

6 May 2022

## Notice of Annual Meeting of Shareholders

Dear Shareholder

We invite you to join us for the Annual Meeting of the Shareholders of Scales Corporation Limited (“Scales”), to be held at 3.30pm on Wednesday 8 June 2022.

The meeting will be held at The Piano, 156 Armagh Street, Christchurch. After the meeting has concluded, shareholders are invited to join members of the Board and Management for light refreshments.

Shareholders will also be able to attend online, vote and ask questions via [www.meetnow.global/nz](http://www.meetnow.global/nz). Details of how to participate ‘virtually’ are provided in the accompanying Virtual Meeting Guide, including instructions for accessing the virtual meeting. If you are attending virtually you are encouraged to review this guide and access via the website address shown above.

If it is impractical or not permitted to hold a physical meeting due to COVID-19 restrictions on gatherings, the meeting will proceed as an online-only meeting. Shareholders will be advised if there is a cancellation of the physical meeting.

If you cannot attend, I encourage you to complete and lodge the proxy form in accordance with the instructions on the reverse of the form so that it reaches Computershare by 3.30pm (New Zealand time) on Monday 6 June 2022.

### Board Renewal

The Company recognises that a regular Board refreshment programme leads to the introduction of new perspectives, skills, attributes and experience. As outlined at the 2021 Annual Meeting, both Tim Goodacre and Mark Hutton have advised that they will not seek re-election at the end of their current 3-year tenure, which is scheduled to end at the 2024 Annual Meeting. Both directors are committed to ensuring Board succession is undertaken in a planned and orderly manner. As such the Board will provide an update concerning the new appointment process at the Annual Meeting.

### Items of Business:

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

### Ordinary Resolutions:

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

1. That the Board is authorised to fix the auditor’s remuneration for the coming year.
2. Having retired by rotation, that Alan Isaac be re-elected as a director.
3. Having retired by rotation, that Nadine Tunley be re-elected as a director.
4. Having retired by rotation, that Andrew Borland be re-elected as a director.

5. Having been appointed during the year by the Board and holding office only until the Annual Meeting, that Qi Xin be elected as a director.
6. That the maximum total pool of directors' remuneration payable by Scales to directors (in their capacity as directors) be increased by \$50,000 per annum, from a total pool of \$600,000 per annum to \$650,000 per annum, effective from the close of the Annual Meeting, with such sum to be divided amongst the directors as the Board may from time to time determine.

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

By order of the Board.



Tim Goodacre  
Chair - 6 May 2022

### **Our Board of Directors:**



Tim Goodacre



Andrew (Andy)  
Borland



Nick Harris



Mark Hutton



Alan Isaac



Nadine Tunley



Qi Xin

## **Explanatory Notes**

These notes form part of the Notice of Annual Meeting

### **Ordinary Resolution 1: Appointment and Remuneration of Auditor**

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

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

### **Ordinary Resolution 2: Re-election of Alan Isaac**

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

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

Biography for Alan Isaac:

Term of Office: First appointed to the Board on 18 June 2014. Last re-elected on 12 June 2019.

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

Alan has indicated that, if re-elected, he does not intend to serve beyond a three-year term and will retire in line with the overall succession planning for the Board.

### **Ordinary Resolution 3: Re-election of Nadine Tunley**

The NZX Listing Rules state directors must not hold office (without re-election) past the third annual meeting following the director's appointment, or 3 years, whichever is longer. Accordingly, Nadine Tunley is required to retire at this meeting. Nadine, being eligible, offers herself for re-election, and the Board unanimously supports her re-election and recommends that shareholders vote IN FAVOUR of Resolution 3.

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

Biography for Nadine Tunley:

Term of Office: First appointed to the Board on 26 February 2019. Last re-elected on 12 June 2019.

Nadine was appointed to the Board in 2019. Nadine is currently CEO of Horticulture New Zealand and has extensive horticulture and wider primary industry management experience from a number of previous roles, including as the former CEO of Oha Honey LP. Nadine also brings experience from a wide variety of governance and advisory roles, including as a Director of Plant & Food Research, a member of Nga Pouwhiro Taimatua and a former member of the Primary Sector Council. Nadine was also a former Chair of New Zealand Apples & Pears Incorporated. Nadine is a member of Scales' Health & Safety and Sustainability Committee.

