2013 AGM QUESTIONS FROM SHAREHOLDERS

Below are responses to subjects raised by ASX shareholders ahead of the 2013 ASX Limited Annual General Meeting which is to be held on Wednesday 25 September 2013. These responses should be read in conjunction with the Chairman's and Managing Director and CEO's AGM addresses (that are available on the ASX website). Thank you to those shareholders who submitted questions.

ASX Technology and Project Delivery Governance	
Shareholder Questions	ASX Response
How does the Board exercise its oversight role in relation to technology and project delivery? What is the role of individual directors in that process? What changes have been made to these processes since the ASX/SFE merger?	There is comprehensive and regular reporting by ASX management to the ASX Board and its Committees on all major initiatives, risks and each line of business. Attachment 1 sets out details of ASX's Technology and Project delivery governance. The Board is satisfied that over the last year there has been a positive track record of project delivery and that a process of continuous improvement has been implemented. The Board and its Committees regularly review these reporting processes. The Board is of the view that the management disciplines that support ASX's technology and project delivery are well established and function to support the business. The ASX Limited Board as a whole has oversight over technology. There is no single individual director who is responsible for this. The Board and Committee structure provide regular reporting and opportunity for the oversight role of the Board to be discharged. The ASX Board brings together directors who have unique and direct experience of the significant challenges that are impacting on the Australian exchange sector. The collective experience of the Board includes a deep business understanding of how technology and regulation are changing the exchange sector in Australia and in other markets, along with a keen appreciation of the changing demands and expectations of customers and other stakeholders who make decisions or influence outcomes that can affect ASX's business. The Board has delegated day-to-day responsibility for operational and business management to the Managing Director and CEO. The CEO also covers technology matters in his reporting to the Board. ASX has a Chief Information Officer (CIO), who reports directly to the Managing Director and CEO and is responsible for Technology at a management level. The CIO provides regular reporting to the Board and the Audit and Risk Committee on technology matters.

	Review of technology is also undertaken by: • the Clearing and Settlement Boards (CS Boards) who may consider technology matters at their meetings; • the Audit and Risk Committee (ARC) receives a report on technology matters at each meeting; • internal auditors whose work includes work in relation to Information Technology; • External Audit (as required); and • Enterprise Risk. There is also regulatory oversight from the RBA and ASIC.
Director Elections	
Shareholder Questions	**ASX Response**
What are the skills that the directors who are standing for election bring to the ASX Board and what is the contribution that they will seek to make to ASX?	Mr Shane Finemore has resigned and is no longer standing for re-election. Dr Ken Henry was appointed in February 2013 as part of the process of Board renewal. The Board agreed that Dr Henry's skills and experience would complement, and be a valued addition to, the existing skills of the ASX Board. Dr Henry's reputation and experience as an economist in Australia and overseas, and as a senior public servant who has worked with successive Australian governments at the highest level, has brought fresh perspectives on the broader political and economic environment, and strengthened the expertise of the ASX Board. His deep experience in public and regulatory policy, including how it affects Australia's financial system, supported by a strong network of relationships with policy makers both locally and around the world, provides a respected and valued contribution to the ASX Board's deliberations at a time of significant regulatory change in Australia and overseas. The Chairman will outline the credentials of Dr Henry at the AGM.
Impact of the recent capital raising on the LTI	
Shareholder Questions	**ASX Response**
What is the impact of the recent capital raising on the EPS and TSR hurdles in the LTI awards made to the CEO?	In June 2013 ASX conducted a 2 for 19 pro rata accelerated renounceable entitlement offer to raise approximately $553 million of additional equity. The entitlement offer was conducted in two components - an accelerated institutional component and a retail component - which was completed on 17 July 2013. ASX issued 18,458,433 new shares under the entitlement offer. In accordance with applicable accounting standards, ASX restated prior year earnings per share (EPS) amounts to adjust for the effect of the entitlement in the reported EPS. The potential impact of adopting the restated comparables is not likely to materially affect the outcome for these plans. Based on current EPS to the end of 2013, the restatement would have no impact on the outcome.

