



# Scales Corporation Limited Corporate Governance Code

5 October 2015

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## SCALES CORPORATION LIMITED CORPORATE GOVERNANCE CODE

The Board of Scales Corporation Limited (the Company) has on 5 October 2015 adopted the following Corporate Governance Code.

The Charter should be read in conjunction with the Constitution which is available in the Governance section of the Company's website.

### 1 CORPORATE GOVERNANCE PRINCIPLES

#### 1.1 Role of the Board

The Board is responsible for directing the Company and enhancing its value for shareholders in accordance with good corporate governance principles.

#### 1.2 Chairperson

The Board elects a Chairperson whose primary responsibility is the efficient functioning of the Board.

#### 1.3 Managing Director

The Board appoints a Managing Director who is responsible for the management of the Company in accordance with the strategies approved by the Board.

#### 1.4 Separation of Roles

The Board endorses the separation of the roles of Chairperson and Managing Director.

#### 1.5 Link with Performance

The Board recognises that the quality with which it performs its functions is an integral part of the performance of the Company and that there is a strong link between good governance and performance.

#### 1.6 Annual Review

This Code outlines the corporate governance principles and guidelines in place to assist the Board in achieving its objective for the Company. The Board annually reviews the Code and reports to shareholders on implementation of the principles and guidelines of the Code and on any significant departures from the principles and guidelines.

#### 1.7 Code of Ethics

The Board recognises that high ethical standards and behaviours are central to good corporate governance and it is committed to implementing, reviewing and monitoring observance to a written Code of Ethics for the Company. The Code of Ethics applying as at the date of the adoption of this Corporate Governance Code is attached as Appendix A.

#### 1.8 Information to New Directors

On appointment to the Board a director will be given a copy of this Code an appointment letter covering the role of the Board, the Board's expectations of the director and any particular terms of his or her appointment. The director will be offered an induction training determined by the Board as to the responsibilities of the directors and to enable the director to become familiar with the Company's operations and sites.

## 2 ROLE OF THE BOARD

### 2.1 Company's Objective

The objective of the Company is to generate growth and corporate profit, and shareholder gain.

### 2.2 Direction of Company

In pursuing this objective the role of the Board is to assume accountability for the success of the Company by taking overall responsibility for the direction and management of the Company.

### 2.3 Main Functions of the Board

The main functions of the Board are to:

- (a) approve, and from time to time review, the Company's corporate mission statement;
- (b) select and (if necessary) replace the Managing Director;
- (c) ensure that the Company has adequate management and resources to achieve its objectives and to support the Managing Director and that a satisfactory plan for management succession is in place;
- (d) review and approve the strategic, business and financial plans prepared by management and to develop a depth of knowledge of the Company's business so as to understand and question the assumptions upon which such plans are based and to reach an independent judgment on the probability that such plans can be achieved;
- (e) review and approve individual investment and divestment decisions which the Board has determined should be referred to it before implementation;
- (f) set delegated authority levels for management and review and approve material transactions not in the ordinary course of the Company's business;
- (g) approve the appointments by, or at the request of, the Company (including its affiliates) to the boards of directors of subsidiary and associate companies;
- (h) monitor the Company's performance against its approved strategic, business and financial plans and to oversee the Company's operating results on a regular basis so as to evaluate whether the business is being properly managed;
- (i) ensure ethical behaviour by the Company, the Board and management, including compliance with the Company's Constitution, the relevant laws, listing rules and regulations and the relevant auditing and accounting principles;
- (j) implement and from time to time review the Company's Code of Ethics, foster high standards of ethical conduct and personal behaviour and hold accountable those directors, managers or other employees who engage in unethical behaviours;
- (k) ensure the quality and independence of the Company's external audit process;
- (l) assess from time to time its own effectiveness in carrying out these functions and the other responsibilities of the Board;

- (m) set the dividend policy; and
- (n) ensure the Company's health and safety and environmental practices and culture comply with legal requirements, reflect best practice and are recognised by employees and contractors as key priorities for the Company.

#### 2.4 Board Relationship with Managing Director

The Board acknowledges that its most important role is to provide high level counsel to the Managing Director, to constantly monitor the performance of the Managing Director against the Board's requirements and expectations and to take timely action if the objective of the Company is not being achieved or a correction to management is required.

### 3 COMPOSITION OF THE BOARD

#### 3.1 Board Skills

The Board should at all times comprise members whose skills, experience and attributes together reflect diversity, balance, cohesion and match the demands facing the Company.

#### 3.2 Appointments to the Board

Every new appointment to the Board is considered and decided by the Board as a whole taking into account the range of relevant skills and experience a potential new director may offer the Board and his or her ability to fully commit the time needed to be effective as a director of the Company. A director appointed by the Board must submit himself or herself for reappointment by shareholders at the next annual meeting following his or her appointment.

#### 3.3 Board Membership

The Board has adopted the following principles:

- (a) the Board shall have a minimum of two Independent Directors and a maximum of 8 directors. The number of Independent Directors will be at least three or one-third of all directors (rounded down to the nearest whole number of directors), whichever is the greater;
- (b) a Board member should not have any significant conflict of interest that is potentially detrimental to the Company, including:
  - (i) affiliations with competitors of the Company; and
  - (ii) affiliations with parties that are likely to be a regular counter-party to a transaction with the Company. In practice, however, such conflicts may arise in the course of a director's tenure and procedures for dealing with these situations are contained in 3.5;
- (c) control rights of shareholders (board representation) should, where possible, be aligned to cashflow rights (share ownership). Therefore, significant shareholders or shareholder groups should be represented on the Board. Nevertheless, the Board should also contain some directors not related to or affiliated with any shareholder or shareholder group in order to ensure that the interests of all shareholders are represented;
- (d) the Board seeks diversity in the skills, attributes and experience of its members across a broad range of criteria so as to represent the diversity of shareholders, business types and regions in which the Company operates;
- (e) at least one-third of the directors will retire annually, but are eligible for reappointment by shareholders;
- (f) the Board elects a Chairperson who can be replaced by it at any time.

### 3.4 Independence Definition

A director is regarded as having a relationship that may compromise his or her ability to act independently from management who:

- (a) has been employed by the Company in an executive capacity within the last five years;
- (b) holds 5% or more of the shares on issue in the Company;
- (c) is, directly or indirectly, an adviser or consultant the Company or a member of senior management or who has been in such a relationship within the previous three years;
- (d) has a personal service contract with the Company or a member of senior management;
- (e) within the last five years has had a significant business relationship with the Company (other than as a director) from which the director has derived or is likely to derive 10% or more of that director's annual revenue;
- (f) is employed by a corporation of which a member of senior management serves as a director;
- (g) is a member of the immediate family of any person described above; or
- (h) has had any of the relationships described above with any affiliate of the Company.

### 3.5 Procedures

A director must declare to the Board any relationship that might compromise his or her ability to act independently from management (see 3.4) or any conflicts of interest that are potentially detrimental to the Company (see 3.3(d)). As soon as practicable thereafter the Board, or a committee of the Board established for the purpose, will meet to review the relationship or conflict and determine a process to deal with the issue. The conflict will be recorded in the interests register.

### 3.6 Business Relationships to be Disclosed

Before accepting appointment to the Board, and thereafter as they occur, a director is required to disclose to the Board all of his or her business relationships.

### 3.7 Openness to Review

In considering new appointments to the Board, the Board shall take such steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically examine its performance.

### 3.8 Annual Report

The Company's annual report will include information about each director, identify which directors are independent and include information on the Board's appointment, training and evaluation processes.

