



2 June 2017

DEAR FELLOW SHAREHOLDER,

On behalf of the Board of directors I am pleased to invite you to the 14th Annual Meeting of NZX Limited shareholders, commencing at **10.00am on Friday 30 June 2017**. I look forward to welcoming you to our offices for the Annual Meeting at the NZX Centre, Level 1, 11 Cable Street, Wellington.

At the meeting, the Board will be joined by our recently appointed CEO Mark Peterson and the executive team. I will present an overview of NZX's performance and Mark will introduce himself to shareholders and set out the key areas of focus for the company under his leadership. There will also be an opportunity to ask questions. At the conclusion of the meeting you are invited to join the Board and executive team for light refreshments.

BOARD COMPOSITION

At this year's meeting, we have four director elections, one of which is not supported by the Board. As such it is important that I take this opportunity to update you on the rigorous process we have in place to ensure our director appointment process at NZX is focused on identifying and appointing qualified candidates who collectively possess an optimal level of skills and experience.

As I have previously communicated to shareholders, the Board has recently undertaken 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 the Board developed a skills matrix and gap analysis in conjunction with governance services firm Propero Consulting, who are leading experts on Board composition, with a client base including many of New Zealand's largest and most successful listed companies. The skills matrix outlines the experience needed to ensure the Board is equipped to provide the high standard of corporate governance required to lead our business into the future.

The Board considers the attributes of all potential director appointments against this matrix and several other important elements of board composition, including committee succession, relevant executive and governance experience, regulatory requirements, geographic location and diversity as part of this process.

The process also needs to balance the introduction of new skills to the Board, while maintaining sufficient continuity. In the Board's opinion shareholders are being presented with the opportunity to elect the most appropriately qualified and experienced candidates to their Board.

The Board is pleased that this rigorous process has identified candidates of Frank Aldridge's and Richard Bodman's calibre, and to have appointed them as directors of NZX in the last two months to fill vacancies arising in 2017.

DIRECTOR ELECTIONS

In accordance with the NZX listing rules, Mr Aldridge and Mr Bodman will retire and offer themselves for election by shareholders at the Annual Meeting. Dr Patrick Strange, who joined the Board in May 2015, is also standing for re-election under the listing rules.

The Board unanimously SUPPORTS resolutions 2, 3 and 4, which relate to the election of Mr Aldridge, Mr Bodman and the re-election of Dr Strange.

A summary of each nominated director's skills and experience can be found below and their full biography can be found in the Explanatory Notes to the Notice of Annual Meeting attached to this letter.

Tony Falkenstein has nominated himself to be put forward as a director. The Board DOES NOT SUPPORT resolution 5 which relates to Mr Falkenstein's election.

All director candidates, including Mr Falkenstein, have been assessed against the skills matrix outlined above. The Board does not believe Mr Falkenstein would add sufficient additional skills, depth or experience to the current Board.

Appointments supported by the Board

Frank Aldridge, Richard Bodman and Dr Patrick Strange all meet the requirements of NZX's 'fit and proper' policy. These checks are designed to ensure prospective candidates' character, capability, references and conduct are appropriate to govern NZX.

Frank Aldridge

In appointing Mr Aldridge, the Board considered NZX would benefit from a director with deep experience in capital markets and relevant financial services leadership. As such, Mr Aldridge brings to the Board:

- Extensive experience growing and leading a large financial services firm;
- Specific entrepreneurial capabilities in equity capital markets and funds management, and experience in raising equity capital;
- A good understanding of regulatory obligations, and contemporary corporate governance practices;
- Skills and experience to serve on the Board's Audit & Risk Committee, and potentially to provide that Committee with options for Chair succession in due course; and
- The ability to contribute in a collegiate way, consistent with the effective operation of a board, with a common purpose and goals.

Richard Bodman

In appointing Mr Bodman, the Board considered NZX would benefit from a director with deep experience in clearing, capital markets and funds management. As such, Mr Bodman brings to the Board:

- The necessary governance experience to manage oversight of NZX's wholly owned subsidiary, New Zealand Clearing and Depository Corporation (NZCDC), which is a key requirement of the Financial Markets Authority and Reserve Bank of New Zealand as joint regulators of the NZCDC settlement system, and a skill set that was previously provided by former director Alison Gerry;
- An extensive understanding of compliance and regulatory obligations;
- Specific industry knowledge of New Zealand's financial services and funds management sectors; and
- A manner which will facilitate an effective working relationship with the Board and executive team.

Dr Patrick Strange

In addition to this, Dr Strange is standing for re-election. Dr Strange has spent more than 30 years working as a senior executive and director in both private and listed companies. He will continue to bring to the Board:

- The benefits of many years' experience as a Chief Executive;
- Specific industry knowledge of energy markets, which is an important and profitable part of NZX's business;
- Expertise in the agricultural sector, which presents a key growth opportunity for NZX's Markets business through the suite of dairy derivatives products; and
- Extensive experience as a company director, having gained strong governance experience with several of New Zealand's largest listed companies.

Appointments not supported by the Board

The Board notes that it has not had the opportunity to conduct checks on Mr Falkenstein as required by NZX's 'fit and proper' policy. These checks are designed to ensure prospective candidates' character, capability, references and conduct are appropriate to govern NZX.

Tony Falkenstein

Propero Consulting interviewed Mr Falkenstein in order to formally assess him against the skills matrix and gap analysis used in recent NZX director appointments. Following this interview and a meeting with the Chair of NZX it was determined that Mr Falkenstein would bring limited additional skills to the Board.

While it was recognised that Mr Falkenstein would bring to the Board entrepreneurial skills and experience in the small listed company sector, his skills overlap with those of existing directors and are focused on an important but small part of NZX's wider business.

The Board is of the view that the supported candidates would bring greater diversity and a wider range of skills to the Board, particularly in the areas of funds management and clearing, where Mr Falkenstein has limited experience.

VOTING INSTRUCTIONS

Voting instructions are outlined in the enclosed Proxy Form. For those shareholders who are attending the Annual Meeting, please bring the enclosed Proxy Form with you to assist with your registration.

If you cannot attend the meeting, I encourage you to appoint a proxy to attend and vote in your place.

I look forward to seeing you at the Annual Meeting.



JAMES MILLER
Chairman