Annual Report 2021

Growing
Connecting
Creating value

About this report

Our 2021 Annual Report recognises the importance of aligning the way we do business with the expectations of our key stakeholders to create sustainable value – for our shareholders, across the capital markets ecosystem, for our customers and New Zealand. This report includes our full Financial Statements (and Notes to the Financial Statements) for the year ended 31 December 2021, along with commentary on the company's financial results and operational performance. The business overview (Who we are) and our business model (How we create value) provide information about NZX, our strategic goals and the pillars that are fundamental to sustaining and growing value into the future.

The Corporate Governance section of this report describes how we set the objectives and direction for the business, and the framework for identifying and managing risks is outlined in the Risk Report. Our corporate governance policies are available online at: https://www.nzx.com/about-nzx/investor-centre/governance/policies. NZX Limited is registered with the New Zealand Companies Office and our New Zealand Business Number (NZBN) is 9429036186358. This report is dated 16 February 2022 and is signed on behalf of the Board of NZX Limited by Chair, James Miller, and Chair of the Audit and Risk Committee, Lindsay Wright.

Contents

In addition to strengthening New Zealand's exchange, the company's strategy is to grow an NZX Group that is stronger and better positioned to deliver long-term sustainable value to our shareholders.

Growing


WINTON
A252
WINTON

The achievements in 2021 with EEX, Singapore Exchange, and Fonterra – alongside our other global alliances – mark a step-change in our engagement with other markets around the world

Connecting


NZX
SGX
SGX
NZX
SGX

Our vision "Helping Build New Zealand's Tomorrow" is about delivering benefits for consumers of capital, investors, our shareholders – and ultimately our economy and the standard of living of all New Zealanders.

Creating value

Our performance this year

TOTAL CAPITAL LISTED AND RAISED
(NEW + SECONDARY)

$19.8b

↑ 12.1%

TOTAL VALUE TRADED

$52.4b

↓ 2.4%

DATA & INSIGHTS REVENUE

$17.5m

↑ 8.1%

DAIRY DERIVATIVES LOTS TRADED

305,937

↓ 15.2%

FUNDS UNDER MANAGEMENT

$6.54b

↑ 28.8%

FUNDS UNDER ADMINISTRATION

$11.02b

↑ 53.2%

DIVIDEND (FULLY IMPUTED)

6.1
cents per share

Data highlighted on pages 8 to 9 is "for the financial year ended 31 December 2021", or "as at 31 December 2021" (as applicable). Percentage changes represent the movement from 2020 to 2021, except Funds Under Management and Funds Under Administration which are the movement in balances at 31 December 2020 to 31 December 2021.

* Operating earnings are before net finance expense, income tax, depreciation, amortisation, loss on disposal of assets, and gain on lease modification. Operating earnings is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

The 2021 targets are detailed in the Management Commentary section on page 59 of this Report.

OPERATING EARNINGS*

$34.4m

↑ 0.1%

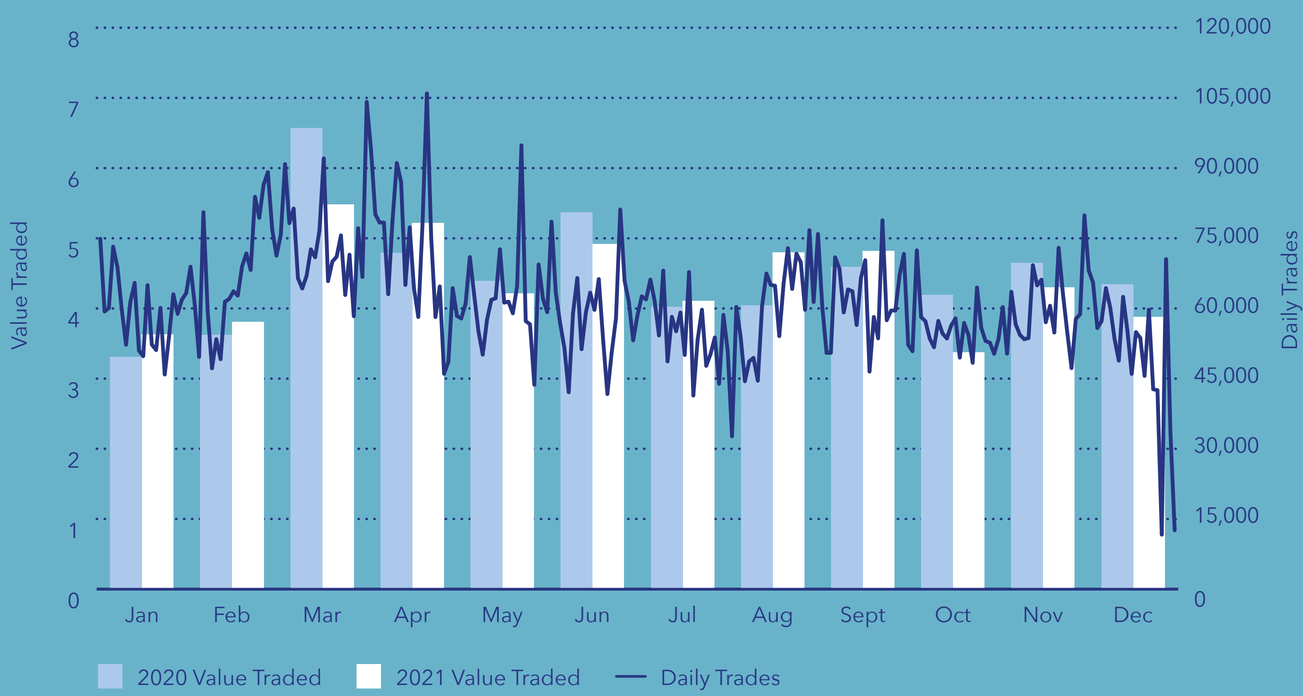
* Includes one-off acquisition costs of $1.4 million. Operating earnings excluding one-off acquisition costs increased 4.0% to $35.8 million

NET PROFIT AFTER TAX

$15.0m

↓ 14.6%

TRADED VALUE AND DAILY TRADES



Who we are

TOTAL MARKET CAPITALISATION

$235b

Listed equity, debt and funds

ISSUER RELATIONSHIPS

337

Total listed equity, debt, funds & other securities

SECONDARY MARKETS

15.4m

Trades in 2021, with a total value of $52.4b

DATA & INSIGHTS

8,687

Data terminals

SMARTSHARES

119,869

Members across KiwiSaver, investment, superannuation, and insurance solutions.

NZX WEALTH TECHNOLOGIES

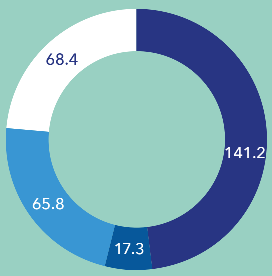
32,095

Investor portfolios, with total Funds Under Administration of $11.02b

OUR MARKETS AND SERVICES

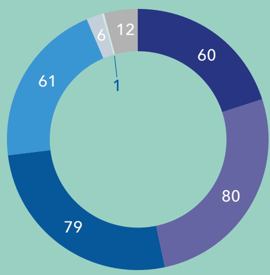
NZX operates New Zealand's equity, debt, funds, derivatives, and energy markets. To support the growth of our markets, we provide trading, clearing, settlement, depository and data services for our customers. We also own Smartshares, New Zealand's only issuer of listed Exchange Traded Funds (ETFs), and KiwiSaver provider SuperLife. NZX Wealth Technologies is a 100%-owned subsidiary delivering rich online platform functionality to enable New Zealand investment advisors and providers to efficiently manage, trade and administer their client's assets. Learn more about us at: **www.nzx.com**

EMPLOYEES (FTE) BY BUSINESS UNIT

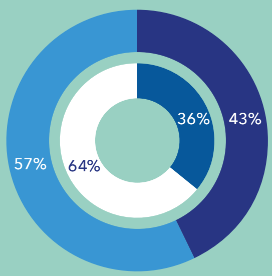


* Includes NZX Corporate Services

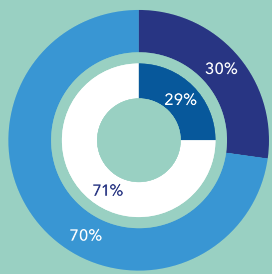
EMPLOYEE HEADCOUNT BY AGE (PERMANENT AND FIXED TERM, EXCLUDES PARENTAL LEAVE)



GENDER DIVERSITY ALL EMPLOYEES



GENDER DIVERSITY OF OFFICERS & BOARD

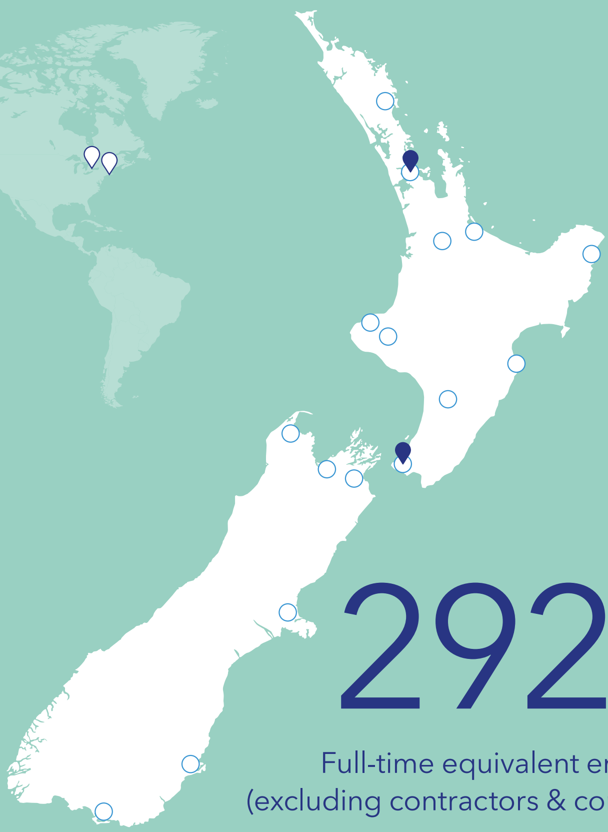


*Leadership team as at publication date.

NEW ZEALAND PRESENCE CONNECTING A WORLD OF INVESTMENTS TO NZ BUSINESSES

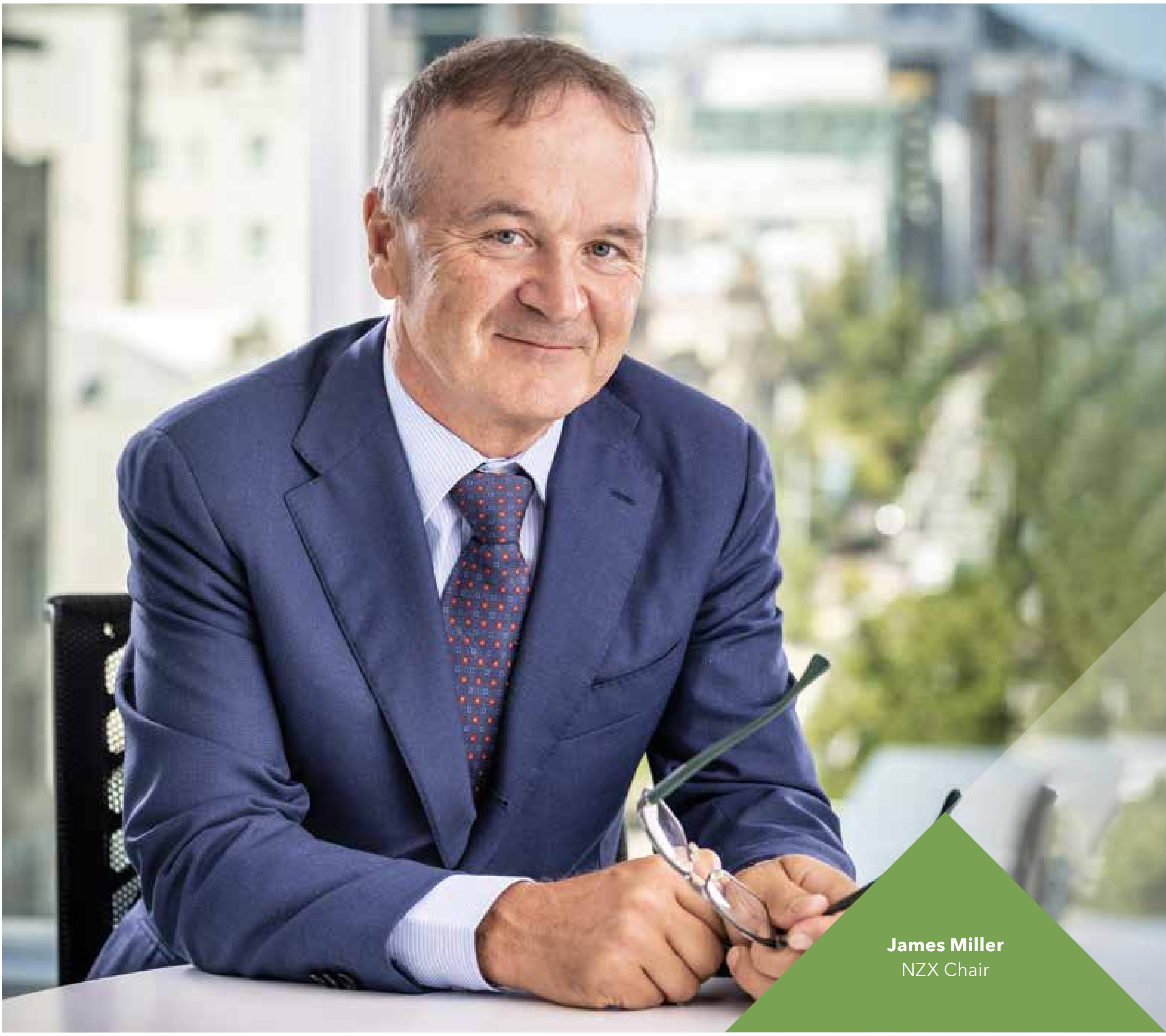
New Zealand
- NZX Operations
- Head Offices of NZX-listed Companies

Global affiliations
- **ASX** – Sydney
- **HKEX** – Hong Kong
- **LSE** – London
- **NASDAQ** – New York
- **SGX** – Singapore
- **TMX** – Toronto
- **SPSE** – Suva
- **SSE** – Shanghai
- **WFE** – World Federation of Exchanges
- **SSE** – Sustainable Stock Exchanges Initiative
- **EEX** – European Energy Exchange



292.7

Full-time equivalent employees (excluding contractors & consultants)



James Miller
NZX Chair

Re-engineering NZX for the future

Letter from the Chair

Four years ago, we set about actively transforming and re-engineering NZX for future growth.

This involved a plan for significant changes around regulation, pricing and market infrastructure, along with expanding our non-exchange businesses. We have been true to those refreshed priorities under our strategy and unwavering in our resolve to shape a more robust NZX and one that can truly ensure we live up to our vision of "*Helping Build New Zealand's Tomorrow*".

NZX is reporting 2021 operating earnings of $34.4 million, which reflects sustained momentum from the COVID-fuelled activity levels of 2020. Excluding one-off acquisition costs, Group operating earnings were up 4% to $35.8 million.

Your Board has declared a final dividend of 3.1 cents per share to be paid on 10 March 2022, contributing to a FY2021 dividend of 6.1 cents per share fully imputed.

I am pleased to be able to highlight some important milestones that illustrate how we are building a more robust, integrated financial services business – and how we are investing to make this happen.

STRATEGIC PROGRESS

In addition to strengthening New Zealand's exchange, the Company's strategy is to grow an NZX Group that is stronger and better positioned to deliver long-term sustainable value to our shareholders.

I am pleased to report considerable progress against our strategy.

Our Capital Markets business had a strong year across new capital listed and raised, secondary trading levels, data usage and the number of investors connected to the markets. Likewise, our Smartshares and NZX Wealth Technologies businesses are also delivering growth.

All of NZX's businesses have strong interconnections, which means we can build on what we have to create more than the sum of the parts. Smartshares provides savings products and solutions, based around passive investment. NZX Wealth Technologies provides an important element of market infrastructure for portfolio administration to the financial adviser community in New Zealand.

Expanding these businesses will not only create economies of scale and help grow returns, but it will also assist in the evolution of the capital markets in New Zealand.

We have also had a significant focus on executing our international strategic alliances with other exchanges for the benefit of NZX shareholders and two of these are now translating to valuable commercial partnerships.

The launch of the NZX-SGX Dairy Derivatives Strategic Partnership on 29 November 2021 has been several years in the making – with the objective of unlocking and accelerating the growth potential of the dairy derivatives market that NZX has been developing and nurturing over the past decade.

The joint stewardship of these important derivatives contracts brings together NZX's core dairy expertise in industry engagement, market insight, research capability, and product development know-how with Singapore Exchange's (SGX) Asian presence and global distribution capability. Both exchanges are excited about the growth prospects.

Continuing the dairy theme, after balance date we have entered into a non-binding agreement with Fonterra to take a 33.33% ownership stake in the world's pre-eminent dairy trading platform, Global Dairy Trade (GDT), alongside Fonterra and the European Energy Exchange (EEX).

NZX's GDT investment remains subject to clearance from any relevant competition law authorities and the agreement of binding transaction documentation. NZX, Fonterra and EEX have announced that they expect to sign binding documentation in the first half of 2022.

NZX sees a clear opportunity ahead to evolve GDT to be a truly global trading platform, with the potential to grow financial products to many multiples of the physical dairy market. These tools are crucial and in huge demand in an international dairy market dealing with volatility and its associated risks – with clear benefits for New Zealand producers and dairy customers around the world.

Bringing together an ownership stake in the physical trading platform alongside some of the biggest players in the world, and overlaying our partnership with SGX to accelerate the growth of the NZX-SGX Dairy Derivatives markets, is a truly exciting opportunity.

Another strategically important milestone was the launch of the managed auction service for the New Zealand Emissions Trading Scheme (NZ ETS), following a successful bid to the Ministry for the Environment. This was a partnership achieved again by combining the skills and experience of NZX and EEX to deliver a world-class solution tailored for New Zealand and is a key tool for the Government in addressing domestic and international climate policy targets. We take pride in this as a tangible example of sustainability, influence, and action that will contribute to a healthier planet.

The achievements in 2021 with EEX, SGX and Fonterra – in combination with our global alliances – mark a step-change in our engagement with other markets around the world. Considerable work, over a number of years, has gone into making this happen and I'd like to thank everyone involved.

Underpinning our business growth is the investment required to create an efficient, reliable, and secure operations and technology platform.

We have progressed this objective in 2021, including completion of the action plan agreed with the Financial Markets Authority (FMA), and will be looking closely at any recommendations in this year's Market Operator Obligations Review to embed any further learnings. While the related investment has resulted in a structural increase in technology costs in particular, it has enabled us to enhance the scalability and security of our technology platform and positions us well for future growth.

GOVERNANCE AND REGULATION

During 2021, we made significant changes to NZX's governance arrangements. We completed the first full year of NZ RegCo as a stand-alone, independently governed agency, performing all of NZX's frontline regulatory functions.

I want to personally thank the chair, Trevor Janes, and Board members Annabel Cotton, Elaine Campbell, John Hawkins and Mike Heron QC, who along with NZ RegCo Chief Executive, Joost van Amelsfort, and his team, have ensured a seamless transition for our issuer and participant customers. We believe operating NZ RegCo as a separate standalone entity, with the oversight of an independent board, adds clarity and transparency to the role of our regulatory function.

We also completed a full review of our overall governance and Committee structures to simplify oversight, creating clearer lines of responsibility and an alignment of skill sets.

NZX has placed greater emphasis on technology following the challenges experienced in 2020. With the support of our new Technology Committee, we have continued to invest in our cyber and technology infrastructure and associated technical capabilities. We are fortunate to have Peter Jessup, someone with more than 35 years' financial markets IT experience, joining the Technology Committee and more recently the Board. Within the business, our new CIO, Robbie Douglas, brings a wealth of experience and has a highly capable team behind him with deep technology experience in markets.

NZX has improved transparency and collaboration with the broader capital markets ecosystem, with a particular emphasis on technology. While exchanges bring investors together with companies wanting to raise capital, NZX's core focus is on the timely and

accurate information flows required to support trading. Our aim in 2021 has been to foster a more collaborative partnership with all participants in the technology ecosystem, and we have already seen the value of our engagement following the establishment of the Industry Technology Working Group with cash market participants and the registries.

OUTLOOK FOR 2022

In line with our strategy, we have continued to grow both the scale of our businesses and the synergies between our business units. Your Board believes this will create a strong platform for future earnings growth.

Building these growth opportunities requires investment, notably in elevated technology costs to ensure our core capital markets' infrastructure meets investor and regulator expectations, and Smartshares and NZX Wealth Technologies can efficiently scale revenue growth into earnings. The cost of this investment in supporting our growth escalated during 2021 and the full effect will be felt in 2022, with earnings benefits progressively delivered from 2023.

The Board notes the increased market volatility from the start of the year, and a general tightening in financial conditions. Accordingly, the NZX Board has conservatively positioned expectations for the full year 2022 operating earnings to be in the range of $33.5 million to $38.0 million.

This guidance is subject to market outcomes, particularly with respect to market capitalisation, total capital listed and raised, secondary market value and derivatives volumes traded, funds under management and administration growth, acquisition-related integration costs and technology costs. Additionally, your Board notes the ongoing risks related to the COVID pandemic, and this guidance assumes no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.

OUTSTANDING COMMITMENT

I would like to pay a special tribute to a legend of the New Zealand financial markets, Professor Don Trow who retired in October from the Listing Subcommittee – the external advisory body that supports NZ RegCo in assessing new listing applications. Don's affiliation with NZX spans more than 30 years, and we are thankful for his concerted focus over the last three decades, and success in promoting stronger capital markets for all New Zealanders.

NZX announced the resignation of John McMahon from our Board effective 31 December 2021, and the appointment of Peter Jessup as a director from 1 January 2022. As we farewell John, we are delighted to welcome Peter's global expertise in a highly specialised and technical part of the market, skills that are second-to-none – especially when paired with his deep understanding of stock exchanges.

This appointment reflects technology as a priority area in NZX's skills matrix and the need for high quality, specialist expertise to underpin the governance supporting the resilience and stability, and further evolution of NZX's technology framework.

Victoria Newman joined the NZX Board in July as our fourth Future Director under the Institute of Directors' programme, bringing a broad-based professional services experience. This includes senior strategy and professional development roles with McKinsey & Co, and three years as Principal of Virgin Green Fund focused on private equity investment in the clean-tech sectors in North America and Europe.

We were fortunate to have had a Future Director of high calibre with strong market connections and knowledge in Hayley Buckley. Hayley made an excellent contribution to Board discussion, particularly in terms of market development initiatives, and response to the company's broad range of COVID-related issues during her term finishing in June 2021. We are also farewelling our Company Secretary and General Counsel, Hamish Macdonald, and I cannot speak highly enough of the quality of service, advice, and commitment that he has provided to the Board and in supporting first-class governance across NZX.

THE FUTURE

NZX has made significant progress during Mark Peterson's tenure as CEO, and your Board has viewed continuity of his leadership as key to maintaining strong momentum. For this reason, we extended Mark's employment term as Chief Executive to April 2024. Mark is in the process of relocating to Auckland as we breathe life into the *New Zealand Capital Markets Centre* as a wharenui that everyone in the capital markets can call their own.

With a clear date now set for CEO succession, it is an ideal opportunity for the Board to consider Chair succession. It is important that a new Chair leads the process to appoint the next NZX Chief Executive and

> "In line with our strategy, we have continued to grow both the scale of our businesses and the synergies between our business units. Your Board believes this will create a strong platform for future earnings growth."

ultimately take the business forward, and therefore I intend to step down from my role at the Annual Shareholders' Meeting in April 2023 to enable a new Chair to commence the CEO succession process.

During my time as Chair, we first had to stabilise the business and support management in developing a long-term strategic plan. I'm very pleased to report the growth businesses in Smartshares and NZX Wealth Technologies are creating significant value for shareholders and the core business has been reinvigorated. I am particularly proud of our developing partnerships with Nasdaq, SGX, Fonterra, and EEX, which has moved NZX from an isolated exchange in the South Pacific to a company with genuine global aspirations.

As with everything, there is still lots to do. However, I'm pleased to report the new Chair and Board will inherit a company with strong momentum and potential opportunities to grow the business and the returns for shareholders over time. As you all know, I have a genuine passion for New Zealand's capital markets, and it has been a privilege to hold this role. Accordingly, it is with a tinge of sadness that I write this paragraph.

In concluding last year's Annual Report, I acknowledged the capability and genuine care from our CEO, Mark Peterson, in leading our team and the immense workload across the business and for our Board. That has been the case again in what has been a satisfying 2021.

I particularly want to commend our people across NZX – the combination of COVID and the requirement of working-from-home for long periods for many, along with managing high levels of activity – creates pressures we have collectively responded to in an incredibly positive manner.

Thank you for your focus and commitment and my sincere thanks to all who have helped ensure our success.

James Miller
Chair

Chief Executive's update

A YEAR OF OPPORTUNITY

At the start of 2021, we looked past the uncertain economic and global picture to the clear priorities under our NZX 2.0 strategy.

We are reporting progress and milestones that showcase how we are growing the NZX Group into a stronger and more integrated financial markets infrastructure and services business.

Our results and achievements for the year ended 31 December 2021 show that this financial year has been defined more by opportunity than the residual impacts of the challenges that confronted us the previous year.

Off the back of the 2020 year, where we saw extraordinary activity, it has been extremely encouraging to see similar levels of engagement and interest in our markets – with both local and international attention pushing terminal numbers to record levels.

We have continued to deliver growth in 2021 across all major business areas and we have made a step-change in our investment to support additional capacity, capability, and to enhance the security of our operating platform. This will continue in 2022.

We are also pursuing a number of growth opportunities that will require investment in the coming year, under our strategy to develop our markets further and deliver greater value to NZX shareholders over the longer term.

This was another year of strong activity across our equity, debt and fund markets with the total value of new capital listed and raised, and secondary capital raised up more than 12% to $19.8 billion. Nine new companies joined our equity market, one new issuer listed securities on our debt market and 28 businesses took the opportunity to raise additional equity in the market.

Secondary market liquidity was also near record levels with $52.4 billion in total traded value. Our funds management business, Smartshares, organically grew its Funds Under Management (FUM) by $1.46 billion, up nearly 29%. NZX Wealth Technologies successfully transitioned new clients onto the platform ending the year with Funds Under Administration (FUA) at more than $11 billion, up more than 53%.

Our partnership with Singapore Exchange (SGX) - that has enabled the listing of our dairy derivatives contracts on the SGX, and the cornerstone stake we have invested in Global Dairy Trade (GDT), alongside European Energy Exchange (EEX) and Fonterra, highlights the tremendous potential for NZX to build and drive growth from the strategic partnerships we have in place, and this is also true for carbon.

Our NZX 2.0 strategy is at the heart of how we operate. We are growing a more integrated financial markets infrastructure and services business, building on NZX's core strengths and continuing to explore growth opportunities across our businesses to create further value for our shareholders over time. Successful execution will benefit consumers of capital, investors, our shareholders – and ultimately our economy and the standard of living of all New Zealanders.

PERFORMANCE AND RESULTS

Group Result

2021 has successfully continued the step-change we saw in our markets in 2020, with structurally higher levels of market activity, particularly for capital listed and raised, and value traded.

Group operating earnings (EBITDA) held up well at $34.4 million, and excluding acquisition costs were up 4% to $35.8 million. Group revenues were up 12% to nearly $88 million for the full year.