## 4 ROLE OF THE CHAIRPERSON

### 4.1 Chairperson's Responsibilities

The Chairperson is responsible for co-ordinating the activities of the Board and has the following specific responsibilities:

- (a) to conduct meetings of the Board and of shareholders;

- (b) to schedule Board meetings in a manner that enables the Board and its Committees to perform their duties responsibly while not interfering with the flow of the Company's business;
- (c) to prepare, in consultation with the Managing Director, other directors and Committee chairpersons, the agendas for the Board and Committee meetings;
- (d) to define the quality, quantity and timeliness of the flow of information between management and the Board;
- (e) to ensure that issues raised, or information requested, by any director are responded to promptly and as fully as possible;
- (f) to approve, in consultation with the Board, the retention of consultants who report directly to the Board;
- (g) to foster a constructive governance culture and assist the Board and management in assuring compliance with and implementation of this Code and to be principally responsible for recommending revisions thereto;
- (h) to promote and maintain the independence of the Board from management;
- (i) to be principally responsible for evaluating the Managing Director's performance and to meet with the Managing Director to discuss the Board's requirements and expectations and the evaluation of the Managing Director's performance by the board;
- (j) to ensure that rigorous, formal processes for evaluating the performance of the Board, Board Committees and individual directors are in place and lead these processes; and
- (k) to lead an annual work plan that ensures the Board addresses matters for which it is responsible in relation to strategy, remuneration, executive performance, financial reporting and budgets, risk and governance.

#### 4.2 Meetings of the Board

The Chairperson is responsible to ensure that Board meetings are sufficiently well-planned and conducted in a manner that ensures the most effective and efficient use of Board time and energy. The Chairperson takes particular responsibility for leading the Board and setting the tone for the conduct of its meetings and the way in which issues are debated. The Chairperson is responsible to ensure that adequate minutes of the proceedings of meetings of the Board are taken.

Proceedings of all meetings will be in accordance with the Constitution and otherwise as determined by the Chairperson of the Board or the relevant Board committee.

The Chairperson may require any director or other attendee to leave a meeting at any time.

The Board appoints a Board Secretary who is responsible for co-ordination of all Board business, including the annual work programme, meeting scheduling, agendas, papers, minutes and lodgement of documents with regulatory agencies.

#### 4.3 Relationship with Managing Director

The Chairperson is responsible for establishing a close working relationship with the Managing Director and acting as his or her mentor.

## 5 DIRECTOR EMPOWERMENT ASSURANCE

### 5.1 Empowerment

The Board recognises that the way in which it functions impacts on how well the Board performs its role as steward of the Company. Accordingly, the Board has in place procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that each director is fully empowered to perform his or her duties as a director of the Company and to fully participate in meetings of the Board.

### 5.2 Meetings without Managing Director or management

The Board meets without the Managing Director at least once a year when the performance, evaluation and remuneration of the Managing Director and management are reviewed. The Board regularly meets with the Managing Director in attendance but without other senior management present.

### 5.3 Attendance at Meetings

Directors are expected to attend all Board meetings and when this is not possible directors can join the meeting by means of audio communication. In circumstances where a Board member is unable to attend, apologies must be given to the Chairperson.

### 5.4 Convening of Meetings

Board meetings are normally convened by the Chairperson. There are at least eight Board meetings a year. Any director may request the Chairperson or the Board Secretary to convene a meeting. Notice of a meeting must be given to all directors.

### 5.5 Agenda for Meetings

The agenda for normal Board meetings is determined by the Chairperson and the Board Secretary. Where a director has requested a meeting the agenda will be as specified by that director. Board members are encouraged to submit items for inclusion in the agenda. In addition each Board meeting has a general business item under which directors may raise issues.

### 5.6 Information to Directors

The Board recognises that appropriate information, provided on a timely basis, is essential to the effective discharge of its duties. The Chairperson and the Managing Director are responsible for ensuring appropriate Board papers (including any financial reports), that identify and fairly address the key issues concerning the Company, are prepared and distributed to Board members in a format and at a time that allows directors to be fully informed on the affairs of the Company and to properly prepare for discussion at Board meetings.

### 5.7 Availability of Management

The Chairperson, in consultation with the Board Secretary, is responsible to ensure the availability of the Managing Director and management when required by the Board.

### 5.8 Passing of Resolutions

A resolution of the Board is passed at a Board meeting by the agreement of a majority of the votes cast on it. In the case of an equality of votes the Chairperson does not have a casting vote.

### 5.9 Evaluation of Information

The Board evaluates the format of the information it receives at least annually.

### 5.10 Performance Criteria

The Board establishes and reviews from time to time performance criteria for itself and reviews its performance against those criteria at least annually.

#### 5.11 Relationship with Management

The Board recognises that all directors should have access to the Managing Director and senior management. Each director acknowledges that the division of responsibility between Board and management must be respected and will inform the Chairperson of interactions with senior management. The Board reviews its relationship with management annually.

#### 5.12 Independent Advice

A director may obtain independent advice at the expense of the Company on issues related to the fulfilment of his or her duties as a director, subject to obtaining the approval of the Audit and Risk Management Committee Chairperson prior to the incurrence of any advisory fees.

#### 5.13 Indemnities by Company

The Company indemnifies a director upon joining the Board to the extent provided in section 162 of the Companies Act 1993 (the Act) and it also indemnifies persons who undertake directorships of other companies at the request of the Company.

#### 5.14 Insurance by Company

The Company effects director and officers liability insurance cover for the benefit of directors and management.

Directors are expected to maintain their knowledge of latest governance and business practices in order to perform their duties.

Directors receive a fee for their services to the company. The fee pool is approved by shareholders. Reasonable costs associated with attending board meetings and undertaking company-related business will be reimbursed.

### 6 DIRECTOR RESPONSIBILITIES

#### 6.1 Directors Principal Duties

The directors are committed to the proper and responsible fulfilment of their duties to the Company and to the shareholders. In particular, the directors are mindful of their duties contained in the Act, the Company's Constitution and the Listing Rules which include the following:

- (a) a director, when exercising powers or performing duties, must act in good faith and in what the director believes to be the best interests of the Company;
- (b) a director must exercise a power for a proper purpose;
- (c) a director must not act, or agree to the Company acting, in a manner that contravenes the law or the Constitution;
- (d) a director must not:
  - (i) agree to the business of the Company being carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors; or
  - (ii) cause or allow the business of the Company to be carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors;
- (e) a director must not agree to the Company incurring an obligation unless the director believes at that time, on reasonable grounds, that the company will be able to perform the obligation when it is required to do so; and

- (f) a director when exercising powers or performing duties as a director, must exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances taking into account, but without limitation:
  - (i) the nature of the Company;
  - (ii) the nature of the decision; and
  - (iii) the position of the director and the nature of the responsibilities undertaken by him or her.

## 6.2 Delegation by the Board

The Board may delegate any of its powers (other than certain powers specified in the Act). However, whenever the Board delegates a power the Board remains responsible for the exercise of the power by the delegate, unless the Board:

- (a) believed on reasonable grounds that the delegate would exercise the power in conformity with the duties imposed on directors by the Act and the Constitution; and
- (b) has monitored, by means of reasonable methods properly used, the exercise of the power by the delegate.

## 6.3 Reliance on Information

A director may rely on information, financial data and professional or expert advice given by any of the following:

- (a) an employee of the Company whom the director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- (b) a professional advisor or expert in relation to matters which the director believes on reasonable grounds to be within the person's competence; or
- (c) any other director or committee of directors upon which the director did not serve in relation to matters within the director's or committee's delegated authority.

