



19 October 2023

Australian Securities and Investments Commission
Mr Benjamin Cohn-Urbach
Senior Executive Leader, Market Infrastructure
Level 5, 100 Market Street
SYDNEY NSW 2000

ASX Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

2023 AGM - ADDRESSES BY CHAIR AND MANAGING DIRECTOR AND CEO

Attached are copies of the addresses to be given by the Chair and the Managing Director and CEO at ASX Limited's Annual General Meeting today.

Release of market announcement authorised by:
Johanna O'Rourke
Group General Counsel and Company Secretary

Further enquiries:

Media

David Park
Manager, Media and Communications
T +61 2 9227 0010
M +61 429 595 788
E david.park@asx.com.au

Analysts and Investors

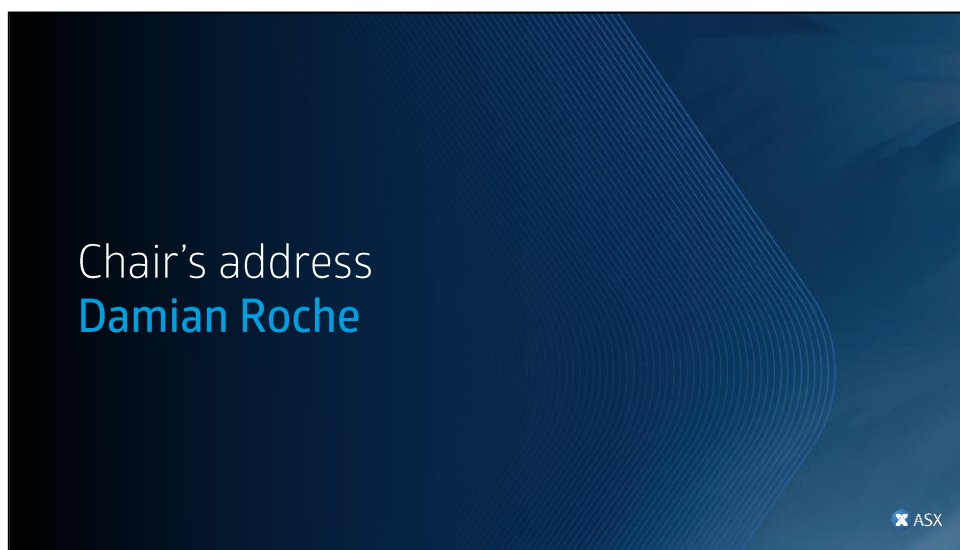
Simon Starr
GM, Investor Relations and Sustainability
T +61 2 9227 0623
M +61 416 836 550
E simon.starr@asx.com.au

ASX Limited 2023 Annual General Meeting

Chair and CEO Addresses

19 October 2023

(Check against delivery)



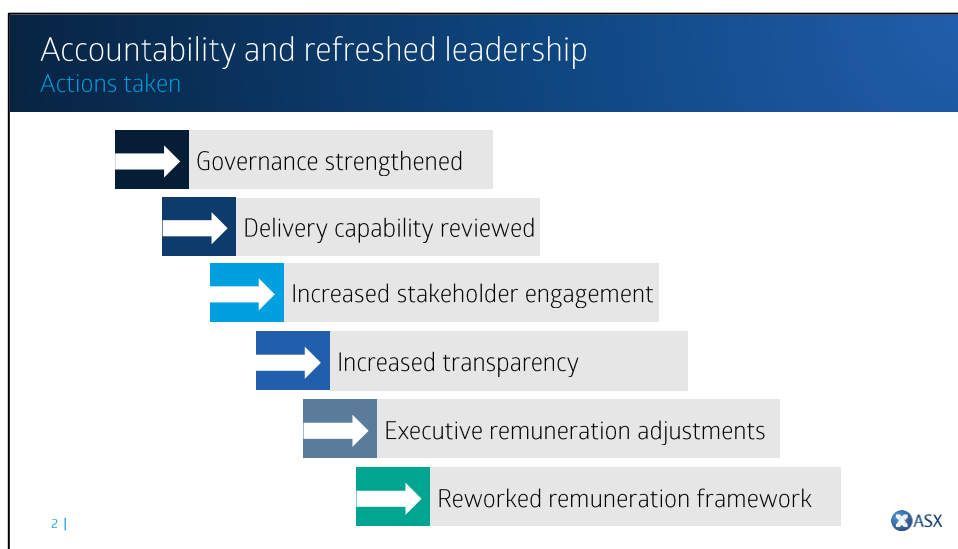
Fellow shareholders, thank you for joining me today in what will be my third AGM address as your Chair.

