CORPORATE GOVERNANCE STATEMENT

The Board of Scales Corporation Limited (Scales or the Company) is committed to ensuring that the Company meets best practice governance principles and maintains the highest ethical standards. This Corporate Governance Statement provides an overview of the Company's governance framework. It is structured to follow the NZX Corporate Governance Code (NZX Code) and discloses the practices relating to the NZX Code's recommendations.

The Board's view is that Scales complies with the corporate governance principles and recommendations set out in the NZX Code, with the exception noted below. The Board believes our governance structures, in particular our approach to remuneration, meets our strategic objectives. In forming our conclusions we have sought external feedback from shareholders and advisors to challenge our thinking and validate our findings, which we have appreciated. The Board notes that in 2021 it did not comply with recommendation 8.5, regarding posting the Annual Shareholders' Meeting notice on its website at least 20 working days prior to the meeting. This was due to an administrative oversight, which the Company will ensure is not repeated.

The Company also complies with the corporate governance requirements of the NZX Main Board Listing Rules (NZX Listing Rules).

The Board regularly reviews and assesses Scales' governance structures and processes to ensure that they are consistent with best practice.

Scales' key corporate governance documents referred to in this statement, including charters and policies, can be found at www.scalescorporation.co.nz/about-us/governance.

Scales' Corporate Governance Code (the Scales Code) was reviewed and updated in December 2021 and is reviewed annually. This Corporate Governance Statement was approved by the Board on 18 March 2022.

Principle 1 – Code of Ethical Behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

RECOMMENDATION 1.1

The Board should document minimum standards of ethical behaviour to which the issuer's Directors and employees are expected to adhere (a Code of Ethics).

Code of Ethics

Scales' Board sets a framework of ethical standards for the Company via its Code of Ethics. These standards are expected of all Directors and employees of Scales and its subsidiaries.

The Code of Ethics covers a wide range of areas including:

- Standards of behaviour
- Conflicts of interest

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- Proper use of Company information and assets
- Accepting gifts
- Delegated authorities
- Compliance with laws and policies
- Reporting concerns
- Corporate opportunities

The procedure for advising the Company of a suspected breach is set out in the Code of Ethics. No breaches were identified during the year.

Every new Director, employee and contractor is to be provided with a copy of the Code of Ethics and must confirm that they have read and understand the Code of Ethics. The Code of Ethics is also available on the Company's website.

During 2021 the Company's Ethical Reporting Hotline (Report It Now/EthicsPro) was upgraded. Following the Anti-Bribery and Corruption training undertaken in 2020, further training is planned for 2022.

The Code of Ethics is subject to annual review by the Board.

RECOMMENDATION 1.2

An issuer should have a financial product dealing policy which applies to employees and Directors.

Share trading by Company Directors and Employees

The Board has implemented formal procedures to handle trading in the Company's securities by Directors, employees and advisors of the Company, with approval being required before trading can occur. Approval is required to be obtained from the Chair, other Directors, CEO or the Chief Financial Officer depending on who is trading. A blackout period is imposed for all Directors and employees between the end of the half year and full year and the release to NZX of the results for that period.

The policy provides that shares may not be traded at any time by any individual holding material information. The full procedures are outlined in the Securities Trading Policy and Guidelines.

The fundamental rule in the policy is that insider trading is prohibited at all times. The requirements of the policy are separate from, and in addition to, the legal prohibitions on insider trading in New Zealand.

Principle 2 – Board Composition & Performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

RECOMMENDATION 2.1

The Board of an issuer should operate under a written charter which sets out the roles and responsibilities of the Board.

Responsibilities of the Board

The Board has overall responsibility for all decision making within Scales. In this regard the Board is responsible for laying solid foundations for the direction, management and oversight of the Company in the support of its objectives. It has delegated day-to-day management of the Company to the Managing Director and the senior management team.

The main functions of the Board include to:

- Review and approve the strategic, business, risk, financial and ESG (Environmental, Social and Governance) plans prepared by Management
- Monitor performance against the strategic, business, risk, financial and ESG plans
- Appoint, provide counsel to and review the performance of the Managing Director
- Approve major investments and divestments
- Ensure ethical behaviour by the Company, Board, Management and employees
- Assess its own effectiveness in carrying out its functions

The Board monitors these matters by receiving reports and plans from Management, maintaining an active programme of divisional visits and through its annual work programme.

The Board uses Committees to address certain issues that require detailed consideration by members of the Board who have specialist knowledge and experience. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

The Board has a statutory obligation to reserve responsibility for certain matters. It also deals directly with issues relating to the Company's mission, appointments to the Board, strategy, business risk, financial and ESG plans.

Details of the Board's role, composition, responsibilities, operation, policies and committees are provided in the Scales Code.

RECOMMENDATION 2.2

Every issuer should have a procedure for the nomination and appointment of Directors to the Board.

Director nomination and appointment

The Board is responsible for appointing Directors. The Nominations and Remuneration Committee manages the appointment process for new Directors and the re-election of existing Directors in order to make a recommendation to the Board. When considering an appointment, the Committee will undertake a thorough check of the candidate and his or her background. Where the Board determines a person is an appropriate candidate, shareholders are notified of that and are provided with all material information that is relevant to the decision on whether to elect or re-elect a Director.

The Nominations and Remuneration Committee also has responsibility for reviewing the composition of the Board to ensure that the Company has access to the most appropriate balance of skills, qualifications, experience, perspectives and diversity to effectively govern the Company.

Using the Board skills matrix, the Board has determined that to operate effectively and to meet its responsibilities it requires competencies in disciplines including executive leadership and strategy, governance, agriculture, logistics, finance and capital markets, risk and compliance, legal and regulatory, people, digital and technology, export, retail and doing business in China.

The current mix of skills and experience is considered appropriate for the responsibilities and requirements of governing Scales. The Board looks to strengthen its oversight of issues in all disciplines, as required, via expert advice.

