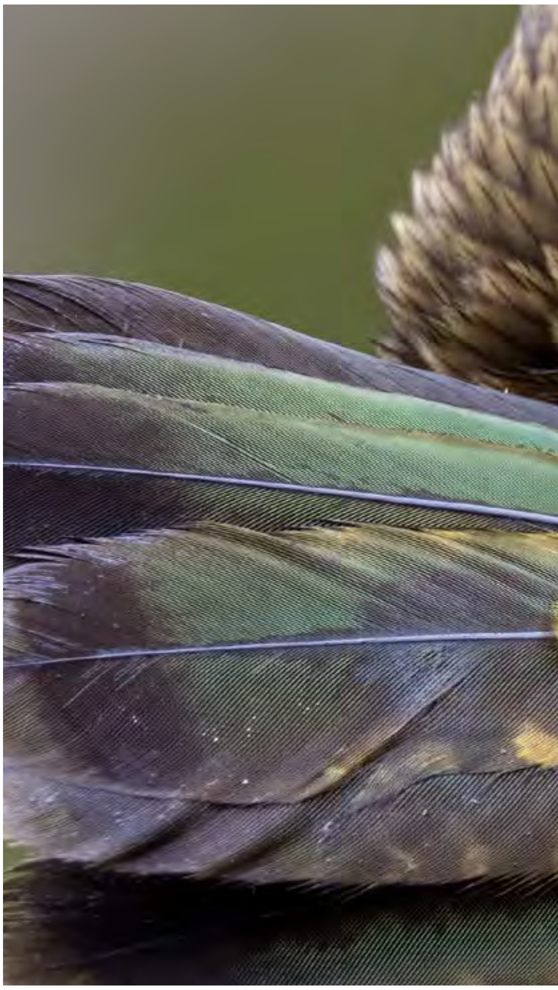
2023 Annual Report

Strength and resilience

About
this Report



Welcome to the NZX 2023 Annual Report – **Strength & Resilience.**

The report outlines the work the NZX Group has done this year to deliver sustainable wealth, value and opportunities.

The report's theme demonstrates the underlying strength of New Zealand's capital markets and the strength of NZX as a listed company. This comes from the quality of companies that utilise New Zealand's capital markets and the diversity of product offering within the NZX Group. It also showcases the resilience of the New Zealand market – and NZX itself – to cyclical changes in global markets. Equity markets earnings are geared for strong growth when inflation and interest rates ease.

The report includes our full Financial Statements (and Notes to the Financial Statements) for the year ended 31 December 2023, along with commentary on the Company's financial results and operational performance.

The Business Year (How We Performed and Who We Are) and the NZX Group Overview (How We Deliver Value) provide information on our key performance and organisational metrics as well as our Purpose, Vision and Strategy.

Stakeholders, customers and investors can also read about our performance in Operating Responsibly that covers our environmental, social and governance (ESG) matters. It is broken down into three sections (Our People, Our Environment, and Our Markets and Economic Performance).

This report contains the Global Reporting Initiative (GRI) content index and includes climate statements prepared in accordance with the Aotearoa New Zealand Climate Standards.

We have included for the first time a standalone Remuneration section that aligns with the new voluntary NZX Remuneration Reporting Template for Listed Issuers. The template was developed by NZX in conjunction with the NZX Corporate Governance Institute (NZX CGI), which is comprised of members representing a cross-section of industry stakeholders.

The Governance section of the 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 22 February 2024 and is signed on behalf of the Board of NZX Limited by John McMahon (Chair), and Lindsay Wright (Chair of the Audit and Risk Committee).

Mā te huruhuru ka rere te manu.
Adorn the bird with feathers to enable it to fly.

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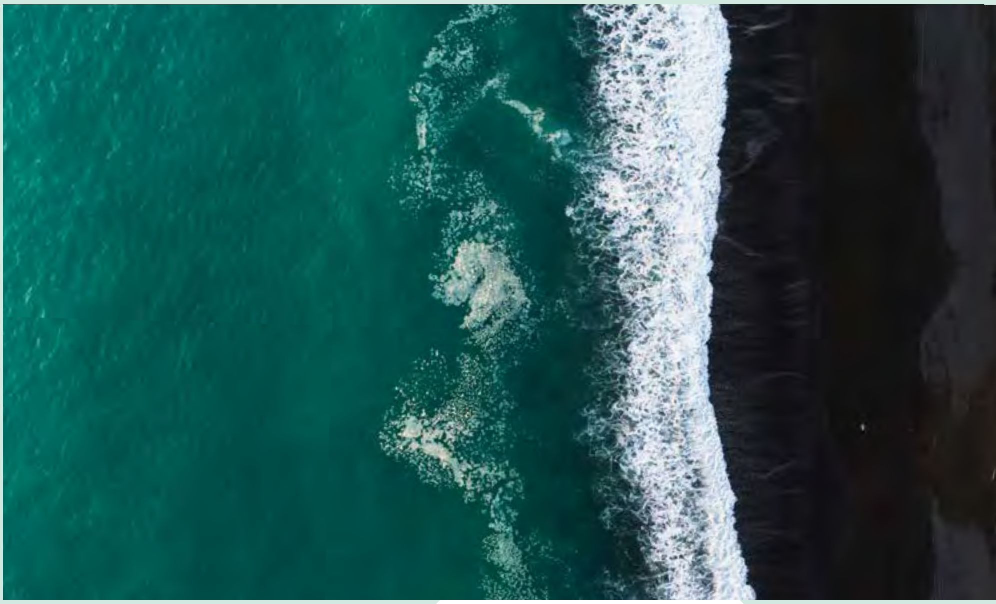
1. Business Year

2. NZX Group Overview



How we performed

Total Capital Listed and Raised
(New + secondary)

$14.2b

▼ 32.1% and 22.2% 5 year av.

Total Value Traded

$33.8b

▼ 9.7% and 21.5% 5 year av.

Information Services Revenue

$19.7m

▲ 1.9%

Dairy Derivatives Lots traded

578,795

▲ 35.0%

Funds Under Management*

$10.98b

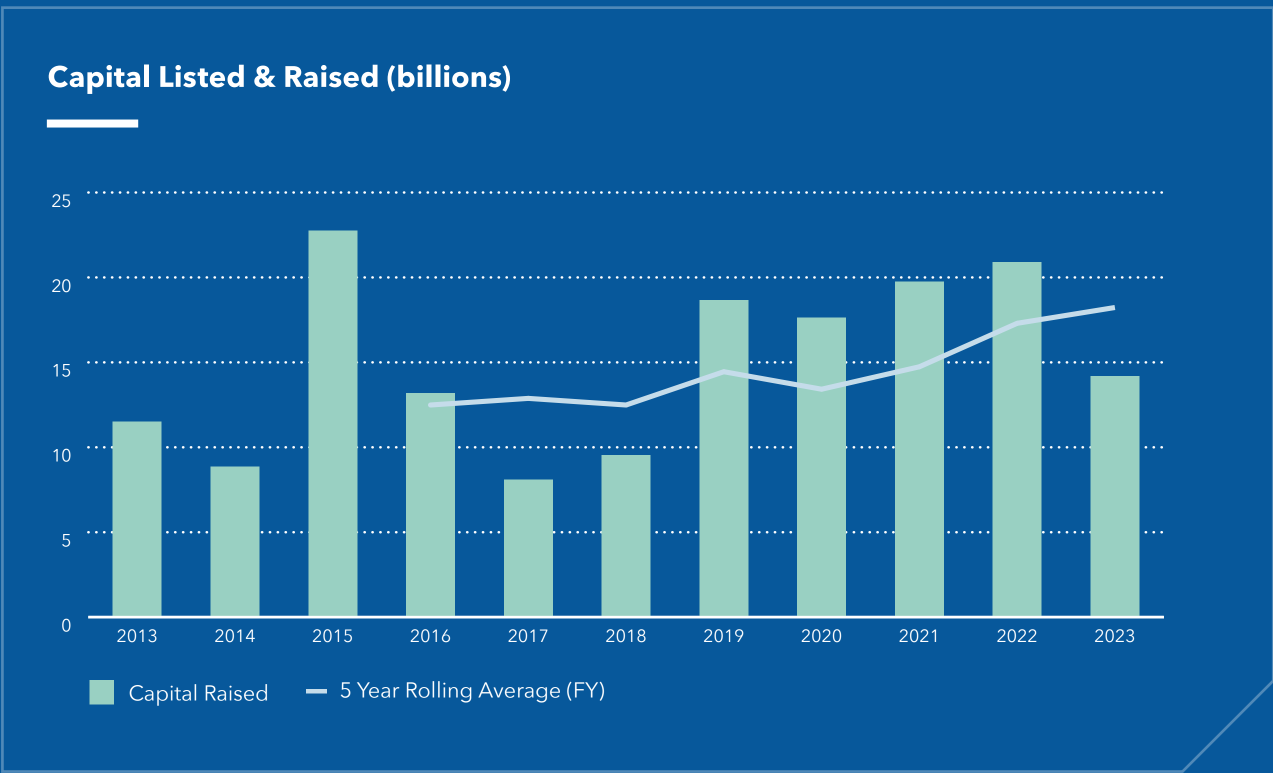
▲ 32.9%

Funds Under Administration

$11.54b

▲ 15.8%

* Includes QuayStreet Asset Management acquired FUM.



Operating Earnings *

$40.1m

9.6%

Net Profit After Tax

$13.6m

4.3%

Data highlighted on pages 4 and 5 is "for the financial year ended 31 December 2023" or "as at 31 December 2023" (as applicable). Percentage changes represent the movement from 2022 to 2023, except Funds Under Management and Funds Under Administration which are the movement in balances at 31 December 2022 to 31 December 2023.

*Operating earnings are before net finance expense, income tax, depreciation, amortisation, gain or loss on disposal of assets, gain on lease modification and share of profit of associate. 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.

Excludes one-off acquisition, integration and restructure costs of $1.2 million in 2023 (2022: $1.5 million). Operating earnings including one-off acquisition, integration and restructure costs increased 10.9% to $38.9 million.

Dividend (Fully imputed)

6.1 cents per share

Who **we** are

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 information services for our customers.

NZX also owns Smartshares, a New Zealand issuer of listed Exchange Traded Funds (ETFs), KiwiSaver, investment, superannuation and insurance provider SuperLife, and diversified fund manager QuayStreet Asset Management.

NZX Wealth Technologies is a 100%-owned subsidiary delivering comprehensive online platform functionality to enable New Zealand investment advisers and providers to efficiently manage, trade and administer their clients' assets.

NZX is responsible for monitoring and enforcing the rules under which NZX's markets operate. This applies directly to issuers, market participants and indirectly (through market participants) to investors. This function is undertaken by NZ RegCo, an independently governed entity.

Learn more about us at: www.nzx.com

Total Market Capitalisation

$220b

Listed equity, debt and funds

Issuer relationships

339

Total listed equity, debt, funds and other securities

Secondary Markets

9.0m

Trades in 2023, with a total value of $33.8b

Information Services

6,463

Professional data terminals

Smartshares

156,235

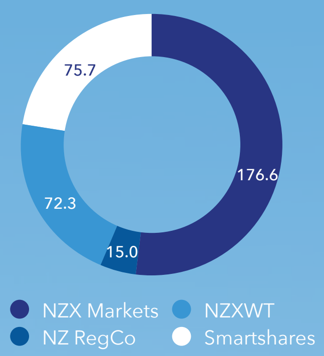
Members across KiwiSaver, investment, superannuation, and insurance solutions

NZX Wealth Technologies

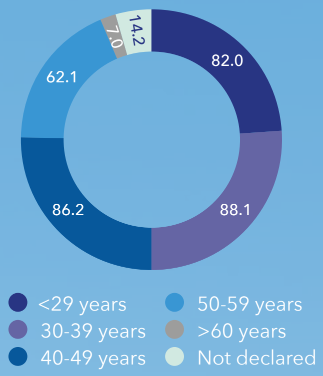
49,605

Investor portfolios, with total Funds Under Administration of $11.54b

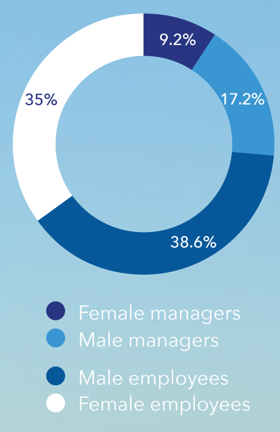
Employees (FTE) by Business Unit



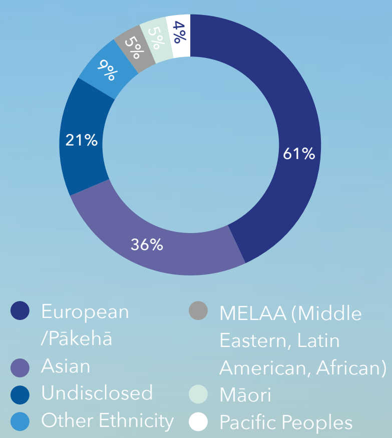
Employee (FTE) by Age



Gender Diversity All Employees

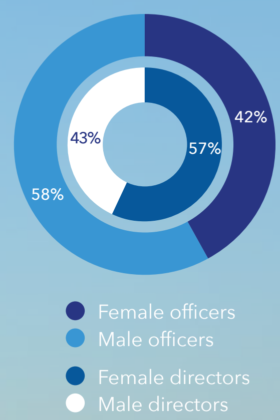


Ethnic diversity of NZX*



* Data reflecting the primary and secondary ethnic backgrounds of employees.

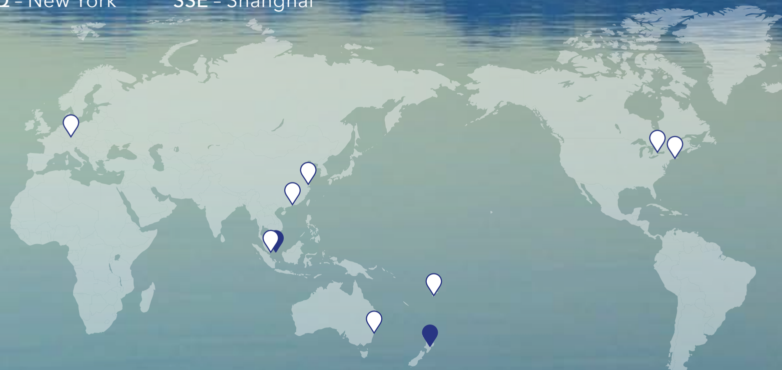
Gender Diversity of Officers & Board



New Zealand presence connecting a world of investments to NZ businesses

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



339.6

Full-time equivalent employees
(excluding contractors & consultants)

Full year review
Letter from the Chair and Chief Executive

Year in review **2023**

John McMahon
Chair

Mark Peterson
CEO

Demonstrating strength through diversity of product offering.

NZX Limited ("NZX" or "the Company") produced a solid operating financial result in a challenging year for global markets.

The NZX/S&P 50 index (gross) produced a return of 2.6% for 2023. However, the effects of high inflation and interest rates saw equity market trading activity remain soft and sluggish resulting in a 9.7% reduction in total value traded – the lowest volume in nine years - which reflects the current economic cycle. Value traded is a key earnings driver for the Company.

Approximately half of the 61 World Federation of Exchanges members had a reduction in traded value of 15% or more over 2023.

Despite the challenging economic conditions, the market continued to deliver capital raising capacity to meet our issuers' debt and equity objectives. Alongside this, the diversity of NZX's product offering and earnings base meant the Company continued to make progress on its long-term strategy of expanding its product range in capital markets and driving scale and operating leverage across our funds management (Smartshares) and adviser platform (NZX Wealth Technologies) businesses.

Results overview & key highlights

NZX lifted operating earnings, highlighting the resilience of the Company through market cycles.

The Company is reporting 2023 operating earnings (EBITDA)[1] of $40.1 million (excluding acquisition and integration costs) up 9.6%. Operating earnings including acquisition and integration costs (EBITDA) for the same period increased 10.9% to $38.9 million, with:

- operating revenue increased $12.7 million to $108.4 million; and
- operating expenses, excluding acquisition and integration costs, increased $9.2 million to $68.3 million.

NZX produced a net profit after tax (NPAT) of $13.6 million for the year (2022: $14.2 million), a year-on-year decrease of 4.3%, with the decline largely resulting from additional amortisation (relating to NZX Wealth Technologies' software development and migrations, and Smartshares' acquisitions) along with higher funding costs.

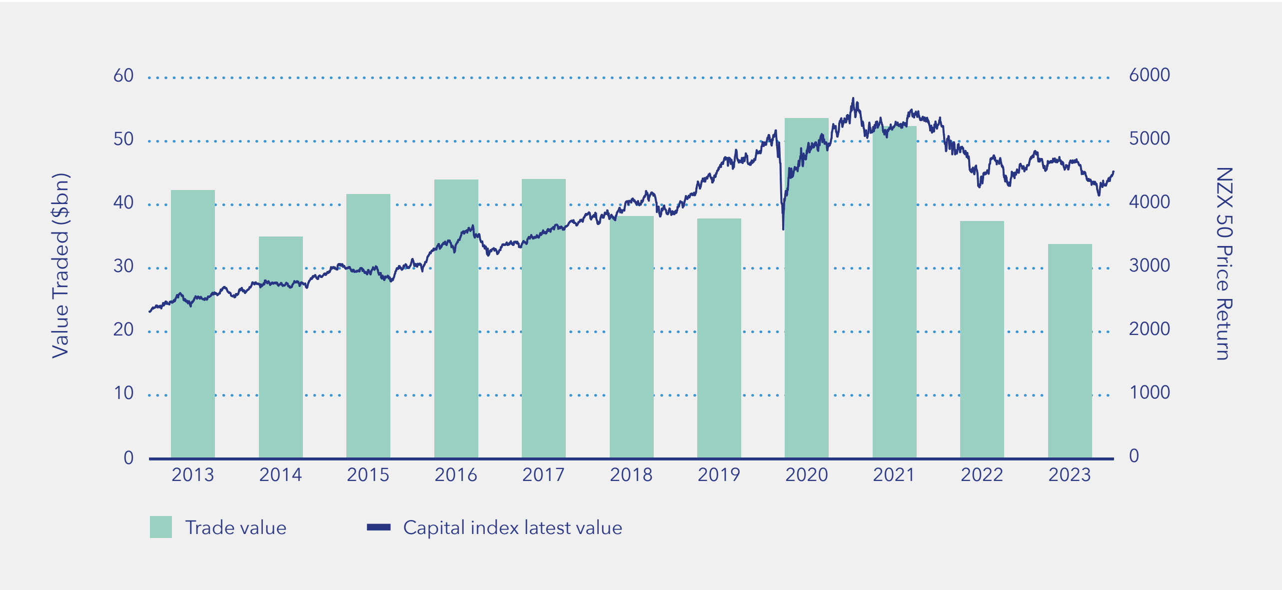
The higher amortisation charge largely represents the "cost" of several years of capital investment in NZX Wealth Technologies, an investment from which NZX is now seeing gains through significant new client wins that are expected to progressively onboard to the platform in 2024. NZX Wealth Technologies is targeting cash flow breakeven by the end of the year – adding significant value to the Company.

Operating earnings (EBITDA)*

$40.1m

Improvement of 9.6% from 2022

* Excludes one-off acquisition, integration and restructure costs of $1.2 million in 2023 (2022: $1.5 million). Operating earnings including one-off acquisition, integration and restructure costs increased 10.9% to $38.9 million.



1 Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, gain or loss on disposal of assets, gain on lease modification and share of profit of associate. 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.

Dividend

The Directors have declared a fully-imputed final dividend of 3.1 cents per share (2022: 3.1 cents) to be paid on 28 March 2024 to shareholders registered as at the record date of 15 March 2024. Total dividends for the 2023 financial year are 6.1 cents per share fully imputed (2022: 6.1 cents).

How we performed – NZX Group's key performance measures

Despite the muted performance in new issuances and trading, the Company continues to experience positive momentum towards achieving its strategic goals, due to the diversified nature of the NZX Group's activities.

In 2023 in particular, strong performances came from:

- The dairy market partnership with Singapore Exchange saw record volumes, up 35.0% compared to 2022
- Our Information Services (Data) business – revenue increased to $19.7 million, up 1.9%
- Smartshares, which finished 2023 with close to $11.0 billion in funds under management – up 32.9% from 2022 (due to acquisitions and organic growth)
- NZX Wealth Technologies – won 12 new clients in 2023; these are expected to be transitioned on to its platform by the end of 2024.

Performance indicators	FY23 Target	2023 Actual	2022 Actual	% Change
Operating earnings (EBITDA) pre acquisition, integration & restructure costs ($ million)[1]	36.0 – 40.5	40.1	36.6	9.6%
Capital listed & raised ($ billion)	16.0	14.2	20.9	(32.1%)
Total value traded ($ billion)	40.0	33.8	37.4	(9.7%)
Information Services (previously Data & Insights) revenue ($ million)[2]	Grow 6.9%	19.7	19.4	1.9%
Funds under management ($ billion)	Grow 14%[3]	11.0	8.3	32.9%
Funds under administration ($ billion)		11.5	10.0	15.8%
Dairy derivatives lots traded (k)	550 – 650	578.8	428.2	35.0%

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2 Information Services Revenue strategic target excludes connectivity revenue. Information Services revenue excluding connectivity revenue has increased 1.5% (2023: $16.9 million, 2022: $16.6 million)

3 The closing FUM growth excluding ASB Superannuation Master Trust and QuayStreet Asset Management FUM increased 15.6% from 31 December 2022 to 31 December 2023.

2023 total dividends

6.1c

2022: 6.1c

Financial performance

As noted, Group operating earnings (EBITDA) for 2023, excluding acquisition, integration and restructure costs was $40.1 million – up 9.6%. Including one-off acquisition, integration and restructure costs, EBITDA was $38.9 million – up 10.9% on the same period last year.

At a Group level, operating revenue increased $12.7 million to $108.4 million, primarily driven by incremental revenue from Smartshares acquisitions – ASB Superannuation Master Trust and QuayStreet Asset Management – Smartshares' organic fund growth, and the continued growth of our Information Services (data) and Dairy market businesses. This growth occurred despite headwinds from reduced market activity, with trading and clearing volumes at their lowest levels in nine years.

Summary Financial Performance ($ million)	2023	2022	% Change
Markets	60.9	61.7	(1.2%)
Funds Management	37.0	24.5	50.9%
Wealth Technologies	6.8	6.0	13.8%
Corporate Services	0.1	–	n/a
Regulation	3.6	3.5	3.1%
Total operating revenue	**108.4**	**95.7**	**13.2%**
Personnel costs	(43.3)	(37.3)	(15.9%)
Information technology costs	(13.8)	(13.1)	(5.3%)
Other costs	(11.2)	(8.7)	(28.8%)
Total operating expenses excl. acquisition, integration & restructure costs	**(68.3)**	**(59.1)**	**(15.5%)**
Operating earnings (EBITDA)[1] pre acquisition, integration & restructure costs[1]	**40.1**	**36.6**	**9.6%**
EBITDA Margin (%)	37.0%	38.2%	(3.2%)
Acquisition, integration & restructure costs	(1.2)	(1.5)	21.1%
Operating earnings (EBITDA)[1]	**38.9**	**35.1**	**10.9%**
Depreciation & amortisation	(16.8)	(13.9)	(21.0%)
Investment in associate and other gains	1.1	0.2	n/a
EBIT	**23.2**	**21.4**	**8.5%**
Net finance expenses	(4.0)	(1.9)	(115.6%)
Net profit before tax	**19.2**	**19.5**	**(1.6%)**
Tax expense	(5.6)	(5.3)	(5.5%)
Net profit after tax	**13.6**	**14.2**	**(4.3%)**

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Operating expenses, excluding acquisition, integration and restructure costs, increased $9.2 million to $68.3 million. This was driven by incremental costs as a result of integrating the Smartshares acquisitions, inflationary pressures (employee and technology costs), and increases in costs relating to compliance and statutory obligations.

NZX is conscious of its cost base and the cost pressures it is facing. It has been necessary to invest in new staff and technology as we assumed the support functions for the new clients we received through those acquisitions. However, we have dedicated effort to reviewing headcount, managing project priorities and rationalising supplier contracts across the NZX Group. We have prioritised key projects that will deliver to our strategy, put on hold other projects, and negotiated supplier contract savings opportunities. Cost control remains a priority.

Acquisition, integration and restructure costs primarily relate to the integration of the ASB Superannuation Master Trust which was completed in August 2023, when investment management, investment administration and registry services transferred to Smartshares. While this required the hiring of additional staff, the net impact has been an unlocking of synergies of more than $1.2 million on an annualised basis. In 2024 the operating revenue and expenses will reflect the full year impact of the migration.

Additionally, the QuayStreet operating model migration is expected to be completed in the last quarter of 2024. This will have a similar impact on operating revenue and expenses, potentially unlocking further synergies.

Depreciation and amortisation increases are due to amortisation of QuayStreet management rights, amortisation of additional development of NZX Wealth

Technologies' core platform and client migration costs completed over 2022 and 2023, and additional depreciation on the fit out and use of additional space in, and the new ticker for, the Auckland Capital Markets Centre.

The net finance expenses increase relates to the funding of the QuayStreet acquisition and the progressive unwinding of the present value discount on the QuayStreet earnouts through to November 2025, as well as the subordinated notes interest rate being reset from 5.4% to 6.8% in June 2023 and increased interest on leased assets, offset by higher interest income from increasing interest rates.

CAPITAL MARKETS

Origination

Despite economic uncertainty, issuers continued to access the market, with $14.2 billion of capital listed and raised on market for the year. This has been equally split across primary and secondary capital raises, with 24 significant equity capital raising events, ranging in size from $1.5 million to $902 million. The diverse range of capital raisings this year reflects NZX's ability to deliver to issuers' capital needs and highlights the value of being NZX-listed in a more economically difficult capital constrained environment.

Interest rates remained elevated compared to record low levels through the COVID-19 years of 2020 and 2021, creating a tailwind for debt market activity, with senior bond and hybrid issuance delivering the highest headline yields in years. In 2023 there were 25 primary debt deals with $6.7 billion raised, and 34 secondary retail debt deals completed totalling $2.1 billion – a combined total of $8.8 billion.

Capital Listed and Raised

$14.2b

Markets performance ($ million)	2023	2022	% Change
Capital Markets Origination	16.1	17.0	(5.4%)
Secondary Markets	25.1	25.3	(0.9%)
Information Services	19.7	19.4	1.9%
Markets revenue	**60.9**	**61.7**	**(1.2%)**
Markets EBITDA excl. restructure costs	**40.9**	**42.6**	**(3.9%)**
EBITDA Margin excl. restructure costs	67.2%	69.1%	(2.7%)
Key Operating Metrics			
Equity Markets capitalisation (ending, $ billion)	155.0	155.9	(0.6%)
Equity listed & raised ($ billion)	2.7	7.6	(64.5%)
Debt listed & raised ($ billion)	8.8	11.4	(22.8%)
Funds listed & raised ($ billion)	2.7	1.9	42.1%
Total value traded ($ billion)	33.8	37.4	(9.7%)
Dairy lots traded (k)	578.8	428.2	35.0%

We saw an increase in ESG-designated bonds which now make up 29.4% of the total NZDX market. The Local Government Funding Agency celebrated its 100th bond tender (18 of which are listed on NZDX) with the company's first sustainable finance bond issue.

NZX's total market capitalisation of $220 billion is made up of approximately $155 billion of equity, $56 billion of debt and $9 billion of investment funds.

NZX continues to provide issuers with a platform to grow and connect with New Zealand's investment community. Turners Automotive Group entered the S&P/NZX 50 Index this year (see case study on page 54 – 55) and Gentrack returned to the Index following a strong year of performance.

NZX's Origination team continues to support issuers through high-quality communication and engagement opportunities. In 2023 we provided podcasts, spotlight videos, virtual investor events, education workshops and social media support enabling issuers to connect to a broader investment community.

The launch of our new high-tech ticker on the exterior of the NZX Capital Markets Centre building in Auckland's Queen Street – along with the ticker in Wellington – gives us greater opportunity to effectively promote achievements and milestones of New Zealand's listed companies and capital markets community to a broader audience.

Despite a globally subdued environment for new equity issuance, the Origination team is actively contacting unlisted companies and engaging with investment banks, law firms, accounting firms, private equity and sponsorship partners to drive new listings. The bulk of our activity is focused on New Zealand, but we are simultaneously working to strengthen our Australian relationships with the aim of increasing dual listing activity of Australian companies onto NZX.

New Zealand has many companies and funds expressing interest in listing on NZX. They are waiting for macroeconomic and market conditions to show sustained improvement to maximise their listing opportunity. NZX is engaging with the government to encourage settings that will further facilitate the process of listing. NZX remains confident that as economic conditions start to become more favourable, equity market activity levels should increase.

ESG-designated bonds

29.4%

Percentage of the total market

Secondary Markets – Cash

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 27 (December 2022: 29), with the resignation of three NZX sponsors and the introduction of Trustees Executors as a Depository Participant. Participant services revenue is net of an internal allocation to NZ RegCo, which was higher in 2023.

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 over-the-counter 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 reflecting:

– lower market activity levels - the total value traded and cleared ($33.8 billion) was 9.7% lower than last year;
– uncharged value traded impacting securities trading revenue (caused by large index rebalance trading days where fees on value traded exceeds the fee cap), which increased to 8.9% (2022: 6.5%); and
– lower levels of clearing margin, clearing penalties and depository registry transfer fees.

Secondary Markets – Dairy derivatives and Global Dairy Trade

Dairy remains well positioned across the physical and futures markets, with record growth in 2023. The expected significant growth from the SGX strategic partnership in dairy derivatives is being achieved and demonstrates the value of NZX driving strategic international partnerships. Highlights include:

– Record daily volume: 11,310 lots - 15 August 2023
– Record average daily volume: 3,413 - August 2023
– Record daily trade count: 290 trades - 11 August 2023
– Record monthly volume: August 2023 - 78,504 lots
– Record quarterly volume: 179,557 lots - Q3 2023
– Record month end open interest: December 2023 – 146,287 lots – this is a sign of market quality and indicates the durability of growth
– 2023 volume: 578,795 lots - up 35%
– New incentive schemes are attracting new traders to the market

7.1%

Growth in subscriptions and licences revenue

NZX holds a 33.33% stake in GlobalDairyTrade (GDT) alongside Fonterra and the European Energy Exchange (EEX) and in 2023 two new sellers were added (one in the US and one in Europe) as part of its strategy to grow into new markets. It also hired an international sales team based in Europe and the US. GDT also added new product lines – European whole milk powder and mozzarella cheese – expanding the offering available on the platform and price points visible to the market.

Information Services

The continued growth of the Information Services business helped make up for lower cash market revenue. The Information Services growth has come particularly from growth in licence numbers.

Royalties from terminals' revenue relates to the provision of market data to data resellers who distribute data to their customers. The royalty revenue from terminals increased by 2.5% driven by price increases (effective January 2023) and were partially offset by lower levels of average terminal numbers.

Subscriptions and licences' revenues relate to the provision of markets data to other participants in the capital markets. The subscriptions and licences revenue increase of 7.1% reflects the continued growth in data usage as well as the ability to capture licence revenue streams post audit, resulting in increased total license numbers (2.7%), partially offset by reduced subscriptions (2.9%). There has also been a positive revenue impact from price increases (effective January 2023).

Dairy data subscriptions relate to the sale of dairy data and insight products. Dairy data subscription revenue declined versus last year, reflecting less one-off and consulting revenues.

The decrease in audit and back dated licensing revenue (down 36.8% from 2022 to $0.9 million) is attributable to significant levels of audit activity occurring in 2022 and revenues now being captured within royalties or licence revenues.

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 by an increase in the number of 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.

Capital Markets - Operating Expenses

Personnel costs (net of capitalisation) have increased, driven by wage inflation in the highly competitive labour market for specialist resources, especially in technology.

IT costs relate to licensing and hardware/software maintenance costs for the trading and clearing systems, energy electricity market, energy carbon market, SGX-NZX Dairy Derivatives Market and strategic partnership, and data platforms feeds. IT costs have been impacted by movements in FX rates and inflation.

Professional fees relate to the annual assurance programme (including assurance fees, tax advice, and energy audit obligations under Electricity Authority contract), terminal royalty audit fees, and royalty fees relating to both the energy carbon market, SGX-NZX Dairy Derivatives Market. Professional fee expenses have increased for consultancy costs for the clearing house, which is partially offset by decreased terminal royalty audit fee costs. These vary in proportion to audit revenue (with revenues recognised on a gross basis).

Other costs include marketing (for example, Capital Markets Origination team's memberships of various industry groups to identify listing pipeline opportunities, and SGX-NZX dairy derivatives new market maker arrangements), travel, statutory compliance costs and non-recoverable GST costs.

SMARTSHARES – FOCUSED ON GROWTH, EFFICIENCY AND SCALE

Smartshares is a key component of NZX's growth story. Smartshares has had another positive year of growth, closing the year with $11.0 billion of funds under management (FUM), having increased by more than $10 billion over the last 10 years.

In the last five years FUM has grown $8 billion, from $2.9 billion as at 31 December 2018 (acquisitions of $3.4 billion, cash flows of $3.2 billion, and positive market return of $1.4 billion). FUM compound annual growth rate (CAGR) since December 2018 is 30.2%. Contributing to the 2023 increase in FUM was the acquisition of QuayStreet Asset Management. This added $1.6 billion of FUM to the business as well as additional fund expertise and experience into the team.

Smartshares is New Zealand's leading passive funds management business with a product range that includes SuperLife superannuation and KiwiSaver, exchange traded funds (ETFs), ASB Superannuation Master Trust (acquired February 2022) and QuayStreet Asset Management (acquired February 2023).

Smartshares welcomed a new Chief Executive, Anna Scott, to the team in September. Anna joined Smartshares bringing a wealth of operational, strategic and leadership capability. Her most recent role was Chief Operating Officer at Hobson Wealth. Anna's core objectives are to continue to drive sustainable business growth and deliver high-quality customer service, alongside having a greater emphasis on building a more efficient and scalable operating model.

The transition of ASB Superannuation Master Trust investment administration, investment management and registry services was completed in the third quarter of 2023. This has resulted in synergies being realised, including in-house management of some asset classes.

In June 2023, Smartshares launched five new ETFs giving investors more options. These were the first new Smartshares products since our Core Series launch back in July 2020.

Smartshares

$11.0b

▲ Increase of 32.9% in 2023

The new ETFs not only extend the range of our offering, but they also represent the growth in partnerships Smartshares continues to build with global fund managers and index providers. For example, Smartshares worked with S&P to develop a new index covering an Australian Equities ESG ETF.