	For the purposes of the Plan, EPS means underlying earnings per share. It is calculated by dividing the underlying net profit attributable to members of ASX for the relevant reporting period (statutory NPAT adjusted for the after tax effect of any significant items) by the time-weighted average number of ordinary shares of the company. The impact of the raising reduces the EPS as the weighted average number of shares increases to incorporate the new shares issued and the discount provided in the rights issue. This is the case even with the restatement. The performance hurdle remains a target of more than 8% p.a. compound growth. TSR Performance Criteria are based on a comparison of ASX's performance with a group of peer companies selected by the Board (the "Comparative Group"). The Comparative Group includes peer companies listed on ASX and comparable international exchanges. The Board has various discretions under the Plan rules, including the discretion referred to in the Notice of Meeting, to increase or decrease the number of shares awarded on vesting by up to 20% of the maximum number of shares that may vest. It is noted that this discretion has not been exercised in the past.
"Please have the Auditor discuss in detail the remuneration related matters they considered regarding the Rights Issue and the reasons/justification for: 1. Not formally considering in their report a major shareholder event as fitting the "...(d) any other relevant matter." as required by S300 of the Corporations Act 2001, 2. Agreeing to include only the theoretically determined "Bonus Shares" derived under the Rights Issue as an appropriate basis for determining the "weighted average number of shares" when calculating the EPS and TSR performance hurdles, 3. Other aspects that were considered to be a consequence of the Rights Issue and reasons as to why they were either adopted or rejected in the calculation of the EPS and TSR performance targets for the year ended June 2013."	Response from PricewaterhouseCoopers is set out below. Management is responsible for the preparation and presentation of the financial report including the Directors' Report. Management is required to prepare the financial report in accordance with the applicable financial reporting framework, such as the *Corporations Act 2001* and Australian Accounting Standards. The Board of Directors then approves the financial report, including that it is fairly presented. The auditor expresses their independent opinion as to whether (among other things) the Remuneration Report within the Director's Report complies with section 300A of the *Corporations Act 2001*. Section 300A(1)(b) requires the Remuneration Report to include discussion of the relationship between the company's remuneration policy and the ongoing performance of the company. Our opinion is required to consider the adequacy of the disclosures in the Remuneration Report and financial statements, and is not intended to re-produce or re-state these disclosures. As part of the audit, consideration was given to the disclosure of the rights issue undertaken by the company in the year ended 30 June 2013 and its impact on shareholder wealth for the financial year. Information provided on page 58 of the Annual Report includes details of the relevant measures of shareholder wealth, namely net profit after tax, Earnings per Share (EPS), declared dividends and market share price (as at 30 June). The information provided takes into account the rights issue. The EPS figure for the year ended 30 June 2013 is calculated on the basis of the weighted average number of shares that the company had on issue during the year. That figure takes into account shares issued during the year as part of the rights issue and also theoretical "bonus shares" which are implied by the issue of shares under the rights issue at a discount to the theoretical ex-rights price of the shares (further detail in relation to that calculation is contained in note 8 to the financial statements on page

	94 of the Annual Report). While the additional shares were only on issue for a relatively short period during the year, they have a slight dilutive effect on EPS. The comparative EPS figures for previous years provided on page 58 of the Annual Report have also been restated to take into account the theoretical "bonus shares" under the rights issue by adjusting the weighted average number of shares that the company had on issue during each of the comparative periods to include these bonus shares. This adjustment will have had a slight dilutive effect on these EPS figures. Section 11.7 of the Directors' Report contains details of the performance measures that apply in respect of the long-term incentive plan. Taking the remuneration report as a whole, the auditor considers the information disclosed satisfies the requirements of Section 300A of the *Corporations Act 2001*. The inclusion of the theoretically determined "bonus shares" and the shares issued under the rights issue in the calculation of EPS did not impact the disclosed remuneration under the long-term incentive plan in the current year. In future years, the increase in weighted average shares on issue arising from the rights issue will have a dilutive effect on EPS as compared to prior years, and logically the total profit of the company that is required to satisfy the pre-existing EPS hurdles will be higher than would have been the case if the number of shares on issue had not increased (all other things being equal). The EPS performance criterion in respect of the 2010 incentive plan grant was not met (as disclosed on page 52 of the Annual Report) and would not have been met regardless of any adjustment to EPS arising from the rights issue. Determining the types of performance hurdles under the incentive plans and the target thresholds for those hurdles is the responsibility of the company's Remuneration Committee. Our audit is not required to consider the appropriateness of these hurdles, but to assess if the hurdles are met or not in accordance with the requirements of the relevant incentive plans and if the subsequent accounting treatment and disclosure is in-line with the relevant requirements of the Australian Accounting Standards and *Corporations Act 2001*. The remuneration disclosed for the 2011 and 2012 long-term incentive plans did not change as the Remuneration Committee has not formally considered the impact of the rights issue and the EPS restatement on these plans or any future plans.

