

19 November 2019

Synlait Milk Ltd (SML)

The company will hold its Annual Shareholders Meeting **1.00pm Wednesday 27 November 2019**.

The location is the offices of **Tait Communications, 245 Wooldridge Road, Harewood, Christchurch**.

You can also join the meeting at <https://vimeo.com/event/16119>

Synlait was co-founded by John Penno in 2000. By 2005 the company owned 8 farms and in 2007 constructed its first plant at Dunsandel Dairies, one of its larger farms. In 2010 Bright Dairy China took a major stake in the company and in 2013 SML listed on the NZX, going on to list on the ASX in 2016.

In 2017 the company acquired New Zealand Dairy Co. and in 2018 acquired land at Pokeno north Waikato for the construction of a nutritional powders plant. The land has been the subject of Court action due to covenants preventing the construction of the plant. These were removed by the High Court in November 2018 and then restored by the Court of Appeal in May 2019. SML have now applied to the Supreme Court for the removal of the covenants and the case is set down to be heard in April 2020. The plant commenced operations in September 2019.

As signalled the company has been looking for acquisitions and acquired Talbot Forest Cheese in August 2019 and Dairyworks in November 2019.

SML supplies a2 milk and as a result of that company's growth revenue for FY19 passed the one-billion-dollar mark up 17% at \$1.024 billion. EBITDA was up 10% at \$152.1 million and NP was also up 10% at \$82.2 million.

The shares are currently trading at \$9.23 and have traded within a range of \$8.35 to \$11.29 over the past year.

Board Composition

The Board comprises an Independent Chair, 2 Independent Directors and 5 Non-Independent Directors, 2 females and 6 males. The retail shareholders only get to nominate the 3 Independent Directors as 4 are appointed by Bright Dairy and one, John Penno, the founder and former CEO is appointed by the Board.

The Bright Dairy appointment situation arose from a waiver granted by NZX when Bright acquired its shareholding in the company. Bright currently hold 39% of the shares. In our Notice last year, we commented extensively on the poor governance position this situation has produced with 61% of the shareholders excluded from nominating the majority of the Board.

We would be very concerned if NZX gave a similar waiver in the future.

1. That the Board is authorised to fix the auditor’s remuneration for the coming year.

This is an administrative resolution.

We will vote undirected proxies **IN FAVOUR** of this resolution.

2. To re-elect Sam Knowles as an Independent Director.

Sam Knowles was appointed to the Board in 2013. He has a background in banking and was involved in establishing Kiwibank as its first CEO. He is currently Chair of On Brand Limited and Adminis Limited, and on the board of Trustpower, Rangatira, and Magritek Limited.

We will vote undirected proxies **IN FAVOUR** of this resolution.

3. To increase the fees paid to Directors as set out in the Notice of Meeting.

The details of the increases are set out in the Notice of Meeting. The Board commissioned EY to prepare an independent report with comparator companies’ data. This is inline with NZSA policy as it allows shareholders to make an informed decision. The proposal is to increase the Chairs fees by 5.3% and Directors by 4.5%.

We have read the documents and believe the increases are appropriate however we would point out that the Board sought an increase in 2018 which we supported. NZSA policy is that Boards should review their fees on a regular basis and seek increases when appropriate.

Whilst we acknowledge the company is experiencing rapid growth and increased complexity and therefore it is appropriate that Directors should be compensated for the extra demands on them, we would suggest seeking yearly increases are perhaps a little too frequent and that the Board should not come back to shareholders until 2021 for any further increase.

We will vote undirected proxies **IN FAVOUR** of this resolution.

4. To amend the Constitution to comply with the new NZX Listing Rules.

The NZX Listing Rules were amended as at 1st January 2019. This resolution seeks shareholder approval to amend the current Constitution to comply with the new Rules. The details are set out in the Notice of Meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution

Proxies

You can vote online or appoint a proxy at <http://www.investorvote.co.nz>

Instructions are on the Proxy/voting paper sent to you.

Voting and proxy appointments close **1.00pm Monday 25 November 2019.**

Please note you can appoint the Association as your proxy. We will have a representative at the meeting.

STANDING PROXIES - AUTOMATICALLY APPOINT NZSA AS YOUR PROXY FOR SOME OR ALL OF YOUR HOLDINGS WITHOUT HAVING TO FILL IN NEW FORMS EVERY TIME. MAKE YOUR VOTE COUNT!

DETAILS ARE ON THE NZSA WEBSITE,

<http://www.nzshareholders.co.nz/shareholders-standing-proxies.cfm>

The Team at NZSA