



NZX Limited Board Charter

November 2016



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1. Introduction

This charter sets out the objectives, responsibilities and framework for the operation of the Board. To the extent of any conflict between the terms of this charter and the Constitution, the Constitution prevails. This charter was adopted in November 2016.

The terms of this charter are subject to policies approved by the Board, from time to time, including the:

- (a) Conflict Management Policy;
- (b) Trading Policy; and
- (c) Delegated Authority Policy.

2. Interpretation

Board means the board of directors of NZX.

Chairperson means the chairperson of the Board.

Chief Financial Officer means the person holding office and designated NZX's Chief Financial Officer or Head of Finance as the case may be.

Committee means a committee created by the Board.

Constitution means the constitution of NZX.

Listing Rules means the NZX Main Board Listing Rules.

NZX means NZX Limited, and where the context permits, includes subsidiaries of NZX Limited.

NZCDC means New Zealand Clearing and Depository Corporation Limited.

NZX Clearing means New Zealand Clearing and Depository Corporation Limited and its wholly owned subsidiaries, New Zealand Clearing Limited and New Zealand Depository Limited.

NZX Main Board means NZX's main board equities market.

References to NZX's business include, where the context permits, NZX's functions as a regulator.

3. Objectives

The business and affairs of NZX are managed under the direction and supervision of the Board. The Board's legal obligations are to NZX. The Board seeks to ensure that the expectations of shareholders and the business (including regulatory) objectives of NZX are aligned and that the operations of NZX meet applicable legal and regulatory requirements and are being effectively managed.

The primary objectives of the Board in discharging its functions are to:

- oversee the effective management and control of NZX, including NZX's performance of its regulatory and regulated functions in respect of the licensed markets operated by NZX, and



in compliance with its other regulated operating authorities and designations, including those set out in Appendix One;

- set and review the strategic direction of NZX;
- approve and monitor key budgets, business plans, financial statements and financial policies;
- approve material transactions;
- establish, promote and maintain proper processes and controls and to maintain the integrity of financial accounting, financial records and reporting;
- develop and implement key corporate policies, procedures and controls as necessary to ensure appropriate standards of accountability, risk management and corporate governance and responsibility;
- appoint and, where appropriate, remove the Chief Executive Officer and the Head of Market Supervision, ratify other key executive appointments, ensure plans are in place for executive succession and monitor the performance of the Chief Executive Officer, the Head of Market Supervision and other senior executives in each case in accordance with and subject to the terms of the charter for the Human Resources and Remuneration Committee;
- appoint and, where appropriate, remove the directors of NZX's clearing house subsidiary, NZCDC;
- approve reporting and communication (particularly pursuant to continuous disclosure requirements and excluding routine communications and those within delegated authorities) to shareholders and the market and ensuring timely, effective and accurate disclosure of information to stakeholders;
- monitor compliance by NZX with all applicable legislative and regulatory requirements (including the Listing Rules), and key contractual obligations;
- from time to time, and as required, establish appropriate Board Committees, approve the terms of reference for each newly established Board Committee, and regularly review the terms of reference for each of its Board Committees;
- deal with the NZX Group's key regulators, including the Financial Markets Authority ("FMA"), the Reserve Bank of New Zealand ("RBNZ"), and the Electricity Authority.

4. Composition of the Board

4.1 Structure of the Board

- (a) The Constitution provides for a minimum of four directors and a maximum of ten directors.
- (b) The Board should comprise directors:
 - with an appropriate range and mix of skills and experience
 - who have a proper understanding of, and competence to deal with, current and emerging issues of the business; and



- who can effectively review and challenge the performance of management and exercise judgment independent of management.
- (c) The Board should evaluate its composition, having regard to NZX's diversity policy.

