

## SUMMARY OF RISK MANAGEMENT POLICIES

ASX views effective risk management as key to achieving and maintaining its operational and strategic objectives.

### Risk Oversight

The ASX Board (the Board) is responsible for approving and reviewing the ASX Group risk management strategy and policy. The active identification of risks and implementation of mitigation measures is the responsibility of Management. To assist the Board in discharging its responsibility in relation to risk management, the Board has delegated certain activities to the Audit & Risk Committee. The responsibilities of this Committee are contained in the Committee's charter a summary of which is available at [www.asx.com.au](http://www.asx.com.au).

The Board has also delegated various authorities to the Managing Director and CEO and subsidiary Boards and Committees to enable the setting of certain risk management policies and procedures. A summary of the relevant information can also be found at the ASX website.

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written statement, signed by the Managing Director and CEO, and the Chief Financial Officer, that the company's financial reports give a true and fair view, in all material respects, of the company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly in reviewing risk management reports, in a separate written statement the Managing Director and CEO, and the Chief Risk Officer also confirm to the Board that the company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period end that would materially change the position.

An outline of the key risks being managed by the Group is provided in the Risk Profile section below.

### ASX Risk Appetite Statement

The risk context within which the ASX Group operates is characterised by:

- The criticality of its operations to wider financial market stakeholders and the Australian economy
- The strict and substantial regulatory regime within which it operates, together with its role to monitor and enforce compliance with its operating rules; and
- The intent to deliver adequate shareholder returns in an increasingly competitive environment.

For strategic risks, the Board's appetite recognises that given the dynamic business and regulatory environment within which ASX operates corporate performance is heavily dependent on external factors which are often outside the entity's ability to influence. Notwithstanding, the Group will remain attuned to upcoming changes in its risk environment and, after due consideration, will seek to implement strategic commercial responses as appropriate to capture possible upside

outcomes while limiting significant potential negative impacts. It is recognised though that an inherent component of operating in its environment requires the Group to accept significant levels of residual strategic risk.

The Board's appetite for the occurrence of largely internally manageable significant risk incidents including financial, operational, legal and regulatory risks is very low. In this regard the Group will:

- Implement a control environment that within practical constraints (in all but very extreme circumstances) minimises the likelihood of significant risk events
- Put adequate arrangements in place to ensure compliance with licence and regulatory requirements; and
- Seek operational excellence and effect change only after careful consideration of impacts and remediation methods.

Adequate capital and liquidity is to be in place to underpin business operations, future growth and absorb foreseeable loss events in all but very extreme circumstances.

## Management of Risks

ASX's Enterprise Risk Management framework is based on the International Standard (ISO 31000) for risk management. Management has established the Enterprise Risk Management Committee and other dedicated risk forums to approve risk policies, monitor framework execution and coordinate general risk matters. Within the framework, and in addition to daily management of business activities, each business unit is required to formally profile its risk environment every six months, including identification of key risks, assessment of control design and operation, and evaluation of key risk indicators. The outcomes of each risk profile are aggregated into an overall ASX Enterprise Risk Report, which includes assessment by business unit and risk category, for reporting to the executive Enterprise Risk Management Committee and the Audit and Risk Committee.

The Audit and Risk Committee has responsibility for considering Management's reports regarding the effectiveness of ASX's risk management framework and processes.

The Committee is assisted in this area by Internal Audit, Enterprise Risk, and Regulatory Assurance, which are functions established by ASX Management to provide objective assessments of the internal controls and compliance framework. The Committee considers reports from these units regarding the appropriateness and effectiveness of internal controls, and action taken or proposed resulting from assessment recommendations.

The Internal Auditor reports administratively to the Chief Risk Officer and on functional audit matters to the Audit and Risk Committee, and Managing Director and CEO. The Audit and Risk Committee monitors Management's response to these

reviews. The internal audit function is independent of external audit, has full and free access to the Audit and Risk Committee, and also has full and free access to ASX employees and ASX records.

## Risk Profile

ASX's activities give rise to a broad range of risks to ASX's commercial return and enterprise value which are considered under the categories of Strategic, Financial, Legal & Regulatory and Operational risk and include:

### Strategic Risks

- Fluctuations in macroeconomic and market activity levels
- Interplay of competitive dynamics, including
  - Global merging of exchanges and clearing facilities
  - Expansion of regional exchanges and clearing facilities
  - Establishment of overseas exchanges in Australia
  - Development of alternative trading and clearing systems
  - Continued growth of OTC markets
- Changes in domestic and international financial services regulation and legislation
- Technology innovation
- Product and service innovation
- Environmental impacts and opportunities
- Reputation risks arising from (internal or external) incidents, policies or events

### Financial Risks

- Central counterparty exposures, including
  - Counterparty credit downgrades
  - Counterparty defaults
  - Liquidity shortfalls
- Adequacy of ASX Group capital, funding and liquidity

### Legal and Regulatory Risks

- Compliance with, and the impact of changes to, applicable laws and regulations in Australia and overseas

## Operational Risks

- Ensuring complete and accurate processing and reporting of transactions and settlements, availability of systems, structured changes to procedures, comprehensive service provider agreements, appropriate staff management practices, and robust business continuity arrangements.