ASX's Long-Term Incentive Plan	
Shareholder Questions	ASX Response
What is the source of the shares vesting at the conclusion of the performance period? Will the shares be purchased on-market and, if not, will be issued directly by ASX?	It is ASX's intention that any shares awarded to the MD & CEO at the end of the performance period will be shares that have been purchased on-market and held in a trust. If there are insufficient shares in the trust, then any shares awarded will be shares that will be purchased on-market.
All incentive programs should be stopped, and ASX should increase base salary including a proportion of company shares purchased on market.	The ASX Board regularly considers the remuneration policy to ensure it remains consistent with market practice and is aligned with the Group strategy and objectives. During FY13, the Board reviewed the executive remuneration framework, including participation in the Long-Term Incentive Plan. ASX considers its current remuneration framework is appropriate.

Attachment 1

Details of ASX technology and project delivery governance

Technology and project delivery are recognised by ASX as vital to its business and operations. The Board processes described in this Attachment explain how these work.

For the past two years, the Board has annually reviewed and approved a rolling three-year overall ASX business plan, which is supported by technology, risk and operational plans. Project delivery is addressed in each of these functional plans. The initiatives and focus of the three-year plan are important for the business and reflected in the 2013 Annual Report.

At the time of the ASX/SFE merger one of the strengths brought by the SFE management team was the discipline of an effective project management process. The project process of concept creation, definition, project proposal and delivery brought from the SFE has evolved and developed to meet the business needs as these have changed. Today the project process supports the implementation of more than 30 projects a year.

In 2009, the project team was a finalist for an international award in project management alongside five others, including Cisco.

Recently there have been a number of enhancements to those processes, which have supported the positive track record of project delivery over the last 12 months. In particular:

- Creation of project programs for each line of business to improve issue and resource management.
- Increased accountability of the Business Development General Managers for the projects that touch their businesses.
- Adjustments to project governance to support the new program structure.
- Changes to documentation as part of a continual improvement process to improve efficiency.
- Enhanced prioritisation processes to ensure focus on key projects.
- Business Analyst and Project Management functions reporting to the Chief Information Officer.

Equally important are the ongoing business operations, particularly the continuous improvement programs for technology, operations and risk management that are involved in the performance of the ASX Group licensed entities. The Boards and Committees oversee and monitor these improvement programs.

The Board is satisfied that over the last year there has been a positive track record of project delivery and that a process of continuous improvement has been implemented. The Board and its Committees regularly review these reporting processes. The Board is of the view that the management disciplines that support ASX's technology and project delivery are well established and function to support the business.

ASX Governance

ASX Board of Directors

The Board acts collectively as a body and individual directors bring their own perspective and expertise to the Board discussion. Each director is not required to act as an expert for a particular business operation, and no single director is allocated complete responsibility for a particular business operation. The Board collectively is responsible for, amongst other things, overseeing the effectiveness of management processes, approving major corporate initiatives, overseeing the process of identifying significant risks facing the ASX Group, and overseeing the control, reporting and monitoring mechanisms.[1] Day-to-day management of ASX is delegated to management and it is those members of management who have the expertise to deal with particular areas of ASX's business.

[1] See the ASX Corporate Governance Framework in ASX's 2013 Annual Report.

The Board has established three committees to assist it to discharge its duties, including an Audit and Risk Committee (ARC). It also relies on specialist subsidiary Boards to assist it in the discharge of its duties. In particular, the ARC provides a governance forum in which the Board has the opportunity to investigate any matters and question any decisions of management.

There is comprehensive and regular reporting by ASX management to the Board and the ARC on all major initiatives and for each line of business. This appears in detailed reporting in the CEO's written and verbal report to each ASX Board meeting, and in the detailed consideration of risk matters that is undertaken by the ARC and the specialist subsidiary boards.

Executive management and general managers appear before the Board and its Committees at each meeting. The ARC meets in private session with external and internal auditors.

ASX Board skills and experience

Having an appropriate mix of skills and experience amongst our directors is a matter the ASX Board reviews and plans for on a regular basis. In 2012, ASX advised that the Board had commenced a process to recruit new directors to ASX. As part of that process, a skills matrix was developed. That matrix identified the skills and experience of the current directors, and the skills and experience that the Board considers necessary and desirable for the future. The matrix considers professional skills, industry experience and diversity. The Board examines specific areas to ensure we have an appropriate balance of key competencies and perspectives, including in areas such as markets, international exchanges, business and geographic networks, technology, risk, clearing and public policy experience, and influencing skills.

Board renewal has always been important but has become particularly critical in recent times, given the focus on our customers and competition, and the regulatory changes taking place within our industry, both at a domestic and global level, and their impact on ASX. The directors bring their individual and collective experience to the ASX Board discussion and decision-making processes.

The Board is confident that it has the expertise and experience to ask probing questions of ASX management in today's complex financial markets environment.