A director may only rely on others, as described above, if the director:

- (a) acts in good faith;
- (b) makes proper enquiry where the need for enquiry is indicated by the circumstances; and
- (c) has no knowledge that such reliance is unwarranted.

## 6.4 Confidentiality of Company Information

A director who has confidential information in his or her capacity as a director must not disclose that information to any person, make use of or act on that information, except:

- (a) for the purposes of the Company;
- (b) as required or permitted by law; and
- (c) in complying with the director's obligation to disclose his or her interest in a transaction with the Company.

## 6.5 Authorised Disclosure of Information

A director may disclose information to a person whose interests the director represents, and may disclose, make use of, or act on information if:

- (a) particulars of the disclosure, use, or act are entered in the Interests Register (see 6.8); and
- (b) the disclosure, use, or act will not be likely to prejudice the Company.

## 6.6 Securities Trading Policy and Guidelines

The Board of the Company has implemented a formal procedure to handle the trading in the Company's listed securities by directors and employees and advisers of the Company and any subsidiaries. All directors, officers, employees, contractors and advisers of the Company and any subsidiaries must comply with the procedures set out in the Securities Trading Policy and Guidelines attached as Appendix B which applies as at the date of the adoption of this Corporate Governance Code.

## 6.7 Inside Information

If a director has inside information on the Company (or another public issuer) he or she must not trade in, or tip others to trade in, the securities of the Company (or another public issuer).

## 6.8 Resigning Director

A director who resigns before the expiry of his or her term will identify to the Board his or her reasons for early retirement.

# 7 CONFLICTS OF INTEREST

## 7.1 General Conflicts

A director should not have any significant conflict of interest that is potentially detrimental to the Company, including:

- (a) material affiliations with competitors of the Company;
- (b) material affiliations with parties that are likely to be a regular counterparty to a transaction with the Company;

in either of these events a director should consider their ongoing role on the board.

## 7.2 Disclosure of Interest

A director who is interested in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest.

## 7.3 Participation at Meetings

A director who is interested in a transaction with the Company may attend and participate at a Board meeting at which the transaction is discussed. However, such a director is not counted in the quorum and may not vote in respect of the transaction, unless it is one in respect of which directors are expressly required by the Act to sign a certificate.

## 7.4 Interests Register

The Board maintains an Interests Register in which are entered the required disclosures made by directors in respect of matters relating to the Company. Entries in the Interests Register are disclosed in the next annual report.

## 7.5 Acting at Arms-length

A director who, either directly or indirectly, provides goods or services to the Company or an affiliate of the Company must act on an arms-length basis and not use his or her position as a director to influence commercial decisions by the Company or the affiliate.

## 8 COMMITTEES OF THE BOARD

### 8.1 Purpose of Committees

The use of Committees allows issues requiring detailed consideration to be dealt with separately by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and effectiveness of the Board. However the Board retains ultimate responsibility for the functions of its Committees and determines their responsibilities.

### 8.2 Exclusive Board Matters

Issues relating to the Company's mission, appointments to the Board, strategy, business and financial plans are dealt with directly by the Board.

### 8.3 Committees of the Board

The Board has constituted two standing Committees, being the Audit and Risk Management Committee and the Nominations and Remuneration Committee.

From time to time the Board may constitute an ad hoc Committee to deal with a particular issue facing it which requires specialist knowledge and experience.

### 8.4 Composition of Committees

Each standing Committee comprises at least two directors except that the Audit and Risk Management Committee must comprise at least three directors. The Managing Director may not be a member of the Audit and Risk Management Committee. Only directors may be members of a Committee, but the alternate of a director may take the place of that director where required.

### 8.5 Chairperson of Committees

Each standing Committee must be chaired by a director other than the Chairperson.

### 8.6 Attendance at Meetings

In order to be fully informed on the matters for consideration a Committee member may require the attendance of any of the Managing Director, management, the Company's auditors and advisers.

### 8.7 Review of Committees by Board

The Board will regularly review the performance of the Audit and Risk Management Committee in accordance with its charter.

### 8.8 Publication of Committee members

The Board will identify the members of the Audit and Risk Management Committee in the Company's annual report.

### 8.9 Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for:

(a) monitoring all aspects of the external audit of the Company's affairs including:

(i) considering the appointment of the auditors, the audit fee and any issues on their resignation or dismissal;

- (ii) discussing with the auditors, before the commencement of each audit, the nature and scope of their audit;
  - (iii) reviewing the auditors service delivery plan;
  - (iv) reviewing the Company's letter of representation to the auditors; and
  - (v) discussing with the auditors any problems, reservations, or issues arising from the audit and referring matters of a material or serious nature to the Board;
- (b) reviewing the half year and annual financial statements, and any other financial statements to be released by the Company, before submission to the Board, focusing particularly on:
- (i) any change in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments;
  - (iv) the solvency of the Company;
  - (v) the going concern assumption;
  - (vi) compliance with accounting standards; and
  - (vii) compliance with legal stock exchange and other regulatory requirements;
- (c) reviewing any non-routine statements to be issued by the Company;
- (d) regularly reviewing the Company's internal controls and systems;
- (e) monitoring and regularly reviewing the authorities, delegations and procedures under which the Company may be committed;
- (f) considering the findings of any internal investigations and management's response thereto;
- (g) monitoring compliance by the Company with its Constitution, applicable laws and regulations and stock exchange requirements;
- (h) promoting integrity in all aspects of the Company's financial reporting; and
- (i) establishing and regularly reviewing a procedure to identify other situations or circumstances in which the Company may be materially at risk and initiating appropriate action through the Board or the Managing Director.

#### 8.10 Audit and Risk Management Committee Procedure

In carrying out the responsibilities the Audit and Risk Management Committee will:

- (a) meet at least once a year with the auditors and, for part of such meeting, without the Managing Director or management being present;
- (b) convene a meeting if the auditors so request;

- (c) communicate the outcome of the meeting to the Chairperson as soon as practicable after the meeting;
- (d) regularly report to the Board on the operation of the Company's risk management and internal control processes; and
- (e) provide sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures and relevant internal controls of the Company.

#### 8.11 Audit and Risk Management Committee Charter

The Audit and Risk Management Committee shall produce a written charter that outlines the Audit and Risk Management Committee's authority, duties, responsibilities and relationship with the Board. The Audit and Risk Management Committee charter shall be readily available to shareholders. The Audit and Risk Management Committee charter in place as at the date of adoption of this Corporate Governance Code is set out as Appendix C.

#### 8.12 Composition of the Audit and Risk Management Committee

The Audit and Risk Management Committee shall comprise a majority of independent directors and at least one director who is a chartered accountant or has another recognised form of financial expertise.

#### 8.13 Nominations and Remuneration Committee

The Nominations and Remuneration Committee is responsible for ensuring that the Company has appropriate employment practices including:

- (a) reviewing and advising the Board on the terms of appointment and remuneration of employees of the Company and its subsidiaries including executive directors;
- (b) overseeing and recommending remuneration policy and practices across the group for consideration by the Board and making recommendations to the Board on the remuneration of non-executive directors;
- (c) reviewing working environments and succession planning for management;
- (d) reviewing the terms of the employment arrangements with management so as to develop consistent group-wide employment practices subject to regional differences;
- (e) advising the Board on the remuneration of its members, the Managing Director and senior management;
- (f) recommending director appointments to the Board; and
- (g) establishing a formal and transparent process for the nomination and appointment of directors.