Operating margin excluding acquisition costs at 40.7% was lower, due to the investment in growth, including bringing forward increased spend in people and technology costs to ensure the resilience of our infrastructure and support expansion.

Net profit after tax for the year (NPAT) was $15.0 million, compared with $17.6 million the previous year. Lower interest rates have impacted the level of interest income on operational cash balances, NZX Clearing risk

Moving forward with purpose

Mark Peterson
NZX Chief Executive

capital and regulatory working capital. Depreciation was higher due to the investment in additional IT infrastructure and the fit-out of our new Auckland office. Amortisation was also higher due to capitalised costs in late 2020, relating to the spend associated with the migration of new clients onto NZX Wealth Technologies' platform, and the implementation of a new trading system.

Capital expenditure continues to be focused on investing in IT capacity, resilience and security, alongside the growth opportunities within Smartshares and NZX Wealth Technologies, and creating our new Auckland offices – the *New Zealand Capital Markets Centre*, as a home for the capital markets in New Zealand, where we were able to host the Winton Land listing in December.

We have detailed our financial results in the Management Commentary on page 59.

"We are also pursuing a number of growth opportunities that will require investment in the coming year, under our strategy to develop our markets further and deliver greater value to NZX shareholders over the longer term."

Capital Markets

We have been pleased to welcome nine new companies to the NZX equity markets over 2021, which is slightly higher than the eight listings in 2020.

What stands out is the spectrum of these listings and how they mirror the pathways we have been opening up for issuers – with the My Food Bag IPO in the first half, the direct listings of NZ Automotive Investments and Third Age Health, and the foreign exempt dual listing of DGL Group. Later in the year we saw the sizeable Ventia Services Group foreign exempt listing, alongside Vulcan, the direct listings of Greenfern Industries and TradeWindow, and the Winton Land IPO closing out the year.

This has without question been another solid year for new capital listed and raisings, as our listed issuers have been making use of the ability to source equity and debt funding when it makes sense for them. The quality of our prospect pipeline is the result of a concerted focus and the efforts of our Capital Markets Origination team, in combination with the strategic changes we have made to reduce the complexity and cost, while promoting the full breadth of pathways.

We've seen a sharp increase in market capitalisation compared with the levels achieved in 2020, and earnings from listing fees have been positively impacted by the growth in both equity market capitalisation and the value of debt instruments.

Our debt markets have also performed strongly with 21 new debt issues over the year and one new issuer joining the debt market. We have also observed a notable increase in the issuance of listed sustainability-related financial products – including wellbeing bonds and green bonds, which now total $9.78 billion, up from $8.6 billion in 2020, and represents 21% of the NZX Debt Market.

Kāinga Ora – Homes and Communities issued sustainable bonds for the first time in 2019 and remains the largest sustainable bond issuer with $5.8 billion worth of sustainability bonds listed on NZX. New names that have started issuing sustainable and ethical investment debt include Mercury in 2020 and Christchurch City Holdings in 2021. It is also encouraging to see the New Zealand Government announcing plans to issue sovereign green bonds in 2022.

Total value traded across our markets has remained high at $52.4 billion.

Our original objective four years ago was to grow liquidity through putting in place the right market settings to open up access, attract greater participation and a broader range of investors, as well as to lift on-market activity. We are seeing evidence our approach is working.

Together with the robust traded value for FY2021, the number of trades increased 27%, which reflects the heightened interest we are seeing from retail investors and engagement in our markets across different forms of investments and asset classes.

Alongside the high levels of value traded across our markets, we continue to observe growth in on-market liquidity levels which averaged 62% in 2021. We have objectives to take this higher, with the expectation of reaching 70-80% over the next five years.

We have seen the deeper level of activity and interest from local and offshore institutional investors, which we reported on at the half-year, continue through to the end of the year.

Greater demand for NZX data – from a range of jurisdictions including US, Australia, Hong Kong and Singapore – has also driven a 11% increase in professional terminal subscriptions, reaching record levels. Our Data & Insights business achieved an 8% increase in revenue, largely reflecting the lift in royalties from professional terminal use, and we have completed a project to provide enhanced connectivity with our participants via dedicated high-speed links that will enhance the service we offer.

These positive trends across issuance, secondary trading activity and data usage show how a healthy listed market can deliver reliable, liquid, and open access to investment in New Zealand for all investors, so that everyone can support and benefit from the success of Kiwi companies.

We are looking forward to BNP Paribas joining as a General Clearing Participant in FY2022 as they strengthen their commitment to helping grow New Zealand's capital markets.

FY2021 has been a challenging time for our Dairy Derivatives business. Total lots traded decreased by 15% to 305,937 due to subdued volatility in the underlying market for dairy ingredients and restrictions on international travel limiting promotional and marketing activity.

Smartshares
Smartshares is the pre-eminent local market provider of passive funds management investment solutions and Exchange Traded Funds (ETFs) to New Zealand investors.

This business has continued its strong growth, with FUM up 28% to $6.54 billion. Member numbers and unitholders continue to grow, and we achieved net cash inflows of more than $1 billion in 2021, up 26% on 2020. Operating earnings excluding acquisition costs lifted 64% to $9.2 million.

The SuperLife KiwiSaver Scheme became a default provider from 1 December 2021, and we expect the SuperLife Default Fund to be an excellent fit for New Zealand investors – with the flexibility for KiwiSaver investors to invest in 43 investment options including exposures to a range of Smartshares ETFs.

With the KiwiSaver default transition occurring through December 2021, this resulted in an additional $385 million of FUM being transferred and a doubling of the number of New Zealanders who are supported by SuperLife KiwiSaver solutions. Holding default KiwiSaver provider status is expected to continue to add around 10,000 new members each year.

Additionally, the acquisition of the management rights of the ASB Superannuation Master Trust, which was completed early in 2022, will add $1.8 billion in retirement savings from more than 17,500 members across more than 100 employer groups – taking the passively managed FUM of workplace savings members in Smartshares' care to more than $3.2 billion at year-end.

We remain confident about the growth prospects of the Smartshares business, and the related benefits it provides across the NZX Group.

Passive funds management as a proportion of total funds managed in New Zealand has some distance to catch up with levels in other countries. Scale in our Smartshares business also assists the growth of New Zealand's capital markets. Managing larger pools of money allows the creation of a greater range of ETF products, providing opportunity to support a broader range of mid and smaller cap stocks.

NZX Wealth Technologies
NZX Wealth Technologies plays an important role by delivering a modern and efficient infrastructure platform for the financial adviser community to manage, administer and report performance of their clients' investment portfolios.

Significant new client business has been successfully transitioned onto the platform in 2021 taking the Funds Under Administration from $7.2 billion to $11.02 billion at year end. This has lifted revenues and resulted in operating earnings being positive for the year.

We continue to get positive feedback from our clients on the platform and the service levels our staff provide. This is flowing through to the increased level of demand for NZX Wealth Technologies service offerings that we are observing. To take advantage of the growth opportunities, we have continued to invest in our platform technology and staffing capability to onboard and service our growing client base – with Public Trust, Hobson Wealth, Saturn Advice, JBWere and Craigs Investment Partners, among others on the platform.

This track record, and the opportunities in front of NZX Wealth Technologies, has seen NZX commit to additional investment to support further growth. We are expecting this business to be cash flow positive within the next three years.

Unlocking future growth
Our NZX 2.0 strategy is focused on creating value through leveraging the complementary capabilities across the business units. Creating scale in each of these areas is the key to unlocking this embedded value.

The acquisition of the management rights for the ASB Superannuation Master Trust by Smartshares, and being proactive and competitive in our pitch to win KiwiSaver Default status, are examples of the importance we are placing on scale in the Smartshares business, which allows us to unlock these additional opportunities.

We completed a review of the NZX Senior Leadership Team this year and made several adjustments to better position the business to deliver on its strategic ambitions.

During 2021, as referenced by the Chair, we have bolstered our management capability and added specialist skills to the technology teams. These appointments bring a vast amount of industry experience and capability to the management table of the NZX.

In addition to the management appointments, more capacity has been added to the technology team with a continued focus on quality, reliability and risk reduction.

NZX implemented a new trading system in early August 2021 working closely with our technology partner Nasdaq. The successful delivery of the new trading system was an extremely complicated project which stretched over three years, and was supported and enabled by not only our staff but through essential contributions across all stakeholders in the ecosystem.

With this new trading system now live, enhancements will assist us in meeting the anticipated needs of our participants in New Zealand's capital markets.

Through this year we have advanced a number of unique opportunities to grow our business. Dairy and carbon markets are two of these.

To effectively support global trade, we believe a fully-functioning dairy market must have three fundamental components. First a price discovery platform for physical product that sets the global prices for dairy commodities. Secondly a well-functioning derivatives market where users can effectively manage their risk positions and, lastly, both elements are complemented by quality data and insight into the global dairy industry.

For more than a decade, NZX has been developing a global dairy derivatives market alongside our quality data and insight offering. This has been the fastest growing dairy derivatives market globally through this period. Our recently launched partnership with SGX will accelerate the growth of this market through SGX's increased distribution capability. The derivatives market has always been complemented by our dairy data and insights business, which has an excellent reputation globally for the quality of its work.

We are now progressing the final core component to assist in delivering our dairy ambition with the recent proposal to purchase a 33.33% cornerstone stake in Global Dairy Trade (GDT) alongside Fonterra and the European Energy Exchange (EEX).

Our involvement in the move to a broader ownership structure for Global Dairy Trade marks the next step in the evolution of the global physical trading platform – further enhancing GDT's role as an independent, neutral and transparent auction platform,

and giving it a presence in prominent international dairy producing regions, creating future growth opportunities.

By working together with Fonterra and EEX on evolving GDT to be a global trading platform, there is potential to grow financial products to many multiples of the physical dairy market.

The expansion of the physical trading environment would further strengthen existing financial market contracts and enable the creation of new tools and opportunities for dairy processors and end-users to manage price volatility.

NZX also took its first step into carbon markets by implementing the managed auction service for the New Zealand Emissions Trading Scheme (NZ ETS) in March 2021. Since then, we have successfully run a total of four auctions and seen interest building in emissions trading and growing international participation. Along with a strong relationship with the Ministry for the Environment, the mix of participation is a vote of confidence in what we have delivered in partnership with the EEX. NZX-EEX as auction operator had cleared a total transaction value of $1.325 billion at year-end.

The rising NZU price and importance of the NZ ETS to New Zealand's climate change targets is seeing increased focus from Government and the sector on potential trading, and managing market risks.

Alongside dairy and carbon, we are well-advanced with a cornerstone group of investors, market-makers and participants in planning the relaunch of the S&P/NZX20 Index Futures, which could have wide-ranging benefits for New Zealand's capital markets and NZX. We anticipate increased activity across trading, clearing and depository areas, and this also has the potential to attract new participants to our market. We look forward to progressing our plans for the S&P/NZX20 Index Futures in 2022.

Tribute to teamwork

2021 has been another significant year of progress for the NZX Group across capital markets, dairy markets, carbon markets, Smartshares, NZX Wealth Technologies and the technical and operational infrastructure that powers our organisation. This has been achieved in the trying conditions of domestic and international restrictions brought about by a global pandemic.

I could not be prouder of the entire team at NZX, for what has been achieved over the year.

Someone who has been heavily involved in our efforts and progress for more than eight years is Hamish Macdonald. As he leaves NZX to relocate to Australia with his family, I want to sincerely acknowledge Hamish's part in our success – through his contribution to our Leadership Team and in the leadership roles he has played more broadly.

Across the business, our focus remains on the unique role NZX and our public markets can play in supporting the resilience and long-term success of our customers and New Zealand's economy. With that, we will also deliver long-term value for our shareholders.

As we look ahead, the opportunities for the future give me considerable optimism.

Mark Peterson
Chief Executive Officer

"As we work together with Fonterra and EEX on evolving GDT to be a global trading platform, there is potential to grow financial products to many multiples of the physical dairy market."

Our Board

James Miller
Chair

James was appointed as a director in August 2010, and has been NZX Chair since May 2015. He has deep experience in the sharebroking industry, with more than 14 years across Craigs Investment Partners, ABN AMRO, Barclays de Zoete Wedd and ANZ Securities.

He is a qualified chartered accountant, a Certified Securities Analyst Professional, and is a Fellow of both the Institute of Chartered Accountants and the Institute of Directors in New Zealand.

James is a director of Mercury NZ, New Zealand Refining Company and Vista Group. He retired as deputy chair of ACC on 31 December 2021, and is a former director of Auckland International Airport and Vector. was an inaugural director of the Financial Markets Authority, and previously a member of the ABN AMRO Securities, INFINZ and Financial Reporting Standards Boards.

Frank Aldridge
Director

Frank was appointed as a director in May 2017. Frank has an extensive understanding of New Zealand's capital markets having spent more than two decades working with Craigs Investments Partners, where he led the business for 16 years as Managing Director through a period of significant growth and expansion between 2005 to March 2021.

He is currently Chair of Australian-based Wilsons Advisory and Stockbroking, former member and Chair of New Zealand Securities Association, and sits on several of Craigs Investment Partners' subsidiary Boards.

Frank is an accredited NZX Adviser, Authorised Financial Adviser (AFA), and a Chartered Member of the Institute of Directors.

Nigel Babbage
Director

Nigel was appointed as a director in December 2017. Nigel has spent more than 35 years working in financial and capital markets locally and globally, and brings to NZX extensive clearing and derivatives experience.

Nigel previously held executive roles with British Petroleum (now BP) and Citibank, managing the New York currency derivatives desk, and worked for BNP Paribas, where he took on the joint role of Global Head of Currency Derivatives Trading and Head of North American Foreign Exchange. He served on the Foreign Exchange Committee of the Federal Reserve Bank of New York for three years.

Nigel is currently CEO of Christchurch-based investment company Mohua Investments Limited.

Richard Bodman
Director

Richard was appointed as a director in April 2017. Richard has spent more than 25 years working in the financial services sector, including 17 years at Jarden (previously First NZ Capital) where he held several executive roles, including Managing Director and Head of Compliance. Prior to this, Richard spent seven years as an inspector for the Securities & Futures Authority in London.

Richard is an independent director of Forsyth Barr Custodians Limited, Forsyth Barr Cash Management Nominees Limited, Octagon Asset Management Limited and Te Ahumairangi Investment Management Limited, and a member of the Institute of Directors.

Richard has been a director of First NZ Capital and a NZX registered Compliance Manager.

Elaine Campbell
Director

Elaine was appointed as a director in February 2019. She has more than 20 years' legal experience, primarily focusing on financial and capital markets, IT and telecommunications law.

Elaine is currently Chief Corporate Officer & General Counsel of NZX-listed Chorus. During her time on the executive team at NZX from 2002 to 2008, Elaine led the legal workstream for the demutualisation and listing of NZX and was responsible for the insourcing of regulatory functions, along with chairing Smartshares.

Elaine spent five years at the Financial Markets Authority as Director of Compliance before joining AMP as an executive director and General Counsel. She has previously worked in the UK and US for multinational Sun Microsystems.

Peter Jessup*
Director

Peter joined the NZX Board in January 2022, following his appointment to the Technology Sub-committee in April 2021. He brings more than 35 years' financial markets IT experience – including trading, surveillance, clearing, depository and settlement systems.

Prior to establishing an independent consultancy in 2018, Peter was Senior Vice President at Nasdaq's Global Technology Services group, leading an international team of software product engineers and support personnel of over 250 across four geographical locations.

Peter previously worked for NZSE (New Zealand Stock Exchange), where he played a key role in automation of the exchange, including the implementation of electronic settlement and automated trading technology.

John McMahon*
Director

John was appointed a director in June 2019. He has spent more than 20 years in the Australasian equity markets, predominantly as an equity analyst covering a range of industries including telecommunications, media, gaming, transport, industrials. He had held a wide range of roles in the financial sector including Head of the Equities at ABN AMRO and Managing Director of ASB Securities. John has also worked for CS First Boston (now Jarden), BZW and Morgan Stanley.

Today John manages his own investment portfolio, is Chair of NZX listed Solution Dynamics and a director of Wellington Drive Technologies.

John has a Bachelor of Commerce (Honours), an MBA and is a CFA (Chartered Financial Analyst) charterholder.

Lindsay Wright
Lead Independent Director

Lindsay was appointed as a director in February 2018. She has more than 30 years' financial services and funds management experience locally and globally.

Lindsay is CEO of Funds Management at Sun Hung Kai & Co. She has held a range of senior roles in the funds management sector both globally and regionally (APAC) for Matthews Asia, BNY Mellon Investment Management, Invesco Hong Kong, Harvest Funds and Deutsche Asset Management. Lindsay started her career with Bankers Trust, becoming CFO/COO before moving to Deutsche Asset Management.

From a governance perspective she has served as Deputy Chair of the Board and Chair of the Audit and Risk Committee of the Guardians of the NZ Super Fund, and as a director of Kiwibank. Lindsay has a Bachelor of Commerce from the University of Auckland and is a Fellow of the Hong Kong Institute of Directors.

* John McMahon resigned from NZX Board effective 31 December 2021. Peter Jessup was appointed to the board effective 1 January 2022.

Our Leadership Team

Mark Peterson
Chief Executive

Mark joined NZX in May 2015 and became Chief Executive in April 2017. He has 30 years' experience in financial services covering the capital markets, private wealth, institutional and retail banking, and insurance. Mark previously worked as the Managing Principal of ANZ Securities, and before that held senior management roles with First NZ Capital, ANZ and The National Bank of NZ.

Graham Law
Chief Financial & Corporate Officer

Graham joined NZX in November 2017. He has considerable experience working across the financial and professional service sectors in New Zealand and the United Kingdom. Graham previously worked as Head of Finance at ACC, and prior to this was Managing Director and Chief Financial Officer at AMP Capital Limited. Graham brings expertise in strategic leadership, corporate governance, and risk and financial management.

Jeremy Anderson
General Manager, Capital Markets Development

Jeremy joined NZX in March 2017. He has significant experience working in the agribusiness, technology and financial service sectors across Australia and New Zealand. Prior to joining NZX, Jeremy led and executed Vodafone New Zealand's agribusiness strategy. Since working for NZX he has led the NZX Agri business, established and led the Information Services business and now leads the Capital Markets Development business. His areas of expertise include; leadership, strategy development, sales management and innovation.

Roger Bayly**
General Manager, Market Operations

Roger joined NZX as the General Manager, Market Operations in July 2021. He has over 30 years' experience in managing Operations and Technology teams in the finance sector. Recent roles include a contract role at ANZ in BS11 compliance programme and Head of IT at the Medical Council of NZ. Roger has moved between operational, risk and compliance roles, and technology management and project roles at banks in New Zealand. He has also run his own businesses giving him a broad set of skills for dealing with people and technology issues.

* Corporate Senior Leadership team as at 16 February 2022.

** Roger Bayly is on contract covering Felicity Gibson who is on maternity leave.

Kristin Brandon
Head of Policy & Regulatory Affairs

Kristin joined NZX in 2007 and is responsible for leading the development of NZX's market rules, and managing NZX's regulatory relationships. Kristin has extensive experience in financial services law, having previously worked in legal roles in corporate and commercial, and financial services teams at DLA Piper and Chapman Tripp in New Zealand, and Dechert LLP in London. Kristin holds an LLB(Hons) and BCA (accounting major) from Victoria University in Wellington.

Robert Douglas
Chief Technology Officer

Robert joined NZX as the Chief Information Officer in February 2021. He has over 27 years' experience in financial services, including leading large teams in real-time technology environments. Prior to joining NZX, Robert was the Chief Operating Officer at Verifone NZ and has held previous roles as Head of ANZ Bank Institutional, Corporate and Commercial Operations, the Head of Technology at First NZ Capital and the Chief Information Officer of Markets Business Technology for ANZ Bank based in Australia.

Hamish Macdonald
Chief Strategic Delivery Officer

Hamish joined NZX in July 2013 and leads the strategic delivery function, including derivatives, energy and environmental markets, as well as policy and regulatory affairs. Before joining NZX, Hamish held legal roles in New Zealand, Australia and the United Kingdom, most recently with a superannuation fund in Melbourne. Hamish holds an LLB and BCA (accounting major) from Victoria University of Wellington.

Sarah Minhinnick
General Manager, Capital Markets Origination

Sarah joined NZX in February 2020. She has deep experience in capital markets – most recently as a Director of Capital Markets at Bank of New Zealand, and began her career as a lawyer with Freshfields Bruckhaus Deringer LLP New York and Russell McVeagh. She has a Bachelor of Commerce (majoring in Economics), and a Bachelor of Laws with Honours, both from the University of Auckland. Sarah also holds a Master of Laws (in Corporate Law and Finance) from New York University.

Our Leadership Team (cont.)

Hugh Stevens

CEO – Smartshares

Hugh joined NZX in February 2018 with extensive fund management industry experience gained in New Zealand and abroad. Hugh is the former Head of Private Equity and Real Estate Fund Services for BNP Paribas based in Paris, France, and prior to that was Head of BNP Paribas Securities Services New Zealand. Before BNP Paribas, Hugh worked for JP Morgan in London where he held several executive roles. Hugh holds an MBA from London Business School, a Bachelor of Engineering (Hons) from the University of Canterbury, and a Bachelor of Science from Victoria University of Wellington.

Lisa Turnbull

CEO – Wealth Technologies

Lisa joined NZX in November 2016. She has more than 25 years' experience in financial services covering investments, insurance and banking. Lisa previously worked for the ASB Bank and Sovereign Insurance holding leadership roles across finance, investments, distribution and operations. Lisa is a Chartered Accountant.

How we create value

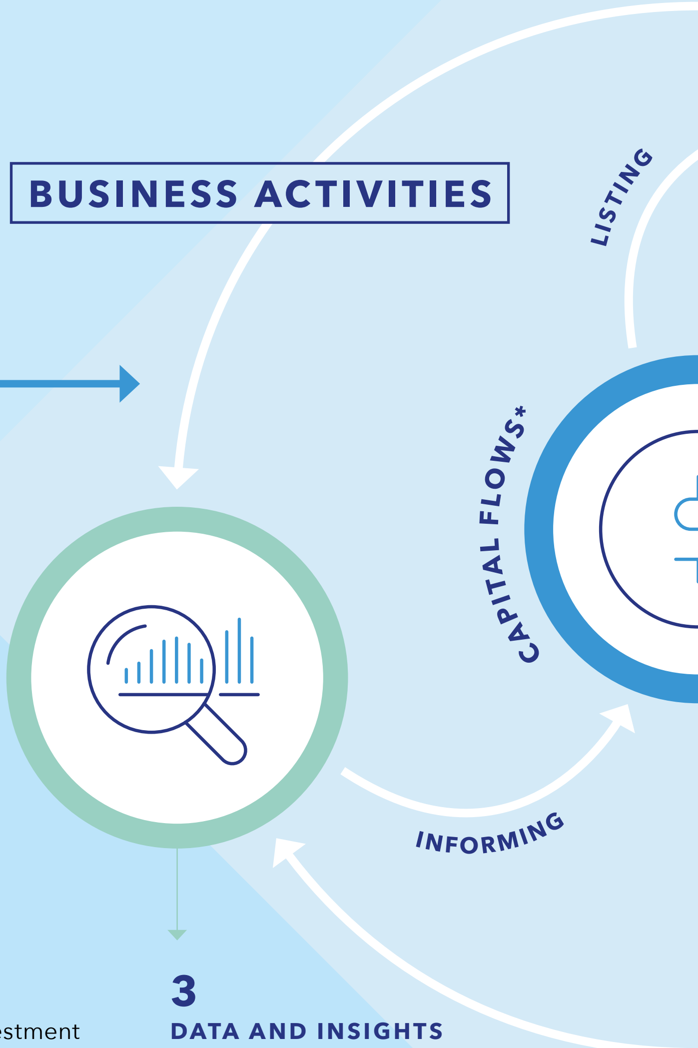
As New Zealand's Exchange, we are proud of our record in supporting the growth and global ambitions of local companies for more than 150 years. We recognise that our future success, and delivering on our strategic goals, requires integrated thinking within our business and alignment with the expectations of our key stakeholders.

Consistent with the guiding principles of Integrated Reporting we have identified material sustainability factors, which are of primary importance to creating sustainable value for our shareholders, across the capital markets ecosystem, for Kiwis and New Zealand as a whole.

NZX Helping build New Zealand's tomorrow

WHAT MATTERS MOST

- Our Customers
- Strategic partnerships
- People & capability
- Sustainable environment
- Market performance



3

DATA AND INSIGHTS

Greater liquidity delivers deeper data sets, deeper data drives liquidity and product listings

*** DRIVING SCALE IN CAPITAL FLOWS ENABLES GROWTH**

Scale in Smartshares enables NZX to create a greater range of investment products which enables passive capital to flow to wider parts of the market. These can be available for investors and financial advisors. Wealth Technologies delivers the platform for efficient administration of investments

OUR PURPOSE

By combining the needs of our customers, with innovation and modern technology we build enduring markets to deliver capital pathways, investment opportunities and economic success for New Zealand.

1

PRODUCT

Listed equity, fixed income and fund securities delivers product for investors and also delivers deeper data

THE VALUE WE CREATE

- Capital to fuel growth
- Resilient, vibrant markets
- Empowered performance
- Healthy planet
- Economic prosperity

2

LIQUIDITY

Liquidity helps drive additional product listings, and greater capital flows and delivers deep data sets

Nurturing and engaging our people

EMPLOYEE ENGAGEMENT (GALLUP SCORE)

4.09

2020: 4.28

HEALTH & SAFETY (TRIR)*

0.40

2020: 0.89

SKILLS FOR THE FUTURE*

$981

2020: $1,255

GENDER PAY GAP*

15.9%

*Internally calculated, unaudited.

Our people and organisational culture are instrumental in driving performance and delivery of our strategic goals.

NZX Group strives to create a positive, respectful and dynamic environment, where our people have clear direction and purpose, open communication and diverse opinions are encouraged, and delivering for customers is celebrated.

In 2021 our people have shown enormous commitment, resilience and flexibility to deliver against strategic priorities and find new ways to support our customers – and ensure that our markets and other services continue to operate and be resilient to the challenges of the COVID pandemic.

Through the year we continued to grow our talent base by attracting and hiring skilled candidates to new and existing roles despite labour market constraints. In 2021 we expanded our workforce by 25 new roles. This boosted our capacity and capability in critical skillsets, including information security, IT, risk management, operations and client service. Intense competition for talent resulted in a turnover rate of 21.5%. Across new and replacement roles 88 new employees joined during the year; of those hired, 65% were male and 35% were female.

Developing capability in key areas continues to be a focus for our business. In addition to professional development for current employees, we continued our commitment to the NZX Graduate Programme and we reactivated our Summer of Technology internship programme as part of our campaign to both increase diversity within our workforce and develop a talent pipeline for the future.

DIVERSITY AT NZX

An important ingredient of our business success is a focus on maintaining a diverse workforce and an inclusive workplace. Our aim is to have at least 40% men and 40% women in each workforce group. We consistently meet this goal at the workforce level and our focus is on attracting more female managers, leaders and governors. Active participation in forums such as Champions for Change, Global Women and other industry groups for women supports this aim.