#### **Ordinary Resolution 4: Re-election of Andrew Borland**

The NZX Listing Rules state directors must not hold office (without re-election) past the third annual meeting following the director's appointment, or 3 years, whichever is longer. Accordingly, Andrew Borland is required to retire at this meeting. Andrew, being eligible, offers himself for re-election, and the Board unanimously supports his re-election and recommends that shareholders vote IN FAVOUR of Resolution 4.

Andrew Borland is the Managing Director of Scales and therefore pursuant to the NZX Listing Rules he is not an Independent Director.

Biography for Andrew Borland:

Term of Office: First appointed to the Board on 16 August 2011. Last re-elected on 12 June 2019.

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

#### **Ordinary Resolution 5: Election of Qi Xin**

The NZX Listing Rules state directors appointed by the Board must not hold office (without election by shareholders) past the next annual meeting following the director's appointment. Qi Xin (appointed by the Board on 15 December 2021) is accordingly required to retire at this meeting. Qi Xin, being eligible, offers himself for election, and the Board unanimously supports his election and recommends that shareholders vote IN FAVOUR of Resolution 5.

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

Biography for Qi Xin:

Term of Office: Appointed director 15 December 2021.

Xin was appointed to the Board in December 2021. He is a Senior Director of a department within China Resources Enterprise, Limited, whose subsidiary, China Resources Ng Fung Limited, hold a 15.1% shareholding in Scales. Xin has held director and CFO roles within China Resources (Holdings) Co, Limited. Xin holds a Bachelor of Engineering from the Beijing Institute of Technology and a MBA from the University of North Carolina at Chapel Hill.

#### **Ordinary Resolution 6: Director Remuneration**

This resolution seeks shareholder approval to increase the aggregate amount of remuneration ("fee pool") that may be paid each year to the directors of Scales for their services as directors by \$50,000 per annum,

from a total fee pool of \$600,000 per annum to \$650,000 per annum, effective from the close of the Annual Meeting, with such sum to be divided amongst the directors as the Board may from time to time determine. Shareholder approval is required under NZX Listing Rule 2.11.1.

Background:

At present the maximum fee pool for non-executive directors is set at \$600,000 per annum, as approved by shareholders at the Company’s 2019 Annual Meeting. The Scales Board is recommending an increase in that fee pool by \$50,000 (being an increase of 8.3%) to \$650,000 per annum. The Board considers that the increase will allow the payment of remuneration to non-executive directors that reflects current market rates for the role, is fair and reasonable remuneration and recognises the responsibilities and commitments of the role, including for associated committee work.

The Proposed Increase:

If the proposed increase is approved by shareholders, the Board will have discretion to divide the fee pool amongst the directors as it sees fit. However, the current intention is for the proposed increase to be allocated as follows:

Table 1: Current and Proposed Board fees

Board Role	As at 31 December 2021	Proposed	Amount of Increase
Independent Chair	\$148,000	\$166,000	\$18,000
Non-Executive Director	\$74,000	\$80,000	\$6,000
Chair of Audit and Risk Management Committee	\$18,000	\$18,000	Nil
Chair of Nominations and Remuneration Committee	\$12,000	\$15,000	\$3,000
Chair of Health & Safety and Sustainability Committee	\$9,000	\$12,000	\$3,000
Chair of Finance and Treasury Committee	\$9,000	\$9,000	Nil
Selacs Insurance Limited Director	\$12,000	\$12,000	Nil
Committee Members	\$6,000	\$6,000	Nil
Director Fee Pool	\$600,000	\$650,000	\$50,000

Remuneration Approach:

Consistent with the Company’s overall approach to remuneration the Board notes the following specific features of director remuneration for Scales:

- the Board is targeting the median for its Comparator Group (see below), not the top quartile;
- overall, a larger percentage of the director pool is allocated to committee fees (both for the committee chairs and all members) when compared to the Comparator Group, which reflects the focus on these specific key business areas and the skills required for agri companies; and
- to further assist with the benchmarking review, the Board also considered the average of the fee pool (or actual fees paid where appropriate) per director of the Comparator Group. The proposed average for Scales of \$108,333 per director following the proposed increase is the same as the median level of the Comparator Group.