#### 8.14 Nominations and Remuneration Committee Charter

The Nominations and Remuneration Committee shall produce a written charter that outlines the Nominations and Remuneration Committee's authority, duties, responsibilities and relationship with the Board. The Nominations and Remuneration Committee charter shall be readily available to shareholders. The Nominations and Remuneration Committee charter in place as at the date of adoption of this Corporate Governance Code is set out as Appendix D.

#### 8.15 Composition of Nominations and Remuneration Committee

The Nominations and Remuneration Committee shall comprise a majority of independent directors.

#### 8.16 Minutes

Minutes of the proceedings of every Committee meeting shall be taken and circulated to each member of the Board.

### 9 EXTERNAL AUDIT POLICY

#### 9.1 Appointment of Auditors

The auditors of the Company shall be appointed on professional merit.

#### 9.2 Independence of Auditors

The Audit and Risk Management Committee and Board should be satisfied prior to the appointment of the Company's auditors that there is no relationship between the proposed auditors and the Company or any related person that could compromise the independence of the auditors, and have received written confirmation to that effect from the auditors. The auditors will annually report on their independence.

#### 9.3 Full and Frank Dialogue

The Board recognises the importance of and shall facilitate full and frank dialogue among the Audit and Risk Management Committee, the auditors and management.

#### 9.4 Rotation of Audit leader

The auditors' lead and engagement audit partners should be rotated after a maximum of five years such that no such persons shall be engaged in an audit of the Company for more than five consecutive years.

#### 9.5 Report on Audit Fees

The Board shall annually report to shareholders and stakeholders on the amount of fees paid to the auditors for both audit and non-audit work and shall separately identify fees paid for each category of non-audit work.

#### 9.6 Report on Non-Audit work

The Board shall state in the annual report what non-audit work (if any) was undertaken by the auditors and why this did not compromise the independence of the auditors.

### 10 REMUNERATION POLICY

#### 10.1 Alignment of Interests with Shareholders

The Board promotes the alignment of the interests of the directors, the Managing Director and management with the long term interests of shareholders.

#### 10.2 Review Process

The Board shall annually review and recommend changes to remuneration structure and policy within the Company. The Board shall annually review the remuneration packages of the Managing Director and senior management, and shall review the remuneration packages of directors at least every second year.

### 10.3 External Advisers

In reviewing the remuneration proposed for directors, the Managing Director and management, the Board may seek external advice from a recognised and competent source, including an evaluation against comparable peer groups.

### 10.4 Remuneration levels

The Board has a policy that executives, executive directors and non-executive directors should receive remuneration that is fair and reasonable in a competitive market for the skills, knowledge and experience required by the Company.

### 10.5 Executive and Non-Executive remuneration

The Board recognises that it is desirable that executive (including executive director) remuneration should include an element dependent upon the performance of both the Company and the individual, and should be clearly differentiated from non-executive director remuneration. The terms of the remuneration package including short term incentives and long term incentives will be reported in the annual report.

### 10.6 Retiring Director Remuneration

No special remuneration will be paid to a retiring director without the authority of an ordinary resolution of shareholders, except as permitted by the Listing Rules.

### 10.7 Annual Report

The remuneration policies of the Company and the remuneration received by directors will be disclosed in each annual report.

## 11 THE MANAGING DIRECTOR

### 11.1 Responsibilities of Managing Director

The Managing Director is the senior executive of the Company and is responsible for:

- (a) formulating the vision for the Company;
- (b) recommending policy and the strategic direction of the Company for approval by the Board;
- (c) providing management of the day to day operations of the Company; and
- (d) acting as the spokesperson of the Company.

### 11.2 No Appointment as Chairperson

The Managing Director is not eligible to be appointed as the Chairperson. A Chairperson may, however, assume the post of Managing Director concurrently on a temporary basis when the post of Managing Director is vacant, for a period not longer than six months. After the initial period of six months, if a Managing Director has not been appointed, the Board may extend the Chairperson's Managing Director post for another maximum period of six months.

### 11.3 Independence of the Board

The Managing Director undertakes to respect the independence of directors so as to permit the Board to challenge management decisions objectively and evaluate corporate performance.

#### 11.4 Other Boards

The Managing Director will not accept appointment to the board of other companies except for family companies and directorships undertaken at the request of the Company where the Company has a significant interest, except with the consent of the Board.

#### 11.5 Disclosure

The period of the Managing Director's employment contract will be disclosed in each annual report.

### 12 SHAREHOLDER PARTICIPATION

#### 12.1 Constitution

The rights of shareholders are referred to in the Company's Constitution which is available to all shareholders and in the Act and the Listing Rules.

#### 12.2 Board Accountable to Shareholders

The Board is appointed by, and accountable to, shareholders.

#### 12.3 Reports to Shareholders

The Board values the opportunity to give comprehensive yet accessible interim and full year reports to shareholders and to meet with them annually.

#### 12.4 Annual Meeting

The Board recognises that the annual meeting is an important forum at which shareholders can meet with the Board and it encourages shareholders to use the forum to ask questions and make comments on the performance of the Company.

#### 12.5 Directors Attendance

In usual circumstances all directors will attend the annual meeting.

#### 12.6 Questions from Shareholders

The Board welcomes input from shareholders and encourages shareholders to submit questions in writing prior to the annual meeting so that an informed answer can be given at the meeting. The Board will ensure that the Company's external auditors are available for questioning by shareholders at the annual meeting.

#### 12.7 Questions not fully Answered

Questions which are not fully answered at a meeting will be replied to in writing as soon as practicable after the meeting subject to the Company's confidentiality obligations to third parties.

#### 12.8 Company website

The Board recognises that maintaining an up-to-date website is an important way in which shareholders can readily access key information (including annual reports) about the Company.

### 13 REPORTING AND DISCLOSURE

#### 13.1 Annual Report

In addition to all information required by law, the Board acknowledges that the Company's annual report should include sufficient meaningful information to enable shareholders and stakeholders to be well informed on the affairs of the Company.

### 13.2 Financial Reports

The Managing Director and at least one director of the Company shall certify in the published financial reports of the Company that the reports comply with generally accepted accounting standards and present a true and fair view of the financial affairs of the Company.

### 13.3 Continuous Disclosure

The Chief Financial Officer shall be responsible for the Company's compliance with statutory and NZX continuous disclosure requirements and the Board shall be advised of, and consider, continuous disclosure issues at each Board meeting.

### 13.4 Code of Ethics

The Company's code of ethics should be published and available to all directors, staff and shareholders. It will be included in the information pack for new employees and addressed in the induction program. The Board should take steps to implement the code of ethics and to monitor compliance with the code of ethics. Any serious instances of unethical behaviour and the actions taken in relation to them should be reported by the Board.

## APPENDIX A: SCALES CODE OF ETHICS

The Scales Code of Ethics is the framework of standards by which the directors, employees, contractors for personal services and advisers of Scales Corporation Limited and its related companies (Scales people) are expected to conduct their professional lives and has been approved by the Board. This Code is not intended to prescribe an exhaustive list of acceptable and non-acceptable behaviour, rather it is intended to facilitate decisions that are consistent with Scales values, business goals and legal and policy obligations, thereby enhancing performance outcomes. Scales people must familiarise themselves with Scales values, as they govern their behaviour while they are employed by Scales.

Directors, Senior Executives and other employees who are proven to have breached this Code of Ethics will face disciplinary action which, depending on the seriousness and severity of the breach, could include dismissal or legal action or both.

