging technologists, we can apply sustainable packaging design guidelines when working on new packaging developments.

¹ Mapping the carbon footprint of milk for dairy cows, A. Mazzetto, S. Falconer, and S. Ledgard.

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 1.5°C of warming by 2100.



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.



One of the native plants grown and supplied through our Whakapuāwai Programme.





CLIMATE

Our industry is a significant contributor to New Zealand's greenhouse gas (GHG) footprint and Synlait is committed to playing its part in our 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 fertilisers can reduce costs and assist in the reduction of nitrous oxide, which is a potent greenhouse gas.

In 2018, we committed to not building any additional coal-fired manufacturing facility. Our roadmap towards a low-emitting future requires us to, over time, replace our existing coal use with more renewable sources of energy. In 2022, we achieved two major milestones in our decarbonisation journey with the conversion of one boiler (out of three) from coal to biomass, and the upgrade of our electrode boiler at Synlait Dunsandel.

Part of the team behind the conversion of Boiler Two from coal to biomass, at Synlait Dunsandel.

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 reset our Scope 1 and 2 greenhouse gas emissions targets in FY21 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.

FY22 INITIATIVES

Greenhouse gas on-farm mitigation tool
The GHG mitigation incentive scheme and tool that we have been developing since FY18 has now been fully integrated into our Lead With Pride™ programme, with all certified farmers participating in the scheme.

This development has amended the way we incentivise our Lead With Pride™ certified farmers. The incentives have changed to recognise and reward the implementation of GHG mitigation measures on-farm, as they are based on the number and type of mitigation measures employed by our farmers. By incentivising mitigations instead of progress against a baseline, we are supporting early adopters, not penalising them.

Even when in the same region, all farms are diverse in environmental profiles and farm systems. We therefore cannot have a blanket approach to GHG mitigation. Our tool effectively assesses the impact of various emission reduction measures on each specific farm. Our farmers review their current practices and footprint. They then determine what GHG mitigation techniques they can integrate into their operations.

A holistic range of over 40 mitigation options are available to these farmers, with information and support to implement. As of the more recent season, we can see the most adopted practices include soil testing and conditioning to improve soil structure and fertility, balanced diets for herds, nutrient management and effluent technology, riparian planting, and waste measurement and management.

There are three tiers of incentives on offer for farmers, based on the different mitigation techniques employed on-farm. The number of participating farmers receiving the top tier incentive increased by 30% across the 2021-2022 season.

By the end of the season, 72% of our Lead With Pride™ farmers were receiving the highest level of incentive payments, and the remaining 28% were on the second tier of incentive payments. This is a testament to the efforts of these farmers. We appreciate how engaged our farmers have been with this scheme and are proud of what they have achieved already.

Boiler Two conversion to biomass
Over FY22 we progressed our project to replace coal with biomass in Boiler Two at Synlait Dunsandel. This conversion is co-funded by the Government Investment in Decarbonising Industry (GIDI) programme, managed by the Energy Efficiency and Conservation Authority (EECA), as well as Synlait’s strategic customer and shareholder, The a2 Milk Company.

The biomass, or 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. Another benefit of wood pellets is that they are expected to result in a boiler efficiency increase of 6%, from approximately 82% to 88%.

The commissioning of Boiler Two on wood pellets was delayed (it was initially meant to go live in August 2022) due to design and build challenges. The team continues to show significant resilience in overcoming these setbacks, and we expect to start the first “burn campaigns” with wood pellets in early 2023.

”Burn campaigns” are periods during which we only burn wood pellets for optimum efficiency, and then return to coal. By 2026 we expect to be exclusively burning biomass in Boiler Two. Once fully transitioned to wood pellets, this project is estimated to save 40,000 tonnes of CO2 per annum, a 28% reduction versus our FY20 base year scope 1 and 2 emissions.

In the longer term, coal will also be phased out in Boilers One and Three at Dunsandel. We will begin planning phase two of our Decarbonisation Roadmap in FY23.

Electrode boiler maximisation
In FY19, Synlait commissioned New Zealand’s first large-scale electrode boiler at Synlait Dunsandel to supply process heat to its Advanced Dairy Liquid Packaging Facility. In New Zealand, more than 80% of the electricity generated each year is qualified as renewable – mainly from hydro and geothermal sources.

It was identified that the 6 MW capacity of this boiler could potentially be upgraded to 12 MW. This led to the electrode boiler maximisation project, also co-funded by EECA’s Government Investment in Decarbonising Industry (GIDI) Fund. In FY22, significant progress was made, including scope review, system design, and phasing implementation timeline development.

Our goal is to connect the electrode boiler to the entire Dunsandel site, enabling a typical running rate of up to 10 MW, where it was previously 2 MW. The project will also come with a new system that allows Synlait to consume electricity when time-of-use rates are less expensive than coal prices.

At full capacity, the upgraded electrode boiler is predicted to save over 18,000 tonnes of CO2 per year. This would represent a 13% reduction versus our FY20 base year scope 1 and 2 emissions.

Forklift electrification
In FY22, we have continued our plan to replace our LPG-fuelled forklifts with battery-electric forklifts. We are gradually phasing out our LPG forklifts as they need to be retired. When an LPG forklift is at the end of its useful life, it is replaced with an electric forklift. This was identified at the beginning of this transition as being the most economically viable approach.

Across our four sites, 55% of our mobile plant fleet are now electric as of July 2022. Synlait is committed to fully electrify its fleet of forklifts by 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 2021-2022 milk season, Synlait had 278 farmer suppliers, located in the Canterbury and Waikato regions.

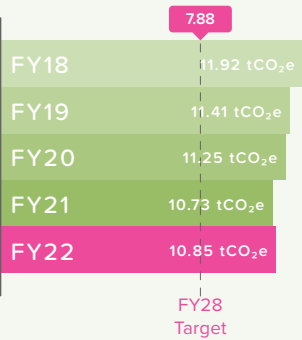
² The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

FY22 CLIMATE RESULTS – ON-FARM

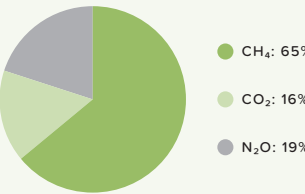
	FY18	FY19	FY20	FY21	FY22	FY18-FY22 evolution
Total Scope 3 on-farm GHG emissions*	754,992 tCO ₂ e	731,935 tCO ₂ e	856,622 tCO ₂ e	930,065 tCO ₂ e	899,869 tCO ₂ e	19%
- Canterbury*	754,992 tCO ₂ e	731,935 tCO ₂ e	735,277 tCO ₂ e	808,398 tCO ₂ e	761,637 tCO ₂ e	-
- Waikato*	-	-	121,345 tCO ₂ e	121,666 tCO ₂ e	138,232 tCO ₂ e	-
On-farm GHG emissions per tonne of milk solids*	11.87 tCO ₂ e	11.48 tCO ₂ e	11.17 tCO ₂ e	10.72 tCO ₂ e	10.85 tCO ₂ e	-9%

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

On-farm GHG emissions per tonne of milk solids*



On-farm emissions by type*



FY23 ON-FARM PLANS

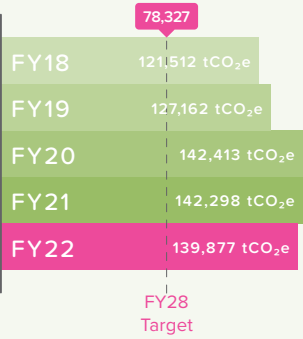
- Continue to support farmers with the GHG tool and make improvements for FY24.
- Monitor the emergence of new, proven and commercially available GHG mitigations for incorporation into the GHG tool.