Governance bodies

Age group	Females	% of females	Males	% of males
30-50	2	50	2	50
Over 50	3	23	10	77
Totals	5	29	12	71

Employee Gender Diversity

Type	Females	% of females	Males	% of males	Total
Workforce	102	45	123	55	
Management	21	39	33	61	
CEO and Executive	2	20	8	80	
Total	125	43	164	57	289

*Disclosed genders as at 31 December 2021

HEALTH AND SAFETY

Our health and safety record at NZX is strong and this equipped us well to safeguard operational readiness throughout the pandemic. This reflects the positive attitudes and safe behaviour of our workforce. Our Total Recordable Incident Rate (TRIR) for 2021 was 0.40 compared to 0.89 in 2020. TRIR is the number of recordable incidents per 200,000 hours worked. Active management of pandemic risks, coupled with excellent capability for remote and flexible working, has ensured we operated safely through 2021. Our absentee rate for the year was 1.38, which was slightly up on the 1.29 rate recorded in 2020. Support for mental health and wellbeing continued through 2021 and has been an important feature of supporting workplace health and safety.

In 2021 our people have shown enormous commitment, resilience and flexibility to deliver against strategic priorities and find new ways to support our customers – and ensure that our markets and other services continue to operate and be resilient to the challenges of the COVID pandemic.

CASE STUDY

Putting the spotlight on gender pay

Alongside the considerable progress which NZX Group has made on diversity and inclusion, the company has put a spotlight on gender pay. Increasingly, companies wishing to attract and retain both men and women need to demonstrate their pay practices provide a fair environment for all, and NZX is taking action to ensure we continue to be a business that attracts and retains a diverse workforce.

Recruitment of diverse talent, retention of talent and reducing the gender pay gap are challenges many businesses face, but we are alert to those challenges and are leaning into them. We are taking a holistic approach – continually scrutinising and refining our recruitment practices, ensuring recruitment transparency, and providing training and development.

The difference between mens' and womens' base earnings across NZX is now at 15.9%. NZX has taken several initiatives to refine remuneration practices to ensure the pay gap in like-for-like roles is now less than 5%. Our remaining gender pay gap is a structural outcome of having fewer women in senior roles.

NZX's current gender pay gap compares favourably with the financial services industry which has an average gap of 31%. However, "with a national average gender pay gap in New Zealand of 9.1% there is more work to be done to address the inequality," says NZX's General Manager People & Sustainability, Lara Robertson.

We see this as an opportunity, targeting action to encourage more women into senior management roles at NZX. By building our cohort of female managers and supporting their career and leadership development, we expect to make further progress on gender pay equity.

Retaining and developing highly valued women managers is also a priority, and we know that supporting our people is always a good investment. For example, in 2021 we sponsored three senior female managers to attend the Global Women Activate Leadership Programme. This high value programme equips women with the confidence, skills and network to expand their influence and their leadership capability.

Caring for our environment, supporting a healthy planet

GREENHOUSE GAS EMISSIONS (CO_2-E TONNES)*

117.1

2020: 171.6

SUSTAINABILITY ISSUANCE
(INCLUDES WELLBEING AND GREEN BONDS)

$9.78b

2020: $8.6b

Beyond our own footprint, we play a key role in the development and supply of sustainable finance that is funding projects to mitigate climate change and deliver positive environmental outcomes for New Zealand.

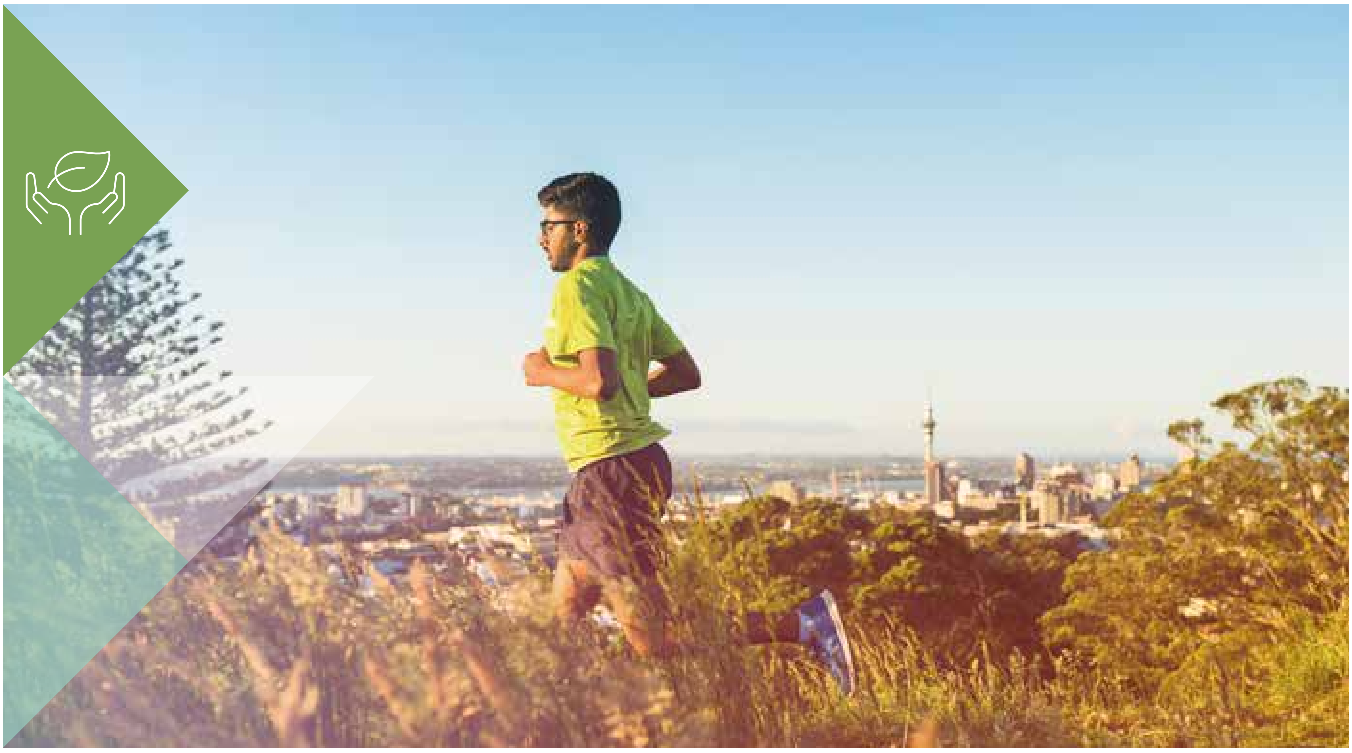
We recognise that along with our key role in supporting sustainable finance and capital flows to green initiatives, it is also important that NZX Group understands our own environmental performance and areas where we can do better.

We took an important step forward this year, confirming a commercial arrangement with Toitū Envirocare to independently verify and report NZX emissions from FY2022, along with a commitment to a Carbon Zero programme. Verified environmental disclosures under GRI305 for FY2021 will be released in Q1 2022 so that investors and stakeholders have full view of our ESG performance.

Beyond our own footprint, we play a key role in the development and supply of sustainable finance that is funding projects to mitigate climate change and deliver positive environmental outcomes for New Zealand.

NZX has continued to support the work undertaken by the Aotearoa Circle's Sustainable Finance Forum, including the launch of Toitū Tahua, the Sustainable Finance Centre, along with promoting the development of the issuance of sustainability-related securities.

With an increasing governmental policy focus on reducing greenhouse gas emissions, domestic policy agenda and growing interest in sustainable investment, it has been encouraging to see a further increase in the issuance of sustainability-related financial products, such as wellbeing bonds, green Exchange Traded Funds (ETFs) and carbon-efficient indices. Kāinga Ora – Homes and Communities remains NZX's largest sustainable bond issuer, and the total of wellbeing bonds and green bonds is now $9.78 billion, representing 21% of the NZX Debt Market. We also welcome the New Zealand Government's plans to issue sovereign green bonds in 2022.



Our funds management business, Smartshares, incorporates responsible investment into its investment management processes – and offers investment options, that allow choice across a range of Environmental, Social and Governance factors. Our Ethica Fund, for example, integrates ESG as a core of its investment approach.

A central principle of the Ethica Fund is that it does not invest where the activities of the companies behind the investment are seen to have an overall negative impact on social and community outcomes; would be illegal in New Zealand or inconsistent with United Nations' policies on health and safety, child rights and human rights; or expected to result in long-term, detrimental change to the environment. Smartshares also offers a range of Exchange Traded Funds tracking ESG screened markets indicies that, along with exclusions, may invest more in investments that have positive ESG characteristics and invest less in investments that do not.

In May 2021 we launched New Zealand's first carbon efficient indices in partnership with S&P Dow Jones Indices. The two new indices, S&P/NZX 50 Carbon Efficient Index and S&P/NZX 50 Portfolio Carbon Efficient Index, utilise Trucost's environmental dataset to weight companies listed on the NZX according to their carbon intensity and sector impact. The key objective behind the indices is to incentivise New Zealand companies to compare their carbon intensity to their industry group peers around the world.

With the COVID-related restrictions in place, particularly on international travel, NZX recorded a 31.8% drop in our greenhouse gas emissions (C02-e calculated using Ministry for the Environment 2020 Emissions Factors). There were no emissions related to long-haul flights in 2021, in comparison to 207 tonnes emitted in 2019 (pre-COVID).

We are also preparing to report against new climate-related (TCFD) disclosure standards that are being developed by the External Reporting Board, and which are due to be published in late 2022. As a listed entity, NZX will be required to carry out a full assessment of climate-related risks and opportunities under the anticipated reporting standards.

NZX Group 2021 Greenhouse Gas Inventory*

Scope	Emissions sources CO_2-e	2021 Tonnes	2020 Tonnes
Scope 1	Rental Cars (2021)	–	1.2
Scope 2	Electricity purchased	33.8	47.5
Scope 3	Air Travel		
	- Domestic	67.0	75.6
	- Short haul international	1.3	4.8
	- Long haul international	–	31.8
	Accommodation	3.8	5.4
	Transmission and distribution losses for purchased electricity	2.8	4.0
	Taxis	3.5	
	Fuel Emissions (rental & other cars)	4.5	
	Working From Home	0.01	
	Office Waste Landfilled	0.36	
	Recycling		
	- Paper	0.01	1.3
	- Glass	0.01	
	- Plastic	0.01	
Total		117.1	171.6

* Internally calculated by using the Toitū Envirocare tool, unaudited.

CASE STUDY

Creating a tool to tackle climate change

In a year of new urgency globally around climate change, NZX and the European Energy Exchange (EEX) successfully launched the auction platform for the New Zealand Emissions Trading Scheme (NZ ETS).

One of the New Zealand Government's main tools for meeting domestic and international climate policy targets, the first auction was ushered in by New Zealand's Minister for Climate Change, Hon. James Shaw ringing the bell at the NZX Centre in Wellington.

A particular success has been the level of interest and direct participation from major industries such as manufacturing and transport, along with the forestry sector and private interests – with strong uptake across the key sectors of the New Zealand economy.

The aim of the partnership between NZX and EEX is to establish a fair, transparent, easy-to-access and efficient allocation mechanism for NZUs (emissions units) on behalf of the New Zealand Government.

Successful bidders use NZU's to offset emissions or keep them as part of an investment portfolio. The total volume of units on offer over the year was 26 million, which were all sold and provided total auction revenue of more than $1.3 billion to the Crown.

The benefits of a well-regulated, government-mandated auction are clear. The NZ ETS auctions provide an efficient mode of price discovery and resulted in a steady upward movement in the New Zealand carbon price to more than $75 per unit, compared with less than $25 during the first half of 2020.

Price discovery is what markets do best. The auction has established a true benchmark price for NZUs, which will help drive decision-making by businesses and changes in the New Zealand economy. We're proud to be part of this important milestone and its place in supporting New Zealand and the global transition to a low emissions future.

Growing New Zealand's capital markets and economic performance

NET ECONOMIC CONTRIBUTION*

$178m

2020: $159m

EMPLOYMENT GROWTH (NEW ROLES)

25

2020: 31

FINANCIAL INVESTMENT CONTRIBUTION*

46.3%

2020: 17.28%

R&D SPEND RATIO*

0.64%

2020: 0.63%

COMMUNITY INVESTMENT / % OF PRE-TAX PROFIT*

$293,000 / 1.37%

2020: $226,000 / 0.92%

* Internally calculated, unaudited.

NZX makes a significant contribution to New Zealand's economy, including indirectly via companies that are listed on the market.

Understanding the scale and type of contribution we make to the New Zealand economy is important to us as our impact on the prosperity of the nation is a material topic for us. In 2018 we commissioned the economic consultancy firm NZIER to prepare a report on our economic value to the country and we intend to repeat that exercise again in the near future.

NZX is a key component of New Zealand's financial system. To support the growth and development of the core market, and ensure we are connected to investors, NZX owns Smartshares, New Zealand's leading issuer of listed Exchange Traded Funds, and KiwiSaver provider, SuperLife. Wealth management administration capabilities are also provided via NZX's Wealth Technologies business.

The level of retail participation has been an area of focus for New Zealand capital markets over a number of years, and we have been pleased to see from 2020 this supported by a fundamental re-engagement with equities as an investment class. The lift in market liquidity has also been helped by an increase in investment in trading technology from our stockbroker participants, which is contributing to the health of our markets – with growing popularity of online trading platforms – Jarden Direct, Sharesies and ASB Securities – that enable easy and low-cost access to the New Zealand markets for DIY investors.

Along with providing investors with ready access to world-leading companies, the markets operated by NZX enable New Zealand companies and other organisations to raise capital that directly leads to value creation for business, society and the environment. As well as capital raising to strengthen balance sheets impacted by COVID lockdowns, funds are raised via NZX-operated markets to provide for a range of wellbeing initiatives such as social housing and environmental projects, including addressing climate change.

Internally we have a workforce of 299 people - adding 25 new roles in 2021 to support business growth, and have paid a total of more than $36 million in salaries.

NZX made a net economic contribution in 2021 of $178 million to New Zealand's economy, up from $159 million in 2020. For every dollar of revenue generated, NZX contributes 70% directly to the economy in the form of labour, return on capital, or taxes.

Along with providing investors with ready access to world-leading companies, the markets operated by NZX enable New Zealand companies and other organisations to raise capital that directly leads to value creation for business, society and the environment.

CASE STUDY

Stakeholder forum ignites collaborative spirit

New Zealand's Exchange, Te Paehoko o Aotearoa, is the natural home for Kiwi companies wanting to access capital to help them grow and realise their ambitions for the future. In the same way NZX is equally conscious of helping Kiwis grow and protect their financial wellbeing.

In 2021 NZX moved forward on its growth towards being a significant wealth management provider in the New Zealand savings and retirement market – with our SuperLife KiwiSaver Scheme becoming a default provider and the acquisition of the management rights of the ASB Superannuation Master Trust.

The selection of NZX's Smartshares as one of the six default KiwiSaver providers reflects a focus on low fees and a straightforward, transparent investment approach. Smartshares CEO, Hugh Stevens, says: "We provide financial wellbeing with a compelling combination of low fees and a passive approach to investing that we believe delivers better long-term results."

The new default KiwiSaver Balanced Fund is seen as a great fit for cost-conscious New Zealand investors, with around 10,000 new members to be added annually to the scheme from 1 December 2021 to 30 November 2028. This will contribute to further growth in the SuperLife KiwiSaver Scheme, and provide more New Zealanders with the flexibility for all KiwiSavers to invest in 43 investment options including exposures to a range of Smartshares popular Exchange Traded Funds (ETFs).

Smartshares is also a leader in New Zealand in corporate superannuation, and the acquisition of the management rights for the ASB Superannuation Master Trust adds more than $1.8 billion in retirement savings from more than 17,500 members across more than 100 employer groups.

SuperLife broke new ground in 2019 with the saving scheme for members of two Iwi through the Ka Uruora scheme. Ka Uruora was developed in conjunction with Taranaki and Te Atiawa Iwi and is supported by Superlife, the Commission for Financial Capability, Te Puni Kokiri and others. This year South Taranaki Iwi, Ngāruahine, joined the scheme too.

The saving scheme works in a similar way to an employer super scheme – each member contributes a set amount, and the iwi contributes an amount per member.

Ka Ururoa Whānau Saver is part of the programme and is designed to empower members of participating iwi achieve financial independence and improve financial wellbeing. WhanauSaver was designed by Te Kotahitanga o Te Atiawa and Te Kāhui o Taranaki in conjunction with SuperLife – and momentum is growing rapidly, with the programme providing greater flexibility than a KiwiSaver scheme as it allows for withdrawals for the purchase of a first home or for tertiary education fees. Smaller amounts can be withdrawn for illness or financial hardship, similar to KiwiSaver rules.

ESG Performance (GRI Content Index)

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, and with reference to the recommendations of the World Economic Forum's *Measuring Stakeholder Capitalism Towards Common Metrics and Consistent Reporting of Sustainable Value Creation (2020)*

General disclosures		
102-1	Name of organisation	NZX Limited
102-2	Activities, brands, products, and services	Who we are. See pages 10/11
102-3	Location of headquarters	NZX Limited, Level 1 / NZX Centre, 11 Cable Street, Wellington. See page 11
102-4	Location of operations	New Zealand and Singapore (dairy derivatives)
102-5	Nature of ownership and legal form	Notes to the Group Financial Statements. See page 73
102-6	Markets served	NZX Group operates the NZX Main Board, NZX Debt Market, NZX Derivatives Market and Fonterra Shareholders' Market, along with the New Zealand's Wholesale Energy Market and the New Zealand Emissions Trading Scheme (ETS) Auction Market.
102-7	Scale of organisation	Who we are. See pages 10/11
102-8	Information on employees and other workers	Who we are. See page 11
102-9	Supply chain	Our vendors include office space, utilities, telecommunications and data centre facilities providers to deliver a range of exchange-related services. See page 32 - Caring for our environment, supporting a healthy planet
102-10	Significant changes to organisation and its supply chain	The permanent board of NZ RegCo was established on 1 July 2021, and NZX migrated its dairy derivatives contracts to trade exclusively on SGX from 29 November 2021. See Statutory Information page 112
102-11	Precautionary Principle or approach	See Risk Reporting, page 55
102-12	External initiatives	See Directors' Responsibility Statement, page 67
102-13	Membership of associations	Business NZ, Aotearoa New Zealand's Sustainable Finance Forum (SFF), Champions for Change - Global Women. Global affiliations include: ASX – Sydney, HKEX – Hong Kong, LSE – London, NASDAQ – New York, SGX – Singapore, TMX – Toronto, SPSE – Suva, SSE – Shanghai, WFE – World Federation of Exchanges, SSE – Sustainable Stock Exchanges Initiative, EEX – European Energy Exchange
102-14	Statement from senior decision-maker	How we create value. See page 28
102-16	Values, principles, standards, and norms of behaviour	Corporate Governance. See page 41
102-18	Governance structure	Corporate Governance. A full list of Board Committees and membership is published on page 45
102-20	Executive-level responsibility for ESG topics	General Manager People & Sustainability reporting to the Chief Financial & Corporate Officer
102-40 102-42 102-43	List of stakeholder groups Identifying and selecting stakeholders Approach to stakeholder engagement	How we create value. See page 28. NZX plans to undertake a materiality assessment in 2022, which would include the identification of key stakeholders and engagement with them to determine how they are affected by the company's decisions and actions – supporting reporting on the key topics and concerns raised, and how NZX has prioritised and responded to those matters.
102-41	Collective bargaining agreements	None of NZX's employees are covered by a collective bargaining agreement.
102-45	Entities included in the consolidated financial statements	Notes to the Group Financial Statements. See page 73
102-46	Defining report content and topic boundaries	About this report. See page 1
102-47	List of material topics	How we create value. See page 28
102-48	Restatement of information	There has been no restatement of prior year data

General disclosures (continued)		
102-49	Changes in reporting	No significant changes other than improved data coverage and quality
102-50	Reporting period	1 January 2021 – 31 December 2021
102-51	Date of most recent report	17 February 2021
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	info@nzx.com
102-54	Claims of reporting in accordance with GRI Standards	About this report. See page 1
102-55	GRI Content Index	ESG Performance (GRI Content Index). See page 36
102-56	External assurance	Independent Auditor's Report. See page 107
205-1	Operations assessed for risks related to corruption	Risk reporting. See page 55
205-2	Communication and training about anti-corruption policies and procedures	NZX has a Conflicts Management Policy that applies to all employees and directors. This was updated in June 2021 and changes communicated internally and published on www.nzx.com, Any person subject to the policy is required to complete annual training to a satisfactory standard. 96% of people subject to the policy had completed training at reporting date. NZ RegCo employees and directors must complete separate training relevant to their conflicts management obligations and was completed by 100% of people subject to the policy.
205-3	Confirmed incidents of corruption and actions taken	No employee incidents in 2021
	Protected ethics advice and reporting mechanisms	NZX's Code of Conduct and Protected Disclosure Policy include an external reporting mechanism
Risk and opportunity oversight	Integrating risk and opportunity into business process	Risk reporting. See page 55
207-1	Approach to tax	Notes to the Group Financial Statements. See Taxation, Note 12
207-2	Tax governance control and risk management	
207-3	Stakeholder engagement and management of concerns related to tax	NZX's planned materiality assessment, and related stakeholder engagement will include assessing potential concerns related to tax, including approach to engagement with authorities, approach to public policy advocacy
207-4	Country-by country reporting	NZX Group's audited financial statements are resident for tax purposes in New Zealand only
419-1	Non-compliance with laws and regulations in the social and economic area	Nil
102-15	Business continuity – key impacts, risks and opportunities	Risk reporting. See page 55
Governing purpose	Setting purpose	How we create value. See page 28
Quality of governing body	Governance body composition	Corporate governance. See page 43. The composition of the NZX Board is disclosed, including average tenure and diversity characteristics, and this reporting will be reviewed in the 2022 financial year with a view to including competencies relating to economic, environmental and social topics
Stakeholder engagement	Material issues impacting stakeholders	NZX plans to undertake a materiality assessment in 2022. This will include a list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.
Ethical behaviour	Anti-corruption	As at publication date 96% of NZX and 100% of NZ RegCo governance body members and NZX employees have received training on the organisation's anti-corruption policies and procedures
	Protected ethics advice and reporting mechanisms	NZX's Code of Conduct and Protected Disclosures Policy sets out NZX's procedures in respect of the reporting and investigation of possible breaches of the code or serious wrongdoing in or by NZX.
Risk and opportunity oversight	Integrating risk and opportunity into business process	Risk reporting. See page 55

People – social disclosures		
405-1	Diversity and inclusion	Who we are. See page 11
405-2	Pay equality	Due to workforce size NZX Group reports on gender pay equality and used for internal review only. Pay equality relating to ethnicity or other groups. Nurturing and engaging our people, growing capability. See page 30
405-2	Wage level	NZX Group has committed to pay all permanent fixed term and casual employees at or above the New Zealand living wage. Average base salary of women in entry level roles at NZX compared to that of men differs by +1.12%. The average base salary of "entry level" roles at NZX is 134% of the NZ minimum wage for women, and 132% for men.
202-1	Risk for incidents of child, forced or compulsory labour	Not material for NZX Group. NZX Group complies with all New Zealand legislative requirements including human rights protections.
408,409	Health and safety	Nurturing and engaging our people, growing capability. See page 30
404-1	Training provided	Nurturing and engaging our people, growing capability. See page 30

Planet – environmental disclosures		
302-1	Energy consumption within the organisation	NZX Group has confirmed a commercial arrangement with Toitū Envirocare to independently verify and report emissions from FY2021, and the company has committed to a Carbon Zero programme. Verified environmental disclosures under GRI305 for FY2021 will be released in Q1 2022. Caring for our environment, supporting a healthy planet. See page 32 for provisional results
302-3	Energy intensity	
305-1	Direct (Scope 1) GHG emissions	
305-2	Energy indirect (Scope 2) GHG emissions	
305-3	Other indirect (Scope 3) GHG emissions	
305-4	GHG emissions intensity	
305-5	Reduction of GHG emissions	
	TCFD implementation	NZX Group intends to commence voluntary reporting for the 2022 financial year, in line with the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD) that become mandatory in 2023. Reporting will follow the guidance of the New Zealand External Reporting Board, pending the release of the NZ CS 1 disclosure primary standard
201-2	Financial implications and other risks and opportunities due to climate change	Risk Reporting. See page 55
Nature loss	Land use and ecological sensitivity	Not material for NZX Group
Freshwater availability	Water consumption and withdrawal in water-stressed areas	Not material for NZX Group
Solid waste	Impact of solid waste disposal	NZX Group recognises that society and environmental impacts of solid wastes streams, and the company will be assessing our corporate supply chain as part of our commercial arrangement confirmed with Toitū Envirocare to report independently verified emissions from FY2022 and implement a plan to achieve carbon zero. For solid waste, this may include quantitative measures and valuation of impacts.
	Single-use plastics	NZX Group recognises that the consumption and disposal of single-use plastics is an issue of high public concern, and the company will be assessing our corporate supply chain as part of our commercial arrangement confirmed with Toitū Envirocare to report independently verified emissions from FY2022 and implement a plan to achieve carbon zero.
307-1	Non-compliance with environmental laws and regulations	Nil.

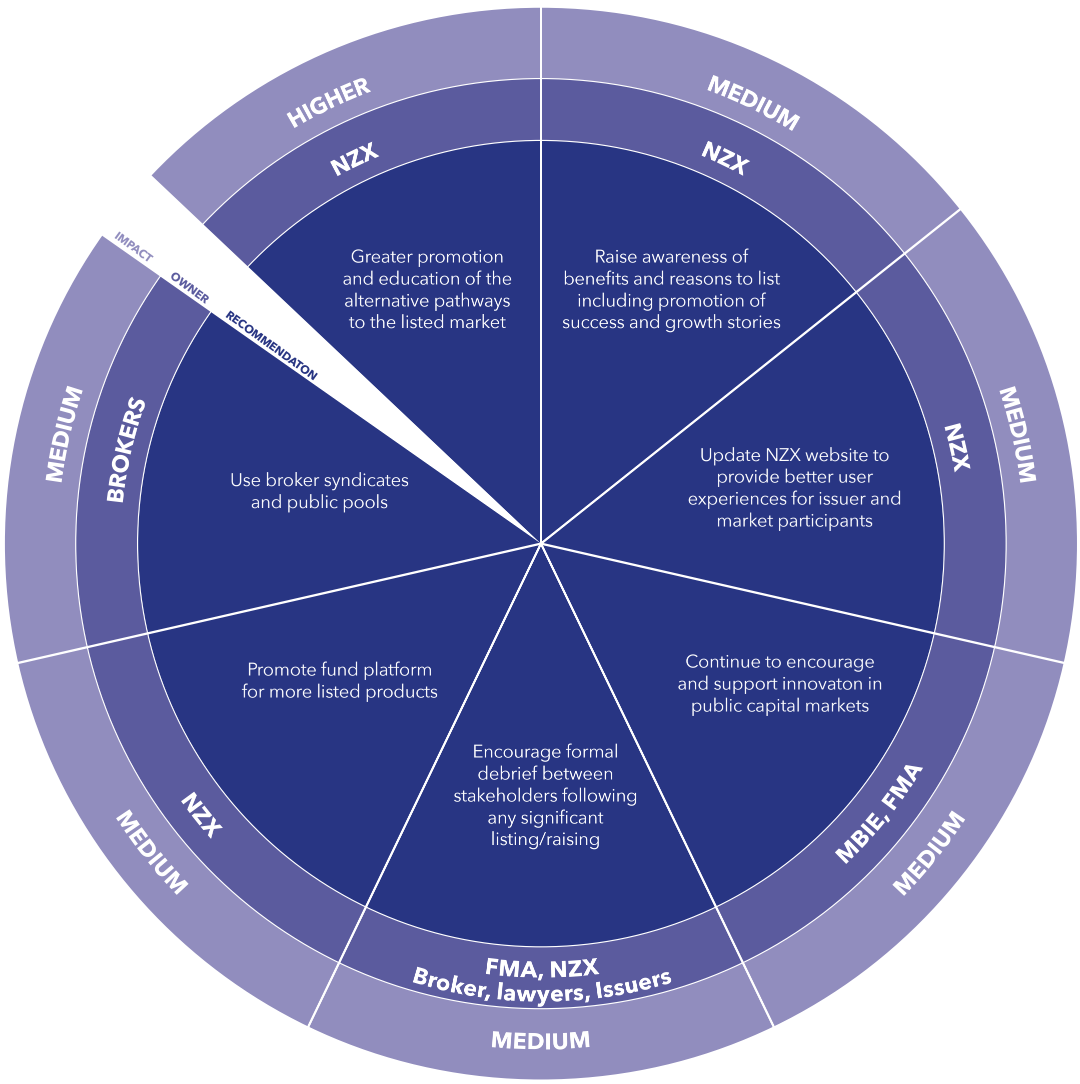
Prosperity – economic disclosures		
201-1	Economic contribution Absolute number and rate of employment Financial investment contribution	Growing New Zealand's Capital Markets and Economic Performance. See page 34
Innovation of better products and services	Total R&D expenses	
Community and social vitality	Total tax paid	Notes to the Group Financial Statements. See page 73

Capital Markets 2029

A vision and growth agenda to grow New Zealand's capital markets

The *Growing New Zealand's Capital Markets 2029* report was released in September 2019. The report identifies areas for all stakeholders to address to grow the capital markets to support New Zealand, reflecting the views of market experts and industry leaders.