Scales directors and managers are expected to lead according to these standards of ethical and professional conduct and to ensure that they are communicated to the people who report to them.

If you have any questions or concerns about an ethical question, or become aware of a breach of a legal obligation or a Scales Policy, let the Chairperson of the Board know as soon as possible. If this is not appropriate, contact the Chairperson of the Audit and Risk Management Committee. (Please refer to Article 11, Reporting Concerns, for more information.)

### 1 Conflicts of Interest

A conflict of interest occurs when an individual's interests interfere, or appear to interfere, with Scales' interests. Scales expects Scales people to act in Scales' interests at all times.

Scales people will not without the prior consent of Scales:

- engage in any other business or commercial activities which would conflict with their ability to perform their duties to Scales;
- support a political party or organisation other than in a personal capacity; and
- engage in any other activity which could conflict with Scales' interests.

### 2 Gifts

"Gifts" and "personal benefits" can include accommodation, goods, services, discounts, special terms on loans and so on.

Scales people will not accept gifts or personal benefits of any value from external parties if it could be perceived that such acceptance might compromise or influence any decision by Scales.

### 3 Corporate Opportunities

Scales expects its people to advance its legitimate interests when the opportunity to do so arises.

Scales people will not:

- take for themselves any opportunity discovered through the use of Scales property, information or position;
- use Scales property (including Scales' name), information or position for personal gain;
- compete with Scales; and

- trade in shares, or any other kind of property, based on information that comes from their roles for Scales if that information has not been reported publicly.

#### 4 Confidentiality

Scales and Scales stakeholders entrust us daily with their confidential communications and information. Confidential information includes all information not in the public domain that has come to a Scales employee's knowledge by virtue of working for Scales.

Scales people will maintain and protect the confidentiality of information entrusted to Scales about work colleagues, stakeholders and Scales' business and financial affairs, except where disclosure is allowed by Scales or is required by law.

#### 5 Behaviours

The actions and statements of Scales people, whether to customers, suppliers, competitors, or employees, can impact on the way people see Scales and whether they choose to do business with us.

Scales people will:

- undertake their duties in accordance with Scales values;
- conduct themselves in a way that demonstrates that their honesty is beyond question and will not behave in a manner that has the potential to bring Scales' image into disrepute;
- deal honestly with Scales' other people, professional advisors and stakeholders;
- not enter into transactions or make promises on behalf of Scales that Scales cannot or does not intend to honour;
- undertake their duties with care and diligence;
- ensure that any personal opinions Scales people express are clearly identified as their own and are not represented to be the views of Scales;
- value individuals' differences and treat people in the workplace with respect in accordance with Scales' philosophies of equal employment opportunities, and anti-harassment and discrimination policies;
- to the best of their ability, use reasonable endeavours to ensure that Scales records and documents, including financial reports, are true, correct and conform to Scales reporting standards and internal controls; and
- not accept or offer bribes or improper inducements to or from anyone.

#### 6 Proper use of Scales Assets and Information

Scales people have a duty to protect Scales assets from loss, damage, misuse, waste and theft. Scales assets include systems, information, intellectual property and networks.

Scales people will:

- only use Scales assets for lawful business purposes authorised by Scales; and

- only create, and only retain, information and communications required for business needs or to meet legal obligations.

## 7 Compliance with Laws and Policies

Scales people will:

- familiarise themselves with and comply with Scales policies, frameworks and processes at all times (including those relating to equal employment opportunities and health and safety);
- abide by the laws, rules and regulations of New Zealand and other jurisdictions in which Scales operates;
- undertake training on legal obligations and policies as required by management from time to time; and
- comply with all statutory and internal disclosure requirements on a timely basis.

## 8 Delegated Authority

The Scales Board of Directors delegates the responsibility of managing the business and affairs of Scales to the Managing director (“Managing Director”). The Managing Director in turn delegates to other levels of management certain rights to make operational and financial decisions within defined limits. A director should not simultaneously hold the positions of Managing Director and Chairperson of the Board.

Scales people will:

- only act within the delegated authority framework and any authority that may be specifically given to them as a delegated authority holder; and
- ask their manager if they are uncertain as to their level of delegated authority.

## 9 Additional Director Responsibilities

Directors are required to:

- undertake appropriate training to remain current on how to best perform their duties as directors of Scales;
- give proper attention to all matters put before them;
- have an understanding of the regulatory, legal, fiduciary and ethical requirements affecting directors;
- be familiar with up to date business management techniques and related ethics; and
- have an awareness of special strategic, industry, cultural and other issues that may impact on Scales’ business.

10 Information for the Board

Scales management shall provide the Board with information of sufficient content, quality and timeliness as the Board considers necessary to enable the Board to effectively discharge its duties.

11 Reporting Concerns

If you become aware of a breach of the Scales Code of Ethics or any breach of a legal obligation or Scales policy, you are responsible for reporting it to your manager or the Board, as appropriate. If this is not appropriate in the circumstances, you should report the breach to the:

- Chairperson of the Board; or
- Chairperson of the Audit and Risk Management Committee.

Scales will stand behind any employee who, acting in good faith, reports a breach, serious problem or wrongdoing. The identity of the person making the report will be kept confidential where possible – there may be situations however where the proper investigation of the matter inadvertently identifies the reporter or requires his or her identification.

Scales requires all Directors, Senior Executives and other employees who receive a report of an actual or suspected violation of this Code of Ethics to take all reasonable steps within their control to ensure that:

- the behaviour alleged in the report is thoroughly investigated;
- the rules of natural justice are observed in that investigation; and
- appropriate disciplinary action is taken if the allegation is substantiated.

Any person who knowingly makes a false report of a legal or policy breach may be subject to disciplinary action.

If you suspect that a breach of the delegated authority rules or limits has occurred you should advise your manager and the delegated authority holder whose responsibility it should have been to approve the transaction, as soon as possible.

12 Review

The Code of Ethics is subject to annual review by the Board. If you have feedback on the Code of Ethics please contact the Chairperson of the Board.

## APPENDIX B: SECURITIES TRADING POLICY AND GUIDELINES

This policy applies to all Directors, officers, employees, contractors and advisers of Scales Corporation Limited and its subsidiaries who intend to trade in Scales' listed securities. In this policy 'trade' includes buying or selling listed securities, or agreeing to do so, whether as principal or agent, but it does not include subscription for, or the issue of, new securities.

In addition to this Policy and Guidelines, further more specific and stringent rules also apply to trading in Scales' securities, by Directors and certain employees (see [Additional Trading Restrictions for Restricted Persons](#)).

### Introduction and purpose

This document details Scales' policy on, and rules for dealing in the following securities (Restricted Securities):

- Scales ordinary shares (NZX trading code SCL);
- any other listed securities of Scales, and any listed derivatives (including futures contracts listed on an authorised futures exchange) in respect of Scales' listed securities, from time to time.

The requirements imposed by the policy are separate from, and in addition to, the legal prohibitions on insider trading in New Zealand and any other country where those securities may be listed.

If you do not understand any part of this policy, or how it applies to you, you should raise the matter with the Company Secretary before dealing with any securities covered by this policy.

### Fundamental Rule – Insider trading is prohibited at all times

If you possess "material information" (refer to definition below), then whether or not you are a Restricted Person below, you must not:

- trade Restricted Securities;
- advise or encourage others to trade, or hold any Restricted Securities; or
- pass on the material information to others.

The prohibitions apply regardless of how you learn of the information, and regardless of why you are trading.

