

Scales Corporation Limited Audit & Risk Management Committee Charter

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1.0 Constitution

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

2.0 Purpose

2.1 The primary functions of the Committee are:

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

2.2 Specifically, the Committee is to, among other things:

- 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. review and assess the steps management has taken to instil an effective risk management culture throughout Scales;
- d. 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;
- e. review managements' letters of representation;
- f. facilitating the continuing independence of the external auditor in line with industry professional standards and ethical guidelines including receiving annual confirmation from the auditor of their independence in the previous 12 months;
- g. assessing the external auditor's independence and qualifications;
- h. overseeing the rotation of the auditor's Key Audit Partner at least every five years with a mandatory two year stand down period to be completed before that partner's next engagement with the Company. Regular rotation of the audit firm is not required;
 - I. consider and, if appropriate, approve any non-audit work assignments that fall outside those that are permitted, and that are not non-permissible, under the External Auditor Independence Policy;
 - II. 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 Committee and the value of non-audit work must be reported at every Board meeting;
- k. improving the quality, credibility and objectivity of the accounting process (including financial reporting);
- l. overseeing and monitoring the performance of the internal and external auditors;
- m. providing a structured reporting line for internal audit and facilitating the maintenance of the objectivity of the internal auditor; and
- n. providing a formal forum for communication between the Board and senior financial management.

3.0 Duties and Responsibilities

3.1 The Committee does not take actions or make decisions on behalf of the Board. The Board has delegated certain functions to the Committee which is responsible for, among other things:

- a. monitoring all aspects of the external audit of the Company's affairs including:

- i ensuring compliance with the Company's External Auditor Independence Policy;
 - ii considering the appointment of the auditors, the audit fee and any issues on their resignation or dismissal;
 - iii discussing with the auditors, before the commencement of each audit, the nature and scope of their audit;
 - iv reviewing the auditors service delivery plan;
 - v reviewing the management report prepared by external audit, including the significant findings and management's responses;
 - vi reviewing the Company's letter of representation to the auditors; and
 - vii 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 or sensitive matters such as disclosure of unusual, non-recurring, complex or related party transactions;
 - iv the Company's tax position, compliance and any exposures;
 - v the solvency of the Company;
 - vi the going concern assumption;
 - vii compliance with accounting standards; and
 - viii 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 including discussing with the external auditors the adequacy and effectiveness of the 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.
- j Internal auditor engagement

3.1 The Committee will:

Review and concur with Management’s appointment, termination, dismissal or replacement of the internal auditor;

- a. Review the internal audit function of the Company including the resourcing, budget and staffing, any outsourcing arrangements, independence and authority of its reporting obligations;
- b. Review the scope and adequacy of the internal audit plans, review and approve any planned changes during the year, and oversee the coordination of the plans with the external auditors;
- c. Review and assess the performance and objectivity of the internal audit function;
- d. Meet with internal auditor at least annually without Management being present;
- e. Consider and review with Management and the internal auditor, any difficulties encountered during internal audits and risk assurance reviews, including any restrictions on the scope of the work or access to required information; and
- f. Receive and consider on a regular basis a summary of findings from completed internal audits and a progress report on the internal audit plan, with explanations for any deviations from the original plan.

3.2 The Committee shall:

Regularly report to the Board on the operation of the Company’s risk management and internal control processes and assess the Company’s risk culture;

- a. have unrestricted access to the internal and external auditors and meet at least once each year with the external auditors without management being present;

- 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 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 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 Committee.

3.5 The Committee will have access to, and the authority of the Board to seek any information it requires from any officers, employees, consultants or advisers to fulfil its function, duties and responsibilities. All employees will be directed to co-operate with any request made by the Committee.

3.6 No former Company employee will be engaged in an external audit role for the Company within two years of leaving the Company. Former audit partners or audit managers will not be employed by the Company without prior approval of the Committee.

4.0 Membership

4.1 The Committee will have at least three members, who shall all be non-executive directors. The Committee shall comprise a majority of independent directors and have at least one director with an accounting or financial background.

4.2 The Committee will be structured to ensure that, as a collective group, it has the skills, experience and knowledge to fulfil its role and responsibilities. The Committee may, from time to time, co-opt external experts if the Committee believes this would assist the Committee to discharge its responsibilities.

4.3 The Board shall appoint a Chairperson from among the members of the Committee. The Chairperson is to be an Independent Director. The Chair of the Committee must not have a long-standing association with Scales' external audit firm as a current, or retired, audit partner or senior manager at the firm. The Chair of the Committee will generally be perceived to be independent for these purposes if there has been a period of at least three

years between previously being employed by the external audit firm and serving as Chair of the Committee.

- 4.4 The appointment and removal of the Committee members shall be the responsibility of the Board.
- 4.5 The Company shall identify the members of the Committee each year in its annual report.

5.0 Secretarial and Meetings

- 5.1 The secretary of the 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 an annual work programme, meeting scheduling, agendas, papers, minutes, Charter and policy reviews and communication with the Board and auditors.
- 5.2 A quorum of members of the Committee shall be a majority of members.
- 5.3 The 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 Committee shall be entitled to attend meetings by standing invitation. Employees shall only be entitled to attend meetings of the Committee at the invitation of the Committee.
- 5.5 Any person may be asked to leave the meeting at the Chair's discretion.
- 5.6 Reasonable notice of meetings and the business to be conducted shall be given to the members of the Committee and all other members of the Board.
Meetings shall be held at least once per year without the Managing Director or management being present. Any member of the Committee may request a meeting at any time if they consider it necessary.
- 5.7 The Committee will convene a meeting if the auditors so request.
- 5.8 Proceedings of all meetings will be in accordance with the Constitution and otherwise as determined by the Chairperson of the Committee.
- 5.9 Meeting agendas and minutes will be distributed to all Board members regardless of whether they are members of the Committee.
- 5.10 Minutes of all meetings shall be kept.

6.0 Authorities

6.1 The Committee will make recommendations to the Board on all matters requiring its decision. The 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 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.

7.0 Review of the Committee

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

8.0 Reporting Procedures

8.1 As soon as practicable after each Committee meeting the Committee will communicate its findings and recommendations to the Chairperson of the Board.

8.2 The minutes of all 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.

9.0 Accountability to the Board

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