The 2023 financial year has been pivotal for ASX.

When I addressed you last September, ASX was yet to determine that it would pause and reassess the CHES replacement project. As you know, since that time, confidence in ASX has been tested and we acknowledge we must now demonstrate that the changes we are undertaking will help restore that confidence.

The decision to pause and reassess the CHES replacement project was difficult but necessary. It was ASX's decision to commence a review into the escalating delays for the project and that act itself should serve as a reminder that your Board and management team are willing to address difficult situations. Since then the Board's focus has been on taking meaningful and urgent action. Accountability measures were taken, governance strengthened, delivery capability reviewed and we have significantly raised the levels of industry engagement while reorienting our approach to transparency.

There is more to do, but we are clear about the path ahead and what it will take to ensure we build on the foundations of what is an enduring and attractive business.



This year's remuneration report reflects the collective and individual accountability endorsed by the Board following the decision to reassess CHES replacement. You can see the detail in our annual report but broadly speaking these measures included halving the reward pool available to the whole Executive Team and further reductions for executives directly involved in CHES replacement. Deferred rewards from FY22 and prior for executives and leaders responsible for the project were reduced or cancelled, as was outstanding equity for the former CEO and former deputy CEO.

We have also rebalanced our remuneration framework to further focus executives on generating long term, sustainable value by delivering our five year strategy. We introduced the long term variable reward to the whole Executive Team and replaced earnings per share with underlying return on equity as a key metric for performance. These developments will better align the Executive Team's remuneration with the value created for our shareholders.

While we've taken specific accountability actions during the year, there have also been more wide ranging changes overseen by the Board over the past 18 months to help drive transformational change at ASX. Chief amongst this was the appointment of our Managing Director and CEO Helen Lofthouse. When I spoke at last year's AGM Helen had only been in the role for over a month, yet it was clear she was prepared to apply new rigour to existing challenges, and we've started to see the impact of her commitment to customer driven growth, technology renewal, stakeholder engagement and cultural uplift. Helen has appointed a number of very capable Executive Team members with the experience and leadership skills to deliver our new five year strategy.

Turning now to key regulatory developments during the year.





As an operator of critical market infrastructure ASX is subject to a high level of scrutiny, and this is as it should be given our special position in the nation's economy. It has therefore been unsurprising that our regulatory agencies – the Reserve Bank of Australia and the Australian Securities and Investments Commission – have sought assurances from ASX that we have the appropriate governance arrangements, capability and stakeholder engagement forums in place to successfully progress the CHES replacement project.

By the end of the year ASX will have delivered three special reports to ASIC, demonstrating how we will maintain CHES, implement the CHES replacement external review recommendations, and enhance our broader portfolio, program and project management frameworks. Each report is being independently audited by EY.

