



30 June 2017

NZX Annual Meeting Full Script

[Slide: 2017 NZX Annual Meeting of Shareholders]

Welcome. My name is James Miller; I am the Chairman of NZX.

On behalf of your directors, our Chief Executive, and all of our team here today – a very warm welcome.

Before I open the meeting, I would like to cover off a few housekeeping points.

In the event of an emergency, please follow the direction of our staff. The fire exit is down the stairs to my right. The assembly point is in Odlins Plaza directly behind me.

Bathrooms are located on this floor, halfway down the corridor to my right.

If you need voting forms, please see the team from Link Market Services.

To cover off today's order of events ... I will first address you as Chair, followed by our new CEO Mark Peterson. After this there will be an opportunity to answer any questions about NZX and its performance.

We'll then move to the formal business of the meeting. There are five resolutions to consider and vote on. I will outline the process for the discussion and voting on the resolutions at that point in the meeting.

Following the meeting, the board and senior leadership team – along with our other staff here today – look forward to hosting you for refreshments.

There will be an opportunity to tour the stock exchange. If you are interested in coming on a tour please wait in front of this lectern at approximately 12 noon.

We also have some of our SuperLife and Smartshares teams here with us today, who can talk with you about any questions you may have about KiwiSaver and exchange traded funds.

We welcome your feedback on today's meeting. We are always looking to improve on how we do things, so please fill out the feedback form on your seat and return it to Link Market Services on your way out – we would very much like to hear your thoughts.

Now, with those formalities out the way ...

Address from Chairman James Miller

[Slide: Address from Chairman James Miller]

I am pleased to confirm that we have a quorum and therefore I declare the 2017 Annual Shareholders Meeting of NZX open.



[Slide: Your Board]

I would first like to introduce my fellow directors:

- Frank Aldridge
- Dame Therese Walsh
- Dr Patrick Strange
- Richard Bodman
- Neil Paviour-Smith
- Jon Macdonald
- And our future director Anna Molloy

Also present today is our Chief Executive Mark Peterson, who you will hear from soon, members of our executive team, representatives of our external auditors KPMG, and the Financial Markets Authority. Welcome.

Let me open my speech with some observations about what NZX is and the importance of what it does.

NZX – a markets company

[Slide: Capital Markets Ecosystem]

NZX is a markets company. We operate in global markets for agricultural commodities, the New Zealand electricity market, private markets such as the Fonterra Shareholders' Market, and at our core, New Zealand's equity and debt markets.

Markets matter. In our view they are the most effective mechanism to allocate resources and ensure that society's needs are met in the most efficient way possible. Markets need a number of things to be effective – trust, fair access, efficient infrastructure, and high quality information to support trading and investment decisions.

NZX has a critical role to play in ensuring each of these factors are present in our markets and in doing so, we have a key role to play in New Zealand's prosperity.

A strong and successful NZX will deliver not just for our shareholders, but for our economy as a whole. However, we cannot deliver this alone.

While we sit at the centre of New Zealand's capital markets, only by working alongside our stakeholders that make up our market can we be successful in our mission.

New Zealand needs an effective exchange between the providers and users of capital so entrepreneurs can easily access capital that will enable them to compete on a meaningful scale both domestically and on a global stage. As a market operator, the role NZX plays is central to the success of this.

[Slide: New Zealand Market Health]

The current health of our local market means we are well placed to achieve this – just last week the S&P/NZX 50 index broke through a record high of 7,592 points.



Market activity in New Zealand remained healthy in 2016 with the S&P/NZX 50 index up 8.8% over the year, and growth has carried over to 2017, with the index up a further 7.8% to 31 May. We also saw significant growth in liquidity in 2016, with the number of trades up nearly 20% and total value traded up 5.5%.

This continued a long trend of strong performance for the New Zealand markets.

2016 in review

While 2016 was a positive year for the markets, we would be the first to recognise that it was a challenging year for NZX itself.

Earnings Before Interest, Tax, Depreciation and Amortisation (EDITDA) was \$22.5 million in 2016, at the bottom end of our guidance range.

Operating expenses increased 13.3% and reflected significant non-continuing costs which included professional fees for the Ralec litigation, the Financial Markets Conduct Act transition in our funds business, CEO transition costs, and the restructuring of our Agri business.

NZX's three operating segments – Markets, Funds Services and Agri – reflected contrasting positions.

Our Markets business demonstrated good growth in 2016 with revenue up 6.0% to \$52.9 million, while operating costs fell 4.5%. This operating leverage resulted in 9.5% growth in segment earnings.

This was led by impressive growth of our debt market and sound growth in the number of equity trades.

Our Fund Services business remained in investment mode, reflecting the deliberate strategic investments made to grow our SuperLife, Smartshares and NZX Wealth Technologies businesses.