4.2 Independence

- (a) The Listing Rules require that there is a minimum of two independent directors (as defined in the Listing Rules) on the Board, or that number not less than one third of the directors are independent directors, whichever is greater.
- (b) The Board will determine the independence of each director on appointment and at least annually thereafter, in accordance with the Listing Rules. The Board will also review any determination it has made as to a director's independence on becoming aware of any information that may indicate that the director has an interest or relationship which compromises his or her independence.
- (c) Each director must keep the Board advised of any interests he or she has that could affect their independence, including any interests that could conflict with the interests of NZX or shareholders.

5. Proceedings

5.1 Frequency and Process

- (a) The Board will meet regularly (not less than six times a year) and hold special meetings as required. Prior notice of meetings will be given in a manner which, so far as is possible, facilitates attendance and reasonable time for preparation by all directors.
- (b) In accordance with the Constitution, any director may convene a meeting of the Board or request the Company Secretary to convene a meeting of the Board.
- (c) The Board will from time to time establish processes relating to the convening and conduct of meetings, for instance in relation to the time before each meeting by which papers must be available, "board only time", reporting and separate attendance by the Head of Market Supervision and the nature and scope of board papers and reports.

6. Responsibilities of the Board

- 6.1 The Board is responsible for overseeing the effective management and control of NZX.
- 6.2 The Board has delegated certain responsibilities to Committees which operate in accordance with charters approved by the Board.
- 6.3 The Board has delegated the day to day management of the business of NZX to management through the Chief Executive Officer. The Board has delegated the discharge of NZX's regulatory functions to the Head of Market Supervision subject to agreed authority limits applicable to the senior executive team. However, the Board has reserved, and may from time to time reserve, to itself control over certain matters of a strategic, sensitive or extraordinary nature or which exceed the thresholds set in the authority delegated to management.



7. Reserved Matters

The following matters (including changes to any such matters) require approval from the Board, except where they are expressly delegated to a Committee, the Chairperson or the Chief Executive Officer or another nominated member of the senior executive team.

7.1 Strategy and Direction

- (a) Policies regarding NZX's:
 - overall strategic direction and strategic plans;
 - key business and financial objectives; and
 - distribution policy and the approval of any distribution.
- (b) Any commitments or expenditures which exceed the authority limits delegated to the Chief Executive Officer.

7.2 Financial Controls, Compliance and Risk Management

- (a) Annual operating and capital expenditure budgets for NZX.
- (b) Treasury policies, including foreign currency exposure and policies on the use of financial derivatives.
- (c) NZX's financial statements, including the directors' report and NZX's corporate governance report.
- (d) Review of the effectiveness of NZX's systems of internal control and risk management processes.
- (e) Matters impacting on compliance with statutory and regulatory obligations which, if not complied with, would have a material effect on the business of NZX.
- (f) Setting of, and any changes in, accounting policies.
- (g) Matters relating to the Chief Executive's remuneration and benefits, including expense reimbursements.

7.3 Capital Structure

Changes to NZX's capital structure, including reductions of share capital, share buy-backs or the issue of new securities, other than in accordance with the terms approved by the Board, including pursuant to NZX's equity-based incentive plans.

7.4 Appointments

The appointment of external auditors to fill any casual vacancy in the office of auditor (or recommendation to shareholders) (on the recommendation of the Audit and Financial Risk Committee).

7.5 Delegation of Authority



- (a) Changes to the membership, charter, or terms of reference of any Committee.
- (b) Changes to the Delegated Authority Policy.
- (c) Matters which exceed the authority delegated under the Delegated Authority Policy.

7.8 Corporate Governance Matters

- (a) Determining the independence of directors for Listing Rules purposes.
- (b) Determining the scope of matters falling within the province of the Remuneration Committee as set out in its charter.
- (c) Resolutions and related documentation to be put to shareholders in general meeting.
- (d) Approval of announcements and market releases concerning matters decided by the Board, including in particular:
 - matters required to be announced in terms of continuous disclosure requirements;
 - matters attributing comment or views to the Board or any Board member;
 - matters involving any forward looking financial statements or projections; and
 - matters of market, regulatory or other material relationship sensitivity.