As at 31 December 2021 the Board has a majority of Independent Directors. Director independence is considered on a case-by-case basis and is monitored on an ongoing basis.

RECOMMENDATION 2.3

An issuer should enter into written agreements with each newly appointed Director establishing the terms of their appointment.

Letter of appointment

All new Directors will enter into a written agreement with Scales setting out the terms of their appointment.

RECOMMENDATIONS 2.4, 2.8 AND 2.9

Every issuer should disclose information about each Director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests. A majority of the Board should be independent Directors. The Chair should be independent.

Board of Directors

A profile of each of the Directors is on pages 41 – 42 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

A majority of the Board are Independent Directors. Tim Goodacre is the Independent Chair of Scales. Nick Harris, Mark Hutton, Alan Isaac and Nadine Tunley are Independent Directors. Qi Xin is a senior Director of a department within China Resources Enterprise, Limited, the parent company of China Resources Ng Fung Limited, holder of a 15.1% shareholding in the Company. Mr Qi is a non-executive Director.

Andy Borland is the Managing Director and Chief Executive Officer (CEO) of Scales.

The roles of Board Chair, Audit and Risk Management Committee Chair and CEO are not held by the same person.

The Board determines annually on a case-by-case basis on the advice of the Nominations and Remuneration Committee who, in its view, are Independent Directors. The guidelines set out in the NZX Corporate Governance Code are used for this purpose, which for 2021 included specific consideration of the tenure of any non-executive director serving longer than 9 years.

Ownership of Scales shares by Directors is encouraged rather than being a requirement. Directors' ownership interests are disclosed at page 107.

The Board does not have a tenure policy however it recognises that a regular refreshment programme leads to the introduction of new perspectives, skills, attributes and experience. As noted at the 2021 Annual Shareholders' Meeting, shareholders can expect to see a planned and orderly succession of the existing Board over time. New Directors will be required to have appropriate experience and qualifications, and an increase in Board diversity is also desirable. In 2021, the Board commenced a succession process and engaged an external advisor, Boardworks, to assist with this. The aims of the process are to:

- Identify future Board requirements, in terms of skills, Director numbers and diversity
- Conduct a broad search for candidates that match the determined requirements
- To ensure a smooth transition of new Directors

Progress on this succession process will be reported to shareholders during 2022, including at the 2022 Annual Shareholders' Meeting.

	Director period of appointment		
	0 – 3 years	**3 – 9 years**	**9 years +**
Number of Directors	2	1	4

Interests Register

The Board maintains an Interests Register. Any 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. A Director who is interested in a transaction may attend and participate at a Board meeting at which the transaction is discussed but may not be counted in the quorum for that meeting or vote in respect of the transaction, unless it is one in respect of which Directors are expressly required by the Companies Act 1993 to sign a certificate.

Particulars of entries made in the Interests Register for the year ended 31 December 2021 are included in the Director Disclosure section on page 106.

RECOMMENDATION 2.5

An issuer should have a written diversity policy which includes requirements for the Board or a relevant Committee of the Board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them.

Diversity

Scales recognises the value in diversity of thinking and skills, and seeks to ensure that the Board and workforce both comprise members reflecting diversity. A formal Diversity Policy has been adopted by the Board.

The Board seeks diversity in the skills, attributes, perspectives 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 Scales operates. Diversity, both at Board level and throughout the Company, is actively considered and reviewed by the Board.

Scales participates in the Institute of Directors' Future Directors programme as part of our commitment to further develop the skillsets available within the agriculture sector. The programme is designed to give talented young aspiring Directors exposure to a company Board, whilst also giving the host company a fresh perspective. Our fifth Future Director, Kelly Brown, commenced a 12-month term on 9 June 2021.

Scales recruits, promotes and compensates on the basis of merit, regardless of gender, ethnicity, religion, age, nationality, sexual orientation, union membership or political opinion. Scales requires that people in the workplace are treated with respect in accordance with the Company's philosophies of equal employment opportunities, and anti-harassment and discrimination policies.

Responsibility for workplace diversity and the setting of measurable objectives is held by the Nominations and Remuneration Committee. The current objectives are:

- Continue to strive to ensure strong female candidates are identified in the recruitment process for all Board and senior executive roles
- Review and encourage participation of under-represented groups in our leadership training programmes
- Complete a review of our gender pay equality across roles, age and salary bands

- Make access to courses in Te Reo Maori language available to all staff, and also encourage the learning of other languages that are relevant to employees' roles

In accordance with the objectives, gender pay equality across the Company was reviewed in 2020. The overall finding of the review was that the Company offers pay equity across genders. Work is continuing on the appropriate targets and measurements for the remaining objectives.

The gender composition of Scales' Directors, Senior Managers and Management Team (comprising the top 2 layers of management) was as follows:

	As at 31 December 2021		As at 31 December 2020	
Position	**Female**	**Male**	**Female**	**Male**
Director	1 (14%)	6 (86%)	1 (14%)	6 (86%)
Senior Managers	0 (0%)	4 (100%)	1 (20%)	4 (80%)
Management Team (excludingSenior Managers)	6 (33%)	12 (67%)	6 (40%)	9 (60%)

RECOMMENDATION 2.6

Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of an issuer.

DIRECTOR TRAINING

The Board ensures that there is appropriate training available to all Directors to enable them to remain current on how best to discharge their responsibilities and keep up to date on changes and trends in areas relevant to their work. Directors are provided with industry information and receive copies of appropriate Company documents to enable them to perform their role. The Board has allocated funding of $1,000 per annum for each Director to provide resources to help develop and maintain skills and knowledge.

The Board also ensures that new Directors are appropriately introduced to Management and the businesses.

RECOMMENDATION 2.7

The Board should have a procedure to regularly assess Director, Board and Committee performance.

