

# STATEMENT OF CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE

Scott Technology Limited (Scott) believes in the benefit of strong corporate governance and the value it provides for our shareholders, customers, employees and other stakeholders. The Board is ultimately responsible for ensuring that the company maintains high ethical standards and corporate governance practices. The company is striving to ensure its corporate governance practices are in line with best practice and the NZX Corporate Governance Code (NZX Code). Any exceptions to this are identified where appropriate under Principles 1 to 8 below.

The key corporate governance documents referred to in this report are available on Scott's website:  
[www.scottautomation.com/en/investor-centre/governance](http://www.scottautomation.com/en/investor-centre/governance)

## PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

The Board is committed to maintaining the highest standards of behaviour and accountability. Scott's Code of Conduct is the framework of standards by which the directors, senior management and employees are expected to conduct their professional lives. It is intended to support decision-making that is consistent with Scott's values, business goals and legal and policy obligations, rather than to prescribe an exhaustive list of acceptable and non-acceptable behaviour.

As part of the induction process, new employees receive a copy of the Code of Conduct, which is accessible to all employees on the Scott intranet and the company website. The Code was most recently reviewed in 2021.

The company also has an Ethics Line Policy which provides a confidential online reporting system that allows employees to report suspected breaches of law or company policies as well as other serious concerns they may have. The purpose of the Policy is to protect an employee who wishes to raise concerns from reprisals or victimisation for reporting their concerns.

Scott supports the integrity of New Zealand's financial markets and has a Financial Product Trading Policy to mitigate the risk of insider trading by employees and Directors. In addition to this Policy and Guidelines, more

specific and stringent rules also apply to trading in Scott Technology Limited's securities by Directors and certain employees who are more likely to be exposed to material information relating to Scott. A Director or senior manager is obliged to advise the NZX promptly if they trade in the company's shares.

The Directors' shareholdings and all trading of shares during the year by the directors are disclosed under Directors' Interests on page 88 to 89 of the Annual Report.

## PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

The Board of Directors operates under a written charter, which outlines the roles and responsibilities of the Board. The charter complies with the relevant recommendations in the NZX Corporate Governance Code and is available on the company website.

The primary responsibilities of the Board include:

- Ensuring the company's goals are clearly established and that strategies are in place for achieving them.
- Establishing policies for strengthening the performance of the company and ensure that management is proactively seeking to build the business.
- Monitoring the performance of management.
- Appointing the CEO and set the terms of the CEO's employment agreement.
- Ensuring the company's financial statements are true and fair and conform with the law.
- Ensuring the company adheres to high standards of ethics and corporate behaviour.
- Ensuring the company has appropriate risk management / regulatory compliance policies in place.

## BOARD COMPOSITION

### As at 31 August 2024

The Board composition reflects the majority shareholding of the company, with 53% held by JBS Australia Pty Limited. As at 31 August 2024, the Board comprised three Independent Directors, three Directors representing JBS Australia Pty Limited and one Executive Director. The Chair of the Board is an Independent Director.

Stuart McLauchlan	Independent Chair
Derek Charge	Independent Director
John Thorman	Independent Director
Brent Eastwood	Non-executive Director representing JBS Australia Pty Limited
John Berry	Non-executive Director representing JBS Australia Pty Limited
Alan Byers	Non-executive Director representing JBS Australia Pty Limited
John Kippenberger	Executive Director / CEO*

\* Ceased directorship 30 August 2024

For a Director to be deemed Independent, the Board has determined that he/she must not be an executive of Scott Technology nor an executive or director of JBS Australia Pty Limited and must have no disqualifying relationships. Independence will be determined by reference to the NZX Listing Rules and the NZX Corporate Governance Code.

Further details on each Director, including their interests, qualifications and shareholdings, is provided in this Annual Report and on the company's website.

## DIRECTOR APPOINTMENT

Membership, rotation and retirement of Directors is determined in accordance with the company Constitution and NZX Listing Rules.

Directors will retire and may stand for re-election by shareholders every three years. A Director appointed since the previous annual meeting holds office only until the next annual meeting but is eligible for re-election at that meeting. The Board asks for Director nominations each year prior to the Annual Shareholders Meeting, in accordance with the constitution of the company and the NZX Listing Rules.