8. Duties of Individual Directors

8.1 General

Directors must comply with their duties as set out in the Companies Act 1993, including the duty to act in good faith and in the best interests of NZX when making decisions. In doing so, the Directors take into account the need for NZX to obey local and international laws and regulations as appropriate to its businesses.

NZX holds a licence to operate a financial product market and wholly owned subsidiaries of NZX are the operators of a designated settlement system. The Financial Markets Conduct Act requires NZX to operate its financial products market in a fair, orderly and transparent manner. The Reserve Bank of New Zealand (Designated Settlement System – NZCDC) Order 2010 requires NZX Group companies to operate the settlement system in accordance with the Principles for Financial Market Infrastructures, which include a requirement to consider the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders. The Directors take these legal and regulatory requirements into consideration when making decisions which impact these areas of NZX.

Directors are also expected to comply with all other legal duties and obligations and must:



- (a) have an overriding duty to conduct themselves in an honest, ethical and responsible manner;
- (b) be diligent, attend Board meetings and devote sufficient time and give proper attention to the matters before them;
- (c) keep themselves familiar with the nature of NZX's activities and the environments in which it operates (and undertake appropriate training, if necessary);
- (d) act in such a way that Board meetings and discussions promote focussed debate within a supportive team atmosphere; and
- (e) report any illegal or unethical behaviour of which they become aware to the Chairperson or, if in respect of the Chairperson, to the Chair of the Audit and Risk Committee.

8.3 Conflicts of Interest

Conflicts of interest can arise where there is a conflict between a director's private or associated business interests and the interests of NZX. Where conflicts of interest do exist, directors must:

- (a) disclose all relevant relationships to the Board so that the Board may assess potential conflicts of interest and independence for the purposes of the Listing Rules and the Companies Act 1993;
- (b) disclose to the Board any actual or potential conflicts of interest which may exist or be thought to exist as soon as they become aware of them;
- (c) take any necessary and reasonable measures to try to resolve the conflict; and
- (d) to otherwise comply with all relevant legal and regulatory provisions regarding disclosure of interests and restrictions on voting.

8.4 Access to Senior Management

- (a) Directors may have access to the Chief Executive Officer and the Company Secretary for the purposes of seeking information or asking questions. The Chairperson should be advised and copied in to any material communications. Communications with executives below those described above are to be subject to prior discussion with the Chief Executive Officer.
- (b) Where appropriate, presentations should be made by senior management to Board members in respect of recurring issues of interest to the Board and on special items of interest, identified by the Board or by management, from time to time.

8.5 Procedure for Independent Advice

If any director wishes to take professional advice in relation to any aspect of performance of their duties as a director of NZX, the director may do so at NZX's expense. The director must first contact the Chairperson for approval and the Company Secretary who will, if required by the director, assist in procuring that professional advice.



8.6 Board discussions, deliberations and decisions

- (a) Directors must keep confidential Board discussions, deliberations and decisions which have not been publicly disclosed.
- (b) Confidential information received by directors in the course of exercising their duties remains the property of NZX.
- (c) Directors should store and dispose of board papers responsibly. Board papers held in electronic media should be password protected.

9. Accountability

The Board will review this charter on an annual basis or from time to time as considered necessary to ensure it remains consistent with the Board's objectives and responsibilities.

10. Remuneration, insurance and indemnification

Directors' fees will be set with reference to market remuneration for directors, at a level which is fair and reasonable and which is able to attract and retain highly skilled directors.

It is NZX's practice to provide Directors' and Officers' insurance for the benefit of directors of NZX and its material operating subsidiaries and indemnification as permitted by NZX's constitution in accordance with market norms.