Board Performance Evaluation

The Board annually assesses its effectiveness in carrying out its functions and responsibilities. The Chair of the Board leads the review and evaluation of the Board as a whole, and of the Board Committees, against their charters. The Chair of the Board also engages with individual Directors to evaluate and discuss performance and professional development.

Principle 3 – Board Committees

The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

Board Committees

The Board has 4 formally constituted committees – the Audit and Risk Management Committee, the Nominations and Remuneration Committee, the Health & Safety and Sustainability Committee and the Finance and Treasury Committee. Each Committee focuses on specific areas of governance and together they strengthen the Board's oversight of Scales. Committee membership is reviewed annually.

Each Committee has a written charter that is approved by the Board, which sets out its mandate. The charters are reviewed annually with any proposed changes recommended to the Board for approval.

Annually, each Committee agrees a programme of matters to be addressed over the following 12 month period. The Committees each annually review their performance against the Committee charter and objectives for the year and report their findings to the Board.

Attendance at Meetings

The table below sets out Director attendance at Board and Committee meetings during the year ended 31 December 2021.

	Board		Audit and Risk Management Committee		Nominations and Remuneration Committee		Finance and Treasury Committee		Health & Safety and Sustainability Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Andrew Borland	10	10	-	-	-	-	5	4	8	8
Tim Goodacre	10	10	-	-	6	6	-	-	-	-
Nick Harris	10	10	5	5	-	-	-	-	8	8
Mark Hutton	10	10	5	5	6	6	5	5	-	-
Alan Isaac	10	10	5	5	-	-	-	-	-	-
Sun Qiang	2	2	-	-	-	-	-	-	-	-
Lai Po Sing, Tomakin	8	8	-	-	-	-	-	-	-	-
Nadine Tunley	10	10	-	-	-	-	-	-	8	8
Qi Xin	-	-	-	-	-	-	-	-	-	-

RECOMMENDATION 3.1

An issuer's Audit Committee should operate under a written charter. Membership on the Audit Committee should be majority independent and comprise solely of non-executive Directors of the issuer. The Chair of the Audit Committee should not also be the Chair of the Board.

Audit and Risk Management Committee

The primary functions of the Audit and Risk Management Committee are:

- To oversee the financial reporting process to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control
- To provide the Board with an independent assessment of the Company's financial position and accounting affairs
- To keep under review the effectiveness of the Company's procedures for the identification, assessment and reporting of material risks
- To oversee the appointment and performance of the external auditor

Members of the Committee are appointed by the Board and must comprise solely non-executive Directors, a majority of which must be Independent Directors. The current members of the Committee are Alan Isaac (Chair), Nick Harris and Mark Hutton. All members of the Audit and Risk Management Committee are Independent Directors. Alan Isaac is a former national chair of KPMG. The Chair of the Audit and Risk Management Committee and the Board Chair are different people.

The Committee met on 5 occasions during the year. The agenda items for each meeting generally relate to financial governance, external financial reporting, external audit, internal audit, risk management, compliance and insurance.

RECOMMENDATION 3.2

Employees should only attend Audit Committee meetings at the invitation of the Audit Committee.

Meeting Attendance

The Managing Director and Chief Financial Officer are regularly invited to attend Audit and Risk Management Committee meetings.

RECOMMENDATION 3.3 AND 3.4

An issuer should have Nomination and Remuneration Committees which operate under written charters.

Nominations and Remuneration Committee

The primary functions of the Nominations and Remuneration Committee are:

- To establish a clear framework for oversight and management of the Company's remuneration structure, policies, procedures and practices to ensure Scales' remuneration is fair and reasonable
- Defining the roles and responsibilities of the Board and senior management
- Reviewing and making recommendations on Board and Committee composition and succession

Members of the Committee are appointed by the Board and must comprise a majority of Independent Directors. The current members of the Committee are Mark Hutton (Chair) and Tim Goodacre.

Management attends Nomination and Remuneration Committee meetings if invited by the Committee.

The Committee met on 6 occasions during the year.

RECOMMENDATION 3.5

An issuer should consider whether it is appropriate to have any other Board Committees as standing Board Committees. All Committees should operate under written charters.

Health & Safety and Sustainability Committee

The Board's commitment to ensuring a safe and healthy workplace for staff, contractors and visitors led to it establishing a Health and Safety Committee. The Committee is also responsible for sustainability issues.

The primary functions of the Committee are:

- To assist the Board to provide leadership and policy for health & safety and sustainability
- To assist the Board to fulfil its responsibilities and to ensure compliance with all legislative and regulatory requirements in relation to the health and safety practices of the Company as those activities affect employees and contractors
- To support the ongoing improvement of health and safety in the workplace
- To support sustainability initiatives across the Company

Members of the Committee are appointed by the Board. The Committee must be chaired by an Independent Director. The current members of the Committee are Nick Harris (Chair), Andy Borland and Nadine Tunley.

The Committee met on 8 occasions during the year.

Finance and Treasury Committee

Scales operates in a capital intensive sector and is one of New Zealand's leading horticultural exporters with material foreign currency receipts. The Board considers that both with the size of Scales' existing activities and the strategic focus to seek organic and acquisitive growth opportunities, it is appropriate to have a Board Committee to further focus on this part of the business.

The primary functions of the Committee are to:

- Review the allocation of capital
- Oversee the Company's capital and treasury risk management
- Monitor continuous disclosure processes to ensure their integrity, transparency and adequacy, and that they are in accordance with Company policies
- Oversee takeover protocols and, if required, establish a Takeovers Committee comprising of Independent Directors

Members of the Committee are appointed by the Board. The Committee must be chaired by an Independent Director. The current members of the Committee are Mark Hutton (Chair) and Andy Borland. The committee also obtains ongoing advice from external advisors.

The Committee met on 5 occasions during the year

RECOMMENDATION 3.6

The Board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer.

