

ASX Announcement

3 December 2024

COMMENT ON ACMA INVESTIGATION

- The Australian Regulator today published a report into captioning quality with a finding of a technical breach on AIM's legacy Service delivered to *7News Adelaide*
- The announcement is not material
- The Service has since been upgraded to LEXI

RESPONSE TO ACMA INVESTIGATION REPORT NO. BI-697

AI-Media (AIM) provides the following response to the abovementioned investigation report published today by the Australian Communications and Media Authority (ACMA).

BI-697 finds AIM customer, Channel Seven Adelaide Pty Ltd (Seven), in breach of the following subsections of the *Broadcasting Services Act 1992* (BSA), with regards to the broadcast of *7News Adelaide* on 20 June 2024 from 6-7pm:

- Subsection 130ZZA(4); and
- Paragraph 7(1)(o)

Specifically, ~7 minutes of a 1 hour news bulletin was found to be in breach of the live captioning quality standard.

AIM takes full responsibility for the delivery of the abovementioned live captioning service for Seven Adelaide pursuant to its Captioning Service Agreement with Seven.

AIM RESPONSE

RECOMMENDATION: AIM recommends ACMA commit to a 2-year captioning regulatory enforcement pause, and free up resources to resume the abandoned ACMA Metric Model captioning trial (NER Trial). An enforcement pause was successful in Canada in the leadup to their 2018 NER reform.

BACKGROUND

AIM notes that the ACMA is duty-bound to enforce the current BSA, which was last reviewed for captioning standards in 2013.

AIM commends the ACMA on its diligence in its investigation of BI-697 triggered by a single viewer complaint.

AIM notes that the complaint refers to the pre-LEXI Service, which has since been upgraded to LEXI over iCap.

AIM notes that a technology failure, combined with human endeavour to resolve the error, contributed to a Breach finding of poor captions for 7 out of 41 distinct program segments on *7News Adelaide* between 6-7pm on 20 June 2024.

AIM concurs with Seven's response that "the ACMA continues to apply the legislation in a way that seems to overlook the realities of live captioning".

AIM further notes that the ACMA states that "the NER Model is not relevant to assessing captioning compliance with the quality requirements in the Standard".

AIM recommended, welcomed and actively contributed to the ACMA's recent good faith 2-year industry and stakeholder consultation to establish an NER Trial in 2024. AIM hosted two half-day visits for the ACMA in 2022 and 2023, accommodating over a dozen ACMA staff at AIM and partner broadcast facilities, and reinforced the imperative of adopting the NER Model, together with latency and placement metrics associated with live captioning, as the single regulatory reform priority to provide regulatory certainty to industry.

We were disappointed to be advised by the ACMA in June that ACMA budget constraints dictated the agreed NER Trial program be suspended, despite the considerable resources asked for by the ACMA, and provided by AIM, our customers, and the community.

AIM co-founder and CEO, Tony Abrahams, said: "This is a sledgehammer regulatory approach to a non-existent problem.

"AIM has always prided itself on the professionalism of our people. Most regrettable is how a finding of Breach impacts these people, who all gave their best efforts - in a live environment - to solve a situation when faced with a technology failure, now judged by BI-697 with perfect regulatory hindsight.

"This regulatory investigation demonstrates the customer tailwind to remove human error risk offered by AIM's "LEXI over iCap" solution via the AIM Encoder network, with automatic failover via LEXI DR."

UPGRADE TO LEXI

AIM notes that this BI-697 Investigation relates to live captioning delivered on 20 June 2024 via its legacy Services infrastructure, now upgraded to “LEXI over iCap” for *7News Adelaide*.

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Further detail is provided below by way of ASX market update by CEO, Tony Abrahams

FURTHER DETAIL -ASX MARKET UPDATE

AIM Co-Founder and CEO, Tony Abrahams

On NER adoption

Formal adoption of the NER system by the ACMA is the best way to guarantee the quality of public captioning services. The NER system has been successfully deployed internationally since its inception in 2011 by Professor Pablo Romero-Fresco, and has endured as *the* global standard for captioning accuracy internationally since winning initial acclaim in 2014.