FY22 CLIMATE RESULTS – OFF-FARM¹

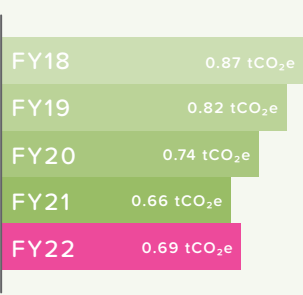
	FY18	FY19	FY20	FY21	FY22	FY18-FY22 evolution
Total Scope 1 and 2 GHG emissions*	121,512 tCO ₂ e	127,162 tCO ₂ e	142,413 tCO ₂ e	142,298 tC ₂ e	141,007 tCO ₂ e	16%
- Scope 1*	114,589 tCO ₂ e	120,127 tCO ₂ e	133,609 tCO ₂ e	133,794 tCO ₂ e	129,910 tCO ₂ e	13%
- Scope 2*	6,923 tCO ₂ e	7,035 tCO ₂ e	8,804 tCO ₂ e	8,504 tCO ₂ e	11,097 tCO ₂ e	60%
Total Scope 1 and 2 emissions excluding Synlait Farms*	121,512 tCO ₂ e	127,162 tCO ₂ e	142,413 tCO ₂ e	142,298 tC ₂ e	139,877 tCO ₂ e	15%
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	0.69 tCO ₂ e	-21%
Total energy consumption* ²	347,145 MWh	377,086 MWh	446,541 MWh	436,365 MWh	428,104 MWh	23%
Energy consumption per tonne of product*	2,495 kWh	2,425 kWh	2,313 kWh	2,031 kWh	2,076 kWh	-17%
Total coal consumption (Synlait Dunsandel only)*	54,287 tonnes	56,807 tonnes	56,889 tonnes	56,467 tonnes	53,861 tonnes	-1%
Coal consumption per tonne of product*	0.39 tonnes	0.37 tonnes	0.29 tonnes	0.26 tonnes	0.26 tonnes	-33%

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

Absolute Scope 1 and 2 GHG emissions (excluding Synlait Farms)*



Scope 1 and 2 GHG emissions per tonne of product*



FY23 OFF-FARM PLANS

- Start the first biomass “burn campaigns” in Boiler Two.
- Monitor the performance and efficiency of Boiler Two on wood pellets, as well as the upgraded electrode boiler.
- Begin planning Phase Two of our Decarbonisation Roadmap.

¹ Unless otherwise stated, off-farm climate results include all Synlait and Dairyworks manufacturing sites, as well as leased warehouses where applicable.
² This indicator includes all energy sources for our manufacturing and warehousing operations – electricity, coal, natural gas, diesel and LPG.



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 nitrate leaching. We work alongside them to identify their water-related risks and create farm environment plans that mitigate these risks.

In our processing sites, our priority is to improve the treatment and quality of our wastewater, with sodium and nitrogen being the two main chemicals that we aim to reduce. Over time, we will also strive to improve our water efficiency and consider systems that enable us to endlessly clean and reuse the water we need in our manufacturing processes.

A wider view of the Rakaia Gorge, whose river runs close to many of our farmer suppliers in Canterbury.

WATER TARGETS

On-farm
20% reduction in water use per kilogram of milk solids by 2028, from a FY19 base year.

45% reduction in nitrogen loss to waterways per kilogram of milk solids by 2028, from a FY18 base year.

Off-farm
20% reduction in water use per tonne of product by 2028, from a FY18 base year.

20% reduction of nitrogen discharge per tonne of product by 2028 (Synlait Dunsandel and Pokeno only), from a FY18 base year.

Sodium Adsorption Ratio (SAR) 90th percentile of 10 (Synlait Dunsandel only).

FY22 INITIATIVES

Nitrogen reduction technology trial
Nitrogen leaching, mainly from cow urine, can be a cause of water quality degradation. In 2020, Synlait began partnering with a farmer supplier to trial a new technology with the potential to 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. The lysimeters simulate the impact of the solutions separately to the farm.

Early results in 2021 indicated that the farm’s soil characteristic could be a limiting factor and reduce the efficacy of the technology. This led to the extension of the trial on both the paddocks and the lysimeter facility. The paddock trial ended in late FY22, while the lysimeter work to test the different nitrogen inhibitors will continue until November 2022.

We expect the trial’s final results and report to be ready by April 2023.

New Zealand’s nitrogen fertiliser cap
Since July 2021, a synthetic nitrogen fertiliser threshold of 190 kilograms per hectare per year applies to all grazed land, as part of the New Zealand Government’s Essential Freshwater policy. Our farmers are required to inform their regional councils of the application of synthetic nitrogen by 31 October 2022.

Our Lead With Pride™ farmers were prepared for this new requirement due to already being required to complete an approved Nutrient Management Plan. These plans are revised annually, as are relevant nutrient budgets.

We continuously provide support to our suppliers to reduce nitrogen usage and make the most of the 190 threshold. Our team also collaborated with the top 10% of nitrogen users from our supply base on reduction plans.

Over the 2021-2022 season, our farmers have shown a commitment to meeting the nitrogen fertiliser threshold. A prolonged drought experienced in the North Island this season led to insufficient grass growth for the regular application of synthetic nitrogen fertiliser. National increases in fertiliser prices have also driven down the use of synthetic nitrogen.

Wastewater sodium reduction
The presence of sodium in wastewater is a result of the use of chemicals for the hygienic cleaning of plant equipment. Synlait Dunsandel also uses sodium from salt for the extraction of lactoferrin in milk. Lactoferrin is a natural protein present in cow’s milk that has antibacterial, antimicrobial and anti-inflammatory properties. Synlait produces lactoferrin as a high-value ingredient for nutritional products.

High levels of sodium can, over time, have adverse effects on the soil of the land where wastewater is irrigated, such as reduced infiltration rates and ponding. Synlait Dunsandel has therefore been developing several initiatives to reduce the sodium content in its wastewater, which is irrigated onto adjacent farms

Across FY21 and FY22, we optimised lactoferrin salt usage to reduce salt consumption without affecting the quality of the lactoferrin extraction process. We have also finalised a trial that investigated the use of potassium-based (versus sodium-based) cleaning chemicals and demonstrated that these chemicals were fit for purpose in our plants. However, the trial also showed that changes to our capital infrastructure would be required to enable the permanent use of these potassium-based chemicals.

As mentioned, lactoferrin elution salt and cleaning chemicals are the key contributors to sodium discharge.

Our plans for FY23 include reviewing and optimising our plant Clean-In-Place (CIP) processes across all Synlait Dunsandel’s 200+ sub-circuits and investigating the feasibility of recovering salt and CIP chemicals within our Lactoferrin facility.

Site loss optimisation
Flushing occurs at the end of each production run when water is pushed through the milk silos to prepare for the next run and purge the drains.

In FY21, work was completed to optimise flushing processes at Synlait Dunsandel. Site losses were mitigated by adjusting pipe purges and automated flush and purge timers. The systems have been optimised to recover the milk without impact on product or processes.

In our Advanced Dairy Liquid Packaging Facility, these changes are expected to save 40,000m³ of water annually. In the rest of the Dunsandel site, optimising flushing processes in the milk reception area will save 1,000m³ of water annually.

In FY22, the focus was on optimisation of flushing in our lactoferrin extraction process. Changes to milk flushing in this process are estimated to save over 4,000m³ of water per year, with the project due for completion in December 2022.

FY22 WATER RESULTS – ON-FARM¹

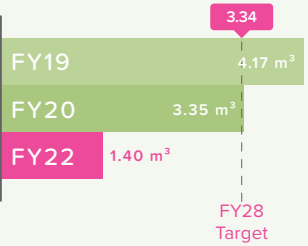
	FY18	FY19	FY20	FY21	FY22	FY18-FY22 evolution
Total on-farm water consumption (mainly for irrigation)* ²	- 266,075,593m ³	257,061,367m ³		N/A	114,466,404m ³	-
- Canterbury*	- 266,075,593m ³	256,839,432m ³		N/A	114,259,350m ³	-
- Waikato*	-	-	221,935m ³	281,995m ³	207,054m ³	-
On-farm water consumption per kg of milk solids*	-	4.17m ³	3.35m ³	N/A	1.4m ³	-
Total on-farm nitrogen loss*	2,621,975 kg	2,428,443 kg	2,679,658 kg	2,755,742 kg	2,417,307	-8%
- Canterbury*	2,621,975 kg	2,428,443 kg	2,274,582 kg	2,312,105 kg	1,978,681	-25%
- Waikato*	-	-	405,076 kg	443,637 kg	438,626	-
On-farm nitrogen loss per kg of milk solids*	41g	38g	35g	32g	29g	-29%

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

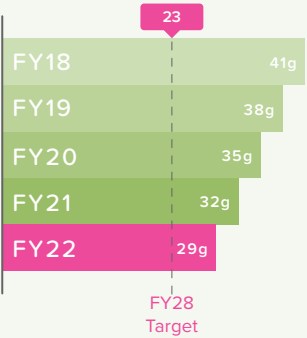
Waterways fenced to the stock-exclusion standard of the New Zealand Dairy Tomorrow Strategy*³



On-farm water consumption per kilogram of milk solids*



On-farm nitrogen loss per kilogram of milk solids*



FY23 ON-FARM PLANS

- Review the results of the nitrogen leaching trial and decide on next steps.
- Continue providing support to farmers to reduce their usage of synthetic nitrogen fertilisers.