The reported segment loss of \$300,000 included start-up losses of just under \$1.5 million in the Wealth Technologies business and one-off costs associated with transitioning to the Financial Markets Conduct Act of approximately \$1 million.

These offset the earnings of the Smartshares and SuperLife business, despite the latter increasing on the back of strong growth in funds under management.

And it was a difficult year for our Agri business where segment earnings fell by 17.8% as we repositioned our New Zealand and Australia businesses, and market conditions adversely impacted advertising revenues.

[Slide: Total Shareholder Returns]

We recognise that our 2016 results did not achieve the growth that shareholders were looking for, albeit due to non-recurring factors.



Shareholder returns remain front of mind for the board. I personally remain highly conscious of the need to lift our performance for you, our shareholders.

Despite lower operating earnings, we maintained a fully imputed 6 cents per share dividend in respect of the 2016 year.

It is also important to recognise a great deal was achieved in 2016 to address costly issues that were holding back our performance and these have helped set the business on course for meaningful future earnings growth.

In November we finally concluded the unfortunate Ralec litigation. This had been a significant drain on corporate earnings and management attention for the past six years, with cost impact greatest in 2015 and 2016, as the case worked its way through the trial process. We are pleased to have this conclusively behind us, with all matters resolved, and no further costs have been incurred.

Alongside the rest of the industry, our funds management business completed a complex, costly and time consuming exercise to transition to the Financial Markets Conduct Act. This was achieved while still maintaining strong growth in funds under management, which were up 15% in 2016.

We restructured our Agri business, disposing of loss-making businesses, creating a simpler business with a greater focus on data and analytics.

Our fledgling NZX Wealth Technologies business, which simplifies the back office systems of the financial sector, won two substantial new clients, underlining the potential of this business.

We commenced the new electricity market operator contracts that the Electricity Authority awarded to NZX for a further eight years in 2015. As part of this, we began a major system refresh project that will underpin the delivery of services for the current contract period and beyond.

Guidance

Recent media commentary may have lead you to believe it's all doom and gloom for NZX. But let me reassure you, the extensive work done in 2016 to resolve legacy issues and reshape the business has put us in an excellent position to deliver substantial earnings growth in 2017.

This was reflected in the earnings guidance we provided when releasing our 2016 financial results that we expected 2017 EBITDA would be between \$27 million and \$30 million. This represents an increase of between 20% and 33% on our 2016 EBITDA.

In spite of capital raising activity going through a cyclical lull, 2017 financial results have so far been encouraging.

For the five months ended 31 May 2017, EBITDA is up 38% on the previous corresponding period, reflecting the sound performance of Mark and the senior team, delivering a disciplined cost performance in the face of revenue headwinds.

Conservatively, assuming a continuation of the relatively subdued capital raising and securities trading environment, this would result in a full year result around the middle of the guidance



range. We note that if market conditions returned to average historical levels in the second half of 2017, we would expect to deliver an earnings result towards the upper end of the guidance range.

A changing environment

Change has been a significant theme for NZX over the past 12 months.

Ensuring that we found the right leader to take NZX forward was the primary focus of the board, and a key component of delivering healthy shareholder returns in the future.

The board initiated a global search process, incorporating the feedback of a broad range of stakeholders into the recruitment brief. Ultimately, the best candidate came from within the organisation and we were delighted to appoint Mark Peterson as our new CEO.

Mark previously held the Head of Markets role. During his time at NZX he has shown himself to be a highly capable and experienced leader.

He has more than 25 years' experience in the financial services sector covering capital markets, share broking, private wealth, and institutional and retail banking.

He is well connected to our capital markets and understands the needs of our customers.

Mark will bring to the CEO role an increased focus on strengthening NZX's relationships with our customers, while strategically growing the business to ensure it is best placed to compete domestically and internationally.

The board has initially tasked Mark with focusing on:

- Protecting our core Markets business by growing our equity and debt markets;
- Keeping a tight rein on costs and increasing the efficiency of our operations; and
- Delivering on the immediate opportunities in our derivatives, funds management, and Wealth Technologies businesses.

The board has also tasked Mark with leading the development of a refreshed five year strategic plan for NZX. This will be a blueprint for the growth of our organisation and outline NZX's broader role in helping our capital markets to flourish in years to come.

Mark will provide further colour in his address. We will update shareholders on the final strategy in November.

Board renewal

[Slide: Board Renewal]

Turning to the board itself, we farewelled Alison Gerry who retired from the board earlier this year as well as Neil Paviour-Smith, who retires at the end of this meeting.



Neil will briefly address shareholders towards the end of the meeting, but I would also like to reflect on Neil's contribution for a moment. Neil has been a member of the board throughout NZX's 14 years as a listed company. During that time the company has grown from a small demutualised exchange with a market capitalisation of under \$30 million to a diversified markets business with a market capitalisation of nearly \$300 million.