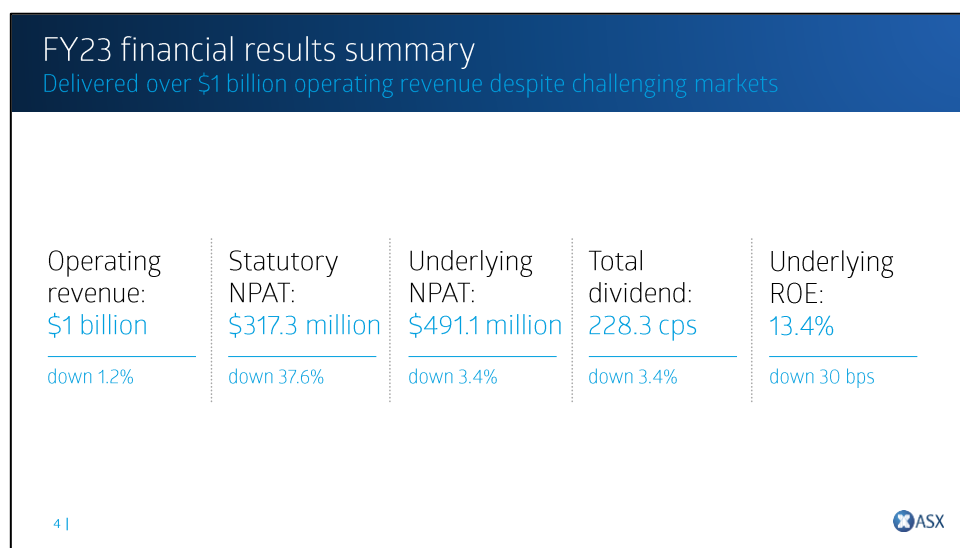
During the year, ASX also provided a report to the RBA on intra-group conflict management. The report was prepared by an expert law firm and concluded that ASX's intra-group conflict management arrangements are sophisticated and consistent with what would be expected of a listed group with the complexity and scope of ASX.

Taken together, these reports provide our regulatory agencies with a deeper view of our governance and other arrangements for CHES and CHES replacement.

The RBA's recent annual Financial Stability Standards (FSS) assessment also required ASX to place high priority on recommendations related to Board process, internal audit, stakeholder management and the management of ageing technology assets, including CHES. These areas of concern have already been in focus for ASX and we've previously stated that we know we're not where we want to be and we are doing the work to make improvements. ASX will implement all the recommendations from the FY23 assessment and this work should further strengthen ASX's ability to meet the high standards expected of us.

In March, ASX announced ASIC was conducting an investigation into suspected contraventions of the ASIC Act and the Corporations Act in relation to the CHES replacement project. This investigation is ongoing. I am unable to comment further other than to say ASX is cooperating fully with ASIC in the investigation.

Turning to the financial performance of the Group.



For the second year in a row, ASX delivered operating revenue of more than \$1 billion, notwithstanding the challenging operating environment and the significant additional focus required to meet our regulatory commitments. This achievement is testament to the strength of our diversified business model and the dedicated efforts of everyone at ASX.

You will have seen from our annual accounts that total expenses rose during the year following increased investment in risk management and technology, including assurance and solution design activities related to CHES. We expect this heightened expense growth rate to persist in the short term as we allocate appropriate resources to support our strategy reset.

Our statutory net profit of \$317.3 million was down by 37.6% and this was impacted by several one-off items during the year. Underlying net profit after tax of \$491.1 million was just 3.4% lower. This resilient performance allowed ASX to declare total dividends for the year of 228.3 cents which was a slight decrease of 8.1 cents, in line with the 3.4% fall in underlying NPAT.

While this year's dividend reflects a payout ratio of 90% of underlying NPAT, the Board has approved a modification to the payout policy going forward of between 80% and 90%. These are not decisions we take lightly. With the new five year strategy announced in June we have sought to address some key areas that require business investment which we expect will grow the long term value of your shareholding in ASX.

During the year ASX implemented several initiatives to increase stakeholder engagement, particularly in relation to the CHES replacement project. This is one of the key differences in approach taken on the project and has helped inform our decision on the new solution design. The initiatives included the creation of two new stakeholder forums and the establishment of the CHES replacement Partnership Program which aims to encourage stakeholder participation in the next phase of the project through rebates and a series of development incentive payments totalling up to \$70m.

One of the forums, established in February, was the CHES replacement Technical Committee which has wide industry membership that can provide input on key items such as scope and implementation. ASX also recently established the Cash Equities Clearing and Settlement Advisory Group, and this smaller group of highly experienced industry representatives is designed to provide input on key strategic issues for cash equity clearing and settlement, including strategic aspects of CHES replacement.

We are well progressed in our analysis to determine the solution design and Helen will speak on this in more detail shortly. What I can tell you is that this process has been very focused on the project's objectives, and our top priority is ensuring that the new system will meet our high standards, consider the needs of the whole market, and provide for future innovation.