¹ All indicators in this table are aligned with OVERSEER®’s reporting period, which is 1 July to 30 June.

² Several factors affect the overall accuracy of our on-farm water consumption data. These factors include: missing data from farms, the inability to distinguish between large blocks and individual farms in some water consents and irrigation schemes, data recording gaps and spikes from water meters. In addition, milking shed or stock water usage is not recorded on most farms and water usage from year to year varies significantly depending on the weather conditions.

³ This is the New Zealand Dairy Sector Strategy, which focuses on caring for our animals, people, and planet into the future. A requirement is to exclude stock from waterways through use of fencing.

FY22 WATER RESULTS – OFF-FARM¹

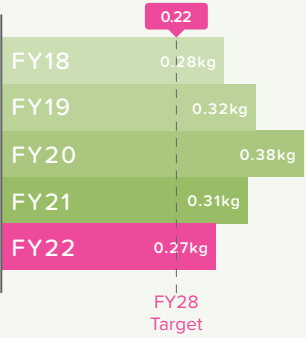
	FY18	FY19	FY20	FY21	FY22	FY18-FY22 evolution
Total water consumption including Synlait Farms*	1,927,484m ³	2,232,869m ³	2,823,454m ³	2,636,247m ³	4,830,988m ³	151%
Total off-farm water consumption*	1,927,484m ³	2,232,869m ³	2,823,454m ³	2,636,247m ³	2,678,309m ³	39%
Off-farm water consumption per tonne of product*	13.86m ³	14.36m ³	14.62m ³	12.27m ³	12.99m ³	-6%
Water recovered and reused in manufacturing operations (Synlait Pokeno only)*	-	-	17%	27%	22%	-
Total nitrogen discharge per tonne of product (Synlait Dunsandel and Pokeno only)*	0.28kg	0.32kg	0.38kg	0.31kg	0.27kg	-4%
90th percentile SAR (Synlait Dunsandel only)*	13.16	11.24	13.62	13.80	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)*



FY23 OFF-FARM PLANS

- Initiate site-wide clean-in-place (CIP) optimisation at Synlait Dunsandel and complete preliminary feasibility studies for salt and chemical recovery in the Lactoferrin plant.
- Identify further water efficiency and recovery opportunities.

¹ Unless otherwise stated, off-farm water results include all Synlait and Dairyworks manufacturing sites.



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 closely align with the outcomes sought by regenerative agriculture, which has been gaining traction around the world over the past few years. Synlait aims to contribute to the development of global and local regenerative agriculture frameworks, and to lead their implementation on the ground in partnership with our farmer suppliers, while ensuring they are applicable and relevant in the New Zealand pastoral farming system.

Milk supplied by Synlait comes from cows that are predominantly pasture-fed.

FY22 INITIATIVES

Animal health and wellbeing

In FY22, we introduced additional animal health and wellbeing assessments for all farmer suppliers who supply one of our key global customers.

Our Milk Supply team completed training in January 2022 to further their skills and knowledge in this area, better engage with our farmers on animal health and wellbeing, and support these assessments.

During the year, our team worked alongside our third-party auditors to complete all of the required assessments before the end of the milk season. Next year, every Lead With Pride™ certified farm supplying this key customer will have a total of two assessments.

Soil health partnership

Synlait has partnered with Danone and AgResearch, a New Zealand Crown Research Institute, on a five-year soil health and regenerative agriculture study. Co-funded by the Ministry for Primary Industries' Sustainable Food and Fibre Futures fund, the project is being conducted on ten farms in the Canterbury, Waikato, and Otago regions.

The project has two main objectives:

- At farm level, it aims to help farmers assess soil health in a more comprehensive way, encompassing soil chemical, physical, organic matter, and biological indicators. In FY22, we completed base soil health measurements across all farms and developed improvement plans with the ten farmers.

- On two adjacent paddocks on each farm, the project aims to compare “conventional” versus “regenerative” practices. In FY22, on all ten farms, one paddock was sown with a standard ryegrass-clover seed mix, and the other with a hyper-diverse seed mix containing 17 different species. Each paddock will then be split in two and receive either standard or reduced levels of synthetic nitrogen fertilisers.

Measurements and modelling are being carried out to understand the impact of these practices on the farms’ profitability and environmental performance, such as nitrogen leaching, nitrous oxide emissions and soil carbon.

Field days were held in Canterbury and Waikato, that extended beyond the participating farms. These field days were an opportunity to discuss the project and raise awareness on the assessment of soil health.

Biodiversity for beneficial insects

In August 2021, Synlait joined a five-year, cross-industry project led by The New Zealand Institute for Plant and Food Research on beneficial insect diversity.

The ambition of this project is to prove that there is a wider number and diversity of insects when there are native plants on a farm, and that these are beneficial insects, either because they are pollinators or because they prevent or control pests. We expect this project to provide us with valuable science-backed guidance as to which native plants to prioritise in our Whakapuāwai programme.

In FY22, one Whakapuāwai farm and six control farms (without any native plantings) contributed to this study. We plan to onboard two additional Whakapuāwai farms in FY23.

We also aim to raise awareness of our farming community on the topic of beneficial insects. We sent a questionnaire to all our Whakapuāwai farmers and published short articles presenting a “Bug of the Month” in Leading Edge, our monthly farmers’ newsletter.

SAI Platform’s Regenerative Agriculture programme

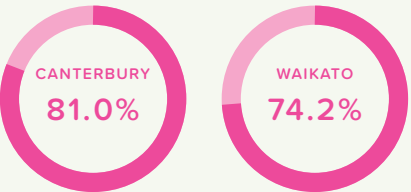
SAI Platform is a non-profit, global organisation focused on the development of sustainable agriculture with over 160 member companies. In 2021, SAI Platform developed a Regenerative Agriculture programme to address the need for a global standard to avoid duplication and simplify the approach for farmers.

Alongside other member companies, Synlait has contributed to the initial development phases of the draft standard. Our focus has predominantly been on the applicability and implementation of the framework in a New Zealand dairy farming context.

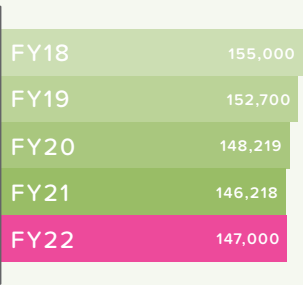
SAI Platform aims to release the first version of the regenerative agriculture standard in 2023. Once published, Synlait will consider piloting the standard with volunteer farmer suppliers, ideally in partnership with one or more customers.

FY22 WELFARE RESULTS¹

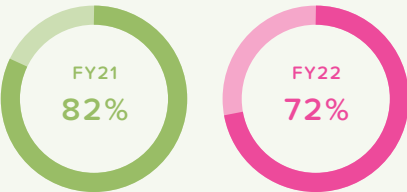
Percentage of pasture in cow feed as 30 June 2022^{*2}



Somatic cell count average*



Palm kernel expeller (PKE) free Lead With Pride™ farms*



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

FY23 PLANS

- Repeat the animal wellbeing assessments and monitor progress in the participating farms.
- Complete year two activities as planned in the soil health project, with a particular focus on providing technical support to farmers.
- Continue participating in the insect diversity project and apply learnings in our Whakapuāwai programme.
- Continue to support the SAI Regenerative Agriculture Programme and investigate further ways of supporting regenerative agriculture principles in New Zealand and among our farmer suppliers.

¹ All welfare indicators are for the milk season each year, so from 1 June to 31 May.
² This indicator is based on the average percentage of pasture in diet when the cows are on the dairy platform. It does not take into account the cows' diet of the herd when off platform during winter.



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. Our ambition is to adopt 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.

One of our main packaging items is the 25kg multi-wall bag that we use for our bulk milk powders.

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.

FY22 INITIATIVES

Waste management improvements
A key waste improvement project commenced in June 2022 at Synlait Dunsandel in collaboration with our waste management provider.

