

# Scales Corporation Limited

## Securities Trading Policy & Guidelines

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### Document Control

Version	Date	Comments & Approval
1.0	31 July 2019	Board approved
2.0	August 2020	Annual review
3.0	7 December 2021	Annual review
4.0	6 December 2022	Annual review
5.0	21 February 2024	Annual review

## 1.0 Introduction & Purpose

This document details the policy and rules for dealing in the following securities (*Restricted Securities*) of Scales Corporation Limited (*Scales* or the *Company*):

- Scales' ordinary shares (NZX:SCL); and
- any other quoted securities or financial products of Scales, and any quoted or un-quoted derivatives (including futures contracts quoted on an authorised futures exchange) in respect of Scales' quoted 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 quoted.

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

## 2.0 Scope and Application

### 2.1 Scope

This policy applies to all Directors, officers, employees, contractors and advisers of Scales and its subsidiaries (*Scales Persons*) who intend to trade in Scales' quoted securities. In this policy, 'trade' includes buying or selling quoted 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, additional specific and stringent rules also apply to trading in Restricted Securities by Directors and certain employees (see *Additional Trading Restrictions for Restricted Persons*).

**Insider trading is illegal in New Zealand.  
You must comply with New Zealand law and with this policy.**

### 2.2 Application of this policy to other persons

The rules contained in this policy apply to Scales Persons and also to:

- a Scales Person's spouse or dependent children;
- a company in which a Scales Person has a material interest, or is a director, and can influence the decision of that company in the investment of funds;
- a trust or a managed fund when either the Scales Person has a beneficial interest, or is a trustee or manager, and can influence the decision of that trust or managed fund in the investment of funds; and
- anyone else notified by the Chief Financial Officer from time to time.

Additional trading restrictions apply to all Directors and senior managers<sup>1</sup> of Scales and trusts and companies controlled by such persons. See *Additional trading restrictions for Restricted Persons*.

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 Restricted Securities. If a person has material information in relation to quoted securities of another issuer (including futures contracts quoted on an authorised futures exchange) over quoted securities, that person must not trade in those securities, advise or encourage others to trade or hold those securities or pass on the information to others.

### **3.0 Definitions**

In this policy "trade" is a broad concept and includes buying or selling securities or agreeing to do so; and granting lenders rights over quoted or un-quoted securities, or agreeing to do so, whether as principal or agent.

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

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

- trade Restricted Securities;
- advise or encourage another person to trade or hold Restricted Securities;
- advise or encourage a person to advise or encourage another person to trade or hold Restricted 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 or advise or encourage someone else to trade, or hold, Restricted 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.**

### **5.0 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

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<sup>1</sup> Pursuant to section 6 of the Financial Markets Conduct Act 2013 “senior manager” means a person who is not a director but occupies a position that allows that person to exercise significant influence over the management or administration of A (for example, a chief executive or a chief financial officer).

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.

## **6.0 Material Information**

### **6.1 *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’ quoted securities; and
- relates to Restricted Securities or Scales itself, rather than to securities generally or listed issuers generally.

Information is generally available to the market if it has been released as an NZX announcement, or investors that commonly invest in Scales’ quoted 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. In order to minimise the risk of insider trading, Scales must immediately disclose to the market material information that is not otherwise excluded from disclosure, as set out in Scales’ Shareholder Communications and Market Disclosure Policy.

### **6.2 *What are some examples of material information?***

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

- the financial performance of Scales;
- changes in Scales’ financial forecasts or expectations;
- 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 subsidiary 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;
- material agreements between Scales and its Directors;

- outcomes of significant shareholder votes; or
- any other unexpected liability,

which has not been released to the market.

The range of possible material information is very wide, so if you are planning to buy or sell any Restricted Securities and you have any doubts regarding whether information may be material information, you should discuss it confidentially with the Chief Financial Officer.

## **7.0 Exceptions to this policy**

This policy does not apply to:

- acquisitions and disposals by gift or inheritance;
- trading of Restricted Securities where the trading results in no change to the beneficial interest in Restricted Securities;
- acquisitions through an issue of new quoted securities, such as an issue of new shares on the exercise of options, under a rights issue, or a dividend reinvestment plan; and
- acquisitions of Restricted Securities from treasury stock for the purposes of a Company share purchase plan or employee share plan.

## **8.0 Short-Term Trading Discouraged**

You should not engage in short term trading (the buying or selling of quoted securities within a 6-month period), unless there are exceptional circumstances discussed with and approved by the Chief Financial Officer. The sale of shares that have been converted after exercising options or rights will not be regarded as short-term trading.

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 quoted securities on a short-term basis.

## **9.0 If in doubt, don't trade**

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 trade!

## **10.0 Blackout periods**

### **10.1 Trading restrictions during blackout periods**

Scales Persons are prohibited from trading in Restricted Securities during the following specific "blackout" periods:

- on and from Scales' half-year balance date, until the end of the trading day on which the half-year results are released to NZX (such that Scales Persons may trade in Restricted Securities on and from the first trading day after release of such results);

- on and from Scales' year-end balance date, until the end of the trading day on which the full-year results are released to NZX (such that Scales Persons may trade in Restricted Securities on and from the first trading day after release of such results); and
- any other period that the Chief Financial Officer specifies from time to time.

Scales Persons are not permitted to trade any Restricted Securities during a black-out period unless Scales' Board provides a specific exemption. Periods that are not a black-out period are called a "Trading Window".