Takeover Protocols

The Board has documented and adopted a series of protocols to be followed in the event of a takeover offer being made, including communication between insiders and any bidder. A committee of Independent Directors would be formed and would have responsibility for managing the takeover in accordance with the Board protocols and the New Zealand Takeovers Code.

Principle 4 – Reporting and Disclosure

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

RECOMMENDATION 4.1

An issuer's board should have a written continuous disclosure policy.

Shareholder Communications and Market Disclosure

Scales' Board is committed to the principle that high standards of reporting and disclosure are essential for proper accountability between the Company and its investors, employees and stakeholders.

It achieves these commitments, and the promotion of investor confidence, by ensuring that trading in its shares takes place in an efficient, competitive and informed market. The Company has in place a written Shareholder Communications and Market Disclosure Policy designed to ensure this occurs. The policy includes procedures intended to ensure that disclosure is made in a timely and balanced manner and in compliance with the NZX Listing Rules, such that:

- All investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance
- Company announcements are factual and presented in a clear and balanced way

Accountability for compliance with disclosure obligations is with the Managing Director and Chief Financial Officer. Managers reporting to the Managing Director are required to provide the Chief Financial Officer with all relevant information that may be material and to regularly confirm that they have done so.

Significant market announcements, including the preliminary announcement of the half year and full year results, the financial statements for those periods, and any advice of a change in earnings forecast are approved by the Board.

Directors consider at each Board meeting whether there is any material information which should be disclosed to the market.

RECOMMENDATION 4.2

An issuer should make its Code of Ethics, Board and Committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

Governance Policies and Charters

Scales' key corporate governance documents can be found at www.scalescorporation.co.nz/about-us/governance.

RECOMMENDATION 4.3

Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks.

Financial and Non-Financial Reporting

Scales' Board is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders which reflects a considered view on the present and future prospects of the Company.

A programme of clear, meaningful, timely and effective communications with shareholders is centred around a comprehensive set of information regarding Scales' operations and results being available on the Company's website and in shareholder reports.

The Audit and Risk Management Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness, balance and timeliness of financial statements. It reviews interim and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with financial reporting standards, stock exchange and legal requirements, and the results of the external audit. All matters required to be addressed and for which the Committee has responsibility were addressed during the period under review.

Half year and full year financial statements are prepared in accordance with relevant financial standards.

Both financial and non-financial disclosures are made at least annually, including reporting of material exposure to environmental, economic and social sustainability risks and other key risks. Scales has a strategic target to develop best-in-class sustainability reporting and to measure and report on key sustainability aspects affecting its businesses.

Scales' Sustainability Report is included at pages 18 – 25 of this report and provides details of the continuing growth and improvements in Scales' initiatives in this area. The Group-wide report identifies material sustainability topics, grouped under the headings People, Corporate, Marketplace, and Environment. The report includes commentary on the work that has commenced around climate risk reporting.

Principle 5 - Remuneration

The remuneration of Directors and senior management should be transparent, fair and reasonable.

Remuneration Report

Introduction

This Remuneration Report outlines the Company's overall reward strategy for the year ended 31 December 2021 and provides detailed information on the remuneration arrangements in this period for the Directors of the Company, the CEO and other nominated executives.

The Company's Remuneration Policy may be amended from time to time and is reviewed at least once a year. The Company has also established a number of additional policies to support a strong governance framework and uphold ethical behaviour and responsible decision making.

Remuneration Philosophy

The Nominations and Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages for Directors, the CEO and nominated executives. The primary objectives of the Remuneration Policy are to provide a competitive, flexible and benchmarked structure that reflects market best practice. The policy is to ensure that the appropriate culture is maintained within the business, is tailored to the specific circumstances of the Company and reflects each person's duties and responsibilities so as to attract, motivate and retain high calibre people. This includes the Company responsibility to monitor diversity and ensure pay equity.

The Nominations and Remuneration Committee reviews market data on remuneration structure and quantum. The remuneration packages of the CEO and nominated executives are structured to include a Short Term Incentive Scheme (STI Scheme) that is directly linked to the overall financial and operational performance of the Company. The CEO and nominated executives may also be invited to participate in the Company's Long Term Incentive Scheme (LTI Scheme). The long term benefits of the LTI Scheme are solely conditional upon the Company's share price meeting certain performance criteria, details of which are outlined below.

The Nominations and Remuneration Committee regularly assesses if the remuneration outcomes are both meeting these objectives and ensuring the outcomes are reasonable, considering the Company's actual performance.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director remuneration is separate and distinct from the remuneration of the CEO and other executives.

Components of Compensation – Non-executive Directors

The Board seeks to set aggregate remuneration for non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

No remuneration is payable to Directors unless it is approved by the Company's shareholders. The NZX Listing Rules specify that shareholders can approve a per-Director remuneration amount or an aggregate Directors' fee pool. Scales' shareholders approve a Directors' fee pool, which is currently set at $600,000 per annum.

The Board reviews its fees annually to ensure the Company's non-executive Directors are fairly remunerated for their services and recognising the level of skill and experience required to fulfil the role. The process involves benchmarking against a group of peer agribusiness companies. In addition, the Board reviews the Committee structure and appropriate level of resourcing required to make an on-going contribution to long term value creation.

Non-executive Directors have no entitlement to:

- any performance-based remuneration or
- participation in any share-based incentive schemes or
- any golden handshake or parachute payments on their resignation as a director

This policy reflects the differences in the role of the non-executive Directors, which is to provide oversight and guide strategy, and the role of management, which is to operate the business and execute the Company's strategy. Non-executive Directors are encouraged to be shareholders but are not required to hold shares in the Company.

Each non-executive Director receives a base fee for services as a Director of the Company or specific subsidiaries, plus an additional fee is also paid for being a member of the Board Committees. The payment of an additional fee recognises the additional time commitment and specific skills required by each Director who serves on those Committees. All Directors are also entitled to be reimbursed for costs associated with carrying out their duties, including a training allowance.