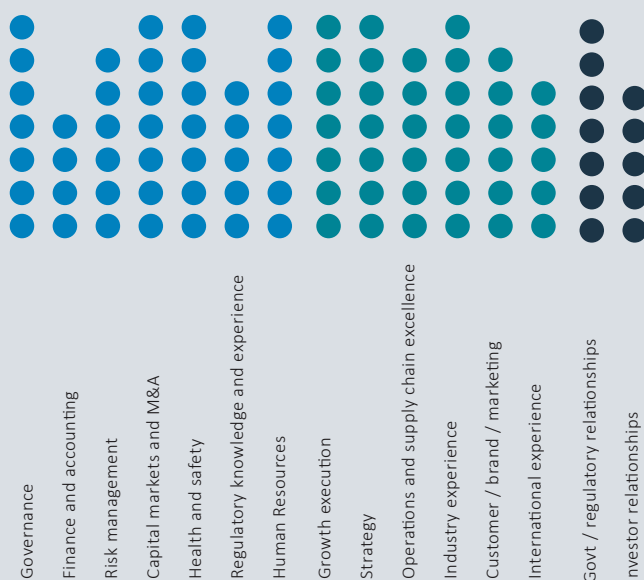
The Governance, Remuneration and Nominations Committee undertakes the process for nominating and appointing Directors on behalf of the Board and makes appropriate recommendations

to the Board, in line with the Committee's Terms of Reference. New Board members enter into written agreements with the company, setting out the terms of their appointment.

The Board has a skills matrix and Directors are selected on individual skills, qualifications, experience and contribution to the company. The Board believes that all current Directors offer valuable and complementary skill sets.

### Skills matrix and Director strength

Number of Directors with strength in this area



The Board is satisfied that each Director has the necessary time available to devote to the position, broadens the Board's expertise and has a personality that is compatible with the other Directors.

The company encourages all Directors to undertake appropriate training and education to ensure they remain up to date on how to best perform their duties as Directors.

Day-to-day management of Scott is delegated to the CEO and the senior management team, in line with the company's Delegated Authority framework.

Management is responsible for providing information of sufficient content, quality and timeliness as the Board considers necessary to allow the Board to effectively discharge its duties. In addition, all Directors have access to management to discuss issues or obtain information on specific areas in relation to matters to be discussed at Board meetings, or other areas as they consider appropriate. With the prior approval of the Chair, each Director also has the right to seek independent legal and other professional advice at the company's expense about any aspect

of the company’s operations or undertakings to assist in fulfilling their duties and responsibilities as Directors.

The Board regularly evaluates its own collective and individual performance, processes and procedures, including those of sub-committees. Through this process, the Board identifies any training opportunities for the individual Directors to ensure they have relevant and up-to-date skills for performing their role.

DIVERSITY

The Board has a Diversity Policy, which outlines Scott’s commitment to providing an inclusive and diverse working environment.

Diversity initiatives are applicable, but not limited to, our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programmes; restructures; and terminations.

The Board believes the principles of the Diversity Policy were upheld in FY24, and is working towards setting measurable objectives to support its focus on diversity and inclusion. The following initiatives are in place to support Scott’s diversity plan:

- Anti-bullying & Harassment policy;
- Ethics hotline where employees can anonymously report anything they believe to be unethical or discriminatory;
- Employee surveys.

As at 31 August 2024, Scott had 649 employees of which 16% were female and 84% were male (31 August 2023: 659 Scott employees, 15% female, 85% male).

As at 31 August	2024		2023	
	Female	Male	Female	Male
Directors, including the CEO**	0	7	0	7
Officers*	2	5	2	4

\* Officers include all members of the Executive team who report to the CEO.

\*\* The Executive Director / CEO ceased their directorship on 30 August 2024

PRINCIPLE 3:  
BOARD COMMITTEES

The Board has delegated a number of responsibilities to committees to assist in the execution of the Board’s duties. However, any recommendations made by committees are recommendations to the Board and the Board retains ultimate responsibility for the functions of its Committees. Each Committee operates under specific terms of reference, which are reviewed regularly and approved by the Board.

