

Positive signs, but we remain cautious

Company/ASX Code	ASX Limited / ASX
AGM time and date	10:00am AEDT Monday, 28 October 2024
Location	ASX Auditorium, Lower Ground Floor, Exchange Square at 18 Bridge Street, Sydney
Registry	Link Market Services
Type of meeting	Physical meeting with webcast*
Monitor	Peter Gregory and Sue Howes
Pre-AGM Meeting	With Chair, Damian Roche; Chair elect, David Clarke; Rem Chair, Melinda Conrad; GM Reward, Will Milthorpe; and GM Investor Relations and Sustainability, Simon Starr.

Monitor Shareholding: the individual(s) involved in the preparation of this voting intention have no shareholding in this company.

* Shareholders attending the webcast can submit written questions online, but not vote.

If not attending in person, shareholders can cast a direct vote or appoint a proxy (including ASA) to make their directed or undirected vote. This must be completed before 10.00am AEDT on Saturday, 26 October 2024.

1. How we intend to vote

No.	Resolution description	
1	ASX Financial Report	No vote
2	Securities Exchanges Guarantee Corporation Limited – Financial Report for National Guarantee Fund	No Vote
3	Adoption of Remuneration Report	For
4	Grant of Performance Rights to the Managing Director and CEO	For
5a	Election of Wayne Byres	For
5b	Election of David Clarke	For
6a	Election of Philip Galvin	Against
6b	Election of Robert Caisley	Against

2. Summary of Issues and Voting Intentions for AGM/EGM

- The ASX’s 5-year transformation plan and technology roadmap are the pathways to the New Era for ASX. While these are welcomed, we see them as being short on specifics and are asking for more explanation supported by time delineated milestones that are rigorously managed and regularly reported to shareholders.
- We see some important changes in the ASX Remuneration plan that is moving towards a closer alignment with individual shareholder interest. We are seeking additional refinement and accountability.
- Recent events have strained the trust that ASX has enjoyed with the regulators to the extent that the government has legislated to remove the ASX monopoly in clearing and settlement, in order to “promote more competition in financial markets”.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE)	2024	2023	2022	2021	2020
Revenue (\$m)	1,580.8	1,404.3	1,082.81	951.5	938.4
NPAT (\$m)	474.2	317.3	508.5	480.9	498.6
UPAT (\$m)	474.2	540.2	508.5	480.9	513.8
Share price (\$)	60.00	63.00	81.71	77.71	85.38
Dividend (cents)	208.0	228.3	236.4	223.6	238.9
Simple TSR (%)	(1.53)	(20.10)	8.17	(6.23)	6.55
EPS (cents)	244.8	163.9	262.7	248.4	257.6
CEO total remuneration, actual (\$m)	3.03	2.31*	4.54	4.31	3.63

* Ms Lofthouse commenced the CEO role August 2022.

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

The company achieved record revenue in FY24 with an increase of 12.5% mainly from the Markets and Technology & Data divisions. However, expenses increased by 14.7% with the ramp up of expenses related to the CHES replacement project. This resulted in underlying profit reducing considerably on the previous year with a corresponding drop in dividend.

The operational aspects of ASX seem to be performing well. The concern is, still, progress and transparency of the CHES replacement project and the effect this will have on ongoing profitability and competitive position.

Following our conversations with the Board of ASX around last year's AGM we were looking forward to a rebuilding of trust. One of the key tenets of this is transparency, particularly regarding tech transition projects. Without clearly articulated, measurable and monitored objectives which are communicated to shareholders, we are concerned that the company will again fail on their major project. Five-year goals with no published way points do not inspire confidence.

Of particular issue is that during this year Tata Consulting was appointed as the implementation partner for this project. Significant costs have appeared in this year's accounts, however, the work completed during the year consists of market consultation – a step we would have anticipated had already been completed prior to the previous iteration of this project.

We remain cautious.

Governance and culture

Future plans.

In its June 2024 Investor Forum, ASX shared its “indicative technology roadmap” with a view out to FY27 and beyond. This describes general plans to modernise technology including the CHES replacement project. This is a very important piece of work for ASX flowing on from the financial and reputational cost of the CHES project to date.

At the June 2023 Investor Day, the CEO announced “A New Era” for ASX and gave an overview of the ASX New Five-Year Strategy. The June 2024 Investor Forum provided a broad update on the strategy implementation with general guidance as to actions planned for year 2.