The acquisition of the QuayStreet business - and the associated product support and distribution agreement with Craigs Investment Partners private wealth network – offers a significant growth opportunity for Smartshares. It advances Smartshares towards NZX's strategic goal of achieving scale and operating leverage which are important elements for a funds management business. The new US 500 (NZD Hedged) ETF was developed through growing our relationship with Craigs and welcoming QuayStreet to the Smartshares team.

Our market analysis indicates $15-$20 billion of FUM is the point when cost bases are at their most efficient for New Zealand fund managers. Smartshares is on a pathway that aims for around $18 – $20 billion of FUM by the end of 2027.

QuayStreet contributed revenue of $6.7 million, operating earnings of $4 million and profit of $1.5 million (excluding acquisition and integration costs) to the Group's results for the period from acquisition to 31 December 2023.

Funds management revenue is generated from:

– Funds under management-based revenue which relates to variable 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 53.6%, which reflects FUM at 31 December 2023 of $10.98 billion, up 32.9% on last year. The FUM movement year to date is a combination of the QuayStreet acquired FUM ($1.6 billion; acquired 23 February 2023), positive market returns and positive net cash flows.

Smartshares performance ($ million)	2023	2022	% Change
Fund based fees	33.1	21.6	53.6%
Member based fees	2.7	2.3	17.0%
Other	1.2	0.6	82.4%
Funds revenue	**37.0**	**24.5**	**50.9%**
Funds EBITDA excl. acquisition, integration & restructure costs	**19.4**	**12.7**	**52.2%**
EBITDA margin excl. acquisition, integration & restructure costs	52.4%	52.0%	0.9%
Funds EBITDA	**18.3**	**11.2**	**63.5%**
Key operating Metrics			
Opening FUM ($ billion)	8.3	6.5	26.4%
FUM effect from market movement ($ billion)	1.0	(0.8)	225.0%
FUM effect from net cash flows ($ billion)	0.1	0.8	(87.5%)
FUM effect from acquisition ($ billion)	1.6	1.8	(11.1%)
Closing FUM ($ billion)	11.0	8.3	32.9%
Number of NZX listed Smartshares funds	40	35	14.3%

Member based revenue has increased, reflecting an increase in investor numbers from the ASB Superannuation Master Trust and QuayStreet acquisitions.

Other revenue has increased due to higher levels of stock lending and interest income.

During the prior financial year management identified additional FUM based, member-based fees and other revenue relating to prior Fund financial years that had not been recognised. No revenue was recognised in the prior financial year as it was not virtually certain that these fees were recoverable. As recoverability has now been confirmed, revenue of $1.4 million has been recognised in the current period.

Personnel costs (net of capitalisation, excluding acquisition, integration and restructure costs) have increased due to the acquisition of QuayStreet, resource to support the transitioned services for the ASB Superannuation Master Trust, and additional resource to the Risk & Compliance function.

IT costs include database and software licence fees for the Bloomberg front and middle office operating systems, which have increased with the acquisition of QuayStreet. The Bloomberg databases were merged in October 2023 and the synergy benefit has been realised.

The net result for Smartshares is a significant increase in operating earnings and EBITDA margin. This has been achieved through increased scale from both acquisitions, continued organic growth, synergy extraction and improved operating leverage.

NZX WEALTH TECHNOLOGIES – BUILDING ADMINISTRATION PLATFORM INFRASTRUCTURE

NZX Wealth Technologies develops, administers and operates a custodial investment management platform that enables both large-scale and small-scale New Zealand-based financial adviser groups to manage their clients' investments.

Our platform, service quality, reputation and experience is being well received by the market. The main success for us this year was winning 12 new clients that are expected to be transitioned on to the platform by the end of 2024. All of these are for the full-service custody and operations markets – as opposed to Software as a Service (SaaS).

This includes the announcement in December that NZX Wealth Technologies would partner with Fisher Funds, which serves more than half a million clients and has $23 billion in funds under management. The initial tranche of Funds Under Administration (FUA) onto the platform will be approximately $1.5 billion.

In 2023 we completed three significant onboardings of clients in the form of:

– The first tranche of a large SaaS client, that will later be onboarded to full service custody and operations;
– Cook Islands National Superannuation Fund; and
– Yovich & Co Wealth Management.

In addition, we have won and are progressively on-boarding smaller size advisers including Ethical Investing NZ and Multiply Limited.

Another significant achievement in 2023 was the transition of all clients off NZX Wealth Technologies' legacy platform which was subsequently de-commissioned in March. NZX Wealth Technologies now operates a single platform with a single code base. There are multiple client environments but all operate with the single code base. The platform is cloud based and operates on modern technology and interfaces to other systems and data sources via the latest API (application programming interfaces) standards.

We remain confident the growth from the existing contracted transition activity and the new business prospect pipeline should ensure NZX Wealth Technologies meets its objective of being cashflow breakeven by the end of 2024 and will deliver on its longer term target of FUA between $35 and $50 billion. The key risk in 2024 is that the timing of transitioning new business onto the platform is in part controlled by the client, so is therefore subject to their technology roadmap priorities.

Wealth Technologies performance ($ million)	2023	2022	% Change
Wealth Technologies revenue	**6.8**	**6.0**	**13.8%**
Wealth Technologies EBITDA excl. restructure costs	**1.6**	**1.3**	**23.5%**
EBITDA Margin excl. restructure costs	24.1%	22.2%	8.5%
Key Operating Metrics			
Opening FUA ($ billion)	10.0	11.0	(9.7%)
FUA effect from market movement ($ billion)	1.1	(1.2)	(191.7%)
FUA effect from net cash flows ($ billion)	0.4	0.2	100.0%
Closing FUA ($ billion)	11.5	10.0	15.8%
Capitalised costs for client onboarding	7.7	8.1	(5.3%)

NZX Wealth Technologies' revenue is generated from administration services provided on its management platform and development fees received from the customisation of the platform or data migration effort specific to client requirements. Administration fees are based on FUA and have been positively impacted by positive cashflows and market returns over the period. FUA at 31 December 2023 was $11.5 billion, up 15.8% on December 2022.

Personnel costs (net of capitalisation) have increased, driven by:

- wage inflation;
- lower levels of capitalisation compared to 2022, reflecting the non-capitalisable effort required to migrate clients between the legacy and new platform. This migration is now complete, and the legacy system decommissioned; and
- These costs were offset by lower average FTEs due to vacancy levels. Headcount is dependent at any point in time on the levels of platform investment (including migration activity) required for current and future clients, and the operational services provided to current clients.

Capitalised labour and overhead remains at high levels, predominantly reflecting new client migration activity, plus continued product development. The levels of capitalisation are expected to continue as clients migrate additional FUA and new clients are onboarded.

IT costs have decreased due to the decommissioning of the legacy system and a rationalisation of data hosting and data feed spend.

Operating earnings and EBITDA margin improved slightly driven by the operating leverage achieved through the increased FUA.

NZX Wealth Technologies

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New clients won in 2023

FUA at 31 December 2023

$11.5b

Up 15.8% on December 2022

BALANCE SHEET, LIQUIDITY & DEBT

Balance Sheet and Cashflow Figures ($ million)	2023	2022	% Change
Net debt (excludes restricted cash)	(36.6)	(18.4)	(98.6%)
Restricted cash	20.0	20.0	-
Goodwill	50.6	30.2	67.4%
Other intangible assets	99.2	68.6	44.6%
Other non-current assets	44.5	46.4	(4.1%)
Net other liabilities	(60.3)	(35.1)	(72.0%)
Net assets / equity	**117.4**	**111.7**	**5.1%**
Operating activities cashflow	31.4	28.4	10.6%
Working capital movements	3.0	(5.0)	161.1%
Cash inflow from operations	**34.4**	**23.4**	**46.9%**
Payments for acquisitions	(22.4)	(41.6)	46.2%
Payments for PPE & other intangible assets	(12.5)	(15.5)	19.4%
Cash outflow from investment	**(34.9)**	**(57.1)**	**(38.9%)**
Net proceeds from equity raise/term loans	21.9	42.7	(48.8%)
Dividends and other	(17.3)	(17.5)	1.1%
Cash inflow from financing	**4.6**	**25.2**	**(82.0%)**
Net increase/(decrease) in cash and cash equivalents	**4.1**	**(8.5)**	**148.0%**

NZX closed the year with net debt of $36.6 million (excluding Clearing House risk capital which is not available for general use) including:

– subordinated notes ($38.8 million) – the subordinated notes were rolled over in June 2023 with the interest rate being reset at 6.8% which will apply until the next election date on 20 June 2028;
– term loan ($22.5 million; expiry date 28 February 2025), used to fund the QuayStreet acquisition in February 2023; and

Cash and cash equivalents of $24.7 million which includes:

– Cash of up to $2.8 million held in Clearing House to meet International Organisation of Securities Commissions' principles requiring retention of working capital; and
– Cash of up to $1.9 million held in Smartshares to maintain sufficient net tangible assets in accordance with its license requirements.

The acquisition of QuayStreet in February 2023 has resulted in increases in net debt, goodwill, other intangible assets and net other liabilities. The effect of the QuayStreet acquisition is explained fully in note 6 to NZX's financial statements.

Operating activity cashflow represents the profit for the year (adjusted for non-cash items - for example, depreciation and amortisation, share of profit of associates, share-based payments) and working capital movements. We are conscious of NZX Wealth Technologies' capital spend for growth and are targeting that business to be cashflow positive by the end of 2024 based on the migration pipeline.

Investment activities include:

- the acquisitions of QuayStreet Asset Management in February 2023, ASB Superannuation Master Trust in February 2022 and GlobalDairyTrade (as to 33%) in June 2022; and
- capital expenditure relating to NZX Wealth Technologies' software development, Auckland office fit outs and new ticker, as well as other technology upgrades and enhancements, including system enhancements required for the integration of the ASB Superannuation Master Trust.

Financing activities reflect the equity raised and new term loans to fund the acquisitions, and the payment of dividends (net of participation in the dividend reinvestment plan).

NZX'S GROWTH STRATEGY – GROWING, CONNECTING, ADDING VALUE

NZX is well positioned for the future through the growth strategy which we have been implementing over the last five years. This has involved focusing on our core markets business, plus refinement and alignment around regulation, pricing and market infrastructure, along with significant investment to expand our funds management (Smartshares) and funds administration (NZX Wealth Technologies) businesses.

Since the first year of implementing this strategy in 2018, operating earnings have increased by 47% from $27.3 million to $40.1 million. Likewise operating revenue has moved from $67.5 million in 2018 to $108.4 million.

In the same period, FUM via Smartshares has grown from $2.9 billion to $11.0 billion and NZX Wealth Technologies' funds under administration has grown from $2 billion to $11.5 billion.

NZX Wealth Technologies has required significant capital investment to reach the stage where it is now nearing cash flow break even. This has resulted in a significant rise in the amortisation charge to the Income Statement which has acted as a constraint to growth in net profit compared to growth in Operating Earnings (EBITDA). The pipeline of recent client wins and client onboarding activity to come supports the value the business will increasingly add to NZX.

In 2023, NZX is now a more integrated and resilient financial markets infrastructure and services business with a platform for strong growth prospects. This will create further value to our shareholders.

Looking out to 2028 the strategy is:

- expand our product offering in Capital Markets (mid-point orders, equity derivatives, carbon markets, drive greater scale in clearing);
- leverage the global connections and partnerships we have made and build market reach; and
- drive scale, efficiencies and operating leverage across the businesses – including Smartshares and NZX Wealth Technologies.

While remaining conscious of cost control and ensuring return on investment, we continue to look for strategic opportunities that will add value, particularly when markets recover.

MARKET OPPORTUNITIES

In line with the strategy of rounding out its product offering, NZX remains focused on initiatives that will be beneficial to the Company and the New Zealand markets in the years to come.

NZX Dark

NZX will launch an additional trading venue in the first half of 2024. Currently all exchange orders flow into the "lit" market where they have the opportunity to trade. Common features of sophisticated markets internationally is to operate an "unlit" order trading venue alongside the more traditional "lit" market. This type of order book is commonly referred to as a "dark" market and in addition to all orders being anonymous, the venue provides trades to occur at the "mid-point pricing" of the "lit" market spread.

NZX Dark is designed to attract the off-market trading activity into on-market activity that all investors can participate in.

NZX has modelled the settings of this new market off other international markets, but once launched, NZX will continue to review and refine these for local conditions.

S&P/NZX20 Index Futures

The Company remains committed to delivering the S&P/NZX20 Index Futures for New Zealand. We have the backing of a cornerstone group of 12 local and global fund managers and participant firms who have provided commitment to utilise and trade, settle and clear the product. Equity derivatives will help drive growth in capital markets through additional cash market trading, participation and data revenue.

NZX is working towards a relaunch of the S&P/NZX 20 Index Futures later in 2024. Having optimal market settings and risk capital providers is critical to success. We are focused on delivering a successful product launch for the market and having all of the component parts (regulatory settings, technology, participants and investment managers) in place for the launch, is critical.

Carbon

Since 2021, NZX, in partnership with the European Energy Exchange (EEX), has been managing the New Zealand Emissions Trading Scheme (ETS) Auctions for New Zealand Units (NZUs) on behalf of the New Zealand Government. The ETS is the Government's key tool for meeting New Zealand's domestic and international climate change targets.

The auction now has 102 fully registered participants, ranging across multiple sectors within New Zealand and abroad. The partnership with EEX is consistent with NZX's strategy of building global connections with partners that have proven expertise.

The combined effects of NZU oversupply and regulatory uncertainly saw a subdued carbon market in 2023. The four NZU Auctions did not clear as demand and prices did not meet the auction reserve levels set by Government. Secondary market prices also fell from the $88 highs seen in 2022 down to a low of $37 in July 2023. Late 2023 saw some recovery in prices.

NZX is supportive of opportunities by the New Zealand government to develop the secondary and futures carbon markets. It is important New Zealand moves quickly to uphold – and secure – the integrity of emissions trading in our country.

Carbon auction

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Fully registered participants within New Zealand and abroad

Mark's new employment agreement is about ensuring stability of leadership and maintaining momentum across our business. In setting Mark's expectations, the Board has taken into account shareholder interest and medium-term performance requirements.

GOVERNANCE & MANAGEMENT UPDATE

In May 2023, experienced markets practitioner and former NZX director John McMahon was re-appointed as an independent NZX director and then Chair, replacing James Miller.

James served nearly 13 years as an NZX director and Chair through a time of significant change and development for the Company and exchange. He oversaw the stabilisation and modernisation of the NZX Group business, development of a long-term strategic growth plan and the development of strategic partnerships with Nasdaq, SGX and EEX.

Dame Paula Rebstock was appointed as an independent director in February 2023 and appointed Deputy Chair in August 2023. This appointment recognises Dame Paula's considerable governance experience and the key role she is playing in helping to improve New Zealand's economic productivity.

NZX acknowledges Sarah Miller, NZX's Future Director for 2023, for her contribution, analysis and clear communications which have been very much appreciated by the Board. Sarah also contributes to New Zealand's capital markets as a member of the NZX Corporate Governance Institute and we thank her for her ongoing involvement in improving capital markets' settings.

Rob Hamilton resigned as an independent director in March 2023.

For the first time in its 157-year history, the NZX Board has a majority (57%) female representation.

In August, the NZX Board extended Mark Peterson's employment term as NZX Chief Executive beyond April 2024. Mark was appointed NZX Chief Executive in 2017 with an initial employment term of five years and an option to extend for a further two years. That option was exercised in December 2020 extending the employment term to April 2024. The NZX Board has now agreed to an open-term agreement.

Mark's new employment agreement is about ensuring stability of leadership and maintaining momentum across our business. In setting Mark's expectations, the Board has taken into account shareholder interest and medium-term performance requirements. The NZX Group has a clear work programme in front of it that requires focused and proven leadership. This includes successful delivery of initiatives and products under NZX's growth strategy – S&P/NZX20 Index Futures and NZX Dark – and more size, scale and efficiencies in capital market operations, and in the Smartshares and NZX Wealth Technologies businesses.

The Board wishes to thank and acknowledge NZX Chief Financial and Corporate Officer Graham Law for acting as the CEO of Smartshares from April to September, when Anna Scott was appointed as new CEO of Smartshares.

TECHNOLOGY – DELIVERING SUPPORT & RESILIENCE

A critical role for NZX is to operate the markets efficiently and effectively. It was pleasing that in 2023 NZX maintained 100% uptime with no markets outages to our operating platform. This is a credit to the operational management of the senior leadership team and our people. It highlights the resilience, capability and capacity of our systems from the significant and ongoing investment in technology in recent years.

With a focus on continuous improvement, NZX continues to engage and work with our customers in the market technology ecosystem on ensuring appropriate infrastructure is in place to effectively and securely operate the markets.

The performance of NZX's technology and relationships with the market was positively noted in the Financial Market Authority's annual market obligations review published in June 2023. We wish to thank our key technology stakeholders for their constructive relationships.

OPERATING RESPONSIBLY

NZX's focus is to create value while delivering a positive impact on society and the environment.

We play a dual role as both the operator of New Zealand's capital markets and as a listed company. Sustainable economic growth is a priority for NZX. New Zealand has committed to net zero emissions by 2050. As we have seen with the increasing number of green bonds in 2023, public markets will continue to play an important role in achieving this goal, facilitating the flow of capital towards decarbonising the New Zealand economy.

As a business, NZX is committed to taking action on climate change. In 2023 NZX achieved net carbon zero certification from Toitū Envirocare – the third year we have achieved this.

In 2024 under the mandatory climate-related disclosures framework (Aotearoa New Zealand Climate Standards, ANZCS), NZX will be reporting in accordance with our climate change reporting obligations regarding governance, strategy, risk management, and metrics and targets. Our 2023 Climate Statement is attached to this annual report.

In 2023, NZX undertook a materiality assessment to grow and deepen the Company's stakeholder understanding and relationships, support and further inform NZX's strategy execution, and guide future Environmental, Social and Governance (ESG) prioritisation, targets, and reporting. Please see pages 40 – 45 for more detail on this.

POLICY & REGULATION

During 2023, NZX continued to enhance regulatory policy settings for our markets. We completed the review of our capital raising settings, with the changes effective in January 2024. This will provide greater flexibility to listed issuers in relation to the mechanisms that are available to raise capital, while ensuring that appropriate investor protections are maintained, including through increased disclosure of the rationale for an offer at the time an offer is made.

We also completed the design of regulatory settings to facilitate enhancements and innovation in trading practices, through consultation in relation to the requirements for utilising NZX Dark, and additional functionality for our self-match prevention tool that assists NZX brokers in complying with their obligations. We also implemented a new set of tools for NZX Clearing that are designed to manage default scenarios, these tools further mature our risk management arrangements, in line with regulatory expectations and international practice.

The Exchange's regulatory functions are performed by a separate, independently governed entity, NZ RegCo. After three years in operation, NZ RegCo continues to develop and oversee its monitoring and enforcing compliance by listed issuers and accredited market participants of NZX's market rules. NZX would like to thank the NZ RegCo Board, led by Chair Trevor Janes and NZ RegCo management under Chief Executive Joost van Amelsfort.

The Financial Markets Conduct Act 2013 requires the FMA to carry out an annual review and report on how well NZX is meeting its licensed market operator obligations.

One of the key objectives of this review is to ensure potential conflicts between regulatory and commercial functions of NZX, as a self-regulating organisation, are appropriately managed.

The FMA's report, published in June 2023, noted the NZ RegCo model was maturing, with continued and enhanced independence from the NZX's commercial function. The report also noted material improvements to NZX's technology systems and trading platform stability.

NZX was pleased with the review's findings that noted the improvements NZX continues to make to our people, processes, risk management and systems.

NZX CORPORATE GOVERNANCE INSTITUTE

The NZX Corporate Governance Institute (CGI) was established in late 2022 as one of the outcomes of the review of the NZX Corporate Governance Code (Code). The NZX CGI is comprised of a cross-section of highly-respected members representing a broad cross-section of the capital markets' ecosystem including institutional investors, issuers, experienced board directors, shareholder groups and academics.

During 2023, the NZX CGI developed a remuneration reporting template, through a targeted consultation process with the market. Submitters endorsed the objective of this initiative which was to provide additional resources to issuers to support their disclosure practices, and the practical nature of the template.

NZX has now approved this template as a voluntary tool that issuers may elect to adopt when reporting their remuneration practices. NZX acknowledges our issuers' business and remuneration practices differ, and that issuers may prefer to provide remuneration disclosures in an alternative manner to the structure proposed in the template.

The other primary initiative of the NZX CGI in 2023 was to support NZX in the scheduled review of NZX's regulatory policy in relation to director independence contained in the NZX Listing Rules and Code. This review is being undertaken in two stages, with the first stage (which sought high-level feedback around the current settings) concluding in early Q3 2023.

The NZX CGI was originally convened for a one-year establishment period that expired in December 2023. The NZX Board has decided to continue the NZX CGI for a further one-year establishment period in 2024, to enable the NZX Board to consider the outputs of the 2023 initiatives when determining whether to move the NZX CGI to a permanent body supporting the development of NZX's corporate governance regulatory body.

The NZX Board wishes to acknowledge the members of the NZX CGI for their efforts and hard work in 2023, and their support for NZX and New Zealand's capital markets.

LOOKING AHEAD – WELL-FUNCTIONING MARKETS ESSENTIAL TO NEW ZEALAND'S ECONOMIC GROWTH

To ensure business investment benefits more people in our country and there is a level playing field between listed and unlisted companies, NZX wants to see changes to our public market regulatory settings.

Appropriate 'rules of the game' that give investors confidence and allow businesses to access capital effectively and at a low cost, are more important than ever. New Zealand needs market settings that are "match fit" and internationally competitive.

As a country we are rapidly increasing our national debt and running large deficits. Smart financing choices will be needed to fund deficit spending plus central and local government capital project requirements. As part of that, public markets can play a critical role in helping reach the broadest range of investors, to efficiently price capital, to ease the pressure on central and local government balance sheets and fund the infrastructure required to assist in improving productivity.

> NZX wants to see New Zealand grow and prosper, delivering more and better paying jobs, and a higher standard of living.

NZX has a vital role to play in the future New Zealand growth story. That is why we are working with others in the New Zealand capital markets community in engaging with the Government to streamline and simplify regulatory and legislative settings and look at initiatives that will boost capital formation and New Zealand's economic growth.

2024 EARNINGS GUIDANCE

Through the delivery of the initiatives underway for capital markets, alongside the anticipated growth in Smartshares and Wealth Technologies, NZX expects full year 2024 operating earnings (excluding integration and restructuring costs) to be in the range of $40 million to $44.5 million.

This guidance also assumes there are no material adverse macro-economic and/or market condition impacts on our assumed market outcomes, and there are no significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.

ACKNOWLEDGEMENTS

NZX's core capability and reason for being is "connecting people, business and capital." A sincere thank you to all NZX staff for the work they do every day to that end. NZX operates markets and funds but at our heart we are a people business. We are people helping the people in business and investing to get ahead through the services, products and market infrastructure we provide.

The effort and dedication NZX staff put in – especially in challenging times for markets – is truly appreciated. They are committed to providing first-class customer service, ensuring we leverage off the investments we've made to grow our business, provide returns to shareholders, and help deepen New Zealand's capital markets.

NZX wants to see New Zealand grow and prosper, delivering more and better paying jobs, and a higher standard of living. As New Zealand's stock exchange we are critical to helping New Zealand achieve that through high-performing capital markets' infrastructure.

Mark Peterson
CEO

John McMahon
Chair

NZX Group Overview

How we **deliver value**

For 157 years we have been creating and delivering opportunities for Kiwis to grow their personal wealth and helping businesses prosper. As New Zealand's Exchange, we are proud of our record in supporting and fueling the growth and global ambitions of local companies.

NZX is an integral part of the New Zealand economy. By operating efficient, effective, transparent and resilient public markets, we help provide the capital for business to grow, innovate, invest in much-needed infrastructure, and create more and better paying jobs for New Zealanders.

Our Purpose or mission, lies at the heart of why we exist. We are New Zealand's exchange, an integrated financial services business, and a frontline market regulator.

We utilise our expertise and connections here and overseas to bring together all the ingredients required for economic prosperity. Customer service is in NZX's DNA and in the people we employ. We want to make a positive impact on people's lives.

Our Vision is our goal or aspiration of what we want NZX to achieve. We want to ensure we grow our business – and the businesses and individuals we serve – in a way that is sustainable and profitable; helping our country, and the citizens who live in it, succeed.

Our Values are the behaviours our people demonstrate that underpin our Purpose and achieve our Vision.

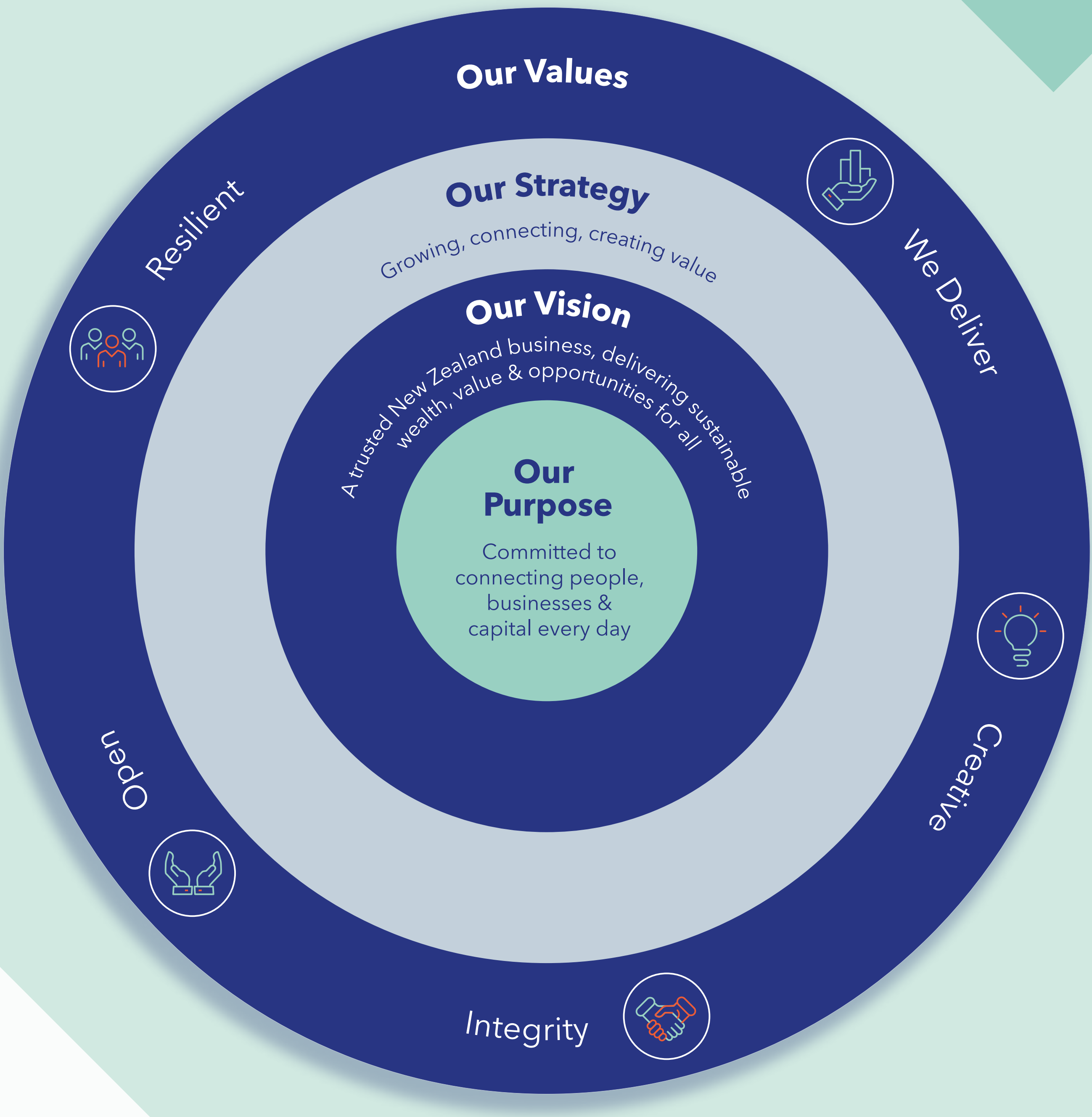
Our Strategy is the guiderail for our decision making. We are growing a more integrated financial markets infrastructure and services business, building on NZX's core strengths and continuing to explore growth opportunities across our businesses to create further value to our shareholders over time.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

The Operating Responsibly section in this report outlines how and where NZX delivers value.

> "NZX has a dual role: strengthening New Zealand's exchange with resilient, vibrant markets and growing a more integrated financial markets infrastructure and services business."

JOHN MCMAHON

NZX CHAIR


Our Values
Resilient
We Deliver
Creative
Integrity
Open
Our Strategy
Growing, connecting, creating value
Our Vision
A trusted New Zealand business, delivering sustainable wealth, value & opportunities for all
Our Purpose
Committed to connecting people, businesses & capital every day

Developing our strategy to late 2027

Strategic **priorities**

Our strategy to late 2027 is simple – round out our product offering in Capital Markets and drive scale and operating leverage across the businesses

Growing, Connecting, Creating Value

"A trusted New Zealand business, delivering sustainable wealth, value & opportunities for all"

STRATEGIC THEMES

CAPITAL MARKETS

Scale
- Listed securities
- Trade volumes
- Depository/ Clearing volumes

Client Requirements/ Product Expansion
- NZX Dark
- Derivatives (NZX 20 Equity, FI, Commodities)

Interconnectivity

SMARTSHARES

Scale
- FUM

Client Requirements/ Product Expansion
- Enhanced Passive product range

Operational Leverage

Interconnectivity

WEALTH TECHNOLOGIES

Scale
- FUA

Client Requirements/ Product Expansion
- Platform functionality

Operational Leverage

Stable/Secure Platform – Well Managed Risk; Healthy Culture

The Capital Markets market cycles
Market cycles are inevitable, we have the building blocks for further opportunities and growth and as markets recover, we expect to see capital markets activity levels accelerate and asset prices rise

Maturing our Market
We know our product offering could be expanded (equity derivatives, carbon markets) which is key to driving further growth in capital markets activity and greater global connections – rounding out our product offering will broaden our earnings base and add scale to our settlement and clearing activities

Continued secular growth
There are long-term structural market tail winds that support growth in the managed funds and platform businesses

Continued M&A activity
We will continue to explore M&A activity to help drive and accelerate growth where appropriate

Operating Leverage
Still investing for growth but also focusing on efficiencies and driving operational leverage


NZX

Our Board

John McMahon – Chair

John has extensive industry experience in the finance sector, including a background in technology, company turnarounds and transformation, and entrepreneurial small cap governance. He has spent more than 30 years in the Australasian equity markets, predominantly as an equity analyst (covering a broad range of industries), and was Head of Equities at ABN AMRO. John has worked for CS First Boston, BZW, Morgan Stanley, ABN AMRO, and Walker Capital, and was Managing Director of ASB Securities for three years. He now manages his own investment portfolio. John is a director of several small cap NZX-listed companies: Solution Dynamics (Chair), AoFrio (Chair of Audit Committee) and Vital (Chair). He has a Bachelor of Commerce (Honours), an MBA and is a CFA (Chartered Financial Analyst) charterholder.

Dame Paula Rebstock – Deputy Chair

Dame Paula joined the NZX Board in February 2023. She is a leading Auckland-based economist and company director, who was made a Dame Companion of the New Zealand Order of Merit in 2015 for services to the State. Dame Paula has extensive professional experience in corporate and public services governance. She is Deputy Chair of NZX-listed Vector, a Director of Bluecurrent Australia and Bluecurrent New Zealand, and also serves on unlisted entities including AIA Sovereign Insurance New Zealand, Auckland One Rail, Chair of Asia Pacific Healthcare Group, and Sealink New Zealand among others. Dame Paula is a former Chair of the New Zealand Commerce Commission, and the Accident Compensation Corporation (ACC); was a Deputy Chair of KiwiRail, and a Director of Auckland Transport. She is a member of the Clearing, Nominations and Human Resources and Remuneration committees.

Elaine Campbell – Director

Elaine was appointed as a director in February 2019. She has more than 20 years' executive experience, primarily in financial and capital markets, and the IT and telecommunications industry. Elaine is the Executive GM of Fibre Access at NZX-listed Chorus. During her time on the executive team at NZX from 2002 to 2008, Elaine led 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 USA for multinational Sun Microsystems.

Rachel Walsh – Director

Rachel was appointed as a director in October 2022. She has more than 25 years' experience across finance technology, healthcare, infrastructure, and other sectors and is a Fellow of CAANZ. She is a Director of IAG NZ Limited and a member of the External Reporting Advisory Panel (XRAP). Rachel was previously CFO at Datacom Group Limited and at listed healthcare company Abano Healthcare Group. She has worked at Rank Group Limited where she was involved in private equity acquisitions and divestments, debt raising in the US markets and financial reporting in the US market and under International Financial Reporting Standards. Rachel has also worked at PricewaterhouseCoopers as a Director in Audit. She Chairs the NZX Clearing Committee and is a member of the Audit and Risk, and Technology committees.

Peter Jessup – Director

Peter joined the NZX Board in January 2022, following his appointment to the Technology Committee in April 2021. He brings more than 35 years' financial markets IT experience – including trading, surveillance, clearing, depository and settlement systems. Peter is a capital markets consultant with Accenture prior to which he led the Market Infrastructure Business Development team at LSEG and was Senior Vice President at Nasdaq's Global Technology Services group. In Peter's earlier career he 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.

Lindsay Wright – 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 the Funds Management unit at HKEX listed Sun Hung Kai & Co (resigned effective 21 May 2024). 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 Lindsay is a director of Milford Asset Management and Chair of the Audit and Risk Committee and is a director of ASX listed Navigator Global Investments. 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.

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 for 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. In addition during this period, he was also Chair of Australian-based Wilsons Advisory and Stockbroking, former member and Chair of New Zealand Securities Association, and sat on several of Craigs Investment Partners' subsidiary Boards. Frank is an accredited NZX Adviser, Financial Adviser (FA), and a Chartered Member of the Institute of Directors. Frank is a Director of Avion Private advising corporates, trusts and individuals.

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.

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 Information 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.

Felicity Gibson – General Manager, Market Operations*

Felicity joined NZX in March 2014 and leads the Market Operations team, covering the capital and energy markets' clearing businesses. Before joining NZX, Felicity held capital markets legal and regulatory roles in New Zealand and the United Kingdom, including with the FMA in New Zealand and FCA in the United Kingdom. Felicity holds an LLB and BA (Geography major) from the University of Otago.

