

13 May 2019

Notice of Annual Meeting of Shareholders

Dear Shareholder

We invite you to join us for the Annual Meeting of the Shareholders of Scales Corporation Limited (“Scales”), to be held at:

Where: Napier Conference Centre Ballroom, 48 Marine Parade, Napier
When: Wednesday 12 June 2019 at 4.30pm

After the business has concluded you are welcome to join members of the Board and Management for light refreshments.

Please bring the enclosed voting form and attendance slip to the meeting to assist with your registration.

If you cannot attend, I encourage you to complete and lodge the proxy form in accordance with the instructions on the back so that it reaches Computershare by 4.30pm (New Zealand time) on Monday 10 June 2019.

Items of Business:

- A. Chair’s address
- B. Managing Director’s address
- C. Ordinary resolutions
- D. Special resolution
- E. General business

Ordinary Resolutions:

To consider, and if thought fit, to pass the following ordinary resolutions:

1. That the Board is authorised to fix the auditor’s remuneration for the coming year.
2. Having retired by rotation, that Alan Isaac be re-elected as a Director.
3. Having been reappointed during the year by the Board and holding office only until the Annual Meeting, that Andrew Borland be elected as a Director.
4. Having been appointed during the year by the Board and holding office only until the Annual Meeting, that Tomakin Lai be elected as a Director.
5. Having been appointed during the year by the Board and holding office only until the Annual Meeting, that Nadine Tunley be elected as a Director.
6. Subject to the approval of Resolution 5, that the maximum total pool of Directors’ remuneration payable by Scales to Directors (in their capacity as Directors) be increased by \$100,000 per annum, from a total pool of \$500,000 per annum to \$600,000 per annum, effective from the close of the Annual Meeting, with such sum to be divided amongst the Directors as the Board may from time to time determine.

Special Resolution:

To consider, and if thought fit, to pass the following special resolution:

To amend Scales’ Constitution in the form and manner described in the explanatory notes, with effect from the close of the Annual Meeting.

Further information relating to these resolutions is set out in the Explanatory Notes accompanying this Notice of Annual Meeting. Please read and consider the resolutions together with the notes.

By order of the Board.



Tim Goodacre
Chair
13 May 2019

Our Board of Directors:



Tim Goodacre



Andrew (Andy)
Borland



Nick Harris



Mark Hutton



Alan Isaac



Tomakin Lai



Nadine Tunley

Explanatory Notes

These notes form part of the Notice of Annual Meeting

Ordinary Resolution 1: Appointment and Remuneration of Auditor

Section 207T of the Companies Act 1993 provides that a company's auditor is automatically reappointed unless there is a resolution or other reason for the auditor not to be re-appointed. The Company wishes Deloitte to continue as the Company's auditor, and Deloitte has indicated its willingness to do so.

Section 207S of the Companies Act 1993 provides that the fees and expenses of the auditor are to be fixed in such a manner as the Company determines at the Annual Meeting. The Board proposes that, consistent with past practice, the auditor's fees be fixed by the Directors. The Board unanimously recommends that shareholders vote in favour of Resolution 1.

Ordinary Resolution 2: Re-election of Director

The NZX Listing Rules state Directors must not hold office (without re-election) past the third annual meeting following the Director's appointment, or 3 years, whichever is longer. Accordingly, Alan Isaac is required to retire at this meeting. Alan, being eligible, offers himself for re-election, and the Board unanimously supports his re-election and recommends that shareholders vote in favour of Resolution 2.

Having had regard to the factors described in the NZX Corporate Governance Code that may impact director independence, the Board considers that Alan Isaac will be a Non Executive Independent Director.

Biography for Alan Isaac:

Term of Office: First appointed to the Board on 18 June 2014. Last re-elected on 8 June 2016.

Alan was elected to the Board in 2014. Alan was the President of the International Cricket Council between 2012 and 2014 and is currently: Chair of McGrathNicol and Partners NZ, the Basin Reserve Trust and the New Zealand Community Trust; a Director of Oceania Healthcare (NZ) Limited, Skellerup Holdings Limited and a number of private companies. Alan has an extensive background in the accounting and finance field and is a former National Chair of KPMG. He was made a Companion of the New Zealand Order of Merit (CNZM) in 2013 for services to cricket and business. Alan is Chair of Scales' Audit and Risk Management Committee.