Project scoping identified that 30% of the site’s general waste could be recycled. The first step, completed in FY22, was to assign individual waste streams and systems to individual business units. The second step, which is planned for FY23, will be to optimise the operations of each business unit specific to its waste streams. The site will also install a compactor system to reduce the volume of general waste by a ratio of 3:1 and increase waste transport efficiency.

Our waste provider also conducted a waste audit of Dairyworks, which enabled the development of a plan to transition some waste streams from landfill to recycling.

DAF sludge recovery

One of the waste by-products from the dairy industry is commonly known as Dissolved Air Floatation (DAF) solids, or DAF sludge. Most DAF solids generated at our Pokeno and Dunsandel sites are provided to local pig farmers as stock food.

During FY21 and FY22, Synlait did a review of all the existing and emerging alternative options for DAF disposal and recovery. We now aim to study the feasibility of the most promising options, such as biodigestion, which creates both renewable energy and fertiliser from organic waste.

Life Cycle Analyses

Life Cycle Analyses (LCAs) cover the entire lifecycle of a product to assess their environmental impacts. These impacts include water consumption, non-renewable energy and minerals, GHG emissions, land-use and ecotoxicity.

In FY22 Synlait completed an LCA for its anhydrous milk fat (AMF) drums using the Ecodex tool. In previous years, we have completed LCAs for three of our other key products.

Dairyworks also used Ecodex to analyse the environmental impact of block cheese and grated cheese, which represent 84% of Dairyworks’ total product volumes. We created several scenarios based on different packaging options to compare their environmental benefits.

Transition to new 25kg powder bags

One of our main packaging items is a 25kg milk powder bag which is composed of an outer paper bag and an inner plastic liner. In FY21, we explored various options to improve its environmental profile.

Following trials to test alternative bag options, in FY22 we decided to transition to a bag that is FSC certified, with 8% less paper and 20% more recycled content.

Next year, we will endeavour to find a solution for the washing and recycling of our "contaminated" liners, which contain residues of milk powders.

Dairyworks' packaging projects

Improving the environmental profile of cheese packaging is challenging. Multiple layers of plastic are used to maintain product quality and enhance shelf-life. However, these layers often prevent recyclability.

In FY22, Dairyworks developed a 2025 sustainable packaging roadmap and achieved further improvements to its products’ packaging.

Following comprehensive trials, Dairyworks completed a phased transition to downgauge materials for all its 5kg foodservice products. This will lead to a 30% packaging material reduction and enable the products to be recycled.

A three-year project to downgauge the material used for all block cheeses was also completed in July 2022. This has achieved a 23% reduction in packaging material across all block cheese products.

Synlait’s Swappa Bottle

Over the last 12 months we piloted our own Synlait branded fresh milk in reusable stainless-steel bottles. The trial in two supermarkets in Christchurch was very successful, however, we have made the difficult decision to cease production of Synlait Swappa Bottle.

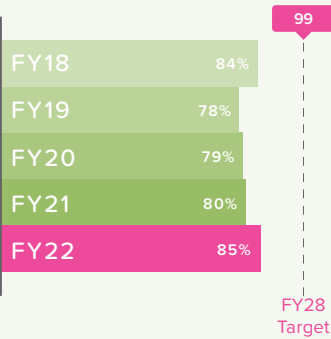
A significant investment was needed to take Swappa Bottle from a pilot product to a nationwide proposition, and the economics to do this did not stack up. Developing new ideas is a core part of Synlait’s DNA and our purpose to do milk differently. We remain committed to this.

FY22 CIRCULAR ECONOMY RESULTS¹

	FY18	FY19	FY20	FY21	FY22	FY18-FY22 evolution
Total waste produced* ²	4,296 MT	5,249 MT	8,242 MT	6,744 MT	7,099 MT	65%
- Non-hazardous*	3,838 MT	4,665 MT	7,930 MT	6,425 MT	6,721 MT	75%
- Hazardous*	458 MT	584 MT	312 MT	319 MT	378 MT	-18%
Total waste production per tonne of product*	31kg	34kg	43kg	31kg	34kg	11%
Total non-hazardous waste by type of treatment*	3,838 MT	4,665 MT	7,930 MT	6,425 MT	6,721 MT	75%
- Recycled*	1,986 MT	2,132 MT	3,032 MT	2,095 MT	3,667 MT	86%
- Recovered* ³	1,252 MT	1,505 MT	3,237 MT	3,031 MT	2,064 MT	65%
- Landfilled*	600 MT	1,028 MT	1,661 MT	1,299 MT	1,367 MT	128%
Non-hazardous waste recycled*	84%	78%	79%	80%	85%	1%
LCA sales coverage* ⁴	-	45.1%	50.6%	69.5%	71.8%	-

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

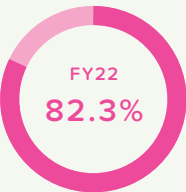
Total non-hazardous waste recycled or recovered*



Synlait reusable, recyclable or compostable packaging sold, by weight*



Dairyworks reusable, recyclable or compostable packaging sold, by weight*



FY23 PLANS

- Finalise waste improvement projects at Synlait Dunsandel and Dairyworks, and consider rolling out to other manufacturing sites.
- Complete feasibility studies for the disposal and recovery of our DAF solids.
- Continue implementing the Dairyworks sustainable packaging roadmap.

¹ Unless otherwise stated, the below results include all Synlait and Dairyworks manufacturing sites, and leased warehouses where applicable.
² The increase in waste production over the FY18-22 period is mainly due to an increase in production as well as the inclusion of Dairyworks in our reporting scope.
³ By “recovered”, we mean that the nutrients in the waste streams served a useful purpose and replaced other materials. Recovered waste streams include DAF, Waste Activated Sludge and whey.
⁴ These are the Synlait sales generated by Synlait product categories (excluding Dairyworks) for which an LCA was conducted.

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 wellbeing, with an aspiration of zero harm.



TALENT ATTRACTION AND DEVELOPMENT

The ways we recruit and develop highly skilled people and create a legacy of committed leaders and people 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.



Our process technician inspects the dryer, following our COVID-19 control protocols in early 2022.





SAFE WORKPLACE

A safe workplace is fundamental to how we operate at Synlait. In the last financial year, we have renewed our vision and areas of focus for safety and wellbeing at Synlait. We continue to mature our safety and wellbeing culture through the ‘Employer of Choice’ enabler which forms part of our refreshed strategy.

Our goal remains the same, to ensure everyone gets home safe, every day, but our new tagline is: Work Safe, Home Safety. We’re focusing on building a safe workplace by ensuring our team members are fit for work, have the equipment and materials they need to do their job safely, and understand our risks and critical controls for keeping them safe. This concept has become holistic and extends beyond physical safety, through incorporating health and wellbeing.

It is a non-negotiable at Synlait that the mental and physical wellbeing of our people is being supported in addition to their physical safety.

A healthy and safe workplace is the responsibility of all our people. Our leaders demonstrate care for the safety and wellbeing of their teams, and team members look out for each other. Health and safety at Synlait means taking ownership and responsibility, modelling safe and healthy behaviours, and building and sticking to our policies, procedures, and systems.

The launch of Synlait Safe, our new internal health and safety campaign.

SAFE WORKPLACE TARGETS

Total Recordable Injury Frequency Rate (TRIFR) of 10.0 by end of FY23.

FY22 INITIATIVES

Launch of Synlait Safe 702

We have developed a new internal health and safety campaign, Synlait Safe, which was launched in November 2022.

Synlait Safe is about confirming Synlait’s commitment to the continuous improvement of our high standards for health and safety. Synlait Safe means the health, safety, and wellbeing of our team is number one, and is embedded in our culture. Our vision is to ensure:

- We invest in protecting our people.
- Everyone understands critical risk controls and how to keep safe.
- Our leaders demonstrate care for the safety and wellbeing of their teams, and we look out for each other.
- Safety is continually improved by monitoring and measuring what matters.
- Our standards are high and communicated.
- Our culture is visible and consistent in all Synlait sites.

The launch of Synlait Safe resets our safety journey. We are resetting our minimum expectations for controlling critical risk, improving our induction and training requirements, and

stepping up our focus on wellbeing to ensure we set our people up for success.

We introduced a new health and safety module in Synlait’s Leadership Essentials course for frontline leaders to support the Synlait Safe commitment, called Achieving Zero Harm. Our core Synlait Safe campaign is also supported by a psychology-based behavioural safety training programme to be released in FY23.

COVID-19 response

This was a key priority for Synlait, to minimise the spread of COVID-19 transmission, and ultimately protect our people, their families, and our operations during the pandemic.