In recommending the proposed increase, the Board has had regard to:

- guidance from Institutional Investors and the New Zealand Shareholders’ Association;
- the findings of the Institute of Directors (“IOD”) Directors Fee Report 2021/22, as outlined in Table 2 below; and

- Scales' internal benchmarking review of a comparator group of NZX listed issuers operating in the agri sector ("Comparator Group"), as outlined in Table 3 below.

The Board has not sought to commission an independent benchmarking report having regard to the matters noted above, as it believes the IOD Report and Comparator Group data provide robust comparative data (which is presented for shareholders below), meaning that the Board may confidently recommend the proposed increase to shareholders without reference to such an external report.

Table 2: IOD Report - Median Fees for Non-Executive Directors:

Institute of Directors, Director Fees Report 2021/22 – Median Fees		
<i>Base Fees</i>	Chair	Non-Executive Director
Listed Companies Only:	\$147,250	\$85,313
<i>Fees for Committee (all Companies)</i>		
Audit & Risk	\$12,000	\$9,000
Remuneration	\$10,200	\$7,500
Health & Safety	\$12,000	\$10,000

Table 3: 'Comparator Group' - Director Fees of Agri Sector NZX Issuers: <sup>1</sup>

Company <sup>2</sup>	Market Capitalisation as at 14 April 2022 (\$m)	Board Chair	Non-Executive Director Base	A&RMC Chair	N&RC Chair	Average per Director <sup>3</sup>
NZ King Salmon	\$70.3	\$138,000	\$60,000	\$4,500	\$4,500	\$86,667
Seeka	\$218.3	\$140,000	\$70,000	\$15,000	\$5,000	\$76,250
Comvita	\$233.6	\$129,000	\$67,000	\$21,000	\$21,000	\$87,143
PGG	\$316.3	\$180,000	\$80,000	\$12,500	N/A	\$112,500
T&G Global	\$361.5	N/A	\$93,000	\$15,000	\$15,000	\$108,000
Sanford	\$439.5	\$170,000	\$90,000	\$20,000	\$15,500	\$127,771
Synlait	\$738.8	\$178,000	\$88,900	\$15,250	\$12,000	\$103,444
Skellerup	\$1,124.8	\$200,000	\$100,000	\$25,000	N/A	\$130,000
Delegat	\$1,294.5	\$180,000	\$95,000	\$15,000	\$15,000	\$123,750
Median		\$174,000	\$88,900			\$108,000
Scales - current	\$702.2	\$148,000	\$74,000	\$18,000	\$12,000	\$100,000
Scales - proposed		\$166,000	\$80,000	\$18,000	\$15,000	\$108,000

<sup>1</sup> Information sourced from publicly available information, such as Annual Reports and Notices of Meetings.

<sup>2</sup> It should be noted that of the Comparator Group, six companies have a smaller market capitalisation and three companies larger than Scales, at the time of reporting. Given the characteristics of the Comparator Group they are considered a fair comparison set to Scales.

<sup>3</sup> Average fee per director is calculated based on the total fee pool for all companies except T&G and PGG which are calculated on the average of fees actually paid for all directors or independent directors only.

Considering the above, the Board notes:

- the proposed increase of \$18,000 to Scales' independent chair fee to \$166,000 remains below the median of the Comparator Group;
- the proposed increase to Scales' base non-executive director fee of \$6,000 to \$80,000 remains below the median of the Comparator Group and the IOD Report; and
- the IOD Report highlights that the average increase in directors' fees (for all companies surveyed) for the period from 2019 to 2021 is 7.9% for non-executive chairs and 7.1% for non-executive directors. Scales is proposing a total increase in 2022 of 8.3% from the fee pool approved by shareholders in 2019.