* From 1 December 2023, Roger Bayly is the acting General Manager of Market Operations while Felicity Gibson is on parental leave.

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.

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.

Ronnie Redpath – Chief Risk Officer
Ronnie joined NZX in August 2021 and leads the Risk function for the NZX Group. Ronnie has more than 20 years experience in financial services covering capital markets and banking in New Zealand, the United Kingdom and Australia. He has an extensive risk management background with expertise in operational risk, controls management and assurance. Prior to joining NZX, Ronnie held various management roles for Barclays in the United Kingdom and has previously worked for ASB in New Zealand.

Nick Morris – General Manager, Strategic Delivery
Nick joined NZX in February 2016 and leads the strategic delivery function, including derivatives, energy and environmental markets. Nick has extensive financial markets experience both in exchange traded and over the counter products. Before joining NZX, Nick held markets-based roles at Bank of New Zealand, and at Medley Global Advisers in central bank policy research. Nick holds a BCom (accounting and tax major) from the University of Canterbury.

Anna Scott – CEO, Smartshares
Anna joined NZX in September 2023 as the CEO of Smartshares. Before joining NZX, Anna has held management roles in New Zealand and London at Hobson Wealth and JPMorgan as well as New Zealand directorships in financial service firms. Anna brings expertise in strategic development, leadership, operational & technology synergies & corporate governance and holds a BE(Hons) in Engineering Science from Auckland University.

Joost van Amelsfort – CEO, NZ RegCo
With the establishment and structural separation of NZX's new regulatory agency NZ RegCo on 10 December 2020, Joost, formerly Head of Market Supervision became Chief Executive of NZ RegCo. Joost has more than 20 years' legal experience advising capital markets Participants, including roles with Simpson Grierson and Linklaters LLP, London and Dubai. Joost's particular areas of expertise include corporate governance, equity and debt capital markets, and mergers and acquisitions.

NZ RegCo
NZ'S LISTED MARKET REGULATOR

Operating Responsibly

Overview

NZX's focus is to create value while delivering a positive impact on society and the environment.

As New Zealand's public market operator we have a key role in connecting buyers and sellers in a transparent and efficient way, ensuring financial stability and sustainable growth in New Zealand's capital markets.

Public markets will continue to play an important role in facilitating the flow of capital towards decarbonising the New Zealand economy and empowering sustainable finance.

It is important stakeholders consider both the financial and non-financial measures of our performance in how we deliver sustainable long-term value. The four "Ps" – Planet, People, Prosperity and Principles of governance – are the core pillars of NZX's environmental, social and governance (ESG) approach[1].

The NZX Board approved an ESG strategy framework in November 2022 that lays out our ambitions. In 2023, further work was undertaken to build out this strategy – including a materiality assessment with key stakeholders – to ensure NZX understands and prioritises relevant risks and opportunities as both the operator New Zealand's public markets and as a listed company. This assessment provides rich material and insights that will assist with implementation plans in 2024.

Our ESG performance for 2023 has been prepared in accordance with the Global Reporting Initiative (GRI) Standards. It provides comprehensive disclosure of our performance against key ESG metrics we track. The GRI Content Index can be found on page 164 of this report.

In 2023 NZX confirmed its 2025 emissions reduction target (-21%) and implementation plans will be advanced in 2024. This aligns with our organisational purpose, vision and strategy, and with New Zealand's long-term sustainability goals and international commitments. As a climate-reporting entity, our Climate Statement for 2023 is included in this annual report in Appendix 1.

In 2023 NZX achieved net carbon zero certification from Toitū Envirocare for the third year in a row. NZX was the second stock exchange in the world to reach net carbon zero.

NZX is a signatory of the United Nations Sustainable Stock Exchanges (SSE Initiative). We want to align with international best practice for sustainable stock exchanges.

Robust governance, such as the Corporate Governance Code, is paramount to the role that NZX plays in overseeing the integrity of New Zealand's public markets.

Continuing to have a strong focus on advancing our position on diversity and inclusion in the NZX Group workforce remains essential to our business success and to better reflect the customers, businesses and country we serve.

NZX is focused on attracting more female managers, executives and governors and provide them with leadership development.

NZX provides our employees a paid day's leave each year to volunteer in our communities and we are supportive of events that provide assistance to those in need.

Stakeholder engagement & materiality assessment

NZX as both a listed company and market operator, interacts with a broad range of internal and external stakeholders, on a diverse range of matters. The views of stakeholders are important in helping us to define ESG topics that are most relevant to them, and material to NZX's core strategy and long-term value creation. These range from important and emerging risks, such as climate change, through to the economic and social impacts and opportunities of doing business.

In 2023, we partnered with an independent consultant, Lisa Martin from Sustainz Business Solutions Limited (Sustainz), to complete our first formal stakeholder engagement and ESG materiality process. This comprehensive work provided a robust and informative basis for engaging a broad range of stakeholders, both internal and external to NZX, who are impacted by our activities and contribute to our ability to optimise how we create value over time.

With representation across a range of groups, key stakeholders to NZX were selected and ranked using best practice criteria from AA1000 Stakeholder Engagement Standard 2015. This work was also informed by the IFRS Integrated Reporting (IR) Framework, and the GRI Sustainability Reporting Standards. A double materiality approach ensured the lens of both financial and impact materiality was considered, with identification of sustainability risks and opportunities for NZX (both as a listed company and market operator), and the impacts of NZX on the environment and society.[2]

Through a systematic process that included a series of stakeholder interviews, an online survey and research around macroeconomic considerations; a diverse range of material impacts, risks and opportunities were identified and ranked, from the perspective of both business impact and stakeholder concern.

This represents an important foundational piece of work for NZX, providing insights that will continue to inform our ESG strategy, target, and metric development, and support our approach to enhanced transparency in reporting, as NZX seeks to refine and adopt its strategic approach to sustainability in the future.

Through this process, 30 material topics were identified. These covered a range of areas, including financial, communications, employees, ethical, risk, environmental, community, regulatory, products and governance, with topics categorised and their relative importance grouped according to whether they relate to NZX as a listed company, or market operator.

The highest ranked material ESG topics, aggregated across all stakeholder groups, are shown on page 44. From the perspective of NZX as a listed company, the highest ranked topics include **Business Continuity**, **Organisational Financial Performance and Business Ethics & Integrity** (ranked first equal), while for NZX as market operator, **Supporting Market Integrity** was rated highest overall, as shown in our materiality matrices on the following pages.

In 2023 NZX achieved net carbon zero certification from Toitū Envirocare for the third year in a row. NZX was the second stock exchange in the world to reach net carbon zero.

1 2020 World Economic Forum report – Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation.

2 References to materiality in this context refer to material topics that we have, through our stakeholder engagement and materiality process, determined to be relevant to our NZX, whether as a Listed Company or Market Operator. Such references to materiality may be different and are separate from how materiality is used and understood in the context of securities, financial statements, financial reporting and audit interpretations, and with respect to disclosures made in the climate statement.

OUR KEY STAKEHOLDERS

Board & Employees

Our 345 employees and the Board that governs NZX are the foundation of our business and our most valuable assets.

Shareholders & Investors

Our shareholders and investors provide essential financial capital required to sustain, grow and diversify our business, supporting us to ensure we deliver value, remain strong and resilient.

Listed Clients

Our NZX listed clients, some of NZ and Asia Pacific's most successful and dynamic companies, provide liquidity to investors, and enhance the strength and resilience of our financial markets.

Financial Markets Entities

Provide our formal licence to operate, including policy and regulatory frameworks which define what, how, where and when we can perform our business activities.

Market Participants

Support NZX's dual role of strengthening NZ's exchange with resilient, vibrant markets and growing a more integrated financial markets infrastructure & services business.

Stakeholder engagement in 2023

NZX views accountability to our stakeholders as both a mark of good governance and a critical component of our operational success.

We seek to manage our business with the goal of delivering sustainable, long-term value to wide array of stakeholders.

Throughout the year, we engaged with a diverse set of stakeholders across a variety of ESG topics, and this was reflected in the breadth of stakeholders included in our inaugural stakeholder engagement and materiality process.

Suppliers, Vendors & Distributors

Contribute essential products and services to our markets, including data, software and information services valued by market participants and stakeholders wanting to keep up to date with NZX market developments.

Academia

Provide insights to help us to gain a deeper understanding of ESG and financial issues. Deliver research that has the potential to unlock new opportunities and alert us to potential challenges that may need to be addressed.

Media

Have an interest or influence on NZX's reputation, goals, or activities. Facilitate broad distribution of NZX's story as both a listed company and market operator, to inform our stakeholders.

Sustainability Thought Leaders

Offer leadership and perspectives aimed at balancing short-term economic goals with long-term sustainable development goals, by considering the interests of all stakeholders.

Future Generations

The views and needs of the future generation of NZX employees and external stakeholders assists us to ensure their perspectives can be built into our long-term business strategy and focus.

OUR FIVE-STEP STAKEHOLDER ENGAGEMENT PROCESS

1. Identify Stakeholders

An even balance of internal and external stakeholders participated in this project. Intentionally, this included the voices of a range of stakeholders, selected to ensure diversity in terms of gender, age, ethnicity and geographic locations. Stakeholders based across New Zealand, Australia, Hong Kong, Singapore, India and the United Kingdom participated.

2. The Interviews

All stakeholders were interviewed using a semi-structured format around a set of open-ended questions, designed to allow the stakeholders' views to be determined on the issues most crucial for NZX, in the short, medium and long term. Interview questions were framed to explore both what the NZX can do as an operating entity; i.e. its own policies and practices to manage ESG related risks and opportunities (NZX as a listed company); and what NZX can do in terms of the products and services it can provide to clients and the New Zealand market (NZX as market operator).

3. Conducting Surveys

A shortlist of 30 material topics was prepared from a combination of the interview outcomes, and an external review of key sources, including global megatrends, the expertise of the professional leading this process, and a range of international global exchanges. A bespoke web-based survey was then designed and sent to all stakeholders involved in this project. This provided an opportunity for stakeholders to rate the material focus areas in terms of importance to NZX, from their own perspective, risks and opportunities for NZX were highlighted, and stakeholders identified where they considered NZX could improve its current performance – both from the perspective of a listed company, and as the market operator.

4. Analyse & Produce Materiality Outputs

These questionnaire results were analysed, with rich insights used to populate a range of outputs from the process. These include the materiality matrices shown here, which reflect stakeholder priorities from the perspective of NZX as a listed company and market operator respectively.

5. Sense-check throughout process

The perspective of stakeholders was one of a number of lenses that have been applied to frame material topics and determine the material significance of these topics to NZX. Others include macroenvironment considerations such as global megatrends, and insights from other leading stock exchanges around the globe, as well as the financial ecosystem more widely, which were also considered and reflected in this process.

Ranking of material and important topics across all stakeholders

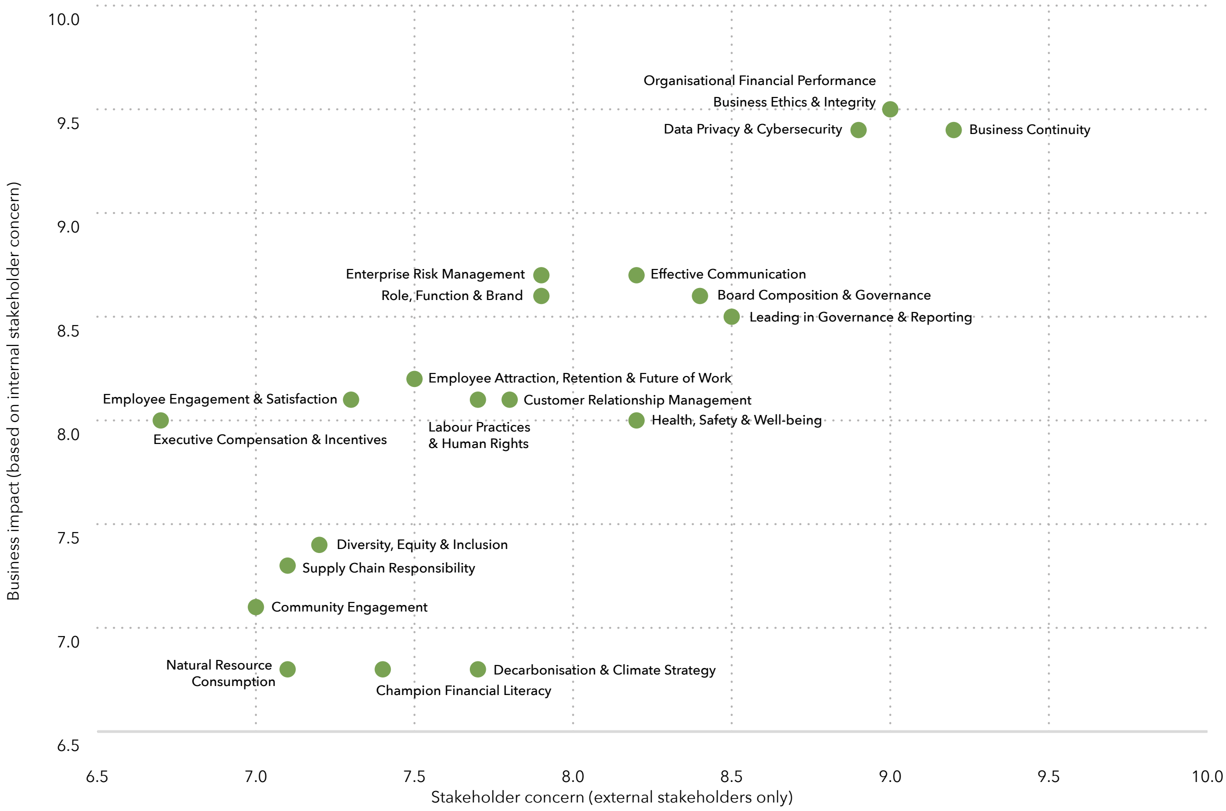
NZX as a Listed Company

1. Business Continuity (9.3)
   Organisational; Financial Performance (9.3)
   Business Ethics & Integrity (9.3)
2. Data Privacy & Cybersecurity (9.2)
3. Leading in Governance & Reporting (8.5)
   Board Composition & Governance (8.5)
   Effective Communication (8.5)
4. Enterprise Risk Management (8.3)
   Role, Function & Brand (8.3)
5. Health, Safety & Well-being (8.1)
6. Customer Relationship Management (8.0)
7. Labour Practices & Human Rights (7.9)
   Employee Attraction, Retention & Future of Work (7.9)
8. Employee Engagement & Satisfaction (7.7)
9. Executive Compensation & Incentives (7.4)
10. Diversity, Equity & Inclusion (7.3)
    Decarbonisation & Climate Strategy (7.3)

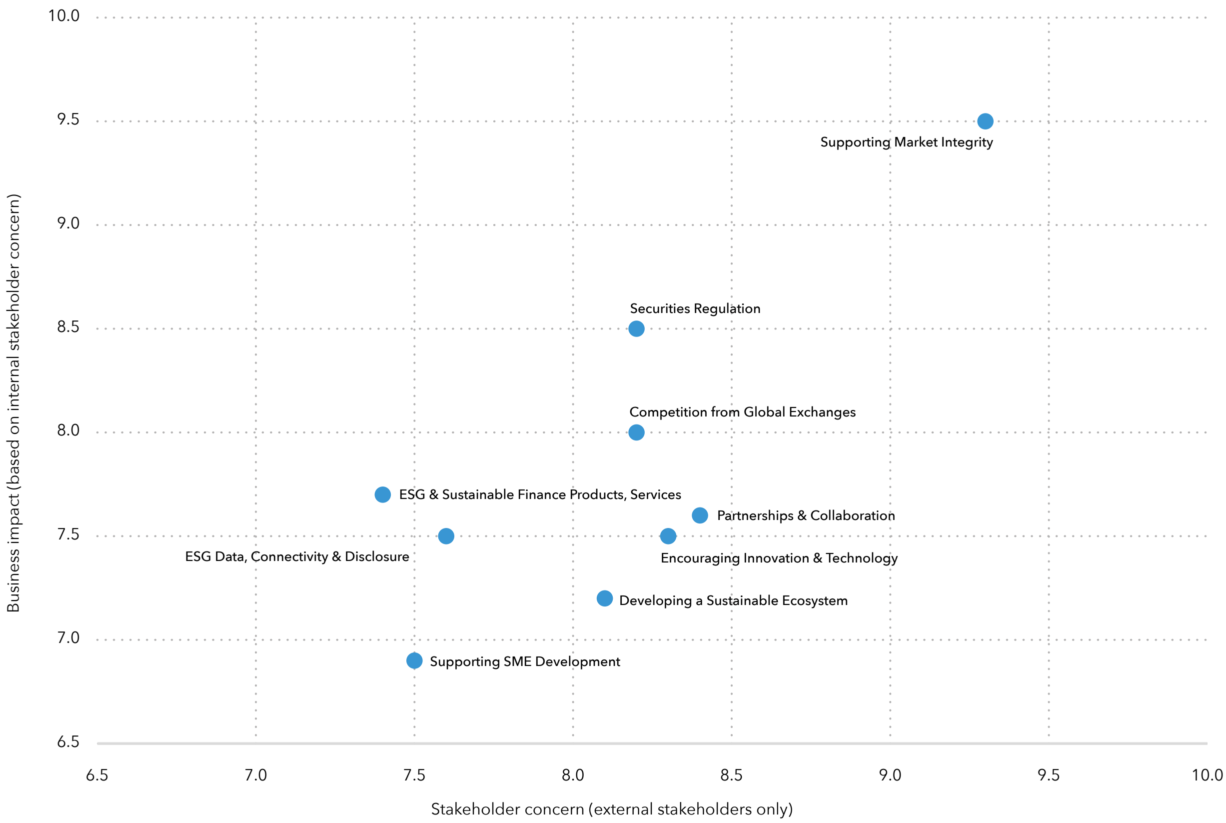
NZX as Market Operator

1. Supporting Market Integrity (9.4)
2. Securities Regulation (8.4)
3. Competition from Global Exchanges (8.1)
4. Partnerships & Collaboration (8.0)
5. Encouraging Innovation & Technology (7.9)
6. Developing a Sustainable Ecosystem (7.7)
7. ESG Data, Connection & Disclosure (7.6)
   ESG & Sustainable Finance Produces, Services (7.6)
8. Supporting SME Development (7.2)

Materiality matrix - NZX as a listed company



Materiality matrix - NZX as market operator



The focus of these material ESG topics in the Report reflects the importance that both the business and external stakeholders placed on these ESG topics

Our
people

At NZX we are passionate about working with our customers and stakeholders to generate wealth integral to New Zealanders' prosperity. This allows New Zealand companies, investors and savers to get ahead.

Our people are critical to the success of NZX achieving its strategic goals and a high level of customer service. We are focused on creating a culture that nurtures talent, embraces diversity and rewards outstanding performance.

We are committed to equal opportunity in the workplace, the Living Wage, and we embrace the insights and values from all employees to ensure we make improvements to their lives – and that of our customers – every day.

To support business growth across the group and market stability, our permanent workforce grew by 20.5 full time equivalents in 2023.

Challenging labour market
While the labour market did show signs of loosening in 2023, with more candidates applying for vacant roles, the market continued to be challenging, driven by significant wage pressure. We continue to use our NZX Graduate programme to attract employees. In addition, NZX became an Accredited Employer in mid-2023 which allows us greater access to international talent.

Diversity and inclusion
Our commitment to gender pay equity and a fair working environment continues. Our aim is to have at least 40% women and 40% men in each workforce group. We continue to meet this goal at the workforce level and increasing the number of women in senior roles remains a priority. We continue to focus our attention on our pay gap (now at 16.6% – well below the financial and insurance industry average). Through our graduate programme and IT summer internships, we are increasing our workforce diversity. We value the input and skills people from a broad range of backgrounds and ethnicities provide to our business.

Gender pay gap

16.6%

Well below the financial and insurance industry average

Age and Gender Diversity of the NZX Board*

	No of Males	No of Males (%)	No of Females	No of females (%)
Under 30 years old	–	–	–	–
30 – 50 years old	–	–	–	–
Over 50 years old	3	43%	4	57%
Total	**3**		**4**	

Age and Gender Diversity of the NZX Workforce*

	No of Males	No of Males (%)	No of Females	No of females (%)	Gender not declared	Total
Under 30 years old	55	67%	27	33%	–	82
30 – 50 years old	90	51%	88	49%	–	178
Over 50 years old	41	58%	30	42%	–	71
Not declared	4	29%	9	64%	1	14
Total	**190**	**55%**	**154**	**45%**	**1**	**345**

Role and Gender Diversity of the NZX Workforce*

	No of Males	No of Males (%)	No of Females	No of females (%)	Gender not declared	Total
CEO + EXEC	7	58%	5	42%	–	12
Management	51	65%	27	35%	–	78
Workforce	132	52%	122	48%	1	255
Employees Overall	**190**	**55%**	**154**	**45%**	1	**345**

* Disclosed genders as at 31 December 2023

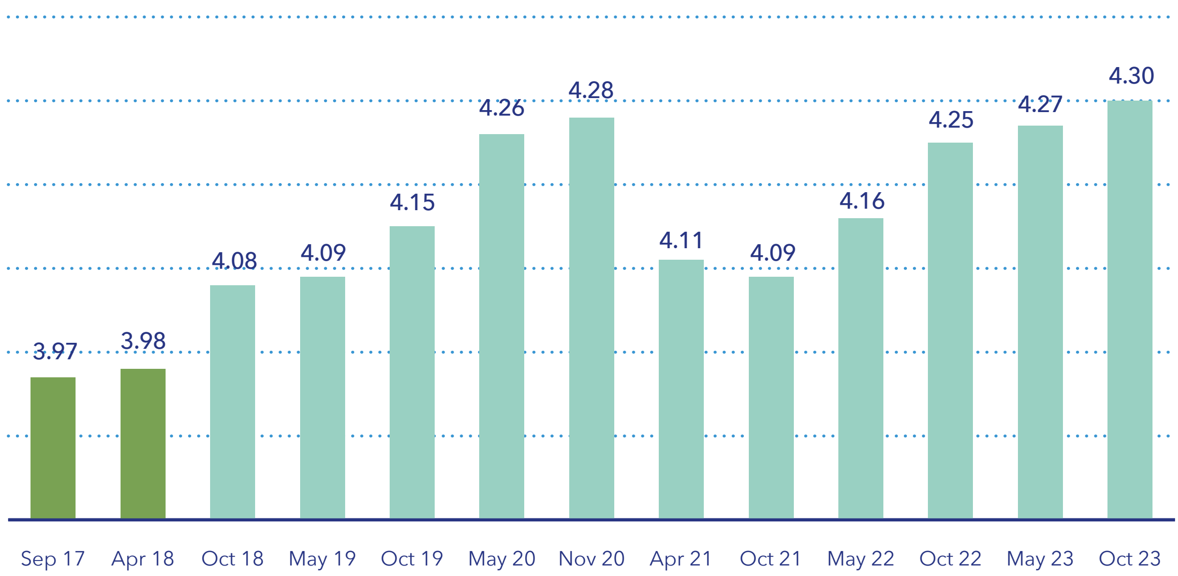
Engagement
The NZX engagement survey is the tool used to measure engagement, motivation and commitment of staff to NZX. It provides insights into employee views – what is working and where improvements can be made. Since the pandemic lockdowns and more staff returning to the offices, the two surveys conducted in 2023 showed a consistent lift in overall engagement. The engagement score at the end of 2023 was 4.3 out of 5.0, this is the highest engagement score since 2017. The participation rate remained stable at 94%.

Health and Wellbeing
In 2023 we started training our people leaders in Mental Health First Aid to enable them to both identify any mental health signs and symptoms, alongside the skills to have the discussion about mental wellbeing with their teams. This is in addition to the Employee Assistance Programme run where staff can access EAP services at any time for any health issue (personal or professional). The quantum of staff usage of this service remains stable, with less than five staff reaching out for work related issues.

Our health and safety record at NZX remained strong with a total Recordable Injury Rate (TRIR) of 0.0 incidents per 200,000 hours worked, a drop from 1.16 in 2022.

Our absentee rate for the year was 1.9 – up from 1.67 in 2022– back to pre-pandemic lockdown levels.

Employee Engagement since 2017



Employee Engagement
(Gallup Score)

4.30

2022: 4.25

Health & Safety
Total Recordable Incident Rate (TRIR)

0.00

2022: 1.16

CASE STUDY

NZX recognises the important role we play in supporting the success of businesses, our communities, charities and country.

Supporting New Zealand

This year, we furthered our commitment to New Zealand charities by becoming the primary sponsor of the New Zealand Financial Markets (NZFM) Charity Golf Classic. As in 2022, we helped fundraise for The Little Miracles Trust.

The Little Miracles Trust supports the whānau of premature and unwell babies. Each year 5000 babies are born premature, and many more full-term babies require specialist care due to health complications or illness. The Little Miracles Trust provides support to families in three ways:

- Peer-to-peer in-unit support, key resources, and co-ordination of services to help them through their journey in a wide range of ways, as well as post-discharge support for their baby's development.
- Support to the 23 neonatal units so they can provide the very best care. This is achieved through the purchase of equipment such as breast pumps, privacy screens, cot-side chairs for cuddling their baby and whānau room refurbishments.
- Supporting neonatal research and education so that outcomes are enhanced for future premature and sick babies worldwide.

In its 33rd year, the NZFM Charity Golf Classic hosted more than 100 players and volunteers across New Zealand's capital markets. We were proud to collectively raise more than $53,000.

In addition, the launch of our new high-tech ticker on our building in central Auckland, alongside the ticker located on Wellington's waterfront, has proven to be a valuable asset in raising awareness for important charitable events.

Throughout the year, we've featured messages in support of various charitable organisations and fundraising days, including Daffodil Day, Pancreatic Cancer Awareness Day, UNICEF, and World Prematurity Day.

Our **environment**

Increasing transparency and strengthening climate disclosures
As a reporting entity under the Aotearoa New Zealand Climate Standards (ANZCS), NZX is delivering its first climate statement in 2024. Smartshares is a separate climate reporting entity under the standards as manager of an investment scheme and will deliver its first climate statement in mid-2024. NZX's climate statement is provided on page 146.

In addition to mandatory climate-related disclosures, NZX undertakes voluntary assessment of our environmental disclosures. NZX has been rated a 'fast follower' in Forsyth Barr's C&ESG ratings (B-), an improvement on 2022's rating of "explorer" (C+).

Understanding how we impact the climate
In 2023, we again achieved Toitū Envirocare net carbonzero certification. This year represents the third consecutive year of NZX's net carbonzero certification, applied across our Scope 1, Scope 2, and relevant Scope 3 emissions. This includes the assessment of emissions from various sources such as vehicles, business travel, fuel and electricity usage, paper consumption, and waste generation.

The emissions are evaluated annually, and the entire inventory undergoes independent verification to ensure accuracy and completeness.

In 2023, we broadened the boundary of Scope 3 emissions that we measure to include emissions related to Employee Commuting, bringing our total GHG emissions for 2023 to 529.8 tCO_2e. Excluding the employee commuting emissions, NZX's total GHG emissions for 2023 were 356 tCO_2e - 29% lower than the baseline year emissions from 2019. In 2024 we will further expand our Scope 3 emissions coverage to gain a more complete understanding of our climate impact. Intensity metrics are provided in our climate statement on page 162.

GHG emissions for 2023

356* tCO_2e

29% lower than the baseline year emissions from 2019

*excludes employee commuting, which was calculated for the first time in 2023.

NZX Greenhouse Gas (GHG) Emissions*

Scope	Emissions sources CO_2-e	2019 Tonnes	2021 Tonnes	2022 Tonnes	2023 Tonnes
Scope 1	Direct Emissions (diesel)	1.9	4.2	8.8	2.6
Scope 2 (location based)	Electricity purchased	48.1	39.8	51.5	26.5
Scope 3	Air Travel - Domestic - Short haul international - Long haul international	212.1 33.6 174.9	84.5 1.3 -	155.1 22.2 65.2	94.5 25.3 142.0
	Accommodation	8.0	3.2	9.2	12.2
	T&D losses for purchased electricity	4.3	3.2	4.7	3.1
	Fuel Emissions (rental and other cars)	10.6	5.3	5.7	8.6
	Employee Commuting	-	-	-	173.8
	Working from home	-	26.5	15.0	8.8
	Freight	2.3	-	26.6	3.9
	Office Waste	2.3	1.8	7.2	28.4
	Recycling	1.8	0.1	0.1	0.1
Total (excl. Employee commuting)		**501.9**	**169.9**	**371.3**	**356**
Total (incl. Employee commuting)		**501.9**	**169.9**	**371.3**	**529.8**

* Audited by Toitū Envirocare

** Includes 173.8 tCO_2e from Employee Commuting, which were measured for the first time in 2023. Excluding the emissions from Employee Commuting, NZX's total emissions for 2023 are 356 tCO_2e.

Setting targets

NZX is targeting a 21% reduction in absolute Scope 1, 2, and 3 emissions by 2025 from a 2019 baseline year. This absolute emissions reduction target is aligned with limiting our impact to a 1.5° warming scenario and applies to emissions sources that were included in 2019 inventory. With 2023 GHG emissions being 29% below the 2019 figures, NZX is well-positioned to achieve its emissions reduction targets by 2025. Looking ahead, NZX intends to develop and set interim and long-term, science-aligned emissions reduction targets in line with limiting our impact to a 1.5° warming scenario.

CASE STUDY

"Our carbon footprint may be small, but we're taking action now to contribute our fair share to global climate action efforts."

NZX 2023 Commuter Survey

As part of our commitment to net carbonzero certification, NZX measures and manages our greenhouse gas emissions. In 2023, we extended our Scope 3 measurement efforts to include carbon emissions from our employees' commute. Through a partnership with Abley CarbonWise, NZX conducted a commuter survey to track the commuting emissions and gain insights into our employees' commuting patterns.

For our first commuter survey, our main objective was to accurately capture the various locations and modes of transportation NZX employees use for their daily commute. The survey received great buy-in and a high participation rate from NZX staff.

By inviting the entire organisation to participate in this process, we raised awareness of the impact of commuting choices with the aim of fostering a sense of ownership and collective responsibility towards reducing commuting emissions.

Based on results from the survey, NZX commuting emissions for 2023 were 173.8 tonnes of CO_2 equivalent. This means, on average, an NZX employee emitted 0.51 tonnes of CO_2 equivalent over the past year. The survey also provided a solid baseline for improvement, revealing that 22% of trips were walked or cycled, and only 19% of trips were made by solo car drivers. This indicates a strong level of active travel and low car use compared to the average New Zealander (as per Abley results).

NZX intends to continue to use commuter surveys to monitor our commuting emissions and identify opportunities to support our staff in reducing their carbon footprint. By understanding our commuting impact, NZX is better equipped to drive meaningful change and work towards a more sustainable future.

Our markets & economic **performance**

As New Zealand's Exchange we are passionate about working with our customers and stakeholders to grow the markets NZX operates, which generate wealth integral to Kiwis' standard of living, and New Zealand companies getting ahead.

To support the growth and development of our core markets business, and to ensure we are well connected to New Zealand investors, NZX owns Smartshares, a New Zealand issuer of listed Exchange Traded Funds, and KiwiSaver provider SuperLife.

NZX provides wealth management services for New Zealand advisers via our Wealth Technologies business.

NZX is also responsible for developing, consulting on, and enhancing the market rules, practices and policies under which NZX's markets operate.

NZX makes a significant contribution to New Zealand's economy, both directly and indirectly via companies that are listed on the public markets. Around two million New Zealanders are investors through their KiwiSaver accounts and many more though online platforms such as Sharesies.

The value that NZX has added to the New Zealand economy since 2017 has been substantial when compared to our gross revenue. Similarly, constituents of the S&P/NZX50 index contribute significant value to the New Zealand economy.

The NZX Main Board covers 180 listed issuers with a market capitalisation of $164.10 billion.

The NZX Debt Market supports 50 listed issuers with $55.83 billion outstanding on the market. There are 155 financial instruments listed on the NZX Debt Market.

S&P/NZX50

The GDP contribution of S&P/NZX 50 companies was approximately $70 billion in 2023. Combined gross revenue approximated $145 billion. On average, share of value added to gross revenue was 55%. This means that, in 2023, for every dollar of revenue generated, companies in the NZX 50 contributed 55% directly to the New Zealand economy.

NZX's economic contribution

In 2023, NZX directly contributed $220 million to the New Zealand economy, up 13.4% from $194 million in 2023.

Despite challenging market conditions, NZX's share of value added to gross revenue has dropped slightly, to 68%. This means that for every dollar of revenue generated, in 2023 NZX contributed 68% directly to the New Zealand economy in the form of labour (wages or salaries), capital or taxes.

Internally we have a workforce of 339.6 full time equivalents – adding 20.5 FTEs in 2023 to support business growth and paid a total of $47 million in salaries.

Creating value

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 businesses, society and our environment.

As well as capital raising to strengthen balance sheets, funds are raised via NZX-operated markets to provide for a range of wellbeing initiatives such as social housing, and environmental and climate change-focused projects.

In 2023, NZX directly contributed

$220m

to the New Zealand economy

13.4%

up from $194 million in 2022

CASE STUDY

Turners – they love cars

NZX is proud to support the success of our listed community, providing avenues for scale and growth through access to new pools of investors, increased liquidity and enhanced profile.

Turners Automotive Group (Turners), New Zealand's largest vehicle and machinery retailer and leading consumer and finance business, is an example on how dedication and commitment to engaging the market post-listing has helped propel the company's brand exposure and market performance.

The company's recent inclusion into the S&P/NZX 50 in December 2023 is a strong testament to this.

While Turners quickly became a household name through its iconic campaign 'Tina from Turners', Chief Executive, Todd Hunter said "it's taken years and years to be an overnight success", attributing the S&P/NZX 50 milestone to the strong culture within their team of 700 across New Zealand.

The 'secret sauce', Todd believes, is a combination of showing up, transparency and being consistent across all communications.

"It's about taking your business model and distilling it down so it becomes an understandable and repeatable story. We are relying on externals to be able to tell that story, whether it's institutional investors or everyday Kiwis talking around the BBQ."

“Being listed on the NZX has enabled more than 50% of the team at Turners to be shareholders in the company, contributing significantly to employee engagement, with them bringing an ownership mentality to work every day.”