There have been a great many achievements along the way and Neil has been a wise counsel throughout. Neil, we will greatly miss your vision, your passion and your insight. On behalf of everyone, I offer our sincerest thanks for your huge contribution to NZX and New Zealand's broader capital markets.

Alison also contributed enormously in the areas of clearing and risk management during her five years on the board. Her skills are now recognised by New Zealand's largest companies and we wish her well with these additional director responsibilities.

Board composition goes to the heart of a board's effectiveness. It's key to a sustainable high-performing business.

The board are committed to regularly reassessing the skills and experience needed to run your business and following our review were extremely pleased to identify and appoint Richard Bodman and Frank Aldridge to fill vacancies left by Alison and Neil.

Following Neil's resignation from NZX at the conclusion of this meeting, Therese will take over as Chair of NZX's Audit and Risk Committee. I would also like to take this opportunity to confirm Frank's appointment to the Audit and Risk and Human Resources committees.

These changes have certainly re-energised and refreshed the board by reducing the average length of service for an NZX director to 3 years, compared to 5.1 years at our last Annual Meeting.

I will speak to the attributes that Richard and Frank bring to the board table when we come to the matter of their election later in the meeting and will also go over the structured process that resulted in their appointment.

Future Directors Programme

[Slide: Futures Directors Programme]

As a board we are also committed to growing the next generation of New Zealand directors.

NZX was pleased to announce its participation in the Future Directors Programme last month.

Administered by the Institute of Directors, the Future Directors Programme recognises talented executives who are interested in developing governance skills.

Participants attend board meetings where they are able to observe and contribute to discussions, but are not involved in any decision making and have no voting rights.

The programme has the active support of the New Zealand Shareholders' Association, and NZX is pleased to participate in the programme alongside other leading listed companies.



As such, I am delighted to introduce to Anna Molloy, NZX's first future director.

Anna is a former fund manager and sell-side equity analyst and will sit around the board table for an 18 month term.

Regulation & policy

Before I close, I want to touch briefly on the regulation role that NZX fulfils within the capital markets. While some in the media see regulation as at best an overhead, we see it as a fundamental part of our core business.

I said in my opening remarks that one of the key things that must be present for the successful operation of a market is trust and our regulation and policy teams are at the front line of protecting investors', issuers' and participants' trust in our markets.

My vision is an NZX that engages, seeks feedback, and delivers in a timely manner. I think a good example of this was the way we undertook our recent review of NZX's corporate governance code.

Our policy team undertook an extensive consultation process which was extremely well supported by a broad range of stakeholders in the market, with whom we had some very productive and constructive engagement.

We received more than 80 submissions – a record for NZX – from major governance groups, issuers, corporate firms and investors in New Zealand and overseas. This resulted in a very high quality set of guidelines that will continue to support trust and confidence in our markets.

We will soon deliver the outcome of our Participant Rules review. This review seeks to strike an appropriate balance between enhancing NZX's supervision and surveillance capabilities, while managing the compliance burdens for participants.

Our next undertaking will be a full review of the listing rules, to ensure that they are aligned to the way the market has evolved since the rules were last updated and, more importantly, that they provide the right settings to allow the markets to flourish over the next ten years.

Done well, high quality regulation can lead to a lower cost of capital for corporates, fairer markets for investors, and is a source of competitive advantage for NZX.

Closing remarks

In closing, I would reiterate that while 2016 was a year of challenge and upheaval for the organisation, it was also one of significant hard work and considerable achievement.

We are in a strong position, with considerable earnings momentum and a clear set of opportunities to deliver against in the short term. This also provides us with a great platform to define our five year future and deliver meaningful shareholder returns over this period.

I will now hand over to Mark to talk more about the current state of the organisation.



Address from Chief Executive, Mark Peterson

[Slide: Address from Chief Executive, Mark Peterson]

Thank you James - good morning ladies and gentlemen.

I am pleased to address you, the owners of NZX, for the first time as CEO.

As many of you will be aware this is not my first NZX Annual Meeting, but it is my first as CEO – I have to say it is privilege to lead this business.

Before we get started I would like to make mention of our executive team and staff who are here today. I would also like to introduce our Chief Financial Officer Bevan Miller, our General Counsel Hamish Macdonald, and our Head of Market Supervision Joost van Amelsfort.

Over the past five months I have been focused on three things – improving business performance, market development and creating a refreshed long-term strategy for NZX.

Today I will speak to the performance of our business so far in 2017 and later in my speech I will introduce the initial themes we are exploring around our strategy to lift value for shareholders and advance New Zealand's capital markets.

Key financial results

[Slide: 2017 – five months in review]

I took over as Acting CEO on 1 January and was permanently appointed to the role on 10 April.