Our control measures included limiting and segregating site access, increased hygienic cleaning and sanitation practices, and the use of advanced personal protection equipment and physical distancing controls. No more than 5.8% of our team were away with COVID-19 at any one time.

Our COVID-19 Response Management team conducted regular assessments of our risk profile against the New Zealand government’s public health measures. Following a period of consultation with our people and a risk assessment, the Group implemented a COVID-19 Workplace policy in FY22. This included the introduction of our Rapid Antigen Testing programme and Vaccination Policy.

Our experience and lessons in managing COVID-19 have been captured in our Pandemic Playbook.

With the inevitable risk of further unforeseen health events, this resource will be invaluable to the protection of our people and operations.

Wellbeing

As part of our continued monitoring of our team’s wellbeing, Synlait included a wellbeing-centric question as an additional section in our July 2022 Gallup employee engagement survey. This section had several questions around wellbeing, such as rest and recovery, workplace stress, employee worry and where to access resources. There was also opportunity for employees to communicate what we need to add or do better. This informed a new wellbeing programme that was implemented in September 2022.

Health monitoring

Synlait engaged an occupational health nurse to reinstate our health monitoring programme in November 2021, as it was previously paused due to COVID-19 restrictions. The programme includes routine health checks for our staff, such as hearing and lung function assessments. From September 2021, we also implemented environmental monitoring, such as noise, dust, fumes, and ergonomics monitoring.

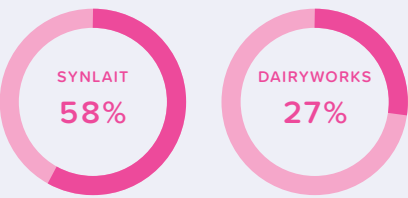
At Dairyworks, a new onboarding process was introduced in FY22, including physical assessment and identification of knowledge gaps. Specialised injury prevention guidance was developed for every workstation at Dairyworks, and is employed in training. Furthermore, 98% of the Dairyworks workforce completed annual comprehensive health assessments.

FY22 SAFE WORKPLACE RESULTS¹

	FY21	FY22
Health and safety actions completed before due date ²	58%	49%
- Synlait [*]	60%	58%
- Dairyworks ^{*3}	39%	27%
Employee fatalities – Group [*]	0	0
Health & Safety Committee meetings held as planned [*]	95%	38%
- Synlait ^{*4}	95%	41%
- Dairyworks ^{*5}	100%	8%
TRIFR ^{*6}	-	-
- Synlait [*]	21	15

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

Health and safety actions completed before due date^{*}



FY23 PLANS

- Roll-out and monitor the uptake of our Synlait Safe and Wellbeing programmes.
- Launch our Critical Risk ‘Safety Essentials’ and critical control verification programme.
- Continue reviewing and adjusting our COVID-19 response.
- Dairyworks to roll out refreshed health and safety strategy. This prioritises focus on TRIFR, critical risks, health and safety actions, and safety leadership and culture.

¹ Safe Workplace results exclude Synlait China.
² When employees log a health and safety risk or incident onto our portal, actions are assigned to the relevant staff with a due date.
³ High turnover, COVID-19 and a high action identification period led to delays in action close-out.
⁴ Committee structures were impacted by change in membership following reorganisation in FY22. We also focused on our critical risk programme and TRIFR.
⁵ Due to COVID-19 controls, in-person meetings were compromised in FY22. These were re-instated in August.
⁶ Synlait has re-introduced TRIFR as a Key Performance Indicator, recognising it as a significant industry-accepted benchmark metric to monitor and compare our safety performance alongside our other key metrics.



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 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 supporting engagement, talent development, and organisational culture through building a new leadership development programme that better equips our people leaders. We have also introduced new technical development opportunities for our operational teams.

A member of our logistics team alongside whole milk powder stored in one of our dry stores.

FY22 INITIATIVES

Employee engagement

Due to COVID-19 and a significant reduction in product demand from our largest customer, The a2 Milk Company, unfortunately we had to resize our organisation. Demand has subsequently started to recover, and we are now progressively rebuilding our workforce.

The organisational reset in early FY22 resulted in a higher rate of turnover during the financial year. Since then, a key focus has been to rebuild engagement through equipping our people leaders with further skills and support in the three following areas:

1. **Engagement action plans:**
The goal of these plans is for teams to collaboratively analyse their team engagement results, identify areas of opportunity for improvement, and agree on key actions to improve results.
2. **Perform and Grows:** Perform and Grow is the system we use for employees and their managers to jointly define performance goals and a development plan. Guidance was given to people leaders on the effective completion of monthly Perform and Grow check-ins, as well as on specific aspects such as creating attainable and measurable goals with their teams.
3. **People management:** Bite-sized learning sessions were introduced to provide focused guidance to people leaders on key responsibilities, such as Perform and Grows, development planning, remuneration, retaining talent, and managing leave.

Embedding stronger leadership

Significant work was completed to refresh how we develop our leaders, with a focus on frontline first-time leadership capability. This resulted in a new leadership development programme with three stages:

- The first stage is a refreshed introductory course, named Leadership Essentials, comprised of four modules: management essentials, health and safety, food safety and quality, and Lead at Synlait. The latter provides important leadership skills, such as the completion of Perform and Grow reviews or identification of harassment and bullying.
- The second stage is Adaptive Leadership, including courses on advanced situational leadership, accelerating change and transition, and commercial acumen.
- The third stage is the Boss to Coach programme, run independently by an external performance management consultancy. This is comprised of two four-day sessions per year, and support in between these to consolidate learning.

Developing further capability

Synlait has committed to developing the capabilities of our operational team members, with qualifications that will further strengthen their repertoire of skills and experience. We have invested in the following programmes:

1. **New Zealand Diploma in Dairy Technology:** Each year, Synlait fully funds the completion of this diploma by Synlait employees.

The diploma is targeted towards employees seeking to develop a career in the dairy industry. In FY22, eight employees received the diploma.

2. **Certificate in Competitive Systems and Practices:** This programme is designed to train people on lean and competitive manufacturing systems. Synlait has supported fifteen participants to take on this study part-time. Learning is integrated into the roles of the participants, with a combination of in-classroom training and practical projects where theory is applied to business-as-usual responsibilities.
3. **Primary ITO Dairy Processing Qualifications:** Primary ITO leads work-based training in the New Zealand food and fibre sector. In FY22, we created a technical development programme for our process technicians in manufacturing. Participants will achieve the Dairy Processing Levels three and four qualifications, which will then be recognised in our performance review system.

Dairyworks cultural transformation

In June 2021, a new culture framework was rolled out at Dairyworks. The framework is comprised of the different values and behaviours encouraged in the wider organisation. It is embedded into every meeting, and every review cycle for development.

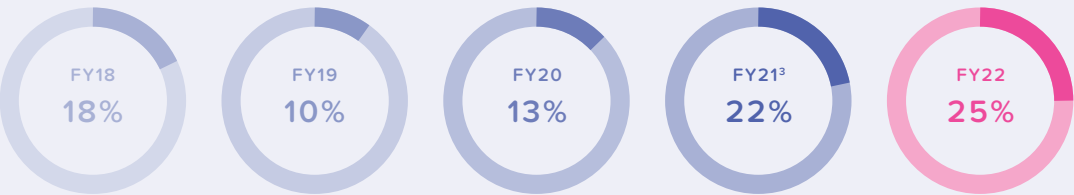
The new framework has introduced a reward and recognition system in the operations team. An award is given out monthly to recognise a person who stands out for role-modelling the Dairyworks values and behaviours.

FY22 TALENT ATTRACTION AND DEVELOPMENT RESULTS

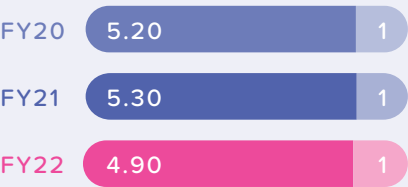
	FY18	FY19	FY20	FY21	FY22	FY18-FY22 evolution
Engagement ratio (ratio of engaged staff to actively disengaged staff)* ¹	3.75:1	3.58:1	5.2:1	5.3:1	4:9:1	-
Employee turnover rate*	-	-	-	22%	25%	-
- Synlait*	18%	10%	13%	14%	23%	28%
- Dairyworks*	-	-	-	48%	34%	-

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

Employee turnover rate – Group*²



FY22 Engagement ratio – Engaged staff:actively disengaged staff (excluding Synlait China and Dairyworks)*



FY23 PLANS

- Restabilise our teams and improve our overall engagement ratio.
- Improve organisation-wide team action planning sessions.
- Roll out our new Leadership Essentials programme.
- Continue to support development opportunities for our people.