The focus for NZX is to progress the recommendations for which NZX has exclusive responsibility, in particular the promotion and education of the alternative pathways to access the listed market. NZX is also committed to engaging on public policy initiatives and acting alongside other stakeholders in relation to the other recommendations in the report that relate to the broader settings for New Zealand's capital markets.



NZX's progress against recommendations within the report

GREATER PROMOTION AND EDUCATION OF THE ALTERNATIVE PATHWAYS TO THE LISTED MARKET

- Running targeted educational campaigns to promote updated Direct Listing regime
- Introduced a framework that allows NZX to prescribe disclosure document templates for Foreign Exempt listings
- Showcasing Foreign Exempt and Direct Listings via social media and other forums – for example, TradeWindow and NZ Automotive Investments

RAISE AWARENESS OF BENEFITS AND REASONS TO LIST INCLUDING PROMOTION OF SUCCESS AND GROWTH STORIES

- Increased activity via sponsorships and industry events
- Introduced a marketing package for all new listings
- Stronger social media presence
- Retail Investor Forums to connect issuers with investors

UPDATE NZX WEBSITE TO PROVIDE BETTER USER EXPERIENCES FOR ISSUER AND MARKET PARTICIPANTS

- Project is underway to update nzx.com

PROMOTE FUND PLATFORM FOR MORE LISTED PRODUCTS

- Webinars to educate and support existing and prospect fund issuers
- Increased promotion of listing option for funds

Corporate Governance

Corporate Governance

NZX's shares are quoted on the NZX Main Board. NZX also has a subordinated note quoted on the NZX Debt Market.

In this part of the annual report, we disclose the extent to which we have followed the recommendations set out in the NZX Corporate Governance Code 2020 (NZX Code). The information in this section is current as at 31 December 2021 and has been approved by the board of directors of NZX.

NZX's board is committed to maintaining the highest standards of governance by implementing a framework of structures, practices and processes that it considers reflect best practice. NZX's corporate governance policies and procedures, and its board and committee charters, document the framework and have been approved by the board.

The framework has been guided by the recommendations set out in the NZX Code and the requirements set out in the listing rules. The board's view is that NZX's corporate governance framework has followed these recommendations and requirements in the year to 31 December 2021 (reporting period).

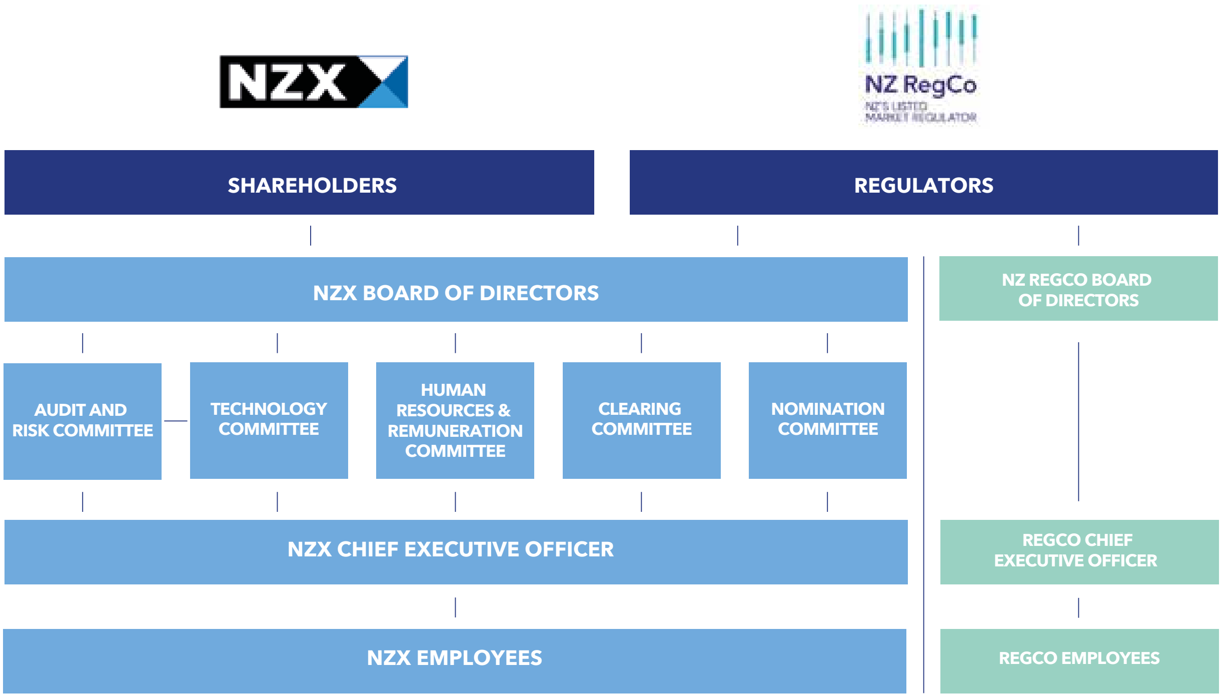
The corporate governance framework is regularly reviewed by the board against the corporate governance standards set by NZX, any regulatory changes, and developments in corporate governance practices.

The key corporate governance documents referred to in this section are available from NZX's investor centre.

NZX, with the assistance of an independent party, undertook a review of its Board committees and subsidiary corporate governance structure during the year, in order to:

- support consistent governance and utilise appropriate skill sets;
- modernise for current best practice corporate governance; and
- support efficient administration across the group.

Following this review, changes to NZX's subsidiary corporate governance and directorships were made. The following diagram summarises the NZX corporate governance framework.



NZX Regulation Limited

The exchange's regulatory functions are performed by NZX Regulation Limited (**NZ RegCo**), a separate, independently governed entity. All regulatory decision-making has been delegated to the NZ RegCo Board and NZ RegCo management.

NZ RegCo does not regulate NZX as a listed issuer, or any related entities of NZX that are subject to the exchange's market rules. This means NZ RegCo also does not regulate Smartshares (as the listed issuer of the Smartshares ETFs) or NZX Wealth Technologies (as an accredited NZX Participant). NZX and its related entities are regulated by the Special Division of the NZ Markets Disciplinary Tribunal.

NZ RegCo's functions in relation to regulation of operations on NZX's markets include:

- monitoring and enforcing compliance with NZX's market rules by issuers listed on NZX's markets;
- monitoring and enforcing compliance with the NZX Participant Rules and the NZX Derivatives Market Rules by participants operating on NZX's markets, such as NZX Firms, NZX Advisors and Trading Participants; and
- working with FMA as a co-regulator under the FMCA in relation to continuous disclosure, market manipulation and insider trading.

NZ RegCo is subject to a charter, which sets out the objectives, responsibilities and framework for the operation of NZ RegCo management and the NZ RegCo Board.

NZX Code

Principle 1 – code of ethical behaviour
Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Code of Conduct

NZX's Code of Conduct sets out the standards of conduct expected of directors (including members of committees) and employees (including secondees, contractors and consultants). The purpose of the code is to underpin and support the values that govern our individual and collective behaviour.

Training on the code is included as part of the induction process for new directors and employees.

The code requires directors and employees to promptly report material breaches of the code and sets out the procedure for doing so.

The code is reviewed at least every two years and was last reviewed in February 2022.

Financial Products Trading Policy

NZX's Financial Products Trading Policy sets out NZX's restrictions on its directors and employees buying or selling financial products. In particular:

- directors and employees may not buy or sell NZX's shares in the "blackout" periods set out in the policy (these periods occur prior to the release of NZX's financial results to the market); and
- outside of a blackout period, directors and employees must obtain consent to buy or sell NZX's shares.

Because NZX is a licensed market operator, NZX's senior managers and employees with access to market sensitive information must obtain consent to buy or sell financial products quoted on a market operated by NZX.

Training on the policy is included as part of the induction process for new directors and employees, with annual refresher training to all employees.

The policy is reviewed at least annually and was last reviewed in November 2021.

Principle 2 – board composition and performance

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Board Composition

Board Structure	Number of Directors	Gender Diversity	Average Director Tenure	Average Director Age	Diversity Characteristics
Single tier	7	5 men, 2 women	4 years, 10 months	55.9	Education qualifications, professional experience, personal achievements, geography, gender, age

Board charter

NZX's board operates under a written charter, which sets out the responsibilities and framework for the operation of the board.

The charter is reviewed at least every two years and was last reviewed in December 2020.

Management of NZX on a day-to-day basis is undertaken by the Chief Executive Officer and senior managers through a set of delegated authorities that clearly define the Chief Executive Officer's and senior managers' responsibilities and those retained by the board. The delegated authorities are set out in NZX's Delegated Authority Policy. The policy is reviewed at least annually and was last reviewed in November 2021.

The board meets its responsibilities by receiving reports and plans from management and through its annual work programme. The board uses committees to address issues that require detailed consideration. Committee-work is undertaken by directors. However, the board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

Nomination and appointment of directors

NZX has a Nomination Committee, which is responsible for reviewing candidates for appointment and re-election to the board and committees, and making recommendations to the board. An independent recruitment consultant may provide assistance in preparing a list of candidates for the committee's consideration. The committee meets with preferred candidates before making a recommendation to the board. Checks are done on candidates in accordance with NZX's Fit and Proper Policy. Key information about candidates is provided to shareholders in the notice of annual meeting.

At each annual meeting, current directors retire by rotation at least every three years as required by the NZX Listing Rules and are eligible for re-election. Any directors appointed since the previous annual meeting must also retire and are eligible for re-election.

NZX uses a skills matrix when selecting candidates for appointment and re-election to the board. The skills matrix outlines the ideal mix of skills, experience and diversity needed to ensure the board is equipped to provide the high standards of corporate governance required to lead NZX. If the board determines that new or additional skills are required, training is completed or a formal recruitment process is undertaken.

The matrix assesses directors against the following criteria:

– strategy and performance – expertise in respect of stock exchanges, data information, media, technology and business operations;
– quality committee leadership – skills to serve on NZX's committees; and
– connectivity to stakeholder groups – connectivity to stakeholder groups such as regulators or government, the Electricity Authority, listed issuers, brokers or institutional and retail investors.

Based on these criteria, the board considers that its members currently have the balance of independence, skills, knowledge, experience and perspectives necessary to lead NZX.

Written agreement

NZX provides a letter of appointment to each newly appointed director setting out the terms of their appointment. The letter includes information regarding expected time commitments, the board's responsibilities, remuneration, independence requirements, disclosure requirements, confidentiality obligations, indemnity and insurance provisions, intellectual property rights and cessation of appointment.

Director information

The board currently comprises seven directors with diverse backgrounds, skills, knowledge, experience and perspectives. All directors are non-executive and independent.

Information in respect of directors' ownership interests is available on page 114. NZX's directors are not formally required to own NZX shares, but are encouraged to do so.

Diversity

NZX's Diversity and Inclusion Policy sets out how NZX will set measurable objectives for achieving diversity and inclusion, and how it will assess its progress towards achieving these objectives.

The policy is reviewed at least annually and was last reviewed in February 2022. Further details on NZX's diversity and inclusion are outlined on page 11.

DIRECTOR TRAINING

Directors are expected to understand NZX's operations and undertake training and education to enable them to effectively perform their duties. This can include:

- attending management presentations in respect of NZX's operations;
- attending presentations on changes in governance, legal and regulatory frameworks;
- attending technical and professional development courses;
- attending presentations from industry experts and key advisers;
- attending the World Federation of Exchanges (WFE) conferences of which NZX is a member; and
- receiving regular educational materials.

NZX continues to support the Institute of Directors' Future Director Programme, with Victoria Newman appointed as NZX's Future Director from 1 July 2021 until 31 December 2022.

ASSESSMENT OF BOARD PERFORMANCE

A detailed board evaluation was conducted in 2020 to review the performance of the board and committees across key areas, including strategy, risk management, board processes and monitoring organisational performance. This process was run by external and independent governance experts. The key findings of the process, including questionnaire responses, were reviewed by the board.

The review found that NZX's board and management are aligned strategically, including with respect to growth businesses. The review also found that progress had been made since the 2018 review in a number of governance areas including board committees, stakeholder engagement and risk management. In addition, a number of opportunities were also identified for the board to continue to develop and enhance performance.

SEPARATION OF THE CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

NZX's board chair is a different person to NZX's Chief Executive Officer.

Principle 3 – committees

The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

COMMITTEES AND MEMBERS

The board uses committees where specialist skills and experience are required. As at 31 December 2021, five standing committees have been established to assist the board on matters falling within their areas of responsibility. Each committee has authority to undertake any activity set out in its charter or as authorised by a separate resolution of the board.

The board and five committees and the members of each as at 31 December 2021 are set below.

Board and committees (as at 31 December 2021)

Board of Directors

- James Miller (Chair)
- Frank Aldridge
- Nigel Babbage
- Richard Bodman
- Elaine Campbell
- John McMahon
- Lindsay Wright

Committees

Core Committees				
Audit and Risk Committee	Human Resources and Remuneration Committee	Nomination Committee	Clearing Committee	Technology Committee
Lindsay Wright (Chair) Richard Bodman John McMahon	Frank Aldridge (Chair) Lindsay Wright James Miller Elaine Campbell	James Miller (Chair) Frank Aldridge Nigel Babbage	Nigel Babbage (Chair) Richard Bodman Elaine Campbell Frank Aldridge	John McMahon (Chair) Richard Bodman Peter Jessup

Director meeting attendance

		Core Committees				
Director	Board	Audit and Risk Committee	Human Resources and Remuneration Committee	Nomination Committee	Technology Committee	Clearing Committee
Frank Aldridge[1]	7/7	–	4/4	1/1	–	1/2
Nigel Babbage[3]	7/7	–	1/1	–	–	4/4
Richard Bodman	7/7	7/7	–	–	7/7	4/4
Elaine Campbell	7/7	–	4/4	–	–	4/4
Jon Macdonald[2 3]	2/2	2/2	1/1	–	1/1	–
John McMahon[1]	7/7	7/7	–	–	7/7	2/2
James Miller	7/7	7/7	4/4	1/1	–	–
Lindsay Wright[3]	7/7	7/7	1/1	1/1	–	-

1. John McMahon retired from the Clearing Committee between 16 June 2021 and 10 September 2021. Frank Aldridge joined the Clearing Committee between 16 June 2021 and 10 September 2021.
2. Jon Macdonald resigned as a director of NZX effective from 9 April 2021. Following his resignation, Jon Macdonald retired from the Audit and Risk Committee, Human Resources and Remuneration Committee and the Technology Committee.
3. There were four Human Resources and Remuneration Committee meetings in 2021 (in February, May, September and December). Jon Macdonald attended one meeting in February as a member of the committee before he resigned as a director of NZX effective from 9 April 2021. Nigel Babbage was appointed as a member of the committee effective from 25 June 2021 to replace Jon Macdonald and attended one meeting in September before he retired from the committee effective from 24 November 2021. Lindsay Wright was appointed as a member of the committee effective from 24 November 2021 and attended one meeting in December.
4. In addition to the scheduled full day board meetings, the board held 5 additional meetings via VC during the year in relation to corporate governance reviews and consideration of strategic initiatives.
5. In addition to the scheduled meetings, the Audit and Risk Committee held an additional meeting via VC during the year in relation to FY21 earnings guidance.
6. In addition to committee attendance, NZX directors may also sit on subsidiary boards. Elaine Campbell is a director of NZX Regulation Limited and attended 7/7 board meetings. Lindsay Wright was a director and chair of Smartshares Limited until 24 November 2021 and attended 10/11 board meetings. John McMahon and Richard Bodman were directors of NZX Wealth Technologies Limited until 24 November 2021 (Mr Bodman as chair) and attended 10/10 board meetings.

External committee member meeting attendance

Committee member	Board	Audit and Risk Committee	Human Resources and Remuneration Committee	Nomination Committee	Technology Committee	Clearing Committee
Peter Jessup[1]	–	–	–	–	6/6	–

1. Peter Jessup was appointed to the Technology Committee on 8 April 2021 and attended all six Technology Committee meetings that occurred after his appointment.

Audit and Risk Committee
NZX's Audit and Risk Committee assists the board to fulfil its responsibilities in relation to the NZX Group's financial practices and reporting, internal control environment, internal audit, external audit and risk management. The committee operates under a written charter, which sets out the responsibilities and framework for the operation of the committee. The charter is reviewed at least every two years and was last reviewed in December 2020.

The committee must be comprised solely of NZX directors, have a minimum of three members, have a majority of members that are independent directors and have at least one director with an accounting or financial background. The current composition of this committee complies with these requirements.

The committee's chair, Lindsay Wright, holds a bachelor of commerce degree from the University of Auckland majoring in finance and accounting, and has previously held the role of CFO of Deutsche New Zealand (previously Bankers Trust) and was also formerly Chair of the Audit Committee for the New Zealand Superannuation Fund. Lindsay's full biography is on page 23.

The committee chair and the board chair are different people.

Management may only attend meetings at the invitation of the committee and the committee routinely has committee-only time and time with the external and internal auditors without management present.

Human Resources and Remuneration Committee
NZX's Human Resources and Remuneration Committee assists the board in overseeing the management of the human resources activities of NZX, including the remuneration of employees. The committee operates under a written charter, which sets out the responsibilities and framework for the operation of the committee. The charter is reviewed at least every two years and was last reviewed in December 2020.

The committee must have a majority of members that are independent directors. The current composition of this committee complies with this requirement.

Management may only attend meetings at the invitation of the committee.

Nomination Committee
NZX's Nomination Committee assists the board in identifying and recommending to the board individuals for nomination as directors and members of committees. The committee operates under a written charter, which sets out the responsibilities and framework for the operation of the committee. The charter is reviewed at least every two years and was last reviewed in December 2020.

The committee must have a majority of members that are independent directors. The current composition of this committee complies with this requirement.

Management may only attend meetings at the invitation of the committee.

Technology Committee
NZX's Technology Committee was formed in 2020 and assists the board in oversight of the role and use of technology in executing NZX's strategy (including ICT recommendations from Capital Markets 2029), meeting regulatory requirements and standards and in supporting the function of the markets operated and cleared by NZX Clearing. The Technology Committee oversees NZX technology risk and supports the Audit and Risk committee in its overall group risk management obligations. The committee operates under a written charter, which sets out the responsibilities and framework for the operation of the committee. The charter was last reviewed in April 2021.

The committee must have three members. The committee may have a non-director as a member (who must have skills and experience relevant to the operation of the Committee). The current composition of this committee complies with these requirements.

Clearing Committee
The Clearing Committee assists the board in ensuring that New Zealand Clearing Limited has adequate risk capital to meet its obligations as the central counterparty clearing house for NZX Clearing. The committee operates under a written charter, which sets out the responsibilities and framework for the operation of the committee. The charter is reviewed at least every two years and was last reviewed in June 2021.

The committee must have a minimum of three members. The committee may have a non-director as a member (who must have skills and experience relevant to the operation of the committee). The current composition of this committee complies with these requirements.

TAKEOVER PROTOCOL
NZX's Takeover Protocol sets out the procedure to be followed if there is a takeover offer for NZX.

The protocol is reviewed at least every two years and was last reviewed in August 2020.

Principle 4 – reporting and disclosure

The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

CONTINUOUS DISCLOSURE

NZX's Continuous Disclosure Policy sets out NZX's arrangements to ensure material information is identified, reported, assessed and, where required, disclosed to the market in a timely manner.

NZX is committed to ensuring the timely disclosure of material information about the NZX Group and to ensuring that NZX complies with the NZX Listing Rules.

It is the responsibility of the board to monitor compliance with the Continuous Disclosure Policy. The board considers at each board meeting whether any information discussed at the meeting requires disclosure.

The policy is reviewed at least annually and was last reviewed and updated in November 2021.

CHARTERS AND POLICIES

The key corporate governance documents referred to in this section, including policies and charters, are available from NZX's investor centre.

FINANCIAL REPORTING

NZX is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders which reflects a considered view on its present and future prospects.

The Audit and Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews NZX's 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.

NZX has published its full and half-year financial statements that were prepared in accordance with relevant financial standards. The full year financial statements are set out on pages 68 to 106.

The Chief Executive and Chief Financial Officer have confirmed in writing to the board that NZX's external financial reports present a true and fair view in all material aspects.

NON-FINANCIAL REPORTING

NZX releases data on its non-financial performance metrics each month through its monthly shareholder metrics publications. It also releases quarterly revenue and shareholder metrics, and regulation metrics representing the key features of NZX's activities in regulating its markets.

This year NZX has continued to integrate its non-financial reporting and disclosures to align with its financial performance and strategy.

To support this, and provide increased clarity for shareholders and the market on our financial performance and execution of strategy, a series of five year financial and non- financial targets are now being reported.

Further information is available from the NZX investor centre.

Principle 5 – remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

DIRECTORS' REMUNERATION

Shareholders fix the total remuneration available for NZX directors. The annual fee pool limit is $435,000 and was approved by shareholders at the annual meeting in April 2012.

The current fees paid to NZX's directors are $50,000 per annum for directors and $100,000 for the chair. Directors are not paid additional fees for being members of committees or directors of subsidiaries.

Total remuneration received by each director in 2021 is set out in Note 5 of the Statutory Information section on page 112.

External committee member remuneration is set out below.

External committee member remuneration

Committee member	Committee member fees
Peter Jessup	$30,000

Directors do not receive any performance or equity based remuneration, or superannuation or retirement benefits. This reflects the difference in the role of the directors, which is to provide oversight and guide strategy, and the role of management which is to operate the business and execute NZX's strategy.

REMUNERATION POLICY

NZX's Remuneration Policy sets out the principles which apply to the remuneration of NZX's directors and employees. In particular, director remuneration is paid in the form of director fees, while employee remuneration will include a mix of the following components:

- fixed remuneration (which includes base salary and KiwiSaver employer contributions);
- short-term incentive plan (which is available to senior employees);
- long-term incentive plan (which is available to members of NZX's executive team and senior management); and
- a one-off grant of $1,000 of NZX shares when an employee starts at NZX to ensure that all employees are shareholders.

The policy is reviewed at least annually and was last reviewed in February 2022.

NZX's short-term incentive plan is performance based, with any short-term incentive plan payment being conditional on (1) NZX's financial performance; (2) the business unit's financial and operational performance; and (2) the employee's individual performance.

Potential short-term incentive plan payments are generally between 15% and 25% of base salary, depending upon the employee's seniority and role.

Under NZX's long-term incentive plan, executive team members and senior managers may be awarded NZX share rights which may convert to shares based on NZX's long-term (generally three year) performance. The plan is designed to:

- align managers' rewards with improvement in shareholder value;
- achieve business plans and corporate strategies;
- reward performance improvement; and
- retain key skills and competencies.

Chief Executive Officer remuneration

Mark Peterson commenced his role as NZX's Chief Executive Officer on 10 April 2017 and his employment term is to April 2024.

Mark Peterson's remuneration is a mix of base salary and short term and long-term incentive plan components.

Mark Peterson's base salary for 2021 was $600,000 and potential short-term incentive plan payment for 2021 was $600,000 ($300,000 for on-target performance). Mark Peterson's actual short-term incentive plan payment for 2021 was $600,000, this will be paid in February 2022. Mark Peterson's 2021 STI comprised two components. The first component was based on NZX's financial performance against target. The second component was based on delivery against the key elements of the five year strategic plan which included refocusing the business on the core markets business, building on the growth opportunities, leading the business effectively and further developing our market engagement.

Mark Peterson is currently allocated share rights under NZX's long-term incentive plan:

- The initial allocation in April 2017 (with a vesting date in April 2022) has a value equivalent to $250,000 per annum. Vesting is dependent on NZX meeting performance hurdles in respect of NZX's total return to shareholders and its earnings per share for the prior five year period, and on Mark Peterson remaining an employee at the applicable vesting date; and
- A further allocation on the extension of Mark Peterson's employment term in September 2021 (with a vesting date in April 2024) has a value equivalent to $387,100 per annum. Vesting is dependent on NZX meeting performance hurdles in respect of NZX's total return to shareholders for the prior two year seven months period, and on Mark Peterson remaining an employee for the duration of the vesting period.

Principle 6 – risk management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

RISK MANAGEMENT FRAMEWORK

The board is responsible for the establishment and oversight of NZX's risk management framework, together with setting NZX's overall risk tolerance.

Significant risks are discussed at each board meeting, or as required.

The board has established an Audit and Risk Committee with responsibility to:

- review and provide feedback in respect of the principal risks set out in NZX's risk register;
- ensure that management has established a risk management framework which includes policies and procedures to effectively identify, manage and monitor NZX's principal risks; and
- monitor compliance with, and assess the effectiveness of, the risk management framework.

The committee reviews the risk register every quarter. The committee also reviews the risk management framework annually. The committee receives reports on the operation of risk management policies and procedures.

The executive team and senior management are required to regularly identify the major risks affecting the business, record them in the risk register and develop structures, practices and processes to manage and monitor these risks.

NZX maintains insurance policies that it considers adequate to meet its insurable risks.

The board is satisfied that NZX has in place a risk management framework to effectively identify, manage and monitor NZX's principal risks, including a Risk Appetite Statement, Conflict Management Policy, Continuous Disclosure Policy, Delegated Authority Policy, Financial Products Trading Policy, Fit and Proper Policy, IT Acceptable Use Policy and Protected Disclosures Policy.

NZX engages EY to carry out internal audit functions on various parts of its operations, including assessing the effectiveness of NZX's risk management policies and procedures. Additionally, independent assurance is provided and reviews are undertaken on matters such as risk capital, operational controls, IT/software security and anti-money laundering procedures.

KEY RISKS

NZX's material risks for 2021 and how these are being managed are outlined and discussed on pages 56 to 57.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER ASSURANCE

The Chief Executive Officer and Chief Financial Officer have provided the board with written confirmation that NZX's 2021 financial statements are founded on a sound system of risk management and internal compliance and control; and that all such systems are operating efficiently and effectively in all material respects.

Principle 7 – auditors

The board should ensure the quality and independence of the external audit process.