As James highlighted, our financial results for the five months ended 31 May 2017 have been encouraging, with earnings before interest, tax, depreciation and amortization 38% ahead of the prior year.

While revenue was 2.3% down on the prior year due to the disposals in our Agri business, on a like-for-like basis revenues were up just under 3%.

More importantly however, operating expenses were down 18% on last year, which drove the significant uplift in earnings. We have been disciplined with costs in our ongoing operations. And significant benefit has been derived from the absence of costs associated with the Ralec litigation, the Financial Markets Conduct Act transition and our exited Agri business.

[Slide: 2017 – business breakdown]

If I could draw your attention to the chart on screen, which shows the breakdown of the 38% growth in EBITDA across the components of NZX's business.

As you can see, revenue growth was strongest in our Funds Management business, reflecting the benefit of continued growth in funds under management.

And despite a subdued capital raising and trading environment, we have also seen growth in our Markets business. The lift has come from derivatives which is up 139% on the prior year to



date, and we have seen good performance in data revenues and annual listing fees, with listing activity in the debt market contributing strongly to this result.

Agri revenues were substantially lower than the prior year reflecting the disposal of the Clear Grain Exchange and magazines businesses, but with a more than offsetting reduction in costs from the businesses that were disposed of, EBITDA for the Agri division increased.

We also saw lower costs in the markets and funds businesses, the latter reflecting the completion of the Financial Markets Conduct Act transition, and the flow on benefit of efficiencies such as the consolidation of trustee arrangements under a single supervisor.

The substantial reduction in corporate costs reflects the completion of the Ralec litigation.

Our 2017 EBITDA results demonstrate that NZX is keeping a stronger focus on costs and delivering on the immediate growth opportunities in our derivatives, SuperLife and Smartshares businesses. It is pleasing to see growth in these areas.

Business operations and key projects

Alongside the improved financial performance, we are also delivering operationally.

Our core markets infrastructure remains very stable. In 2016, our trading system had an uptime of 100%, while our clearing system's uptime was 99.6%.

We also regularly test our business continuity and disaster recovery plans to ensure that our core systems can run on back up infrastructure. Every year we run the market on our backup servers for a week, which is the only way to test this capability properly.

Our BCP plans were put to the test last year following the Kaikoura earthquake when we were unable to access our Wellington offices immediately following the earthquake. Notwithstanding the tragedy, I am pleased to report we opened the market on time, and were able to run the market outside staff residing away from our normal offices, effectively having activated our business continuity plan.

Our operations teams continue to process the market activity in an accurately and timely manner, with 683 corporate actions processed and 18,929 announcements released in 2016.

At the start of 2017, the senior team improved internal clarity on key project priorities to lift our delivery rate and remove distractions. Creating this clarity has assisted with our delivery this year with several key projects already completed.

Number one – we published the NZX Corporate Governance Code. This is a significant step forward for reporting requirements in New Zealand, and as James mentioned, engagement received during this review was extensive and extremely constructive.

Number two – we implemented changes to the way administrative trading halts are applied, following the release of price sensitive information by our listed companies. Our team worked alongside the market to ensure readiness for these changes – and again, we received excellent feedback on the implementation and communications around this project. A key element to this project was the automation of much of the manual work.



Number three – this week, we delivered a major life-cycle upgrade to our clearing and settlement system, the culmination of a project that commenced in 2014. As well as providing a significant upgrade to critical market infrastructure, it also means NZX offers a larger suite of products to our clearing participants and automates several manual processes around our risk management.

Number four – our flagship website NZX.com has been upgraded and now mobile responsive. As part of this we were able to respond to feedback from the New Zealand Shareholders' Association, and now host all listed company announcements dating back to 2010 on our website.

Number five – we have maintained our strong reputation in the regulatory space. Our team has continued to focus on working with listed companies to help them meet their compliance obligations and drive best practices through the market. This has been achieved through ongoing issuer workshops, one-on-one engagement, and a suite of published practice notes.

I would also like to acknowledge the Financial Market Authority's Annual Market Operator Obligations Review which was released yesterday, this again confirmed NZX met all its licenced market obligations. We will fully review the report in the coming days and look forward to working collaboratively with the FMA to build on the ongoing oversight of our markets.

This just the start. We obviously still lots to do – but I am actively working alongside our executive team to lift NZX's urgency when it comes to project delivery and execution.

Market development

Markets are cyclical

[Slide: Capital markets are cyclical]

It is important to view the performance of the New Zealand market in context.

Recent media commentary has criticised the lack of IPOs in the New Zealand market – and while I am not denying that there has been a downward trend it is important to view this performance in context, and remember that our markets are cyclical.

NZX also has a very strong debt market which is often leveraged at times when the equity market is slower.

NZX has averaged 11.5 listings per year since 2003. The total number of debt listed securities has averaged 19.5 per year over this same period.