¹ Excludes Synlait China and Dairyworks.

² FY21-FY22 is Group, and prior to this is Synlait only.

³ Restated due to an error in the FY21 publication.



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 they belong and that their

uniqueness and contribution is appreciated. When this is achieved, we will have a workplace where our people feel empowered to grow. This will help us to be creative and agile, to reduce risk, and to drive better business outcomes.

Our Dunsandel team gather for the launch of Synlait Safe, our new internal health and safety campaign, next to the pink pathway.

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.

FY22 INITIATIVES

Creating a respectful workplace
The Lead at Synlait course in Stage 1 of our new leadership programme (see previous chapter) now includes a module called Creating a Respectful Workplace, developed in FY22. This is expanding the way we train our leaders to raise awareness on the importance of a respectful and psychologically safe workplace, free from discrimination.

This module educates our leaders on how to create a respectful, inclusive, fair, and transparent environment at work. Content includes the teaching of anti-harassment and anti-bullying mechanisms.

Diversity and Inclusion in engagement survey

In May 2022, Synlait added a Diversity and Inclusion section to its quarterly employee engagement survey. Alongside disclosing their ethnicity, our employees responded to the listed statements below, answering on a scale of strongly disagree to strongly agree.

- I always trust my company to be fair to everyone.
- I have the same opportunities for advancement as other colleagues in my organisation.
- At work, I feel comfortable being myself.
- If I raised a concern about ethics and integrity, I am confident my employer would do what is right.
- Everyone at this company is treated fairly, regardless of ethnic background, race, gender, age, disability, or other differences not related to job performance.
- At work, people are always treated with respect.
- Diversity and inclusiveness issues are openly discussed.

The response rate was 80%, which enabled us to model data via site, gender, and management level, as well as across the wider organisation.

We continue to build a greater understanding of the ethnicity component of our workforce. These responses are driving further development in our diversity and inclusion workplan, such as the addition of the Creating a Respectful Workplace module in our leadership programme.

This section of the survey will now be repeated annually each May to monitor progression.

Our workplace policies to support diversity and inclusion
Matuā, our parental leave policy, continues to be a unique fixture in New Zealand and at Synlait. 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.

In FY22, 41 primary carers benefited from full pay for 26 weeks and over 30 families benefited from the childcare subsidy.

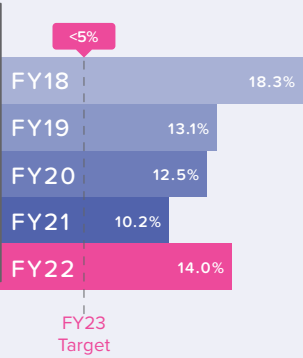
Matuā plays a core role in ensuring Synlait is an attractive place to work for parents.

FY22 DIVERSITY AND INCLUSION RESULTS¹

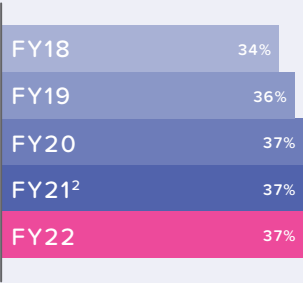
	FY18	FY19	FY20	FY21	FY22	FY18-FY22 evolution
Gender pay gap*						
- Synlait*	18%	13%	13%	10%	14%	-23%
- Dairyworks*	-	-	-	32%	29%	-
Women as managers or senior specialists – Group*	-	-	-	37%	37%	-
- Synlait*	34%	36%	37%	36%	37%	9%
- Dairyworks*	-	-	-	38%	34%	-
Women in senior leadership team – Group*	-	-	-	24%	25%	-
- Synlait*	14%	14%	25%	31%	27%	93%
- Dairyworks*	-	-	-	0%	20%	-

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

Gender pay gap – Synlait only*



Women as managers or senior specialists – Group*



FY23 PLANS

- Develop a system to specifically support and improve Diversity and Inclusion at Synlait using the benchmarking conducted in FY22.

¹ All Diversity and Inclusion results exclude Synlait China.
² FY21 and FY22 percentages are a weighted average across both Synlait and Dairyworks.



CULTURE AND COMMUNITY

The backbone of our community outreach programme is Synlait’s Whakapuāwai initiative.

Whakapuāwai translates to ‘everybody thriving’, which underpins our purpose *Doing Milk Differently for a Healthier World*.

Whakapuāwai is supported by a plant nursery that we have built next to our Dunsandel facility. 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; and
- Our local communities, who also wish to restore areas of shared value.

One of our farmer suppliers carries native plants supplied by our Whakapuāwai programme to plant on his farm.

FY22 INITIATIVES

Synlait Dunsandel nursery
Operating since December 2020, the Synlait Dunsandel nursery facilitates the growth of native seedlings into plants. It also facilitates the storage and ergonomic manoeuvring of plants prior to being collected and planted on farms.

Synlait’s more challenging financial performance in FY21 meant we temporarily reduced the budget allocated to Whakapuāwai. 44,664 seedlings were grown in the Dunsandel nursery in FY22. We intend to increase this to 55,000 in FY23.

All new starters at Synlait visit the Whakapuāwai nursery to plant and learn about the initiative in our induction programme, Synlait101. However, there were very few Synlait101 courses organised during the year due to COVID-19, which meant we had limited opportunities for planting. This year, 144 plants were planted in the 15ha land adjacent to the nursery by the efforts of our new employees.

Farms
In FY21, we recognised that the end-to-end process of successfully growing seedlings to planting them out requires specialised expertise. To ensure the survival and optimal growth rates of seedlings, effective site preparation, favourable species selection, quality planting and sufficient maintenance are essential. This, alongside the impact of the pandemic, led to the decision to stop employee voluntary on-farm planting. Instead, we now contract experts to ensure higher quality planting, and longevity of the plants. We are nevertheless planning to find alternative ways to continue engaging our staff community in this programme.

To help us maintain and grow on-farm planting during COVID-19, we employed Brailsfords, a local Canterbury company who specialise in the design and development of native plantings on farms, to support Whakapuāwai. We now also partner with an additional six local contractors who manage the planting process on-farm, including site preparation and maintenance. This has improved efficiency and increased the profile of the programme in the local community.

The significant flooding in Canterbury in May 2021 meant that a proportion of the on-farm planting in FY22 was focused on re-planting two large sites that were destroyed. This remedial effort meant that less resources were available for new plantings. Approximately 4,000 plants had to be re-planted at these sites.

42% of our supply base have now engaged in Whakapuāwai’s on-farm planting programme.

Community
In FY22, Synlait contributed 2,000 plants to the Lion’s Club Walkway in Methven, and 1,000 plants to the Lowlands Hinds Catchment, to support long-term community and catchment projects that enhance biodiversity and improve water quality in Canterbury.

The pandemic meant that, once again, minimal engagement could be made with local schools. However, an additional 620 plants were donated to Canterbury community groups, including school fundraisers.

Strategy review
In July 2022, we commenced a review of Whakapuāwai’s broader programme strategy. The scope includes how we approach on-farm planting projects, reviewing our plans for the Whakapuāwai site at Dunsandel to ensure they remain aligned to our growth ambitions, expanding our community engagement, and reviewing our internal engagement planting programmes. The review will be completed by the end of FY23.

FY22 CULTURE AND COMMUNITY RESULTS

	FY19	FY20	FY21	FY22	FY19-FY22 evolution
Investment in Whakapuāwai*	\$365,758	\$953,876	\$559,630	\$245,724	-33%
Staff participation in Whakapuāwai Day* ¹	-	-	22%	17%	-
Total number of native trees and shrubs supplied by the nursery*	-	-	54,290	44,664	-
- to the Dunsandel Whakapuāwai area*	-	-	168	144	-
- to Synlait dairy farms*	-	-	52,802	40,900	-
- to other areas in the community*	-	-	1,320	3,620	-

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

FY23 PLANS

- Update our Whakapuāwai programme strategy, including setting new targets and developing a new roadmap.

¹ The scope of this indicator is limited to Synlait Dunsandel as the Whakapuāwai programme is not yet available to employees based in other sites.