Recognising the importance of strong advocacy across stakeholder groups, Turners turned its attention to a more focused approach to its investor relations strategy, engaging an investor relations firm, Sharesies and other investment platforms.

Its strategy included utilising as much external support as possible, while taking any opportunity to talk about the business – whether it be through Virtual Investor Events, hosting shareholders at their locations, annual reports, road shows, being active on social media or investor presentations.

“Don’t be afraid to communicate what you intend to deliver in five years. It’s not going to be straight lines – there’s ups and downs, and investors get this, but being transparent will earn trust.”

Turners receives support from the analysts at Craigs Investment Partners and Jarden who provided regular reporting on the business. Turners has also leveraged Forsyth Barr’s issuer-sponsored research and tapped into various opportunities provided by analysts to acquire valuable insights into their business.

Given the time analysts put into learning about the business, this was viewed as an extremely beneficial experience for the company, lifting Turners trading volume at the start of 2023 and helping to build key relationships with sell-side analysts.

Speaking to advice he would give to other companies looking to build engagement with the market or to secure a spot within the S&P/NZX 50, Todd reiterated the importance of a strong culture within the company and not being focused on the outcome.

“It will come over time. If you are telling your story, what are your metrics? Everything is backed up by your track record.”

Being listed on the NZX has enabled more than 50% of the team at Turners to be shareholders in the company, contributing significantly to employee engagement, with them bringing an ownership mentality to work every day.

“It’s been interesting to hear feedback from the business about how proud they are to see the company go into the S&P/NZX 50. It really caps off what has been a great five years.”

Looking forward, Turners has an exciting pipeline ahead. While they very much have a ‘watch this space’ mentality, Todd emphasised the company’s commitment to delivering on promises they have made, with aspirations to secure a position within the S&P/NZX 20.

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 2023 (NZX Code). The information in this section is current as at 31 December 2023 and has been approved by the board of directors of NZX.

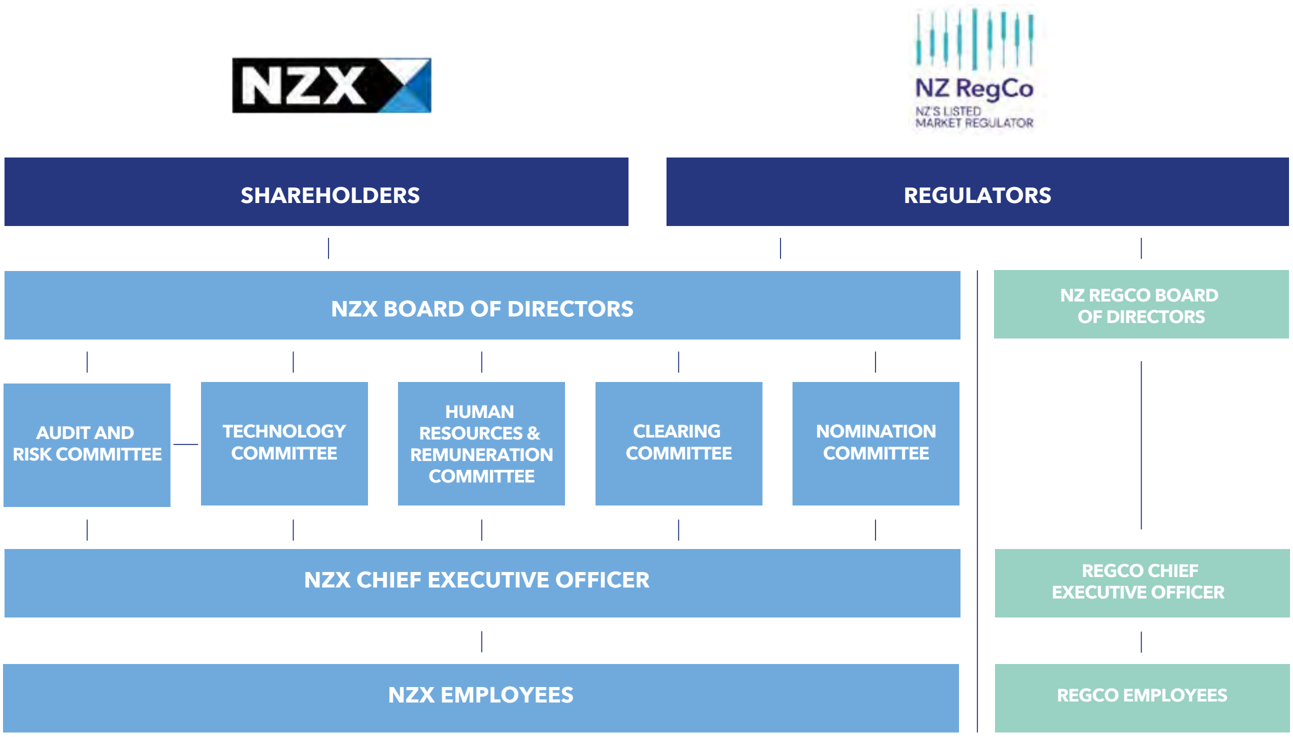
NZX's Board is committed to maintaining the highest standards of governance by implementing a framework of structures, practices and processes that it considers reflect best practice. NZX's corporate governance policies and procedures, and its Board and committee charters, document the framework and 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 2023 (reporting period), except for recommendation 8.5 of the NZX Code as explained below.

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 (Investor Centre - NZX, New Zealand's Exchange).

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 Limited (as the listed issuer of the Smartshares ETFs) or NZX Wealth Technologies Limited (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 the 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 – ethical standards

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 NZX's values, legal obligations and policies that govern and guide 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 refers to the NZX Protected Disclosures Policy, which includes reference to NZX's processes around whistleblowing and includes details of a confidential third party agency for employees to contact for whistleblowing reporting purposes.

The code is reviewed at least every two years and was last reviewed in April 2022. Amendments to the code following a review are summarised and detailed to NZX employees via NZX's intranet. NZX's Board Charter notes that directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

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:

- apart from certain listed exemptions, 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);
- outside of a blackout period, directors and employees must obtain consent to buy or sell NZX's shares; and
- directors and employees involved in trading financial products for a managed investment scheme managed by Smartshares Limited are prohibited from trading in financial products on their own behalf or on behalf of related persons, before trading in those products for the managed investment scheme in order to avoid gaining a price advantage.

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 2023.

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 as at 31 December 2023

Board Structure	Number of Directors	Gender Diversity	Average Director Tenure	Average Director Age	Diversity Characteristics
Single tier	7	3 men, 4 women	3 years, 2 months	58 years, 6 months	Education qualifications, professional experience, personal achievements, geography, gender, age

The gender diversity of the NZX Board has moved from five men and three women during the 2022 year to three men and four women during the 2023 year.

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 November 2022.

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 2023.

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 standard 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 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. A director's interests, position and relationships as well as the factors set out in Table 2.4 of the NZX Code have been considered holistically in determining the director's independence status.

Information in respect of directors' ownership interests is available on page 137. NZX's directors are not formally required to own NZX shares, but are encouraged to do so. In addition, there is a Share Purchase Plan for directors, the details of which are set out on page 74.

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 early 2024. Further details on NZX's diversity and inclusion are outlined on pages 7 and 47.

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 Sarah Miller's term as a NZX Future Director ending on 31 December 2023. NZX intends to appoint a new Future Director during the first half of 2024.

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.

It is intended that a Board evaluation be conducted during 2024, now that the new Chair has been appointed and new director appointments have been made.

SEPARATION OF THE CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

NZX's Board Chair and Chief Executive Officer are different people. NZX's Board Chair is an independent director.

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 2023, 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 2023 are set out below.

Board and committees (as at 31 December 2023)

Board of Directors[1]

- John McMahon (Chair)
- Frank Aldridge
- Elaine Campbell
- Peter Jessup
- Dame Paula Rebstock
- Rachel Walsh
- Lindsay Wright

1. Rob Hamilton resigned as a director of NZX Limited, effective 19 March 2023.

04. Corporate Governance

Committees

Core Committees				
Audit and Risk Committee	Human Resources and Remuneration Committee	Nomination Committee	Clearing Committee	Technology Committee
Lindsay Wright (Chair) Frank Aldridge Rachel Walsh	Frank Aldridge (Chair) John McMahon Elaine Campbell Dame Paula Rebstock	John McMahon (Chair) Frank Aldridge Dame Paula Rebstock	Rachel Walsh (Chair) Peter Jessup Lindsay Wright Dame Paula Rebstock	Peter Jessup (Chair) John McMahon Rachel Walsh

Director meeting attendance

		Core Committees				
Director	Board[1]	Audit and Risk Committee[2]	Human Resources and Remuneration Committee[3]	Nomination Committee	Technology Committee[4]	Clearing Committee[5]
Frank Aldridge	11/11	5/6	5/5	3/3	–	–
Dame Paula Rebstock[6]	11/11	–	5/5	3/3	–	5/5
Rob Hamilton[7]	2/2	2/2	1/1	–	–	1/1
Peter Jessup	10/11	–	–	–	5/5	4/5
James Miller[8]	5/5	3/3	1/1	3/3	–	–
John McMahon[9]	7/7	4/5	3/4	0/0	3/3	4/4
Lindsay Wright[10]	11/11	8/8	1/1	1/1	–	4/4
Rachel Walsh	11/11	6/8	–	–	5/5	5/5
Elaine Campbell[11]	11/11	–	5/5	–	–	1/1

1. In addition to the scheduled full day board meetings, the board held three additional meetings via VC during the year in relation to chairmanship of the Board and an employment matter.
2. In addition to the scheduled meetings, the Audit and Risk Committee held two additional meetings during the year to approve NZX's insurance renewal proposal and to review annual reporting (including remuneration report) layout proposals and ESG materiality reporting.
3. In addition to the scheduled meetings, the Human Resource and Remuneration Committee held an additional meeting during the year to discuss the Remuneration Refresh project.
4. In addition to the scheduled meetings, a subset of the Technology Committee held an additional meeting during the year to agree updates to the Technology Committee Charter.
5. In addition to the scheduled meetings, the Clearing Committee held an additional meeting during the year to discuss updates to the liquidity stress testing framework.
6. Dame Paula Rebstock was appointed as a director of NZX Limited, effective 1 February 2023.
7. Rob Hamilton resigned as a director of NZX Limited, effective 19 March 2023.
8. James Miller retired as a director of NZX Limited and the Chair of NZX Board, effective 17 May 2023. James Miller attended 3/3 Audit and Risk Committee meetings as an ex officio member.
9. John McMahon was appointed as a director of NZX Limited, effective 10 May 2023. John McMahon was subsequently appointed as the Chair of NZX Board in replacement of James Miller, effective 17 May 2023. John McMahon attended 4/5 Audit and Risk Committee meetings and 4/4 Clearing Committee meetings as an ex officio member. There were no Nomination Committee meetings following John McMahon's appointment.
10. Lindsay Wright attended 1/1 Human Resources and Remuneration Committee meeting in February 2023 as a committee member and was subsequently replaced by John McMahon during the year. Lindsay Wright attended a meeting of the Nominations Committee by invitation of the Chair.
11. Elaine Campbell attended 1/1 Clearing Committee meeting in March 2023 as a committee member and was subsequently replaced by Lindsay Wright during the year. In addition to committee attendance, NZX directors may also sit on subsidiary boards. Elaine Campbell is a director of NZX Regulation Limited and attended 6/7 NZX Regulation Limited scheduled 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
Anna Scott[1]	–	–	–	–	2/3	–

1. Anna Scott was previously a member of the Technology Committee until 1 September 2023, where she was replaced by John McMahon on the same date. Anna Scott was subsequently appointed Chief Executive Officer of Smartshares Limited, effective 4 September 2023. There was an ad-hoc meeting for a subset of the Technology Committee which did not involve Anna Scott. Following Anna Scott coming off the Technology Committee, she did not receive any committee remuneration while she was an employee.

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 November 2022.

The Committee must be comprised solely of NZX directors, have a minimum of three members, have a majority of members that are independent and non-executive 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 (as well as the biographies of other committee members) is on page 35.

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 November 2022.

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 November 2022.

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, through 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 November 2023.

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 will be reviewed in early 2024.

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 2023.

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 in November 2023.

CHARTERS AND POLICIES

The key corporate governance documents referred to in this section, including policies and charters, are available from NZX's investor centre (Investor Centre - NZX, New Zealand's Exchange).

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 85 to 130.

The Chief Executive Officer and Chief Financial and Corporate 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, representing the key features of NZX's activities in regulating its markets.

NZX releases non-financial data within its annual report, including as to remuneration (on pages 67 to 75), climate related disclosures (pages 164 to 168) and as against the sustainability reporting standard, the Global Reporting Initiative (see pages 160 to 164).

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 (Investor Centre - NZX, New Zealand's Exchange)

Principle 5 – remuneration

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

DIRECTORS' REMUNERATION

Please see page 75 for details of the current fees paid to NZX directors, and external committee member remuneration.

REMUNERATION POLICY

Please see page 69 for details on NZX's remuneration policy for the remuneration of NZX directors and employees.

Chief Executive Officer remuneration

Please see pages 69 to 71 for details of the NZX CEO's remuneration arrangements.

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 appetite and 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 (now entitled Acceptable Use of Technology 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 2023 and how these are being managed are outlined and discussed at pages 78 to 83. In addition, please see page 166 for health and safety risk disclosures in Appendix 2 (GRI Content Index).

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL AND CORPORATE OFFICER ASSURANCE

The Chief Executive Officer and Chief Financial and Corporate Officer have provided the Board with written confirmation that NZX's 2023 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 2023.

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 external 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 2023 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 annual 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 and Corporate Officer's and NZX's GM Corporate Affairs & Sustainability 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. NZX encourages shareholder participation at its shareholder meetings by allowing in person or virtual attendance, and provides a webcast of the meeting, along with presentations and the Chair and CEO's addresses on its website. In addition, NZX's Notice of Meeting assists shareholders with virtual elements of the meeting including voting and questions.

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 19 April 2023. Notice of the meeting was released to the market on 27 March 2023 i.e. 15 working days. Whilst this met NZX's legal requirement as to providing notice under clause 2 of Schedule 1 of the Companies Act 1993, this did not meet recommendation 8.5 of the NZX Code to provide at least 20 working days' Notice of the Meeting. The timing of the release of the 2023 Notice of Meeting was affected by discussions underway with Rob Hamilton which resulted in his resignation as a director of NZX Limited which required changes to the Notice of Meeting. NZX expects to provide at least 20 working days' notice for its 2024 meeting. Going forward, the Notice of Meeting will also be posted in the NZX Investor Centre, in full compliance with recommendation 8.5. The 2024 meeting will be held on 18 April 2024 in Auckland. A webcast of the meeting will be made available to shareholders.

Remuneration

Remuneration **report**

From the Chair of the Human Resources & Remuneration Committee

Philosophy & approach

NZX's remuneration philosophy is to attract, retain and reward high-performing employees to achieve NZX's business objectives and create shareholder value.

In 2023, we have updated how we report remuneration and consolidated it in this standalone section of the annual report to ensure investors and stakeholders have greater transparency in relation to our approach to remuneration. We welcome the voluntary remuneration reporting template that has been developed by NZX in conjunction with the NZX Corporate Governance Institute.

We have included a greater level of detail than previously disclosed, including additional information on our remuneration structure, our short and long-term incentive schemes, the NZX Chief Executive's remuneration package, as well as data on the CEO-employee ratio, gender pay gap, and director remuneration.

The year ahead

In 2023, we commenced a project to refresh our approach to remuneration. In the year ahead, NZX will be reviewing our remuneration framework to ensure we are responding to a changing labour market and are able to reward and retain the talent and expertise we need to deliver for our investors and stakeholders.

To achieve this, NZX will continue to benchmark roles against relevant industries and business sectors we are part of. This includes financial services, market infrastructure, information technology, as well as the legal and regulatory professions.

The review will also assess the structure and design of both our short and long-term incentive schemes to further enhance alignment with our business performance, strategy delivery and value creation. We will also look at our benefits to ensure alignment with a strong NZX employee value proposition.

The objectives of the review are to:

a) clearly align remuneration to company performance;
b) recognise and reward high-performing individuals, based on results achieved as well as demonstrated behaviours and competencies;
c) reflect external market conditions and internal relativities;
d) compete effectively in the employment market, including to attract and retain a diverse workforce; and
e) have remuneration practices that are fair, reasonable, easy to understand and simple to administer.

Ultimately, the aim of the review is to provide NZX with confidence our remuneration framework is fit for the future, aligned with market practice, and we remain competitive as an employer of choice.

We expect to complete and implement this in 2024, and I look forward to sharing the remuneration framework review's outcomes in our 2024 Annual Report.

Frank Aldridge
Chair of the Human Resources and Remuneration Committee

Remuneration Governance

Please refer to page 63 of the Annual Report for a discussion on the governance arrangements pertaining to remuneration and the Human Resources and Remuneration Committee.

Remuneration Policy

NZX's Remuneration Policy sets out NZX's practices around the attraction, retention and motivation of high-quality employees to assist NZX in achieving its business objectives and the creation of shareholder value. The policy applies to NZX's directors as well as permanent employees (both full and part time) of the NZX Group. It does not apply to fixed-term employees, secondees, contractors or consultants.

At NZX, director remuneration is paid in the form of director fees. Further details on NZX's approach to director remuneration is set out later in this Remuneration Report.

NZX's employee remuneration can include a mix of fixed remuneration, short-term incentive plan components and/or long-term incentive plan components (to be determined at NZX's discretion). Details of NZX's approach to fixed remuneration is set out below. NZX undertakes an annual review of its remuneration bands (used to assist NZX with benchmarking an employee's fixed remuneration) to ensure ongoing alignment with the external employment market. Further details of NZX's employee short-term and long-term incentive plans are set out below, as are details of the NZX CEO's remuneration.

In addition to the above, all permanent employees are granted a one-off gift of $1,000 of NZX shares when they start their employment with NZX. This gift is designed to drive employee engagement in the share market and give employees direct experience of being an NZX shareholder. Employees are encouraged to retain these shares while they are employed at NZX.

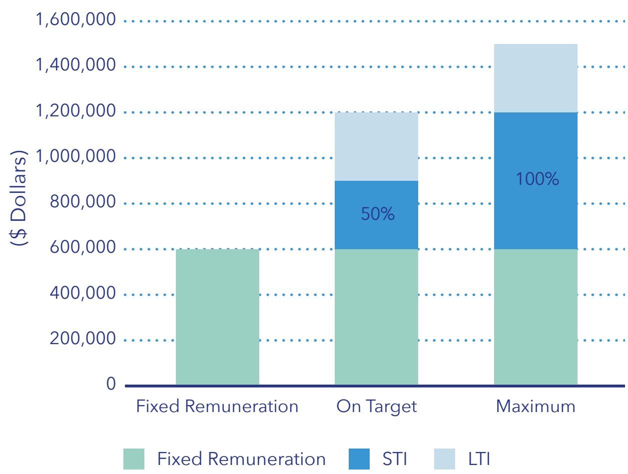
NZX Chief Executive Officer (CEO) remuneration

On the renewal of the CEO's contract in 2023, external benchmarking was undertaken to inform the offer and ensure the remuneration package was positioned fairly and market aligned.

The CEO remuneration package includes a mix of the following components:

– fixed remuneration (includes base salary and KiwiSaver employer contributions, if applicable);
– short-term incentive plan (STI); and
– long-term incentive plan (LTI)

FOR 2024 THE CEO'S REMUNERATION PACKAGE IS MADE UP AS FOLLOWS:



FIVE-YEAR SUMMARY OF THE CEO REMUNERATION:

The following table summarises the actual value of remuneration earned by the CEO, Mark Peterson for the past five years.

Year	Base Salary	Other	STI	LTI	Total Remuneration	STI % of Max	LTI Vesting - shares issued	LTI Vesting- % of Max	LTI rights issued
2023	600,000	–	450,000	–	1,050,000	75%			
2022	600,000	102,413	600,000	746,228	2,048,641	100%	599,524	50%	
2021	600,000	33,143	600,000	–	1,233,143	100%			550,449
2020	500,000	32,369	441,967	153,040	1,127,376	88%	122,983	100%	
2019	500,000	20,999	340,000	–	860,999	68%			

1. Other - relates to holiday pay on remuneration associated with the incentive plans that were paid.
2. In 2022 the CEO's LTI Plan issued in 2018 partially (50%) vested resulting in:
   a. 588,947 TSR performance rights vesting, which resulted in the issue of 599,524 shares (after adjustment for the dilutive impact of NZX's 2022 equity raising) at a value of $746,228; and
   b. 588,947 EPS performance rights lapsing.
3. In 2020 CEO's Executive LTI Scheme issued in 2017 fully vested.
4. The figures in the table show actual remuneration earned by Mr Peterson. However, the cost of each LTI Plan is independently measured and accounted for based on the fair value at the date granted using an appropriate pricing model. The cost is realised over the term of the LTI Plan, with a corresponding increase in equity.

CEO SHORT TERM INCENTIVE PLAN (STI)

The CEO's STI plan is discretionary, with a guideline of 100% of base.

The CEO's STI goals are structured as follows:

STI Goals	Measurement basis	Weighting	FY23 Achievement
Financial Performance	Financial results, including: – Revenue; – Costs; – Operating Earnings; and – CAPEX	50%	Financial targets for FY23 were exceeded on all measures. While not a measure of CEO STI performance, the Directors are conscious that NZX's share price underperformed the market in 2023.
Strategic delivery and key operational targets	Operational achievement, including: – Operational performance accuracy; and – Strategic delivery progress	35%	Operational performance was strong, including 100% market uptime and no Clearing House issues. Progress advanced on all strategic delivery fronts although several measures, such as Smartshares' FUM and Wealth Technologies FUA, missed targets. Cadence of strategic delivery needs to increase (a key 2024 target).
Risk, Compliance and Culture	Other factors include: – Regulatory and legal compliance objectives; – Risk management within tolerance; – Leadership, team development and staff engagement target; – ESG (Environmental, Social and Governance) targets (including emissions and gender pay gap targets); and – Capital Markets industry leadership.	15%	Regulatory relationships are positive and constructive and continue to improve. Risk management understanding and capability has significantly matured. Engagement and staff development met expectations. ESG on track aside from gender pay gap which deteriorated as a result of staff taken onboard via acquisitions. Capital Markets relationships are positive with strong engagement across the market ecosystem, including policy settings.

For the 2023 financial year the NZX Board assessed Mr Peterson's performance at 75% of the maximum STI. He was awarded an STI as follows:

STI On Target		STI Maximum		Awarded	% of STI On Target awarded	% of STI Maximum awarded
%	$	%	$	$	%	%
50%	$300,000	100%	$600,000	$450,000	150%	75%

CEO LONG TERM INCENTIVE PLAN

On 10 September 2021, the CEO was issued performance rights under a long-term incentive plan, with a vesting period ending on 6 April 2024.

Each of these performance rights gives the CEO an option to acquire one ordinary share in NZX. The CEO may exercise the options if the performance rights vest. The CEO has 10 business days in which to exercise the rights from the date of vesting. No performance rights vested during the reporting period. Vesting of the performance rights is dependent on:

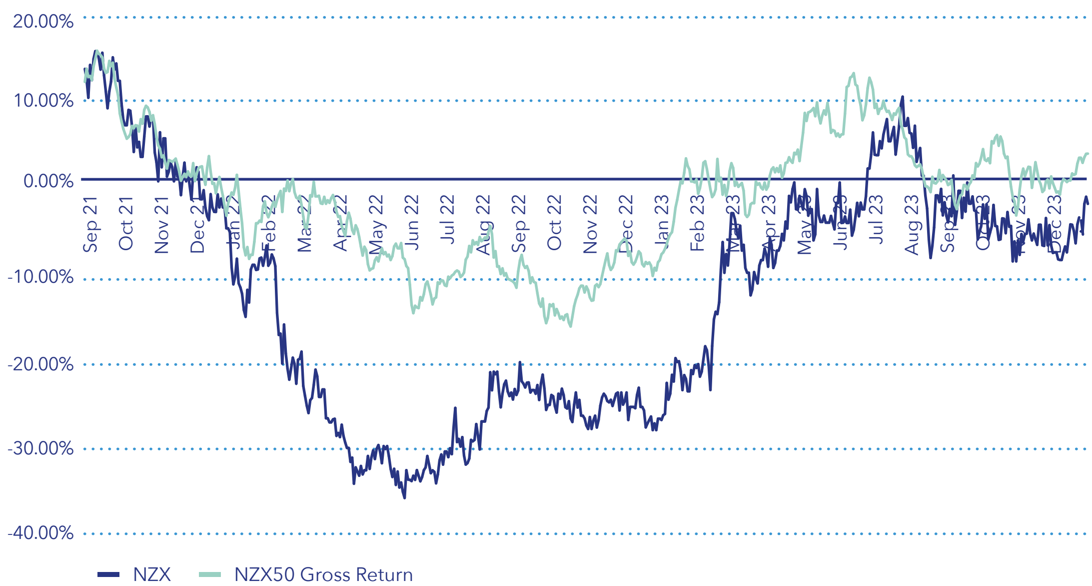
- NZX meeting performance hurdles in respect of total shareholder return (TSR) growth; and
- the CEO remaining an employee of the NZX Group for the duration of the vesting period.

There is a cap of $4,253,772 on the maximum value of performance rights that can vest.

Year	Performance Rights	Vesting Period	TSR Performance Hurdles		
			Min		Max
2021	550,449	10 Sept 2021 to 6 April 2024	7.40%	7.40% to 9.40%	9.40%
			50% vest	Pro rata vesting	100% vest

The NZX TSR compared to the NZX50 gross return over the vesting period to date (i.e. from 10 September 2021 to 31 December 2023) is as follows:

NZX TSR COMPARED TO NZX 50 RETURN



EMPLOYEE REMUNERATION

Employee remuneration includes a mix of the following components:

- fixed remuneration (includes base salary and KiwiSaver employer contributions where applicable);
- short-term incentive plan (which may be offered to NZX's senior employees);
- long-term incentive plan (which may be offered to members of NZX's senior employees); and
- a one-off grant of $1,000 of ordinary NZX shares (gross of tax) when an employee starts at NZX to ensure that all employees are shareholders.

Employee Fixed Remuneration

Base salary is determined with reference to external and internal relativities, as well as individual factors.

NZX uses a job evaluation methodology to group positions to bands that make a similar contribution to the business. This methodology considers the nature of the work, accountabilities, impact on results, and the knowledge, experience and expertise required to perform the work. For each band, an appropriate remuneration range is determined. Bands are benchmarked against the remuneration paid by NZX's industry peers for similar sized roles. NZX's policy is to pay between 85% to 115% of the midpoint of the New Zealand financial services sector. Tailored remuneration ranges may sometimes be applied by exception for specialist skillsets.

NZX is reviewing its job architecture, job evaluation framework and remuneration ranges to ensure it is fit for purpose and market aligned. It is anticipated any changes would be implemented for the 2024 financial year.

An employee's individual base salary is reviewed annually at the end of the financial year, and any changes are at NZX's discretion. Individual performance, skills and experience, as well as company performance, market relativity and gender pay equity are key considerations in setting individual remuneration.

Employee Short Term Incentive Plan (STI)

NZX's discretionary cash-based STI plan is available to senior employees and participation is at NZX's sole discretion. This STI plan is designed to reward achievement of short-term business goals that are set as part of plans to meet NZX's longer-term strategy. The STI plans are generally set at a maximum of between 15% and 25% of base salary (depending upon the employee's seniority and role), though may be higher for NZX's executive team. The STI plans are conditional on performance criteria including:

- NZX's financial performance;
- Division and/or business unit performance; and
- The employee's individual performance.

Division and/or business unit and individual STI goals are a mix of shared objectives and goals specific to each division and/or business unit and individual. The divisional/business unit goals roll up into the CEO's STI goals noted in the CEO STI table.

The Board's aggregate assessment for employee STI in 2023 is approximately 70% which equates to a total maximum available employee STI pool of $3.95 million (plus Kiwisaver where applicable). The allocation of the employee STI pool is determined by the CEO and approved by the Board. The CEO may include discretionary bonuses in the recommended allocation to both STI eligible and ineligible employees to reward exceptional individual performance. Any discretionary bonuses recommended by the CEO are considered within the maximum STI pool.

Employee Long Term Incentive Plan (LTI)

NZX's share-based LTI plans are designed to encourage longer-term decision-making and to align senior managers' and shareholders' interests. Any such LTI plan will operate under plan rules approved by the Board.

Under NZX's LTI plans, executive team members and senior managers may be offered NZX performance rights which may convert to shares based on long-term performance hurdles (three years, although may be up to six years for certain business units). If the long-term performance hurdles are not met, then the NZX performance rights lapse.

Vesting of the performance rights is dependent on:

- NZX meeting performance hurdles in respect of total shareholder return (TSR) growth; and
- the executive team member or senior manager remaining an employee of the NZX Group for the duration of the vesting period.

The LTI plans are 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.

In addition, under NZX's LTI plans some senior employees may be offered NZX performance rights valued between $10,000 to $60,000, which may convert to shares based on the employee remaining an employee of the NZX Group for the duration of the three-year vesting period.

The active employee LTI plans are structured as follows:

Year	Rights Issued	Performance Hurdles	2021	2022	2023	2024	2025
2023	1,303,598	TSR 7.4% to 9.4% and /or tenure 3 years			Year 1	Year 2	Year 3
2022	869,255	TSR 7.4% to 9.4% and /or tenure 3 years		Year 1	Year 2	Year 3	
2021	746,172	TSR 9.29% to 11.29% (50%), EPS 8.0% to 16% (50%) and /or tenure 3 years	Year 1	Year 2	Year 3		
2019	1,262,459	NZXWT FUA >$30b and cashflow positive targets				Year 6	

Employee Remuneration Bands

The table below sets out the number of NZX Group employees and former employees who received fixed remuneration and other benefits, including non-cash benefits and share-based remuneration more than $100,000 per annum.

This information includes all cash-based incentives paid and equity-based incentives that vested during the calendar year.

Directors are not included in the table as their remuneration is set out separately in the Directors' Remuneration section.

Remuneration Range ($)		# of Employees
100,000	110,000	11
110,000	120,000	20
120,000	130,000	18
130,000	140,000	14
140,000	150,000	14
150,000	160,000	11
160,000	170,000	11
170,000	180,000	8
180,000	190,000	6
190,000	200,000	6
200,000	210,000	8
210,000	220,000	7
220,000	230,000	5
230,000	240,000	5
240,000	250,000	4
250,000	260,000	1
260,000	270,000	3
270,000	280,000	1
280,000	290,000	5
290,000	300,000	5
300,000	310,000	3
320,000	330,000	3
350,000	360,000	1
360,000	370,000	1
370,000	380,000	2
410,000	420,000	1
470,000	480,000	1
570,000	580,000	2
610,000	620,000	1
640,000	650,000	1
1,040,000	1,050,000	1

CEO/Employee Ratio

The ratio represents the number of times greater the CEO remuneration is to the remuneration of an employee paid at the median of all employees. For the purposes of determining the median paid to all employees, all permanent full-time, part-time and fixed term NZX employees are included with part-time employees adjusted to the full-time equivalent value.

As at 31 December 2023, the CEO's base salary was $600,000 which was 5.5 times the base salary of the median employee of $110,000 (calculated based on all permanent and fixed term employees at 31 December 2023, with part time remuneration adjusted to a full time equivalent amount). The CEO's total remuneration including STI earnt and LTI vested was $1,050,000 which was 8.4 times the total remuneration of the median employee of $124,996.

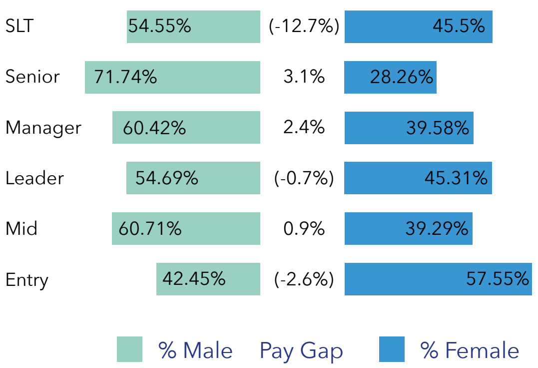
Gender Pay Gap

The gender pay gap measures the median (base pay only) between men and women regardless of the nature of work.

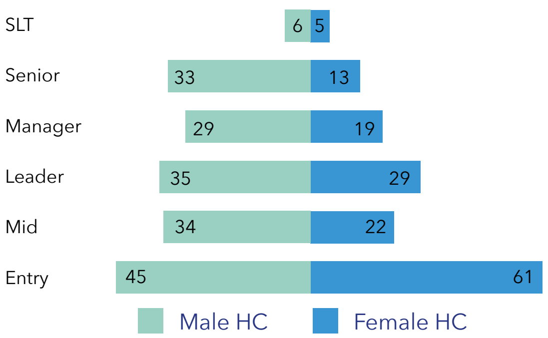
For 31 December 2023, the gender pay gap is 16.6%. The mean pay for males is $134,305 (this includes the pay of the CEO), and the mean pay for females is $111,986.

The mean salary packages for females (base salary, STI and LTI) are more than males at the SLT and entry levels.

BASE + STI GPG BY BAND GROUP*



HEADCOUNT BY BAND GROUP*



*Excludes NZX CEO

The majority of females are employed at the entry level resulting in a structural gender pay gap. NZX's gender pay gap sits across all roles with people management responsibility or at technical expert level, where the ratio of males to females increases. At 31 December 2023, we have 9% of our workforce being female managers compared to 17% male managers.

Directors' Remuneration

Shareholders approve the total remuneration available for NZX directors. The annual fee pool limit was increased by shareholders at the annual meeting in April 2023 by $42,000, from $522,000 to $564,000 with effect from 1 July 2023. The Board determines the actual fees paid to directors within the overall director fee pool.

NZX Limited has signalled to shareholders its intention to request further annual fee pool increases in 2024, in order to move the directors' remuneration towards the market median levels determined by PWC's 2022 independent benchmarking for NZX's non-executive director (NED) fees which was based on a group of 20 peers.

The fees paid to NZX's directors are $65,000 per annum and $130,000 per annum for the Chair. Directors are not paid additional fees for being members of committees or directors of subsidiaries, except for RegCo, where the NZX cross-over director is paid $20,000 per annum.

Directors do not receive any performance, 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.

Under the directors' Share Purchase Plan, a portion (being 50% of the chair fee above $100,000 and 50% of the directors' fees above $50,000) of the directors' base fees is used to acquire NZX Limited shares (except where it is not permitted for compliance purposes, or when certain shareholding thresholds are met). This is to align directors' incentives with shareholders' interests. The current directors share and subordinated note holdings are detailed in Section 10 of the Statutory Information disclosures.