While our team seeks to influence New Zealand's demand for new listings, it is important to remember NZX only plays one role in helping to create supply. I know we have a responsibility to create and maintain an efficient market – but ultimately we rely on all the players in our markets ecosystem to attract and list companies. It takes a market wide effort to grow a market.

It's also important to acknowledge that the global IPO landscape has changed. World Federation of Exchange numbers show that globally the number of newly listed companies was down 26.9% in 2016.



Globally, trends are changing. Total costs associated with listing have increased, investments in mutual funds have increased, alternative forms of funding are now more prominent, and there is lack of company information – particularly for smaller businesses. All of these things contribute to lower IPO rates.

In saying this, we have lots of opportunity to grow the listed markets in New Zealand. Our listed equity market cap to GDP is currently 45% - but to put this in context other mature countries can have this ratio over 100%. So, I'm excited about what might be possible.

To capitalise on this opportunity, we need to collectively address these issues to enact change and generate solutions. This is particularly important given the critical role IPOs play promoting growth and creating jobs in our economy.

Building on the opportunities in our markets business

NZX's role in influencing the demand for new listings is to better sell the benefits of listing and enhance our service offering.

To support this I need to ensure we have a strong markets team in place who have an external focus on attracting listings and providing exceptional customer service.

We all know that the best performing markets are those with plenty of investment options, which is why one of the first things I did as CEO was to create a dedicated team to focus on listings, and advertise for a Head of Listings. We have made good progress in this search, which is now nearing its final stages.

Promoting the benefits of listing is something I know we need to work on. We need to better invest in our markets business in order to become a clear voice for the listed community. We also need to think carefully about additional services so we can add value to our issuers and attract more issuers to the market.

In January, we appointed a Senior Issuer Relationship Manager to strengthen our presence among existing issuers and identify areas where we can improve our service offering.

This is already generating results. Our IPO Masterclass was recently attended by more than 30 owners and managers of private companies – it's fantastic to see such a variety of companies considering the opportunities that a listing creates.

We have also supported two investor days for small to mid-cap companies, which has given some of our issuers' exposure to a wider pool of investors, and helps to improve the level of service we are offering.

Focusing on our secondary market

Recent media coverage has also highlighted that the framework and efficiency of our secondary market – which is where investors buy and sell shares already on issue – needs improving.

I see opportunity to quickly improve the liquidity and structure of this market, and am considering a range of options to do so.



The first of which is being launched on Monday, where we will trial a tailored trade pricing structure designed to attract new local and international electronic trading flow that isn't being traded at present. This new business will all be traded on market, improving price discovery while adding further depth and liquidity.

Developing our derivatives market

[Slide: Developing our derivatives market]

Turning to our derivatives market – this is becoming a truly global market and a point of difference for NZX.

NZX is now home to the fastest growing derivatives market for global dairy ingredients. At the end of May 2017 we had traded 126,000 contracts this year, compared to 52,000 for the same period in 2016, that's an increase of 142%.

It is encouraging to see that this market is now reaching the scale where it will begin to make a meaningful contribution to NZX's earnings.

Market engagement

[Slide: Market engagement]

Since becoming CEO I have met with more than 120 of our market players who include listed companies, market participants, brokers, regulators, policy makers, industry bodies and investors.

I wanted to hear their views first-hand to gain a broader understanding of the challenges, and the solutions needed to improve the operation of our market.

A key theme has been that NZX needs to simplify the structure and operation of its equities market. New Zealand is too small for three equity markets.

I agree that our market needs to be simpler – but for me the question is how?

On Tuesday we took the first step towards achieving this goal by announcing a review of our current equity market structure. This was in response to broader market feedback that the present structure was not effectively meeting the needs of New Zealand's smallest listed companies.

Given the likely outcome of this review will be to consolidate all of NZX's equity markets into a single board we wanted to communicate this sooner rather than later.

Effectively supporting smaller companies is very important to NZX and it was a key finding from the work the Capital Markets Development Task Force undertook – designing a market that effectively meets our stakeholders' needs is critical to that.

A review of our market's structure will naturally inform thinking about our listing rules. Therefore NZX will commence a formal consultation process on the structure of its broader market and a review of its Listing Rules for our current Main Board issuers, in late Q3 2017.



The last holistic review of our listing rules took place back in 2003 – this is a once in 15 year opportunity to adjust our regulatory settings to fit today’s markets and position us for the future.

Building on the work of previous policy reviews, an extensive consultation process will be undertaken for the listing rules review. It is vital that customers and market commentators are fully involved, and support the process by formally, and constructively sharing their views on how NZX can help to increase the depth, breadth and vibrancy of New Zealand’s capital markets.

As well as looking after our smallest listed companies, and simplifying the current structure of our market, this review will seek to remove unnecessary compliance costs, enhance investor protections – where appropriate – to drive increased market participation, and make it easier to list a wider range of financial products.