Ongoing board renewal
Four new non-executive Directors appointed since May 2022



Damian Roche
Appointed Director 2014
Appointed Chair 2021



Yasmin Allen
Appointed Director 2015



Vicki Carter
Appointed Director 2023



Melinda Conrad
Appointed Director 2016



David Curran
Appointed Director 2022



Peter Nash
Appointed Director 2019



Luke Randell
Appointed Director 2023



Dr Heather Smith
Appointed Director 2022

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Since taking up the role of Chair in April 2021, my fellow directors and I have been focused on a process of Board renewal.

Since March 2022, four out of eight non-executive directors have retired and four have been appointed. The new directors, all of whom are sitting before you today, are Dave Curran, Dr Heather Smith, Vicki Carter and Luke Randell. Later in the meeting, you will hear from Vicki and Luke. Their appointments align with our commitment to strengthen the technology, project management and financial markets expertise around the boardroom table, and on the subsidiary boards. I hope shareholders will join the Board in supporting the election of Vicki and Luke.

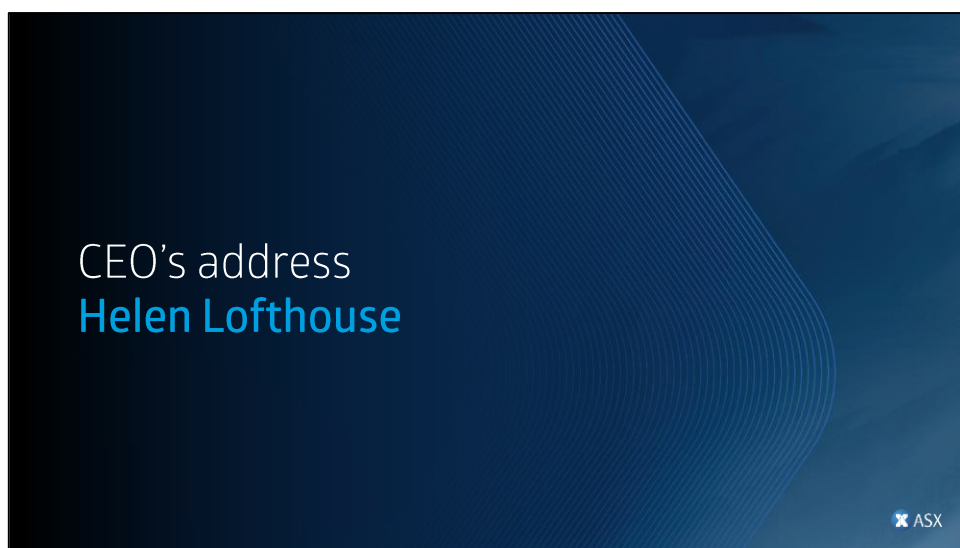
I would also like to recognise the contributions of three former directors who we farewelled during the year. Heather Ridout, who joined the board in 2012 and retired in February, Rob Woods who joined the CS Boards in 2015 and the ASX Board in 2020 and retired in March, and Peter Marriott who joined in 2009 and retired in August. I have personally valued their insight and advice and the depth of experience they brought to the Boards.

In the notice of meeting sent to all shareholders, I explained that, should I be re-elected today, it would be my last term in accordance with the ASX Board's tenure guidelines. I have served on the ASX Board since August 2014 and today's annual meeting is my 10th as an ASX director and will be the fourth time I have stood before you to seek your support for my continued service.

As always, I am deeply indebted to my fellow directors for their support, encouragement, care and dedication during this past year. To everyone at ASX, a heartfelt thanks from me and the Board – your energy, expertise and commitment during a year of change and challenge have made all the difference. What we do matters and I am proud of what we are building.