Total remuneration received by each director in 2023 is set out in the table below.

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

Independent Directors of NZX Subsidiaries Remuneration

Independent directors of NZX subsidiaries include:

– NZX Regulation Limited (NZ RegCo) – NZX's regulatory functions are performed by a subsidiary, NZ RegCo, which is governed by its own board separate from the NZX Board;

– Smartshares Limited – independent directors are required in accordance with Smartshares' Managed Investment Scheme (MIS) licence requirements; and
– NZX Wealth Technologies Limited – the independent director provides specialist expertise.

The total amount of remuneration and other benefits to which independent directors of NZX subsidiaries were entitled during 2023 is set out in the table below.

Director	NZX	NZ RegCo*	Smartshares*	NZX Wealth Technologies	Total
NZX Directors					
Frank Aldridge	62,500				62,500
Peter Jessup	62,500				62,500
James Miller[2]	45,484				45,484
Lindsay Wright	62,500				62,500
Robert Hamilton[2]	13,000				13,000
Rachel Walsh	62,500				62,500
Elaine Campbell	62,500	20,000			82,500
John McMahon[1]	80,968				80,968
Dame Paula Rebstock[1]	57,500				57,500
					-
Independent Directors NZX Subsidiaries					-
John Hawkings		43,000			43,000
Michael Heron		43,000			43,000
Trevor Janes		75,000			75,000
Pip Dunphy[1]		32,000			32,000
John Williams			50,000		50,000
Guy Elliffe			50,000		50,000
Kathryn Jaggard				20,000	20,000
TOTAL	509,452	213,000	100,000	20,000	842,452
Fees paid from director fee pool	509,452	20,000		20,000	549,452
Excluded from Director Fee Pool		193,000	100,000		293,000
TOTAL	509,452	213,000	100,000	20,000	842,452

* not included in NZX Fee Pool
1. Appointed during the year
2. Resigned during the year
Executive directors do not receive directors fees and consequently are excluded from the Directors Remuneration table

To ensure the independence of the regulatory functions that NZ RegCo performs, NZX has obtained a waiver from Listing Rule 2.11 from the Special Division to exclude NZ RegCo's independent directors' remuneration from the annual fee pool approved by NZX shareholders. The waiver does not apply to directors of NZ RegCo who are also directors of NZX.

Under the Listing Rules, fees paid to the directors of Smartshares are approved separately by NZX as a shareholder of Smartshares.

External Committee Member Remuneration

Some NZX management committees include external members who provide specialist expertise. External committee member remuneration is set out below.

Committee Member	Committee	Resignation dates	Fees
Anna Scott	Technology Committee	1 September 2023	30,000*
Hamish Macdonald	Chair of the Corporate Governance Institute	31 December 2023	25,000**

*Anna Scott resigned from the Technology Committee on 1 September 2023 prior to becoming an employee.
** Hamish Macdonald resigned from the Corporate Governance Institute, effective 31 December 2023.

External Committee member remuneration is not included in the annual fee pool approved by NZX shareholders.

Risk Reporting

Risk management

Effective risk management is integral to NZX's strategic objectives. NZX Limited has established a Risk Management Framework (RMF) to ensure it has a comprehensive framework to assist with identifying, assessing, and managing its risk in a pro-active and effective manner. The application of the RMF and its methodology is consistent across NZX and all subsidiaries. The RMF adopted by NZX is linked to its business strategy through consideration of risk appetite and the significant types of risks to which NZX is currently exposed as well as any emerging risks which may impact the business in the future.

NZX employs a three lines of defence model (3LoD) to ensure best practice risk management. The three lines of defence model outlines risk management roles and responsibilities for all staff/ functions and is based on the premise that the management and reporting of risk (including controls and their effectiveness) is everyone's responsibility.

1

The first line of defence is made up of all business functions who typically own and manage the risk. This consists of all management and staff who are responsible for identifying and managing risk as part of their roles.

2

The second line of defence is made up of functions that oversee or specialise in compliance and risk management. This provides policies, frameworks (RMF), and tools and techniques to support the management of risk in the first line as well as internal assurance by way of independent controls testing.

3

The third line of defence comes from independent assurance providers who assist the risk management and compliance programme by challenging controls and bringing a systematic and disciplined approach to the evaluation of core functions for NZX.

How we are responding

Avoid the risk	Mitigate the risk	Transfer the risk	Accept the risk
NZX may choose to avoid a risk by not proceeding with an activity likely to generate the risk.	NZX may seek to mitigate a risk through implementing or enhancing controls to reduce or remove the likelihood and/or consequence of the risk materialising.	NZX may choose to transfer all or part of a risk to a third party e.g., outsourcing. Transferring the risk does not remove it and oversight / monitoring the risk remain a focus.	NZX may choose to accept a risk where it is either immaterial or cannot be mitigated within appetite. A formal risk acceptance process is embedded within the RMF

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. Underlying risks include: – Strategic direction, design, and innovation risk – Strategic implementation risk – Macro-economic environment risk – Market competition risk	– We set a five-year strategy in 2017 which established our strategic direction through to 2023. We regularly revisit this strategy (including regularly updating our strategy for the next five-year period) and we report progress annually through out investor presentations. We reaffirmed our strategy in 2022 through to 2027. – Our strategy includes diversifying operating earnings and building resilience into our business model. – Our strategy and the values we demonstrate help deliver to our purpose and vision. – 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 issues and opportunities early and address any people and resourcing risks. – We monitor, and report to the Board, our progress integrating recent acquisitions. – 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, declines in market capitalisation and funds under management / administration; – 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 Underlying risks include: – Financial performance/ return risk – Credit risk – General market risk – Liquidity risk	– 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. – Our capital management takes into account both current and anticipated future market activity levels, as well as the impact of strategic decisions / investments. – We regularly monitor an extensive range of financial metrics and indicators of risk across all our business units; including the progress integrating recent acquisitions. – 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 and controls in place designed to meet our operational expectations and benchmarks, and ensure project delivery effectiveness.

Risk	The risk and its impact	How we are responding
Information Technology 	Information technology plays a critical role for our business. We recognise we are an important component of the New Zealand capital markets ecosystem. IT risk arises when the technology is not reliable or available and / or does not operate effectively or efficiently. The technology environment is also dependent on other participants in the capital markets ecosystem Underlying risks include: – Information Technology risk – 3rd Party (outsourcing) risk – Disaster recovery risk	– We seek to have appropriate processes, procedures, applications and resources in place to manage IT risks. The potential impact of technology related issues remains an area of critical focus and ongoing investment. – As we strive 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 continue to be a key focus in 2024 and beyond. – 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 enhance 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 manage changes to critical infrastructure, operating systems and applications through formal change management processes including agreed governance and quality gates. – We seek to maintain active engagement with our vendor partners who provide critical applications, with a key focus on ensuring partners and suppliers understand our business, objectives and criticality of all market operations. We proactively work with other strategic vendors to ensure that they have agreed roadmaps. – We have a disaster recovery (DR) testing programme in place, including at least annually for NZX's capital markets systems / operations. DR testing incorporates all of the market operating from DR for an extended period of time before reverting back to the production environment. – We have a Technology Committee (a subcommittee of the NZX Board). There is monthly Technology Governance Reporting in place and a standing agenda item on Technology KPIs at the NZX Audit & Risk Committee. – We are progressing engagement with the capital markets ecosystem through 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 ensure that they are suitably qualified and experienced. – We ensure our stakeholders and regulators are informed and kept up to date on our strategy and roadmap.
Information Security/ Cyber 	Risk of loss of confidentiality, integrity, or availability of information, data, or information systems that results in negative impact on the NZX business. The technology environment must also be secure and resilient to external cyber threats which are evolving at an ever-increasing pace. Underlying risks include: – Information security risk – Cyber security risk	– We have a Cyber Security Forum and cyber security strategy and response plan that addresses cyber risk and ensures feedback from business stakeholders are incorporated into cyber strategy. We test, monitor, and improve the response plan to ensure it is up to date, relevant and robust. – The impact of information security/cyber security related issues remains an area of critical focus and ongoing investment. – We seek to have appropriate processes, procedures and resources in place to identify, detect and protect against threats that manifest into Information security/ cyber security risks and ultimately reduce any negative impacts in terms of our ability to respond to; and/or recover from a cyber event. – The constantly evolving threats presenting as cyber risk are continuously monitored so that we may minimise the time to react and reduce potential impacts or harm from emergent threats. – We build and maintain capabilities that identify and protect against data security threats and work with our internal stakeholders to ensure protection improvements are balanced against any potential disruption to our business. – We have a Technology Committee (a subcommittee of the NZX Board). There is monthly Technology Governance Reporting in place and a standing agenda item on Cyber Security at the NZX Audit & Risk Committee. – We have strategic partnerships in place with two Security Operation Centres to ensure that we have real time alerting and response across our digital assets. – We worked with all capital markets participants on establishing a joint industry cybersecurity forum and actively work with them on cyber security related crisis simulation events.

Risk	The risk and its impact	How we are responding
Compliance, Legal & Regulatory	Risk that NZX breaches its compliance, legal and regulatory conduct obligations (including for example NZX's licensed market operator license, clearing house designation order, MIS license, supervisor, regulatory and customer commitments) leading to reputational damage, adverse regulatory outcomes, fines or breach of contract. Underlying risks include: – Legal risk – Regulatory risk	– We seek to mitigate compliance, legal and regulatory risks through practising good corporate governance and by developing and adhering 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 our arrangements that are designed to ensure compliance with, 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 efficient industry-wide outcomes and ensure our markets are fair, orderly and transparent. – 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 subsidiary to enhance 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. Underlying risks include: – Client risk – Partner / stakeholder risk – Product risk	– We acknowledge the importance of customers within our strategy. The Group is structured around diverse customer segments in a complex ecosystem, of which NZX is a critical component. – We aim to consider the impact of NZX-driven changes on our customers, partners and stakeholders and we provide sound basis for the change alongside appropriate levels of communication. – Our Relationship Management Framework provides the basis for regular and open engagement with customers, partners and stakeholders. – Our customer systems ensure that there is a record of activities that is monitored and measured so we can continue to improve on our customer interactions. – We proactively engage with customers to address any potential concerns. – We utilise a number of outreach initiatives to support our customers and increase engagement.
Operational	The risk of unexpected failure in day-to-day operations caused by system, people or process failure. Underlying risks include: – Operational process risk – Operational people risk – Operational system risk – Business continuity risk	– 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. Underlying risks include: – Reputational risk	– 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 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 transparency.

Risk	The risk and its impact	How we are responding
Human Resources	NZX employees play a critical role in the business, enabling NZX to deliver on its strategy. HR risks may arise due to ineffective or inappropriate, culture and conduct, people management/ resourcing and health and safety practices. Underlying risks include: – Culture and Conduct risk – Health and Safety risk – People Management and Resourcing risk	– 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 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 our Code of Conduct that sets out standards of conduct and includes 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.

Emerging Risks

NZX uses a horizon scanning approach to proactively identify and monitor new and emerging risks which may impact our business in the future. Comprehensive assessment and monitoring of these risks are undertaken, and these are integrated as part of the RMF through the risk hierarchy.

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 2023 and the results of their operations and cash flows for the year ended 31 December 2023.

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 judgements 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 2023.

The financial statements were authorised for issue for and on behalf of the directors on 22 February 2024.

John McMahon

John McMahon
Chair of the Board

Lindsay Wright
Chair of the Audit and Risk Committee

Financial Statements

Group Income Statement

For the year ended 31 December 2023

	Note	2023 $000	2022 $000
Operating revenue	8	108,387	95,726
Operating expenses	9	(69,493)	(60,661)
Earnings before net finance expense, income tax, depreciation, amortisation, gain or loss on disposal of assets, gain on lease modification and share of profit of associate (EBITDA)[1]	2	**38,894**	**35,065**
Net finance expense	10	(3,962)	(1,838)
Gain/(loss) on disposal of assets		(8)	3
Gain on lease modification		15	-
Depreciation and amortisation expense		(16,764)	(13,860)
Share of profit of associate	17	1,031	146
Profit before income tax		**19,206**	**19,516**
Income tax expense	12	(5,652)	(5,357)
Profit for the year		**13,554**	**14,159**
Earnings per share			
Basic (cents per share)	13	4.2	4.6
Diluted (cents per share)	13	4.2	4.5

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 2023

		2023 $000	2022 $000
Profit for the year		13,554	14,159
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		-	-
Foreign currency translation differences	17	(172)	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total other comprehensive income		(172)	-
Total comprehensive income for the year		**13,382**	**14,159**

The accompanying notes form an integral part of these financial statemer

Group Statement of Changes in Equity

For the year ended 31 December 2023

	Note	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Balance at 1 January 2022		**63,472**	**7,180**	**(46)**	**70,606**
Profit for the year		-	14,159	-	14,159
Total comprehensive income for the year		**-**	**14,159**	**-**	**14,159**
Transactions with owners recorded directly in equity:					
Dividends paid	23	-	(18,095)	-	(18,095)
Issue of shares	22	44,626	-	-	44,626
Share based payments	22	412	-	-	412
Cancellation of non-vesting rights	22	(40)	40	-	-
Total transactions with owners recorded directly in equity		**44,998**	**(18,055)**	**-**	**26,943**
Balance at 31 December 2022		**108,470**	**3,284**	**(46)**	**111,708**
Profit for the year		-	13,554	-	13,554
Other comprehensive income for the year		-	-	(172)	(172)
Total comprehensive income for the year		**-**	**13,554**	**(172)**	**13,382**
Transactions with owners recorded directly in equity:					
Dividends paid	23	-	(19,441)	-	(19,441)
Issue of shares	22	10,584	-	-	10,584
Share based payments	22	1,138	-	-	1,138
Cancellation of non-vesting rights	22	(58)	58	-	-
Total transactions with owners recorded directly in equity		**11,664**	**(19,383)**	**-**	**(7,719)**
Balance at 31 December 2023		**120,134**	**(2,545)**	**(218)**	**117,371**

Group Statement of Financial Position

As at 31 December 2023

	Note	31 December 2023 $000	31 December 2022 $000
Current assets			
Cash and cash equivalents	14	24,670	20,611
Cash and cash equivalents - restricted	14	20,000	20,000
Funds held on behalf of third parties	11	21,702	30,282
Receivables and prepayments	15	15,874	17,132
Total current assets		**82,246**	**88,025**
Non-current assets			
Property, plant & equipment	16	9,446	10,372
Right-of-use lease assets	18	17,380	19,204
Goodwill	4	50,587	30,222
Intangible assets	3	99,169	68,593
Investment in associate	17	17,642	16,783
Total non-current assets		**194,224**	**145,174**
Total assets		**276,470**	**233,199**
Current liabilities			
Funds held on behalf of third parties	11	21,702	30,282
Trade payables	19	7,604	7,434
Other liabilities - current	20	30,841	19,413
Lease liabilities	18	1,291	997
Current tax liability	12	1,912	665
Interest bearing liabilities - current	21	-	39,037
Total current liabilities		**63,350**	**97,828**
Non-current liabilities			
Non-current other liabilities	20	3,327	-
Lease liabilities	18	19,770	20,679
Interest bearing liabilities	21	61,256	-
Deferred tax liability	12	11,396	2,984
Total non-current liabilities		**95,749**	**23,663**
Total liabilities		**159,099**	**121,491**
Net assets		**117,371**	**111,708**
Equity			
Share capital	22	120,134	108,470
Retained earnings		(2,545)	3,284
Translation reserve		(218)	(46)
Total equity attributable to shareholders		**117,371**	**111,708**

The accompanying notes form an integral part of these financial statemen

Group Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 $000	2022 $000
Cash flows from operating activities			
Receipts from customers		110,990	92,068
Net interest paid		(2,920)	(1,967)
Payments to suppliers and employees		(67,687)	(59,976)
Income tax paid		(5,944)	(6,689)
Net cash provided by operating activities	14	**34,439**	**23,436**
Cash flows from investing activities			
Payments for property, plant and equipment		(991)	(5,096)
Payments for intangible assets		(11,404)	(10,400)
Payments for acquisition		(22,438)	(25,000)
Payments for investment in associate		-	(16,637)
Advances to related party	26	(100)	-
Net cash used in investing activities		**(34,933)**	**(57,133)**
Cash flows from financing activities			
Net proceeds from term loans		22,500	-
Net receipts from equity raising	22	-	42,669
Transaction costs relating to renewal of subordinated notes		(648)	-
Payments of lease liabilities		(558)	(1,236)
Dividends paid (net of Dividend Reinvestment Plan)		(16,741)	(16,187)
Net cash from financing activities		**4,553**	**25,246**
Net increase/(decrease) in cash and cash equivalents		4,059	(8,451)
Cash and cash equivalents at the beginning of the year		40,611	49,062
Cash and cash equivalents at the end of the year	14	**44,670**	**40,611**

Notes to the Group Financial Statements

For the year ended 31 December 2023

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 2023.

The Group operates New Zealand securities, derivatives and energy markets, including maintaining the infrastructure on which they operate. It provides funds management services including KiwiSaver, 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 Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand, except when otherwise indicated.

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.

iii. Investment in associate

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Investments in associates are accounted for using the equity method. They are initially recognised at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, until the date on which significant influence ceases.

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 on or after 1 January 2024, 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 year'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, including information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, are set out in:

- note 3 - intangible assets
- note 4 - goodwill
- note 6 - acquisition of management rights
- note 18 - leases
- note 24 - 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:

	2023 $000	2022 $000
Profit for the year	**13,554**	**14,159**
Income tax expense	5,652	5,357
Profit before income tax	**19,206**	**19,516**
Adjustments for:		
- Net finance expense	3,962	1,838
- (Gain)/loss on disposal of assets	8	(3)
- Gain on lease modification	(15)	-
- Depreciation and amortisation expense	16,764	13,860
- Share of profit of associate	(1,031)	(146)
EBITDA	**38,894**	**35,065**

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, gain or loss on disposal of assets, gain on lease modification and share of profit of associate.

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:1 - 9 years
- Brands, trademarks, and rights to use brands: 2 - 10 years
- Management rights: 16 - 25 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 2022	**71,098**	**182**	**1,458**	**18,116**	**2,759**	**93,613**
Additions	-	-	-	25,000	10,330	35,330
Transfer from WIP	5,803	-	-	-	(5,803)	-
Balance at 31 December 2022	**76,901**	**182**	**1,458**	**43,116**	**7,286**	**128,943**
Additions	123	229	-	32,201	11,307	43,860
Disposals	(71)	-	-	-	-	(71)
Transfer from WIP	12,300	-	-	-	(12,300)	-
Balance at 31 December 2023	**89,253**	**411**	**1,458**	**75,317**	**6,293**	**172,732**
Accumulated amortisation						
Balance at 1 January 2022	**43,703**	**109**	**-**	**5,522**	-	**49,334**
Amortisation expense	9,293	18	-	1,705	-	11,016
Balance at 31 December 2022	**52,996**	**127**	**-**	**7,227**	-	**60,350**
Amortisation expense	10,151	113	-	2,985	-	13,249
Disposals	(36)	-	-	-	-	(36)
Balance at 31 December 2023	**63,111**	**240**	**-**	**10,212**	**-**	**73,563**
Net Book Value						
As at 1 January 2022	**27,395**	**73**	**1,458**	**12,594**	**2,759**	**44,279**
As at 31 December 2022	**23,905**	**55**	**1,458**	**35,889**	**7,286**	**68,593**
As at 31 December 2023	**26,142**	**171**	**1,458**	**65,105**	**6,293**	**99,169**

4. Goodwill

Carrying amount	Note	2023 $000	2022 $000
Balance at beginning of the year		30,222	30,222
Acquired on acquisition of QuayStreet Asset Management	6	20,365	-
Balance at end of the year		**50,587**	**30,222**

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 2023 (2022: 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 2023 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							
Funds management	3,926	62,896	2,344	130	**69,296**	41,095	**110,391**
Wealth Technologies	17,862	-	-	4,324	**22,186**	1,494	**23,680**
Energy	1,059	-	-	-	**1,059**	7,720	**8,779**
Direct data	-	36	1,458	-	**1,494**	278	**1,772**
Other							
Other intangible assets	3,295	-	-	1,839	**5,134**	-	**5,134**
	26,142	**62,932**	**3,802**	**6,293**	**99,169**	**50,587**	**149,756**

Impairment test

For the year ended 31 December 2023, 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 2022 unless indicated otherwise. Discounted cash flow analysis using a forecast period of five years was used for all CGUs, other than Energy where the forecast period matches the remaining contractual period plus an expected renewal period. The analysis also uses a WACC rate of 10.8% (2022: 10.7%) and was stress tested at higher rates. The terminal growth rate used to extrapolate cash flow projections beyond five years was 2.5% (2022: 1.75%). Management has assessed the long term economic outlook data available, and assessed that the use of this terminal growth rate was appropriate given the change in interest rates. 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 required for the year ended 31 December 2023 (2022: Nil).

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

a. Funds Management

The Group holds the following intangible assets used by its funds management business Smartshares Limited:

- Smartshares exchange traded funds management rights acquired between 2004 - 2006 for a total value of $2.344 million. The management rights 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;

- SuperLife management rights which were acquired on 1 January 2015 for $15.772 million and goodwill of $20.730 million. The management rights are held in the Group accounts as a finite life intangible asset and amortised on a straight line basis over 20 years;

- ASB Superannuation Master Trust management rights which were acquired on 11 February 2022 for $25.000 million. The management rights are held in the Group accounts as a finite life intangible asset and amortised on a straight line basis over 25 years (refer note 6); and

- QuayStreet Asset Management management rights and brand ($32.430 million) and goodwill ($20.365 million) which were acquired on 23 February 2023. The management rights are held in the Group accounts as a finite life intangible asset and amortised on a straight line basis over 16 - 25 years (refer note 6). The brand is held in the Group accounts as finite life intangible asset and amortised on a straight line basis over 2 years.

The Group has assessed the Smartshares business as a single CGU. 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 29% (2022: 40%) in the forecast period, where FUM is expected to increase 58% (2022: 88%), to indicate an impairment in the intangibles carrying value. The Group considers the FUM growth assumption reasonable based on historic experience and NZX's five year strategic plan.

b. Wealth Technologies

The carrying value of the Wealth Technologies CGU includes platform development and client migration assets with a net book value of $22.186 million, and related goodwill of $1.494 million.

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 20% (2022: 23%) in the forecast period, where FUA is expect to increase 281% (2022: 590%), to indicate an impairment in the intangibles carrying value. The Group considers the FUA growth assumptions reasonable given the growth nature of Wealth Technologies and based on the continued interest from current, future and potential customers.

c. Energy

The carrying value of the Energy CGU includes software net book value of $1.06 million relating to the trading, pricing, clearing and reconciliation of spot market electricity, and goodwill of $7.720 million.

This business has a significant reliance on service provider contracts it has in place with the Electricity Authority (EA). The contracts mature 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 expectation of contract renewal based on previous contract renewals, which supports the current carrying value of the Energy CGU. The non-renewal of contracts, post the 3 year extension period, could result in impairment of the carrying value of the Energy CGU.

d. Direct data

The carrying value of the Direct Data CGU includes Company Research management rights of $1.458 million, 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 $0.278 million.

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). Direct Data revenue would have to reduce by 40% (2022: 51%) in the forecast period, where Direct Data revenue is expect to increase 56% (2022: 41%), to indicate an impairment in the intangibles carrying value. The Group considers the revenue growth assumption reasonable based on historical experience and NZX's five year strategic plan.

e. Investment in associate

NZX acquired a 33.33% shareholding in GlobalDairyTrade Holdings Limited (GDT) effective 30 June 2022 which has been recognised as an investment in an associate.

Accounting standards require full impairment testing to be undertaken on an investment in an associate only where there is objective evidence of a potential impairment event that has a negative impact on future cash flows.

The Group has reviewed for indicators of impairment and no indicator of impairment existed as at 31 December 2023.

6. Acquisitions

QuayStreet Asset Management

On 23 February 2023 Smartshares Limited acquired the management rights and associated assets of QuayStreet Asset Management (QuayStreet). This acquisition:

- drives further scale in Smartshares, with funds under management (FUM) increasing $1.6 billion at acquisition;
- provides Smartshares with access to a new distribution channel through a Product Support and Distribution agreement; and
- is aligned with the Group strategy to capture complementary opportunities that the greater scale in the Smartshares business provides to both the NZ Capital Markets and NZX's market business.

For the period from acquisition to 31 December 2023, QuayStreet contributed revenue of $6.653 million and profit of $1.364 million (excluding one-off integration costs) to the Group's results.

If the acquisition had occurred on 1 January 2023 management estimates that consolidated Group revenue would have been $1.130 million higher at $109.517 million and consolidated Group profit would have been $0.232 million higher at $13.786 million for the year to 31 December 2023. In determining these amounts management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023.

a. Consideration transferred

The following table summarises the fair value of each major class of consideration transferred at acquisition date:

	Note	$000
Cash		22,500
Equity instruments (6,569,069 ordinary shares)	6(i)	7,883
Present value of contingent cash consideration	6(ii)	13,534
Assumed liabilities (employee provisions)		(62)
Total consideration		**43,855**

i. Equity instruments transferred

The fair value of the ordinary shares issued is based on the acquisition date (23 February 2023) share price of $1.20. The consideration shares were in satisfaction of $8.75 million of the QuayStreet purchase price.

ii. Contingent cash consideration

Potential earnout consideration of up to $18.75 million is payable based on net FUM inflows from the Craigs Investment Partners Group (CIP Group) into QuayStreet and Smartshares' products over a three-year period.

The terms of the earnout payment are as follows:

	Maximum earnout $000	Fair value of earnout recognised at acquisition $000
Earnout 1 - payable, prorata, on cumulative qualifying net FUM inflows from the CIP Group from 24 November 2022 - 23 November 2023, with the maximum amount payable where cumulative qualifying net FUM inflows over that period are $250m.	$6,250	5,947
Earnout 2 - payable, prorata, on cumulative qualifying net FUM inflows from the CIP Group from 24 November 2022 - 23 November 2024, with the maximum amount payable where cumulative qualifying net FUM inflows over that period are $525m.	$11,250 less any amount paid under Earnout 1	4,457
Earnout 3 - - first component - payable only where cumulative qualifying net FUM inflows from the CIP Group from 24 November 2022 - 23 November 2025 exceed $800m. - second component - payable, prorata on cumulative qualifying net FUM inflows from CIP Group from 24 November 2022 - 23 November 2025 in excess of $800m, with the maximum amount payable where cumulative qualifying net FUM inflows over that period are $1.2 billion.	First component: $3,750 Second component: $3,750	3,130
Total fair value of earnout recognised at acquisition		**13,534**

The fair value recognised as acquisition takes into account management's expectation of the probability of achieving the earnout targets and is discounted to present value.

At 31 December 2023 the contingent consideration is $14.064 million (current $10.737 million, non-current $3.327 million), with the movement representing an unwind of the discount to present value.

The required qualifying net FUM inflows for Earnout 1 were not achieved at 23 November 2023 and effectively accumulates the qualifying net FUM inflows targets and maximum earnout amount into Earnout 2. Management expects the qualifying net FUM inflows to increase such that Earnout 2 will be achieved at 23 November 2024.

b. Acquisition related costs

NZX incurred acquisition-related costs of $0.099 million (2022: $1.227 million) related to consultancy, legal fees and due diligence costs. These acquisition related costs are included in the Income Statement within acquisition, integration and restructure costs.

c. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	$000
Funds management rights	32,201
Trade names and trademarks	229
Software	123
Deferred tax liability	(9,001)
Employee provisions	(62)
Total identifiable net assets acquired	23,490
Less total consideration paid/payable	(43,855)
Goodwill	20,365

The goodwill is attributable primarily to the synergies expected to be achieved from integrating QuayStreet into the Group's existing Funds Management business (Smartshares) and future growth potential of QuayStreet direct investment. Goodwill also includes the operational know-how and value of the transferring workforce. None of the goodwill recognised is expected to be deductible for tax purposes.

ASB Superannuation Master Trust

On 11 February 2022 Smartshares Limited acquired the management rights of the ASB Superannuation Master Trust for cash consideration of $25 million. This acquisition drives scale in Smartshares with funds under management (FUM) increasing approximately $1.8 billion at acquisition and is aligned with the NZX Group strategy to capture complementary opportunities that the greater scale in the Smartshares business provides to both NZ Capital Markets and NZX's Markets business.

The management rights are accounted for as a definite life intangible asset and amortised on a straight line basis over 25 years. Amortisation of $1.0 million has been recognised during the year (2022: $0.92 million).

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 Information Services 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.

Additionally, NZX Regulation Limited (NZ RegCo) is a stand-alone, independently-governed agency which performs all of NZX's front line regulatory functions. NZ RegCo is structurally separate from the Group's commercial operations and 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;
  - Information Services - provider of information services for the securities and derivatives markets, and analytics for the dairy sector;
- Funds Management - manager of funds, including 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 2023

	Capital Markets Origination $000	Secondary Markets $000	Information Services $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-total $000	Regulation $000	NZX Group Total $000
Operating revenue	16,045	25,127	19,723	60,895	36,957	6,816	83	**104,751**	3,636	**108,387**
Operating expenses				(20,017)	(18,667)	(5,207)	(21,544)	**(65,435)**	(4,058)	**(69,493)**
Operating earnings (EBITDA)[1]				**40,878**	**18,290**	**1,609**	**(21,461)**	**39,316**	**(422)**	**38,894**
Segment assets				86,596	123,879	25,634	39,956	**276,065**	405	**276,470**
Segment liabilities				(35,533)	(56,235)	(1,985)	(65,963)	**(159,716)**	617	**(159,099)**
Net assets				**51,063**	**67,644**	**23,649**	**(26,007)**	**116,349**	**1,022**	**117,371**

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 2022

	Capital Markets Origination $000	Secondary Markets $000	Information Services $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-total $000	Regulation $000	NZX Group Total $000
Operating revenue	16,965	25,346	19,354	61,665	24,486	5,991	56	**92,198**	3,528	**95,726**
Operating expenses				(19,078)	(13,297)	(4,662)	(19,698)	**(56,735)**	(3,926)	**(60,661)**
Operating earnings (EBITDA)[1]				**42,587**	**11,189**	**1,329**	**(19,642)**	**35,463**	**(398)**	**35,065**
Segment assets				94,304	72,433	24,301	42,039	**233,077**	122	**233,199**
Segment liabilities				(43,279)	(10,552)	(2,024)	(65,830)	**(121,685)**	194	**(121,491)**
Net assets				**51,025**	**61,881**	**22,277**	**(23,791)**	**111,392**	**316**	**111,708**

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 direct customers. Segment non-current assets are based on the geographical location of the assets.

Revenue	**2023 $000**	**2022 $000**
New Zealand	84,972	77,499
United States	7,582	3,742
Australia	3,641	5,449
Other	12,192	9,036
Total revenue	**108,387**	**95,726**

Non-current assets	**31 December 2023 $000**	**31 December 2022 $000**
New Zealand	194,224	145,174
Total non-current assets	**194,224**	**145,174**

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 transaction price amount 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 revenue 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 equity securities, which are recognised at trade date.

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

- Dairy derivatives fees relate to the trading, clearing and settlement of derivatives by SGX, net of fees retained by SGX. Trading and clearing fees are recognised at trade date. Settlement fees are recognised at settlement 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. Information Services

- 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 the dairy sector, which is recognised over the period the service is provided.

- Connectivity revenue relates to the provision of connectivity and access to 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 and at the transaction price amount allocated to the performance obligation which is determined based on a percentage of FUM or a fixed price per member. Fees are generally calculated daily and billed monthly.

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

- Regulation revenue is 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 sublease of excess office space), which is recognised over the period the service is provided.

	2023 $000	2022 $000
Listing and issuance fees	16,045	16,965
Total Capital Markets Origination revenue	**16,045**	**16,965**
Participant services	540	870
Securities trading	3,696	4,171
Securities clearing	6,324	7,158
Dairy derivatives	3,551	1,887
Market operations	11,016	11,260
Total Secondary Markets revenue	**25,127**	**25,346**
Securities information	16,269	16,001
Dairy data subscriptions	598	610
Connectivity revenue	2,856	2,743
Total Information Services revenue	**19,723**	**19,354**
Funds Management revenue	**36,957**	**24,486**
Wealth Technologies revenue	**6,816**	**5,991**
Regulation revenue	**3,636**	**3,528**
Other Corporate revenue	**83**	**56**
Total operating revenue	**108,387**	**95,726**

9. Operating expenses

	Note	2023 $000	2022 $002
Gross personnel costs		(49,641)	(44,060)
Less capitalised labour		6,374	6,742
Net personnel costs		(43,267)	(37,318)
Information technology		(13,768)	(13,071)
Professional fees		(3,737)	(3,517)
Marketing		(1,673)	(1,419)
Directors' fees	26	(509)	(460)
Remuneration paid to Group auditors		(314)	(257)
Other operating expenses		(6,549)	(4,675)
Capitalised overheads		1,539	1,596
Acquisition, integration and restructure costs		(1,215)	(1,540)
Total operating expenses		**(69,493)**	**(60,661)**

Remuneration paid to Group auditors

	2023 $000	2022 $002
Audit and review of NZX Group and subsidiary statutory financial statements	(304)	(203)
Total audit fees	**(304)**	**(203)**
Annual operational audit of the Clearing House	-	(45)
Annual depository assurance engagement of New Zealand Depository Limited	(6)	(6)
Net Tangible Assets agreed-upon procedures engagement of Smartshares Limited	(4)	(3)
Total other audit related services	**(10)**	**(54)**
Total remuneration paid to Group auditors	**(314)**	**(257)**

The Group's auditors also provide financial statement audits to a number of the funds managed by Smartshares Limited. The amount paid in relation to these audits was $384,000 (2022: $348,000).

10. Net finance expense

	2023 $000	2022 $000
Interest income	2,189	1,204
Interest on lease liabilities	(972)	(641)
Change in fair value of contingent consideration	(530)	-
Other interest expense	(4,275)	(2,466)
Amortised borrowing costs	(389)	(87)
Net gain on foreign exchange	15	152
Net finance expense	**(3,962)**	**(1,838)**

11. Funds held on behalf of third parties

	31 December 2023 $000	31 December 2022 $000
Bond deposits	1,960	2,105
Collateral deposits	19,742	28,177
	21,702	**30,282**

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 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.

