



EXTERNAL AUDITOR INDEPENDENCE POLICY

17 May 2023

1. Introduction

NZX is committed to ensuring the quality and independence of its external audit process and protecting its reputation for integrity in financial reporting.

2. Objective

This policy provides a framework for NZX managing its external auditor and ensuring that there is no relationship between the external auditor and NZX (or its directors and management) that could compromise the external auditor's independence.

3. Application

This policy applies to all companies in the NZX Group.

4. Appointment of external auditor

4.1 The Audit and Risk Committee is responsible for making recommendations to the Board on the appointment of the external auditor. The Audit and Risk Committee may only recommend the appointment of an audit firm if that firm:

- (a) is registered, and its audit partners are licensed, under the Auditor Regulation Act 2011;
- (b) would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgement on all issues covered by the external auditor's engagement;
- (c) has not, in the two years prior to the appointment of the external auditor, had as a member of its audit engagement team, or had as a partner of its New Zealand partnership, NZX's Chief Executive Officer, NZX's Chief Financial and Corporate Officer or any member of NZX's management who acts in a financial oversight role; and
- (d) does not allow the direct remuneration of its audit partners for selling non-audit services to NZX.

4.2 The external auditor must confirm in writing to the Audit and Risk Committee at least annually that:

- (a) it is in compliance with Chartered Accountants Australia and New Zealand's (CA ANZ) professional standards and ethical guidelines; and
- (b) it has remained independent during the previous 12 months.



5. Provision of non-audit services by external auditor

- 5.1 To ensure that any non-audit services provided by the external auditor do not compromise the external auditor's independence:
- (a) the external auditor may not be involved in the production of financial information or the preparation of financial statements. This includes the provision of valuation services where such valuation forms an input into audited financial information;
 - (b) the external auditor may not perform any management function, or be responsible for making management decisions;
 - (c) the external auditor may not be responsible for the design or implementation of financial information systems, processes or controls; and
 - (d) the separation between internal and external audit must be maintained.
- 5.2 All non-audit services to be provided by the external auditor must be pre-approved by the Chair of the Audit and Risk Committee. The Chief Financial and Corporate Officer must report all such non-audit services to the Board.
- 5.3 The external auditor must confirm in writing to the Audit and Risk Committee where any non-audit services were provided to NZX in the current financial year, that appropriate safeguards were applied to eliminate or reduce the threats to independence to an acceptable level.

6. Non-audit services which may not be performed by the external auditor

- 6.1 The external auditor may not perform the following services for NZX:
- (a) bookkeeping and other services related to accounting records or financial statements;
 - (b) the design of financial information systems, processes or controls;
 - (c) appraisal or valuation services or opinions as to fairness;
 - (d) internal audit services;
 - (e) structured finance advice;
 - (f) due diligence services;
 - (g) legal services (these are services that could only be provided by a person who is qualified in law);
 - (h) tax planning, strategy and compliance services;
 - (i) management functions;
 - (j) broker or dealer or investment adviser or investment banking services;
 - (k) services of an expert as an advocate;



- (l) actuarial services;
- (m) staff on secondment;
- (n) assistance in the recruitment of senior management;
- (o) tax services to NZX's Chief Executive Officer, Chief Financial and Corporate Officer or any member of management who acts in a financial oversight role; and
- (p) accounting policy advice (including opinions on compliance with New Zealand Generally Accepted Accounting Practice).

7. Non-audit services which may be performed by the external auditor

7.1 The external auditor may perform the following services for NZX:

- (a) listing advice;
- (b) accounting or technical training; and
- (c) any other services approved by the Audit and Risk Committee.

8. Audit fees

8.1 The external auditor may not charge NZX contingent fees.

8.2 The external auditor's fees for approved non-audit services may not exceed the fees for core audit services in any financial year.

9. Audit partner rotation

9.1 The external auditor's key audit partner must change every five years and five years must expire before that partner's next appointment as the external auditor's audit partner.

10. Review and assessment of the independence and effectiveness of the external auditor

10.1 The Audit and Risk Committee will undertake a comprehensive review and formal assessment of the independence and effectiveness of the external audit firm at least every ten years (or more regularly if requested to do so by either the NZX Limited Board or the Chair of the Audit and Risk Committee).

10.2 The comprehensive review and formal assessment will be undertaken using four main categories:

- (a) Quality of audit service and sufficiency of resources – including the specific expertise of the audit team, the external audit firm's audit quality policies and practices, and the findings of the external audit firm's audit quality reviews by external regulators;
- (b) Exercise professional skepticism – including the use of specific expertise in relation to assessing estimates, judgmental matters and accounting policies used by NZX;
- (c) Independence and objectivity – including the external audit firm's independence reporting, policies and practices; and



(d) Communications with Board and Audit and Risk Committee – including timeliness, informativeness and candidness of the communications.

10.3 The comprehensive review and formal assessment may include an audit tender process; in which the incumbent external audit firm may be considered eligible to participate.

11. Directorship / Employment by NZX

11.1 The external auditor's key audit partner cannot be appointed a director of NZX, or employed as NZX's Chief Executive Officer, NZX's Chief Financial Officer or any member of NZX's management who acts in a financial oversight role, for a period of five years subsequent to cessation as the external auditor's audit partner.

11.2 The equivalent stand-down period for any a) other member of the audit team, and b) other executives or partners of the external audit firm (not involved in the audit), will be one year.

Approver:	NZX Limited Board
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