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.



2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

17 PARTNERSHIPS FOR THE GOALS

Synlait employees stand in the space where new nutritional products will be packaged and stored once construction is completed at Synlait Pokeno.





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. COVID-19 also served to enhance consumer interest in food safety and quality.

At Synlait, one of our core mantras is Everyone Owns Quality. Every day we require complete supply chain integrity – from fresh milk processing for our 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.

A process engineer weighs Synlait's lactoferrin at our Dunsandel facility.

FY22 INITIATIVES

Right First Time

Right First Time (RFT) manufacturing is the best guarantee for satisfied customers and shareholders. As a metric, RFT is useful to ensure focus is placed where it is needed.

In FY22, we achieved a decrease in non-right first time versus FY21, and a reduction in product reclassification due to non-right first time. This shows not only that our projects are successfully increasing RFT, but that we are also better handling product that is not RFT. Other benefits of this include a reduction in the frequency of extra environmental and product testing.

A significant programme of work in FY22 was the development of additional metrics to support RFT, to enable more comprehensive analysis in this area. These metrics include ‘Right Last Time’ (RLT) and ‘Cost to Quality’ (CTQ). RLT refers to the product that is not downgraded, while CTQ refers to the cost difference between RFT and RLT.

These new metrics create a full picture and encourage focus on decision-making throughout the entire process.

FSSC 22000 certification

FSSC 22000 is an advanced framework employed to manage food safety, based on existing ISO standards. In FY22, we maintained our FSSC 22000 certification for Synlait Dunsandel and recertified this quality standard in May 2022. This included certifying our Advanced Dairy Liquid Packaging Facility for the first time since commissioning this site in 2019.

We are in the process of achieving FSSC 22000 certification at our Synlait Auckland and Pokeno sites. This auditing is a two-stage process. Stage one is a desktop audit focused on our policies and procedures and was passed in July 2022. Stage two, in which the implementation of our policies will be investigated in-depth, will be in November 2022.

Finally, Dairyworks achieved FSSC 22000 certification in November 2021. Strengths highlighted during certification were the in-depth risk assessments completed by the wider Dairyworks teams, and the visibility the Dairyworks management team has over the programme. This certification will open Dairyworks to new markets and customers.

Progress on SynQ and our Food Safety and Quality culture

As a part of the wider Synlait culture transformation work described in the ‘A Healthier Synlait’ chapter, building the foundations of a strong Food Safety and Quality (FSQ) culture continues to be a key focus at Synlait.

SynQ is the name of the framework we use to develop, manufacture, and deliver safe and high-quality product for our customers. SynQ also ensures we meet our regulatory requirements.

In FY22, key achievements included launching an in-house database for Synlait FSQ documentation. This platform replaced Synlait’s original system for storage of all Quality and Food Safety documents. This new system enables greater flexibility and ease of use, in addition to real-time collaboration.

Additionally, Food Safety and Quality modules have been developed as part of the new leadership training programme due to be rolled out in FY23. This will enable leaders to effectively build FSQ culture within their teams, to drive improvements. Synlait101, our Synlait introduction course all new starters complete, has also been re-invigorated to include a greater focus on SynQ.

Quality at Dairyworks

A review of the Dairyworks Hornby Cheese Plant HACCP was conducted in February 2022. The HACCP format was re-configured into a modern and simplified format, for greater ease of interpretation. The new format is fit for purpose, with individual sections for individual process lines, and is more easily audited.

This HACCP review was conducted collaboratively across functions, including representatives from New Product Development, Manufacturing and Engineering teams. This work led to a wider understanding of its purpose and controls being developed across the business.

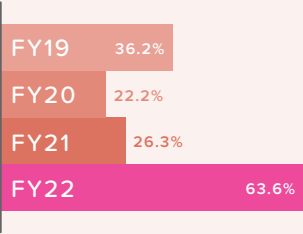
Risk Management Programmes (RMP) are a fundamental requirement for food manufacturers. The RMP is audited on a frequency dependent on the level, or Step, of the site. The higher the Step, the better the site is performing and the less frequent the audits. In FY22, all Dairyworks sites and their new cool store achieved the highest steps possible.

FY22 SAFE FOOD RESULTS

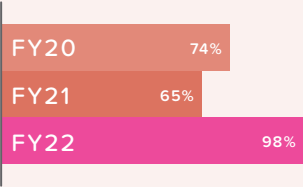
	FY18	FY19	FY20	FY21	FY22
Number of consumer recalls of products for food safety reasons*1	0	0	1	1	0

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

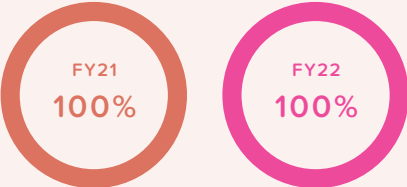
Audits completed for critical and high-risk suppliers who were due for their three-yearly audit (excluding Dairyworks)*



Percentage of production covered by FSSC 22000*



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



FY23 PLANS

- Focus on building a stable foundation for SynQ and FSQ Culture at Synlait.
- Action planned SynQ improvements in second half of FY23.

1 Includes Synlait and Dairyworks



HEALTHY FARMING

We have direct supply agreements with 282 farmer suppliers in the Canterbury and Waikato regions. We continue to know them by name, not as a number. We take pride in strengthening and maintaining our relationships with our suppliers.

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.

Animal health and wellbeing is one of the four pillars of our Lead With Pride™ standard.

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. 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.

We also provide our entire farmer supply base with technical support, including tools and guidance documents, and the expertise of our team of sustainability advisors. Although COVID-19 has made this more difficult, we also support a strong sense of community through organising supplier events.

FY22 INITIATIVES

Lead With Pride™ standard review and developments
In September 2021, the Milk Supply team began reviewing the Lead With Pride™ standards and verification methods.

Farmer engagement and comprehensive analysis of the standards led to the simplification of our requirements, to only retain those where stakeholder value was clearly identified. Our verification system was also improved, the aim being to reduce the complexity and pressures of our auditing system on farmers.

To achieve improvements while maintaining the high reputation of Lead With Pride™, farmers and key stakeholders, such as auditing bodies and ISO standard representatives, were involved at every stage.

The most significant improvement made was the introduction of primary, secondary, and tertiary audits. After two years in Lead With Pride™, farmers will have a reduction in the number of requirements audited. These farms will also have the frequency of a full audit reduced from annual to once every three years if they meet Farm Environment Plan (if applicable) and milk quality targets.

We also made changes to the incentive scheme. Now, the incentive for achieving over 85 points at audit is paid on a pro-rata basis for each pillar audited. This means the farmer is rewarded for every pillar where the 85-point audit score has been met, rather than needing to meet the criteria for all pillars to receive the incentive.

The new system went live in June 2022 and has been well received. We appreciate the input our farmers have given to this process, and we will continue to monitor its performance.

Lead With Pride™ Live
The Lead With Pride™ Live programme (powered by FarmIQ) 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. FarmIQ 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.

In January 2022, we appointed one of our farmer suppliers to act as a central person between our farmers, our Milk Supply team, and FarmIQ.

We focused on improving the turnaround time to resolve system issues and on strengthening processes for data input and communication between FarmIQ and our farmers.

Our farmer representative worked on improving the process for lodging and investigating on-farm issues, resulting in significantly reduced time between issue lodging and resolution, and better support for farmer suppliers.

Synlait Dunsandel farmland
In March 2020, Synlait acquired a 582-hectare farmland adjacent to our Dunsandel facility. This farmland is divided into two farms, D1 and D2.

Until May 2021, the two farms were leased back to the supplier who previously operated them. From May 2021 until January 2022, no stock was on the sites during planning processes for the farms. From January until June 2022, the farms grazed 200 young stock for the nearby Lincoln University.

A team of nine people has been established across the two farms. With a target of 1,940 cows, so far 1,880 cows have been purchased as stock for the two farms.

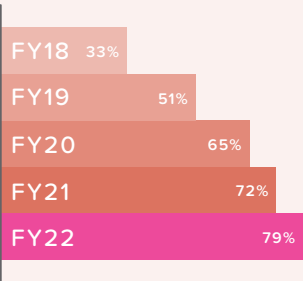
In addition to setting up the teams and stock to operate the farms, we have investigated how to improve the farms’ assets. On D2 we installed an innovative technology for refrigeration, which uses CO₂ gas instead of Hydrocarbon for refrigeration. This system offers annual cost savings of 20% and improves milk quality due to a lower milk storage temperature.