NZX's Audit and Risk Committee makes recommendations to the board on the appointment and removal of the external auditor. 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. An External Auditor Independence Policy sets out the services that may or may not be performed by the external auditor. This policy was last reviewed in May 2021.

The committee regularly meets with the external auditor to approve their terms of engagement, audit partner rotation (at least every five years) and audit fee, and to review and provide feedback in respect of the annual audit plan. A comprehensive review and formal assessment of the independence and effectiveness of the external auditor is undertaken periodically. The committee routinely has time with NZX's external auditor, KPMG, without management present.

KPMG attends the annual meeting, and the lead audit partner is available to answer questions from shareholders at that meeting. KPMG attended the 2021 annual meeting.

KPMG has provided the Audit and Risk Committee with written confirmation that, in their view, they were able to operate independently during the year.

NZX has appointed EY to perform a number of internal audit functions. The Audit and Risk Committee is responsible for overseeing the independence and objectivity of the internal audit function and for reviewing and monitoring the internal audit work plan, reports from internal audit and management responses. The committee routinely has time with EY without management present.

Principle 8 – shareholder rights and relations

The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

INFORMATION FOR SHAREHOLDERS

NZX seeks to ensure that investors understand its activities by communicating effectively with them and giving them access to clear and balanced information.

The key information channels are NZX's website, announcements and media releases, social media channels, the annual and interim report, investor days and the annual meeting.

NZX's investor centre contains annual and interim reports, investor presentations, dividend information and other information relating to NZX (including key corporate governance documents).

COMMUNICATING WITH SHAREHOLDERS

NZX's investor centre sets out NZX's Chief Financial Officer's and Head of Communication's contact details for communications from shareholders. NZX responds to all shareholder communications within a reasonable timeframe.

NZX provides options for shareholders to receive and send communications electronically, to and from both NZX and its share registrar.

SHAREHOLDER VOTING RIGHTS

In accordance with the Companies Act 1993, NZX's Constitution and the NZX Listing Rules, NZX refers major decisions which may change the nature of NZX to shareholders for approval.

NZX conducts voting at its shareholder meetings by way of a poll and on the basis of one share, one vote. Further information on shareholder voting rights is set out in NZX's Constitution.

NOTICE OF ANNUAL MEETING

NZX's annual meeting was held on 8 April 2021. The notice of the meeting was released to the market on 9 March 2021 and announced on NZX. This met recommendation 8.5 of the NZX Code to provide at least 20 working days' notice of the meeting. Going forward, the notice of meeting will also be posted in the NZX Investor Centre, in full compliance with recommendation 8.2. The 2022 meeting will be held on 6 April 2022 in Auckland. A webcast of the meeting will be made available to shareholders.

Risk Reporting

Risk Reporting

Risk	The risk and its impact	How we are responding
Strategic	Strategic risks that NZX faces include the composition of our business and the strategic direction we choose to take, changes in financial markets and the business environment to adapt our strategy and, where appropriate, react	– We set a five-year strategy in 2017 which established our strategic direction through 2023. We regularly revisit this strategy, most recently in 2021 and we report progress annually through our Investor Presentations – Our strategy includes diversifying operating earnings and building resilience into our business model – We engage with a broad range of stakeholders and monitor changes in the business environment to adapt our strategy and react as a 'fast follower' as needed – We monitor business unit performance to identify opportunities and issues early and address any people and resourcing risks – We publish monthly operating metrics and quarterly revenues to enhance the monitoring of performance
Financial	Financial risks arise through various sources including: – adverse strategic decisions (including inappropriate resource allocation); – general market risk – including lower numbers of listed issuers, less listing and capital raisings, lower levels of trading activity, market capitalisation declines; – counterparty credit risk in operating the clearing house; and – operational errors, undetected fraud or poor execution of projects that are designed to deliver the strategy	– We assess our financial risks from both a strategic and operational perspective – We manage balance sheet and counterparty risks to an acceptable level through a framework of policies and financial controls – We regularly monitor an extensive range of financial metrics and risks across all our business units – The counterparty credit risk associated with NZX's clearing function is managed by the clearing house's risk management framework, which is aligned to international practice. This model ensures that the clearing house holds sufficient prefunded capital to manage the default of the largest participant in extreme but plausible conditions. – We have a governance framework including a delegated authority policy which sets limits and outlines authority for committing NZX to expenditure – We have people, policies, processes, systems, controls and procedures in place designed to meet our operational expectations and benchmarks, and ensure project delivery effectiveness
Information Technology / Cybersecurity Risk	Information technology plays a critical role for our business. We recognise we are an important component to the New Zealand Capital markets IT risk arises when the technology is not reliable or available and/or does not operate accurately. The technology environment must also be secure and resilient to external cyber threats which are evolving at an ever-increasing pace. The technology environment is also dependent on other participants in the Capital Markets ecosystem	– We seek to have appropriate processes, procedures and resources in place to manage IT / Cybersecurity risks. We acknowledge the impact of technology related issues remains an area of critical focus and ongoing investment – We will continue to manage against cyber risks; acknowledging that cybersecurity activities and mitigation activities need to continually evolve in a constantly changing environment. We provide staff with cybersecurity training at regular intervals throughout the year – Within the context of a need for continuous improvement, we now actively monitor our key systems with regular reviews of availability against service levels (where applicable) and targets. Regular testing is performed on key systems / services to determine throughput and capacity and we aim to enhance our systems in a timely manner – Observability, tools and processes are critical to ensuring our ongoing performance and monitoring of critical applications. This will be a priority in 2022 – We seek to have contingency plans in place for disruptions or a loss of service to Tier 1 technology systems. As part of our enhancement plans, we intend to hold crisis planning across the capital markets ecosystem and improve our crisis incident management and communications with the market and other stakeholders – We replace ageing technology as part of lifecycle management; this is undertaken in a planned / phased approach to system architecture with security, future capacity, growth and supportability driving key design decisions – We seek to maintain active engagement with our vendor partners who provide critical systems and applications, with a key focus on ensuring partners and suppliers understand our business, objectives and criticality of all market operations – We have a disaster recovery testing program in place, including at least annually for financial markets systems / operations – We have a Technology Committee (a committee of the NZX Board) as well as a Cybersecurity Management Committee and cybersecurity strategy and response plan. – We have measures in place to identify and protect against data security threats – We are progressing engagement with the capital markets ecosystem through the introduction of the Technology Working Group to develop an IT roadmap for the future and to improve our engagement with the market on technology issues – We develop and train our staff and seek to have suitably qualified and experienced information technology staff – We ensure our stakeholders and regulator is informed and kept up to date on our strategy and roadmap

Risk	The risk and its impact	How we are responding
Compliance, Legal & Regulatory	Risk that NZX breaches its compliance, legal and ethical conduct obligations (including for example NZX's licensed market operator license, MIS license, supervisor, regulatory and customer commitments) leading to reputational damage, adverse regulatory outcomes, fines or breach of contract	– We seek to mitigate compliance, legal and regulatory risks through practicing good corporate governance and adherence to internal policies and procedures – We train and educate our operational staff, so they understand the obligations applicable to their role, and the related requirements, policies and procedures – We have regular independent audits and periodic reviews of our adherence to compliance, legal, regulatory and contractual obligations – We aim to engage with government, regulators and industry participants, at management, CEO and Board level, on market structure issues to promote the best and most efficient industry-wide outcomes – Where appropriate, we address regulatory concerns by developing and implementing action plans with the regulators – We include structural separation of NZX's commercial and regulatory roles as part of our regulatory model. The regulation function is carried out by an independently governed agency and ensures enhanced conflicts management arrangements between NZX's commercial and regulatory roles.
Customer & Stakeholder	Risk that NZX does not focus on customers to ensure appropriate customer outcomes	– We acknowledge the importance of customers within our strategy. The Group is structured around diverse customer segments in a complex ecosystem – We aim to consider the impact of NZX-driven changes on our customers, and we provide sound basis for the change alongside appropriate levels of communication – We aim to have regular and open engagement with customers and wider stakeholders to seek feedback on our performance and their satisfaction – We recognise the balance that is required between the requirements of the market and the cost to our customers – We track all our communications with our customers to ensure that there is a record of what is discussed and what follow up is required
Operational / Business Continuity	The risk of unexpected failure in the day-to-day operations caused by technical failure or people or processes	– We routinely review and refine our operational procedures and controls – We routinely assess how we can make improvements to the resilience and reliability of our operations, with an ongoing focus on automation – We have regular training and suitably qualified and experienced operational staff – We cross train both within and across operational teams to ensure maximum coverage for issues related to people availability in specific locations – We have regular independent audits and periodic reviews of our operational processes and activities – We have business continuity plans that are tested at regular intervals and have in place remote working procedures – We have an incident management framework requiring that timely attention be paid to rectifying incidents as they occur. Post incident review ensures learnings from incidents are implemented
Reputational	Confidence in the market is critical, hence the risk arising from negative perception on the part of both existing and prospective customers, employees, counterparties, regulators or other stakeholders can adversely affect NZX's ability to maintain existing, or establish new customer relationships	– We recognise NZX has a leadership role to perform across the capital markets ecosystem – Understanding the importance of our reputation and protecting it is a core component of our decision making and actions – We aim to have regular and open engagement with customers and wider stakeholders to seek feedback on our performance – Where appropriate, we interact with our regulators and government at management, CEO and Board level to facilitate thorough coverage of issues – We sponsored Capital Markets 2029 which was an industry-led initiative to identify opportunities to grow New Zealand's capital markets. This included receiving feedback from market participants on the perception of NZX and its role as market operator
Human Resources (including Culture, Conduct and Health & Safety)	Culture influences how management and staff behave on a daily basis, and enables NZX to deliver on strategy. An effective culture within NZX includes consistently putting customers at the centre of decision-making, product design, sales and advice processes, and all day-to-day activities	– We seek to operate a healthy, open, respectful culture where teamwork, diverse thought, challenge and clarity of decisions are all embraced – Our company values are based on Integrity, Resilience, Openness, Creativity and Delivery – We seek to operate to best practice HR and Health & Safety standards – We are committed to continually evolving and promoting an effective risk management culture that creates an environment of risk awareness and responsiveness – Our people are expected to uphold a high standard of professionalism and integrity. Employees must adhere to a Code of Conduct setting out our company values, legal obligations and policies. – We regularly measure and monitor employee engagement via employee engagement surveys and set action plans for continuous improvement

Management Commentary

Management Commentary

Overview

A breakdown of NZX's financial results by business unit is summarised in the following table:

	Operating Revenue			Operating Expenses			Operating Earnings (EBITDA)[1]			Operating Margin		FTEs	
	2021	2020	Change	2021	2020	Change	2021	2020	Change	2021	2020	2021	2020
	$000	$000	%	$000	$000	%	$000	$000	%				
Capital Markets Origination	15,815	15,192	4.1%										
Secondary Markets	27,747	27,343	1.5%										
Data & Insights	17,453	16,146	8.1%										
Markets Sub-total	**61,015**	**58,681**	**4.0%**	**18,648**	**15,451**	**(20.7%)**	**42,367**	**43,230**	**(2.0%)**	**69.4%**	**73.7%**	**81.9**	**75.4**
Funds Management	18,838	13,669	37.8%	9,648	8,071	(19.5%)	9,190	5,598	64.2%	48.8%	41.0%	68.4	52.8
Wealth Technologies	4,397	2,425	81.3%	4,013	2,689	(49.2%)	384	(264)	245.5%	8.7%	(10.9%)	65.8	55.7
Corporate Services[2]	85	205	N/A	16,454	14,594	(12.7%)	(16,369)	(14,389)	(13.8%)	N/A	N/A	59.3	55.9
NZX Commercial Operations Sub-total	**84,335**	**74,980**	**12.5%**	**48,763**	**40,805**	**(19.5%)**	**35,572**	**34,175**	**4.1%**	**42.2%**	**45.6%**	**275.4**	**239.8**
Regulation	3,620	3,446	5.0%	3,413	3,225	(5.8%)	207	221	(6.3%)	N/A	N/A	17.3	17.5
NZX Group Total Excl. Acquisition Costs	**87,955**	**78,426**	**12.2%**	**52,176**	**44,030**	**(18.5%)**	**35,779**	**34,396**	**4.0%**	**40.7%**	**43.9%**	**292.7**	**257.3**
Acquisition Costs	-	-	N/A	1,352	-	N/A	(1,352)	-	N/A	N/A	N/A	-	-
NZX Group Total	**87,955**	**78,426**	**12.2%**	**53,528**	**44,030**	**(21.6%)**	**34,427**	**34,396**	**0.1%**	**39.1%**	**43.9%**	**292.7**	**257.3**

1 Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, loss on disposal of assets, and gain on lease modification. Operating earnings is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

2 Corporate Services provides accommodation, legal, accounting, IT, HR and communications and marketing support to the other business units. Related costs are currently not recharged to these commercial business units and subsidiaries (other than NZ RegCo).

Operating earnings (EBITDA) increased 0.1% to $34.427 million. On a like for like basis operating earnings (EBITDA) excluding one-off acquisition costs ($1.352 million) increased 4.0% to $35.779 million, with:

- operating revenue increasing 12.2% to $87.955 million; and
- operating expenses, excluding acquisition costs, increasing 18.5% to $52.176 million.

The operating revenue and operating expenses are discussed in the following pages.

The Investor Presentation (refer https://www.nzx.com/about-nzx/investor-centre/reports-and-disclosure) provides a detailed summary of the financial results by business unit.

Key Metrics

The key metrics for 2021 as outlined in the Investor Presentation in February 2021 are summarised in the table below:

		External Dependencies	2021 Targets	2021 Actual[1]
NZX Group	Operating earnings excluding acquisition costs[2]		$32.0 - $35.5 million	$35.8 million (up 4.0%)
Core Markets				
Capital Markets Origination	Capital raised (total primary and secondary capital issued or raised for Equity, Funds and Debt)	• Listing ecosystem dependent on others • No major market correction	$10.0 billion	$19.8 billion (up 12.1%)
Secondary Markets	Total value traded	• Participant activity levels drive value traded • No major market correction	$45.0 billion	$52.4 billion (down 2.4%)
	Dairy Derivatives lots traded	• Participant activity levels drive lots traded	0.40 - 0.50 million lots	305,937 lots (down 15.2%)
Data & Insights	Revenue growth (in subscriptions, licenses and dairy subscriptions changing revenue mix)	• Dependent on core markets growth	Average revenue growth: 5.0%	$17.5 million (up 8.1%)
Funds Management	Total Funds Under Management	• Investment market returns impacts FUM (all asset classes) • No major market correction	Continue 3-year rolling average growth: 14%	$6.54 billion (up 28.8%. Average FUM for year up 37.0%)
Wealth Technologies	Total Funds Under Administration	• Investment market returns impacts FUA (all asset classes) • No major market correction	Migrate new clients onto the platform	$11.02 billion (up 53.2%. Average FUA for year up 138.3%)

1 Percentage changes represent the movement for the year 2020 to 2021, except Funds Under Management and Funds Under Administration which are the movements in balances as at 31 December 2020 to 31 December 2021.
2 Operating earnings (EBITDA) are before net finance expenses, income tax, depreciation, amortisation, loss on disposal of assets, and gain on lease modification. Operating earnings is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

Operating Revenue

Capital Markets Origination (formerly Issuer Relationships)

Annual listing fees paid by NZX's equity, debt and fund issuers are driven by the number of listed issuers and equity, debt and fund market capitalisations. Annual listing fees have been positively impacted by the growth in both equity market capitalisation and the value of debt instruments.

Primary listing fees are paid by all issuers at the time of listing. The primary drivers of this revenue are the number of new listings and the value of capital listed. Primary listing fees in the year have been driven by equity and retail debt listings; with total new capital listed of $10.75 billion up 79.7% on last year.

Secondary issuance fees are paid by existing issuers when they raise additional capital through placements, rights issues, the exercise of options, dividend reinvestment plans, or further debt issues. The primary drivers for this revenue are the number of secondary issuances and the value of secondary capital raised. Secondary issuance fees in the year reflect a lower level of equity recapitalisations and retail debt issuances; with total additional capital raised of $9.02 billion down 22.6% on last year, when equity recapitalisations peaked during the 2020 COVID lockdown.

Secondary Markets

Participant services revenue is charged to Market Participants (broking, clearing and advisory firms) that are accredited for NZX's equity, debt and derivatives markets. The total number of Market Participants decreased to 32 (2020: 34), with the resignation of Tiger Brokers (NZ) Limited and the amalgamation of OM Financial Limited into Jarden Securities Limited.

Securities trading revenue comes from the execution of trades on NZX's equity and debt markets. Securities clearing revenue relates to clearing and settlement activities, and related services such as OTC settlement and registry messaging services provided to Market Participants. The largest component is clearing fees which are based on the value of settled transactions.

Securities trading and clearing revenue decreased as:

- the total value traded and cleared ($52.4 billion) is 2.4% lower than last year, when record levels occurred during the 2020 COVID lockdown;
- securities trading revenue was adversely impacted by uncharged value traded (mainly caused by large index rebalance trading days where fees on value traded exceeds the fee cap), which increased to 10.1% (2020: 7.5%); and
- lower levels of clearing margin and clearing penalties, partially offset by higher levels of depository registry transfer fees.

Dairy derivatives revenue relates to trading, clearing and settlement fees for trading NZX dairy futures and options. The fees are largely charged in USD (reflecting the global nature of the market) per lot traded. Dairy derivatives revenue decreased in line with the 15.2% lower lots traded, which were impacted by the low volatility of GDT prices during the year.

Contractual and consulting and development revenue arises from the operation of New Zealand's electricity market (under a long term contract with the Electricity Authority), the Fonterra Shareholders' Market (under a contract with Fonterra) and the carbon managed auction service (under a contract with the Ministry for the Environment). Consulting and development revenue includes:

- Electricity market - enhancements to the electricity market systems, including the market real time pricing project, which is due for completion in 2023; and
- Carbon market - development of the carbon managed auction service, which was completed in the current year.

Data & Insights

Royalties from terminals relates to the provision of markets data to data resellers who distribute data to their customers. The royalties from terminals increased by 13.2% from growth in professional terminal numbers, which was partially offset by a decrease in retail terminals which peaked during the 2020 COVID lockdown.

Subscriptions and licences relate to the provision of markets data to other participants in the capital markets (e.g. non-display applications). The subscriptions and licences revenue increase of 2.1% reflects the continued growth in data usage and ability to capture licence revenue streams post audit (resulting in increased higher value license numbers).

Audit and back dated licencing revenue remained high at $1.24 million (2020: $1.07 million) due to continued high levels of audit activity.

Dairy data subscriptions relate to the sale of dairy data and insight products. Dairy data subscription revenue has stabilised after a churn period of dairy subscriptions post disposal of the agri-businesses.

Indices revenue relates to the revenue generated on index licensing in partnership with S&P. The indices business has grown over the last few years, driven through an increase in funds using the indices as benchmarks across the funds management market and additional index data clients.

Connectivity revenue relates to the provision of connectivity and access to NZX systems for participants and data vendors. Connectivity revenue has increased in line with increased connectivity requirements from both participants and data vendors.

Funds Management

Funds management revenue is generated from:

- Funds under management based revenue which relates to variable funds under management (FUM) fees net of fund expenses. Fund expenses include a combination of fixed costs (principally outsourced fund accounting and administration costs, registry fees and audit fees), and variable costs proportionate to FUM (principally custodian fees, trustee fees, index fees, settlement costs and third party manager fees);

- Member based revenue which includes fixed membership administration fees and other member services.; and

- Other revenue, for example interest income, insurance service fees and stock lending and borrowing service fees.

FUM based revenue (net of fund expenses) has increased 36.6% driven by higher average FUM (up 37.0%) over the year, arising from a combination of market returns and positive net cash flows ($1,011 million), including the initial transfer of $385 million into our new KiwiSaver Default Scheme. FUM at 31 December 2021 has grown to $6.54 billion up 28.8% on last year.

Member based revenue has increased, reflecting a mix of increased investor / member numbers, a reduction in some annual admin fees charged to members effective from 1 April 2021, and the prior year including a historical pricing provision.

Other revenue is slightly down on the prior year, having been impacted by the low OCR rate, partially offset by higher levels of stock lending.

Wealth Technologies

Wealth Technologies' revenue is generated from administration services provided on both the original (OE) and the new wealth management platforms, and development fees received for part of the new platform that is in production. The administration service fees are based on funds under administration (FUA) and have been driven by:

- New platform – FUA continues to increase, with three new clients migrated onto the platform through 2021; and

- OE platform – one client has been migrated to the new platform, otherwise customer numbers are unchanged, with 3% growth in FUA.

FUA at 31 December 2021 has grown to $11.02 billion up 53.2% on last year.

Corporate

Other corporate revenue relates to commission fees on Kaplan NZX related courses, the short term sub lease of part of the Wellington premises which ceased in June 2020 and nzx.com advertising revenue which ceased in May 2020.

Regulation (NZ RegCo)

Regulatory fees relate to issuer regulation, participant compliance, market conduct, and market surveillance activities. Issuer regulation services comprise time spent by NZ RegCo reviewing listing and secondary capital raising documents and requests for listing rule waivers. Participant compliance services comprise time spent by NZ RegCo reviewing participant applications. Market conduct services comprise time spent by NZ RegCo reviewing market conduct matters and issuer disclosure. Market surveillance activities are recoverable from market participants. In 2021 NZ RegCo undertook a higher level of recoverable fee based work than in the previous year.

Additionally NZ RegCo receives an internal allocation of annual listing fees and annual participants fees, which is set in advance based on the services expected to be provided by NZ RegCo.

Operating Expenses

The Markets businesses continued to invest to ensure delivery of technology solutions to both increase trading and clearing system capacity and to maintain market stability. Additionally, the Markets businesses invested in growth initiatives including the new carbon managed auction service for the Ministry for the Environment and the dairy derivatives strategic partnership with the SGX.

We continue to invest for customer growth in the Funds Management and Wealth Technologies businesses.

Personnel costs

Personnel costs are made up of:

- Salary costs (including bonuses, ACC levies and KiwiSaver contributions); plus
- Contractor and other personnel costs (including training, recruitment and staff benefits); less
- Capitalised labour (where employees or contractors are engaged on capital projects).

Personnel costs have increased due to a combination of wage inflation (driven by a highly competitive and tightening labour market), high levels of recruitment costs (driven by higher than normal vacancy rates as a result of the tight labour market), lower levels of annual leave taken (a COVID lockdown impact) and an increase in average FTEs.

Growth focused roles account for approximately 85% of the FTE increase across the Group. Our growth focused financial services businesses account for approximately 75% of the FTE increase, including:

- Smartshares additional sales and customer services resources to support client and FUM growth (including the new KiwiSaver Default Scheme), as well as project resources for the ASB Superannuation Master Trust management rights acquisition; and
- Wealth Technologies additional client facing, on boarding and technical staff to service new clients;

In our Markets businesses the FTE increase is focused on:

- Securities IT team additional resources to deliver technology solutions to increase trading and clearing system capacity and maintaining market stability;
- Capital Markets Origination additional sales roles focused on origination, with active pipeline development and conversion;

- Secondary Markets product resource to support growth in the depository business and the dairy derivative business;

- Energy contractors delivering increased levels of consulting and development revenue including the electricity market real time pricing project and the carbon managed auction service;

- Corporate Services additional legal, HR and communications resources to support the Smartshares and Wealth Technologies businesses; and

- Project management resources related to the current elevated level of project activities.

Capitalisation of internal development resources (2021: $6.62 million; 2020: $5.93 million) primarily relates to Wealth Technologies' core platform, NZX's new trading system and the network transformation project.

Information Technology

Information technology costs were made up of software licence fees, hardware support and maintenance fees, telecommunications and data network costs, and IT services provided by third parties.

Over the last two years our focus has been on increasing trading and clearing system capacity, improving security and resilience, and maintaining market stability. As a result the information technology cost base has risen approximately $1.4m due to:

- Network transformation project costs (which strengthened NZX's cyber security);

- Additional license costs to improve resilience of NZX's clearing and settlement system (BaNCS); and

- The modification of existing security services plus the implementation of additional Denial of Service (DDoS) security services.

Information technology costs have also increased due to our revenue generating growth initiatives:

- Carbon – IT costs associated with the development and ongoing operation of the new carbon managed auction service for the Ministry for the Environment;

- Dairy derivatives – NZX's share of IT costs under the SGX strategic partnership;

- Energy Electricity Market – utilising third party specialist support to assist with the increased level of development; and

- KiwiSaver Default Scheme – IT costs relating to the new KiwiSaver Default Scheme.

Additionally, the Data & Insights and Wealth Technologies businesses have had increasing data feeds, data hosting and software license costs relating to new clients. As well as the Smartshares business incurring a full year of Bloomberg AIM and BSKT (front and middle office) operating system costs.

Professional Fees

Professional fees, including legal expenses, corporate memberships, assurance costs and advisory / consultancy fees, include those relating to:

- Set up costs relating to our revenue generating growth initiatives:

    - The dairy derivatives SGX strategic partnership;

    - The development of the new carbon managed auction service for the Ministry for the Environment; and

    - The KiwiSaver Default Scheme;

- EEX royalty fees relating to the operation of the carbon managed auction service which commenced during the year;

- The assurance programme – internal audits, energy audits and consulting obligations under the Electricity Authority contracts, annual conflicts review, corporate governance review; and

- Terminal royalty audit fees – which vary in proportion to royalty audit revenues, with costs and revenues recognised on a gross basis.

Marketing

Marketing costs relate primarily to Smartshares, marketing the markets businesses and the investor relations programme. The increased marketing spend reflects the Capital Markets Origination team becoming sponsors of additional industry groups in order to identify listing opportunities, and the Smartshares business increasing online advertising activities.

Other Expenses

Other expenses relate to premises related costs, insurance, directors fees, travel, external audit costs, outsourced payroll system, statutory/compliance costs and non recoverable GST (on the Clearing House, Funds Management and Wealth Technologies businesses).

Other expenses were higher due to increases in insurance premiums, compliance costs and non-recoverable GST.

Capitalised overheads

The portion of all expense categories which relate to capital activities (e.g. Wealth Technologies core platform and NZX's new trading system) has increased.

Acquisition costs

Acquisition costs relate to the Smartshares acquisition of the ASB Superannuation Master Trust management rights.

Non-operating Income and Expenses

Net finance expense comprises interest income (on operational cash balances, Clearing House risk capital and regulatory working capital), interest expenses (on the subordinated note, loans, overdrafts facility and lease liabilities), realised fair value gain on investment and foreign exchange losses. Increased net finance costs result from reduced interest income due to the lower OCR interest rate.

Depreciation and amortisation expenses have increased due to additional:

- Amortisation of the Wealth Technologies core platform, which commenced on the migration of new clients during the year;
- Amortisation of the NZX's new trading system, with phase 2 completed in 2021; and
- Depreciation of the Auckland office fit out, which was completed during the year.

The effective tax rate is higher than the statutory rate of 28% due to non-deductible items.

Directors' Responsibility Statement

The directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of NZX Limited and its subsidiaries (the NZX Group) as at 31 December 2021 and the results of their operations and cash flows for the year ended 31 December 2021.

The directors consider that the financial statements of the NZX Group have been prepared using accounting policies appropriate to the NZX Group's circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The directors are pleased to present the financial statements of the NZX Group for the year ended 31 December 2021.

The financial statements were authorised for issue for and on behalf of the directors on 16 February 2022.

