

20 years listed; looking both back and forward

Company/ASX Code	Australian Stock Exchange Ltd/ASX
AGM date	Tuesday 24 September 2019
Time and location	ASX Auditorium 18 Bridge St Sydney
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Patricia Beal assisted by Carol Limmer
Pre AGM Meeting?	Yes with Chair Rick Holliday-Smith and Company Secretary Daniel Moran

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

20 years after listing, ASX looks back over a good record, and forwards to future innovation and achievements.

Carefully thought out ideals and ethics are clearly set out in the 4th edition of the Corporate Governance Principles and Recommendations. Values for staff, developed by management and staff, are listed in the "BE" principles: be open, be trustworthy, be original and be the example. The integrity of the ASX is central to its ability to carry out its functions.

The remuneration structure is designed to encourage and reward good behaviour of employees, which engender trust and respect in the ASX, and its ability to create long term value.

Financial performance including dividends and shareholder returns

With profits after tax up 10.5% and dividend up 5.7% plus a special dividend of 129.1 cps from the sale of IRESS, shareholders this year should be happy with another solid performance. This is now the seventh consecutive year of profit increases. Each of the four business sectors increased their revenues, from 3.5% for Equity Post-Trade Services to 9.4% for Trading Services.

Statistics quoted show that ASX has enlarged its operations very significantly since the days of simple share transactions. For instance, while daily equity turnover has doubled, daily futures transactions have risen from \$38 bn to \$237 bn and many other new classes of financial products have been introduced. Technology advances include new trading platforms (CHESS, and foreshadowing DLT) and other data services.

There was a non-cash impairment of \$20.2m in FY18 for the investment in Yieldbroker; no significant items this year.

Key Board and senior management changes

Peter Nash was added to the Board in June 2019.

Gillian Larkins was appointed as CFO on 29 October 2018, replacing Ramy Aziz who retired in June 2018 after 18 years. Ms Larkins was CFO of Perpetual Ltd where her role encompassed finance, technology, legal, compliance and risk responsibilities.

New Trading System

Mentioned in the 2018 Annual Report, and expanded on in this year's, ASX will be replacing CHESS with DLT (Distributed Ledger Technology). DLT is the type of database technology used for bitcoin, but a significant difference is that bitcoin is of necessity public access. On the other hand, ASX's new system will be a "permissioned system", ie access will be restricted behind a firewall. The complexity, need for huge power supplies, and excess time to process transactions, etc are thus not comparable to those for bitcoin. At this stage, the expected date of implementation will be around March-April 2021. Significant planning, consultation and testing is being carried out prior to that date. This subject is dealt with, in much detail, in the Annual Report, pp 12-13; also in the CEO's "year in review", pp 8-10. Unfortunately there have been some serious communication difficulties with users in regards to the overarching vision of how the market will function and how the CHESS replacement project facilitates this. As a result a share registry funded an independent report that received a lot of press and did not reflect well on the ASX and resulted in the formation of an independent stakeholder group of which ASA is a member.

Political Payments

ASX feels it gains value from its payments, which are \$100,000 each to the Federal Liberal and Labor Business Networks. This allows discussions about issues important to ASX, which relevant executives attend, eg cyber security, trade; as well as relevant politicians and corresponding executives from companies with similar interests. While the payments are significant, the amount involved is a fraction of 1 cent per share, p.a. ASX does not have lobbyists. ASA would prefer no political payments at all.

Auditors.

We questioned any potential change in the auditing firm, given they had performed their role for 11 years. Notwithstanding no specific lead auditor has worked on the ASX accounts for more than 5 years, it was felt that PWC was currently the best firm for financial markets companies such as ASX. They had been carefully and specifically questioned last year as to how they could contribute to ASX with 'fresh eyes' in such matters as new types of risks and best practice. Much of ASX's consulting is currently on the technical side, so the 'big 4' firms are not relevant to that.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	492.0	445.1	434.1	426.2	397.8
UPAT (\$m)	492.0	465.3	434.1	426.2	403.2
Share price (\$)	82.37	64.39	53.6	45.7	39.9
Dividend (cents) declared	357.8*	216.3	201.8	198.1	187.4
TSR (%)*	32	24	22	19	17
EPS (cents)	254.1	230.0	224.5	220.4	205.7
CEO total remuneration, actual (\$m)	2.87	2.8	2.49	3.41**	3.17**

* TSR is based on received dividends. The final dividend of 114.3c and special dividend of 129.1c will be included in the TSR for FY2020

**Previous CEO – Mr Elmer Funke Kupper

For May 2019, the CEO's total actual remuneration was 32.56 **times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2	Securities Exchanges Guarantees Corporation Ltd - financial report for National Guarantee Fund
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No vote required

Item 3	Election/Re-election of Directors
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(a) **Melinda Conrad: ASA Vote FOR**

Director since 2016, holds 5000 shares. She has extensive experience in business strategy and marketing, with experience as director and executive in a variety of sectors. She is currently a director of Stockland, Stockland Trust and Caltex, with previous other directorships (OFX, DJS, APN and TRS). Ms Conrad is also a director of the Centre for Independent Studies and the George Institute for Global Health, a member of the ASIC Director Advisory Panel and the AICD Corporate Governance Committee.

