



24 June 2015

Australian Securities and Investments Commission  
Mr Oliver Harvey  
Senior Executive, Financial Market Infrastructure  
Level 5, 100 Market Street  
SYDNEY NSW 2000

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

## **CHANGES TO MANAGING DIRECTOR AND CEO REMUNERATION**

Attached is a market announcement regarding changes to the Managing Director and CEO's remuneration from 1 July 2015.

**Amanda J Harkness**  
Group General Counsel & Company Secretary



## MARKET ANNOUNCEMENT

24 June 2015

### Changes to CEO remuneration from 1 July 2015

This announcement sets out adjustments that have been made to the remuneration arrangements for the Managing Director and CEO of ASX Limited (ASX), Mr Elmer Funke Kupper, and to ASX's broader executive remuneration framework, commencing from 1 July 2015.

ASX's Chairman, Mr Rick Holliday-Smith, informed the 2014 AGM that the Board would engage with shareholders and other stakeholders as part of a broad review of ASX's executive remuneration framework. This review has been completed and a new framework for the most senior executives has been put in place. The adjustments to Mr Funke Kupper's remuneration are in line with the new framework. These are the first changes to his remuneration since he started in October 2011.

ASX's new executive remuneration framework recognises that the development and implementation of the strategy for a major exchange group requires a longer term horizon. The new framework extends the short-term incentive (STI) and long-term incentive (LTI) programs for the CEO and Group Executives out to four years and makes greater use of equity as a deferral mechanism, providing greater alignment with shareholders.

The changes to the executive remuneration framework will have no material impact on ASX Group expenses in FY16 and over the initial four-year period.

#### **FY16 short-term incentive arrangements**

From FY16, STI awards to the CEO and Group Executives will be treated as follows:

- 40% will be paid in cash
- 30% will be deferred for two years in equity
- 30% will be deferred for four years in equity.

Previously, 50% of the STI award was paid in cash and 50% was deferred for two years in cash.

The STI opportunity for Group Executives will be increased to recognise the lower upfront cash component and the longer vesting period. No salary increases will be awarded to the CEO or Group Executives in FY16 (except for the Deputy CEO who will transition to a remuneration structure that mirrors the CEO).

From FY16, the deferral mechanism of STI awards to General Managers will also change from cash to equity. The deferral period will remain two years. STI awards to General Managers will be treated as follows:

- 50% will be paid in cash
- 50% will be deferred for two years in equity.

#### **FY16 long-term incentive arrangements**

Currently, only the CEO and Deputy CEO participate in ASX's LTI program. This will not change.

From 1 July 2015, the terms of the LTI program will be updated to bring it in line with market best practice. The main features of the LTI program are summarised in the table that is attached to this announcement. Among the features that apply from FY16 are a longer vesting period of four years (previously three) and an allocation methodology based on the ASX share price, or face value (previously fair value).

## Remuneration arrangements for the Managing Director and CEO

Mr Funke Kupper's remuneration arrangements have been amended to reflect the changes to the STI and LTI programs described above.

From FY16, Mr Funke Kupper will be on a remuneration mix of 40% fixed, 40% STI and 20% LTI:

- Fixed remuneration: \$1.75 million. No change
- Short-term incentive (STI): \$1.75 million target with maximum opportunity that is capped at 150% of target and deferral as per ASX's updated STI plan. Previously \$1.5 million maximum
- Long-term incentive (LTI): \$875,000, with the number of performance rights granted determined using ASX's share price (face value). Previously, LTI was \$750,000 using an accounting discounted fair value.

Under the new arrangements, 60% of Mr Funke Kupper's remuneration will be 'at risk', and over 70% of this 'at risk' remuneration will be deferred into equity for up to four years.

The change to the STI plan deferral means that in the first two years Mr Funke Kupper's cash remuneration will be marginally below FY15 (assuming targets are met).

Using the ASX share price, rather than fair value, to determine the number of LTI performance rights that will be awarded reduces the number of rights that are awarded for a given dollar value of LTI. The CEO's LTI has been partially adjusted to reflect the new basis on which it will be determined.

The key terms of Mr Funke Kupper's FY16 remuneration are set out on the following page. Full details of the Managing Director and CEO's remuneration arrangements and the ASX executive remuneration framework will be provided in ASX's 2015 Annual Report and AGM Notice of Meeting.

Amanda J Harkness  
Group General Counsel & Company Secretary

### For further information:

#### Media

Matthew Gibbs  
General Manager, Media and Communications  
Tel: + 61 2 9227 0218  
Mobile: 0411 121219  
[matthew.gibbs@asx.com.au](mailto:matthew.gibbs@asx.com.au)  
[www.asx.com.au/about/media-releases.htm](http://www.asx.com.au/about/media-releases.htm)

#### Investor Relations

Stephen Hammon  
General Manager, Finance  
Tel: +61 2 9227 0260  
Mobile: 0488 212755  
[stephen.hammon@asx.com.au](mailto:stephen.hammon@asx.com.au)  
[www.asx.com.au/about/investor-relations.htm](http://www.asx.com.au/about/investor-relations.htm)

## Key terms of Mr Funke Kupper's remuneration from 1 July 2015

	FY16	FY15
Remuneration mix	40% fixed / 40% STI / 20% LTI	43% fixed / 38% STI / 19% LTI
Fixed remuneration	\$1.75 million	\$1.75 million
STI amount	\$1.75 million target Maximum 150% of target	\$1.5 million maximum
Payment of STI award	40% cash after end of FY 30% deferred in equity for two years 30% deferred in equity for four years	50% cash after end of FY 50% deferred in cash for two years
Dividends on awarded STI	Yes	Not applicable
LTI amount	\$875,000	\$750,000
Allocation methodology	ASX share price (face value)	Fair value
LTI performance conditions	Four-year performance period 50% Earnings per Share (EPS) 50% relative Total Shareholder Return (TSR)	Three-year performance period 70% EPS 30% TSR
EPS vesting	Vesting range 5.1-10% compound annual EPS growth 50% vesting at 5.1% EPS growth	Vesting range 8.1-10% compound annual EPS growth 5% vesting at 8.1% EPS growth
TSR vesting	Vesting range 51st to 76th percentile 25% vesting at 51st percentile	Vesting range 51st to 76th percentile 50% vesting at 51st percentile
Peer group	ASX 100 excluding property trusts	ASX100 (excluding property trusts and mineral companies) and selected international exchanges
Retesting	No	No
Clawback	Applied if deferred STI or LTI outcome results in 'inappropriate benefit' If necessary to protect financial soundness of ASX or where adverse outcomes have arisen which reduce original assessment of performance	Applied if deferred STI or LTI outcome results in 'inappropriate benefit' If necessary to protect financial soundness of ASX or where adverse outcomes have arisen which reduce original assessment of performance
Board discretion	Increase/decrease vesting by 20% Adjust if outcome materially impacted by changes to dividend policy, capital structure, gearing or structure	Increase/decrease vesting by 20%
Dividends on awarded LTI	No	No