



AUDIT AND RISK COMMITTEE CHARTER

May 2024

1. Introduction

This Charter sets out the responsibilities and framework for the operation of the Committee.

2. Objective

- 2.1 The Company is a licensed market operator. The Company is responsible for monitoring and enforcing the rules under which the Company's markets operate.
- 2.2 NZCDC, a wholly-owned subsidiary of the Company, operates the NZCDC settlement system (also called NZX Clearing). NZCDC is responsible for monitoring and enforcing the rules under which NZX Clearing operates.
- 2.3 RegCo, a wholly-owned subsidiary of the Company, independently performs the Company's regulatory functions.
- 2.4 NZCDC has contracted with the Company and RegCo for RegCo to provide the regulatory function in respect of NZX Clearing.
- 2.5 The Committee assists the Board to fulfil its responsibilities in relation to the NZX Group's:
 - (a) financial practices and reporting including in relation to climate related disclosures;
 - (b) internal control environment;
 - (c) risk management;
 - (d) internal audit; and
 - (e) external audit.

3. Responsibilities

- 3.1 The Committee is responsible for:

Financial practices and reporting

- (a) reviewing the Company's full and half-year financial statements and related information (including in relation to the Company's climate related disclosures), together with the external auditor's reports, and making recommendations to the Board as to whether they comply with the appropriate accounting standards, laws and regulations;
- (b) reviewing and approving changes to material accounting policies;
- (c) reviewing tax-related matters;



Internal control environment

- (d) ensuring that processes are in place and monitoring of those processes so that the Board is properly and regularly informed and updated on internal control matters; and
- (e) overseeing the adequacy of internal controls, including considering the internal audit personnel's/internal audit firm's and external auditor's findings in respect of the internal control framework and recommendations to management;

Risk management

- (f) ensuring that management has established a risk management culture through the implementation of a risk management framework which includes a risk appetite statement, risk tolerance ranges, and policies and procedures to effectively identify, assess, manage and report on the Company's principal risks (including in respect of NZX Clearing) on an ongoing basis;
- (g) monitoring compliance with, and assessing the effectiveness of, the risk management framework;
- (h) reviewing and providing feedback to management in respect of the principal risks set out in the Company's risk dashboard (including all significant risk types applicable to the Company, for example cyber risk and privacy);
- (i) reviewing and providing feedback to management in respect of the adequacy of insurance arrangements and making recommendations to the Board in respect of annual insurance renewals; and
- (j) reviewing at least annually the adequacy of the NZX Group's arrangements for dealing with any potential or actual operational resourcing conflicts between the Company and NZX Clearing, to ensure that operational resourcing is adequate to meet New Zealand Clearing Limited's obligations as the central counterparty clearing house for NZX Clearing. As part of this, the Committee will consider:
 - (i) the independent internal auditor's assessment of the adequacy of those conflict management arrangements, as identified in the annual conflict management audit report; and
 - (ii) resourcing matters identified in the NZCDC annual operational audit report.

Internal audit

- (k) reviewing and monitoring the internal audit work plan, reports from internal audit and management responses;
- (l) overseeing the independence and objectivity of the internal audit function;
- (m) reviewing management's recommendations in respect of candidates for appointment as internal audit manager and/or the appointment or termination of an internal audit firm;
- (n) reviewing the remuneration and key performance objectives for the internal audit personnel/internal audit firm;



External audit

- (o) monitoring the independence and effectiveness of the external auditor (including a periodic comprehensive review and formal assessment);
 - (p) making recommendations to the Board on the appointment and removal of the external auditor;
 - (q) approving the external auditor's terms of engagement, audit partner rotation (at least every five years) and audit fee;
 - (r) reviewing and providing feedback in respect of the external auditor's annual audit plan; and
 - (s) reviewing and approving non-audit services performed by the external auditor, and reporting the value of non-audit work at every Board meeting.
- 3.2 The Financial Markets Conduct Act 2013 requires the Company to operate its markets in a fair, orderly and transparent manner. The Reserve Bank of New Zealand (Designated Settlement System – NZCDC) Order 2010 requires NZCDC to operate NZX Clearing in accordance with the principles for financial market infrastructures, which include a requirement to consider the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders. The Committee must take these requirements into consideration when making decisions and advising the Board on matters which impact these parts of the Company's operations.