NER is the benchmark adopted without question in 100% of AIM's customer contracts, covering 50% of US live broadcast content, and is the prescribed regulatory accuracy metric adopted by leading global captioning regulators Ofcom (UK), and the CRTC (Canada). It is currently the only such system I know of that is used anywhere in the world.

NER is a statistical measure that weights different types of errors according to severity and allows for whole-of-system reporting, and audit trails. Together with maximizing NER accuracy, NER latency should be as low as possible.

The abandoned 2024 ACMA-led NER Trial should be recommenced, with funding diverted directly from enforcement actions like BI-697, and pause any ongoing investigations pending review. Failing this, as noted in the text of BI-697, the ACMA will be statute-bound to continue to apply the 2013 rules in the same way, triggered by a single viewer complaint, to another isolated investigation to span a further 44 pages.

LEXI and NER

LEXI 3.0 has continued to improve, since achieving human-parity of 98.7% in November 2023. In the last six months, further improvements in LEXI quality outstripped progress in the decade to 2020.

50% of US live broadcast is now being delivered with AI captions through LEXI, which orchestrates inputs from customer systems into AI engines, and delivers the output back embedded in customers' existing workflow.

Further reducing latency has been a key factor driver in the adoption of AIM's LEXI product suite which outperforms human intervention methods – LEXI is 1 second faster. In 2024 viewers want faster captions as a top priority, as reflected in our LEXI roadmap priorities in FY25. <ADD Ofcom Study LINK>

Consistency of performance has similarly been a regulatory tailwind behind LEXI adoption, since the November 2023 milestone where LEXI 3.0 overtook the human

alternative. The importance of consistency is clear: customers do not want to spend months of executive resources responding to another BI-697.

AIM's "LEXI over iCap" solution has transformed the experience for early adopters of LEXI.

Sky News Head of Operations, Mark McKeown, addressed the AIM Investor Conference in Sydney on 28 November 2024<LINL> highlighting the transformative impact of Sky News' transition from legacy to LEXI over iCap. Two years into this technology transition, Sky News is captioning ten times more content, including on its growing Sky News Digital platform. The captions are delivered, on average, one second faster, and the quality is much more reliable. The adaptive AI-based improvements saw captioning complaints disappear within the first year of LEXI implementation at Sky News.

Caption Placement: LEXI Vision

With captioning, on-screen graphics should not be obscured, where possible. Where not possible because all the real estate on screen is taken with on-screen graphics, it is industry practice to agree a "least bad option" noting that viewers' expressed priority is for captions to be in a predictable and reliable place on screen.

Tennis and weather are two key examples of a "least bad" option being the best choice available with respect to placement of live captioning, keeping in mind that if the captions are obscuring something that viewers can just switch the captions on and off with a button. Are we truly committed to upholding regulatory burdens designed in a pre-AI technology era, for a problem that the viewer can easily resolve with the press of a remote?

AIM is in customer testing of a **LEXI Vision** feature to optimize captioning positioning via AI.

ENDS

This announcement has been approved for release by the Company Secretary.

Further Information

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About AI-Media

Founded in Australia in 2003, technology company AI-Media is a global leader in live and recorded captioning, transcription and translation solutions. The Company helps the world's leading broadcasters, enterprises and government agencies ensure high accuracy, secure and cost-effective captioning via its AI-powered LEXI automatic captioning solution. LEXI captions are delivered to millions of screens worldwide via AI-Media's range of captioning encoders and its iCap Cloud Network – the world's largest, most secure caption delivery network. Globally, AI-Media delivers over 10 million minutes of live and recorded media monthly. AI-Media (ASX: AIM) commenced trading on the ASX on 15 September 2020.