The prohibition on insider trading applies not only to information concerning Scales' securities. If a person has material information in relation to listed securities of another issuer (including futures contracts listed on an authorised futures exchange) over listed securities, that person must not trade in those securities.

### Insider trading laws

If you have any material information, it is illegal for you to:

- trade Scales' listed securities;

- advise or encourage another person to trade or hold Scales' listed securities;
- advise or encourage a person to advise or encourage another person to trade or hold Scales' listed securities; or
- pass on the material information to anyone else – including colleagues, family or friends – knowing (or where you ought to have known) that the other person will use that information to trade, continue to hold, or advise or encourage someone else to trade, or hold, Scales' listed securities.

This offence, called “insider trading”, can subject you to criminal liability including large fines and/or imprisonment, and civil liability, which may include being sued by another party or Scales, for any loss suffered as a result of illegal trading.

#### Confidential information

In addition to the above, you also have a duty of confidentiality to Scales. You must not reveal any confidential information concerning Scales to a third party (unless that third party has signed a confidentiality agreement with Scales and you have been authorised to disclose the confidential information), or to use confidential information in any way which may injure or cause loss to Scales, or use confidential information to gain an advantage for yourself. You should ensure that external advisers keep Scales information confidential.

What is “material information”?

“Material information” is information that:

- is not generally available to the market; and
- if it were generally available to the market, would have a material effect on the price of Scales' listed securities.

Information is generally available to the market if it has been released as an NZX announcement, or investors that commonly invest in Scales' listed securities can readily obtain the information (whether by observation, use of expertise, purchase or other means).

It does not matter how you come to know the material information (including whether you learn it in the course of carrying out your responsibilities, or in passing in the corridor, or in a lift, or at a social function).

Information includes rumours, matters of supposition, intentions of a person (including Scales), and information, which is insufficiently definite to warrant disclosure to the public.

What are some examples of material information?

The following list is illustrative only. Material information could include information concerning:

- the financial performance of Scales;
- a possible change in the strategic direction of the Scales;
- the introduction of an important new product or service;
- a possible acquisition or sale of any assets or company by Scales;

- entry into or the likely entry into or termination or likely termination of material contracts or other business arrangements which are not publicly known;
- a possible change in Scales' capital structure;
- a change in the historical pattern of dividends;
- senior management changes;
- a material legal claim by or against the Scales; or
- any other unexpected liability,

which has not been released to the market.

#### Exceptions

This policy does not apply to:

- acquisitions and disposals by gift or inheritance;
- acquisitions through an issue of new listed securities, such as an issue of new shares on the exercise of options, under a rights issue, or a dividend reinvestment plan.

#### Short term trading discouraged

You should not engage in short term trading (the buying or selling of listed securities within a 6 month period), unless there are exceptional circumstances discussed with and approved by the Company Secretary.

Short term trading can be a key indicator of insider trading, particularly if undertaken on a regular basis or in large amounts. Therefore, to reduce the risk of an allegation of insider trading, do not trade listed securities on a short-term basis.

If in doubt, don't

The rules contained in this policy do not replace your legal obligations. The boundary between what is (and is not) in breach of the law is not always clear. Sometimes behaviour that you consider to be ethical actually may be insider trading. If in doubt, don't!

#### Breaches of policy

Strict compliance with this policy is a condition of employment and engagement of advisers. Breaches of this policy will be subject to disciplinary action, which may include termination of employment or a contract for services.

#### Monitoring of trading

Scales may monitor the trading of directors, employees and advisers as part of the administration of this policy.

#### Application of policy

The Board of Scales has approved this policy. The Board may approve updates, amendments to and exemptions to this policy from time to time, which may be implemented by written notice to you.

To the extent of any inconsistency with any previous policy or rules relating to this subject matter, this policy prevails over them.

5 October 2015

## SCALES CORPORATION LIMITED

### ADDITIONAL TRADING RESTRICTIONS FOR RESTRICTED PERSONS

Persons covered by Restricted Securities Trading Restrictions

The additional trading restrictions set out below apply to:

- all Directors and employees of Scales and its subsidiary companies; and
- trusts and companies controlled by such persons.

Persons covered by these additional restrictions are called “Restricted Persons”. Employees and directors will be considered responsible for the actions of trusts and companies controlled by them. In this respect, “control” is not to be construed in a technical way but by looking at how decisions are made in practice.

Additional trading restrictions for Restricted Persons (black-out period)

Restricted Persons are prohibited from trading in any Restricted Securities during the following specific “black-out” periods:

- from Scales’ half-year balance date, until the first trading day after the half-year results are released to NZX;
- from Scales’ year-end balance date, until the first trading day after the full-year results are released to NZX; and

Restricted Persons are not permitted to trade any Restricted Securities during a black-out period unless Scales’ Board provides a specific exemption.

Please note that if you hold material information you must not trade Restricted Securities at any time – regardless of these periods.

Requirements before trading

Before trading in Restricted Securities, at any time, Restricted Persons must, in writing:

- notify Scales’ Company Secretary of their intention to trade in securities, and seek consent to do so (using the [Request for Consent to Trade in Listed Securities](#) form attached);
- confirm that they do not hold material information; and
- confirm that there is no known reason to prohibit trading in any Restricted Securities.

A consent is only valid for a period of 10 trading days after notification. A consent is automatically deemed to be withdrawn if the person becomes aware of material information prior to trading.

Requirements after trading

A Restricted Person must advise Scales’ Company Secretary promptly following completion of any trade, and the Restricted Person must comply with any disclosure obligations it has under the Securities Markets Act 1988 and the Securities Markets (Disclosure of Relevant Interests by Directors and Officers) Regulations 2003.

SCALES CORPORATION LIMITED  
REQUEST FOR CONSENT TO TRADE IN LISTED SECURITIES

To: The Company Secretary, Scales

In accordance with Scales' Securities Trading Policy and Guidelines, Additional Trading Restrictions for Restricted Persons, I request Scales' consent be given to the following proposed transaction to be undertaken either by me or persons associated with me, within 10 trading days of approval being given. I acknowledge Scales is not advising or encouraging me to trade or hold securities and does not provide any securities recommendation.

Name:

Name of registered holder  
transacting (if different):

Address:

Position:

Description and number of  
securities:

Type of proposed transaction: Purchase/sale/other (specify)

To be transacted: On NZX/off-market trade/other (specify)

Likely date of transaction  
(on or about):

I declare that I do not hold information which:

- is not generally available to the market; and
- would have a material effect on the price of Scales' listed securities if it were generally available to the market.

I know of no reason to prohibit me from trading in Scales' listed securities and certify that the details given above are complete, true and correct.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Scales hereby consents/does not consent to the proposed transaction described above. Any consent is conditional on the proposed transaction being completed within 10 trading days of the date of this consent, and in compliance with Scales' Securities Trading Policy and Guidelines and Additional Trading Restrictions for Restricted Persons.

\_\_\_\_\_  
Name: Date on behalf of Scales

## APPENDIX C: AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

### 1 Constitution

- 1.1 The Audit and Risk Management Committee shall be a committee of the Board of Scales Corporation Limited (Scales or the Company).