FY22 HEALTHY FARMING RESULTS

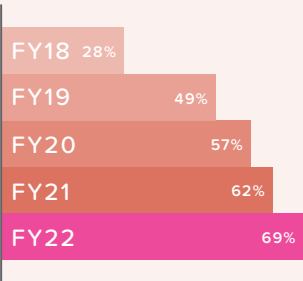
	FY18	FY19	FY20	FY21	FY22	FY18-FY22 evolution
Average length of farmer partnership with Synlait (as of 31 May)*						
- Canterbury*	-	6.8	7.8	8.0	8.9	-
- Waikato*	-	-	1.0	1.9	2.7	-
Percentage of farms with significant environmental non-compliances (as of 30 June)* ¹	-	2%	3%	1%	1%	-
Lead With Pride™ certified farmer suppliers (as of 31 May)*	28%	49%	57%	62%	69%	148%
Lead With Pride™ certified milk (as of 31 July)*	33%	51%	65%	72%	79%	139%

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

Lead With Pride™ certified milk (as of 31 July 2022)*



Lead With Pride™ certified farmer suppliers (as of 31 May 2022)*



FY23 PLANS

- Continue improving Lead With Pride Live (Powered by FarmIQ) to assist farmers with both the Lead With Pride™ programme, and farm management in general.
- Stabilise the operations of the Synlait Farms, including optimising farm systems and stocking rates, and improving farm irrigation.

¹ There were one significant non-compliance in the Waikato region, and one in Canterbury.

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.

A bird's eye view of Synlait's 600m long rail siding hard stand where up to 30 wagons can be loaded with containers filled from Dry Store 4.

SUSTAINABLE
SUPPLY TARGETS

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

FY22 INITIATIVES

Optimising our supply chain

The rail siding and Dry Store 4 that were commissioned last year at Synlait Dunsandel are on track to saving the company more than the predicted 880 tonnes of carbon dioxide per year, a notable success from an environmental sustainability perspective.

In FY21, we noted that extra efficiency gains are made if the export dairy-grade containers arrive at Synlait Dunsandel full of imported ingredients and leave filled with our own finished powder products. This is made possible when logistics managers can match suppliers’ shipping arrangements with Synlait’s shipping providers.

However, in FY22, consistent world-wide shipping shortages have been a significant challenge for our logistics and export teams. These teams have continuously problem solved to ensure shipping timeframes are met, and the process is of acceptable quality, despite these shortages. Due to this circumstance, efficiency gains are going to be further progressed in FY23.

Sustainable procurement

In FY21, Synlait adopted a more formalised approach to integrating sustainability into procurement policies and processes. In FY22, all procurement tenders had a desktop assessment completed to calculate the level of sustainability risk and impact associated with the supplied product or service.

If the outcome of the desktop assessment concludes the risk is low, a sustainability question bank is used. Questions are centred on common social and environmental issues, for example, human rights, greenhouse gas emissions, or product sustainability certifications.

If the risk is determined to be 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 ranges between 5% and 30%.

A tangible example of recent tenders that had customised sustainability assessments is our coal supply. A substantial weighting was allocated to greenhouse gas emissions based on our required steam energy demand.

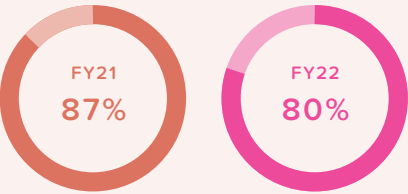
A positive outcome of this process is the enabling of future collaboration between Synlait and our suppliers on sustainability initiatives. We anticipate progression in this area in FY23. Alongside the potential collaboration with our suppliers, our next step is to incorporate sustainability criteria into other components of the procurement cycle, such as supplier reporting, reviews, and audits.

FY22 SUSTAINABLE SUPPLY RESULTS

	FY18	FY19	FY20	FY21	FY22	FY18-FY22 evolution
Non-milk supplier expenditure with New Zealand registered companies (excluding Talbot Forest Cheese)*						
- Synlait ¹	86.3%	88.4%	86.8%	N/A	N/A	-
- Dairyworks*	-	-	-	94.6%	90.1%	-

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

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



FY23 PLANS

- Continue optimising the rail siding so that it is fully utilised and efficient.
- Continue the use of the sustainability screening process in procurement.
- Integrate sustainability into other components of the procurement cycle.

¹ Synlait will disclose this again in FY23. Due to the implementation of our new ERP system, this data is unavailable for FY22 as historical data prior to FY23 is not able to be extracted.



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.

Our B Corp™ certification sign greets all on entry to Synlait Dunsandel.

TRANSPARENCY TARGETS

120 points in the B Corp Impact Assessment by 2029 (our third recertification).

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

FY22 INITIATIVES

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.

In February 2022, Synlait was rated 25.4 by Sustainalytics, an increase from the previous year (24.5). 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 25.7.

Sustainalytics analyses a wide range of ESG indicators to arrive at the rating. These indicators include governance, water management, carbon intensity, employee engagement and turnover, quality certifications, and waste management.

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. The CDP is a not-for-profit organisation that encourages companies around the world to measure, manage, disclose, and ultimately reduce their greenhouse gas emissions.

Annually, Synlait completes the CDP Questionnaire with both quantitative and qualitative information. This includes our climate-related governance, risks, opportunities, risk management, targets, performance and engagement with suppliers and customers. Our disclosure can be found on the CDP website.

In 2021 Synlait weakened its score from B in 2020 back to a C. This led us to invest more time and effort into the completion of the 2022 questionnaire, including more detailed financial analysis of our top climate risks and opportunities. We hope that this will result in an improved rating later in the year.

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.

B Corps™ need to recertify every three years, so we have been implementing our plans to improve our scores across all five sections of the B Corp™ assessment to make sure we remain certified in 2023. This is being done through engagement across our entire organisation.

A change from our initial certification is the inclusion of Dairyworks in the scope of our recertification. The Dairyworks team put together a detailed improvement plan in FY21, to prepare for 2023. A key step was the development of a Dairyworks-specific Sustainability Roadmap. We completed a materiality assessment and identified the most important social, environmental, and economic topics, from both business and external stakeholder perspectives.

We then developed recommendations for targets, workstreams, and timelines across the most material environmental topics, such as sustainable packaging, waste, and responsible procurement.

Climate-related reporting standards
In October 2021, the External Reporting Board of New Zealand (XRB) began developing a set of three standards for climate related disclosures. The standards are being based on the Financial Stability Board’s Taskforce on Climate-related Financial Disclosures Framework, with the four pillars being governance, strategy, risk management and metrics and targets.

These standards are due to be released in December 2022. They will be compulsory for Synlait Milk Limited and will need to be met in our FY24 disclosures.

We have set up a working group comprising of representatives from our finance, corporate affairs, risk, and sustainability teams. Using currently released drafts, we have completed a gap analysis of the standards versus our current disclosures. We have identified that our annual completion of the CDP questionnaire has positioned us strongly for compliance.

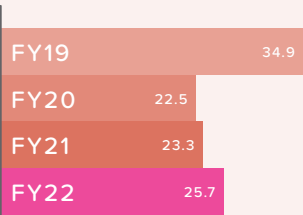
In FY23, we will focus on addressing remaining gaps with the final standards on their release. We aim to make our first partial disclosure in FY23.

FY22 TRANSPARENCY RESULTS

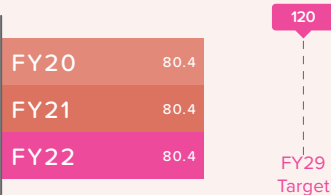
	FY19	FY20	FY21	FY22
B Corp™*	-	80.4	80.4	80.4
CDP Score*	-	D	B	C
Sustainalytics ESG Risk Rating* ¹	34.9	22.5	23.3	25.7

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

Sustainalytics ESG Risk Rating*



B Corp™ Score*



FY23 PLANS

- Execute our Synlait and Dairyworks improvement plans to achieve B Corp™ recertification in 2023.
- Prepare for compliance with the new New Zealand Climate Related Reporting Standards.

¹ The FY22 ESG Risk Rating of 25.7 is based on the methodology used by Sustainalytics in FY19, to enable a like-for-like comparison. Sustainalytics updated their methodology in FY22 and under the new version our rating is 25.4.

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