Ordinary Resolutions 3, 4 and 5: Election of Directors appointed since the last Annual Meeting

The NZX Listing Rules state Directors appointed by the Board must not hold office (without re-election) past the next annual meeting following the Director's appointment. Andrew Borland (reappointed on 25 March 2019 prior to expiry of his term as Executive Director), Tomakin Lai (appointed on 28 January 2019) and Nadine Tunley (appointed 26 February 2019) are accordingly required to retire at this meeting. Andrew, Tomakin and Nadine, being eligible, offer themselves for election, and the Board unanimously supports their election and recommends that shareholders vote in favour of Resolution 3, 4 and 5.

Having had regard to the factors described in the NZX Corporate Governance Code that may impact director independence, the Board considers that Andrew Borland will be an Executive Director, Tomakin Lai will be a Non Executive Director, and Nadine Tunley will be a Non Executive Independent Director.

Biography for Andrew Borland

Term of Office: First appointed to the Board on 16 August 2011. Last reappointed on 25 March 2019.

Andrew joined Scales in 2007 and became Managing Director in 2011. Prior to joining Scales he had a 20 year career in banking, with his final role being Head of Corporate at Westpac New Zealand. Andrew has overall responsibility for the strategic direction and day-to-day management of Scales. In addition to his directorships of the Group, Andrew is currently the Chair of Primary Collaboration New Zealand and Akaroa Salmon Limited, and is a Director of Rabobank New Zealand and Australia, and George H Investments Limited. Andrew is a member of Scales' Finance and Treasury Committee and Scales' Health and Safety Committee.

Biography for Tomakin Lai:

Term of Office: Appointed Director on 28 January 2019.

Tomakin was appointed to the Board on 28 January 2019. He is a Director of China Resources Ng Fung Limited, who hold a 15.24% shareholding in the company, and is also the Vice President, Chief Financial Officer and Company Secretary of China Resources Enterprise, Limited. Tomakin joined the China Resources Group in 2008, and holds both a Business Administration degree from the Chinese University of Hong Kong, and a Master of Business Administration degree from the University of Manchester. He has extensive experience in internal and external auditing, finance and accounting, regulatory and compliance, and as a company secretary.

Biography for Nadine Tunley:

Term of Office: Appointed Director on 26 February 2019.

Nadine was appointed to the Board on 26 February 2019. Nadine is currently CEO of Ngai Tahu owned, Oha Honey LP, which farms in excess of 35,000 bee hives nationwide. Nadine has extensive horticulture and wider primary industry management experience from a number of previous roles. Nadine also brings experience from a wide variety of governance and advisory roles, including as a member of the Primary Sector Council, and as the former Chair of New Zealand Apples & Pears.

Ordinary Resolution 6: Directors' Remuneration

This resolution seeks shareholder approval to increase the maximum aggregate amount of remuneration ("fee pool") that may be paid each year to the Directors of Scales for their services as Directors by \$100,000 per annum, from a total fee pool of \$500,000 per annum to \$600,000 per annum, effective from the close of the Annual Meeting. Shareholder approval is required under NZX Listing Rule 2.11.1.

This increase is considered necessary by the Board to reflect the appointment of an additional Director during the 2019 financial year and provides the Board with a remuneration fee pool considered appropriate to remunerate a Board of six Non Executive Directors, including for associated committee work. Accordingly, even where this resolution may be passed by shareholders, it will not be effective unless Resolution 5 (Election of Nadine Tunley as a Director), which shall have the effect of increasing the size of the Board to six Non Executive Directors, is also passed by shareholders.

The existing fee pool of \$500,000 was approved at the Annual Meeting on 14 June 2017. The aggregate remuneration paid to Non Executive Directors and the manner in which it is apportioned amongst Directors is currently reviewed annually, with any proposed increase in the aggregate pool put to shareholders for

approval at Scales' next Annual Meeting. If shareholders approve Resolution 6, the increased fee pool will apply until such time as the amount is altered by an ordinary resolution of shareholders.

The Board reviews its individual fees to ensure Scales' Non Executive Directors are fairly remunerated for their services, recognising the level of skill and experience required to fulfil the role and enable Scales to attract and retain talented Non Executive Directors. The process involves benchmarking against a group of peer companies (all operating in the agri sector) and the next individual fee review is scheduled for January 2020.