James Miller
Chair of the Board

Lindsay Wright
Chair of the Audit and Risk Committee

Financial Statements

Group Income Statement

For the year ended 31 December 2021

	Note	2021 $000	2020 $000
Operating revenue	8	87,955	78,426
Operating expenses	9	(53,528)	(44,030)
Earnings before net finance expense, income tax, depreciation, amortisation, loss on disposal of assets, and gain on lease modification (EBITDA)[1]	2	**34,427**	**34,396**
Net finance expense	10	(2,507)	(2,037)
Loss on disposal of assets		(145)	-
Depreciation and amortisation expense		(10,404)	(8,293)
Gain on lease modification	6	-	558
Profit before income tax		**21,371**	**24,624**
Income tax expense	12	(6,356)	(7,038)
Profit for the year		**15,015**	**17,586**
Earnings per share			
Basic (cents per share)	13	5.4	6.3
Diluted (cents per share)	13	5.3	6.3

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Group Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 $000	2020 $000
Profit for the year	15,015	17,586
Total other comprehensive income	-	-
Total comprehensive income for the year	**15,015**	**17,586**

Group Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Balance at 1 January 2020		**55,523**	**8,441**	**(46)**	**63,918**
Profit for the year		-	17,586	-	17,586
Foreign currency translation differences		-	-	-	-
Total comprehensive income for the year		**-**	**17,586**	**-**	**17,586**
Transactions with owners recorded directly in equity:					
Dividends paid	21	-	(16,867)	-	(16,867)
Issue of shares	20	2,148	-	-	2,148
Share based payments	20	976	-	-	976
Share based payments for vested shares	20	(130)	-	-	(130)
Total transactions with owners recorded directly in equity		**2,994**	**(16,867)**	**-**	**(13,873)**
Balance at 31 December 2020		**58,517**	**9,160**	**(46)**	**67,631**
Profit for the year		-	15,015	-	15,015
Foreign currency translation differences		-	-	-	-
Total comprehensive income for the year		**-**	**15,015**	**-**	**15,015**
Transactions with owners recorded directly in equity:					
Dividends paid	21	-	(17,006)	-	(17,006)
Issue of shares	20	3,953	-	-	3,953
Share based payments	20	1,013	-	-	1,013
Cancellation of non-vesting shares	20	(11)	11	-	-
Total transactions with owners recorded directly in equity		**4,955**	**(16,995)**	**-**	**(12,040)**
Balance at 31 December 2021		**63,472**	**7,180**	**(46)**	**70,606**

Group Statement of Financial Position

As at 31 December 2021

	Note	31 December 2021 $000	31 December 2020 $000
Current assets			
Cash and cash equivalents	14	29,062	32,775
Cash and cash equivalents - restricted	14	20,000	20,000
Funds held on behalf of third parties	11	28,025	104,684
Receivables and prepayments	15	11,270	10,840
Total current assets		**88,357**	**168,299**
Non-current assets			
Property, plant & equipment	16	6,473	2,146
Right-of-use lease assets	6	11,299	5,108
Goodwill	4	30,222	30,222
Other intangible assets	3	44,279	40,879
Total non-current assets		**92,273**	**78,355**
Total assets		**180,630**	**246,654**
Current liabilities			
Funds held on behalf of third parties	11	28,025	104,684
Trade payables	17	6,814	6,689
Other liabilities - current	18	17,035	15,171
Lease liabilities	6	1,175	1,388
Current tax liability	12	1,872	2,274
Total current liabilities		**54,921**	**130,206**
Non-current liabilities			
Non-current other liabilities	18	645	484
Lease liabilities	6	12,378	5,716
Interest bearing liabilities	19	38,971	38,911
Deferred tax liability	12	3,109	3,706
Total non-current liabilities		**55,103**	**48,817**
Total liabilities		**110,024**	**179,023**
Net assets		**70,606**	**67,631**
Equity			
Share capital	20	63,472	58,517
Retained earnings		7,180	9,160
Translation reserve		(46)	(46)
Total equity attributable to shareholders		**70,606**	**67,631**

Group Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 $000	2020 $000
Cash flows from operating activities			
Receipts from customers		88,136	78,104
Net interest paid		(2,279)	(1,823)
Payments to suppliers and employees		(51,110)	(38,847)
Income tax paid	12	(7,355)	(6,200)
Net cash provided by operating activities	14	**27,392**	**31,234**
Cash flows from investing activities			
Cash received from short term investment		-	2
Payments for property, plant and equipment	16	(5,473)	(483)
Payments for intangible assets	3	(11,447)	(9,489)
Net cash used in investing activities		**(16,920)**	**(9,970)**
Cash flows from financing activities			
Payment of lease liabilities		(1,099)	(1,467)
Dividends paid		(13,086)	(14,762)
Net cash used in financing activities		**(14,185)**	**(16,229)**
Net (decrease)/increase in cash and cash equivalents		(3,713)	5,035
Cash and cash equivalents at the beginning of the year		52,775	47,740
Cash and cash equivalents at the end of the year	14	**49,062**	**52,775**

Notes to the Group Financial Statements

For the year ended 31 December 2021

1. Reporting entity and statutory base

Reporting entity

These consolidated financial statements are for NZX Limited (the Company) and its subsidiaries (together referred to as the Group) as at and for the year ended 31 December 2021.

The Group operates New Zealand securities, derivatives and energy markets, including maintaining the infrastructure on which they operate. It provides funds management services including superannuation and Exchange Traded Funds (ETFs), as well as developing and operating wealth management platforms for other providers. It also provides a range of information and data to support market growth and development in the securities and dairy sectors.

The Company is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 2013. The Company is listed and its ordinary shares are quoted on the NZX Main Board. The company also has listed debt which is quoted on the NZX debt market.

Basis of preparation

The Group financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of certain financial instruments as identified in the accompanying notes. These financial statements are presented in New Zealand Dollars ($), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand, except when otherwise indicated.

The Group notes that the COVID-19 pandemic had no material adverse financial impact on the Group in either the 2021 or 2020 year.

Basis of consolidation

The Group financial statements are prepared by consolidating the financial statements of all the entities that comprise the Group, being the Company and its subsidiaries. Consistent accounting policies across the parent and all subsidiaries are employed in the preparation and presentation of the Group financial statements.

i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. In determining the fair value of assets acquired, the Group assesses identifiable intangible assets including brands, intellectual property, software, management rights and any other identifiable intangible assets using recognised valuation methodologies and with reference to suitably qualified experts. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

ii. Investments in subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In preparing the Group financial statements all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

Accounting policies

Accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the accompanying notes.

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early. None of these standards are expected to have a significant effect on the financial statements of the Group.

Presentational changes

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation.

Accounting estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The principal areas of judgement for the Group, in preparing these financial statements, that have a significant risk of resulting in a material adjustment within the next financial year, including information about assumptions and estimation uncertainties, are set out in:

- note 3 - intangible assets
- note 4 - goodwill
- note 22 - share based payments

2. Non-GAAP measures

EBITDA is a non-GAAP performance measure and differs from the NZ IFRS profit for the year. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of EBITDA to NZ IFRS profit for the year:

	2021 $000	2020 $000
Profit for the year	**15,015**	**17,586**
Income tax expense	6,356	7,038
Profit before income tax	**21,371**	**24,624**
Adjustments for:		
- Net finance expense	2,507	2,037
- Loss on disposal of assets	145	-
- Depreciation and amortisation expense	10,404	8,293
- Gain on lease modification	-	(558)
EBITDA	**34,427**	**34,396**

The Group has presented the EBITDA performance measure in addition to NZ IFRS profit for the year, as this performance measure is used internally in conjunction with other measures to monitor performance and make investment decisions. EBITDA is calculated by adjusting profit from operations to exclude the impact of taxation, net finance expense, depreciation, amortisation, loss on disposal of assets, and gain on lease modification.

3. Intangible assets

Intangible assets are initially measured at cost. The direct costs associated with the development of software and website assets are capitalised only if the expenditure can be measured reliably, the development of intangible asset is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete the development of the asset. Otherwise, it is recognised in profit or loss as incurred. The cost of intangible assets acquired in a business combination is their fair value at the date of the acquisition. Intangible assets with a finite life are amortised from the date the asset is ready for use on a straight-line basis over its estimated life which is as follows:

- Software and websites: 3 - 9 years
- Brands, Trademarks, and rights to use Brands: 10 years
- Data archives, customer lists, databases, and other IP: 10 years

- Management rights: 20 years

At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. This is outlined in note 5.

Where estimated useful lives or recoverable values have diminished due to technological change or market conditions, amortisation is accelerated.

	Software and websites $000	Brands, Trademarks and rights to use Brands $000	Data archives, customer lists, databases, and other IP $000	Management rights $000	Intangible work in progress $000	Total $000
Gross carrying amount						
Balance at 1 January 2020	**52,769**	**182**	**1,458**	**18,116**	**6,254**	**78,779**
Additions	574	-	-	-	8,915	9,489
Transfer from WIP	11,098	-	-	-	(11,098)	-
Balance at 31 December 2020	**64,441**	**182**	**1,458**	**18,116**	**4,071**	**88,268**
Additions	-	-	-	-	11,447	11,447
Disposals	(6,102)	-	-	-	-	(6,102)
Transfer from WIP	12,759	-	-	-	(12,759)	-
Balance at 31 December 2021	**71,098**	**182**	**1,458**	**18,116**	**2,759**	**93,613**
Accumulated amortisation & impairment						
Balance at 1 January 2020	**37,264**	**73**	**-**	**3,944**	-	**41,281**
Amortisation expense	5,301	18	-	789	-	6,108
Balance at 31 December 2020	**42,565**	**91**	**-**	**4,733**	-	**47,389**
Amortisation expense	7,127	18	-	789	-	7,934
Disposals	(5,989)	-	-	-	-	(5,989)
Balance at 31 December 2021	**43,703**	**109**	**-**	**5,522**	**-**	**49,334**
Net Book Value						
As at 1 January 2020	**15,505**	**109**	**1,458**	**14,172**	**6,254**	**37,498**
As at 31 December 2020	**21,876**	**91**	**1,458**	**13,383**	**4,071**	**40,879**
As at 31 December 2021	**27,395**	**73**	**1,458**	**12,594**	**2,759**	**44,279**

4. Goodwill

A cash generating unit (CGU) to which goodwill has been allocated is tested for impairment annually, and whenever there is an indicator of impairment based on the performance of the CGU relative to expected future performance and other relevant factors.

The directors have carried out impairment testing with the key assumptions set out in Note 5. No impairment was required in 2021 (2020: none).

5. Impairment tests

Indefinite life intangible assets are reviewed for impairment annually. They are also reviewed for impairment whenever there are indicators of impairment, as are finite life intangible assets.

A summary of the CGUs to which intangible assets have been allocated as at 31 December 2021 is outlined below:

	Software & websites $000	Other finite life intangible $000	Indefinite life intangible $000	Work in progress $000	Total other intangible $000	Goodwill $000	Total $000
Cash generating unit							
Clearing House	1,529	-	-	-	**1,529**	-	**1,529**
Funds management	2,250	10,251	2,344	236	**15,081**	20,730	**35,811**
Wealth Technologies	15,948	-	-	2,072	**18,020**	1,494	**19,514**
Energy	1,533	-	-	449	**1,982**	7,720	**9,702**
Direct data	-	73	1,458	-	**1,531**	278	**1,809**
Other							
Other intangible assets	455	-	-	-	**455**	-	**455**
Other computer software	5,681	-	-	-	**5,681**	-	**5,681**
	27,396	**10,324**	**3,802**	**2,757**	**44,279**	**30,222**	**74,501**

Impairment test

For the year ended 31 December 2021, the directors have reviewed all intangible assets for impairment using discounted cash flow analysis, comparable EBITDA multiple analysis and/or other factors as appropriate to the asset being tested. All impairment tests have been undertaken on a value in use basis.

Key assumptions used in the calculation of recoverable amounts in discounted cash flow analysis are consistent with those used and disclosed in the financial statements for the year ended 31 December 2020 unless indicated otherwise. Discounted cash flow analysis using a forecast period of five years was used for all CGUs, other than Energy where a forecast period of five and a half years was used (to match the remaining contractual period plus three years potential extension period). The analysis also uses a WACC rate of 9.6% (2020: 8.6%) and was stress tested at higher rates. The terminal growth rate used to extrapolate cash flow projections beyond five years was 1.75% (2020: 1.75%). Management has assessed the long term economic outlook data available, and assessed that the use of this terminal growth rate was appropriate, consistent with the prior year. Where relevant, EBITDA multiples were used to cross-check the discounted cash flow analysis for established businesses.

The review of the carrying values of goodwill and intangible assets has determined that all the CGUs have recoverable amounts exceeding their carrying values and no impairment is therefore required.

Further information on specific assumptions (other than the general assumptions outlined above) underlying the CGU discounted cash flow analysis is set out below.

a. Clearing House

The Clearing House intangible assets relate to the clearing and depositiory systems software.

The principal assumption on which the discounted cash flows for this CGU are dependent is the future revenue growth rate. Future revenue growth is dependent on growth in equity clearing values and central securities depository services. Growth in equity clearing values and central securities depository services has been forecast based on historical growth rates in line with NZX's five year strategic plan.

b. Funds Management

The Group's funds management business, Smartshares Limited, acquired the management rights for the Smartshares exchange traded funds between 2004 - 2006 for a total value of $2,344,000. These are held in the Group accounts with an indefinite life, as there is no expiry date for these rights and they are expected to apply indefinitely. Additionally the acquisition of SuperLife Limited, effective 1 January 2015, resulted in additional management rights of $15,772,000, which are held in the Group accounts as a finite life asset amortised over 20 years, and goodwill of $20,730,000.

The principal assumption on which the discounted cash flows are dependent is the future level of funds under management (FUM), which is assumed to grow through both net cash flows and market growth, driving FUM based revenue. FUM based revenue would have to reduce by 48% (2020: 45%) in the forecast period (where FUM is expected to increase 85%) to indicate an impairment in the intangibles carrying value. The company considers the FUM growth assumption reasonable based on historic experience and NZX's five year strategic plan.

c. Wealth Technologies

The carrying value of the Wealth Technologies CGU includes platform development and client migration net book value of $18,020,000, and related goodwill of $1,494,000.

The principal assumptions on which the discounted cash flows for the Wealth Technologies CGU are dependent is the future level of funds under administration (FUA) which is assumed to grow through both bringing new clients on to the platforms and current client growth, driving FUA based revenue. FUA based revenue would have to reduce by 13% (2020: 21%) in the forecast period (where FUA is expect to increase 697%) to indicate an impairment in the intangibles carrying value. The Company considers the FUA growth assumptions reasonable given the start-up nature of Wealth Technologies and based on the continued interest from current, future and potential customers.

d. Energy

The carrying value of the Energy CGU includes software net book value of $1,982,000 relating to the trading, pricing, clearing and reconciliation of spot market electricity, and goodwill of $7,720,000.

This business has a significant reliance on service provider contracts it has in place with the Electricity Authority (EA) over the period to mid 2024, with the EA having an option to extend for a further 3 years. As a result of these service provider contracts, NZX has certainty of minimum cash flows to be received over the contract period, along with additional contracted consulting revenue, and a reasonable expection of contract extension and renewal based on previous contract renewals, which supports the current carrying value of the CGU.

e. Direct data

The carrying value of the Direct Data CGU includes Company Research management rights of $1,458,000, which are held in the Group accounts as indefinite life, as there is no expiry date for these rights and they are expected to apply indefinitely, and goodwill of $278,000.

The principal assumptions on which the discounted cash flows for the Direct Data CGU are dependent is the future revenue growth rate (driven by increased volumes and price increases) of 1% p.a.to 12% p.a. (2020: 4.6% p.a. to 7.1% p.a.) during the explicit forecast period. The Company considers the revenue growth assumption reasonable based on historical experience and NZX's five year strategic plan.

6. Leases

On entering into a contract, the Group determines whether the contract contains a lease that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Determining whether there is a right of control involves the assessment of whether the contract involves the use of an identified asset, whether the Group has the right to obtain substantially all of the economic benefits from use of that asset through the period of use, and whether the Group has the right to direct the use of the asset.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost net of any lease incentives received and is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the Group's incremental borrowing rate or the interest rate implicit in the lease, if this can be determined. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, with a corresponding adjustment made to the carrying value of the right-of-use asset.

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases (lease term less than 12 months) or leases of low-value assets.

Detail of leases for which the Group is a lessee are presented below:

Right-of-use assets

	Property leases $000	Other leases $000	Total $000
Balance at 1 January 2020	5,284	542	5,826
Additions during the year	1,830	-	1,830
Derecognition during the year	(1,312)	-	(1,312)
Depreciation expense for the year	(997)	(239)	(1,236)
Balance at 31 December 2020	**4,805**	**303**	**5,108**
Additions during the year	7,549	-	7,549
Depreciation expense for the year	(1,130)	(228)	(1,358)
Balance at 31 December 2021	**11,224**	**75**	**11,299**

Other leases includes leases of IT and office equipment.

During the year, the Group entered into a new Auckland office lease agreement commencing 1 August 2021, which resulted in an addition to the right-of-use assets and lease liabilities. This replaced the prior Auckland office lease which expired on 31 August 2021.

Lease liabilities

	31 December 2021 $000	31 December 2020 $000
Maturity analysis - contractual undiscounted cash flows		
Up to one year	1,594	1,627
One to two years	1,532	1,047
Two to five years	4,219	2,605
More than five years	9,428	2,880
Total undiscounted lease liabilities	**16,773**	**8,159**
Lease liabilities included in the statement of financial position	**13,553**	**7,104**
Current	1,175	1,388
Non-current	12,378	5,716

Property leases for the Group's Wellington and Auckland offices give the Group the right to renew the lease at the end of the current contracted period for a further 6 year term.

As a lessor

On entering into a lease as a lessor, the Group assesses whether the lease transfers to the lessee substantially all of the risk and rewards of ownership of the underlying asset. Where such a transfer is assessed to occur, the lease is recognised as a finance lease; otherwise it is recognised as an operating lease.

Where the Group is an intermediate lessor, its interest in the head lease and the sub-lease are accounted for separately, with the sub-lease classification assessed with reference to the right-to-use asset arising from the head lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other corporate revenue.

The Group had sub-leased part of one of its property leases until June 2020. The sub-lease was for a short term period and therefore did not transfer substantially all of the risks and rewards of the underlying asset and was classified as an operating lease accordingly. Income related to this short term sub-lease for the current year was $nil (2020: $142,000).

7. Segment reporting

The Group has five revenue generating commercial operations segments, as described below, which are the Group's strategic business areas, and a corporate segment which has limited revenue but includes all costs that are shared across the organisation.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group CEO. The CODM assesses performance of the combined Markets businesses (i.e. the Capital Markets Origination, Secondary Markets and Data & Insights revenue generating segments) as a single segment, being an integrated business that supports the growth of New Zealand capital markets. The performance of Funds Management, Wealth Technologies and Corporate businesses are assessed separately.

In 2020 the Group introduced a new regulatory model and incorporated NZX Regulation Limited (NZ RegCo), as a stand-alone, independently-governed agency which performs all of NZX's front line regulatory functions, resulting in the structural separation of the Group's commercial and regulatory roles. Consequently the CODM for the Regulation business is the NZ RegCo CEO.

The reportable commercial operations segments are:

- Markets:
  - Capital Markets Origination - provider of issuer services for current and prospective customers;
  - Secondary Markets - provider of trading and post-trade services for securities and derivatives markets operated by NZX, provider of a central securities depository and market operator for Fonterra Co-Operative Group, the Electricity Authority and the Ministry for the Environment;
  - Data & Insights - provider of information services for the securities and derivatives markets, and analytics for the dairy sector;

- Funds Management - provider of superannuation funds, KiwiSaver funds and exchange traded funds; and
- Wealth Technologies - funds administration provider and custodian.

The Group's revenue is allocated into each of the reportable segments (including an internal allocation of annual listing fees and annual participants fees to NZ RegCo). Expenses incurred are allocated to the segments only if they are direct and specific expenses to one of the segments. The remaining expenses that relate to activities shared across the group are reported in the Corporate segment.

The Group's assets and liabilities are allocated into each of the revenue generating segments, apart from those assets and liabilities that are utilised on a shared basis, which are allocated to the corporate segment.

Segmental information for the year ended 31 December 2021

	Capital Markets Origination $000	Secondary Markets $000	Data & Insights $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-toal $000	Regulation $000	NZX Group Total $000
Operating revenue	15,815	27,747	17,453	61,015	18,838	4,397	85	**84,335**	3,620	**87,955**
Operating expenses				(18,648)	(11,000)	(4,013)	(16,454)	**(50,115)**	(3,413)	**(53,528)**
Operating earnings (EBITDA)[1]				**42,367**	**7,838**	**384**	**(16,369)**	**34,220**	**207**	**34,427**
Segment assets				74,804	45,106	21,720	38,899	**180,529**	101	**180,630**
Segment liabilities				(41,150)	(8,547)	351	(60,569)	**(109,915)**	(109)	**(110,024)**
Net assets				**33,654**	**36,559**	**22,071**	**(21,670)**	**70,614**	**(8)**	**70,606**

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Segmental information for the year ended 31 December 2020

	Capital Markets Origination $000	Secondary Markets $000	Data & Insights $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-toal $000	Regulation $000	NZX Group Total $000
Operating revenue	15,192	27,343	16,146	58,681	13,669	2,425	205	**74,980**	3,446	**78,426**
Operating expenses				(15,451)	(8,071)	(2,689)	(14,594)	**(40,805)**	(3,225)	**(44,030)**
Operating earnings (EBITDA)[1]				**43,230**	**5,598**	**(264)**	**(14,389)**	**34,175**	**221**	**34,396**
Segment assets				154,746	43,090	17,495	31,026	**246,357**	297	**246,654**
Segment liabilities				(117,716)	(7,244)	(71)	(53,694)	**(178,725)**	(298)	**(179,023)**
Net assets				**37,030**	**35,846**	**17,424**	**(22,668)**	**67,632**	**(1)**	**67,631**

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment non-current assets are based on the geographical location of the assets.

Revenue	2021 $000	2020 $000
New Zealand	73,131	65,050
Australia	3,471	3,438
Other	11,353	9,938
Total revenue	**87,955**	**78,426**

Non-current assets	31 December 2021 $000	31 December 2020 $000
New Zealand	92,273	78,355
Total non-current assets	**92,273**	**78,355**

8. Operating revenue

Revenue is recognised when an entity satisfies the performance obligation and transfers control of goods or services to a customer. Revenue is recognised at the amount of transaction price allocated to the performance obligation. The specific revenue recognition criteria for the classes of revenue are as follows:

i. Capital Markets Origination

- Listing and issuance fees consist of revenue from annual listing fees (net of an allocation to NZ RegCo), initial listing fees and subsequent capital raising fees. Initial and subsequent listing fees are recognised when the listing or subsequent capital raising event has taken place. Annual listing fees are billed on 30 June for the following 12 month period and are recognised on a straight line basis over this 12 month period.

ii. Secondary Markets

- Participant services consist of annual participant fees (net of an allocation to NZ RegCo) and initial participant fees. Initial participant fees are recognised when the participant's application has been approved. Annual participant fees are billed on 30 June for the following 12 month period and are recognised on a straight line basis over this 12 month period.

- Securities trading fees arise from the trading of debt and equities securities, which are recognised at trade date.

- Securities clearing fees relate to debt and equity clearing and settlement, which are recognised at settlement date (currently two days after initial trade date).

- Dairy Derivatives fees relate to the trading and clearing of derivatives, which are recognised at trade date. Fees for derivative market settlement are recognised at settlement date (currently one day after contract expiry date).

- Market Operations revenue arises from the provision of post-trade systems and technology services for both the energy and the Fonterra Shareholders markets, and from the provision of advisory and development services for both the energy market and New Zealand's Emissions Trading Scheme managed auction services. Revenues are recognised over the period the service is provided.

iii. Data & Insight

- Securities information revenue relates to the provision of securities and derivatives market data, which is recognised over the period the service is provided.

- Dairy data subscription revenue relates to the provision of data and analysis for New Zealand's dairy sector, which is recognised over the period the service is provided.

- Connectivity revenue relates to the provision of connectivity and access to the NZX operated markets for market participants and data vendors, which is recognised over the period the service is provided.

iv. Funds Management

- Funds management revenue relates to funds under management based fees and administration fees, which are recognised over the period the service is provided.

v. Wealth Technologies

- Wealth Technologies revenue relates to platform administration fees and development fees, which are recognised over the period the service is provided.

vi. Regulation

- Regulatory services fees (including Issuer Regulation, Market Conduct, Participant Compliance and Surveillance services) are recognised over the period the service is provided. Additionally, there is an allocation of annual listing fees and annual participant fees and an internal allocation to reflect regulatory support services provided to NZX Limited.

vii. Corporate

- Other Corporate revenue relates to miscellaneous services provided by the Group (including advertising on nzx.com, sublease of excess office space and commission fees on Kaplan NZX related courses), which is recognised over the period the service is provided.

	2021 $000	2020 $000
Listing and issuance fees	15,815	15,192
Total Capital Markets Origination revenue	**15,815**	**15,192**
Participant services	600	738
Securities trading	5,208	5,532
Securities clearing	8,148	8,746
Dairy derivatives	1,241	1,306
Market operations	12,550	11,021
Total Secondary Markets revenue	**27,747**	**27,343**
Securities information	14,274	13,166
Dairy data subscriptions	616	607
Connectivity revenue	2,563	2,373
Total Data & Insights revenue	**17,453**	**16,146**
Funds Management revenue	**18,838**	**13,669**
Wealth Technologies revenue	**4,397**	**2,425**
Issuer regulation	778	631
Market conduct	82	96
Participant compliance	100	157
Surveillance	773	791
Listing fees & participants services	1,887	1,771
Total Regulation revenue	**3,620**	**3,446**
Other Corporate revenue	**85**	**205**
Total operating revenue	**87,955**	**78,426**

9. Operating expenses

	Note	2021 $000	2020 $000
Gross personnel costs		(39,785)	(34,015)
Less capitalised labour		6,624	5,925
Personnel costs		(33,161)	(28,090)
Information technology		(11,753)	(9,292)
Professional fees		(3,259)	(3,300)
Marketing		(1,389)	(1,076)
Directors' fees		(413)	(450)
Remuneration paid to Group auditors		(225)	(224)
Other operating expenses		(3,531)	(2,956)
Capitalised overheads		1,555	1,358
Acquisition costs	27	(1,352)	-
Total operating expenses		**(53,528)**	**(44,030)**

Remuneration paid to Group auditors

	2021 $000	2020 $000
Audit and review of NZX Group and subsidiary statutory financial statements	(181)	(177)
Total audit fees	**(181)**	**(177)**
Annual operational audit of the Clearing House	(36)	(39)
Annual depository assurance engagement of New Zealand Depository Limited	(5)	(5)
Net Tangible Assets procedures engagement of Smartshares Limited	(3)	(3)
Total other audit related services	**(44)**	**(47)**
Total remuneration paid to Group auditors	**(225)**	**(224)**

10. Net finance expense

	2021 $000	2020 $000
Interest income	395	839
Interest on lease liabilities	(374)	(395)
Other interest expense	(2,394)	(2,377)
Amortised borrowing costs	(81)	(77)
Realised gain on investment	-	2
Net loss on foreign exchange	(53)	(29)
Net finance expense	**(2,507)**	**(2,037)**

11. Funds held on behalf of third parties

	31 December 2021 $000	31 December 2020 $000
Bond deposits	2,180	1,735
Collateral deposits	25,845	88,127
Funds held on behalf of clients	-	14,822
	28,025	**104,684**

The bond deposits represent balances deposited by issuers, required as a condition of listing on NZX's markets. Funds lodged as bond deposits are interest bearing and are recognised at the amounts deposited which represent fair value. There is an equal and opposite amount disclosed under current liabilities for the total amount repayable to issuers.