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

	2023 $000	2022 $000
Tax expense comprises:		
Current tax expense	6,049	5,663
Prior period adjustment	146	(317)
Deferred tax relating to the origination and reversal of temporary differences	(543)	11
Total tax expense	**5,652**	**5,357**

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:

	2023 $000	2022 $000
Profit before income tax expense	19,206	19,516
Income tax calculated at 28%	**(5,378)**	**(5,464)**
Tax adjustments	(288)	(231)
	(5,666)	**(5,695)**
Prior period adjustment	(146)	317
Tax credits	160	21
	(5,652)	**(5,357)**

b. Current tax liabilities

	2023 $000	2022 $000
Balance at beginning of the year	(665)	(1,872)
Current year charge	(6,049)	(5,663)
Prior period adjustment	(193)	181
Tax paid	4,995	6,689
Balance at end of year	**(1,912)**	**(665)**

c. Deferred tax liability

	2023 $000	2022 $000
Balance at beginning of the year	(2,984)	(3,109)
Current year movement	543	(11)
Deferred tax on acquisition	(9,001)	-
Prior period adjustments	46	136
Balance at end of the year	**(11,396)**	**(2,984)**
Deferred tax balance comprises:		
Employee entitlements	1,619	1,621
Doubtful debts	57	52
Property, plant and equipment, and intangibles	(14,467)	(5,684)
Leases	760	427
Other	635	600
	(11,396)	**(2,984)**

d. Imputation credit account

	2023 $000	2022 $000
Imputation credits available for use in subsequent reporting periods	**7,402**	**7,720**

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 22 and 24) is made to the weighted average number of shares used in the calculation of the diluted earnings per share.

a. Basic earnings per share

	2023	2022
Profit for the year ($000)	13,554	14,159
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	321,752	307,176
Basic earnings per share (cents per share)	**4.2**	**4.6**

b. Diluted earnings per share

	2023	2022
Profit for the year ($000)	13,554	14,159
Weighted average number of total shares and rights for the purpose of earnings per share (in thousands)	326,426	312,161
Fully diluted earnings per share (cents per share)	**4.2**	**4.5**

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 22 and 24) 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 2023 $000	31 December 2022 $000
Net assets	117,371	111,708
Less:		
Goodwill	(50,587)	(30,222)
Intangible assets	(99,169)	(68,593)
Investment in associate	(17,642)	(16,783)
Net tangible assets/(liabilities)	**(50,027)**	**(3,890)**
Weighted average number of ordinary shares for the purpose of net tangible assets per share (in thousands)	321,752	307,176
Basic net tangible assets/(liabilities) per share (cents per share)	(15.55)	(1.27)

b. Diluted net tangible assets per share

	31 December 2023 $000	31 December 2022 $000
Net assets	117,371	111,708
Less:		
Goodwill	(50,587)	(30,222)
Other intangible assets	(99,169)	(68,593)
Investment in associate	(17,642)	(16,783)
Net tangible assets/(liabilities)	**(50,027)**	**(3,890)**
Weighted average number of total shares and rights for the purpose of net tangible assets per share (in thousands)	326,426	312,161
Fully diluted net tangible assets/(liabilities) per share (cents per share)	(15.33)	(1.25)

14. Cash and cash equivalents and cash flow reconciliation

a. Cash and cash equivalents

Cash comprises:	31 December 2023 $000	31 December 2022 $000
Cash at bank	24,670	19,411
Bank deposits	-	1,200
Cash and cash equivalents	**24,670**	**20,611**
Cash at bank - restricted	20,000	14,000
Bank deposits - restricted	-	6,000
Cash and cash equivalents - restricted	**20,000**	**20,000**
Cash and cash equivalents - total	**44,670**	**40,611**

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. In addition, cash and cash equivalents includes amounts of up to $4.7 million (as at 31 December 2023; 31 December 2022: up to $9.3 million) that are held by subsidiaries to comply with regulatory requirements and are not available for general use by other entities within the Group.

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

	2023 $000	2022 $000
Profit for the year	**13,554**	**14,159**
Adjustments for:		
Share based payment arrangements	1,200	460
Depreciation and amortisation expense	16,764	13,860
Amortisation of borrowing costs	367	66
Change in fair value of contingent consideration	530	-
Disposal of assets	35	5
Gain on lease modification	(15)	-
Share of profit of associate	(1,031)	(146)
Decrease/(increase) in receivables and prepayments	1,358	(5,862)
Increase in trade payables and other liabilities	1,969	2,226
Increase/(decrease) in current tax liability	297	(1,207)
Decrease in deferred tax liability	(589)	(125)
Net cash provided by operating activities	**34,439**	**23,436**

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 2023 $000	31 December 2022 $000
Trade receivables	4,322	6,258
Provision for doubtful debts	(205)	(186)
Net trade receivables	**4,117**	**6,072**
Prepayments	4,546	4,324
Accrued interest	-	96
Accrued income	7,111	6,640
Advances to related party	100	-
Total current receivables and prepayments	**15,874**	**17,132**

Movement in provision for doubtful debts

The Group applies the simplified approach in providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. The provision for impairment losses are either individually or collective assessed based on number of days overdue. The Group takes into account the historic loss experience and incorporates forward looking information and relevant macroeconomic factors.

The Group maintains a provision for impairment losses 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.

	2023 $000	2022 $020
Balance at beginning of the year	(186)	(239)
Amounts written off during the year	-	44
Decrease/(increase) in provision recognised in profit or loss	(19)	9
Balance at end of the year	**(205)**	**(186)**

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 2022	**4,022**	**2,583**	**5,644**	**45**	**63**	**12,357**
Additions	178	237	5	-	4,873	5,293
Disposals	(91)	(6)	-	-	-	(97)
Transfers from WIP	381	-	2,626	-	(3,007)	-
Balance at 31 December 2022	**4,490**	**2,814**	**8,275**	**45**	**1,929**	**17,553**
Additions	291	110	-	-	406	807
Disposals	-	-	-	(45)	-	(45)
Transfer from WIP	1,076	-	1,079	-	(2,155)	-
Balance at 31 December 2023	**5,857**	**2,924**	**9,354**	**-**	**180**	**18,315**
Accumulated depreciation						
Balance at 1 January 2022	**2,840**	**1,371**	**1,628**	**45**	**-**	**5,884**
Depreciation expense	621	305	463	-	-	1,389
Disposals	(86)	(6)	-	-	-	(92)
Balance at 31 December 2022	**3,375**	**1,670**	**2,091**	**45**	**-**	**7,181**
Depreciation expense	760	342	631	-	-	1,733
Disposals	-	-	-	(45)	-	(45)
Balance at 31 December 2023	**4,135**	**2,012**	**2,722**	**-**	**-**	**8,869**
Net Book Value						
As at 1 January 2022	**1,182**	**1,212**	**4,016**	**-**	**63**	**6,473**
As at 31 December 2022	**1,115**	**1,144**	**6,184**	**-**	**1,929**	**10,372**
As at 31 December 2023	**1,722**	**912**	**6,632**	**-**	**180**	**9,446**

17. Investment in associate

On 30 June 2022 NZX acquired a 33.33% interest (ownership and voting) in GlobalDairyTrade Holding Limited (GDT) .

GDT is the leading global physical trading platform for dairy and provides a sustainable foundation for NZX's dairy derivatives business. GDT's place of incorporation and principal place of business is New Zealand.

The initial purchase price paid on 30 June 2022 was $15.7 million, which included NZX's contribution to strategic cash of $3.2 million. The sale and purchase agreement included a purchase price adjustment (i.e. working capital wash up) based on completion accounts which resulted in an additional $0.37 million being paid on 13 September 2022. Costs directly attributable to the acquisition were capitalised.

To allow GDT to retain its earnings for reinvestment into the growth and expansion of the business there is a contractual restriction on the payment of dividends from GDT to shareholders until 31 July 2025.

The Group's interest in GDT has been accounted for as an investment in an associate and has been measured by applying the equity method.

The following tables summarise the financial information of GDT as included in its own financial statements and reconciles the summarised financial information to the carrying amount of the Group's interest in GDT. The information for 2022 presented in the tables includes the results of GDT for the period from 1 July to 31 December 2022, being the period the Group held an interest in GDT.

i) *Summarised financial position of associate not adjusted for the percentage ownership held by the Group:*

	31 December 2023 $000	**31 December 2022 $000**
Current assets	18,636	14,810
Non-current assets	2,615	3,041
Total assets	**21,251**	**17,851**
Current liabilities	5,730	4,757
Non-current liabilities	202	352
Total liabilities	**5,932**	**5,109**
Net assets	**15,319**	**12,742**

ii) Reconciliation to carrying amount:

	2023 $000	2022 $000
Net assets at beginning of the year	12,742	-
Net assets at acquisition date	-	12,304
Profit for the year/period	3,093	438
Other comprehensive income	(516)	-
Dividends paid	-	-
Net assets at end of the year	**15,319**	**12,742**
Group's share in %	33.33%	33.33%
Group's share of net assets	5,106	4,247
Goodwill and intangibles	12,536	12,536
Carrying amount at end of the year	**17,642**	**16,783**

iii) *Summarised statement of comprehensive income*:

	2023 $000	2022 $000
Revenue for the year/period	18,845	8,739
Profit from continuing operations	3,093	438
Profit for the period	3,093	438
Other comprehensive income	(516)	-
Total comprehensive income	**2,577**	**438**
Group's share of profit for the period	1,031	146
Group's share of other comprehensive income	(172)	-
Group's share of total comprehensive income	859	146
Dividends received from associate	-	-

18. 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 2022	11,224	75	11,299
Additions during the year	8,648	712	9,360
Depreciation expense for the year	(1,220)	(235)	(1,455)
Balance at 31 December 2022	**18,652**	**552**	**19,204**
Modification during the year	-	(42)	(42)
Depreciation expense for the year	(1,562)	(220)	(1,782)
Balance at 31 December 2023	**17,090**	**290**	**17,380**

Other leases includes leases of IT and office equipment.

During the year, the Group modified a lease of IT equipment to reduce the equipment leased. This resulted in a derecognition from the right-of-use assets and lease liabilities. The derecognition impact was a net gain on lease modification which is recognised in the income statement.

Lease liabilities

	31 December 2023 $000	31 December 2022 $000
Maturity analysis - contractual undiscounted cash flows		
Up to one year	2,250	2,113
One to two years	2,292	1,650
Two to five years	6,142	6,196
More than five years	18,671	20,644
Total undiscounted lease liabilities	**29,355**	**30,603**
Lease liabilities included in the statement of financial position	**21,061**	**21,676**
Current	1,291	997
Non-current	19,770	20,679

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 has sub-leased part of one of its property leases since September 2022. The sub-lease is for a short term period, has not transferred substantially all of the risks and rewards of the underlying asset, and is classified as an operating lease accordingly. Income related to this short term sub-lease for the current year was $51,000 (2022: $21,000). A maturity analysis of operating lease payments, showing the undiscounted lease payments to be received after the reporting date is set out below:

	31 December 2023 $000	31 December 2022 $000
Maturity analysis - contractual undiscounted cash flows		
Up to one year	115	75
One to two years	79	139
Two to five years	-	95
Total undiscounted minimum lease payments receivable	**194**	**309**

19. 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 2023 $000	31 December 2022 $000
Trade payables	2,415	1,979
Goods and services tax payable	845	285
Accrued expenses	4,225	5,093
Accrued interest	119	77
	7,604	**7,434**

20. Other liabilities

	Note	31 December 2023 $000	31 December 2022 $000
Employee benefits		9,012	8,793
Unearned income		9,400	9,024
Other provisions		900	700
Contingent consideration	6	10,737	-
Other current liabilities		792	896
Total current other liabilities		**30,841**	**19,413**
Contingent consideration	6	3,327	-
Total non-current other liabilities		**3,327**	**-**
Total other liabilities		**34,168**	**19,413**

21. Interest bearing liabilities

	31 December 2023 $000	31 December 2022 $000
Term loans	22,500	-
Subordinated notes	40,000	40,000
Total drawn debt	**62,500**	**40,000**
Capitalised borrowing costs (net of amortisation)	(1,244)	(963)
Net interest bearing liabilities	**61,256**	**39,037**

a. Subordinated notes

The subordinated notes are quoted on the NZX debt market. 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 subordinated notes first election date occurred on 20 June 2023. On the election date investors choose whether to retain their subordinated notes (at the reset interest rate noted below) or elect to redeem their subordinated notes. Redeemed subordinated notes were repurchased by NZX and subsequently resold.

The interest rate was reset from 5.40% to 6.80% effective 20 June 2023 and is fixed until the second election date (20 June 2028), at which point NZX may reset the interest rate. Otherwise the terms of the subordinated notes are unchanged.

On the election date investors may either retain their subordinated notes (at the reset interest rate) or elect to redeem their subordinated notes.

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.

At 31 December 2022 NZX's subordinated notes ($40 million) were classified within current liabilities reflecting the Group's contractual obligation to redeem NZX subordinated notes if elected by investors at the 20 June 2023 election date. The subordinated notes were refinanced on 20 June 2023.

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 28 February 2025 (extendable by mutual agreement).

The overdraft facility provides the Group with flexibility in its working capital management. The facility limit is $3.0 million (2022: $3.0 million). The bank may require repayment by making a written demand. The effective interest rate of the facility at 31 December 2023 was 8.18% (2022: 4.80%). The overdraft facility was undrawn at 31 December 2023 and 2022.

The revolving credit facility provides the Group with additional flexibility in its working capital management. The facility limit is $7.0 million (2022: $7.0 million). The revolving credit facility was undrawn at 31 December 2023 and 2022.

The term loan facility provides the Group with acquisition funding. The current facility limit is $27.5 million (2022: $27.5 million). In 2023, the current Group term loan facility was utilised to fund the acquisition of the management rights and associated assets of QuayStreet Asset Management (note 6), with $22.5 million drawn down at 31 December 2023 (31 December 2022: nil). The effective interest rate of the facility at 31 December 2023 was 7.80% (31 December 2022: not applicable).

In 2022, a term loan facility was utilised to fund the acquisition of the management rights of the ASB Superannuation Master Trust (note 6), the term loan facility was then repaid from the proceeds of NZX's equity raising (note 22) and the facility closed.

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.

Subsequent to balance date on 1 February 2024 the Group entered into a new liquidity facility which provides the Clearing House with a $20 million line of credit (note 25(g)ii). Use of the facility is limited to situations where a participant default has occured.

22. Shares on issue

The Company had 324,205,366 fully paid ordinary shares as at 31 December 2023 (31 December 2022: 314,709,360 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.

On 3 March 2023 the Company issued 6,569,069 ordinary shares in partial satisfaction of the purchase price for the management rights and associated assets of QuayStreet Asset Management (note 6).

The Dividend Reinvestment Plan applied to dividends during the year (2022: suspended for the dividends paid in March 2022 and applied to dividends paid in September 2022), resulting in the issue of 2,364,865 ordinary shares (2022: 1,572,500). Additionally 562,072 shares (2022: 1,261,025) were issued as share based payments - refer to Note 24.

On 18 March 2022 the Group completed an equity raising which resulted in the issue of 31,185,792 new shares. The proceeds of the equity raising were used to fund the investment into GlobalDairyTrade Holding Limited (GDT), to replenish the balance sheet following the settlement of the acquisition of the management rights to the ASB Superannuation Master Trust on 11 February 2022, and also to provide capacity to support investment across the Company's market platform as it continues to scale its growth businesses.

As at 31 December 2023, the Company has 4,731,933 performance rights on issue under the Long Term Incentive Plan (2022: 4,461,935) 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 24.

Movement in share capital:

	Number	$000
Balance at 1 January 2022	**280,690,043**	**63,472**
Issue of ordinary shares	34,019,317	44,626
Share based payments accrual	-	412
Cancellation of non-vesting rights	-	(40)
Balance at 31 December 2022	**314,709,360**	**108,470**
Issue of ordinary shares	9,496,006	10,584
Share based payments accrual	-	1,138
Cancellation of non-vesting rights	-	(58)
Balance at 31 December 2023	**324,205,366**	**120,134**

23. Dividends

		2023		2022	
	For year ended	**Cents per share**	**Total $000**	**Cents per share**	**Total $000**
Dividends paid					
March 2022 - Final	31 Dec 21			3.1	8,701
September 2022 - Interim	31 Dec 22			3.0	9,394
March 2023 - Final	31 Dec 22	3.1	9,756		
October 2023 - Interim	31 Dec 23	3.0	9,685		
Total dividends paid for the year		**6.1**	**19,441**	**6.1**	**18,095**

The Dividend Reinvestment Plan applied to all dividends paid in 2023 (2022: suspended for the dividends paid in March 2022 and applied to dividends paid in September 2022).

Refer to Note 30 for details of the final 2023 dividend.

24. Share based payments

a. CEO Long Term Incentive Plan

During the year 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 (which gave the CEO an option to acquire one ordinary share in NZX if certain performance hurdles were met) under a long term incentive plan (CEO Long Term Incentive Plan - 2018). In May 2022, the Group assessed the CEO share scheme on vesting resulting in 588,947 TSR performance rights vesting. The performance rights, when adjusted for the dilutive impact of NZX's equity raising (note 22), resulted in the issue of 599,524 shares in June 2022. The EPS performance rights (588,947) did not vest and the $287,000 fair value of those rights was reversed through the profit and loss.

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 of $4,253,772 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 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 of $149,000 (2022: $149,000) is the movement in cumulative expense and is recognised in personnel costs.

b. NZX Employee Long Term Incentive Plan

The NZX Employee Long Term Incentive Plan was implemented in 2018. 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 at nil cost. Once vested and exercised the performance rights entitle the holder to receive one share for each performance right at nil cost to employees. 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 six year term, with 1,303,598 performance rights issued to participants during 2023 (2022: 1,183,353).

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 of $989,000 (2022: $545,000) is the movement in cumulative expense and is recognised in personnel costs.

c. NZX Employee Shares

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

25. 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 2023 $000	31 December 2022 $000
Not past due	3,288	4,125
Past due 0 - 30 days	692	1,663
Past due > 30 days	342	470
Gross trade receivables	**4,322**	**6,258**

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

	31 December 2023 $000	31 December 2022 $000
Gross trade receivables	4,322	6,258
Individual impairment	(74)	(108)
Collective impairment	(131)	(78)
Net trade receivables	**4,117**	**6,072**

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 some 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 next election date (20 June 2028) at which point the interest rate may be reset (refer to note 21).

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 31 December 2023 the Group's interest bearing liabilities exceeded its interest bearing assets (2022: interest bearing assets exceeded its interest bearing liabilities), hence an increase in interest rates would have had a negative impact on earnings (2022: positive impact).

	2023 $000	2022 $000
Effect on net profit before income tax:		
1% increase in interest rate	(92)	78
1% decrease in interest rate	92	(78)

This above information is calculated using:

- the Group's cash balances;
- the Group's interest bearing liabilities; and
- the balances of application and redemption trust accounts of $6.7 million (2022: $5.2 million), where Smartshares Limited collects fees based on interest earned (in respect of balances held in those accounts between the cash receipt date and the date they are used to complete applications into and distributions from the Funds managed by Smartshares Limited).

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. The amounts presented for 2022 reflected the Group's contractual obligation to redeem NZX subordinated notes if elected by investors at the 20 June 2023 election date. The subordinated notes were refinanced on 20 June 2023 (refer note 21).

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 2023	(90,274)	(4,385)	(25,489)	(8,160)	(52,240)
31 December 2022	(41,012)	(41,012)	-	-	-

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. The subordinated notes have a fair value of $39.81 million (2022: $39.84 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. ECH also manages the prudential security requirements of participants, intended to ensure payers can meet their obligations in the market.

At 31 December 2023, ECH has outstanding payables and receivables for the purchase and sale of electricity. 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 which is calculated daily. Participants can comply with this obligation in a number of ways, including third party guarantees, letters of credit, deposits of cash with the ECH or hedging mitigations.

ECH holds cash deposit security on trust, and does not recognise the security provided in its statement of financial position. There was $16,697,887 cash held from such deposits at 31 December 2023 (2022: $11,104,166).

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 may 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.

i. *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 and no current trading in equity derivatives, contributions to the mutualised default fund are $nil.

The Group may also be exposed to counterparty credit risk through New Zealand Clearing Limited (NZCL) by acting as central counterparty for securities lending transactions. Where the securities lending facility is utilised, NZCL is exposed to the full principal value of each loan and NZCL requires collateral to be posted equal to 105% of the loan. All loans are revalued on a daily basis and additional collateral required where appropriate. In 2023 and 2022, the securities lending facility was not utilised by any Clearing Participants.

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.

ii. 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 2023 the Clearing House held risk capital of $20 million (31 December 2022: $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 1 February 2024 after which the facility has been replaced with a $20 million line of credit with a major NZ bank; this facility will not require any collateral to be utilised.

iii. 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 to the mutualised default fund used first, followed by $10m of the Clearing House's risk capital, then non-defaulting participants contributions to the mutualised default fund, before the final amount of the Clearing House's risk capital will be applied. With the delisting 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.

iv. Clearing balances outstanding

	31 Dec 2023 $000	31 Dec 2022 $000
Cash market transactions[1]		
NZCL to receive from Clearing Participants - in NZD	11,749	14,093
NZCL to pay to Clearing Participants - in NZD	11,749	14,093
Aggregate absolute value of all net outstanding cash market settlement transactions - in NZD	48,127	63,610
Collateral held to cover outstanding settlement positions		
Cash - in NZD	19,742	28,177

1 All of these outstanding transactions were settled subsequent to 31 December 2023.

26. 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:

	2023 $000	2022 $000
Short-term employee benefits	5,930	5,625
Long-term employee benefits	-	(626)
Share-based payments	468	316
Resignation benefits	-	414
	6,398	**5,729**

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 $509,452 (2022: $460,000) (refer to Note 9).

In addition fees paid to independent directors of Group subsidiary boards were $333,000 (2022: $334,000).

Two directors on the GDT board are representatives of NZX Limited and no directors' fees are paid by GDT to those directors.

c. Transactions with managed funds

Management and other fees are received from the funds managed by wholly owned subsidiary Smartshares Limited and are included in the Income Statement as funds management revenue (refer to Note 8). During the year the Group provided an advance of $100,000 to the Smartshares' funds to assist with working capital management.

	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2023 $000	2022 $000	2023 $000	2022 $000
Services to/amounts owed from Managed Funds	30,884	20,478	4,422	4,142
Services from/amounts owed to Managed Funds	-	-	(1,618)	(1,036)

d. Transactions with associate

On 30 June 2022 the Group acquired a 33.33% stake in GlobalDairyTrade Holding Limited (GDT) (note 17).

	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2023 $000	2022 $000	2023 $000	2022 $000
Services to/amounts owed from Associate	13	6	-	-
Services from/amounts owed to Associate	(21)	(27)	(26)	(22)

e. General

All outstanding balances with related parties are priced and are to be settled in cash subsequent to the reporting date. None of the balance is secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

27. Contingent assets

During the 2022 financial year management identified management fees relating to prior Fund financial years that had not been recognised by its Funds Management business. No revenue was recognised in the 2022 financial year as it is not virtually certain as to the recoverability of the additional management fees.

During the year the recoverability of the additional management fees was confirmed and revenue of $1.4 million relating to prior Fund financial years has been recognised.

28. 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 is 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 2023 and 31 December 2022.

29. Capital commitments

	31 December 2023 $000	31 December 2022 $000
Capital expenditure commitments:		
Intangible development	828	36
Tangible development	1,150	283
	1,978	319

30. Subsequent events

Dividend
Subsequent to balance date the board declared a final 2023 dividend (fully imputed) of 3.1 cents per share, to be paid on 28 March 2024 (with a record date of 15 March 2024).

Independent Auditor’s Report

Independent Auditor's Report

To the shareholders of NZX Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of NZX Limited (the 'company') and its subsidiaries (the 'group') on pages 86 to 130 present fairly, in all material respects:

i. the Group's financial position as at 31 December 2023 and its financial performance and cash flows for the year ended on that date;

ii. in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 December 2023;

— 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.

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 and agreed-upon procedures. 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

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and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $960,000 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 statements. The group's goodwill and other intangible assets arise from acquisitions and subsequent capitalised costs that 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 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 focus on the impairment tests for the CGUs that we consider have a higher risk of impairment. This assessment is primarily based on the level of judgement involved in the underlying valuation model and market conditions for the relevant CGU. The CGUs we consider to be higher risk are Energy and Wealth Technologies.	For the CGUs we determined to have a higher risk of impairment, our audit procedures included: — Comparing the cash flow forecasts to budgets and assessing forecasting accuracy by comparing current year actual performance to prior year budgets. — Assessing the significant assumptions applied to the revenue forecasts by comparing to contracts, forecast inflation rates, and forecast market share analysis. In addition, we performed stress-testing over the forecasts and considered the pipeline of future customers for Wealth Technologies. — Assessing the cost forecasts against management's business plans, actual expenditure incurred and forecast inflation rates. — Comparing the discount rate used to our own independently determined rate and evaluating terminal growth rates against long-term inflation forecasts. Based on our analysis, the assumptions and judgements used by the Directors in the group's impairment assessments were within acceptable ranges and we did not identify any material issues with the carrying value of goodwill or intangible assets.
Acquisition of QuayStreet Asset Management Limited	
Refer to Note 6 to the financial statements. On 23 February 2023, Smartshares acquired the management rights and	Our procedures over the acquisition of QuayStreet Asset Management Limited included: – Determining the appropriateness of the acquisition date with reference to the achievement of control over the acquired business interest;

The key audit matter	How the matter was addressed in our audit
associated assets of QuayStreet Asset Management Limited. Accounting for acquisitions under IFRS is inherently complex, requiring the Directors to exercise judgement in the following areas: – Determining acquisition date; – Estimating the fair value of the purchase consideration, including contingent consideration: – Identification of potential intangible assets acquired as part of the acquisition; and – Determining the fair value of assets and liabilities of the acquired.	– Assessing the fair value of the purchase consideration with reference to the underlying share sale agreements, cash consideration paid, shares issued and contingent consideration; – Corroborating the estimate of the fair value of the contingent consideration with the expectations of the vendor in relation to the achievement of the earn-out targets that create the contingent consideration liability; – Evaluating the qualifications, competence and objectivity of external experts used by the group to determine whether they have the appropriate skill and experience; – Assessing the identification of potential intangible assets acquired as part of the acquisition; – Using valuation specialists to assess the appropriateness of the valuation methodology and key assumptions adopted by managements specialist for calculating the fair value for each material category of tangible and intangible assets.

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 reports within the Business Year, NZX Group Overview, Operating Responsibly, Corporate Governance, Remuneration and Risk Reporting sections of the annual report, NZX's Climate Statement and GRI Index and disclosures relating to 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 group, 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 issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is 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 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.

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.

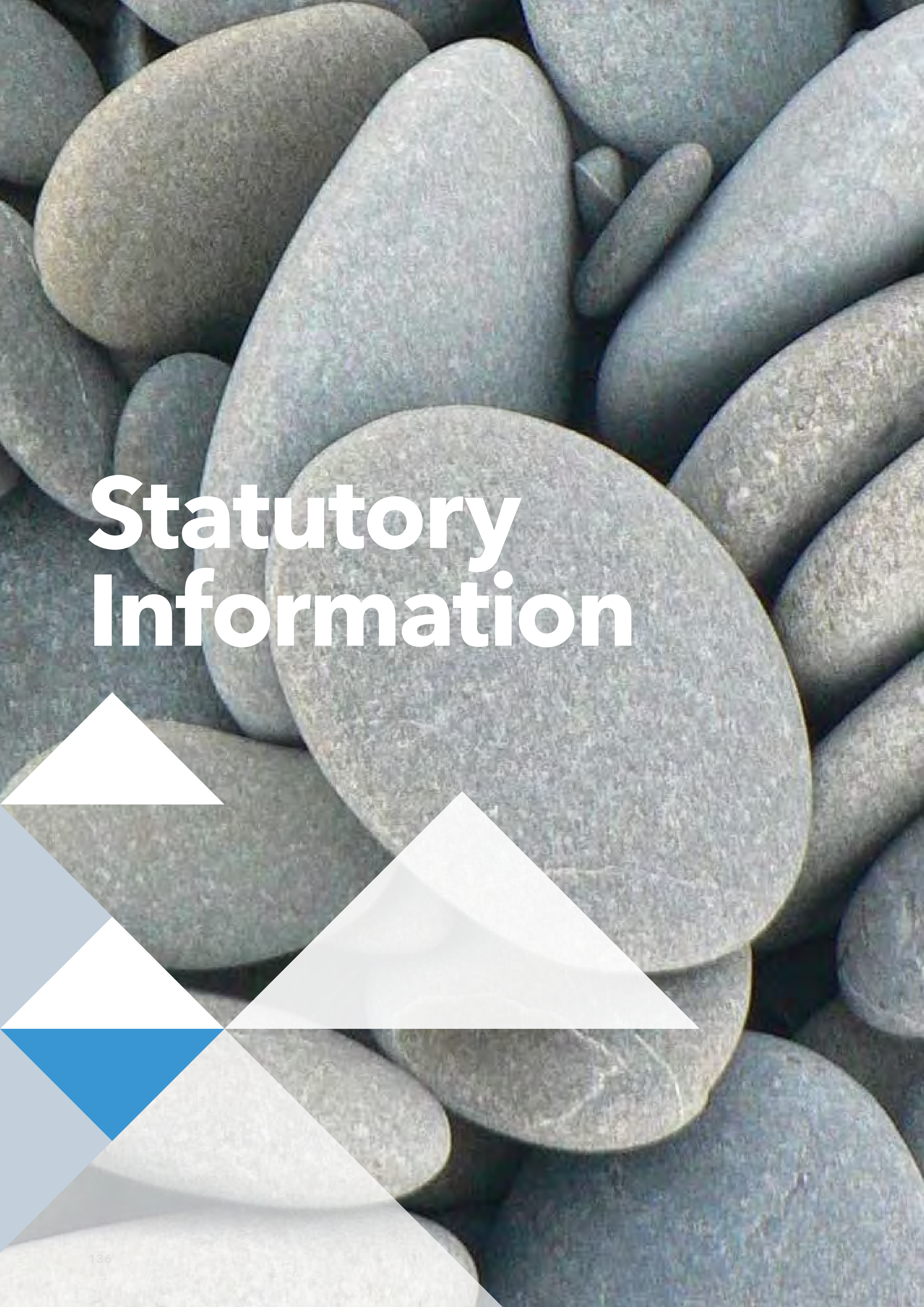
The engagement partner on the audit resulting in this independent auditor's report is Brent Manning

For and on behalf of

KPMG

KPMG
Wellington

22 February 2024



Statutory Information

1. Business operations

During the year, the Group completed its acquisition (through its subsidiary Smartshares Limited) of the management rights and related assets of QuayStreet Asset Management from Craigs Investment Partners. This confirms settlement of the transaction within the timeframe announced on 23 November 2022.

On 11 February 2022, the Group acquired (through its subsidary Smartshares Limited) the management rights of the ASB Superannuation Master Trust. On 28 August 2023, Smartshares took over all investment management and administration functions for the scheme, and changed the name of the scheme to the SuperLife Superannuation Master Trust.

There have been no other 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
	Shareholder (indirect)	Craigs Investment Partners Limited (CIP)
Elaine Campbell	Chief Corporate Officer and General Counsel	Chorus Limited
	Director	Red Moki Limited (ceased during year)
James Miller[1]	Director	Mercury NZ Limited
	Director and Chair	Channel Infrastructure NZ Limited
	Director	Vista Group International Limited
John McMahon[2]	Director and Chair	Solution Dynamics Limited
	Director	Aofrio Limited
	Director and Chair	Vital Limited
	Director and Shareholder	Meta Capital Limited
Lindsay Wright[3]	CEO Funds Management	Sun Hung Kai & Co
	Director	Navigator Global Investments Limited (appointed during year)
	Director	Milford ANZ (Milford Australia Pty Limited and Milford Asset Management Limited and subsidiaries - Milford Funds Limited and Milford Private Wealth Limited) (appointed during year)
Peter Jessup	Head of Market Infrastructure Business Development, D&A Product - Trading & Banking Solutions	LSEG Technology (ceased during period)
	Owner/Director	Katipo Consulting Pty Limited
	Consultant to assist with developing Accenture's (ANZ and global) Capital Markets consulting and Systems Integration business (contractor)	Accenture (commenced during period)

Director	Interest	Entity
Robert Hamilton[4]	Director	Westpac New Zealand Limited
	Director	Oceania Healthcare Limited
	Director	Tourism Holdings Limited
	Director and Shareholder	Stelvio Consulting Limited
	Director and Shareholder	Kamari Consulting Limited
Rachel Walsh	Chief Financial Officer	Datacom Group (ceased during period)
	Owner/Director	RJ Consulting Limited - management consultancy services
Dame Paula Rebstock[5]	Director and Deputy Chair	Vector Limited[6]
	Director	AIA Sovereign Insurance New Zealand
	Director	Auckland One Rail
	Director	Asia Pacific Healthcare Group
	Director	Sealink New Zealand
	Director	Bluecurrent Australia and New Zealand

1 James Miller retired as a director of NZX Limited and as the Chair of the Board, effective 17 May 2023.
2 John McMahon was appointed as a director of NZX Limited, effective 10 May 2023. John McMahon was subsequently appointed as the Chair of NZX Board in replacement of James Miller, effective 17 May 2023.
3 Lindsay Wright also acts as a director on a number of fund entities managed by her employer.
4 Robert Hamilton resigned as a director of NZX Limited, effective 19 March 2023.
5 Dame Paula Rebstock was appointed as a director of NZX Limited, effective 1 February 2023.
6 Dame Paula Rebstock also acts a a director for a number of related companies of Vector Limited relating to Vector metering.

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

Please see page 75 for a breakdown of individual and total directors' remuneration.