Recommendation:

Scales' Board recommends shareholders approve the proposed \$50,000 increase to the fee pool for non-executive directors. The Board considers the proposed increase to be fair and reasonable, and in the best interests of the Company, for the following reasons:

- Scales' financial and operational performance since the last review date in 2019 has been positive and value enhancing for shareholders;
- attracting and retaining directors with the necessary attributes to enhance and protect shareholder value by paying fair and reasonable remuneration is necessary, especially at this critical time for Board succession;
- the proposed increase is not more than is reasonably necessary to align Scales' director remuneration with current market rates for non-executive director fees of comparable agri sector listed companies; and
- it recognises and reflects the workload of directors having regard to the number of hours spent by the Board in preparation for and attendance at Board and Committee meetings and the complexity of compliance and regulation requirements for the Company and its directors.

Voting Restrictions:

Scales will disregard any votes cast in favour of Ordinary Resolution 6 by:

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

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

**Attendance and voting**

Your rights to vote may be exercised by:

- a) **Attending the meeting and voting in person;** or
- b) **Attending the meeting and voting online;** or
- c) **Postal voting:** The Board has determined that postal voting is permitted. Postal voting instructions are included in the Proxy/Voting Form which accompanies this Notice of Annual Meeting. You can cast a postal vote online, or complete and send the Proxy/Voting Form by post or fax so that your vote is received by the share registrar no later than 3.30pm on Monday 6 June 2022.

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

**d) Appointing a proxy (or representative) to attend and vote in your place:** The proxy need not be a shareholder of Scales. The form of appointment of a proxy and voting instructions accompany this Notice of Annual Meeting. You can appoint a proxy online or complete the Proxy/Voting Form, including the proxy appointment and return the Proxy/Voting Form by post or fax so that it is received by the share registrar by no later than 3.30 pm on Monday 6 June 2022.

**e) Online voting:** Lodge your postal vote or proxy online at [www.investorvote.co.nz](http://www.investorvote.co.nz)

### **Eligibility to vote**

Any shareholder whose name is recorded in the Scales Corporation Limited share register at 3.30pm on Friday 3 June 2022 is entitled to vote, either by attending the Annual Meeting and voting in person or online, or by postal or proxy voting (subject to the time limits for returning Proxy/Voting forms).

### **Ordinary resolutions of shareholders**

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

### **Questions in advance of the meeting**

To assist the Board to provide answers to questions from shareholders, Scales is offering a facility for shareholders to submit questions in advance of the Annual Meeting. Questions should relate to matters that are relevant to the Annual Meeting including matters arising from the financial reports and any general questions regarding the performance of Scales. Individual responses to questions will not be provided, but the chair will, at the Annual Meeting, endeavour to address commonly raised questions. Questions can be submitted in writing with Proxy/Voting forms. Alternatively, you can email your questions to:

[info@scalescorporation.co.nz](mailto:info@scalescorporation.co.nz).

### **Virtual Attendance**

All shareholders will have the opportunity to attend and participate in the 2022 Annual Meeting online via an internet connection (using a computer, laptop, tablet or smartphone).

Virtual meetings will be accessible on both desktop and mobile devices. In order to participate remotely you will need to:

- Visit [www.meetnow.global/nz](http://www.meetnow.global/nz) on your desktop or mobile device. Ensure that your browser is compatible – you will need the latest version of Chrome, Safari or Edge.
- If you have any questions, or need assistance with the online process, please contact Computershare on +64 9 488 8777 between 8.30am and 5.00pm Monday to Friday.

Audio will stream through the selected device, so shareholders will need to ensure that they have the volume control on their headphones or device turned up.

Shareholders will be able to view the presentations, vote on the resolutions to be put to shareholders and ask questions, by using their own computers or mobile devices. Shareholders will still be able to appoint a proxy to vote for them or send a postal vote, as they otherwise would, by following the instructions on the proxy form and this Notice of Annual Meeting.

Details of how to participate 'virtually' are provided in the accompanying Virtual Meeting Guide, including instructions for accessing the virtual meeting. Shareholders are encouraged to review this guide prior to the Annual Meeting.