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

## **10.2 *Exceptional circumstances***

Trades should be limited to the Trading Windows outlined above and the Chief Financial Officer will generally refuse consent for trades in Restricted Securities within a black-out period unless exceptional circumstances exist.

Exceptional circumstances may include:

- severe financial hardship, being a pressing financial commitment that cannot be satisfied otherwise than by selling Restricted Securities; or
- if there is a court order or court enforceable undertaking to transfer or sell the Restricted Securities or there is some other overriding legal or regulatory requirement to do so.

## **11.0 *Additional Trading Restrictions for Restricted Persons***

### **11.1 *Scales Persons classified as Restricted Persons***

The additional trading restrictions set out below apply to:

- all Directors and senior managers of Scales;
- all member of the Company's finance team;
- any executive assistants to the Directors, senior managers or members of the Company's finance team;
- trusts and companies controlled by Directors and senior managers of Scales; and
- anyone else notified by the Chief Financial Officer from time to time.

Persons covered by these additional restrictions are called "Restricted Persons". Senior managers 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.

Restricted Persons who leave Scales will remain subject to this policy, and will be deemed to remain Restricted Persons, for a period of 6 months after their date of departure.

If you are unsure whether these rules apply to you, you should contact the Chief Financial Officer. On notification, Restricted Persons must immediately provide the Chief Financial Officer with the Common Shareholder Number/s and other personal information relating to their Scales holdings for their personal accounts and any other accounts that they control.

### **11.2 Requirements before trading for Restricted Persons**

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

- notify Scales' Chief Financial Officer of their intention to trade in securities, and seek consent to do so (using the Request for Consent to Trade in Quoted 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.

In the case of the Chief Financial Officer, he or she must seek consent to trade from the Managing Director. The Managing Director and any Scales Director must seek consent to trade from the Scales Chairperson. The Scales Chairperson must seek consent to trade from the Chairperson of Scales' Audit and Risk Management Committee.

A consent is only valid for a period of 10 trading days after receiving notification by the Chief Financial Officer that the application has been approved. A consent is automatically deemed to be withdrawn if the applicant becomes aware of material information prior to trading.

Do not undertake a trade before consent is received.

### **11.3 Requirements after trading for Restricted Persons**

In addition to the requirements of insider trading laws and this policy, Directors and senior managers and employees are legally obliged to make certain disclosures in respect of an acquisition or a disposition of a relevant interest in any Restricted Securities.

Under the Financial Markets Conduct Act 2013 all Directors and senior managers must send a disclosure notice to Scales and to the NZX within 5 trading days of acquiring or disposing of a relevant interest in Scales' quoted financial products. This obligation continues for a 6-month period following a Director, the Managing Director and all senior managers ceasing to hold an office or employment with Scales.

Under the Companies Act 1993, directors must disclose to the Board the number and class of shares in which they hold a relevant interest and the nature of the relevant interest and must ensure that those particulars are entered in the Company's Interests Register.

Reports of all trades carried out by Restricted Persons are provided to the Board at each meeting.

#### **11.4 No hedging**

A Restricted Person must not, without notifying Scales' Chief Financial Officer and obtaining the prior written approval by the relevant person identified above, engage in hedging arrangements, deal in derivatives or enter into other arrangements which vary economic risk related to any Restricted Securities including, for example, dealing in warrants, equity swaps, put and call options, contracts for difference and other contracts intended to secure a profit or avoid a loss based on fluctuations in the price of Restricted Securities.

#### **11.5 Margin lending**

Restricted Persons must notify Scales in advance before engaging in any margin or securities lending arrangements or granting a security interest or other encumbrance over Restricted Securities. The notification must be made to Scales' Chief Financial Officer. The proposed arrangement must not be entered into or grant made until written clearance has been given by the relevant person specified above.

#### **12.0 Breaches of Policy**

Potentially serious civil and criminal liability arises for breaches of insider trading laws. These laws also apply to individuals outside of Scales, such as family members of Scales Persons, should they become aware of material information.

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

Any breach of this policy must be promptly reported to the Chief Financial Officer and Scales' Chairperson.

#### **13.0 Monitoring of Trading**

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

The Financial Markets Authority, the NZX and governance advisers take an interest in whether the Company is complying with its Securities Trading Policy and how it ensures it does so.

#### **14.0 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.

This policy is not intended to be legal advice and is not a substitute for legal advice. If Scales Person has any doubt about whether they may trade in Restricted Securities, they should consult a legal adviser.

#### **15.0 Review**

This Policy will be reviewed at least every two years to ensure it meets best practice standards and meets the needs of the Company.



**SCALES CORPORATION LIMITED**  
**REQUEST FOR CONSENT TO TRADE IN QUOTED SECURITIES**

To: The Chief Financial Officer, 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):

Postal address:

Email 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):

*NB: A copy of the contract note (or other transaction documentation, in the case of an off-market trade) must be provided to the Chief Financial Officer within 5 working days of the trade being completed.*

I declare that I do not hold information which:

- is not generally available to the market;
- would have a material effect on the price of Scales' quoted securities if it were generally available to the market; or
- if it were generally available, would, or would be likely to, influence persons who normally invest in securities in deciding whether to acquire or dispose of the relevant securities.

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



**I UNDERSTAND THAT CONSENT IS AUTOMATICALLY DEEMED TO BE WITHDRAWN IF I BECOME AWARE OF MATERIAL INFORMATION PRIOR TO THE TRADE BEING COMPLETED.**

\_\_\_\_\_  
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 15 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