The Board has four standing committees. A separate Independent Directors’ Committee meets if needed. Responsibilities of each Committee are detailed in Committee charters, which are available on the company website. Management attends Committee meetings only at the invitation of the Committee.

Audit and Financial Risk Committee	John Thorman (Chair) Stuart McLauchlan John Kippenberger** John Berry
Health and Safety Committee	Stuart McLauchlan (Chair) Full Board
Governance, Remuneration and Nominations Committee	Stuart McLauchlan (Chair) Derek Charge John Thorman
Treasury Committee	Stuart McLauchlan (Chair) John Kippenberger** John Berry

AUDIT AND FINANCIAL RISK  
COMMITTEE (AFRC)

The objective of the Audit and Financial Risk Committee (AFRC) is to assist the Board in discharging its responsibilities for financial reporting and risk and financial / secretarial compliance.

The AFRC must consist of at least three Directors and a majority of Independent Directors. The chair of the AFRC is John Thorman, who is an Independent Director and is not the Board Chair. Stuart McLauchlan is a Fellow and John Thorman a Member of Chartered Accountants Australia & New Zealand.

The Committee generally invites the Chief Executive Officer, Chief Financial Officer and the external auditor to attend AFRC meetings as appropriate. The Committee also meets and receives regular reports from the external auditor without management present, concerning any matters which arise in connection with the performance of their role.

## HEALTH AND SAFETY COMMITTEE

The Board recognises the critical role health and safety forms as part of Scott's day-to-day operations and its focus is on ensuring a safety-first culture across all business operations. Health and Safety is deemed an 'all of Board' responsibility and all Directors are members of the Health and Safety Committee. The Committee assists the Board in discharging its responsibilities in overseeing and reviewing health and safety matters arising out of Scott's activities and the impact of these activities on employees, contractors and visitors to Scott.

## GOVERNANCE, REMUNERATION AND NOMINATIONS COMMITTEE

The Governance, Remuneration and Nominations Committee assists the Board in establishing remuneration policies and practices for the company, and to also assist in discharging the Board's responsibilities relative to remuneration setting and review of the company's Chief Executive Officer and Directors. The Committee also undertakes the process for nominating and appointing Directors on behalf of the Board and makes appropriate recommendations to the Board.

Due to a conflict of interest in being the majority shareholder, JBS Australia Pty Ltd and their Board representatives abstain from voting on the appointment of Independent Directors.

## TREASURY COMMITTEE

The role of the Treasury Committee is to oversee the treasury management processes to ensure the integrity, transparency and adequacy of the Group's investments, borrowings, hedging, balance sheet management and treasury risk management in accordance with Group Treasury policies.

## INDEPENDENT DIRECTORS' COMMITTEE

The Independent Directors' Committee is convened as needed and consists of Independent Directors who address significant conflicts of interest and any other matters referred by the Board. Scott has protocols that set out the procedures to be followed if there is a takeover offer. These procedures are set out in the Takeover Response Protocols that have been adopted by the Board.

## BOARD MEETINGS AND ATTENDANCE

Director attendance at Board and Committee meetings during FY24 was as follows:

	Board	Audit and Financial Risk Committee	Health and Safety Committee	Governance, Remuneration and Nominations Committee
Total number of meetings	6	5	6	5
Stuart McLauchlan	6	5	6	5
Brent Eastwood	5	-	5	-
Alan Byers	6	-	6	-
John Berry	6	1	6	-
John Thorman	6	5	6	5
Derek Charge	6	-	6	5
John Kippenberger	4	2	4	-

## PRINCIPLE 4: REPORTING AND DISCLOSURE

The Board is committed to providing accurate, adequate and timely information both to existing shareholders and to the market generally. This enables all investors to make informed decisions about the company.

Scott, as a company listed on the NZX Main Board, has an obligation to comply with the disclosure requirements under the NZX Main Board Listing Rules. Scott recognises that these requirements aim to provide equal access for all investors or potential investors to material price-sensitive information concerning issuers or their financial products. This, in turn, promotes confidence in the market.

Scott's Continuous Disclosure Policy outlines the obligations of Scott and relevant Scott personnel in satisfying the disclosure requirements. It also covers other related matters, including external communications by Scott.