ASX and its shareholders have not fared well over the last 4 years with a total shareholder return of minus 19.3 % over that period. These two plans together are fundamental to restoring regulator and market confidence while building a strong and competitive ASX. Plans are easy to prepare, and ASA is concerned that without a well-documented set of milestones, rigorous oversight and proactive management of them ASX may continue to disappoint. At the AGM we will ask the board and management for assurance of their commitment to the achievement of the specific milestones that will deliver on the promises of FY27.

Payments to political parties

ASX has continued its membership of both the Federal Labor Business Forum and the Liberal Party Australian Business Network and in FY24 ASX paid \$60,000 in membership fees to each. The Annual Report states that these provide an important opportunity for ASX to engage with a wide range of policy and decision-makers. It is unclear, given ASX's position in Australia's financial markets, why it needs to use shareholder funds to facilitate this engagement.

Key events

On 14 August 2024, ASX advised that civil proceedings had been filed against it by the Australian Securities and Investments Commission (ASIC) in the Federal Court of Australia. The proceedings concern certain statements made in February 2022 by ASX in relation to the previous CHES replacement project. While this is still to be proven, a negative outcome may result in additional costs for ASX.

Key board or senior management changes

With new appointments and responsibility changes during the year, ASX has had, with the exception of the CRO Hamish Treleaven, a complete change of its Executive over the last two years.

Since the start of FY24 these appointments have been made:

Tim Whiteley commenced as ASX's new Chief Information Officer on 1 July 2023, importantly following the creation of a stand-alone ASX technology division that is represented on the ASX Executive.

Diona (Dee) Rae was appointed Chief Operating Officer and Clive Triance was appointed Group Executive, Securities and Payments, in August 2023

Jane Franks was appointed Chief People Officer in November 2023 and is responsible for developing a people and culture strategy that enables ASX to achieve its vision and strategy.

Jamie Crank was appointed Group Executive for ASX's Technology & Data business in September 2024, replacing Dan Chesterman who has resigned.

With the ASX Board, Wayne Byres joined on 6 May 2024 as a Non-Executive Director with Yasmin Allen retiring from the Board following the September Board Meeting.

On 11 September 2024 David Clarke joined the ASX Board as a Non-Executive Director and Chair Elect, becoming Chair at the conclusion of the AGM. Damian Roche will retire from the Board following the AGM on 28 October 2024.

It is critical that the Board ensures that it and the Executive team unite as a team.

Sustainability/ESG

ASX views climate change firstly as a responsibility to reduce its own climate impact through adhering to best practice and to be an example to issuers. The Annual Report (p27 – 29) details the progress ASX has made together with its net zero targets. And secondly as a market operator that supports the listing and trading of sustainable assets to support customers as they navigate their own sustainability risks and opportunities. As a credible market operator ASX is seeking to simplify trading of these assets and also benefit from this business opportunity.

ASA focus issues (not discussed above or under remuneration report or re-election of directors)

Fair treatment of shareholders – for the FY24 AGM, ASX has reduced the ability of individual shareholders who attend by webcast, to actively participate in AGM by not being able to ask voice questions (written questions can still be submitted) and by only being able to vote 2 days before the meeting. This means these shareholders vote without the benefit given to those who can attend in person, of having heard the formal presentations, directors putting their case for election, and the answers to questions (including their questions) put to the meeting.

Building better oversight – during the year the board commissioned Herbert Smith Freehills to assist with reviewing ASX's board papers and agendas and implemented changes to assist management to continuously improve the manner in which it identifies and reports key risks and issues to the board. This was briefly discussed at the pre-AGM meeting and we are hopeful that actions from this will improve governance and transparency, mitigate risk and improve

shareholder outcomes. At the AGM we will ask for shareholders to be given a deeper explanation of the review's implementation.

4. Rationale for Voting Intentions

Resolution 3 Adoption of Remuneration Report (for)

We have voted against the ASX remuneration report for the last 3 years because of concerns that the STI was not in individual shareholder's best interests.