This is a very important piece of work for our future.

Our strategic review

[Slide: key themes]

Key themes

As James mentioned, alongside these efforts work has begun on an extensive review of NZX’s strategy. This will determine the shape of our business, and influence the strategies we will adopt in growing the business and New Zealand’s capital markets for the long-term.

While there are some areas where swift action needs to be taken to improve our business – and we are doing that – at the same time we need to take a considered approach to the long term so we can make the right strategic decisions.

Almost three months into the role of CEO, I have been listening to feedback from the market to inform internal thinking around our refreshed strategy ... and today I want to provide some initial insight into the themes we are exploring.

The first is that it is clear our core markets business is suffering from complexity.

The second is given NZX’s role as a market operator we need to influence and align the industry to improve our capital market structure.

The third is that we need to review our business and better leverage the parts of our portfolio which can support our core markets business.

The fourth is a recognition that NZX has been too inwardly focused. We need to have more presence with our local market players. We need to listen to what is needed, and consider relevant international linkages.

The fifth is to actively position our business for the long-term by better understanding the needs of the entire investor community.

And the sixth is that as an organisation we need to earn the right to grow through capital and cost effectiveness and frugality.



The outcome of this strategic review will be to create a simpler, more focused and well-connected NZX that supports the growth of our core markets business, which has a point of difference to ensure long-term regional relevance.

[Slide: Focusing on what NZX can control]

Focusing on what NZX can control

One of the starting points for our strategic review was to understand and acknowledge what NZX can directly address or control and what we can only seek to influence.

The types of things NZX has the ability to directly address are straightforward and unsurprising – like having a strong focus on controlling costs and improving operational efficiencies. While others require us to think more laterally about tangible revenue opportunities, particularly in our core markets business.

The things NZX can only seek to influence are more challenging to create quick progress on.

For example, while our team can seek to influence the non-NZX related costs associated with listing, these third party costs are generally outside our direct control.

While we will continue to support making changes to improve the structural competitiveness of our market compared to other jurisdictions, this requires participation and alignment from the entire markets eco-system to enact change.

And while we will work alongside the advisory community to support companies through the listing process – we have no influence on market pricing and we can't force a business to list.

It would have been fantastic to see companies such as Hirepool, Perpetual Guardian, Carter Holt Harvey and 2 Degrees list, but for valid market or company specific reasons outside of NZX's control the transactions didn't make it to the Main Board.

Going forward the team at NZX will remain strongly focused on the things we can control, while seeking to increase our leadership role, and influencing the development of New Zealand's capital markets.

Expectations

In closing, as a CEO I am very passionate about three things – customers, collaboration and clarity.

I really want to create an NZX which is focused on meeting the needs of all our customers.

I will have a team that understands clients and values relationships.

We must create an organisation which collaborates, and seeks out fresh ways to engage and deliver innovative and successful solutions for our customers.



To achieve this, NZX needs to be agile and has to be adaptable – we must embrace change – but we also need to better understand and educate our customers on our role we play within the capital markets network. That creates clarity for everyone involved.

The last five months have been a very good first step for NZX – but we have lots to do. I want to ensure that NZX delivers improved returns for you, our shareholders.

Before I hand you back to James for the formal business of the meeting and resolutions I would like to thank you for your loyal support of NZX.

It is a privilege to lead our business. I look forward to updating you further throughout the year on progress and updating you on a fresh strategy for our company in November.

Thank you.

Ordinary Business

[Slide: Ordinary Business]

We now get to the formal part of the meeting.

As you entered the venue today shareholders and proxy holders will have received either a white voting card or a non-voting investor card. If you wish to ask a question, please hold up your card as only shareholders and proxy holders are entitled to ask questions. If you received a visitor's card, you will not be allowed to ask a question.

During the formal business part of the meeting, questions must be related to the resolution at hand. We will deal with any questions relating to general business following the resolutions. If you would like to ask a question can I please remind you to wait for a microphone and begin by stating your name and whether you are a shareholder or proxy holder. In the interests of other shareholders who may want to ask a question, I would ask that you please keep your questions brief.

For the sake of giving all shareholders a reasonable opportunity to raise any questions, shareholders are asked that they only speak once. I would also ask that shareholders try not to repeat comments or questions that have already been made.

Each resolution set out in the Notice of Meeting is to be considered as an ordinary resolution and, as such, must be approved by a simple majority of the votes cast by shareholders entitled to vote and voting on the resolution.

Voting on each of the resolutions will be by poll. We will now conduct the polls on the matters described in the Notice of Meeting.

KPMG, NZX's auditor, will act as scrutineer.

You should all have a voting paper which was given to you when you registered.