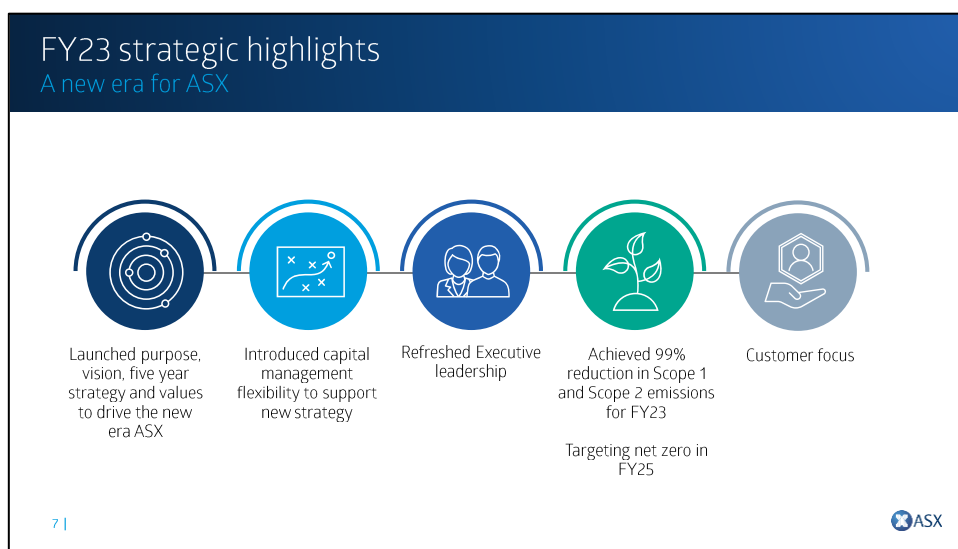
I would also like to thank you, our shareholders, for your loyalty and support. My commitment, alongside that of your whole Board and management is to embed the changes we are making to restore confidence and secure the long term success of ASX.

I now invite Helen Lofthouse to address the AGM.



Thanks Damian. It is a pleasure to be here with you today.

I've been in the CEO role for just over a year now and, despite the challenging period that we've had, it's clear to me that ASX has a high quality portfolio of core businesses with privileged positions and strong long term tailwinds for future growth. We have some near term challenges which have been a major focus for me during the year, but we are making good progress which will place us in a strong position to serve our customers well and capture future growth opportunities.



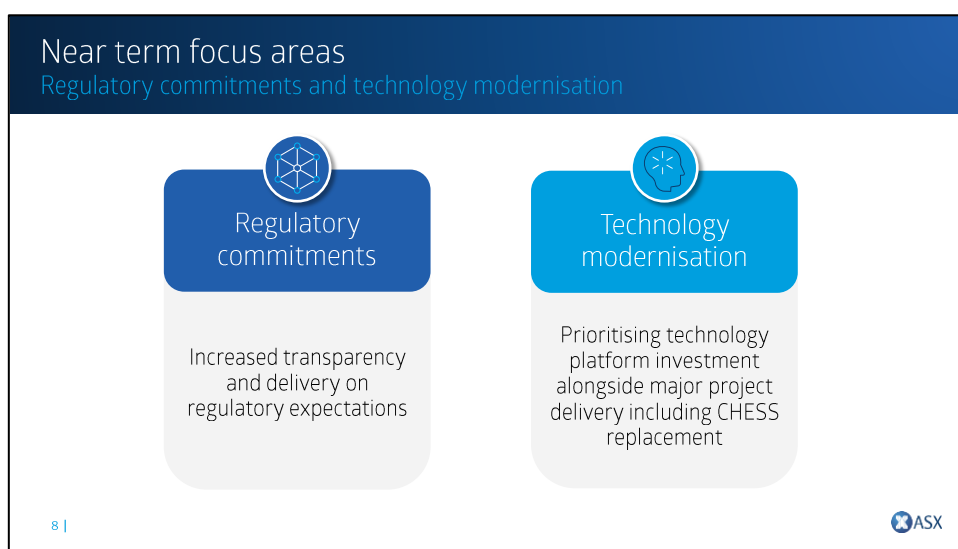
FY23 has been a year of reset for ASX. We have launched our purpose, defined our new vision, developed our five-year strategy and refreshed our values.

We have introduced capital management settings to support our strategy including our two near-term focus areas of regulatory commitments and technology modernisation. And we have introduced underlying return on equity as a key performance metric for the organisation.