On 19 September 2013, Russell Aboud and Shane Finemore resigned from the Board. This followed the release by the Securities and Exchange Commission (SEC) of the terms of settlement in relation to enforcement actions against 23 firms operating in the United States. One of the firms involved is Manikay Partners, of which Mr Finemore is Managing Partner and Mr Aboud is Chairman.

Mr Aboud and Mr Finemore decided to resign from the Board in the best interests of the company. They did so in consultation with the Chairman. ASX has a strong reputation for corporate governance and they did not want to see this reputation placed in any doubt. We respect their decision and believe they made the right decision.

The ASX Board currently has seven directors who together provide substantial corporate, public policy, compliance and financial markets experience. In addition, ASX has various subsidiary Boards that are specifically charged with the oversight of some of the key functions that the exchange performs, such as clearing and settlement. Across the main Board and the subsidiary Boards, ASX draws on the experience of no less than 12 non-executive directors.

The replacement of the directors who resigned recently will now become part of our ongoing Board renewal program. This program is designed to ensure that ASX has the right mix of skills available. We will introduce new directors in the coming months.

Following his resignation, Mr Shane Finemore is no longer seeking re-election at the Annual General Meeting.

Dr Ken Henry is seeking election. The non-candidate directors unanimously support his election. The Board considers him to be a strong contributor to the Board and is of a collective view that his experience provides

valuable insights to the Board and to ASX as it navigates though a complex customer, stakeholder and regulatory environment. Dr Henry has a deep understanding of the international regulatory framework and Australia's role within it.

The Board recently confirmed its view that the election of Dr Henry is appropriate in the context of providing an appropriate balance to the Board for the commercial, regulatory and risk environment in which the ASX Group operates.

ASX Compliance

ASX Compliance provides compliance and enforcement services to the various ASX Group entities that hold licences under the Corporations Act to operate markets or clearing and settlement facilities. It is responsible for monitoring and enforcing compliance with ASX operating rules, with the exception of ASX Group's own listing, which is monitored and enforced by ASIC. One functional unit of ASX Compliance, the Executive Office, administers the ASX Corporate Governance Council.

Clearing and Settlement Boards

While the ASX Board has responsibility to oversee the conduct of ASX Group consistent with its licence obligations, as well as public policy objectives directed at financial market and payments system integrity, the focus of the Clearing and Settlement Boards (CS Boards) is on risk management and oversight of the clearing and settlement operations of ASX's clearing and settlement subsidiaries.

External review

The processes described above are also subject to the oversight and assessment by external audit and the oversight by regulators outlined below.

Compliance

The governance practices adopted by ASX are in line with case law[2] and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.[3] ASX has adopted these Principles and throughout the reporting period, ASX's governance arrangements have been consistent with these Principles[4].

Oversight of ASX governance processes by regulators

ASX operates in a highly regulated environment which is principally overseen by two independent regulatory authorities - the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia (RBA). These government regulators have extensive powers to enforce the laws and regulations that govern financial markets in Australia. ASIC and RBA conduct annual assessments of the ASX Group.

On 23 May 2013, ASIC released its annual assessment of the ASX Group and found that "ASX adequately met its obligations for the assessment period". RBA's 2012-13 assessment of ASX Clearing and Settlement Facilities

---

[2] In *AWA Ltd v Daniels (trading as Deloitte Haskins & Sells)* (1992) 7 ACSR 759 Rogers J said: Foremost among [the difficulties which arise in allocation of liability to directors, officers and auditors] … is the failure to recognise and to admit that many companies today are too big to be supervised and administered by a board of directors except in relation to matters of high policy. The true oversight of the activities of such companies resides with the corporate bureaucracy. Senior management and, in the case of mammoth corporations, even persons lower down the corporate ladder exercise substantial control over the activities of such corporations involving important decisions and much money. It is something of an anachronism to expect non-executive directors, meeting once a month, to contribute anything much more than decisions on questions of policy and, in the case of really large corporations, only major policy. This necessarily means that, in the execution of policy, senior management is in the true sense of the word exercising the powers of decision and of management which in less complex days used to be reserved for the board of directors.

[3] The Principles and recently released consultation draft on proposed new Principles can be found on ASX's website at http://www.asxgroup.com.au/corporate-governance-press-releases.htm.

[4] See the ASX Corporate Governance Framework in ASX's 2013 Annual Report.

was published on 5 September 2013 and observed “that ASX has governance arrangements in place that motivate and encourage continuous improvement, which contributes to the ASX facilities’ compliance with the obligation to do all other things necessary to reduce systemic risk”.