### 2 Purpose

- 2.1 The purpose of the Audit and Risk Management Committee is to:

- (a) assist the Board of Scales in fulfilling its responsibilities for Company financial statements and external financial reporting;
- (b) assist the Board of Scales in ensuring the quality and independence of the Company's external audit process;
- (c) assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to oversight of:
  - (i) the integrity of external financial reporting;
  - (ii) the application of accounting policies;
  - (iii) financial management;
  - (iv) internal control systems;
  - (v) the risk management framework and monitoring compliance with that framework;
  - (vi) related party transactions;
  - (vii) protection of the company's assets; and
  - (viii) compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial disclosure;
- (d) review managements' letters of representation;
- (e) facilitating the continuing independence of the external auditor in line with industry professional standards and ethical guidelines including receiving annually confirmation from the auditor of their independence in the previous 12 months;
- (f) assessing the external auditor's independence and qualifications;
- (g) oversee the rotation of the senior audit partner at least every five years;
- (h) where non-audit services are provided by the external auditor the fees for the services should not exceed the fees for core audit services unless approved by the Audit and Risk Management Committee.
- (i) improving the quality, credibility and objectivity of the accounting process (including financial reporting);
- (j) overseeing and monitoring the performance of the internal and external auditors;

- (k) providing a structured reporting line for internal audit and facilitating the maintenance of the objectivity of the internal auditor; and
- (l) providing a formal forum for communication between the Board and senior financial management.

### 3 Duties and Responsibilities

3.1 The Audit and Risk Management Committee does not take actions or make decisions on behalf of the Board. The Board has delegated certain functions to the Audit and Risk Management Committee which is responsible for:

- (a) monitoring all aspects of the external audit of the Company's affairs including:
  - (i) considering the appointment of the auditors, the audit fee and any issues on their resignation or dismissal;
  - (ii) discussing with the auditors, before the commencement of each audit, the nature and scope of their audit;
  - (iii) reviewing the auditors service delivery plan;
  - (iv) reviewing the Company's letter of representation to the auditors; and
  - (v) discussing with the auditors any problems, reservations, or issues arising from the audit and referring matters of a material or serious nature to the Board;
- (b) reviewing the half year and annual financial statements, and any other financial statements to be released by the Company, before submission to the Board, focusing particularly on:
  - (i) any change in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments;
  - (iv) the solvency of the Company;
  - (v) the going concern assumption;
  - (vi) compliance with accounting standards; and
  - (vii) compliance with legal stock exchange and other regulatory requirements;
- (c) reviewing any non-routine statements to be issued by the Company, including announcements to NZX Limited (NZX) concerning results;
- (d) regularly reviewing the Company's internal controls and systems;
- (e) monitoring and regularly reviewing the authorities, delegations and procedures under which the Company may be committed;
- (f) considering the findings of any internal investigations and management's response thereto;

- (g) monitoring compliance by the Company with its Constitution, applicable laws and regulations and stock exchange requirements;
- (h) promoting integrity in all aspects of the Company's financial reporting; and
- (i) establishing and regularly reviewing a procedure to identify other situations or circumstances in which the Company may be materially at risk and initiating appropriate action through the Board or the managing director.

3.2 The Audit and Risk Management Committee shall:

- (a) regularly report to the Board on the operation of the Company's risk management and internal control processes;
- (b) provide sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures and relevant internal controls of the Company; and
- (c) attend to any other matter put to the Audit and Risk Management Committee for consideration by the Board.

3.3 The auditor shall have direct access to the Board on any matter if required.

3.4 Members of the Company's senior management team have a right of access to the Chairperson of the Audit and Risk Management Committee in relation to any matters of material concern that have been raised through the normal management process but have not been raised with the Audit and Risk Management Committee.

4 Membership

4.1 Members of the Audit and Risk Management Committee shall be appointed by the Board and shall comprise a majority of independent directors and at least one director with an accounting or financial background.

4.2 The Board shall appoint a chairperson from among the members of the Audit and Risk Management Committee.

4.3 The appointment and removal of the Audit and Risk Management Committee members shall be the responsibility of the Board.

4.4 The Company shall identify the members of the Audit and Risk Management Committee each year in its annual report.

5 Secretarial and Meetings

5.1 The secretary of the Audit and Risk Management Committee shall be appointed by the Board. The secretary is responsible, in conjunction with the Committee Chair, for co-ordination of all Committee business including meeting scheduling, agendas, papers, minutes, Charter and policy reviews and communication with the Board and auditors.

5.2 A quorum of members of the Audit and Risk Management Committee shall be a majority of members.

5.3 The Audit and Risk Management Committee may have in attendance such members of management and such other persons including external advisers, as it considers necessary to provide appropriate information and advice.

- 5.4 All directors who are not members of the Audit and Risk Management Committee and employees shall only be entitled to attend meetings of the Audit and Risk Management Committee at the invitation of the Audit and Risk Management Committee.
- 5.5 Reasonable notice of meetings and the business to be conducted shall be given to the members of the Audit and Risk Management Committee and all other members of the Board.
- 5.6 Meetings shall be held at least once per year and without the managing director or management being present. Any member of the Audit and Risk Management Committee may request a meeting at any time if they consider it necessary.
- 5.7 The Audit and Risk Management Committee will convene a meeting if the auditors so request.
- 5.8 Minutes of all meetings shall be kept.
- 6 Authorities
- 6.1 The Audit and Risk Management Committee will make recommendations to the Board on all matters requiring its decision. The Audit and Risk Management Committee does not have the power or authority to make a decision in the Board's Company Name or on its behalf.
- 6.2 The Audit and Risk Management Committee is authorised by the Board, at the Company's expense, to obtain such outside legal or other independent information and advice including market surveys and reports, and to consult with such management and executive search consultants and other outside advisers with relevant experience and expertise, as it thinks necessary for carrying out its responsibilities.
- 7 Review of the Audit and Risk Management Committee
- 7.1 The Audit and Risk Management Committee will undertake an annual self-review of its objectives and responsibilities. Such objectives and responsibilities will also be reviewed (as against the Audit and Risk Management Committee Charter) by the Board, the managing director and any other person the Board considers appropriate.
- 8 Reporting Procedures
- 8.1 As soon as practicable after each Audit and Risk Management Committee meeting the Audit and Risk Management Committee will communicate its findings and recommendations to the Chairperson.
- 8.2 The minutes of all Audit and Risk Management Committee meetings will be circulated to members of the Board. Extracts from the minutes will be made available to such other persons as the Board directs, as may be necessary to enable them to properly carry out their functions.
- 8.3 The chairperson will present an annual report to the Board summarising the Audit and Risk Management Committee's activities during the year and any related significant results and findings.
- 9 Accountability to the Board
- 9.1 This Charter has been approved by the Audit and Risk Management Committee and the Board. The Audit and Risk Management Committee reviews the Charter annually and recommends any proposed changes to the Board for approval.

## APPENDIX D: NOMINATIONS AND REMUNERATION COMMITTEE CHARTER

### 1 Constitution

- 1.1 The Nominations and Remuneration Committee shall be a committee of the Board of Scales Corporation Limited (Scales or the Company).

### 2 Purpose

- 2.1 The purpose of the Nominations and Remuneration Committee is to:

- (a) regularly review, and recommend changes to Director's remuneration to ensure that it is at an appropriate level, and effectively managed, to best advance the business objectives of the Company;
- (b) assist the Board in the establishment of remuneration policies and practices for, and in discharging the Board's responsibilities relative to remuneration-setting and performance review of, the Company's managing director, other senior executives, and directors (both non-executive and executive);
- (c) ensure that the Company has a formal and transparent method for the nomination and appointment of Directors to the Board;
- (d) regularly review and, when appropriate, recommend changes to the composition of the Board to ensure that the Company has, and maintains, the right composition of Directors to effectively govern and provide guidance to business; and
- (e) identify and recommend to the Board individuals for nomination as members of the Board and its Committees (taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other Directors).