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
- Roger Bayly
- Graham Law
- Felicity Gibson

New Zealand Clearing Limited

- Mark Peterson

- Graham Law

New Zealand Depository Limited

- Mark Peterson
- Graham Law

New Zealand Depository Nominee Limited

- Graham Law
- Mark Peterson

Other NZX subsidiaries

Energy Clearing House Limited

- Graham Law
- Mark Peterson

Smartshares Limited

- John Williams (independent director)
- Guy Elliffe (independent director)
- Mark Peterson
- Graham Law

SuperLife Limited

- Mark Peterson
- Graham Law

Smart Investment Management Limited

- Mark Peterson
- Graham Law

NZX Wealth Technologies Limited

- Mark Peterson
- Graham Law
- Kathryn Jaggard

NZX WT Nominees Limited

- Mark Peterson
- Graham Law

NZX WT Nominees (Superannuation) Limited

- Mark Peterson
- Graham Law

NZX Regulation Limited

- Trevor Janes
- Michael Heron KC
- Elaine Campbell
- John Hawkins
- Philippa Dunphy (appointed 1 May 2023)

New Zealand Exchange Limited

- Graham Law
- Mark Peterson

NZX Holding No. 4 Limited

- Graham Law
- Mark Peterson

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
Guy Elliffe	Corporate Governance Manager	Accident Compensation Corporation
John Hawkins	Director	Pines Apartments Limited
	Director	Isola Trustees Limited
Michael Heron KC	Barrister	Mike Heron KC
	Director	Glorious Digital Limited (ceased during year)
	Director	Immediation New Zealand Limited
	Director	Britomart Chambers Limited
	Director	Agreeable Limited
	Director	Ladsco Limited
Kathryn Jaggard	Consultant	NZX Limited
Philippa Dunphy	Director	Tuatahi First Fibre Limited
	Director	Dangerous Goods Compliance Limited
Trevor Janes	Director	Selenium Corporation Limited
	Director	Rovert Investments Limited

Please see page 75 for the total amount of remuneration and other benefits which independent directors of an NZX subsidiary were entitled to during 2023.

8. Donations

During the year NZX made donations to charitable organisations of $7,107. NZX does not make political donations.

9. Employee remuneration

Please see page 73 for a breakdown 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.

10. Director transactions in securities of the parent company

Director	Securities held (legally and beneficially) at 31 December 2023 (Subordinated Notes)	Securities held (legally and beneficially) at 31 December 2023 (Ordinary Shares)
Frank Aldridge	Nil	63,040
Elaine Campbell	Nil	16,235
Lindsay Wright[1]	Nil	Nil
Rachel Walsh	Nil	3,842
Dame Paula Rebstock	Nil	5,137
John McMahon	Nil	250,000
Peter Jessup	Nil	7,485

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 2023 was as follows:

	Group $000
Audit of the financial statements	304
Other audit related fees	10
Total	314

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

The Group's auditor also provide financial statement audits to a number of the funds managed by Smartshares Limited. The amount paid in relation to these audits was $384,000.

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 2023:

Investor name	Shares held	% of issued shares
Accident Compensation Corporation	28,716,090	8.86
Citibank Nominees (Nz) Ltd	24,397,146	7.53
Bnp Paribas Nominees NZ Limited Bpss40	19,739,917	6.09
JPMORGAN Chase Bank	12,383,840	3.82
FNZ Custodians Limited	11,873,835	3.66
HSBC Nominees (New Zealand) Limited	11,785,438	3.64
Nigel Charles Babbage	11,700,000	3.61
Custodial Services Limited	10,971,495	3.38
New Zealand Depository Nominee	10,729,121	3.31
Forsyth Barr Custodians Limited	9,782,262	3.02
Bnp Paribas Nominees NZ Limited	8,162,834	2.52
Craigs Investment Partners Limited	6,569,069	2.03
David Mitchell Odlin	6,526,411	2.01
Tea Custodians Limited	5,341,087	1.65
Mirrabooka Investments Limited	4,722,222	1.46
Premier Nominees Limited	3,935,776	1.21
Elizabeth Beatty Benjamin & Michael Murray Benjamin	3,314,000	1.02
New Zealand Permanent Trustees Limited	2,650,000	0.82
FNZ Custodians Limited	2,513,059	0.78
Michael Robert Mayger & Eleanor Margaret Mayger	1,930,155	0.60

The following table shows the names and holdings of the 20 largest holders of NZX Subordinated Notes as at 31 December 2023:

Investor Name	Notes held	% of issued notes
Forsyth Barr Custodians Limited	12,235,000	30.59
FNZ Custodians Limited	4,259,000	10.65
New Zealand Permanent Trustees Limited	2,680,000	6.70
Hobson Wealth Custodian Limited	1,535,000	3.84
Forsyth Barr Custodians Limited	1,183,000	2.96
Graeme Laurence Beckett & Janine Dale Beckett	1,017,000	2.54
Custodial Services Limited	926,000	2.32
JBWERE (Nz) Nominees Limited	921,000	2.30
Richard Barton Adams & Allison Ruth Adams	750,000	1.88
NZX WT Nominees Limited	547,000	1.37
Carlton Cornwall Bowls Inc	255,000	0.64
Janet Andrea De Lu	250,000	0.63
Investment Custodial Services Limited	245,000	0.61
Rodney Gavin Shayle Callender	200,000	0.50
Ronald William White & Jennifer Jean White	200,000	0.50
FNZ Custodians Limited	165,000	0.41
Elizabeth Anne Burdett & Philip John Castle & Phillip Kevin Grover	150,000	0.38
Robert John Peek	150,000	0.38
Amanda Jane Nicholas	149,000	0.37
Forsyth Barr Custodians Limited	125,000	0.31
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
Anthony Leonard Tait & Julia Tait	100,000	0.25
I J Investments Limited	100,000	0.25
Southward Museum Trust	100,000	0.25
Somsmith Nominees Limited	100,000	0.25

13. Spread of ordinary shareholders as at 31 December 2023

The following table shows the spread of NZX Ordinary Shares as at 31 December 2023:

	SHAREHOLDERS		SHARES	
Size of holding	Number	%	Number	%
1 - 1,000	771	16.17	403,608	0.12
1,001 - 5,000	872	18.28	2,638,742	0.81
5,001 - 10,000	992	20.80	7,734,083	2.39
10,001 - 50,000	1,681	35.25	38,403,430	11.85
50,001 - 100,000	247	5.18	17,616,828	5.43
Greater than 100,000	206	4.32	257,408,675	79.40
Total	**4,769**	**100**	**324,205,366**	**100**

The following table shows the spread of NZX Subordinated Notes as at 31 December 2023:

	NOTEHOLDERS		NOTES	
Size of holding	Number	%	Number	%
1 - 1,000	-	-	-	-
1,001 - 5,000	57	10.05	285,000	0.71
5,001 - 10,000	141	24.87	1,303,000	3.26
10,001 - 50,000	328	57.85	8,639,000	21.60
50,001 - 100,000	20	3.53	1,633,000	4.08
Greater than 100,000	21	3.70	28,140,000	70.35
Total	**567**	**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 2023. The total number of voting securities on issue as at 31 December 2023 was 324,205,366.

	Class	Relevant Interest	% of Issued shares
Accident Compensation Corporation (ACC)	Ordinary shares	27,157,856	8.412

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 NZ RegCo 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. This waiver was relied upon by NZX during the 2023 financial year.

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 2022, NZX introduced a Share Purchase Plan for directors to align directors' incentives with shareholders, which provides that a portion of the directors' base fees will be used to acquire NZX Limited shares (except where it is not permitted for compliance purposes, or when certain thresholds are met).

In 2018, NZX issued $40m of unsecured, subordinated notes with a coupon rate of 5.4% (Subordinated

Notes). These were quoted and traded on the NZX Debt Market as NZX010. In 2023, NZX ran an election process prior to the first election date (Tuesday, 20 June 2023) of the Subordinated Notes, with the outcome being that $28,588,000 of the Subordinated Notes were retained by Holders (subject to the new conditions) and $11,412,000 of the Subordinated Notes were purchased by NZX and offered for sale.

Trading in the Subordinated Notes (NZX010) was suspended at the close of business on Tuesday, 2 May 2023. Trading in the Subordinated Notes (under new ticker NZX020) was resumed on Wednesday, 21 June 2023, being the trading day immediately following the election date. Under the election process, the interest rate was required to be set as the higher of (i) 6.50% per annum and (ii) the sum of 2.25% per annum plus the mid-market interest swap rate for a 5 year term starting on 20 June 2023 (adjusted to a quarterly basis as necessary), as calculated by NZX in conjunction with the Joint Lead Managers (according to market convention) on 13 June 2023. The adjusted mid-market 5 year swap rate on 13 June 2023 was 4.55% per annum. Therefore, the interest rate on the Subordinated Notes (NZX020) was set at 6.80% per annum until (but excluding) the next election date on 20 June 2028. The total Subordinated Notes (NZX020) on issue as at 31 December 2023 is $40 million.

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

John McMahon

John McMahon
Chair of the Board

Lindsay Wright
Chair of the Audit and Risk Committee

Appendices

Appendix 1

NZX 2023 CLIMATE STATEMENT

This Statement relates to NZX Limited (NZX) and all wholly owned subsidiaries (together, the NZX Group), and all references to we, us, our, NZX and NZX Group should be interpreted accordingly. All references to $ in this Report are to New Zealand dollars, and references to FY22 or FY23 are, unless the context otherwise requires, to balances or amounts at the end of those financial years, namely 31 December.

This Statement may contain projections or forward-looking statements, which are based on current expectations, estimates and assumptions and are therefore subject to a number of risks, uncertainties and assumptions. To the maximum extent permitted by law, NZX and its subsidiaries, directors, officers, employees, contractors and agents shall not be liable for any loss or damage arising in any way (including by way of negligence) from or in connection with any information provided or omitted.

Smartshares Limited (Smartshares) is a wholly owned NZX subsidiary and a manager of managed investment schemes (the schemes). Smartshares will be required to separately report climate-related disclosures in relation to the schemes by 31 August 2024. Smartshares has its own Board of Directors and governance processes relating to its proposed climate-related disclosures, which are not covered by this Report. Financed emissions associated with Smartshares' investments will be reported in Smartshares' climate-related disclosures. However, operational emissions arising from the Smartshares operating entity are included in this disclosure as Smartshares is a wholly owned entity of NZX. Please refer to section 5 for GHG emissions of this Statement.

1. Statement of Compliance

2023 marks NZX's first reporting period under the Climate-related Disclosures regime. Where necessary, adoption provisions have been applied to ensure compliance with ANZ Climate Standards.

NZX has used Adoption Provision 1 (paragraphs 10 and 11 of NZ CS 2), which provides an exemption in the first reporting period from the requirements to disclose the current financial impacts of its physical and transition impacts and (if relevant) an explanation as to why quantitative information cannot be disclosed.

NZX has applied Adoption Provision 2 (paragraphs 12 to 14 of NZ CS 3), which provides an exemption in the first reporting period from the requirements to disclose the anticipated financial impacts of climate-related risks and opportunities, a description of the time horizons over which the anticipated financial impacts could reasonably be expected to occur, and (if relevant) an explanation as to why quantitative information cannot be disclosed.

NZX has applied Adoption Provision 3 (paragraph 15), which provides an exemption in the first reporting period from the requirements to disclose the transition plan aspects of an entity's strategy, including how its business model and strategy might change to address its climate-related risks and opportunities, and how the transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes. In accordance with Adoption Provision 3, NZX has provided a description of its progress towards developing the transition plan aspects of its strategy (see page 158).

For 2023, NZX disclosed all its Scope 3 GHG emissions sources measured within its inventory as outlined further on page 160. In relation to remaining categories of emissions, NZX has applied Adoption Provision 4 (paragraph 17 of NZ CS 2), which provides an exemption from the requirement to disclose scope 3 GHG emissions in the first reporting period. The categories of scope 3 emissions excluded from this Statement are: purchased goods and services, capital goods, upstream transportation and distribution, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments, in its first reporting period under this regime.

NZX has also applied Adoption Provision 6 (paragraph 20 of NZ CS 2), which provides an exemption in the first reporting period from the requirement to disclose comparative information for the immediately preceding two reporting periods. NZX relies on this adoption provision in respect of all the metric categories outlined at paragraph 22 of NZ CS 1, with the exception of GHG emissions and emissions intensity. For scope 3 emissions, NZX has included comparative information for the immediately preceding two reporting periods in respect of those categories of scope 3 emissions that have been included in NZX's emissions inventory over that time period.

NZX has applied Adoption Provision 7 (paragraph 22 of NZ CS 2), which provides an exemption in the first reporting period from the requirement to disclose an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.

Taking into account the Adoption Provisions applied, NZX is compliant with the ANZ Climate Standards.

2. Governance

This Climate Statement must be read in conjunction with the Corporate Governance section (refer to page 57 and the Risk section (refer to page 77 of this Annual Report.

NZX's Board of Directors is the governance body responsible for oversight of NZX's climate-related risks and opportunities, as set out further under 2.1 below. The Board is supported by the Board's Audit and Risk Committee, which provides governance oversight for the monitoring of climate-related risks and related reporting in the annual report as well as overarching risk management.

The above figure shows NZX's organisational structure as it relates to the oversight and management of climate-related risks and opportunities:

2.1 Board Oversight of risks and opportunities

The NZX Board is responsible for oversight of NZX's strategy (including the Environmental, Social and Governance (ESG) Strategy) and its ESG performance overall. This includes approving the annual ESG workplan and climate-related metrics and targets. NZX's 2023 ESG workplan incorporated NZX's assessment of climate-related risks and opportunities that could impact NZX. Although climate-related risks and opportunities are not considered on a standalone basis within NZX's strategy, they are taken into account within broader frameworks such as the NZX Group's Risk Management Framework (RMF), which, in turn, feed into NZX's strategy setting processes. As set out on page 70, NZX's CEO has a KPI that relates to ESG targets, which while not relating to a specific amount of remuneration does form part of the NZX CEO's annual review process. This ESG target is cascaded down to the NZX CEO's direct reports.

The NZX Board is also responsible for approving the RMF, which is NZX's framework to assist with identifying, assessing and managing its risk (including climate-related risk) in a pro-active, effective and efficient manner.

NZX uses a skills matrix to ensure its Board has an appropriate range of skills and competencies to govern NZX. Skills and competencies NZX considers relevant to ensuring appropriate oversight of climate-related risks and opportunities include legal expertise, regulatory governance, and environmental and energy sector experience. If the Board determines that new or additional skills are required, training is undertaken or a formal recruitment process is undertaken.

Consideration of climate-related risks and opportunities across the NZX Group is integrated in board processes to ensure appropriate prioritisation. Consideration of relevant ESG matters including climate-related risks and opportunities is a standing agenda item that is put to the full Board at least twice a year, and the Chief Risk Officer reports to the Board monthly in relation to NZX's risks. The General Manager of Corporate Affairs & Sustainability also reports progress against NZX's ESG workplan and associated climate-related metrics and targets to the NZX Board at regular intervals (and at least quarterly).

The Audit and Risk Committee, which supports the NZX Board by providing governance oversight of climate-related risks as well as overarching risk management, is provided with quarterly risk updates by the Chief Risk Officer (which may include climate-related risks) and considers relevant ESG matters (which may include climate-related risks and opportunities) as a standing agenda item twice a year. The Board receives reports on the progress of these elements from the Audit and Risk Committee at its meetings and can access minutes of the Audit and Risk Committee meetings. In addition, risks are reported to the full Board in the monthly Executive Report. In 2023, the Audit and Risk Committee provided oversight over the scenario analysis process by reviewing and providing feedback on the scenarios and associated risks, and the Board approved the scenarios used.

The Board approves annual workplans for the NZX Group and associated key performance indicators for the NZX CEO and business unit leaders. Where these include metrics and targets for climate-related matters, the NZX Board oversees achievement through Board reporting and the annual performance review processes. Climate-related risk and opportunity metrics are incorporated into NZX's remuneration policy via consideration of an individual's performance as part of NZX's annual salary review process including (where appropriate) climate-related key performance indicators

2.2 Role of Management in assessing and managing risks and opportunities.

The NZX CEO has overall responsibility for NZX's management of climate-related risks and opportunities and is supported by the General Manager Corporate Affairs & Sustainability and the Chief Risk Officer. The Chief Risk Officer is responsible for overall risk assessment and management, including the incorporation of risks into NZX's Risk Register.

The Risk Management Committee chaired by the Chief Risk Officer supports the NZX CEO in providing oversight of NZX's approach to climate/ESG-related risk matters. The Risk Management Committee is responsible for oversight of the implementation of the RMF and management of the underlying enterprise level and climate risks, as well as related policies and practices and the continued maturity of the RMF in line with strategy. The Committee meets monthly and is comprised of a diverse group of senior executives from business units across the NZX Group. The General Manager Corporate Affairs & Sustainability sits on the Risk Management Committee, a review of the risk dashboard is a standing agenda item and other climate related matters i.e. materiality assessment and related risks and opportunities form part of the agenda when applicable. The Risk Management Committee engages with the Audit and Risk Committee by way of the Chief Risk Officer attending Audit and Risk Committee meetings and presenting key risk updates.

Various management level committees exist across the business to assist with identifying and making decisions in relation to climate/ESG related opportunities depending on the relevant business unit/scope of the opportunity identified. This will be matured through 2024 to further enhance and formalise NZX's approach to the management of climate-related opportunities. The General Manager of Corporate Affairs & Sustainability, who is a member of the Risk Management Committee and reports to the NZX Chief Financial & Corporate Officer, leads the NZX Sustainability function and is responsible for day-to-day management of:

- NZX's climate-related disclosures (as a climate reporting entity under the mandatory climate-related disclosures framework – Aotearoa New Zealand Climate Standards ANZCS);
- ESG strategy development;
- ESG data and analysis;
- Sustainability initiatives;
- ESG Reporting; and
- Carbon Zero programme.

The Sustainability function in conjunction with key internal stakeholders i.e. Risk and Compliance, engage with business units across the NZX Group to identify, assess and manage climate risks and opportunities. Where identified, climate related risks and opportunities may be escalated to the appropriate management committee i.e. Risk Management Committee and in turn to the Audit and Risk Committee and/or the NZX Board where deemed necessary.

3. Strategy

3.1 Current impacts

As an office-based organisation operating in a temperate climate, the physical impacts of climate change on our business are minimal and not deemed material. In relation to transition impacts (impacts associated with the transition to a low-emissions, climate-resilient economy), NZX is a climate reporting entity under the mandatory climate-related disclosures framework in part 7A of the Financial Markets Conduct Act 2013 that came into effect on 1 January 2023. NZX's subsidiary company, Smartshares, is a separate climate reporting entity as an investment scheme manager and will report in line with the Aotearoa New Zealand Climate Standards issued by the XRB in 2024 for the 2023/24 year. There is some uncertainty around regulator and investor expectations in relation to the new regime. There is also an additional cost component associated with the compliance with the mandatory requirements, including engaging external experts and hiring new colleagues with relevant expertise.

A further transition impact for the NZX Group is that it is offering a range of climate-related products and services, with a view to supporting New Zealand's climate transition and providing NZX with more a diversified streams of revenue, as described further below.

Green bonds

As well as capital raising to strengthen balance sheets, funds are raised via NZX-operated markets to provide for a range of wellbeing initiatives, including environmental and climate change focused projects.

Green, Social and Sustainability (GSS) bonds issued or raised in 2023 via NZX-operated markets increased 8% to $2.9 billion – up from $2.7 billion in 2022. GSS bond issuances include those from Auckland Council, Contact Energy, Genesis Energy, Kiwi Property Group, Mercury Energy and Meridian Energy.

The establishment of Green and Sustainability bond segments in the NZDX Debt Market has enabled NZX to diversify the types of issuances in our markets. We expect further development of this segment in the short-term and beyond.

ESG-themed indices and ETFs

Smartshares issues exchange-traded funds (ETFs) that track MSCI ESG Screened Indexes. These indexes target at least a 30% reduction in carbon emission intensity relative to the underlying parent indexes. ESG-themed funds offer investors a broad exposure to a wide range of global companies within both developed and emerging markets. Smartshares continuously monitor opportunities to broaden the range of products and investment approaches.

Carbon and energy markets

NZX is proud to have played a key role in the launch of the auction service for the New Zealand Government's Emissions Trading Scheme (ETS) in 2021. Together with the European Energy Exchange (EEX), NZX manages auctions of New Zealand Units under the ETS, which are scheduled quarterly.

Financial reporting is conducted at both a group and segmental level, with current financial impacts integrated into the reporting of relevant business segments such as markets, data and insights, and funds management.

3.2 Scenario analysis

The NZX Group has engaged in a process of scenario analysis to assist in identifying its climate-related risks and developing a better understanding of the resilience of the NZX Group's business model and strategy. The Board's Audit and Risk Committee provides oversight over the scenario analysis process by reviewing and providing feedback on the scenarios and associated risks, and the Board has approved the scenarios used. The scenario analysis was standalone, however we are working towards integrating the scenario analysis within the NZX Group's strategy process as we build out our broader sustainability strategy.

The scenario analysis process involved adapting the climate-related scenario narratives for the financial services sector in New Zealand developed by the Financial Services Council (FSC)[1]. Climate-related risks were evaluated under three scenarios: Orderly (global average temperature increase is limited to 1.50°C by 2100), Too Little Too Late (global average temperature increases by over 2°C by 2100), and Hot House (global average temperature increases by over 3°C by 2100). We selected these three scenarios as we deemed them particularly relevant to the New Zealand context and the financial sector in which we operate, as well as to explore the possible risks we could be exposed to under ambitious transition scenarios that achieve global net-zero. These scenarios are well grounded in science and enable us to align us with the FSC's report facilitating within-sector comparability.

NZX was not involved in the construction of sector-level scenarios but has used them at face value for our scenario analysis. Our sustainability team added further detail to the sectoral scenarios by making further and different assumptions, with particularly more focus on our core business lines, such as trading and listing activities, and the geographical location of our offices. The scenarios were reviewed by the Audit and Risk Committee as described above, and signed off by the Board in November 2023.

The boundary for the NZX Group's scenario analysis was the whole of the organisation, including our subsidiaries. No modelling was undertaken as part of our scenario analysis. No external partners or stakeholders were involved in the scenario analysis process.

We aligned the time horizons through which we undertake the scenario analysis to the NZX Group's operational and strategic planning horizons and these are also consistent with international emissions reductions targets. The endpoint of our scenario analysis is 2050.

Time horizons:

- Short-term (2024 – 2025)
- Medium-term (2025 – 2030)
- Long-term (2030 – 2050)

1 Financial Services Council (2023) Climate scenario narratives for the financial services sector. Retrieved August 2023, from https://www.fsc.org.nz/report/climate-scenario-narratives-for-the-financial-services-sector

Below is a summary of the three scenario narratives, including additions and changes made by NZX to the FSC scenarios. Our scenario narratives consider the assumptions underlying pathway development over time, including emission pathways, social, technological, economic, environmental and policy assumptions and do not include the assumptions that are less relevant to our sector, such as carbon sequestration from afforestation and nature-based solutions.

Orderly (1.50°C)	
Orderly (1.50°C) scenario assumptions	
Emission pathways	Net emissions – New Zealand: 47MtCO_2e by 2030, 3.8 MtCO_2e by 2050 (Climate Change Commission (CCC))Global: NGFS – Global: (Network for Greening the Financial System (NGFS) Net Zero by 2050 25.9 BtCO_2e by 2030, -294.82 MtCO_2e by 2050 using GCAM5.3+ (NGFS)
Social	Global population: 8 billion by 2030, 8.5 billion by 2050 (Intergovernmental Panel on Climate Change (IPCC))
Technological	Percent of Renewable Electricity of Total Electricity Produced – New Zealand: 94% by 2030, 100% by 2050 (CCC) – Global: 61% by 2030, 88% by 2050 (International Energy Agency (IEA))
Economic	GDP
	– New Zealand: NZ$ 330 billion (-0.5%) in 2030, NZ$ 485 billion (-0.7%) in 2050 (NGFS)
	– Global: US$ 176 trillion (-1.2%) in 2030, US$ 289 trillion (2.0%) in 2050 (NGFS)
Environmental	Average temperature increase
	– New Zealand: +0.7°C by 2050 (min 0.2, max 1.3), +0.7°C by 2100 (min 0.4, max 1.3) (National Institute of Water and Atmospheric Research (NIWA))
	– Global: +1.6°C (min 1.2, max 2.0) by 2050, +1.4°C (min 1.0, max 1.8) by 2100 (IPCC)
Policy	Carbon Price
	– New Zealand: NZ$140 in 2030, NZ$250 in 2050 (CCC)
	– Global: US$124 in 2030, US$400 in 2050 (NGFS)

1 Financial Services Council (2023) Climate scenario narratives for the financial services sector. Retrieved August 2023, from https://www.fsc.org.nz/report/climate-scenario-narratives-for-the-financial-services-sector

The Orderly scenario represents a consistent and significant global decline in emissions with an average annual reduction of 3.4%, resulting in a 101% reduction in net emissions by 2050 compared to 2020, and ultimately reaching a point where net emissions are below zero in 2050 (NGFS, 2023).

Effective global policies and the transition to a low carbon economy in this scenario have mitigated significant physical impacts of climate change, reflected in New Zealand's stabilised average temperature at 0.7°C increase by 2050 (NIWA, 2023) and globally limiting the average temperature increase to 1.6°C by 2050 (IPCC, 2021), consequently minimising the severity of extreme weather events.

Global efforts in progressive policies, encompassing emissions reduction mandates, climate reporting, emissions trading, carbon taxes, and legislation prohibiting emissions-intensive activities, incentivise decarbonisation, with projected carbon prices reaching NZ$250 per tonne in New Zealand and US$400 per tonne globally in 2050 (CCC, 2021; NGFS, 2023).

Societal pressure for decarbonisation intensifies as behaviour shifts towards low-emission products, climate activism grows, and entities face scrutiny and potential legal action for insufficient climate action or greenwashing, while improvements in human quality of life contribute to a medium-term slowdown in global population growth, projected to reach 8.5 billion by 2050 (IPCC, 2021).

There is a surge in research and development of low-emission technologies, widespread adoption of electric vehicles, and a transition to renewable electricity generation, reaching 94% renewable in New Zealand and 61% globally by 2030, with further advancements leading to 100% renewable electricity by 2050 (CCC, 2022; IEA, 2022). The primary energy sector follows suit, achieving 90% renewable energy in New Zealand and 67% globally by 2050 (CCC 2022; IEA, 2022). Agriculture undergoes significant changes to reduce biogenic methane, including the adoption of inhibitors, vaccines, and low-emissions stock variants, while the waste sector sees a 73% organic waste recovery rate and expanded landfill gas capture globally.

The global economy experiences positive effects from a stable transition to a low-carbon economy, reaching a GDP of US$289 trillion by 2050, while New Zealand's orderly transition similarly benefits its economy, including the agricultural and horticultural sectors, with a GDP of NZ$485 billion in 2050 (NGFS, 2023). Despite internal challenges like job losses and skill shortages due to transformational changes, effective management is facilitated by a stable climate, economy, and international relations.

Too Little Too Late (>2°C)	
Too Little Too Late (>2°C) scenario assumptions	
Emission pathways	Net emissions – New Zealand: 47MtCO_2e by 2030, 3.8 MtCO_2e by 2050 (Climate Change Commission (CCC)) – Global: (Network for Greening the Financial System (NGFS) Net Zero by 2050 25.9 BtCO_2e by 2030, -294.82 MtCO_2e by 2050 using GCAM5.3+ (NGFS)
Social	Global population: 8 billion by 2030, 8.5 billion by 2050 (Intergovernmental Panel on Climate Change (IPCC))
Technological	– Percent of Renewable Electricity of Total Electricity Produced – New Zealand: 94% by 2030, 98% by 2050 (CCC) – Global: 61% by 2030, 88% by 2050 (International Energy Agency (IEA))
Economic	GDP
	– New Zealand: NZ$ 329 billion (-0.5%) in 2030, NZ$ 477 billion (-0.7%) in 2050 (NGFS)
	– Global: US$ 175 trillion (-1.2%) in 2030, US$ 274 trillion (2.0%) in 2050 (NGFS)
Environmental	Average temperature increase
	– New Zealand: +0.8°C by 2050 (min 0.4, max 1.3), +1.4°C by 2100 (min 0.7, max 2.2) (NIWA)
	– Global: +2.0°C (min 1.6, max 2.5) by 2050, +2.7°C (min 2.1, max 3.5) by 2100 (IPCC)
Policy	Carbon Price
	– New Zealand: NZ$140 in 2030, NZ$250 in 2050 (CCC)
	– Global: US$34 in 2030, US$50 in 2050 (NGFS)

The Too Little Too Late scenario describes a gradual decline in global emissions, averaging 1.0% per year, resulting in a 31% reduction in net emissions by 2050 compared to 2020, through still substantial at 26.7 BtCO_2e, significantly higher than zero (NGFS, 2023).

Delayed emission reduction efforts result in heightened climate risks, including increased temperatures and extreme weather in New Zealand (NIWA, 2023). Globally, some areas face prolonged drought, while others experience increased flooding, impacting agriculture and food security (IPCC, 2021). Sea level rise of 0.20m by 2050 and 0.56m by 2100 poses a significant threat to coastal regions, especially Small Island Developing States (NASA, 2023; IPCC, 2021).

Early climate policy implementations by the EU, Japan, China, the UK, the USA, Canada, and New Zealand, including emissions reduction requirements, carbon pricing, and legislative measures, incentivise decarbonisation, with New Zealand's carbon price reaching NZ$140 per tonne and global price US$34 by 2030 (CCC, 2022; NGFS, 2023), while limited policy action in other regions hampers low-emission efforts. From mid-century, global climate policy and prices align, driven by growing awareness of the impacts of fossil fuel development, with anticipated carbon prices of NZ$250 in New Zealand and US$50 globally by 2050 (CCC, 2022; NGFS, 2023), and developed nations implementing adaptation plans to mitigate physical climate impacts.

Behaviour changes and social pressure drive short-term decarbonisation in Europe, the USA, Canada, Australia, and New Zealand, while outside these countries, behaviour change begins in the medium term. However, disparities arise due to lower GDP growth, higher population estimates, transition costs, and physical climate impacts, leading to increased inequities and challenges in marginalised nations, including poverty, political instability, and geopolitical tensions (IPCC, 2021).

Delays in low emissions technology hinder early climate progress, but by the medium term, global decarbonisation efforts align, with New Zealand achieving a 94% renewable electricity rate, outpacing the global rate of 46% in 2030 (CCC, 2021; IEA, 2022), yet falling short of 100% due to storage limitations, resulting in a 98% renewable electricity rate by 2050; while global renewable electricity rates reach 71%. New Zealand faces challenges in short-term renewable primary energy uptake but achieves 80% by the medium term, surpassing the global rates of 19% in 2030 and 37% in 2050; the transport sector sees a slow reduction in emissions in the short term but achieves 76% electrification by the medium term, with residual emissions primarily from aviation (CCC, 2021; IEA, 2022).

Under the Too Little Too Late scenario, the combination of high transition risks and medium physical risks results in significant financial impacts, including an annual job loss of 900,000 by 2070, a decline in global economic growth with GDP reaching US$274 trillion by 2050, approximately US$9 trillion less than an Orderly scenario, and an increased global population of 9.2 billion by 2050, leading to a lower standard of living (Deloitte, 2022; NGFS, 2022; IPCC, 2021).

Hot House (>3°C)	
Hot House (>3°C) scenario assumptions	
Emission pathways	Net emissions – New Zealand: 62 $MtCO_2e$ by 2030, 35 $MtCO_2e$ by 2050 (CCC) – Global: NGFS Current Policies (Hothouse) 38.6 $BtCO_2e$ by 2030, 34.3 $BtCO_2e$ by 2050 using GCAM5.3+ (NGFS)
Social	Global population: 8.2 billion by 2030, 8.6 billion by 2050 (IPCC)
Technological	Percent of Renewable Electricity of Total Electricity Produced
	– New Zealand: 93% by 2030, 94% by 2050 (CCC)
	– Global: 42% by 2030, 60% by 2050 (IEA)
Economic	GDP
	– New Zealand: NZ$ 329 billion (-0.5%) in 2030, NZ$ 475 billion (-0.7%) in 20506 (NGFS)
	– Global: US$ 175 trillion (-1.2%) in 2030, US$ 273 trillion (2.0%) in 20505 (NGFS)
Environmental	Average temperature increase
	– New Zealand: +1.0°C by 2050 (min 0.5, max 1.7), +3.0°C by 2100 (min 2.0, max 4.6) (NIWA)
	– Global: +2.4°C (min 1.9, max 3.0) by 2050, +4.4°C (min 3.3, max 5.7) by 2100 (IPCC)
Policy	Carbon Price
	– New Zealand: NZ$35 in 2030, NZ$35 in 2050 (CCC)
	– Global: US$6 in 2030, US$6 in 2050 (NGFS)

In the Hot House scenario, global emissions exhibit minimal change, with a slight increase projected between 2020-2025, followed by a gradual decrease, resulting in an average annual reduction of 0.4%, leading to an 11% reduction in net emissions in 2050 compared to 2020, reaching 34.3$BtCO_2e$ in 2050 (NGFS, 2023).

The lack of climate action leads to unabated greenhouse gas emissions, resulting in severe physical risks globally and in New Zealand, where temperatures increase by 1.0°C by 2050, precipitation patterns change significantly, drought intensity increases, snowfall decreases, and sea levels rise by 0.28m in the medium term and 0.79m in the long term (IPCC, 2021; NIWA, 2023; Ministry for Environment (MfE), 2018, 2017; Nazarenko, 2022; NASA, 2023).

Early adopters of progressive climate policies, including the EU, the UK, the USA, Canada, and New Zealand, reverse or roll back climate policies, while Japan, China, and Australia pause further development; the Paris Agreement collapses, NDCs are unmet, and nations withdraw, resulting in a minimal carbon price of NZ$35 per tonne in New Zealand and even lower globally at US$6 per tonne by 2050, with minimal investment in adaptation (CCC, 2021; NGFS, 2023).

Global inaction on decarbonisation, combined with unrestricted global growth, leads to higher economic inequality, political instability, and an increase in displaced migrants; meanwhile, in New Zealand, medium-term climate impacts cause economic disruptions, property value disparities, and housing challenges (CCC, 2021; NGFS, 2023).

There is a persistent lack of technological change supporting emissions reduction, evident by fossil fuels remaining the primary source of energy globally, reaching 61% in New Zealand and 26% globally by 2050, with only a modest increase in New Zealand's renewable electricity sourcing to 94%, despite a 69% electrification of the national road transport fleet by 2050 (IPCC, 2021; CCC, 2021; IEA, 2022; IEA, 2021).

Unbridled emissions-intensive industries lead to income accumulation, but rising costs from chronic climate impacts cause a 6% GDP decrease (US$11 trillion) by the medium term, with global population surpassing expectations at 8.2 billion; New Zealand's agricultural exports initially grow, but face challenges due to extreme weather, and alternative proteins remain niche without policy support, while transport disruptions impact the construction and property sector (NGFS, 2023; IPCC, 2021; CCC, 2021; Te Puna Whakaaronui, 2022).