The fee pool is to be divided amongst the Directors at the discretion of the Board. The current annual Directors' fees, set on 1 January 2019, are as follows:

- Chair \$140,000 (including Committee responsibilities)
- Non Executive Directors \$70,000
- Chair of the Audit and Risk Management Committee \$18,000
- Chair of the Nominations and Remuneration Committee \$12,000
- Chair of the Health and Safety Committee \$9,000
- Chair of the Finance and Treasury Committee \$9,000
- Committee members \$6,000
- Director of Selacs Insurance \$12,000

Scales will disregard any votes on Ordinary Resolution 6 by:

1. any Director of Scales; and
2. any Associated Person of any Director of Scales,

except where any such vote is cast by the Director or one of their associates as proxy for a person who is entitled to vote and the Director or that associate votes in accordance with express instructions to vote for or against a particular resolution on the Proxy/Voting form.

Special Resolution: Amendment to Constitution

This special resolution seeks shareholder approval to alter Scales' Constitution. The amendments to the Constitution are procedural in nature as a result of Scales' transition to the new NZX Listing Rules on 1 May 2019 and reflect the following:

- a) amending the procedure allowing for the sale of share parcels of less than a minimum holding so as to provide for those shares to be sold on market (including through a broker on behalf of Scales), rather than through NZX or in some other manner approved by NZX;
- b) including an express statement that Scales shall comply with the minimum Board composition requirements of the Rules;
- c) amending the clauses relating to the rotation of directors to cross refer to the requirements set out in the NZX Listing Rules;
- d) removing the clauses in respect of Managing Directors as these are no longer consistent with the NZX Listing Rules;
- e) removing the specific quorum for a meeting of an interest group, so that the quorum for such a meeting is consistent with other meetings of shareholders; and

- f) including an additional clause to address a scenario where ordinary resolutions are passed appointing directors which would exceed the maximum number (by providing that the director nominee(s) with the highest number of votes is elected).

If any of the proposed amendments are inconsistent with the NZX Listing Rules, the NZX Listing Rules (as amended by any waiver or ruling granted to Scales) will prevail. A copy of the NZX Listing Rules is available at www.nzx.com.

The proposed amendments are set out in a marked-up copy of the Constitution that is available for inspection at Scales' registered office, 52 Cashel Street, Christchurch Central, Christchurch, 8013, New Zealand and on Scales' website at www.scalescorporation.co.nz.

The proposed alterations to Scales' Constitution do not impose or remove a restriction on the activities of Scales, and accordingly no rights arise under section 110 of the Companies Act 1993.

The Board unanimously recommends shareholders vote in favour of the alterations to Scales' Constitution.

Attendance and voting

Your rights to vote may be exercised by:

- a) **Attending and voting in person;** or
- b) **Postal voting:** The Board has determined that postal voting is permitted. Postal voting instructions are included in the Proxy/Voting Form which accompanies this Notice of Annual Meeting. You can cast a postal vote online, or complete and send the Proxy/Voting Form by post or fax so that your vote is received by the share registrar no later than 4.30pm on Monday 10 June 2019.

The Chief Financial Officer, Steve Kennelly, has been authorised by the Board to receive and count postal votes at the meeting.

- c) **Appointing a proxy (or representative) to attend and vote in your place:** The proxy need not be a shareholder of the Company. The form of appointment of a proxy and voting instructions accompany this Notice of Annual Meeting. You can appoint a proxy online or complete the Proxy/Voting Form, including the proxy appointment and return the Proxy/Voting Form by post or fax so that it is received by the share registrar by no later than 4.30 pm on Monday 10 June 2019.
- d) **Online voting:** Lodge your postal vote or proxy online at www.investorvote.co.nz

Eligibility to vote

Any shareholder whose name is recorded in the Scales Corporation Limited share register at 5pm on Monday 10 June 2019 is entitled to attend the Annual Meeting and vote in person, by postal vote or by proxy (subject to the time limits for returning Proxy/Voting Forms).

Ordinary resolutions of shareholders

An ordinary resolution is a resolution approved by a majority of more than 50% of votes of those shareholders entitled to vote and voting on the resolution.

Special resolutions of shareholders

A special resolution is a resolution approved by 75% or more of the votes of those shareholders entitled to vote and voting on the resolution.

RSVP and questions in advance of the meeting

Please fill out and return the RSVP form by Friday 7 June 2019 by using the enclosed pre-paid envelope if you are planning to attend the Annual Meeting. To assist the Board to provide answers to questions from shareholders, Scales is offering a facility for shareholders to submit questions in advance of the Annual Meeting on the RSVP form. Questions should relate to matters that are relevant to the Annual Meeting including matters arising from the financial reports and any general questions regarding the performance of Scales. Individual responses to questions will not be provided, but the Chair will, at the Annual Meeting, endeavour to address commonly raised questions. Alternatively, you can email your questions to: info@scalescorporation.co.nz.