At this year's pre-AGM meeting we talked about changes that ASX is introducing to the STI remuneration. In particular:

- The introduction of category weighting, clearer descriptions and outcome measures for many metrics gives shareholders a better understanding of why KMP are rewarded.
- The reference in page 10 of the [ASX Corporate Governance Statement 2024](#) describes the process of objective setting for the company. This process is completed before the year commences and is the foundation the rem plan is built on. Therefore, Executive reward is linked to these company objectives.
- The STI cascades down through the organisation ensure all are rewarded for their contribution to the company objectives.
- A quarterly review is conducted throughout the company to monitor achievement, so there now appears to be good accountability for remuneration outcomes. And a requirement for the Executive to deliver.

We also raised some questions about specifics with the STI:

- Return on equity is included in the LTI and we support this. It is also included in the STI and this is against ASA guidance. However, ASX has decided that ROE, as part of the cascading incentives throughout the organisation, is the best way of aligning the whole organisation with company objectives, and that for consistency the Executive should have the same measure as other ASX people.
- We asked whether having CAPEX spend (largely for technology modernisation) as a financial measure would motivate a slowdown in capital work if costs increase. We were assured that there were enough other requirements for technology work to be completed on time to prevent this occurring.
- Regulatory compliance was listed as one metric in the STI scorecard. We suggested that this, given the critical importance of the licences ASX holds, should be an STI gateway. Perhaps 'non-compliance' should be a gateway and 'better than required outcomes that effect a relationship' improvement be recognised within the STI scorecard.
- There are a number of metrics that relate to the 5-year transformation plan. For these to have been properly evaluated there needs to be greater clarity with some milestones.
- One of the metrics referred to was "revised quality market metrics and baselining". Discussion about this revealed this is a key input into the 5-year plan, and we requested specifics of this be provided to shareholders so that they can better understand the 5-year plan and how its implementation is progressing. This was agreed to.

While there are still reservations that ASA has about the STI, we were pleased by the changes that have been made this year and their willingness to consider the points we raised.

Considering all these points we believe that, on balance, it is appropriate that ASA vote undirected proxies in favour of this resolution.

Resolution 4 Grant of Performance Rights to the Managing Director and CEO (for)

These performance rights will vest if the ROE and TSR hurdles, as outlined in the notice of meeting, are met on 28 October 2028. It is considered that the targets that have been set and the maximum level is sufficiently challenging. It is intended that any performance rights granted will be acquired on-market.

Resolution 5a Election of Director Supported by the Board – Wayne Byres (for)

Wayne Byres has a strong experience, locally and internationally, in financial systems. He has worked for regulators and standard setting bodies and will bring to ASX an insight that will assist in rebuilding regulatory relationships.

Resolution 5b Election of Director Supported by the Board – David Clarke (for)

David Clarke is an experienced senior executive, director and chair who we expect will bring to ASX a culture of governance discipline and accountability. While predominantly in finance related businesses, his experience is broad across a number of quite different organisations.

Resolution 6a, 6b Election of Director Non-Board-Endorsed Candidates – Philip Galvin and Robert Caisley (against)

Both these gentlemen would bring useful skills and an outside perspective to the board. However, the board over recent years has undergone significant change, and in particular this year with two new members, including a new chair. There has also been significant change in the company Executive. The current board and Executive have undertaken very important work in planning the “New Era” for ASX, and it is considered best that the company leadership be given the space to build a very focused team to create the “New Era” that it has committed to. The addition of 2 new, and non-endorsed, board members at this time would have some risk of unnecessary distraction from the job at hand.

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Appendix 1 Remuneration framework detail

Remuneration framework detail						
Group CEO Remuneration Framework for FY24	Target \$'m	% of Total	Max. Opportunity \$'m	% of Total		
					Actual	% of total
Fixed Remuneration	2	49%	2	31%	2.004	54%
STI - Cash	0.85	21%	1.22	19%	0.85	23%
STI - Equity deferred for 1 and 2 years	0.85	21%	1.22	19%	0.85	23%
LTI** Target = threshold	0.37	9%	2	31%		0%
Total	4.07	100%	6.44	100%	3.704	100%
** Underlying ROE and Relative TSR over 4 years vs ASX100 index						
					% of target	91%
					% of max	58%

The Annual Report states “As we look forward, our overarching executive remuneration framework for FY25 will remain unchanged. No Executive KMP will receive an increase in remuneration in FY25”

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration framework set a maximum opportunity amount, but not all.