Scott publishes its key governance and other relevant documents in the investor centre of the company's website at: [www.scottautomation.com/en/investor-centre/governance](http://www.scottautomation.com/en/investor-centre/governance)

All significant announcements made to the NZX and reports issued are also posted on the company's website.

## FINANCIAL REPORTING

Scott’s management team is responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies and internal controls. These are designed to ensure compliance with accounting standards, applicable laws and regulations.

The Audit & Financial Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews the full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting 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 reporting period.

For FY24, the directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The CEO and Co-CFOs have confirmed in writing to the Board that the company’s external financial reports present a true and fair view in all material aspects.

Scott’s full and half year financial statements are available on the company’s website.

## NON-FINANCIAL REPORTING

In FY20, Scott introduced a new five-year strategy, which builds on five foundational pillars. Scott believes these pillars enhance the long-term sustainability of the company and support the company’s licence to operate. The company discusses its strategy and progress against objectives in the Annual Report and other investor presentations and communications.

The company has policies that support environmental, social and governance concerns and is in the process of formulating a formal ESG framework. Material matters that may impact or influence the long-term sustainability of the company are considered and managed as part of the risk management process.

## PRINCIPLE 5: REMUNERATION

Scott’s remuneration philosophy promotes the company’s shared performance culture with the aim of achieving sustained growth within the business, both in terms of corporate size and the quality of equipment and services provided to our customers. The philosophy also emphasises the fundamental value of all our employees and their role in attaining sustained growth through fair and balanced remuneration practice.

The Governance, Remuneration and Nominations Committee makes recommendations to the Board on remuneration matters, particularly remuneration of Directors and senior executives, including the CEO.

## DIRECTOR REMUNERATION

Details of individual Directors’ remuneration for the year are on page 101 of the Annual Report.

The total Director remuneration pool of \$400,000 was last approved by shareholders at the 2021 annual meeting. The Board is responsible for the setting of individual Director’s fees in accordance with the permitted pool. Any proposed increases in Non-executive Director fees and remuneration are put to shareholders for approval.

In FY24, the approved remuneration for each role was as follows:

	Fees per annum (NZ\$)
Board Chair	\$140,000
Independent Director	\$65,000
Audit and Risk Committee Chair	\$10,000
Governance, Remuneration and Nominations Committee Chair	\$10,000

No fees were paid to Directors representing JBS Australia Pty Ltd.

## EXECUTIVE REMUNERATION

The remuneration of the CEO and the Executive team is determined by the significance of their role and industry benchmarking. The total remuneration is made up of fixed remuneration and short-term cash-based incentives, plus long-term incentives.

The short-term incentives are at-risk payments that reward performance. They are designed to motivate and incentivise

senior employees in the delivery of performance. The amount payable is determined annually. The payment of the short-term incentive depends on achieving certain results and outcomes. Performance over the financial year is measured against 'stretch' performance targets. The performance metrics differ with each role. The levels and appropriateness of these incentives and weighting are reviewed each year.

The senior management phantom share scheme is a long-term incentive linked to the company's share price, which aligns the long-term interests of both senior management and shareholders, as well as acting as a retention incentive to senior management.

Further details of the CEO and executive remuneration can be viewed on page 98 to 100 of the Annual Report.

## PRINCIPLE 6: RISK MANAGEMENT

The Board is responsible for overseeing the company's system of internal controls to manage key risks and have overall responsibility for managing risk.

The company maintains a group risk register to identify and manage risk. Specific health and safety risk registers for each site are separately maintained given the significance of this area to the business. The senior executive team is responsible for maintaining the risk registers.

Through the Audit and Financial Risk Committee, the Board considers the recommendations and advice of external auditors in relation to financial risk, and ensures that those recommendations are investigated and, where considered necessary, appropriate action is taken. Financial statements are prepared monthly and are reviewed by the Board progressively during the year to monitor management's performance against budget goals and objectives.

A structured framework is in place for capital expenditure, including appropriate authorisation and approval levels which place a high emphasis on commercial logic for the investment. The Board has set limits to management's ability to incur expenditure, enter contracts and acquire or dispose of assets.

The Board requires managers to identify and respond to risk exposures and key business risks are formally reviewed by the Board.

Crisis plans are in place along with agreed protocols on actions to be taken in crisis scenarios.