As Damian said, there has been significant renewal at the Board and executive level over the course of the year to help drive our new strategy. There have been a significant number of new appointments in my Executive Team, reflecting a valuable balance of experience from within ASX moving to new roles and leaders from outside the organisation.

We are also pleased with our progress against our sustainability goals achieving a 99% reduction in Scope 1 and 2 emissions as we progress towards our target of net zero in FY25.

The market as a whole is our primary customer and we are focused on working effectively with our diverse range of customers to understand their challenges and deliver solutions. I am a believer in customer driven growth and it is vital that we continue to increase and deepen our customer engagement.



Horizon 1 of our strategy is prioritising our near-term focus areas of regulatory commitments and technology modernisation. We have made good progress against these focus areas so far in 2023 but still have work to do.

Beginning with regulatory commitments. Our licences are some of our most important assets. The role of market infrastructure has become ever more important in supporting a fair, efficient and stable financial system and regulatory standards have changed accordingly. We must ensure that we continue to meet our regulators' expectations.

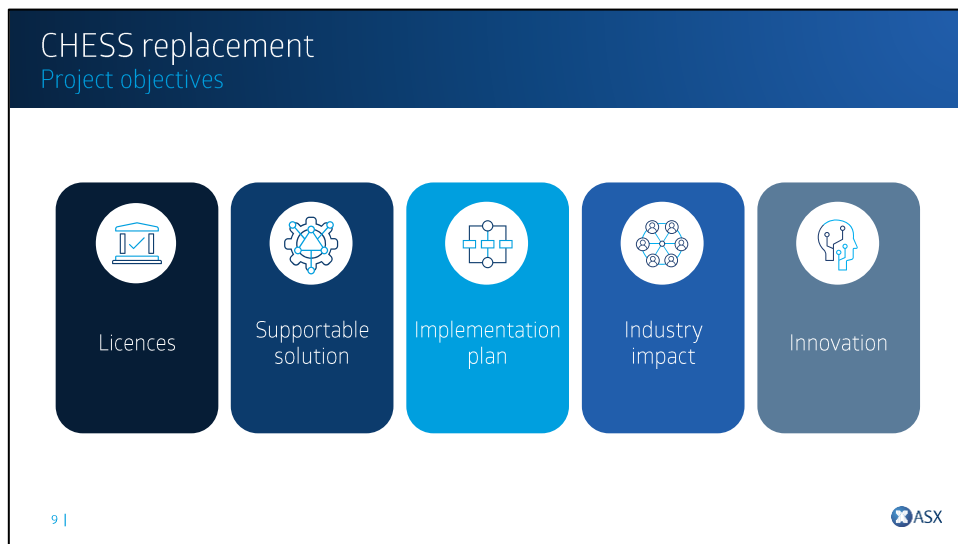
The decision to pause CHES replacement was difficult but necessary and we are working to rebuild the confidence of our shareholders, customers and regulators. To that end, this year we have published two Special Reports, one on the support and maintenance of current CHES and the other on our response to the CHES replacement external review recommendations. And by the end of the year we will have published a third Special Report on Portfolio, Program and Project Management frameworks and our CHES Governance Statement.

Last week the RBA released its annual Financial Stability Standards report on ASX which covers a review period of significant change and reset. At our FY23 results I said that we are exposed to a heightened level of risk, particularly regulatory and operational risk relating to our near term focus areas. This report confirms our view that we are not where we want to be in some areas, and we have work underway that will provide the focus and investment needed to uplift where required.

And finally, we continue to cooperate fully with the ongoing ASIC investigation.

We are making good progress in working through our regulatory activities and will maintain focus in this area.

Moving onto technology modernisation. ASX operates critical market infrastructure which is underpinned by technology. Our technology modernisation approach continues to have a strong focus on addressing risks associated with legacy technology assets as well as adding value for our customers. While we are undertaking remediation activity in some areas, we are performing strongly in terms of system resilience with a pattern of decreasing material technology incidents. We remain committed to continuing to deliver resilient, secure, and operationally reliable services that meet market and regulator expectations.



