



NZX Regulation Decision

CSM Group Limited (“CSM”)

Application for a waiver from – NZX Main Board Listing
Rule 2.13.3(f)

26 July 2019



Waiver from Listing Rule 2.13.3(f)

Decision

1. Subject to the conditions set out in paragraph 2 below, and on the basis that the information provided by CSM Group Limited (**CSM**) is complete and accurate in all material respects, NZX Regulation (**NZXR**) grants CSM a waiver from NZX Listing Rule (**Rule**) 2.13.3(f), to the extent that this Rule would otherwise require CSM to ensure that the Key Audit Partner is changed at least every five years. The effect of this Waiver will require CSM to change its Key Audit Partner after the completion of its 30 June 2019 audit.
2. The waiver in paragraph 1 above is provided on the condition that the CSM Audit Committee ensures that CSM's Key Audit Partner is rotated after the completion of the 30 June 2019 audit.
3. The information on which this decision is based is set out in Appendix One to this decision. This waiver will not apply if that information is not or ceases to be full and accurate in all material respects.
4. The Rules to which this decision relates are set out in Appendix Two to this decision.
5. Capitalised terms which have not been defined in this decision have the meanings given to them in the Rules.

Reasons

6. In coming to the decision to provide the waiver set out in paragraph 1 above, NZXR has considered that:
 - a. On the basis of the information provided, NZXR is satisfied that the Key Audit Partner's ability to exercise objective and impartial judgment would not be affected if the term of his lead were to be extended for a sixth year. The External Reporting Board's Professional and Ethical Standard (revised): Code of Ethics for Assurance Practitioners (PES 1) will continue to apply to the Key Audit Partner in respect of the audit;
 - b. CSM has submitted that an engagement quality reviewer, who is a licensed auditor, will consider and challenge the key judgements on the audit engagement. This reviewer has acted in this role for previous CSM audits, but not for more than 5 years;
 - c. CSM has submitted, and NZXR has no reason not to accept, that as the audit for 30 June 2019 has already commenced, a change in partner at this stage would require the new engagement partner to re-perform all partner related activities on the file. This will result in potential delays and inefficiencies in the completion of the audit;
 - d. CSM has submitted, and NZXR has no reason not to accept, that requiring a replacement of the Key Audit Partner at this stage of the audit process would incur disproportionate additional cost, which would ultimately fall on CSM shareholders; and
 - e. This is a technical consequence of CSM's migration from the NZAX to the NZX Main Board.



Appendix One

1. CSM is a Listed Issuer with Equity Securities quoted on the NZX Main Board.
2. On 3 July 2019 CSM notified NZXR that an issue regarding the rotation of CSM's engagement partner, who makes key decisions or judgements on significant matters with respect to the audit of the financial statements ("Key Audit Partner"), had arisen as a consequence of CSM migrating from the NZAX to the NZX Main Board.
3. The NZAX Rules did not include a rotation period for Key Audit Partners. CSM's partner rotation was in accordance with the rotation rules in PES 1, which for a public interest entity (including all listed entities in New Zealand) is seven years (PES 1 (Revised) paragraph 290.149 (in the version effective 15 July 2017 which applies to this engagement period)).
4. PwC is CSM's auditor. The current Key Audit Partner became signing partner for the first time for the 30 June 2014 audit. Under the seven year rotation rule from PES 1, the Key Audit Partner would have rotated off after the completion of the 30 June 2020 audit.
5. As CSM has now migrated to the NZX Main Board, CSM is subject to the NZX Listing Rules. Rule 2.13.3(f) requires that the Key Audit Partner must be changed at least every five years.
6. The audit in respect of the financial year ended 30 June 2019 is the Key Audit Partner's sixth year, which is in conflict with Rule 2.13.3(f).
7. CSM sought a waiver from Rule 2.13.3(f) in order to the Key Audit Partner to remain in place until completion of the audit of CSM's financial statements for the financial year ended 30 June 2019.
8. CSM sought this waiver because the audit for 30 June 2019 had commenced prior to migration and has advanced. The following planning activities had been completed:
 - a. the completion of the audit plan and strategy which was presented to the Audit Committee in addition to preliminary audit work on one off transactions/events that happened during the year; and
 - b. The audit teams interim audit visit and certain initial substantive procedures and testing.



Appendix Two

Rule 2.13 Audit Committee

Ruel 2.13.3 The responsibilities of an Issuer's Audit Committee include as a minimum:

- (a) ensuring processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters,
- (b) recommending the appointment and removal of the independent auditor,
- (c) meeting regularly to monitor and review the independent and internal auditing practices,
- (d) having direct communication with and unrestricted access to the independent and any internal auditors or accountants,
- (e) reviewing the financial reports and advising all Directors whether they comply with the appropriate laws and regulations, and
- (f) ensuring that the Key Audit Partner is changed at least every five years.