Fees payable to the non-executive Directors of the Company for the period 1 January 2021 to 31 December 2021 were as follows:

Director	Base fee	Fees for serving on Nominations and Remuneration Committee	Fees for serving on Audit and Risk Management Committee	Fees for serving on the Board of Selacs Insurance Limited	Fees for serving on Health & Safety and Sustainability Committee	Fees for serving on Finance and Treasury Committee
Tim Goodacre	$148,000 (Chair)	$0	$0	$0	$0	$0
Nick Harris	$74,000	$0	$6,000	$0	$9,000 (Chair)	$0
Mark Hutton	$74,000	$12,000 (Chair)	$6,000	$0	$0	$9,000 (Chair)
Alan Isaac	$74,000	$0	$18,000 (Chair)	$12,000	$0	$0
Sun Qiang	$18,855	$0	$0	$0	$0	$0
Lai Po Sing, Tomakin	$51,700	$0	$0	$0	$0	$0
Nadine Tunley	$74,000	$0	$0	$0	$6,000	$0
Qi Xin	$3,445	$0	$0	$0	$0	$0

(a) Remuneration of the CEO and Employees

The number of employees of the Company (including former employees), not being a Director mentioned above, who received remuneration and other benefits in excess of $100,000 in the period 1 January 2021 to 31 December 2021 is set out in the remuneration bands detailed below:

Amount of Remuneration	Employees
$100,000-$110,000	10
$110,001-$120,000	7
$120,001-$130,000	4
$130,001-$140,000	6
$140,001-$150,000	9
$150,001-$160,000	6
$160,001-$170,000	10
$170,001-$180,000	4
$180,001-$190,000	2
$190,001-$200,000	3
$200,001-$210,000	3
$210,001-$220,000	2
$220,001-$230,000	2
$240,001-$250,000	1
$270,001-$280,000	1
$280,001-$290,000	1
$290,001-$300,000	1
$320,001-$330,000	2
$330,001-$340,000	1
$370,001-$380,000	1
$420,001-$430,000	1
$550,001-$560,000	1
$620,001-$630,000	1
$700,001-$710,000	1
$900,000-$910,000	1

As set out in further detail below, the total remuneration and value of other benefits paid to the CEO (including under the STI Scheme and LTI Scheme detailed below) for the year ended 31 December 2021 was $908,161 (2020: $775,440).

(b) Components of Compensation – CEO and Nominated Executives

(i) Structure

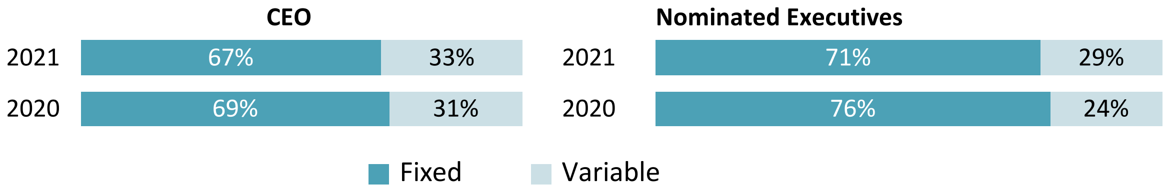
The Company aims to reward the CEO and nominated executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, so as to:

- Reward them for Company and business unit performance against targets set by reference to appropriate benchmarks and key performance indicators
- Align their interests with those of shareholders
- Ensure total remuneration is competitive by market standards

Remuneration consists of both fixed and variable remuneration components. The variable remuneration component comprises the STI Scheme and the LTI Scheme with the proportion of fixed and variable components established for the CEO and for each nominated executive.

The remuneration packages for the CEO and nominated executives are all subject to Board approval, following recommendations from the Nominations and Remuneration Committee.

The mix of fixed and variable 'at risk' remuneration payable in respect of 2021 and 2020 was as follows:



(ii) Fixed annual remuneration

Remuneration levels are regularly reviewed to ensure that they are appropriate for the responsibility, qualifications and experience of the CEO and each nominated executive and are competitive with the market.

The CEO and nominated executives receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits such as superannuation, motor vehicle and health insurance. The total employment cost of any remuneration package, including fringe benefit tax, is taken into account in determining an employee's fixed annual remuneration.

For the financial year ended 31 December 2021, the CEO received $612,338 (2020: $537,693) in fixed annual remuneration. The change includes an increase of 'total fixed remuneration' approved by Directors, in line with the findings of an external benchmarking review.

(iii) Variable remuneration – STI Scheme

The current STI Scheme is directly linked to the achievement of the annual financial and operational targets. As such it can be viewed as a 'profit share' arrangement. The objective of the STI Scheme is to provide an additional incentive to the executive to achieve the targets and ensure that the cost to the Company is flexible and in line with the trading outcome for the current year.

Actual STI Scheme payments depend on achieving specific financial targets, determined by the Board, to be aligned with targets communicated to shareholders. The targets are set at the beginning of the year and are also subject to a number of 'qualifying gates' including liquidity and ESG measures. The financial targets may include a weighted combination of:

- At least 40% for meeting budget or target Underlying Net Profit after Tax for the Group, within issued Guidance plus
- At least 40% for meeting budget or target Underlying Net Profit after Tax and/or target Return on Capital Employed for the Group or business unit, as detailed in the Annual Report and
- Any balance for strategic objectives and other contributions.

STI Scheme payments relating to the financial year ended 31 December 2021 are delivered as a taxable cash bonus and are payable on completion of the annual audited financial statements. It should be noted that the level of remuneration detailed in this report for the CEO includes the bonus paid in early 2021 relating to the 2020 financial year. The actual amount paid for all nominated executives in the STI Scheme for the 2020 year was $588,351 and the total liability for 2021 is $645,407, being 75% of the total pool for the year.