Implications for the NZX Group

Our analysis shows in the long-term to 2050, there is little material difference between scenarios. The impact of transition risks is highest under a 'Too Little Too Late' scenario, and lowest under a 'Hot House' scenario. The impacts of mandatory carbon pricing are highest under an 'Orderly' and 'Too Little Too Late' scenarios, with prices reaching $140 in 2030 and $250 in 2050. While the NZX Group has no direct exposure to mandatory carbon pricing, we are impacted by increases in mandatory carbon prices through the prices that we pay for goods and services, e.g. domestic travel. The NZX Group's emissions reduction target, together with additional efforts to measure and reduce scope 3 emissions may mitigate the NZX Group's indirect exposure to carbon price increases.

Our scenario analysis also shows over the long-term through 2050, the NZX Group offices are expected to have low to moderate exposure to most physical climate hazards under the three scenarios. The NZX Group's exposure to physical risks in the long-term is primary driven by flooding, increase in mean temperature and water stress/drought risks. The exposure of our Auckland and Wellington offices to sea level rise within the relevant time frames is relatively small. Although some risks from water stress and flooding, e.g., resulting from a storm surge, could manifest even in the short term, the NZX Group has robust physical risk resilience measures in place that may largely mitigate these risks.

These climate scenario analysis results inform our risk management focuses and sustainability strategy.

3.3 Overview of risks and opportunities

The NZX Group's ESG workplan incorporates our assessment of climate-related risks and opportunities that could impact the NZX Group. Climate-related risks and opportunities relevant to the NZX Group were identified and characterised according to the XRB CRD Staff Guidance. Each risk or opportunity was assigned a time horizon (short, medium, or long) based upon when it was deemed likely to materialise should the risk remain unmitigated. The NZX Group does not consider the risks disclosed in this section to be material, however it considers that disclosure of these risks might be expected by primary users. In addition, the anticipated impacts disclosed are the impacts that the NZX Group reasonably expects if the risks were to eventuate.

Consistent with the scenario analysis, we aligned the time horizons through which we evaluate climate-related risks and opportunities to the NZX Group's operational and strategic planning horizons, as well as capital deployment plans.

Time horizons:

- Short-term (2024 – 2025)
- Medium-term (2025 – 2030)
- Long-term (2030 – 2050)

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Transition risks are those related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change. Physical risks are those relating to the physical impacts of climate change, including via temperature, rainfall, storms, extreme weather events, and sea-level rise.

Based on the analysis of climate-related risks, the main potential risks to the NZX Group's business and operations stem from the economic, strategic and regulatory changes and outcomes related to the ongoing global and local economic transition to a lower-carbon society. These changes may result in a wide range of possible outcomes although they are likely to only manifest in the medium to longer term. The NZX Group considers these outcomes to be covered by our present group-wide risk management processes. Climate-related matters are considered within annual budgeting decision-making processes to inform internal capital deployment and funding across the NZX Group.

Climate-related risks

The below table provides an overview of identified risks specific to the NZX Group, anticipated impacts, and measures of risk mitigation adopted to address those risks. The table also shows the likelihood of climate-related risks materialising in the three scenarios.

	Risk Type	Risk Subtype	Risk Description	Anticipated Impacts	Risk Mitigation	Time Horizon	Orderly (1.50°C)	Too Little Too Late (>2°C)	Hot House (>3°C)
Transition Risks	Policy & Legal	Misalignment of regulations	– Risk that in the global transition to lower emissions economies, action or inaction by competitor markets (e.g. competitors act faster to set up new markets; or relative regulatory costs in different countries leads to higher compliance costs in NZ).During the transition to a lower emission global economy, there is a risk that NZX's market policy becomes inappropriate because it is either too onerous or out of step with global practice.	– Competitive disadvantage for NZX – Negative reputational impact resulting in loss of customers, regulatory arbitrage, or loss of trading activity	NZX utilises the World Federation of Exchanges (WFE) and the Sustainable Stock Exchanges (SSE) Initiative, international forums for cooperation between exchanges, to align NZX's listing rules with global trends. NZX also continuously monitors regulatory changes to ensure compliance of its products/services.	Short- to medium-term	●	●	●
Transition Risks	Policy & Legal	Increased cost of compliance	– Risk that the rapidly changing regulatory obligations for NZX (as a listed issuer) leads to NZX not meeting its obligations.	– Increased expenses related to monitoring and responding to regulatory change – Negative regulatory or reputational impact.	Exemplified by NZX's voluntary disclosure of climate-related information in 2022 ahead of regulatory changes in 2023, NZX adopts a proactive approach toward regulatory compliance, minimizing the exposure to regulatory risk.	Short- to medium-term	●	●	●

- ● Not likely to be present
- ● Likely to be present
- ● Very likely to be present

	Risk Type	Risk Subtype	Risk Description	Anticipated Impacts	Risk Mitigation	Time Horizon	Orderly (1.50°C)	Too Little Too Late (>2°C)	Hot House (>3°C)
Transition Risks	Technology	Disruption to critical tech providers	– Risk that the impacts of acute physical risks experienced by critical tech providers (whether local or offshore) leads to operational disruption	– Increased cost and/or reputational damage	As part of company-wide risk management, the NZX Group has put in place frameworks that allow it to respond appropriately when a risk materialise or is likely to materialise.	Medium- to long-term			
	Market	Reduced demand for products/ services	– Risk that investor demand for sustainable investment products and data leads to NZX-listed companies or products losing relevance – Risk that long-term climate impacts to NZ's environment leads to adverse impact on issuers' operations/viability resulting in financial impact to NZX – Risk that the potential pathways of global and local climate transition leads to impacts on the strategic growth or performance of one or more of NZX's markets	– Reduced revenue due to lower trading and listing activities – Lower asset value and revenue	In order to provide products and services aligned with the needs of market users, NZX works closely with stakeholders to identify these needs and develop relevant products and services. In addition, NZX provides support to New Zealand businesses in the form of climate-related workshops to help them transition to a low-carbon economy and build resilience against the effects of climate change.	Short- to long-term			
	Reputation	Reduced confidence in NZX	– Risk that NZX's management of climate related risks and/or opportunities leads to not meeting key stakeholders expectations (investors, customers, regulator, media, public)	– Negative reputational and/ or financial impact	NZX is well positioned to mitigate this risk through its Toitū Envirocare net carbonzero certification and emissions reduction targets.	Short- to long-term			

	Risk Type	Risk Subtype	Risk Description	Anticipated Impacts	Risk Mitigation	Time Horizon	Orderly (1.50°C)	Too Little Too Late (>2°C)	Hot House (>3°C)
Physical Risks	Acute	Wildfire	– Risk that an extreme weather event leads to unplanned disruption to business operations resulting in adverse operational impact. – Workforce displacement away from key office locations of the NZX Group and/or major suppliers. – Damage to infrastructure, e.g. office damages due to water levels rise in Wellington. – Risk of people unable to access office. – Financing/insurance costs.	– Disruption to business operations. – Disruption to supply chain. – Stranded assets. – Impact to the NZX Group's growth/ profitability.	As part of company-wide risk management, the NZX Group has put in place frameworks that allow it to respond appropriately when a risk materialise or is likely to materialise.	Short- to long-term			
		Flood							
	Chronic	Sea level rise	– Risk that climate related change in weather patterns leads to increased operating costs – Damage to infrastructure, e.g., office damages due to water levels rise in Wellington	– Disruption to business operation. – Disruption to supply chain. – Stranded assets. – Impact to the NZX Group's growth/ profitability.	The NZX Group monitors the possible impacts on each facility with reference to the latest hazard maps, weather data, and other information.	Medium- to long-term			
		Increase in mean temperature							
		Water stress & drought							

2 The traffic light system used to assess the likelihood of risks to be present under each scenario was adapted from FSC's Climate scenario narratives for the financial services sector report

Not likely to be present

Likely to be present

Very likely to be present

Climate-related opportunities

The below table provides an overview of the NZX Group's climate-related opportunities and their anticipated impacts. All identified climate-related opportunities are transition.

Opportunity Type	Opportunity Subtype	Description	Anticipated Impacts	Time horizon
Resource efficiency	Improving efficiency	Opportunities exist to reduce operating costs through reducing emissions from business air travel, energy efficient offices, and waste minimisation	– Reduced operating costs associated with purchased goods and services	Short-term
Energy source	Increasing electricity from renewable sources	As at 16 February 2024, more than 80% of New Zealand's electricity usage comes from renewable electricity. The New Zealand electricity industry is pursuing decarbonisation. In the medium-term, the NZX Group could purchase renewable electricity certificates, however, the focus is on reducing emissions through energy efficiency.	– Reduced emissions – Reduced operating costs	Medium-term
	Improving electricity efficiency	Initiatives to reduce emissions by reducing electricity usage have been identified and will be implemented in the short-term.	– Reduced operating costs due to lower electricity usage	Short-term
Products and services	Green, Social, and Sustainability (GSS) bonds	We expect further development of the debt market and growth in GSS bonds. GSS bonds grew from 27% of the debt market in 2022 to 30% in 2023. Aspiration is to grow GSS bonds to 35% in 2027.	– Increased revenue from GSS bonds	Short- to medium-term
	ESG indices and ETFs	Launching climate or ESG themed indices and ETFs on NZX gives investors choice to align their investment decisions to companies that emphasise climate performance. NZX is a facilitator and works with issuers to educate issuers on the implications of new indices. Smartshares sees opportunities to broaden the range of products as well as investment approaches it offers, to meet the evolving demands of investors interested in climate and ESG themed investment. Smartshares' high level of transparency is a competitive advantage in helping customers make informed choices.	– Increased revenue from Smartshares' ESG-themed products	Short-term
	Data services	Mandatory climate-related financial disclosures came into effect in 2023 for NZX listed issuers above $60 million market capitalisation. Opportunities to support the availability of high-quality climate information will be explored.	– Increased revenue from ESG-related data services	Medium-term
Markets	Carbon Markets	NZX made a successful entry into the compliance carbon market with the launch of the emission unit (NZU) auction service for the New Zealand Government's Emissions Trading Scheme in 2021. The New Zealand ETS is internationally recognised, and demand for well governed markets is growing. NZX's operation of the NZU auctions positions us well to further assist with secondary market liquidity development. NZX has a five-year strategy to grow Carbon Markets in New Zealand further. NZX is actively involved in public consultations relating to further improving the market infrastructure in New Zealand's spot and derivatives markets for carbon.	– Increased revenue associated with carbon market operations	Short- to medium-term
	Energy Markets	NZX provides the electricity market operator service for the New Zealand government's Electricity Authority. New Zealand's drive towards 100% renewable electricity for New Zealand, and increasing electricity demand from electrification, brings new opportunities for NZX to expand its services into supplying an integrated market operator platform.	– Increased revenue associated with energy market operations	Medium-term
Resilience	Managing physical risks in business operations and in value chain	Measuring Scope 3 emissions (particularly from purchased goods and services) may identify opportunities to lift climate resilience in our business and reduce emissions in our value chain.	– Increased business resilience	Short-term

3.4 Strategic positioning

For information on the NZX Group's current business model and strategy, please see the Who We Are section of this Annual Report, on page 6.

The NZX Group has not set out transition plan aspects of its strategy to an extent that would fully meet the requirements of NZ CS 1 and has applied Adoption Provision 3 (paragraph 15), which provides an exemption in the first reporting period from the requirements to disclose the transition plan aspects of an entity's strategy, including how its business model and strategy might change to address its climate-related risks and opportunities, and how the transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.

However, a number of actions demonstrate the NZX Group's progress towards developing the transition plan aspects of its strategy, including ESG workplans with climate related metrics and climate related risks being considered as part of the NZX Group's overall risk management processes. The NZX Group is on track to achieve a 21% reduction in absolute emissions by 2025 from a 2019 baseline year. This target is in line with limiting our impact to a 1.5° warming scenario. Looking ahead, the NZX Group intends to develop and set interim and long-term emissions reduction targets in line with limiting our impact to a 1.5° warming scenario. In addition to reducing absolute emissions, the NZX Group remains committed to compensating for remaining emissions by purchasing carbon credit offsets.

Beyond our internal efforts, the NZX Group is committed to engaging with our market participants to support the shift towards more sustainable and inclusive capital markets. For example, in 2024 the NZX Group plans to organise workshops on climate-related topics for listed issuers and produce a series of sustainability-themed podcasts for market participants.

Finally, the NZX Group seeks to support decarbonisation of New Zealand and diversify its revenue streams by offering a range of climate-related products and services, including GSS bonds and ESG-themed ETFs.

4 Risk Management

As outlined in section 1 of this Statement, NZX has a RMF, which sets out policies and procedures for the effective identification, assessment, management and reporting of NZX's risks. NZX's processes for identifying, assessing and managing climate-related risks are integrated within the NZX RMF via the NZX risk hierarchy which allows the mapping of all business unit level risks including those related to climate to one of the enterprise level risks categories listed on page 79, with all those identified to date including those identified via scenario analysis as outlined in section 3 of this Statement mapping to one of the existing enterprise level risk categories.

4.1 Risk Identification

NZX utilises a range of resources and approaches to identify and consider the impact of risks across our business including those related to climate, on an ongoing basis. Our risk assessments engage management at both a business unit and senior leadership level and consider the risks that may impact NZX while in pursuit of strategic objectives. Risk assessments are refreshed quarterly with regular risk reporting provided by the Chief Risk Officer to the Board (monthly) and the ARC (quarterly). NZX's climate risk identification has included scenario analysis incorporating short, medium and long term time horizons as outlined in section 3. NZX does not specifically exclude any parts of the value chain as part of its risk identification processes, however there is an item in the 2024 sustainability workplan to further mature our approach for consideration of the entire value chain with a specific focus on climate-related risks which is expected will provide an opportunity to identify further risks across the value chain.

4.2 Risk Assessment

In accordance with the RMF, upon a risk being identified NZX uses a risk assessment methodology which incorporates a likelihood and impact scale approach for assessing the likelihood of the risk materialising and the potential impact both from an inherent and residual perspective. NZX's risk assessment methodology utilizes both financial and non-financial impacts to allow for consistency in assessment across all risk types. The risk is then calibrated/categorized using the NZX risk matrix (which is reviewed annually) as either low, medium, high or severe allowing for informed prioritisation across all risk types.

4.3 Risk Management

As set out on page 79, NZX employs a three lines of defence model to ensure best practice risk management.

5. Metrics & Targets

5.1 GHG Inventory and emissions reduction progress

In 2023, we again achieved Toitū Envirocare net carbonzero certification. This year represents the third consecutive year of the NZX Group's net carbonzero certification, applied across our Scope 1, Scope 2, and certain Scope 3 emissions. The programme requirements that the NZX Group meets under the Toitū Envirocare are in accordance with international standards, including ISO 14064-1:2018.

The Toitū net carbonzero certification demonstrates the NZX Group's commitment to measuring, reducing, and offsetting its carbon footprint. To attain Toitū net carbonzero certification, the NZX Group's operational greenhouse gas (GHG) emissions are measured in accordance with the international standard for carbon footprints, ISO 14064-1:2018. This includes the assessment of emissions from various sources such as vehicles, business travel, fuel and electricity usage, paper consumption, and waste generation. The emissions are evaluated annually, and the inventory undergoes independent verification by Toitū.

In addition to measuring the carbon footprint, the NZX Group is required by Toitū to formulate plans aimed at actively managing and reducing emissions on a six-year cycle. To achieve net carbonzero certification, unavoidable emissions are annually offset through the purchase of carbon credits. The NZX Group has been purchasing carbon credits relating to New Zealand-based projects that meet the requirements of the current certification programme. From this year, Toitū Envirocare has opted to transition away from New Zealand carbon credits to align with global standards. As a result, moving forward the NZX Group may consider alternative carbon offsetting solutions, such as international carbon credits certified by Toitū.

In 2023, we expanded our Scope 3 emissions coverage to include emissions related to employee commuting, bringing our total GHG emissions for 2023 to 529.8 tCO_2e, a significant increase compared to 2022 figures. Excluding the employee commuting emissions, the NZX Group's total GHG emissions for 2023 are 356 tCO_2e - 29% lower than the baseline year emissions from 2019. This positions the NZX Group well to meet its six-year reduction targets under the Toitū carbonzero programme.

Beside employee commuting, top emission sources contributing the year-on-year increase in emissions in 2023 were associated with air travel. As air travel has returned to pre-pandemic levels, the NZX Group has seen emissions from air travel continue to lift in 2023. However, the air travel emissions remain well below the 2019 figures. More specifically, air travel has decreased by 159 tCO_2e since 2019. We remain committed to investing in resource efficiency and actively pursuing strategies aimed at reducing emissions intensity. Our ongoing efforts align with a broader goal of achieving a more sustainable and environmentally conscious operational footprint.

The table on the following page summarises GHG emissions data for the NZX Group's direct emissions, electricity purchased, air travel, accommodation, transmission and distribution (T&D) losses for purchased electricity, fuel emissions (rental and other cars), working from home (WFH), employee commuting, freight, office waste, and recycling for the reporting period (January 1, 2023 through December 31, 2023), as compared to the previous two years and our baseline data from 2019.

Scope	Emissions sources CO_2-e	2019 Tonnes	2021 Tonnes	2022 Tonnes	2023 Tonnes
Scope 1	Direct Emissions (diesel)	1.9	4.2	8.8	2.6
Scope 2 (location-based)	Electricity purchased	48.1	39.8	51.5	26.5
Scope 3	**Air Travel**				
	– Domestic	212.1	84.5	155.1	94.5
	– Short haul international	33.6	1.3	22.2	25.3
	– Long haul international	174.9	-	65.2	142.0
	Accommodation	8.0	3.2	9.2	12.2
	Transmission & Distribution losses for purchased electricity	4.3	3.2	4.7	3.1
	Fuel Emissions (rental and other cars)	10.6	5.3	5.7	8.6
	Employee Commuting	–	–	–	173.8
	Working From Home	–	26.5	15.0	8.8
	Freight	2.3	-	26.6	3.9
	Office Waste	2.3	1.8	7.2	28.4
	Recycling	1.8	0.1	0.1	0.1
Total (excl. Employee commuting)		**501.9**	**169.9**	**371.3**	**356**
Total (incl. Employee commuting)		**501.9**	**169.9**	**371.3**	**529.8**

In measuring GHG emissions, we employ an operational control consolidation approach. The emissions of the NZX Group including all wholly owned subsidiaries are included. Emissions from GlobalDairyTrade Holdings Limited, in which NZX holds a one-third share with Fonterra and EEX, are excluded from this consolidation. This is because NZX does not have operational control over that entity. We do not specifically exclude any GHG emissions sources that we have identified within our inventory. However, our inventory does not include certain Scope 3 GHG emission sources, including purchased goods and services, capital goods, upstream transportation and distribution, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments, as NZX will be relying on Adoption Relief in this area.

The GHG emissions sources included in our inventory adhere to the requirements for Toitū net carbonzero certification. These sources were identified using the methodology outlined in ISO 14064-1:2018 standards and the Technical Requirements of the Toitū Programme. Where available, the emissions data were collected from pre-verified sources. For example, air travel and accommodation emissions were provided by Orbit (NZX's third party travel agency). The rest of the emissions inventory was quantified based on the following calculation approach: 'Emissions = activity data x emissions factor'. This Toitū calculation methodology is in accordance with ISO 14064-1:2018, utilising emissions factors and Global Warming Potentials (GWPs) provided by Toitū and sourced from IPCC publications (with the IPCC fifth assessment report preferred). Overall, there is low uncertainty in regard to the quantification of GHG emissions and the effect of data extrapolation on the total GHG emissions is immaterial. The table below summaries the data sources and methods used to calculate GHG emissions

Scope	Emissions sources CO_2-e	Data sources	Methods
Scope 1	Direct Emissions (diesel)	Fuel purchases	Calculation based on fuel purchases and emissions factor
Scope 2 (location-based)	Electricity purchased	Electricity invoicing	Calculation based on electricity invoices and emissions factor. Due to invoice timing, the emissions for December 2023 were extrapolated based on data from the previous 11 months.
Scope 3	Air Travel	Pre-verified emissions data provided by Orbit	
	Accommodation	Pre-verified emissions data provided by Orbit	
	Transmission & Distribution losses for purchased electricity	Electricity invoicing	Calculation based on electricity invoices and emissions factor. Due to invoice timing, the emissions for December 2023 were extrapolated based on data from the previous 11 months.
	Fuel Emissions (rental and other cars)	Fuel purchases, taxi, and rental car transactions	Calculation based on fuel purchases, taxi, and rental car expenses and emissions factors.
	Employee Commuting	Survey-based emissions data	Emissions data for the year is extrapolated based on a group-wide survey results and FTE figures.
	Working From Home	Survey-based emissions data	Emissions data for the year is extrapolated based on a group-wide survey results and FTE figures.
	Freight	Freight transactions	Calculation based on freight transactions and emissions factor.
	Office Waste	Waste management reports	Calculation is based on waste weight and emissions factor. Waste data for Auckland CBD and Albany offices is extrapolated from Wellington data based on FTE.
	Recycling	Waste management reports	Calculation is based on waste weight and emissions factor. Waste data for Auckland CBD and Albany offices is extrapolated from Wellington data based on FTE.

5.2 Other metrics

The table below shows the NZX Group's emissions and energy intensity per full-time employee (FTE) and per million dollars of revenue (NZ$)..

Our Scope 3 air travel emissions per FTE has slightly increased in 2023 when compared with 2022. Business operations returned to pre-pandemic levels, and we experienced an increase in air travel.

Metric	2019	2021	2022	2023
Number of full-time employees	226	292.7	319.1	339.6
Million dollars of revenue	69.55	87.96	95.73	108.39
Absolute energy consumption (including diesel purchases, purchased electricity, and transmission and distribution losses) (tCO_2-e)	54.3	47.20	65.00	32.20
Energy intensity per employee (tCO_2-e / FTE)	– 0.24	0.16	0.20	0.09
Energy intensity per million dollars of revenue (tCO_2-e / revenue)	– 0.78	0.54	0.68	0.30
GHG emissions intensity per employee (tCO_2-e / FTE)	2.22	0.58	1.16	1.56
GHG emissions intensity per million dollars of revenue (tCO_2-e / revenue)	7.22	1.93	3.88	4.89
Total Scope 1 and Scope 2 GHG emissions intensity per million dollars of revenue (tCO_2-e / revenue)	0.72	0.50	0.63	0.27
Scope 3 air travel emissions intensity per employee (tCO_2-e / FTE)	1.86	0.29	0.76	0.77

*includes all Scope 1, 2, and 3 emissions included in the GHG emissions disclosures above

The NZX Group does not use any industry-based metrics in addition to the metrics outlined above. Regarding transition risks, the NZX Group is predominantly exposed to market risk of reduced demand for products/services through Capital Markets Origination, Secondary Markets and Funds Management revenue streams. We are currently disclosing 100% of the revenue from these streams as this represents a conservative estimate. The NZX Group's exposure to physical risks is limited to our property assets and leases. We are disclosing 100% of property-related assets and leases as this represents a conservative estimate. These are high-level estimates and involve a high level of uncertainty. No assets and capital are currently linked to climate-related activities. The NZX Group does not use a fixed internal emissions price but takes into account the cost of carbon credit offsets when making decisions about emissions reduction initiatives. In 2023, the NZX Group purchased carbon credits from Toitū at $143.13 per tonne. Going forward, the carbon credit prices may be subject to change. As set out above, ESG targets do not link to a specific amount of Executives' remuneration. However, all KPIs are considered in Executive remuneration decisions, and one of the KPIs for Executives is linked to air travel, which constitutes the NZX Group's largest emission source.

Cross-industry metric category	
Transition risks: Assets or business activities vulnerable	72.1% of total operating revenue (Capital Markets Origination, Secondary Markets and Funds Management revenue streams)
Physical risks: Assets or business activities vulnerable	9.7% of total assets (Property, plant & equipment and right-of-use lease assets)
Climate-related opportunities: revenue, assets or business activities	No assets linked to climate-related opportunities
Capital deployment: capital expenditure, financing or investment	No capital is currently deployed in low-emissions products and services
Internal emissions price:	\$143 per tCO_2e (Price of carbon credit offsets that we purchase from Toitū)
Remuneration	Air travel-linked KPIs (Air travel is NZX's largest emission source)

5.3 Climate-related targets

The NZX Group has committed to continually manage and reduce our emissions on a six-year cycle, and report on this each year as part of our commitment to achieve Toitū net carbonzero certification. The NZX Group is targeting a 21% reduction in absolute Scope 1, 2, and 3 emissions by 2025 from a 2019 baseline year. This absolute emissions reduction target has been determined using an absolute contraction approach and applies to emissions sources that were included in 2019 inventory. This emissions reduction target does not rely on offsets. With 2023 GHG emissions being 29% below the 2019 figures (excluding employee commuting, which was added to the inventory in 2023), the NZX Group is well-positioned to achieve its emissions reduction targets by 2025. In addition to reducing absolute emissions, the NZX Group remains committed to compensating for remaining emissions by purchasing carbon credit offsets as required by the Toitū net carbonzero programme.

The NZX Group considers that its short-term target to 2025 contributes to limiting global warming to 1.5° as it aligns with the short-term emissions reduction pathways used by Toitū and based on the Science Based Targets Initiative. Looking ahead, the NZX Group intends to develop and set interim and long-term emissions reduction targets in line with limiting our impact to a 1.5° warming scenario.

The climate related disclosures were authorised for issue for and on behalf of the directors on 22 February 2024.

John McMahon
Chair of the Board

Lindsay Wright
Chair of the Audit and Risk Committee

Appendix 2

OUR SUSTAINABILITY IMPACT – GRI CONTENT INDEX

NZX is committed to comprehensive sustainability reporting. This report contains the Global Reporting Initiative (GRI) content index and includes climate statements prepared in accordance with the Aotearoa New Zealand Climate Standards.

General disclosures		
2-1-a	Name of organisation	NZX Limited
2-1-b	Nature of ownership and legal form	Notes to the Group Financial Statements. See page 90.
2-1-c	Location of headquarters	NZX Limited, Level 1 / NZX Centre, 11 Cable Street, Wellington. See page 169.
2-1-d	Location of operations	New Zealand
2-2	Entities included in the organisation's sustainability reporting	Operating Responsibly. See page 40.
2-3-a	Reporting period and frequency	1 January 2023 – 31 December 2023 Reporting frequency: Annual
2-3-b	Reporting period for financial reporting	1 January 2023 – 31 December 2023
2-3-c	Publication date	22 February 2024
2-3-d	Contact point	info@nzx.com
2-4	Restatement of information	There has been no restatement of information from previous reporting periods.
2-5	External assurance	NZX's GHG emissions reporting undergoes independent verification by Toitū Envirocare to ensure accuracy and completeness.
2-6	Activities, value chain and other business relationships	Our vendors include contracts for office space, utilities, telecommunications, cybersecurity and data centre facilities providers in New Zealand and other countries to deliver a range of exchange-related services. Business operations during the year. See page 137. Who we are. See page 6.
2-7	Employees	Who we are. See page 6. Operating Responsibly: Our People. See page 46 – 48.
2-9	Governance structure and composition	Corporate Governance. A full list of Board Committees and membership is published on page 62. The composition of the NZX Board is disclosed, including average tenure and diversity characteristics.
2-13	Delegation of responsibility for managing impacts	General Manager Corporate Affairs & Sustainability, who reports to the Chief Financial & Corporate Officer
2-22	Statement on sustainable development strategy	Operating Responsibly, page 40 and Climate Statement, page 146.
2-23	Policy commitments	How we deliver value. See page 30. Operating Responsibly. See page 25 and 40.

General disclosures		
2-28	Membership of associations	Diversity Works NZ, Business NZ, Business NZ Energy Council, Australasian Investor Relations Association, Futures Industry Association, Institute of IT Professionals, NZ Institute of Economic Research Inc, FinTech NZ, The Hugo Group Inc, The New Zealand Initiative, Financial Services Council. Global affiliations include: ASX – Sydney, HKEX – Hong Kong, LSE – London, NASDAQ – New York, SGX – Singapore, TMX – Toronto, SPSE – Suva, SSE – Shanghai
2-29	Approach to stakeholder engagement	Operating Responsibly. See page 42. NZX engages with various stakeholder groups in the capital markets eco-system, including those entities regulated by NZ RegCo. During 2023, NZX undertook an ESG materiality assessment which included the identification of key stakeholders and engagement with them to determine how they are affected by the Company's decisions and actions. In addition, NZX continues to embed industry engagement practices including through the Technology Working Group, the Securities Industries Association (which represents NZX Participants) and the NZX Corporate Governance Institute. NZX also works closely with other regulatory and government agencies that set policy that affects NZX's markets, including FMA, MBIE and XRB and engages with market peers through WFE and the SSE Initiative.
2-30	Collective bargaining agreements	None of NZX's employees are covered by a collective bargaining agreement.
3-1	Process to determine material topics	During 2023 NZX undertook an ESG materiality assessment, which included 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. See page 43.
3-2	List of material topics	Operating Responsibly. See page 44.
205-1	Operations assessed for risks related to corruption	Risk management. See page 78.
205-2	Communication and training about anti-corruption policies and procedures	NZX has a Conflict Management Policy that applies to all employees and directors. Any person subject to the policy is required to complete annual training to a satisfactory standard. 100% had completed training at the reporting date. NZ RegCo employees and directors must complete separate training relevant to their conflicts management obligations. 100% had completed training at publication date. At publication date 100% of governance body members and 99.7% of NZX employees have received training on the organisation's anti-corruption policies and procedures. Annual refresher training is required.
205-3	Confirmed incidents of corruption and actions taken	In the 12-month period to 31 December 2023, there were no confirmed incidents of corruption, including cases where employees are dismissed, business contracts violated or terminated, or public legal cases in relation to Anti Money Laundering.
207-1	Approach to tax	Note to the Group Financial Statements. See page 106.
207-2	Tax governance control and risk management	
207-4	Country-by country reporting	The NZX Group is resident for tax purposes in New Zealand only.

PEOPLE – social disclosures		
202-1	Wage level	Operating Responsibly: Our People. See page 47. NZX has adopted a commitment to the Living Wage and as at 31 December 2023 100% of NZX permanent and fixed term employees are paid at or above the 2023 Living Wage.
408, 409	Risk for incidents of child, forced or compulsory labour	NZX people policies, processes and guidelines are aligned with the International Labour standards set by the International Labour Organisation (ILO). In addition, all our people policies, processes and guidelines are compliant with NZ employment law and human rights protections. No risks identified for the year ending 2023 nor any incidents reported by staff.
401-1	New employee hires and employee turnover	For the year ending 31 December 2023, the NZX Group had 95 new employee hires (51% male, and 49% female). For the year ending 31 December 2023, NZX had 68 resignations (62% male, and 38% female).
403-2	Health and safety	Operating Responsibly: Our People. See page 48. Total Recordable Incident Rate (TRIR) per 200,000 hours worked in 2023 is 0 (as at 31 December 2023) for total workforce. The Absentee Rate (AR) for total workforce for 2023 year as at 31 December 2023 is 1.91%. NZX facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers. This is further boosted by the generous Sick Leave policy.
404-1, 404-3	Training provided	For the NZX Group, the average training and development expenditure per employee for the 2023 year is $931.49. During 2023, 100% of total permanent employees (including all men and women; and all employees by category) received a regular performance and career development review.
405-1	Diversity and inclusion	Who we are. See page 47 for diversity by FTE. Operating responsibly – Our People for diversity by headcount. See pages 7 and 47.
405-2	Pay equality	The NZX Group reporting relates to gender equality and does not currently address minor to major ethnic groups, and other relevant equality areas. Operating Responsibly: Our People. See page 47. Ratio of average basic salary of women to men: The average basic salary of women is 83.4% of the average basic salary of men. Another way to express this is that NZX has an overall gender pay gap of 16.6% for base salary.

PLANET – environmental disclosures		
302-1	Energy consumption within the organisation	The NZX Group has a commercial arrangement with Toitū Envirocare to provide carbon management tools, guidance, and certification. Following 2021 and 2022, 2023 marks a third consecutive year of NZX meeting the Toitū net carbonzero programme requirements to be a certified net carbonzero organisation. Energy consumption, scope 1-3 emissions, intensity metrics and reduction of GHG emissions are reported in our Climate Statement. See pages 146 – 163. In 2023, NZX expanded its Scope 3 GHG emissions coverage to include employee commuting. Total commuter emissions for 2023 amounted to 173.8 tCO_2e. On average, NZX employees emitted 0.51 tCO_2e in 2023. 45% of commuting trips involved public transport (train, bus, ferry), 22% were “active travel” (walking, running, cycling, e-biking, or e-scootering), while only 19% were solo driving.
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	
	Climate-related disclosures	Under the Financial Markets Conduct Act 2013, NZX Group is a climate reporting entity required to make mandatory climate-related disclosures for the accounting period commencing 1 January 2023. In accordance with the climate-related disclosure framework, NZX has prepared a Climate Statement that covers the climate-related risks and climate-related opportunities, as well as a scenario analysis. See page 146.
Nature loss	Land use and ecological sensitivity	Not material for the NZX Group. The NZX Group does not own, lease, manage in, or adjacent to, protected areas or areas of high biodiversity value outside protected areas.
Freshwater availability	Water consumption and withdrawal in water-stressed areas	Not material for the NZX Group.
Solid waste	Impact of solid waste disposal	The NZX Group recognises that society and environmental impacts of solid wastes streams, and the Company measures emissions from waste to landfill within its Toitū net carbonzero certification. Emissions from waste to landfill totalled 28.4 tCO_2e in 2023.
	Single-use plastics	The 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 with efforts to measure and manage a wider range of scope 3 emissions.
307-1	Non-compliance with environmental laws and regulations	No breaches of environmental laws, regulations or consents have been identified in the period. No environmental fines have been incurred.

PROSPERITY – economic disclosures		
203-1	Infrastructure investments and services supported	NZX, in partnership with EEX, developed and, from 2021, manages the New Zealand Emissions Trading Scheme Auctions for New Zealand Units under contract with the Ministry for the Environment. Operating Responsibly. See page 23.
	Economic contribution	Operating Responsibly. See page 54.
	Absolute number and rate of employment	Operating Responsibly. See page 47.
	Financial investment contribution	Operating Responsibly. See pages 53–54.
	Total tax paid	Notes to the Group Financial Statements. See page 107.

Corporate directory
Getting in touch

Board of Directors
John McMahon (Chair)
Frank Aldridge
Elaine Campbell
Peter Jessup
Dame Paula Rebstock
Rachel Walsh
Lindsay Wright

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Mark Peterson

Chief Corporate and Financial Officer
Graham Law

General Counsel and Company Secretary
Sara Wheeler

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