(b) **Ken Henry: AGAINST**

Director since 2013, holds 5000 shares, and is a member of the Audit and Risk Committee. Dr Henry is also a director of ASX Clear Pty Limited and ASX Settlement Pty Limited.

He has extensive and distinguished experience as an economist giving policy advice to Australian governments, and is currently Chairman of NAB (announced his intention of retiring this year). Dr Henry served as the Secretary of the Federal Department of the Treasury from 2001 to 2011. He is Chairman of the Sir Roland Wilson Foundation at the Australian National University, Governor of the Committee for Economic Development of Australia (CEDA), and a member of the Advisory Board of the John Grill Centre for Project Leadership at the University of Sydney.

After extensive discussions, and mindful of the very particular and sensitive role ASX plays in our financial system, ASA will vote undirected proxies against this nomination.

(c) Peter Nash: FOR

Appointed a Director in June 2019, already holds 1,000 shares. He was a partner with KPMG from 1993, then a Senior Partner, and National Chairman from 2011 till 2017. He also served KPMG as Chair of their Global Investment Committee. He holds Directorships of WBC and Mirvac Group, and is Chairman of Johns Lyng Group Limited. He is a board member of Reconciliation Australia, Koorie Heritage Trust, Migration Council Australia and Golf Victoria.

Item 4	Adoption of Remuneration Report
ASA Vote	For

Table outlining Remuneration Framework for CEO^

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.0	40%	2.0	33%
STI - Cash	0.8	16%	1.2	20%
STI - Equity	1.2	24%	1.8	30%
LTI*	1.0	20%	1.0	17%
Total	5.0	100.0%	6.0	100%

^The amounts in the table above have been compiled from figures available in the Annual Report and the summary of the service agreement for the CEO released on his assuming the role. They are the statutory amounts that appear to be 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. The figures have not been verified with ASX at time of publishing. Note that with changeover from 3 to 4 years reporting period, no LTI will be awarded for this year.

Summary of ASA Position

ASX uses actual value of performance rights, when awarded (averaged over 10 days). Short-term incentives (STI) is delivered via partly cash and partly restricted shares, which are deferred over 2 and 4 years.

Long-term incentives (LTI), while only 20% of total possible remuneration, is assessed over a 4 year period (half on total shareholder return (TSR) and half on earnings per share (EPS)); awarded as performance rights. These require performance above the 51st percentile before any are granted. Actual (face) value (averaged over 10 days) is used for the calculation of the number of performance rights, which are withheld for 4 years.

These are all in accordance with ASA guidelines.

Actual and Statutory Remuneration are disclosed. At ASX, the remuneration framework is designed to align the rewards to employees with those to shareholders, and with following the long-term strategy and values of the company. Reviews of the assessment processes are ongoing, with added emphasis on risk management this year. For STIs, executives are assessed on achievement of group and individual goals (quantifiable non-financial as well as financial), assessing values and risk management (itemised in detail) as well as results. 40% of awarded STI is in cash, while 30% is deferred for each of 2 and 4 years, and awarded as equity plus accrued dividends, presuming continuing satisfactory employment and outcomes.

LTI are assessed, for the CEO and deputy, specifically on the criteria of TSR and EPS hurdles, measured over 4 years, to align them with long-term rewards to shareholders. Thus performance is assessed both relatively (compared to peer companies, for TSR) and absolutely (EPS showing actual growth). The scale for TSR starts at the 51st percentile (25%) linearly up to the 76th percentile (100%) of the allocation, and EPS growth pa starts at 5.1% (50% awarded) linearly up to >10% growth (100%).

While LTI comprises only up to 20% of the total rem mixture, half for each of the two criteria, it should be noted that part of the STI is also deferred for 4 years. No testing for LTI occurred this year, reflecting a change (in 2016) in the assessment period from 3 years to 4.

Item 5	Approval of LTI grant to CEO/Managing Director Dominic Stevens
ASA Vote	For

Summary of ASA Position

The MD and CEO, Mr Dominic Stevens, has a direct interest in 47,640 shares. He also currently holds performance rights – 20,889 relating to 2016 grant; 18,975 relating to 2017 grant and 15,843 relating to 2018. His fixed remuneration is \$2m.

The proposed allocation is \$1m worth of performance rights. This allocation will be calculated by dividing \$1m by volume weighted average price of ASX over 10 business days preceding 24 September 2019. Further details on LTIs are covered under Item 5 of the Notice of Meeting notes.

The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

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