### 3 Duties and Responsibilities

- 3.1 The Nominations and Remuneration Committee does not take actions or make decisions on behalf of the Board. The Board has delegated certain functions to the Nominations and Remuneration Committee which is responsible for:

- (a) setting and reviewing the Company's remuneration policies and practices for consideration by the Board;
- (b) setting and reviewing, in accordance with the Company's remuneration policies and practices, all components of the remuneration of the managing director, executive and non-executive directors as the Board may from time to time determine. The components shall include base salary, reimbursable expenses, bonuses, entitlements under employee incentive plans, company share schemes and company option schemes, and all other entitlements and benefits arising from such directorships;
- (c) setting and reviewing, as appropriate, the terms of employment contracts for the Company's managing director and other senior executives;
- (d) setting and reviewing the terms of the Company's short and long term incentive plans including any share and option schemes for employees and/or directors for consideration by the Board;
- (e) setting and reviewing the terms of the Company's superannuation and/or pension schemes for consideration by the Board;
- (f) making recommendations to the Board as to its size;

- (g) reviewing from time to time as required, the composition of the Board to ensure that the Company has access to the most appropriate balance of skills, qualifications, experience and background to effectively govern the Company;
- (h) considering whether any changes to the Board are necessary and/or desirable to enhance the performance of the Board, and recommend any changes to the Board;
- (i) reviewing Board succession plans to maintain an appropriate balance of skills, experience and expertise on the Board;
- (j) reviewing from time to time the criteria for determining suitability of potential directors in terms of balance of the Board, qualities, qualifications, skills and experience and recommending to the Board any necessary alterations;
- (k) in the event of any vacancies on the Board, including any casual vacancy, considering any person(s) nominated, either by Directors or shareholders, and making recommendations to the Board in respect of such nominations. The Nominations and Remuneration Committee can also make recommendations for removal of particular Directors from the Board;
- (l) ensuring that potential candidates understand the role of the Board and the time commitment involved when acting as a member of the Board;
- (m) ensuring there is an appropriate induction programme in place for all new Directors;
- (n) attending to any other matter put to the Nominations and Remuneration Committee for consideration by the Board and, as appropriate, the management of the Company.
- (o) developing and recommending to the Board for its approval an annual evaluation process for the Board and its committees
- (p) preparing for the Board's consideration the letter of appointment for new directors

### 3.2 The Nominations and Remuneration Committee shall:

- (a) At least annually, and in sufficient time to commission any study, survey and/or advice, review Directors fees and determine whether those fees are appropriate and make recommendations to the Board to put forward any proposed increases to be considered by shareholders at the next Annual Meeting.
- (b) Consider and make recommendations to the Board on any payment proposed to be made to a retiring Director, subject to compliance with the Constitution. Provided however, that a member of the Nominations and Remuneration Committee should not participate in any discussions with respect to a payment to that member and that the Board shall nominate another Director as an alternative for such discussions.
- (c) Attend to any other matter put to the Nominations and Remuneration Committee for consideration by the Board and as appropriate, by the manager of the Company.

### 3.3 The Nominations and Remuneration Committee may commission any study, survey and/or advice that it sees fit to assist in its consideration of any matter.

#### 4 Membership

- 4.1 Members of the Nominations and Remuneration Committee shall comprise members of the Board appointed by the Board, a majority of whom shall, wherever possible, be independent directors.
- 4.2 The Board shall appoint a chairperson from members of the Nominations and Remuneration Committee.
- 4.3 The appointment and removal of the Nominations and Remuneration Committee members shall be the responsibility of the Board.
- 4.4 The Company shall identify the members of the Nominations and Remuneration Committee each year in its annual report.

#### 5 Attendance

- 5.1 The Nominations and Remuneration Committee may invite an adviser (or advisers) to attend meetings of the Nominations and Remuneration Committee to provide information and assistance to the Nominations and Remuneration Committee as required.

#### 6 Secretarial and Meetings

- 6.1 The secretary of the Nominations and Remuneration Committee shall be appointed by the Board. The secretary is responsible, in conjunction with the Committee Chairperson, for co-ordination of all Committee business including meeting scheduling, agendas, papers, minutes, Charter and policy reviews and communication with the Board and auditors.
- 6.2 A quorum of members of the Nominations and Remuneration Committee shall be a majority of members.
- 6.3 The Nominations and Remuneration Committee may have in attendance such members of management and such other persons including external advisers, as it considers necessary to provide appropriate information and advice.
- 6.4 All directors shall be entitled to attend meetings of the Nominations and Remuneration Committee by standing invitation provided that executive directors, including the managing director, shall not be entitled to attend meetings where they are conflicted for personal reasons.
- 6.5 Reasonable notice of meetings and the business to be conducted shall be given to the members of the Nominations and Remuneration Committee and all other members of the Board and to such other persons as the Board directs.
- 6.6 From time to time the Chairperson of the Nominations and Remuneration Committee shall be entitled to request that the Nominations and Remuneration Committee meet without the presence of a particular Director.
- 6.7 The agenda and Committee papers will be prepared and circulated to all Directors including members of the Nominations and Remuneration Committee prior to the meetings.
- 6.8 Meetings shall be held at least once per year having regard to when director and executive remuneration is due for review in terms of the Company's remuneration policies. Any member of the Nominations and Remuneration Committee including the managing director may request a meeting at any time if they consider it necessary.

6.9 Minutes of all meetings shall be kept.

## 7 Authorities

7.1 The Company will make recommendations to the Board on all matters requiring its decision. The Nominations and Remuneration Committee does not have the power or authority to make a decision in the Board's Company Name or on its behalf. The Board will consider the Nominations and Remuneration Committee's recommendations in formulating its recommendations regarding Director remuneration packages to shareholders.

7.2 In accordance with Section 3 above, the Nominations and Remuneration Committee is authorised by the Board, at the Company's expense, to obtain such outside legal or other independent information and advice including market surveys and reports, and to consult with such management and executive search consultants and other outside advisers with relevant experience and expertise, as it thinks necessary for carrying out its responsibilities.

7.3 The Nominations and Remuneration Committee may delegate any of its responsibilities to the Chairperson of the Nominations and Remuneration Committee from time to time and on such conditions as the Nominations and Remuneration Committee considers appropriate.

7.4 The Nominations and Remuneration Committee is authorised by the Board to investigate any activity covered by its role.

7.5 The Nominations and Remuneration Committee members may communicate with any Company employee to seek any information they require in order for the Nominations and Remuneration Committee to carry out its role.

## 8 Review of the Nominations and Remuneration Committee

8.1 The Nominations and Remuneration Committee will undertake an annual self-review of its objectives and responsibilities. Such objectives and responsibilities will also be reviewed (as against the Nominations and Remuneration Committee Charter) by the Board, the managing director and any other person the Board considers appropriate.

## 9 Reporting Procedures

9.1 After each Nominations and Remuneration Committee meeting the chairperson will report the Nominations and Remuneration Committee's findings and recommendations to the Board.

9.2 The minutes of all Nominations and Remuneration Committee meetings will be circulated to members of the Board. Extracts from the minutes will be made available to such other persons as the Board directs, as may be necessary to enable them to properly carry out their functions.

9.3 The chairperson will present an annual report to the Board summarising the Nominations and Remuneration Committee's activities during the year and any related significant results and findings.

## 10 Accountability to the Board

10.1 This Charter has been approved by the Nominations and Remuneration Committee and the Board. The Nominations and Remuneration Committee reviews the Charter annually and recommends any proposed changes to the Board for approval.