11. Role of the Chairperson

- (a) The directors shall elect the Chairperson, who should be an independent director. The Chairperson is responsible for:
 - the leadership of the Board;
 - chairing meetings of the Board and the efficient organisation and conduct of the Board's functions;
 - taking such measures as are necessary to facilitate an effective contribution by all directors; and
 - promoting a constructive relationship between Board members and management.
- (b) The Chairperson will also be responsible for chairing general meetings of shareholders.

12. Role of the Company Secretary

- (a) The Company Secretary will:
 - monitor compliance with Board policies and procedures; and
 - co-ordinate the completion and despatch of the Board agenda and supporting papers in a timely manner.
- (b) The Company Secretary will be responsible for:



- in conjunction with the Chief Executive Officer and the Chairperson, organising Board meetings;
 - working with the Chief Executive Officer and with input from the Chairperson and any other director, in preparing agendas;
 - coordinating the preparation of Board papers; and
 - organising directors' attendances at Board and Committee meetings.
- (c) The Company Secretary is accountable to the Board, through the Chairperson, on governance matters relevant to that role.

13. Management

13.1 General

- (a) Management, through the Board's delegation of authority to the Chief Executive Officer and the Head of Market Supervision, is responsible for the day to day management of the business and operations of NZX.
- (b) Management will supply the Board with such information as is reasonably necessary to assist the Board in discharging its duties.

13.2 Role of the Chief Executive Officer, the Head of Market Supervision and the Chief Financial Officer

- (a) The Board has delegated authority to the Chief Executive Officer and the Head of Market Supervision for the business and affairs of NZX. That delegation is subject to and limited by the terms of this charter including matters reserved for decision by the Board in accordance with section 7 and any specific limitations on authority imposed by the Board from time to time.
- (b) The Chief Executive Officer is responsible for making recommendations and reporting to the Board regarding the development of strategies for and the management and performance of the business and operations of NZX.
- (c) The Head of Market Supervision is responsible for managing NZX's market supervision functions (including relationships with co-regulators at the appropriate level) and compliance by NZX and its subsidiaries, other than with respect to NZX's clearing house subsidiary, with their respective obligations under legislation and must ensure that NZX remains current on emerging risks and developments so that its market supervision functions remain at all times current and effective. Without limiting the Board's requirements from time to time, the Head of Market Supervision is to report regularly to the Board as to the compliance by NZX with applicable regulatory functions and regulated activities, together with the basis for his or her conclusions.
- (d) The Chief Executive Officer is responsible for managing NZX in accordance with the strategy, business plans and policies approved by the Board.



- (e) The Chief Executive Officer and the Chief Financial Officer must ensure that NZX's financial reports present a true and fair view of NZX's financial condition and operational results and are in accordance with the relevant accounting standards. On presentation of financial reports for approval by the Board the Chief Executive Officer and the Chief Financial Officer should state in writing to the Board that:
- the financial reports comply with the requirements of this paragraph;
 - the statement given in relation to the integrity of financial statements is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board; and
 - NZX's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting.
- (f) The Chief Executive Officer and the Chief Financial Officer must consult with the Chairperson of NZX's Audit and Risk committee or the Chairperson and with the Board regarding matters which the Chief Executive Officer or the Chief Financial Officer considers are of such a sensitive, extraordinary or strategic nature as to warrant the attention of the Board regardless of value.
- (g) The Chief Executive Officer may sub-delegate their functions to executive management of NZX subject to existing Board policies and legal requirements that limit that power of sub-delegation, including under the Delegated Authority Policy.
- (h) The Chief Financial Officer and the Head of Market Supervision will attend meetings of the Board by invitation and otherwise be available to directors who wish to seek information or ask questions in relation to the affairs or operation of NZX.



APPENDIX ONE – KEY LEGISLATIVE AND REGULATORY OBLIGATIONS

Obligations under Part 5 Subpart 7 of the Financial Markets Conduct Act 2013 in respect of NZX's licensed financial product markets