For CHES replacement, we continue to work towards announcing the solution design by the end of this calendar year. It's important to have clear objectives of what we are trying to achieve with this project, which I will re-cap now:

- **Our licences:** our top priority is to implement a CHES replacement platform that meets our licence obligations and the current needs of the market;
- **A supportable solution:** we operate critical market infrastructure and the solution must be reliable, supportable and operate at the high standard required to underpin the Australian financial market;
- **A robust implementation plan:** we must have a robust and achievable implementation plan that gives stakeholders confidence in a safe and reliable industry transition to the new platform;

- **Industry impact:** we need to consider the impact to industry stakeholders by continuing to engage and to leverage their previous investments where possible; and
- **Innovation:** we want to create opportunities for industry efficiencies and growth including support for new asset classes and capabilities such as tokenisation. ASX is considering solution options which would take a more modular approach, with separate components for clearing, settlement and sub-register services to support flexibility and interoperability. This would allow for the provisioning of services by ASX or other providers as driven by market demand.

These objectives have underpinned the robust solution decision framework which is being applied to the options considered within the four solution design archetypes under consideration.

While we are well progressed with our analysis, stakeholder engagement is key and the timing of this announcement is subject to our regulator's expectations on consultation with the industry Advisory Group. And once a solution design has been announced, further stakeholder engagement will be required in 2024 as we map out the implementation plan and industry timelines for the project.

Addressing these near-term focus areas has required a significant increase in our total expenses but this investment is key to delivering long term sustainable shareholder value. We understand that this level of expense growth is not sustainable and we are committed to reducing the total expense growth rate in FY25 through a series of measures including workforce optimisation, process simplification & automation, and strategic procurement. We will provide a further update at our 1H24 results and continue to provide transparency around the expense growth drivers.

Our strengths set us apart

Regional champion with over 150 years of history operating markets

- 1 Unmatched connectivity and liquidity**
 Our listed and derivatives markets, deep liquidity, extensive data, breadth of services and deep expertise set us apart.
- 2 Trusted regional champion**
 As the leading exchange for Australia and New Zealand, we have a regional focus with a global customer base.
- 3 Deep experience in regulated environments**
 Our license requirements require excellence. We have a track record in delivering value within highly regulated markets.



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Despite our near-term challenges it's important to remember that ASX has a portfolio of high quality businesses, able to perform strongly through market cycles. We're privileged to have leading positions in a number of markets and structural tailwinds to support our businesses going forward.

We have strengths which differentiate us and underpin long term value in our businesses which are not easy to replicate. Over our 150 year history we have created unmatched connectivity across multiple markets bringing global customers together in fair, transparent markets which provide deep liquidity and access to a range of data, products and services.

I've talked before about the importance of our licences and our deep experience in operating in regulated environments. We have two market licences and four clearing and settlement licences and we also hold a benchmark administrator licence which allows us to administer the bank bill swap rate. These licences set us apart and are crucial to the value of ASX.

Structural tailwinds

Long term opportunities for ASX



Growing Australian capital base

Fifth-largest and fastest growing pension pool in the world – \$3.5 trillion asset base / 20-year growth rate of 11.3% pa.¹

1. Willis Towers Watson Global Pension Assets Study 2022

Increasing demand for technology and data

Exchanges are a data rich environment. Analytical tools that leverage data to create opportunities across business models, asset classes, products and services.



Decarbonisation

Australian Government's target of 43% emissions reduction by 2030 and net zero by 2050 will require action across multiple fronts.



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From this privileged position ASX is well-placed to benefit from long term structural tailwinds.

Australia's superannuation system is the fifth largest and fastest growing in the world. This supports long term growth in capital markets and is part of what makes ASX an attractive global listing venue. As the leading domestic capital market with 89% on-market share of the cash equities market, ASX is well positioned to capitalise on this trend. There is also a growing pool of retail investors who are keen to educate themselves and invest in the future. In fact there's never been a time when more Australians have been invested in the share market and we know this from our Australian Investor Study – a significant ASX-commissioned survey that we conduct every two years and most recently published in June this year. We saw an increase in the number of investors who hold on-exchange products from 6.6 to 7.7 million people which is the highest number in over a decade, with ETFs making up a significant portion of this growth.