The STI Scheme payment for the CEO relating directly to the financial year ended 31 December 2021 has been approved for payment, with the CEO receiving $195,866 (2020: $144,000) being 100% of his maximum available bonus. The CEO's financial targets were 60% for meeting the target Underlying Net Profit after Tax for the Group and 40% for meeting the Group ROCE target of 12.5%.

STI Scheme payment values are now set as a percentage of 'total fixed remuneration', being 30% for the CEO and between 10% and 30% for other nominated executives for the financial year ended 31 December 2021. For the financial year ended 31 December 2021 there were 27 nominated executives in the STI Scheme.

In addition to the STI Scheme the Board reserves the ability to pay ad hoc bonus payments to any employee where certain outcomes are considered by the Board to positively impact on long term success. For the 2021 year, ad hoc bonuses for nominated executives, of $216,887, have been accrued for payment in 2022. The criteria for ad hoc bonus payments for 2020 and 2021 were i) total STI payments were capped to the total bonus pool for the year and ii) Total Shareholder Return (TSR) to shareholders, including dividends, exceeded 15%.

Variable remuneration – LTI Scheme

The LTI Scheme has been designed to link reward with key performance indicators that drive sustainable growth in shareholder value over the long term. The objectives of the LTI Scheme are to:

- Align the CEO and nominated executives' interests with those of shareholders
- Help provide a long term focus
- Retain high calibre senior employees by providing an attractive equity-based incentive that builds an ownership of the Company mindset
- Encourage executives to think and act like owners

The hurdle rate used for the LTI Scheme is an absolute share price growth hurdle, which is more challenging over time than a relative TSR approach. This approach only rewards executives if long term shareholders also do well.

Under the LTI Scheme, the CEO and nominated executives are offered an interest free loan which is to be applied to acquire shares in the Company. Shares acquired under the LTI Scheme are held by a custodian and will only vest in the employee if he or she is still employed by the Company after 3 years from the date of issue. Once the shares vest, the employee still remains obligated to repay the outstanding balance of the loan. Often, to fund the repayment of the outstanding loans, executives may, subject to the approved procedures, sell on-market their LTI vested shares. Over the next 12 months a total of 449,917 shares vest, on 30 April 2022 and 28 June 2022 (as detailed in the table below. Alternatively, if an employee leaves employment before the expiry of the 3 year period, the Company is authorised to sell that employee's shares with the proceeds applied to repay the balance of the loan, with any deficit covered by the Company and any surplus retained by the Company.

Although performance rights are the most prevalent LTI instrument in Australasia, the Company believes the issue of shares and loans is more relevant for Scales. The structure is well understood by executives and more closely aligns to the security held by shareholders. In addition, the economic return achieved by executives is more challenging under the current terms.

Each employee's loan amount (which determines how many shares will be acquired) is now set as a percentage of their 'total fixed remuneration' and selected employees will be offered a loan for this amount if the criteria set by the Board are met. The criteria for share allocation under the Scheme for the 2021 year is the achievement of a gross TSR of 15.0% over the reference share price of either i) the IPO price (equivalent to $3.20 for 2021) or ii) for all new participants is set at the time of joining the scheme (see table below).

The Board has retained the discretion to vary the applicable criteria for each offer under the LTI Scheme.

LTI Scheme loan amounts are set as a percentage of total fixed remuneration, being 30% for the

CEO and 10%-20% for other nominated executives in respect of the financial year ended 31 December 2021. For the financial year ended 31 December 2021, there were 46 nominated executives in the LTI Scheme, a decrease of 4 from the 2020 year.

In addition to the original LTI Scheme, selected executives were provided with a one-off refresh opportunity to increase their participation in the share-based LTI Scheme with additional shares being allocated over a 3 year period, commencing in 2018. The final allocation price was referenced to the share price at the time of implementation. The total number of shares issued in relation to this refresh was 630,934.This refresh allocation replaced the highly successful original IPO allocation and the Board believes it was consistent with the objective to encourage executives to think and act like owners.

During the financial year ended 31 December 2021, 304,316 shares were allocated under the LTI Scheme relating to the 2020 financial year, with matching interest free loans of $971,788, an average of $3.20 per share. The CEO will receive 51,608 shares in the Company under the LTI Scheme relating to the financial year ended 31 December 2021, compared to 46,875 shares relating to the previous year. As at the end of the financial year ended 31 December 2021, the total balance owing under the loans advanced to the CEO under the LTI Scheme was $997,062 and $1,860,309 to nominated executives. Note that under accounting treatment, loans relating to unvested shares are not recorded on the Company balance sheet.

In total, the CEO at year end held 300,202 shares under the LTI Scheme which are subject to vesting constraints.

As at year end, total loans for vested shares, which are now full recourse, of $506,515, remain outstanding and are recorded on the Company balance sheet. The executives are obligated to repay the outstanding loan balance on the sale of the shares or on termination of employment.

Total shares allocated under the scheme as at the end of the financial year ended 31 December 2021 are as follows:

Grant date	**Vesting date**	**Exercise price, $**	**Number of shares**				
			Opening balance	**Granted**	**Forfeited**	**Vested and exercised**	**Closing balance**
20 April 2018 - FY17A	20 April 2021	1.70	309,698	-	-	(309,698)	-
20 April 2018 - FY17B	20 April 2021	2.51	36,007	-	-	(36,007)	-
20 April 2018 - FY17C	20 April 2021	3.62	40,577	-	-	(40,577)	-
28 June 2018 - FY17R	28 June 2021	4.13	207,023	-	-	(207,023)	-
30 April 2019 - FY18	30 April 2022	2.71	261,356	-	(12,177)	-	249,179
28 June 2019 - FY18R	28 June 2022	4.06	214,285	-	(13,547)	-	200,738
30 April 2020 - FY19	30 April 2023	3.20	301,657	-	(10,313)	-	291,344
28 June 2020 - FY19R	28 June 2023	4.19	209,626	-	(15,115)	-	194,511
30 April 2021 - FY20	30 April 2024	3.20	-	304,316	(9,922)		294,394
Total			**1,580,229**	**304,316**	**(61,074)**	**(593,305)**	**1,230,166**

The total cost of the LTI Scheme relating to share allocations made during 2021 was $467,125. Under accounting standard IFRS 2 *Share Based Payments*, the total option value of each annual allocation is spread across the 3 years of the vesting period from the date of issue. As a result, the total expense recorded in the Statement of Comprehensive Income for the financial year ended 31 December 2021 is $726,769. The total cost relating to each annual share allocation will be cumulative.