The collateral deposits represent balances deposited by participants to cover margins on outstanding settlement obligations for cash market and derivative contracts, as well as mutualised default fund contributions. Funds lodged as margin collateral and mutualised default fund contributions are interest bearing and are recognised at the amounts deposited which represent fair value. There is an equal and opposite amount disclosed under current liabilities for the total amount repayable to participants.

The funds held on behalf of clients represent balances deposited by participants in addition to their collateral deposits or mutualised default fund contributions. The funds are lodged in an interest bearing account and are recognised at the amount deposited which represents fair value. Interest earned on these funds is returned to participants. There is an equal and opposite amount disclosed under current liabilities for the total amount repayable to participants.

Collateral deposits and funds held on behalf of clients have reduced as under the dairy derivatives strategic partnership with Singapore Exchange (SGX) derivatives participants funds, including collateral deposits or mutalised default fund contributions, are now held by SGX.

12. Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised as an expense or income in the Income Statement, as there is no current or deferred tax related to items credited or debited directly to equity or other comprehensive income.

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is recognised in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable income will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

a. Income tax expense recognised in profit or loss

	2021 $000	2020 $000
Tax expense comprises:		
Current tax expense	6,991	6,759
Prior period adjustment	(136)	-
Deferred tax relating to the origination and reversal of temporary differences	(499)	279
Total tax expense	**6,356**	**7,038**

The prima facie income tax expense on pre-tax accounting profit from continuing operations reconciles to the income tax expense in the financial statements as follows:

	2021 $000	2020 $000
Profit before income tax expense	21,371	24,624
Income tax calculated at 28%	**(5,984)**	**(6,895)**
Non-deductible expenses	(508)	(143)
	(6,492)	**(7,038)**
Prior period adjustment	136	-
	(6,356)	**(7,038)**

b. Current tax liabilities

	2021 $000	2020 $000
Balance at beginning of the year	(2,274)	(1,776)
Current year charge	(6,991)	(6,759)
Prior period adjustment	38	61
Tax paid	7,355	6,200
Balance at end of year	**(1,872)**	**(2,274)**

c. Deferred tax liability

	2021 $000	2020 $000
Balance at beginning of the year	(3,706)	(3,366)
Current year movement	499	(279)
Prior period adjustments	98	(61)
Balance at end of the year	**(3,109)**	**(3,706)**
Deferred tax balance comprises:		
Employee entitlements	1,567	1,089
Doubtful debts	67	65
Property, plant and equipment, and software	(5,800)	(5,455)
Leases	525	521
Other	532	74
	(3,109)	**(3,706)**

d. Imputation credit account

	2021 $000	2020 $000
Imputation credits available for use in subsequent reporting periods	**9,648**	**9,321**

13. Earnings per share and net tangible assets per share

i. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the period. An adjustment to take into account the shares and rights issued under the various employee share plans (refer to Notes 20 and 22) is made to the weighted average number of shares used in the calculation of the diluted earnings per share.

a. Basic earnings per share

	2021	2020
Profit for the year ($000)	15,015	17,586
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	279,530	277,201
Basic earnings per share (cents per share)	**5.4**	**6.3**

b. Diluted earnings per share

	2021	2020
Profit for the year ($000)	15,015	17,586
Weighted average number of total shares and rights for the purpose of earnings per share (in thousands)	284,639	280,228
Fully diluted earnings per share (cents per share)	**5.3**	**6.3**

ii. Net tangible assets per share

Basic net tangible assets per share is calculated by dividing the net tangible assets at year end by the weighted average number of ordinary shares outstanding during the period. An adjustment to take into account the shares and rights issued under the various employee share plans (refer to Notes 20 and 22) is made to the weighted average number of shares used in the calculation of the diluted net tangible assets per share.

a. Basic net tangible assets per share

	31 December 2021 $000	31 December 2020 $000
Net assets	70,606	67,631
Less:		
Goodwill	(30,222)	(30,222)
Intangible assets	(44,279)	(40,879)
Net tangible assets	**(3,895)**	**(3,470)**
Weighted average number of ordinary shares for the purpose of net tangible assets per share (in thousands)	279,530	277,201
Basic net tangible assets per share (cents per share)	(1.39)	(1.25)

b. Diluted net tangible assets per share

	31 December 2021 $000	31 December 2020 $000
Net assets	70,606	67,631
Less:		
Goodwill	(30,222)	(30,222)
Other intangible assets	(44,279)	(40,879)
Net tangible assets	**(3,895)**	**(3,470)**
Weighted average number of total shares and rights for the purpose of net tangible assets per share (in thousands)	284,639	280,228
Fully diluted net tangible assets per share (cents per share)	(1.37)	(1.24)

14. Cash and cash equivalents and cash flow reconciliation

a. Cash and cash equivalents

Cash comprises:	31 December 2021 $000	31 December 2020 $000
Cash at bank	27,262	18,975
Bank deposits	1,800	13,800
Cash and cash equivalents	**29,062**	**32,775**
Cash at bank - restricted	12,000	10,000
Bank deposits - restricted	8,000	10,000
Cash and cash equivalents - restricted	**20,000**	**20,000**
Cash and cash equivalents - total	**49,062**	**52,775**

Restricted cash and cash equivalents relates to balances held for risk capital requirements by the Clearing House and is not available for general cash management use by the Group.

b. Reconciliation of profit for the year to net cash provided by operating activities

	2021 $000	2020 $000
Profit for the year	**15,015**	**17,586**
Adjustments for:		
Share based payment arrangements	1,047	889
Depreciation and amortisation expense	10,404	8,293
Amortisation of borrowing costs	60	57
Disposal of assets	145	-
Gain on lease modification	-	(558)
Increase in receivables and prepayments	(430)	(1,834)
Increase in trade payables and other liabilities	2,150	5,963
Increase/(Decrease) in current tax liability	(402)	498
Increase/(Decrease) in deferred tax liability	(597)	340
Net cash provided by operating activities	**27,392**	**31,234**

15. Receivables and prepayments

Receivables and prepayments are initially recognised at the fair value of the amounts to be received. They are subsequently measured at amortised cost (using the effective interest method) less impairment losses, if any.

	31 December 2021 $000	31 December 2020 $000
Trade receivables	4,755	5,626
Provision for doubtful debts	(239)	(233)
Net trade receivables	**4,516**	**5,393**
Prepayments	3,230	2,920
Accrued interest	44	132
Accrued income	3,480	2,395
Total current receivables and prepayments	**11,270**	**10,840**

Movement in provision for doubtful debts

The Group maintains a provision for doubtful debts when there is objective evidence of its customers being unable to make required payments and also makes a provision for doubtful debts on all balances greater than 60 days overdue.

	2021 $000	2020 $020
Balance at beginning of the year	(233)	(265)
Amounts written off/(on) during the year	104	(4)
(Increase)/decrease in provision recognised in profit or loss	(110)	36
Balance at end of the year	**(239)**	**(233)**

16. Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. The cost of the assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs incurred in bringing the assets to the location and condition necessary for their intended use.

Depreciation is recognised in the Income Statement and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Computer equipment: 3 - 7 years
- Furniture and equipment: 2 - 10 years

- Leasehold improvements: 5 - 15 years
- Motor vehicles: 3 years

	Computer equipment $000	Furniture and equipment $000	Leasehold improvements $000	Motor Vehicles $000	Capital work in progress $000	Total $000
Gross carrying amount						
Balance at 1 January 2020	**5,564**	**1,635**	**2,733**	**45**	**125**	**10,102**
Additions	430	39	-	-	138	607
Reclassified to Intangible	-	-	-	-	(124)	(124)
Transfers from WIP	1	1	-	-	(2)	-
Balance at 31 December 2020	**5,995**	**1,675**	**2,733**	**45**	**137**	**10,585**
Additions	986	58	-	-	4,429	5,473
Disposals	(2,975)	(375)	(351)	-	-	(3,701)
Transfer from WIP	16	1,225	3,262	-	(4,503)	-
Balance at 31 December 2021	**4,022**	**2,583**	**5,644**	**45**	**63**	**12,357**
Accumulated depreciation						
Balance at 1 January 2020	**4,669**	**1,502**	**1,304**	**15**	-	**7,490**
Depreciation expense	541	83	307	18	-	949
Balance at 31 December 2020	**5,210**	**1,585**	**1,611**	**33**	-	**8,439**
Depreciation expense	604	161	335	12	-	1,112
Disposals	(2,974)	(375)	(318)	-	-	(3,667)
Balance at 31 December 2021	**2,840**	**1,371**	**1,628**	**45**	-	**5,884**
Net Book Value						
As at 1 January 2020	**895**	**133**	**1,429**	**30**	**125**	**2,612**
As at 31 December 2020	**785**	**90**	**1,122**	**12**	**137**	**2,146**
As at 31 December 2021	**1,182**	**1,212**	**4,016**	-	**63**	**6,473**

17. Trade payables

Trade payables and accruals are initially recognised at fair value less transaction costs (if any). They are subsequently measured at amortised cost using the effective interest method.

	31 December 2021 $000	31 December 2020 $000
Trade payables	1,722	1,567
Goods and services tax payable	652	639
Accrued expenses	4,351	4,400
Accrued interest	89	83
	6,814	**6,689**

18. Other liabilities

	31 December 2021 $000	31 December 2020 $000
Employee benefits	7,140	5,937
Unearned income	8,406	7,761
Other provisions	550	350
Other current liabilities	939	1,123
Total current other liabilities	**17,035**	**15,171**
Non-current employee benefits	645	484
Total non-current other liabilities	**645**	**484**
Total other liabilities	**17,680**	**15,655**

19. Interest bearing liabilities

	31 December 2021 $000	31 December 2020 $000
Subordinated notes	40,000	40,000
Total drawn debt	**40,000**	**40,000**
Capitalised borrowing costs (net of amortisation)	(1,029)	(1,089)
Net interest bearing liabilities	**38,971**	**38,911**

a. Subordinated notes

The subordinated notes have a 15 year term, maturing 20 June 2033, with election dates at 5 yearly intervals from the issue date until maturity. The current interest rate (5.40%) is fixed until the first election date (20 June 2023), at which point it may be reset. Investors will also have the option to redeem their subordinated notes on each election date.

NZX may defer the payment of interest at any time at its discretion, but will be subject to penalty interest of an additional 4.0% per annum until the next interest payment date at which unpaid and deferred interest is paid.

The terms of the subordinated notes offer include a financial covenant requiring that debt that ranks in priority to the subordinated notes, less unrestricted cash, may not exceed 1.5 times operating earnings (being EBITDA and non-cash items, and capital gains/losses). A breach of the financial covenant is not an event of default, but may prevent NZX paying dividends to shareholders, if it has failed on two consecutive test dates. The subordinated notes financial covenant has been met throughout the year.

The subordinated notes have been recognised initially at fair value less directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method, as required by NZ IFRS 9.

b. Bank overdraft, revolving credit and term loan facilities

The Group has access to bank overdraft, revolving credit and term loan facilities, which have an expiry date of 15 June 2023 (extendable by mutual agreement).

The overdraft facility provides the Group with flexibility in its working capital management. The facility limit is $3.0 million (2020: $3.0 million). The bank may require repayment by making a written demand. The effective interest rate of the facility at 31 December 2021 was 3.07% (2020: 3.19%). The overdraft facility was undrawn at 31 December 2021 and 2020.

The revolving credit facility provides the Group with additional flexibility in its working capital management. The facility limit is $7.0 million (2020: $3.0 million). The revolving credit facility was undrawn at 31 December 2021 and 2020.

The term loan facility provides the Group with acquisition funding. The facility limit is $25.0 million (2020: no facility). The term loan facility was undrawn at 31 December 2021.

The bank facilities are unsecured and contain two financial covenants which have been met throughout the year:

- The ratio of interest bearing debt to EBITDA shall not exceed 3.5 times; and
- The ratio of EBITDA to interest shall exceed 4.0 times.

20. Shares on issue

The Company had 280,690,043 fully paid ordinary shares as at 31 December 2021 (31 December 2020: 278,001,131 fully paid ordinary shares). The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings.

The Dividend Reinvestment Plan applied to all dividends paid during the year (2020: all dividends) resulting in the issue of 2,150,910 ordinary shares (2020: 1,504,877). Additionally 538,002 shares (2020: 811,976) were issued as share based payments - refer to Note 22.

As at 31 December 2021, the Company has 5,484,403 performance rights on issue under the Long Term Incentive Plan (2020: 4,994,624) to the members of its executive and management teams and to its CEO pursuant to its Long Term Incentive Plan. The performance rights give the holder options to acquire ordinary shares in the Company, which may be exercised if certain performance hurdles are met and the performance rights vest. Until the performance rights vest, none are quoted on the NZX Main Board. Refer to Note 22.

Movement in share capital:

	Number	$000
Balance at 1 January 2020	**275,684,278**	**55,523**
Issue of ordinary shares	2,316,853	2,148
Share based payments accrual	-	976
Share based payments for vested shares	-	(130)
Balance at 31 December 2020	**278,001,131**	**58,517**
Issue of ordinary shares	2,688,912	3,953
Share based payments accrual	-	1,013
Cancellation of non-vesting shares	-	(11)
Balance at 31 December 2021	**280,690,043**	**63,472**

21. Dividends

		2021		2020	
	For year ended	**Cents per share**	**Total $000**	**Cents per share**	**Total $000**
Dividends paid					
March 2020 - Final	31 Dec 19			3.1	8,546
September 2020 - Interim	31 Dec 20			3.0	8,321
March 2021 - Final	31 Dec 20	3.1	8,618		
September 2021 - Interim	31 Dec 21	3.0	8,388		
Total dividends paid for the year		**6.1**	**17,006**	**6.1**	**16,867**

The Dividend Reinvestment Plan applied to all dividends (fully imputed) paid during the year (2020: all dividends).

Refer to Note 27 for details of the final 2021 dividend.

22. Share based payments

a. CEO Long Term Incentive Plan

During the period there were no changes in the terms of the CEO Long Term Incentive Plan.

i) CEO Long Term Incentive Plan - 2018

In 2018, the CEO was issued 1,177,894 performance rights under a long term incentive plan (CEO Long Term Incentive Plan - 2018). Each of these performance rights will give the CEO an option to acquire one ordinary share in NZX. The CEO may exercise the options if the performance rights vest. Vesting of the performance rights is dependent on NZX meeting performance hurdles in respect of total shareholder return (TSR) growth and earnings per share (EPS) growth, and on the CEO remaining an employee of the NZX Group for the duration of the five year vesting period.

Vesting of half the performance rights is dependent on TSR growth over the vesting period. TSR growth of 9.29% per annum would result in 50% of the TSR growth related performance rights being vested; TSR growth of 11.29% would result in 100% being vested; and TSR growth between 9.29% and 11.29% results in between 50.1% to 99.9% being vested on a linear, pro-rata basis.

Vesting of the other half of the performance rights is dependent on EPS growth over the performance period from 1 January 2018 to 31 December 2021. EPS growth of 8% per annum would result in 50% of the EPS growth related performance rights being vested; EPS growth of 16% would result in 100% being vested; and EPS growth between 8% and 16% results in between 50.1% to 99.9% being vested on a linear, pro-rata basis.

The five year vesting period is from 6 April 2017 to 6 April 2022.

There is a $4,000,000 cap on the maximum value of performance rights that can vest.

The cost of the performance rights is measured based on the fair value at the date granted using an appropriate pricing model. The cost is recognised over the five year term, with a corresponding increase in equity. The cumulative expense at each reporting date reflects the extent to which the vesting period has expired and is the best estimate of the number of performance rights that will vest. The expense or credit in the reporting period is the movement in cumulative expense and is recognised in personnel costs.

ii) CEO Long Term Incentive Plan - 2021

In 2021, the CEO was issued 550,449 performance rights under a long term incentive plan (CEO Long Term Incentive Plan - 2021). Each of these performance rights will give the CEO an option to acquire one ordinary share in NZX. The CEO may exercise the options if the performance rights vest. Vesting of the performance rights is dependent on NZX meeting performance hurdles in respect of total shareholder return (TSR) growth and on the CEO remaining an employee of the NZX Group for the duration of the vesting period.

Vesting of the performance rights is dependent on TSR growth over the vesting period. TSR growth of 7.40% per annum would result in 50% of the TSR growth related performance rights being vested; TSR growth of 9.40% would result in 100% being vested; and TSR growth between 7.40% and 9.40% results in between 50.1% to 99.9% being vested on a linear, pro-rata basis.

The vesting period is from 10 September 2021 to 6 April 2024.

There is a cap on the maximum value of performance rights that can vest. The maximum value is $5,000,000 million less the value of the Performance Rights that vest under the CEO Long Term Incentive Plan - 2018.

The cost of the performance rights is measured based on the fair value at the date granted using an appropriate pricing model. The cost is recognised over the term, with a corresponding increase in equity. The cumulative expense at each reporting date reflects the extent to which the vesting period has expired and is the best estimate of the number of performance rights that will vest. The expense or credit in the reporting period is the movement in cumulative expense and is recognised in personnel costs.

b. Employee and other restricted shares

NZX Limited employee share plan - Team and Results

The NZX Limited employee share plan – team and results (Team and Results Plan) was implemented in May 2010 and was replaced in 2018 by the NZX Employee Longer Term Incentive Plan, as detailed below.

Under the terms of the Team and Results Plan, NZX offered selected employees (Participants) non-participating redeemable shares (Restricted Shares) which were reclassified as NZX ordinary shares at the completion of the term of the Team and Results Plan, subject to certain eligibility and transfer conditions.

Both the Team and Results components of the Team and Results Plan were offered on terms of three years.

If the eligibility or transfer conditions were not met, the Restricted Shares were redeemed by NZX. The proceeds from the redemption of the Restricted Shares was applied in repayment of the Loan, which discharged any obligation on the Participant to repay the Loan. Following redemption, the Participant did not receive any entitlements, such as distributions or dividends, issued in respect of the Restricted Shares. The effect of this was that the Participant received no shares or cash and the Loan was repaid.

Details of transfers of shares to NZX employees and redemptions of shares under the Team and Results Plan during the year are set out below:

	Number of shares 000	Average share price $
Balance at 1 January 2020	**796**	**1.01759**
Redemptions	(59)	1.01638
Shares transferred to NZX employees	(737)	1.01638
Balance at 31 December 2020	**-**	**-**
Redemptions	-	-
Shares transferred to NZX employees	-	-
Balance at 31 December 2021	**-**	**-**

Total financial assistance provided by NZX under the Team and Results Plan as at 31 December 2021 was $nil (31 December 2020: $nil).

NZX Employee Long Term Incentive Plan

A replacement NZX employee long term incentive plan was implemented in 2018 (NZX Employee Long Term Incentive Plan). Under the terms of the NZX Employee Long Term Incentive Plan, NZX offers selected employees performance rights, which are subject to certain entitlement criteria before performance rights may vest and the holder can acquire shares in NZX. Once vested and exercised the performance rights entitle the holder to receive one share for each performance right. If the vesting conditions are not met or waived, the performance rights will lapse.

The NZX Employee Long Term Incentive Plan is offered on a three to five year term, with 1,296,621 performance rights issued to participants during 2021 (2020: 1,981,961).

The cost of the performance rights is measured based on the fair value at the date granted using an appropriate pricing model. The cost is recognised over the term of the scheme, with a corresponding increase in equity. The cumulative expense at each reporting date reflects the extent to which the vesting period has expired and is the best estimate of the number of performance rights that will vest. The expense or credit in the reporting period is the movement in cumulative expense and is recognised in personnel costs.

NZX Employee Shares

During the year $1,000 (gross) worth of NZX ordinary shares were issued to each new employee to encourage staff engagement and shareholder alignment.

23. Financial instruments

The Group's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework, including the management of financial risk. The board has established an Audit and Risk Committee (Committee), which is responsible for developing and monitoring the Group's financial risk management policies (except for those relating to clearing and settlement activities discussed below). The Committee reports regularly to the board of directors on its activities.

The Group undertakes securities clearing and settlement activities for the listed equities, debt and derivatives markets through its clearing house New Zealand Clearing and Depository Corporation Limited (NZCDC or the Clearing House). These activities expose NZCDC and the Group to several significant financial risks. Management of these risks is the responsibility of the Clearing Committee of the NZX Board as well as the board of directors of NZCDC. Regular reporting is provided to the NZX Board on the risk management activities.

The specific financial risks faced by the Group, the way in which they are managed and their impact on the financial statements are discussed below.

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from three principal sources:

- Receivables from customers arising in the normal course of business;
- Investment of surplus cash with financial institutions;
- The activities of the Clearing House, which is discussed separately in section (g).

Excluding Clearing House activities, NZX has no significant concentrations of credit risk from general customers, with receivable balances spread across a broad portfolio of customers. NZX does not require collateral to be provided against receivables incurred in the ordinary course of business, although listed issuers and participants in NZX's equity and debt markets are required to provide a bond that may be called upon in the event of default on financial obligations.

The status of trade receivables at the reporting date was as follows:

	31 December 2021 $000	31 December 2020 $000
Not past due	4,386	5,265
Past due 0 - 30 days	181	142
Past due > 30 days	188	219
Gross trade receivables	**4,755**	**5,626**

In summary, trade receivables are determined to be impaired as follows:

	31 December 2021 $000	31 December 2020 $000
Gross trade receivables	4,755	5,626
Individual impairment	(227)	(228)
Collective impairment	(12)	(5)
Net trade receivables	**4,516**	**5,393**

The movement in the provision for doubtful debts in respect of trade and other receivables during the year is set out in note 15.

For investment of surplus cash balances, the Group follows treasury policies that require investments to be held only with high credit quality counterparties and sets limits on the Group's exposure to individual counterparties. The individual counterparty limits are set as follows:

- The greater of $35 million or 60% of cash and cash equivalents for registered banks that operate in New Zealand with a minimum credit rating of AA-; and
- The greater of $17.5 million or 30% of total cash and cash equivalents for other institutions with a minimum credit rating of A-.

b. Foreign exchange risk

NZX primarily derives revenues and incurs expenses in NZD. In a minority of cases, however, receipts and payments are in foreign currencies (principally USD and AUD). NZX utilises foreign currency receipts to offset purchases denominated in foreign currencies. The Group determines forward exposures, and considers these in line with internal policies and procedures. It may enter into forward exchange agreements to keep any exposure to an acceptable level, though no such contracts were considered necessary in the current or prior financial year. Monetary assets and liabilities are kept to an acceptable level by buying or selling foreign currencies at the spot rate.

c. Interest rate risk

NZX is exposed to interest rate risk in that future interest rate movements will affect the interest that it pays on interest bearing liabilities. NZX does not currently use any derivative products to manage interest rate risk.

The interest period for the Subordinated Note ($40m) is fixed until the first election date (20 June 2023) at which point the interest rate may be rest (refer to note 19).

The Group's investment assets, particularly those designated as risk capital, are generally required to be readily convertible into cash. These are therefore held as bank deposits at floating rates of interest or invested in short term interest bearing assets for up to 12 months. This reduces the risk of movements in the market value of financial investments, but increases the Group's exposure to changes in cash flows as a result of short term movements in interest rates.

As at balance date, none of the Group's investments were subject to interest periods of greater than 12 months.

An analysis of the sensitivity of the Group's earnings to movements in interest rates is shown below. As at both 31 December 2021 and 2020 the Group's interest bearing assets exceeded its interest bearing liabilities, hence an increase in interest rates would have had a positive impact on earnings.

	2021 $000	2020 $000
Effect on net profit before income tax:		
1% increase in interest rate	190	242
1% decrease in interest rate	(190)	(242)

This above information is calculated using the Group's cash balances, the Group's interest bearing liabilities, and bank balances of $7.7 million (2020: $10.3 million) held by the funds managed by the Group's subsidiary, Smartshares Limited. The funds' bank balances are included as Smartshares Limited, as the manager of these funds, is entitled to a fee equivalent to the interest on amounts held in respect of distributions received (including distributions in respect of securities on loan under any securities lending programme undertaken by the fund) and interest earned on application monies.

d. Liquidity risk management

Liquidity risk is the risk that the Group will be unable to realise its assets on a sufficiently timely basis to meet its financial liabilities as they fall due. Liquidity risk arises from the general activities of the Group as well as in specific situations in the operation of the Clearing House. Clearing House liquidity risk is discussed in section (g).

The Group manages its general liquidity risk by maintaining adequate cash reserves, maintaining a sufficient term to maturity for its interest bearing liabilities and maintaining adequate overdraft and working capital facilities to provide it the flexibility to absorb predicted variability in cash flows. It continuously monitors forecast and actual cash flows to assist with determining the appropriate levels of cash reserves and borrowing capacity.

The table below summarises the Group's exposure to liquidity risk based on the undiscounted contractual cash flows and maturities of term debt.

Interest bearing liabilities	Total contractual cash flows $000	Less than 1 year $000	1-2 years $000	2-5 years $000	More than 5 years $000
31 December 2021	(64,840)	(2,160)	(2,160)	(6,480)	(54,040)
31 December 2020	(67,000)	(2,160)	(2,160)	(6,480)	(56,200)

e. Accounting classification and fair values

The fair value of the financial instruments, which comprise cash and cash equivalents, funds held on behalf of third parties, receivables, trade payables, other liabilities and interest bearing liabilities, approximates their carrying amounts in these accounts, with the exception of the subordinated notes, which have a fair value of $41.00 million (2020: $42.73 million).

f. Energy Clearing House

NZX, through its subsidiary Energy Clearing House Limited (ECH), is the electricity market operation service provider responsible for ensuring that market participants pay or are paid the correct amount for the electricity they generated or consumed during the previous month. ECH also manages the prudential security requirements of participants, intended to ensure payers can meet their obligations in the market.

At 31 December 2021, ECH has outstanding payables and receivables for the purchase and sale of electricity, and the settlement of transmission losses. These items are not recorded in the Group's statement of financial position, because the energy market participants have accepted the risks associated with electricity settlement.

In discharging its obligations under the Electricity Industry Participation Code, ECH is required to ensure that purchasers maintain adequate levels of prudential security. Participants can comply with this obligation in a number of ways, including third party guarantees, letters of credit and deposits of cash with the ECH.

ECH holds cash deposit security on trust, and does not recognise the security provided in its statement of financial position. There was $13,132,238 cash held from such deposits at 31 December 2021 (2020: $13,943,292).

g. Clearing House counterparty risk

The Clearing House acts as a central counterparty to trades undertaken on NZX's financial products markets. Trades that enter the Clearing House are immediately novated with the clearing participants such that the Clearing House becomes the buyer to every sell trade and the seller to every buy trade. As the buy and sell settlements resulting from all transactions that are novated to the Clearing House offset each other, the Group is not directly exposed to price movements in the underlying equities or derivatives, unless a clearing participant defaults.

On the equity market, for the period between trade date and settlement date, the Clearing House is exposed to credit risk as a clearing participant may become unable to meet its obligations to the Clearing House, for example if it became insolvent. Should a buying participant fail to pay cash, the Clearing House must still meet its obligations to buy the financial products from the selling participant. In these circumstances, the Clearing House is subject to market price risk on the financial products acquired as if the price of the financial products falls, the Clearing House may incur a loss on the disposal of those financial products. In addition, the Clearing House also faces liquidity risk, as it may be unable to realise sufficient cash on the scheduled settlement date to pay for the financial products it is acquiring.