To cast your vote please complete your voting paper by ticking "FOR", "AGAINST" or "ABSTAIN" in the appropriate place for each resolution. The voting cards will be collected at the



conclusion of the formal business. If you have any difficulty, please raise your hand and someone will assist you.

[Slide: Resolution 1]

Resolution 1 – relates to the Auditor’s fees and expenses

This resolution is to authorise the Board to determine the auditor’s fees and expenses for the 2017 financial year. KPMG continues in office as the NZX auditors, and in the Board’s opinion continues to provide good service to the company. Details of the fees paid to KPMG in 2016 are set out in note 10 of the financial statements on page 49 of the annual report.

I move that the Board be authorised to determine the Auditor’s fees and expenses for the 2017 financial year.

Are there any questions on this Resolution?

[Deal with questions, if any]

[Slide: Resolution 1 – Proxies Received]

There being no [more] questions I now invite you to vote by marking your voting card for Resolution 1.

The next four resolutions deal with the election and re-election of directors

[Slide: NZX Director Appointment Process]

As I have already communicated to shareholders, the Board recently undertook an extensive review of the attributes and skills needed to deliver the quality of governance expected for a business that operates at the centre of New Zealand’s capital markets.

Based on this review, in 2016 the Board developed a skills matrix and gap analysis in conjunction with governance services firm Propero Consulting. Propero are leading experts on Board composition, working alongside more than 50% of New Zealand’s largest and most successful listed companies, as well as numerous privately owned businesses, government entities and cooperatives.

A skills matrix is designed to create open and productive discussions about a board’s current make-up, while considering future competencies needed to achieve an organisation’s strategic goals. It outlines the experience needed to ensure a board is well equipped to provide a high standard of corporate governance, and balances the introduction of new skills, while maintaining sufficient continuity.

Disclosure of a board’s skills matrix provides shareholders with increased confidence in directors’ abilities to maintain or improve business performance and achieve an organisation’s strategic objectives.

I would like to take this opportunity to briefly explain the skills matrix of the NZX board. Before I start I must mention a health warning – skills matrices are an art and not a science. Their primary purpose is to stimulate board discussion, rather than being an answer in



themselves. In categories where we had insufficient information to form a view the matrix was left blank.

With that said, the NZX skills matrix is made up of three parts.

[Slide: Engage in strategy and performance]

The first is the industry and business expertise matrix. This ensures our board can effectively engage in NZX's strategy and performance.

The left-hand column lists the directors. The directors which have recently left NZX are shaded grey – and their replacement candidates who are seeking election today sit directly below them. We also added Tony Falkenstein to the last line of the matrix, which the board considered before reaching a decision not to support his nomination.

Along the top of the matrix are the skill sets each potential director is assessed against. For example: stock exchange expertise, data information, media, technology expertise, business operations and so on. Following interviews with potential directors Propero independently rated them against the required skill set.

The clear dots indicate a moderate capability and the solid blue dots indicate a high capability. This then clearly indicates when the board meets a required skill set as shown by the green dot – or there is a gap as shown by the red dot.

[Slide: Engage in strategy and performance (second slide)]

An orange dot indicates a partial gap in the skills matrix such as entrepreneurial (IPO focus), as you can see in the second half of the industry and business expertise matrix on screen now.

[Slide: Ensuring quality committee leadership]

The second part of the skills matrix is functional committee expertise. This is important in ensuring quality committee leadership across key areas.

This aspect of the skills matrix is somewhat unique to NZX, and is an additional cross check undertaken by Propero Consulting to see which committees a potential director has the technical skills to serve on, and to identify conflicts of interest. In addition to the normal board sub committees such as audit and risk and human resources, NZX has additional unique committees for conflicts, its clearing house and regulatory governance.

[Slide: Connectivity to a diverse range of stakeholder groups]

The third part of the skills matrix addresses connectivity. Again, this is an assessment unique to NZX. Given our position at the centre of our markets, our directors need to demonstrate strong connectivity to a diverse range of stakeholder groups.

As you will see from the connectivity matrix now on the screen each potential director's connectivity is cross checked to one of NZX's stakeholder groups. These could include regulators or government, the Electricity Commission, listed companies, brokers or institutional and retail investors.



[Slide: Our connectivity]

I like to think of NZX in its simplest form as a computer box surrounded by a unique set of rules – these include NZX’s own listing rules and the Financial Markets Authority’s rules that govern our broader financial markets. Around these rules – or just outside the computer box – sit all of our stakeholders.

It is critical that NZX is able to effectively engage with and understand its broad range of stakeholders and customers. Done properly this creates network effects and a strong franchise for NZX.

By looking at the three matrices together, the Board and Propero identified the key criteria that new appointees would need to meet in order to fill out the collective skill set required for your Board.

This determined that Frank Aldridge and Richard Bodman possessed the key skills and experience the board was currently seeking to complement our remaining directors.