The total annual cost of the LTI Scheme relating to shares issued from 2014 to 2021 is detailed below. In addition, the annual allocation spread across the 3 years of the vesting period is as follows:

Financial Year	LTI Scheme Year	Allocation Cost at Grant Date	Amortisation Expense*
2014	IPO	$469,985	$65,000
2015	2014	$31,465	$167,850
2016	2015	$517,879	$269,719
2017	2016	$572,866	$388,732
2018	2017	$1,251,325	$846,796
2019	2018	$869,951	$865,695
2020	2019	$785,682	$697,679
2021	2020	$701,981	$726,769
2022*			$495,638
2023*			$231,771
2024*			$27,160

*The forecast years assume no further Allocations.

Non-Statutory remuneration

The statutory format in which companies are required to present remuneration data may make it difficult for shareholders to understand the total remuneration actually earned by nominated executives in any year. In addition to the timing and recording of STI Scheme payments, the requirement for share-based payments to be calculated at the time of grant (not vesting) and accrued over the vesting period may not then reflect what nominated executives actually received or became entitled to during the financial year under review.

The following table summarises the total value of vested shares actually received by nominated executives on the date of vesting and can be compared to the Allocation Cost recorded above.

The value recorded in the following table for each allocation highlights the amount by which the share price on the vesting date exceeded the performance targets.

Financial Year	LTI Scheme Year	Value at Vesting Date	Share Price at Vesting Date
2017	IPO	$3,245,760	$3.45
2018	2014	$352,066	$4.75
2019	2015	$1,110,314	$5.01
2020	2016	$1,126,548	$4.80
2021	2017	$1,270,022	$4.70
2021	2018 Refresh	$253,603	$4.88

(iv) Employee share ownership scheme

At the time of the Company's IPO, it established an employee share ownership scheme to facilitate an increase in the level of participation by employees as shareholders, which improves the alignment of interests between employees and shareholders. Under the scheme, each eligible employee was offered an interest free loan up to $5,000 to fund 50% of the subscription price for the share which the employee wished to acquire in the Company. Employees are obliged to repay their loans when the shares are sold or when they leave the Company.

Principle 6 – Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

RECOMMENDATION 6.1

An issuer should have a risk management framework for its business and the issuer's Board should receive and review regular reports.

Risk Management Framework

The Board is responsible for ensuring that key business and financial risks are identified, and that appropriate controls and procedures are in place to effectively manage those risks.

The Audit and Risk Management Committee has overall responsibility for ensuring that the Company's risk management framework is appropriate and that it appropriately identifies, considers and manages risks.

Risk management is an integral part of Scales' business. A risk management framework incorporating a risk register is used to identify those situations and circumstances in which the Company may be materially at risk and for which risk mitigation activities are appropriate. This approach is intended to embed a comprehensive, holistic, Group-wide culture of risk awareness in senior management, supported by a consistent method of identifying, assessing, controlling, monitoring and reporting existing and potential risks to Scales' business.

The objectives of the framework are to:

- Provide a consistent and structured way to manage risk across the Company
- Ensure the Company manages effectively the risks it faces in achieving its objectives
- Ensure our people are aware of and meet their responsibilities to identify, evaluate and treat the risks that may prevent or restrict the Company from achieving its objectives

The Board has delegated responsibility to the Audit and Risk Management Committee to establish and regularly review the Company's risk management framework. As part of this framework the Committee is tasked with identifying situations and circumstances in which the Company may be materially at risk, and initiating appropriate action through the Board or Managing Director. A risk management policy is overseen by the Managing Director and supports a comprehensive approach to the management of those risks identified as material to the Company's operations. Risk management is a standing item on the agenda for Audit and Risk Management Committee meetings, with detailed reports provided by management.

The Managing Director and Chief Financial Officer have provided the Board, through the Audit and Risk Management Committee,with assurances that, in their opinion, financial records have been properly maintained, that the financial statements comply with those accounting standards under which Scales must report and that the statements present fairly Scales' financial position and performance. These representations are given on the basis that a sound system of internal controls and risk management is operating effectively in all material respects in relation to financial reporting.

Insurance

In managing the Company's business risks, the Board approves and monitors policy and procedures in areas such as treasury management, financial performance, taxation and delegated authorities.

Scales has insurance policies in place covering most areas where risk to its assets and business can be insured at a reasonable cost. It also operates a captive insurance subsidiary, Selacs Insurance Limited. Selacs Insurance accesses reinsurance, for the benefit of theCompany, in the London insurance market.

RECOMMENDATION 6.2

An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

Health and Safety

The Health & Safety and Sustainability Committee was initially established to assist the Board to meet its responsibilities under the Health & Safety at Work Act 2015. In particular, the Committee is responsible for ensuring that health and safety is given an appropriate level of focus across the Scales Group by regularly reviewing the assurance processes around risk assessment and mitigation, safety systems, staff capability, staff competency, safety leadership and safety culture. Detailed reporting is provided to the Committee on lead and lag indicators including health and safety incidents, injury rates by severity, local site health and safety committee meetings, and sick leave. The findings of independent audit reports are provided to the Committee. Further information is included in the Sustainability Report on pages 18 – 25 of this report.