Where the defaulting participant has outstanding sell trades to settle, the Clearing House will purchase those financial products in order to deliver them to the buying participant. In so doing, the Clearing House is again exposed to market and liquidity risk.

Credit risk
Counterparty credit risk is primarily managed in two ways. Firstly, through imposing requirements on participants, including minimum capital adequacy requirements, that aim to ensure that participants maintain sufficient capital and liquidity to meet their obligations to the Clearing House on an ongoing basis. Secondly, through calculating margin requirements on participants' open positions and requiring participants to post this margin as collateral as security for the trades. Margin requirements are calculated for each participant based on that participant's unsettled transactions in each financial product. Margin rates for each financial product are based on the underlying characteristics of the financial product and its price volatility. Margin requirements are calculated daily using current market prices. Each day, margin requirements are compared to collateral held and a margin call made where necessary. Participants are then required to post additional eligible collateral. Eligible collateral includes cash and financial products (including S&P/NZX 50 listed securities). Financial products provided as collateral are subject to a prudential value discount, commonly referred to as a "haircut".

In addition, counterparty credit risk for the derivatives market is also managed through the mutualised default fund. Derivatives Clearing Participants are required to make contributions to the mutualised default fund based on the level of their uncovered stress losses. Contributions are recalculated on a quarterly basis, or as required. Contributions must be provided in NZD or USD. The mutualised default fund can be applied to meeting settlement obligations of a defaulting participant on the derivatives market. In April 2021 NZX and the Singapore Exchange (SGX) entered into a strategic partnership agreement, followed by the migration of dairy derivatives contracts from NZX to SGX in November 2021. With suspension of dairy derivatives trading on NZX current contributions to the mutualised default fund are $nil.

The Group was also exposed to counterparty credit risk through New Zealand Clearing Limited (NZCL) by acting as central counterparty for securities lending transactions. As NZCL was exposed to the full principal value of each loan, NZCL required collateral to be posted equal to 105% of the loan. All loans were revalued on a daily basis and additional collateral required where appropriate. NZCL ceased offering securities borrowing and lending in March 2020.

The Clearing House is also subject to counterparty credit risk relating to the investment of cash with financial institutions, including the Clearing House's own surplus cash and risk capital as well as the collateral and mutualised default fund contributions. The Clearing House has its own treasury policy and investment policy to manage the credit risk, including limits on the Clearing Houses' exposure to individual counterparts as follows:

- Unlimited for amounts held within New Zealand Depository Limited (NZDL) Exchange Settlement Accounts (ESAS) at the Reserve Bank of New Zealand

- Up to $300 million and 50% of total exposure with registered banks with a minimum credit rating of AA

- Up to $200 million and 40% of total exposure with registered banks with a minimum credit rating of AA-

- Up to $75 million and 20% of total exposure with registered banks with a minimum credit rating of A+
- Up to $50 million and 20% of total exposure with registered banks with a minimum credit rating of A

The Clearing House must only invest in Reserve Bank of New Zealand or New Zealand registered banks, except that foreign currency can be invested in foreign bank branches that are appointed as a settlement bank.

Liquidity risk
Liquidity risk is managed through a combination of the collateral held from participants, the Clearing House's own cash reserves, a mutualised default fund applicable to the derivatives market and a specific liquidity facility which provides short term liquidity in the event of a participant default.

Collateral from the defaulting participant would be applied towards meeting the settlement obligations on the other side of the trade. The Clearing House also holds risk capital in cash and highly liquid investments, which is available to meet the obligations of defaulted transactions. Additionally, derivatives Clearing Participants provide contributions to a mutualised default fund which can be applied to meeting settlement obligations of a defaulting participant on the derivatives market. With suspension of dairy derivatives trading on NZX from November 2021 current contributions to the mutualised default fund are $nil. As at 31 December 2021 the Clearing House held risk capital of $20 million (31 December 2020: $20 million).

In addition, the Clearing House has an agreement with a major New Zealand fund manager to provide liquidity support in the form of $50 million of securities or cash. Use of this facility is limited to situations where a participant default has occurred. The Clearing House may access the facility to obtain liquidity in the form of securities or cash, collateralised against cash or eligible securities provided by the Clearing House to the Fund Manager. The facility term is until 31 December 2022 after which the facility shall continue unless either party provides six month notice to terminate the facility.

Market risk
The risk that the Clearing House will realise a loss from liquidating securities that it becomes the owner of as a result of a participant default is managed by maintaining sufficient participant collateral and default capital (i.e. risk capital and mutualised default fund capital) to absorb projected losses. Any losses incurred are initially funded from the defaulting participant's margin collateral. Should this be insufficient to cover the losses, then these must be met from the Clearing House's own risk capital. For the derivatives market, the mutualised default fund will also be applied, with the defaulting participants contributions used first, followed by $10m of the Clearing House's risk capital, then non-defaulting participants contributions, before the final amount of the Clearing House's risk capital will be applied. With suspension of dairy derivatives trading on NZX from November 2021 current contributions to the mutualised default fund are $nil. The Clearing House regularly stress tests clearing participant exposures against the total amount of margin collateral and default capital resources.

Clearing balances outstanding

	31 Dec 2021 $000	31 Dec 2020 $000
Cash market transactions[1]		
NZCL to receive from Clearing Participants - in NZD	13,310	25,562
NZCL to pay to Clearing Participants - in NZD	13,310	25,562
Aggregate absolute value of all net outstanding cash market settlement transactions - in NZD	76,019	66,426
Derivative contracts		
Absolute notional value of open derivative contracts - in USD	-	98,872
Absolute notional value of open derivative contracts - in NZD	-	525,458
Collateral held to cover outstanding settlement positions		
Cash - in NZD	25,844	66,824
Cash held in the form of mutualised default fund contributions - in NZD	-	6,456

1 All of these outstanding transactions were settled subsequent to 31 December 2021.

24. Related party transactions

a. Transactions with key management personnel

Key management personnel comprises the Group's senior management team. Key management personnel compensation comprised the following:

	2021 $000	2020 $000
Short-term employee benefits	5,081	4,640
Long-term employee benefits	161	161
Share-based payments	545	497
Resignation benefits	90	116
	5,877	**5,414**

b. Transactions with directors and other entities NZX directors are associated with

The Company regularly enters into transactions under normal commercial terms and conditions with other entities that some of the directors may sit on the board of or are employed by.

NZX directors fees for the year were $413,000 (2020: $450,000) (refer to Note 9).

c. Transactions with managed funds

Management and other fees are received from the funds managed by wholly owned subsidiary Smartshares Limited and are shown in the Income Statement as funds management revenue (refer to Note 8).

25. Contingent liabilities

In New Zealand there has been increased regulatory focus on market participant compliance for entities such as the Group. Accordingly, there has been an increase in the number of matters on which the Group engages with its regulators including matters such as financial market conduct, reporting and disclosure obligations, tax treatments, and product disclosure documentation. In the normal course of business the Group may be subject to actual or possible claims and court proceedings. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate are made.

There were no contingent liabilities as at 31 December 2021 and 31 December 2020.

26. Capital commitments

	31 December 2021 $000	31 December 2020 $000
Capital expenditure commitments:		
Software development	20	70
	20	70

27. Subsequent events

Dividend
Subsequent to balance date the board declared a final 2021 dividend (fully imputed) of 3.1 cents per share, to be paid on 10 March 2022 (with a record date of 24 February 2022).

Acquisition of Management Rights

On 11 February 2022 Smartshares Limited completed the acquisition of the management rights of the ASB Superannuation Master Trust. The business combination accounting for the acquisition is the recognition of a definite life intangible asset, and related deferred tax liability, at the completion date.

The acquisition costs incurred to date (including costs contingent on the completion of the acquisition) have been expensed in the Income Statement (note 9).

The Group's term loan facility was utilised to fund the acquisition, with $25m drawn down on 11 February 2022.

Acquistion of Investment in Associate

On 17 February 2022 NZX announced that it had executed a conditional agreement to acquire a 33.33% shareholding in Global Dairy Trade Holdings Limited.

The accounting for the acquisition of the Investment in Associate is incomplete at the date these financial statements were authorised for issue. The expected business combination accounting for the acquisition is the recognition of a non-current investment asset at a cost.

The acquisition costs incurred to date have been expensed in the Income Statement.

KPMG

Independent Auditor's Report

To the shareholders of NZX Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of NZX Limited (the 'company') and its subsidiaries (the 'group') on pages 69 to 106:

i. present fairly in all material respects the Group's financial position as at 31 December 2021 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 December 2021;

— the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to regulatory assurance. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial

KPMG

statements as a whole was set at $1,000,000 determined with reference to a benchmark of group profit before tax. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Goodwill & other intangible assets impairment assessment	
Refer to Note 5 to the Financial Report. NZX Limited's goodwill and other intangible assets arise from acquisitions and subsequent IT investments and relate to a number of different cash generating units ('CGUs') as described in Note 5 of the financial statements. The goodwill and other intangible assets are quantitatively significant and the valuation models used in the impairment tests include a range of subjective assumptions about the future performance of the cash generating units. We are focussed on the impairment tests for the CGUs that we considered to have a higher risk of impairment. This assessment was primarily based on the level of judgement involved in the underlying valuation model and market conditions for the relevant CGU. The CGUs we considered to be higher risk were Energy, Funds Management and Wealth Technologies.	For the CGUs we determined to have a higher risk of impairment, we performed a combination of the below procedures: — We compared the cash flow forecasts to budgets and assessed forecasting accuracy by comparing current year actual performance to prior year budgets. The assumptions applied both as part of and beyond the budgets were of particular focus for our additional procedures described below. — We reviewed and tested the significant assumptions applied to the revenue forecasts including comparing the forecasts to contractually receivable amounts or forecast inflation rates and performed stress-testing over the forecasts. — We assessed the cost forecasts against forecast inflation rates and management's business plans for the CGUs. — We compared the discount rate used to our own independently determined rate and compared terminal growth rates to long-term forecast inflation rates. — As a cross check we compared the valuations to the market, using comparable businesses (where available) and their earnings or funds under management multiples. — As an overall test we also compared the group's net assets as at 31 December 2021 of $71 million to its market capitalisation of $508 million at 31 December 2021, and noted implied headroom of $437 million. Based on our analysis, the assumptions and judgements used by the Directors in the group's impairment assessments were within acceptable ranges and in line with the current market views. We did not identify any material issues with the carrying value of the goodwill or intangible assets.

KPMG

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Letter from the Chair, Chief Executive's update, GRI index, risk reporting, management commentary, disclosures relating to corporate governance and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

KPMG

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor’s report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards.

For and on behalf of

KPMG

KPMG
Wellington

16 February 2022

Statutory Information

1. Business operations

There have been no changes in core business undertakings of the Company or its subsidiaries during the year.

2. Interests register

NZX is required to maintain an interests register in which particulars of certain transactions and matters involving the directors must be recorded.

3. Directors' interests

The following are particulars of the disclosures of interest by directors holding office during the accounting period.

Director	Interest	Entity
Frank Aldridge	Director	Claybrook Holdings
	Director	Avion Private Limited
	Director	CIP Holdings Limited (retired from)
	Director	Craigs Investment Partners Limited and subsidiaries (retired from)
	Chair	Wilsons Holding Co Pty Ltd (retired from)
Nigel Babbage	Director	Orbell Vineyards Limited
	Chair and CEO	Mohua Investments Limited
	Director	Mohua Limited
Richard Bodman	Director and shareholder	Te Ahumairangi Investment Management Limited
	Director	Forsyth Barr Cash Management Nominees Limited
	Director	Forsyth Barr Custodians Limited
	Director	Octagon Asset Management Limited
Elaine Campbell	Chief Corporate Officer and General Counsel	Chorus Limited
Jon Macdonald[1]	Director	Contact Energy Limited
	Director	Mitre 10 (New Zealand) Ltd and subsidiaries
	Director	Titan Parent New Zealand Limited (ultimate holding company for Trade Me Group Limited)
	Director	Sharesies Group Ltd and subsidiaries
John McMahon[2]	Director and Chair	Solutions Dynamics Limited
	Director	Wellington Drive Technologies Limited
James Miller	Director and Deputy Chair	Accident Compensation Corporation (retired 31/12/2021)
	Director	Mercury NZ Limited
	Director	The New Zealand Refining Company Limited
	Director	Vista Group International Limited
Lindsay Wright	CEO Funds Management	Sun Hung Kai & Co

1 Jon Macdonald resigned as a director of NZX Limited effective 9 April 2021.
2 John McMahon resigned as a director of NZX Limited effective 31 December 2021.

4. Information used by directors

There were no notices from directors of the Company requesting to disclose or use Company Information received in their capacity as directors that would not otherwise have been available to them.

5. Directors' remuneration

The total remuneration available for directors is fixed by shareholders. The annual fee pool limit is $435,000 and has not been increased since it was approved by shareholders at the annual meeting in April 2012 (when NZX had seven directors). In accordance with the Listing Rules, this amount may be proportionately increased to pay additional directors an amount that does not exceed the average amount paid to directors. The number of NZX directors reduced from eight at the beginning of the year to seven following Jon Macdonald's resignation effective 9 April 2021.

Director	Role	Board Fees	Total
Frank Aldridge	Director	$50,000	$50,000
Nigel Babbage	Director	$50,000	$50,000
Richard Bodman	Director	$50,000	$50,000
Elaine Campbell	Director	$50,000	$50,000
Jon Macdonald[1]	Director	$13,333	$13,333
John McMahon[2]	Director	$50,000	$50,000
James Miller	Director	$100,000	$100,000
Lindsay Wright	Director	$50,000	$50,000
Total		$413,333	$413,333

1 Jon Macdonald resigned as a director of NZX Limited effective 9 April 2021.
2 John McMahon resigned as a director of NZX Limited effective 31 December 2021.

6. Indemnification and insurance of directors and officers

NZX pays premiums in respect of directors' liability insurance. The policies do not specify a premium for individuals.

The insurance provides cover against costs and expenses involved in defending legal actions and any damages or judgments awarded or entered against the individual, settlements negotiated and any legal costs or expenses awarded against the individual arising from a liability to persons (other than the company or a related body corporate) incurred in their position as a director unless the conduct involves a wilful breach of duty, improper use of inside information or position to gain any profit or advantage or any criminal, dishonest, fraudulent or malicious acts or omissions or any knowing or wilful violation of any statute or regulation.

NZX has granted indemnities to NZX directors and NZX-appointed directors of operating subsidiaries in relation to potential liabilities and costs they may incur for acts or omissions in their role as a director of NZX or an NZX subsidiary. Similar exclusions to those described in the previous paragraph on insurance apply.

7. Subsidiary company directors

The directors of all NZX subsidiaries during the year are as follows

Clearing House entities

New Zealand Clearing and Depository Corporation Limited
- Mark Peterson
- Benjamin Phillips (ceased 30 July 2021)
- Roger Bayly (appointed 30 July 2021)
- Graham Law

New Zealand Clearing Limited
- Mark Peterson
- Graham Law (appointed 17 December 2021)

New Zealand Depository Limited
- Mark Peterson
- Graham Law (appointed 17 December 2021)

New Zealand Depository Nominee Limited
- Benjamin Phillips (ceased 30 July 2021)
- Roger Bayly (appointed 30 July 2021 and ceased 17 December 2021)
- Graham Law (appointed 17 December 2021)
- Mark Peterson (appointed 17 December 2021)

Other NZX subsidiaries

Energy Clearing House Limited
- Benjamin Phillips (ceased 30 July 2021)
- Shane Dinnan (appointed 30 July 2021 and ceased 24 November 2021)
- Graham Law (appointed 24 November 2021)
- Mark Peterson (appointed 24 November 2021)

Smartshares Limited
- John Williams (independent director)
- Guy Elliffe (independent director)
- Mark Peterson
- Lindsay Wright (ceased 24 November 2021)
- Graham Law (appointed 24 November 2021)

NZX Wealth Technologies Limited
- Richard Bodman (ceased 24 November 2021)
- Mark Peterson
- Graham Law
- John McMahon (ceased 24 November 2021)
- Kathryn Jaggard

NZX Regulation Limited
- Trevor Janes

- Michael Heron QC
- Elaine Campbell
- Annabel Cotton
- John Hawkins

New Zealand Exchange Limited
- Hamish Macdonald (ceased 24 November 2021)
- Graham Law (appointed 24 November 2021)
- Mark Peterson (appointed 24 November 2021)

NZX Holding No. 4 Limited
- Hamish Macdonald (ceased 24 November 2021)
- Graham Law (appointed 24 November 2021)
- Mark Peterson (appointed 24 November 2021)

The directors of NZX's subsidiary companies who are not NZX employees or directors of NZX Limited, have declared interests in the following entities:

Subsidiary directors (Non-NZX directors)	Interest	Entity
Annabel Cotton	Principal	Merlin IR Consulting
Guy Elliffe	Corporate Governance Manager	Accident Compensation Corporation
	Member of Investment Committee	Todd Foundation
John Hawkins	Director	The Pines Limited
Michael Heron QC	Barrister	MHQC
Trevor Janes	Director/Chair	TIL Logistics Limited (retired from)
Kathryn Jaggard	Consultant	NZX Limited

NZX employees and directors do not receive additional remuneration for acting as directors of subsidiary companies.

The total amount of remuneration and other benefits to which independent directors of an NZX subsidiary was entitled during 2021 is as follows:

Subsidiary directors (Non-NZX directors)	Remuneration
Kathryn Jaggard	$20,000
John Williams	$50,000
Guy Elliffe	$50,000
Annabel Cotton	$40,000
John Hawkins	$40,000
Michael Heron	$40,000
Trevor Janes	$50,000
Total	$290,000

8. Donations

During the year NZX made donations to charitable organisations of $10,000. NZX does not make political donations.

9. Employee remuneration

The table below sets out the number of NZX Group employees and former employees who received remuneration and other benefits, including non-cash benefits and share-based remuneration in excess of $100,000 per annum. This information is based on all amounts received by the employees during the calendar year and therefore includes bonus payments that relate to the 2020 year (where applicable). Directors are not included in the table below. Their remuneration is set out separately in section 5.

Remuneration range	Employees
100,000 – 109,999	13
110,000 – 119,999	12
120,000 – 129,999	20
130,000 – 139,999	6
140,000 – 149,999	7
150,000 – 159,999	15
160,000 – 169,999	8
170,000 – 179,999	6
180,000 – 189,999	9
190,000 – 199,999	5
200,000 – 209,999	4
210,000 – 219,999	1
220,000 – 229,999	1

230,000 – 239,999	4
240,000 – 249,999	1
250,000 - 259,999	3
260,000 – 269,999	1
270,000 - 279,999	1
280,000 - 289,999	1
290,000 - 299,999	2
300,000 - 309,999	1
340,000 - 349,999	1
350,000 - 359,999	1
370,000 - 379,999	1
390,000 - 399,999	1
420,000 - 429,999	1
450,000 - 459,999	1
470,000 - 479,999	1
490,000 - 499,999	1
500,000 - 509,999	1
1,070,000 - 1,079,999	1

10. Director transactions in securities of the parent company

Director	Securities held (legally and beneficially) at 31 December 2021 (Subordinated Notes)	Securities held (legally and beneficially) at 31 December 2021 (Ordinary Shares)
Frank Aldridge	Nil	50,000
Nigel Babbage	Nil	11,700,000
Richard Bodman	15,000	10,297
Elaine Campbell	Nil	10,731
John McMahon	Nil	90,000
James Miller	8,000	151,489
Lindsay Wright[1]	Nil	Nil

1 As part of the conflict management arrangements in place for her role with Sun Hung Kai & Co, Lindsay Wright does not hold securities in NZX.

11. Auditors

The external auditor of the parent company and the Group is KPMG. They provide audit and other services, for which their remuneration in 2021 was as follows:

	Group $000
Audit of the financial statements	181
Other audit related fees	44
Total	225

Other audit-related fees relate to operational audit of New Zealand Clearing and Depository Corporation Limited, the annual depository assurance engagement of New Zealand Depository Limited and the Net Tangible Assets procedures engagement of Smartshares Limited.

12. Top 20 security holders

The following table shows the names and holdings of the 20 largest holders of NZX ordinary shares as at 31 December 2021:

Investor name	Shares held	% of issued shares
Bnp Paribas Nominees NZ Limited	24,709,515	8.80
Accident Compensation Corporation	18,947,593	6.75
HSBC Nominees (New Zealand) Limited	13,714,440	4.89
Forsyth Barr Custodians Limited	13,216,162	4.71
Citibank Nominees (Nz) Ltd	11,892,719	4.24
Nigel Charles Babbage	11,700,000	4.17
HSBC Nominees (New Zealand) Limited	10,910,235	3.89
Custodial Services Limited	10,192,996	3.63
FNZ Custodians Limited	8,692,510	3.10
David Mitchell Odlin	6,710,948	2.39
New Zealand Depository Nominee	6,600,362	2.35
Bnp Paribas Nominees NZ Limited Bpss40	6,214,225	2.21
JPMORGAN Chase Bank	5,658,009	2.02
Premier Nominees Limited	3,528,770	1.26
Mirrabooka Investments Limited	3,500,000	1.25
Wairahi Investments Limited	3,400,000	1.21
Elizabeth Beatty Benjamin & Michael Murray Benjamin	3,214,000	1.15
Michael Robert Mayger & Eleanor Margaret Mayger	1,930,155	0.69
JBWERE (Nz) Nominees Limited	1,856,333	0.66
Forsyth Barr Custodians Limited	1,637,440	0.58

The following table shows the names and holdings of the 20 largest holders of NZX Subordinated Notes as at 31 December 2021:

Investor Name	Notes held	% of issued notes
Forsyth Barr Custodians Limited	8,227,000	20.57
FNZ Custodians Limited	6,479,000	16.2
Custodial Services Limited	3,945,000	9.86
New Zealand Permanent Trustees Limited	2,680,000	6.7
Hobson Wealth Custodian Limited	2,212,000	5.53
JBWERE (Nz) Nominees Limited	1,943,000	4.86
Tea Custodians Limited	1,400,000	3.5
Graeme Laurence Beckett & Janine Dale Beckett	1,017,000	2.54
Forsyth Barr Custodians Limited	465,000	1.16
Investment Custodial Services Limited	343,000	0.86
Rodney Gavin Shayle Callender	200,000	0.5
Enft Limited	150,000	0.38
Mmc Limited	150,000	0.38
FNZ Custodians Limited	135,000	0.34
Forsyth Barr Custodians Limited	127,000	0.32
Graham Nicholas Law	113,000	0.28
Craig John Thompson	100,000	0.25
Erudite Holdings Limited	100,000	0.25
Somsmith Nominees Limited	100,000	0.25
William Robert Mortlock & Joanne Elizabeth Mortlock	100,000	0.25

13. Spread of ordinary shareholders as at 31 December 2021

The following table shows the spread of NZX Ordinary Shares as at 31 December 2021:

	SHAREHOLDERS		SHARES	
Size of holding	Number	%	Number	%
1 - 1,000	654	14.27	354,316	0.13
1,001 - 5,000	927	20.22	2,858,284	1.02
5,001 - 10,000	1,028	22.43	8,098,011	2.89
10,001 - 50,000	1,589	34.66	35,774,760	12.75
50,001 - 100,000	226	4.93	15,972,945	5.69
Greater than 100,000	160	3.49	217,631,727	77.52
Total	**4,584**	**100**	**280,690,043**	**100**

The following table shows the spread of NZX Subordinated Notes as at 31 December 2021:

	NOTEHOLDERS		NOTES	
Size of holding	Number	%	Number	%
1 - 1,000	-	-	-	-
1,001 - 5,000	62	11.33	310,000	0.78
5,001 - 10,000	149	27.24	1,361,000	3.40
10,001 - 50,000	308	56.31	7,550,000	18.88
50,001 - 100,000	14	2.56	1,102,000	2.76
Greater than 100,000	14	2.56	29,677,000	74.18
Total	**547**	**100**	**40,000,000**	**100**

14. Substantial product holders

The following information is given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to NZX's records and disclosures made pursuant to section 280 (1)(b) of the FMCA, the following were substantial product holders in NZX as at 31 December 2021. The total number of voting securities on issue as at 31 December 2021 was 280,690,043.

	Class	Relevant Interest	% of Issued shares
Aberdeen Standard Investments (Asia) Pty	Ordinary shares	24,378,860	8.69
Accident Compensation Corporation (ACC)	Ordinary shares	18,947,593	6.75

15. Waivers from listing rules and independent director certificates

On 15 December 2021, NZX received a waiver from the Special Division of the NZ Markets Disciplinary Tribunal in respect of Listing Rule 2.11 as it concerns the directors fees for the independent directors of NZ RegCo. The waiver effectively provides that, subject to its conditions, the independent directors of NZX RegoCo are not within the scope of Listing Rule 2.11, which would otherwise require their director fees to be paid from the NZX shareholder approved NZX director fee pool (as adjusted for the number of directors overall) and require shareholder approval from NZX's shareholders for any increase in their remuneration.

The waiver was sought to increase the separation between NZX's commercial and regulatory arms and support the independence of NZ RegCo and its board, recognising NZ RegCo's unique regulatory function. Going forward, and as a condition of the waiver, the remuneration for the independent directors of NZ RegCo will be set based on remuneration benchmarking advice and subject to approval of the NZ RegCo board in accordance with the Companies Act procedures and also the NZX board (not to be unreasonably withheld). The remuneration of the directors of NZX (including of any NZX directors who are also directors of NZ RegCo) remains subject to NZX shareholder approval in the usual way under Listing Rule 2.11. All remuneration of directors of companies in the NZX group will continue to be disclosed in the annual report of NZX, as is required by the Companies Act. This waiver will also be referred to in notices of meeting and annual reports going forward, where relevant in the context of director remuneration matters.

A copy of the waiver decision was released to the market on 22 December 2021.

16. Securities issued by NZX

NZX's ordinary shares are quoted on the NZX Main Board. In 2018 NZX introduced an employee share scheme and CEO share scheme based on the issue of performance rights, which are subject to certain entitlement criteria before performance rights may vest and the holder can acquire shares in NZX. For as long as performance rights issued under these schemes are subject to these restrictions they, and any shares which may be issued following the exercise of performance rights, are not quoted on any market and will not be quoted on any market until such time as they vest in the relevant participants.

In 2018 NZX issued $40 million of unsecured, subordinated notes with a coupon rate of 5.4%. These notes are quoted and traded on the NZX Debt Market as NZX010.

This report is signed by and on behalf of the board of NZX Limited by:

James Miller
Chair of the Board

Lindsay Wright
Chair of the Audit and Risk Committee

Getting in touch

Board of Directors
James Miller (Chair)
Frank Aldridge
Nigel Babbage
Richard Bodman
Elaine Campbell
Peter Jessup*
John McMahon*
Lindsay Wright

Chief Executive Officer
Mark Peterson

Chief Financial Officer
Graham Law

General Counsel and Company Secretary
Sara Wheeler**

Registered Office
NZX Limited
Level 1 / NZX Centre
11 Cable Street
PO Box 2959
Wellington

+64 4 472 7599
info@nzx.com
www.nzx.com

Auditors
KPMG
10 Customhouse Quay
Wellington

+64 4 816 4500

Share Register
Link Market Services Limited
PO Box 91976
Auckland 1142

+64 9 375 5998
enquiries@linkmarketservices.co.nz
www.linkmarketservices.co.nz

* John McMahon resigned from NZX Board effective 31 December 2021. Peter Jessup was appointed to the board effective 1 January 2022.

** Effective 19 January 2022

insightcreative.co.nz