## HEALTH AND SAFETY

The Board recognises that effective management of health and safety is essential for the operation of a successful business. Its intent is to prevent harm and promote wellbeing for employees, contractors, customers and suppliers. The Health and Safety Committee charter outlines the Board's responsibilities and approach in regards to health and safety matters.

Specific protocols include:

- Well established Health and Safety management systems and processes in the workplace, fully supported by the Executive Team and Board;
- Processes and documents are reviewed and audited on a regular basis as part of our continuous improvement programme through the HS Strategic programme;
- Dedicated Health and safety coordinators on each site, fully supported and well informed with the legislation and law changes;
- In-house competency-based training program that utilises both in-house expertise and external certified trainers to ensure our employees are safe to operate in our workshop and on customer sites; and
- Health and safety measures that are monitored and regularly reviewed.

Health and safety performance in FY24 has shown positive progress, particularly in reducing injuries and increasing proactive engagement. Across our lag metrics, Scott achieved a 100% reduction in lost-time injuries (LTIs), with the Lost-time injury frequency rate (LTIFR) at 0.00 on 31 August 2024; alongside a total recordable injury rate (TRIFR) of 2.67 down on FY23 (4.54). Hazards reported have decreased by 8% (948 vs. 1,035), while near-miss reporting has improved by 14%, reflecting a stronger proactive safety culture.

## CYBER SECURITY

The Board recognises the critical role of Cyber Security and the importance of having appropriate systems and processes in place to protect the company's data, including financial, employee, engineering, supplier and customer data.



## PRINCIPLE 7: AUDITOR

The Audit and Financial Risk Committee makes recommendations to the Board on the appointment of the external auditor as set out in the charter. The Committee also monitors the independence and effectiveness of the external auditor and reviews and approves any non-audit services performed by the external auditor.

The Committee regularly meets with the external auditor to approve the terms of engagement, audit partner rotation (at least every 5 years), the audit fee, and to review and provide feedback on the annual audit plan. Every year, a comprehensive review and formal assessment of the independence and effectiveness of the external auditor is undertaken. The assessment uses an external auditors' assessment tool, which is internationally recognised and endorsed by the Independent Directors Council. The Committee routinely has time with Scott's external auditor, Deloitte, without management present.

For the financial year ended 31 August 2024, Deloitte was the external auditor for Scott Technology Limited. Deloitte was re-appointed under the Companies Act 1993 at the 2023 Annual Meeting.

All audit work is separated from non-audit services to ensure that appropriate independence is maintained. Other services provided by Deloitte were non-audit related and involved the provision of advice rather than recommendations. These were deemed to have no effect on the independence or objectivity of the auditor in relation to audit work. The amount of fees paid to Deloitte for audit and non-audit work in FY24 are detailed on page 42 of this Annual Report.

The last audit partner rotation was in 2021. Deloitte attends the company's Annual Meeting.

Scott has a number of internal controls, including controls for computerised information systems, security, business continuity management, insurance, health and safety, conflicts of interest and prevention and identification of fraud. Scott does not have an internal audit function.

## PRINCIPLE 8: SHAREHOLDER RIGHTS AND RELATIONS

The company seeks to ensure that investors understand its activities by communicating effectively with them and providing access to clear and balanced information.

The company website [www.scottautomation.com](http://www.scottautomation.com) provides an overview of the business and information about Scott. This information includes details of operational sites, latest news, investor information, key corporate governance information and copies of significant NZX announcements. The website also provides profiles of the directors and the senior management team.

All shareholders are given the opportunity to elect to receive electronic communications from the company. Copies of previous annual reports, financial statements and results presentations are available on the website.

Shareholders are encouraged to attend the Annual Meeting and may raise matters for discussion at this event, and vote on major decisions, which affect the company. The company aims to publish notices of Annual Meetings on its website at least 20 business days before the meeting each year. Voting is by poll.

In addition to shareholders, Scott has a wide range of stakeholders and maintains open communication channels for all audiences, including brokers, the investing community and the New Zealand Shareholders' Association, as well as its employees, suppliers and customers. In particular, Scott's Chief Executive Officer and Chief Financial Officer develop strong relationships with the investor community and ensure shareholders are kept informed. Scott has a number of policies that uphold stakeholder interests.