4. Access rights

- 4.1 Notwithstanding the existence of the Committee, the internal audit personnel/internal audit firm and external auditor will have direct access to the Board in respect of any matter.
- 4.2 The Company's senior managers will have direct access to the Chairperson in respect of any matter of material concern that has been raised through normal management processes but has not been advised to the Committee.

5. Membership

- 5.1 The Committee will:
- (a) be comprised solely of directors of the Company;
 - (b) have a minimum of three members;
 - (c) have a majority of members that are independent directors; and
 - (d) have a minimum of one member with an accounting or financial background and be structured to ensure that, as a collective group, the Committee has the skills and experience to fulfil its role and responsibilities.
- 5.2 The Board will appoint and remove the members of the Committee and the Chairperson.
- 5.3 The Chairperson may not be the chairperson of the Board.



6. Meetings

- 6.1 Committee meetings will be conducted in accordance with the Company's Constitution and otherwise as determined by the Chairperson.
- 6.2 The Committee will generally meet four times a year and at least three times a year. The Committee may meet at any other time at the request of a member or the external auditor. The Committee will meet at least annually with the internal audit personnel/internal audit firm and external auditor without management present.
- 6.3 The Committee will establish an annual work programme to ensure that it reviews, assesses or reports on each of the areas for which it is responsible under this Charter.
- 6.4 The Committee may seek advice or assistance from independent external advisers.
- 6.5 The Committee will have unrestricted access to management and the internal audit personnel/internal audit firm and external auditor as necessary.
- 6.6 Directors may attend meetings of the Committee.
- 6.7 The external auditor will attend meetings. Management may only attend meetings at the invitation of the Committee. The Committee may meet without the external auditor present.
- 6.8 The Chairperson may ask any person attending a meeting to leave.
- 6.9 The quorum for a meeting is two members.
- 6.10 Unless the requirement is waived, notice of meetings will be given to all members. Notice will usually be by way of secure electronic transmission to an email address provided by the member.
- 6.11 Members are expected to attend all meetings and may be required to give an explanation to the Chairperson if they miss a meeting. Meetings can take place by means of video conference or telephone conference, provided all members are connected and able to hear each other.
- 6.12 All decisions of the Committee will be by majority vote. In the event of a deadlock, the Chairperson does not have a casting vote.

7. Conflicts of interest

- 7.1 Members must disclose to the Committee any actual or potential conflict of interest.
- 7.2 A member must excuse themselves from all discussions or decisions, in respect of any matter in which they may have an actual conflict. The Chairperson will determine whether a member will receive supporting documentation in respect of any matter in which the member may have an actual conflict.



8. Secretarial

- 8.1 The Company Secretary will act as the secretary to the Committee.
- 8.2 The Company Secretary will generally circulate the agenda and supporting documentation to members at least five business days prior to each meeting.
- 8.3 The Company Secretary or his or her delegate will take minutes at each meeting and circulate them to members within one week of each meeting.

9. Authority

- 9.1 The Committee has authority to undertake any activity set out in this Charter or authorised by a separate resolution of the Board.

10. Reporting

- 10.1 The minutes of meetings will be available to the Board.
- 10.2 The Chairperson will report to the Board in respect of the Committee's findings.

11. Confidentiality

All discussions, papers and records of Committee meetings will remain confidential to the Company, unless there is specific direction from the Committee or Board, or disclosure is required by law.

12. Performance

- 12.1 The Committee will assess its performance against the responsibilities set out in this Charter at least annually.
- 12.2 The Board will review the Committee's performance at least annually.

13. Interpretation

In this Charter:

Board means the board of directors of the Company;

Chairperson means the chairperson of the Committee;

Committee means the Audit and Risk Committee of the Company;

Company means NZX Limited;

NZCDC means New Zealand Clearing and Depository Corporation Limited; and

RegCo means NZX Regulation Limited.



Approver:	NZX Limited Board
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