Therefore, the board unanimously supports resolutions 2, 3 and 4, which relate to the election of Frank Aldridge, Richard Bodman and the re-election of Patrick Strange.

Propero’s work did acknowledge that there are still skills gaps apparent around the board table such as deep experience in the small listed company sector. We also remain mindful that we need to increase our connectivity to the funds management sector at a governance level and improve our diversity, which will be considered for possible future Board appointments.

Following an in-depth interview by Propero and myself, and careful consideration, the Board reached the view that while Tony Falkenstein holds some of these attributes, other skill areas were deemed to be of a higher importance to lead our business at this stage.

As such, the board does not support resolution 5, which is for the election of Tony Falkenstein. While the board does not support Tony’s nomination, as the owners of NZX this is your decision. And, as I have already said to Tony, the board will respect your decision on resolution 5.

[Slide: Resolution 2]

Resolution two relates to the election of Frank Aldridge.

As the Managing Director of Craigs Investment Partners, Frank brings to NZX a sound understanding and connection to New Zealand’s capital markets, which is extremely important in a network business like NZX.

The Board unanimously supports Frank’s election to the Board.

I invite Frank to address the meeting on his proposed election.

[Frank addresses meeting]

Thanks Frank. I move that Frank Aldridge be elected as a director of NZX Limited.
Are there any questions on this Resolution?



[Deal with questions, if any]

[Slide: Resolution 2 – Proxies Received]

There being no more questions I now invite you to vote by marking your voting card for Resolution 2.

[Slide: Resolution 3]

Resolution 3 relates to the election of Richard Bodman.

Richard brings to NZX extensive clearing expertise. As part of the Reserve Bank of New Zealand and the Financial Markets Authority's regulatory requirements, NZX are required to maintain sufficient governance experience to manage our clearing activities.

The Board unanimously supports Richard's election to the Board.

I invite Richard to address the meeting on his proposed election.

[Richard addresses meeting]

Thanks Richard. I move that Richard Bodman be elected as a director of NZX Limited.

Are there any questions on this Resolution?

[Deal with questions, if any]

[Slide: Resolution 3 – Proxies Received]

There being no more questions I now invite you to vote by marking your voting card for Resolution 3.

[Slide: Resolution 4]

Resolution 4 relates to the re-election of Dr Patrick Strange.

Patrick joined the Board in May 2015 and brings to NZX the benefits of many years' experience as a CEO. He is a very experienced company director having worked with several of New Zealand's largest listed companies.

The Board unanimously supports Patrick's re-election to the Board.

I invite Patrick to address the meeting on his proposed re-election.

[Patrick addresses meeting]

Thanks Patrick. I move that Dr Patrick Strange be re-elected as a director of NZX Limited.

Are there any questions on this Resolution?



[Deal with questions, if any]

[Slide: Resolution 4 – Proxies Received]

There being no more questions I now invite you to vote by marking your voting card for Resolution 4.

[Slide: Resolution 5]

Resolution 5 relates to the election of Tony Falkenstein. As discussed previously, the Board does not support Tony's election to the Board.

Tony is now invited to address the meeting on his proposed election.

[Tony addresses meeting]

Thanks Tony. I move that Tony Falkenstein be elected as a director of NZX Limited.

Are there any questions on this Resolution?

[Deal with questions, if any]

Before we move on I would like to acknowledge the observations Tony made about NZX in his speech today. These are similar to the observations he raised in the media over recent weeks. These points have not gone unnoticed and will be considered alongside NZX's strategic review.

Tony has also highlighted the continued need to discuss how we develop and best support New Zealand's smallest listed companies, and reinforced to the Board that shareholder performance has to improve.

[Slide: Resolution 5 – Proxies Received]

There being no [more] questions I now invite you to vote by marking your voting card for Resolution 5.

That concludes the conduct of the poll. Link Market Services will now come and collect your ballot papers.

[Slide: General Business]

That concludes the formal resolutions. The results of the resolutions will be published by the NZX to the market later today.

[Questions]

To close, I would like to reiterate that NZX's board and management teams focus on delivering healthy shareholder returns in the future.

Change has been a significant theme for NZX over the past 12 months. However, I am confident that under the leadership of Mark Peterson, and with several legacy issues now resolved, NZX is in good shape to deliver substantial earnings growth in 2017. We look forward



to updating you on our progress throughout 2017 and unveiling a refreshed strategy for our company in November.

In the meantime, we remain focused on protecting our core markets business, delivering on the immediate growth opportunities in our Smartshares, SuperLife, Wealth Technologies and dairy derivatives businesses, while keeping a tight lid on costs. I hope you have found Mark's update on progress for the first five months of 2017 encouraging.

[Slide 12 – Thank you]

I'd like to thank you for your attendance and your support of NZX. I declare the meeting closed and invite you to join us for refreshments and a tour of the stock exchange.