ASX is a data rich environment and there is further value to be unlocked from this. We are exploring this thoughtfully and looking at new capabilities and products that can leverage this appropriately for our customers and the market as the demand for data continues to grow.

Decarbonisation presents many opportunities and challenges for the Australian economy and ASX has an important role to play in enabling markets to support this transition. We are already doing this through our electricity futures which have seen significant growth over the past five years. And there is an opportunity to play a key role in Australia's carbon market through the launch of futures products, and as the potential operator of Australian Carbon Exchange pending the decision from the Clean Energy Regulator.

FY24 performance to date and reiteration of guidance

An improvement in market conditions expected to increase cash market and IPO activity

Q1 FY24

- Continuation of trends seen in late FY23
- Secondary capital raised down 46% vs a strong pcp
 - Improvement in Sept 2023
 - Increase in listing activity, pipeline of corporates looking to list remains solid
- Cash market trading volume down 15% vs pcp
 - Should see increase in activity as inflation eases and markets gain confidence on where interest rates will peak
- Futures volumes up 9% vs pcp with rates futures benefiting from rising interest rate environment, particularly at short-end
 - Early signs of growth in 3 year bond as activity moves along curve as interest rates peak

FY24 guidance

- FY24 total expenses growth guidance of 12-15%
 - FY25 total expenses growth expected to be below FY24
 - Operating expenses review underway
- FY24 capital expenditure guidance of \$110-140 million
 - expected to remain around this level for medium term, primarily driven by:
 - Regulatory commitments and risk activities
 - Technology modernisation
- Capital management flexibility in place:
 - Dividend payout ratio range: 80-90% of underlying NPAT
 - Corporate bond (\$200 - \$300 million) expected to launch¹
- Medium term underlying ROE target of 13.0% – 14.5%

12 | ¹Subject to market conditions





The first quarter of FY24 has seen a continuation of the trends we saw in late FY23, primarily driven by cyclical factors.

Secondary capital raised is down 46%, although the prior comparative period includes strong activity in July and August 2022. Despite being slightly below pre-pandemic levels, September 2023 saw an increase compared to last year. Although still early days, it is pleasing to see an increase in new listing activity with companies such as Redox and Freightways listing in the last few months. And the pipeline of corporates looking to list on ASX remains solid.

Cash market trading volume is down 15% compared to the same period last year, similar to what we are seeing in exchanges in a number of other parts of the world. Although significantly down since the record levels seen during the COVID pandemic, current cash market volumes are slightly ahead of pre-pandemic levels. We should expect to see a recovery in volumes as inflation eases and the market gains confidence about where interest rates will peak, although further geopolitical tension could impact this.

Our futures business has been a beneficiary of the rising interest rate environment with solid volume growth of 9% compared to the prior corresponding period, driven by short-end rate products in particular. We are seeing early signs of growth in some of our longer-dated rates products, particularly the 3 year bond, as activity moves along the curve with the market's expectations that interest rates may have reached their peak. The global markets theme of interest rates being 'higher for longer' is also expected to support this longer dated activity.

We reiterate the guidance provided at our FY23 results in August. FY24 total expense growth is expected to be between 12% and 15%. We have an operating expense review underway which is aiming to bring this growth figure down in FY25. Capital expenditure for FY24 will be between \$110 and \$140 million, which we expect to remain at these levels for the medium term to support our regulatory commitments and technology modernisation programs.

We have the capital management flexibility in place to support this investment. We have moved to a dividend payout ratio range of between 80% and 90% of underlying NPAT and expect to be issuing a corporate bond of between \$200 and \$300 million, depending on market conditions.

We have a diversified portfolio of core businesses and interesting opportunities ahead. We have some near-term challenges which we are working through but our high quality businesses are well-positioned to benefit from our structural tailwinds and deliver long term sustainable value for our shareholders.

I would like to conclude by thanking our people for their hard work during a challenging year for ASX. What we do matters and it is our team of highly dedicated people who deliver for the Australian market every day.

Thank you and I will now hand back to Damian.