Principle 7 – Auditors

The Board should ensure the quality and independence of the external audit process.

RECOMMENDATION 7.1 AND 7.2

The Board should establish a framework for the issuer's relationship with its external auditors.

The external auditor should attend the issuer's Annual Shareholders' Meeting to answer questions from shareholders in relation to the audit.

External Auditor

Oversight of the Company's external audit arrangements to safeguard the integrity of financial reporting is the responsibility of the Audit and Risk Management Committee. Scales maintains an External Auditor Independence Policy to ensure that audit independence is maintained, both in fact and appearance.

The policy covers the following areas:

- Appointment of the external auditor
- Provision of other assurance services by the external auditor
- Pre-approval process for the provision of other assurance services
- External auditor lead and engagement partner rotation
- Hiring of staff from the external auditor
- Relationships between the external auditor and the Company

- Reporting on fees and non-audit work

The role of the external auditor is to audit the financial statements of the Company in accordance with applicable auditing standards in New Zealand and to report on its findings to the Board and shareholders of the Company.

The External Auditor Independence Policy is available in the Governance section of the Company's website. Deloitte Limited is the Company's external auditor. Nicole Dring was appointed as the audit engagement partner for the 2021 audit, following the retirement from Deloitte of Paul Bryden. Paul was the audit engagement partner for the 2019 and 2020 audits.

All services provided by the Company's external auditor are considered on a case by case basis by Management and the Audit and Risk Management Committee to ensure there is no actual or perceived threat to independence in accordance with the policy. The external auditor has provided the Audit and Risk Management Committee with written confirmation that, in its view, it was able to operate independently during the year.

Fees paid to the external auditors are included in note B2 of the notes to the financial statements. A total of $402,849 was paid for assurance-related services (including $115,243 paid to Sheehan & Company for the audit of Meateor US LLC and its subsidiaries). There was no non-assurance work carried out by the external auditors during the year. All non-assurance services provided must have the prior approval of the Audit and Risk Management Committee.

The effectiveness, performance and independence of the external auditors is reviewed by the Audit and Risk Management Committee on an ongoing basis. During 2021, and coinciding with the retirement of the current audit engagement partner, a formal review of the external auditor was undertaken by the Audit and Risk Management Committee. This review included an assessment of the auditors' independence, expertise and partner rotation frequency.

The auditor is regularly invited to meet with the Committee including without Management present.

The auditor has been invited to attend the Annual Shareholders' Meeting and will be available to answer questions about the audit process and the independence of the auditor.

RECOMMENDATION 7.3
Internal audit functions should be disclosed.

Internal Audit

Scales internal audit function is overseen by the Audit and Risk Management Committee. The objective of the internal audit function is to enhance and protect the organisational value of Scales by providing risk-based and objective assurance, advice and insight.

Internal audit activities are governed by Scales' Internal Audit Charter, which outlines, amongst other things, the principles, purpose, authority and scope of the function.

An annual internal audit plan is prepared for approval by the Audit and Risk Management Committee. Where necessary, external expertise is obtained for specific audit activities.

The internal auditor is regularly invited to meet with the Committee including without Management present.

The Company continues to co-source engagements in the internal audit programme with KPMG, as required. A number of such engagements are being planned for 2022.

Principle 8 – Shareholder Relations

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourages them to engage with the issuer.

RECOMMENDATION 8.1

An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

Shareholder Relations

Scales' Board is committed to maintaining open and transparent communications with investors and other stakeholders. The annual report, NZX releases, governance policies and charters and a variety of corporate information is posted onto the Company's website. Recordings of results briefings are available at Investor Presentations in the Investors section of the website.

Each shareholder is entitled to receive a hard copy of each annual report.

The Company has a Shareholder Meetings page in the Investors section on its website. Documents relating to meetings are available.

Shareholder meetings will be held at a time and location to encourage participation in person by shareholders. Annual Shareholders' meetings historically have been held in Christchurch, reflecting the head office location for the Company, and the historical shareholder base. Following a request from the Board that Annual meetings be periodically held outside of Christchurch to ensure the increasingly diverse investor base has an opportunity to participate in meetings, the 2019 meeting was held in Napier. The 2020 and 2021 meetings were disrupted by COVID-19. Despite this disruption the 2021 meeting was successfully held as a hybrid meeting, with shareholders having the ability to either attend in person or to view the meeting, and to also vote and ask questions, virtually. It is the intention to continue this practice, to enable the widest possible shareholder participation.

RECOMMENDATION 8.2

An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

Electronic Communications

Shareholders have the option of receiving their communications electronically. Contact details for Scales' head office are available on the website.

RECOMMENDATION 8.3

Shareholders should have the right to vote on major decisions which may change the nature of the company in which they are invested in.

Major Decisions

Directors' commitment to timely and balanced disclosure is set out in its Shareholder Communications and Market Disclosure Policy and includes advising shareholders on any major decisions. Where voting on a matter is required, the Board encourages investors to attend the meeting or to send in a proxy vote. Shareholders may raise matters for discussion at the Annual Shareholders' Meeting either in person or by emailing the Company with a question to be asked. Scales conducts voting at its Annual Shareholders' Meetings by way of poll and on the basis of one share, one vote.

RECOMMENDATION 8.4

When seeking additional equity, the Company should offer shares to existing shareholders on a pro-

rata basis before offering shares to other investors.

The Board will take this recommendation into account if considering any future capital raisings.

RECOMMENDATION 8.5

The Board should ensure that the notice of meeting for the Annual Shareholders' Meeting and any special meeting is posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.

Notice of Meeting

Scales' Notice of Meeting will be available at least 20 working days prior to the meeting on the Shareholder Meetings page in the Investors section of the website. Unfortunately, the Notice of Meeting for the 2021 Annual Shareholders' Meeting was circulated to shareholders late, and consequently did not meet the recommended 20 working day period. The Company will ensure that this oversight does not happen again.