



## ASX Limited Board Charter September 2017

### 1. Purpose of the Charter

- 1.1. This Charter sets out the functions and responsibilities of the Board of ASX Limited ('ASX') within the governance structure of ASX and its wholly owned entities ('ASX Group').

### 2. Role and responsibilities of the Board

- 2.1. The Board is accountable to shareholders for the performance of ASX. The Board also has a responsibility to oversee the conduct of the affairs of the ASX Group consistent with licence obligations as well as public policy objectives directed at financial market and payments system integrity.
- 2.2. The Board:
- a) reviews and approves corporate strategies, the annual budget and financial plans;
  - b) oversees and monitors organisational performance and the achievement of the ASX Group's strategic goals and objectives;
  - c) monitors financial performance and liaising with the ASX Group's external auditor;
  - d) appoints and assesses the performance of the Managing Director and CEO ('CEO'), and oversees succession plans for the senior executive team;
  - e) oversees the effectiveness of management processes in place and approves major corporate initiatives;
  - f) enhances and protects the brand and reputation of the ASX Group;
  - g) reviews and oversees systems of risk management and internal control and regulatory compliance (including compliance by the ASX Group's market licensees with their statutory obligations as licence holders);
  - h) oversees the processes for identifying significant risks facing the ASX Group and that appropriate and adequate control, monitoring and reporting mechanisms are in place;
  - i) monitors the culture of the ASX Group; and
  - j) reports to, and communicates with, shareholders.

### 3. Board composition and governance

- 3.1. It is Board policy that a majority of its directors must be independent.
- 3.2. The Board, in consultation with the Nomination Committee, determines the composition of the Board. The Board, together with the Nomination Committee, will review the skills represented by directors

on the Board and determine whether the composition and mix of those skills remain appropriate for ASX's strategy.

- 3.3. ASX values the skills, experience and perspective brought to the Board by Board members who are involved with stakeholders of ASX including listed entities and participants on an ASX licensed market or CS facility. The Board will use succession planning to achieve the progressive and orderly renewal of its Board membership. The Board may engage an independent professional consultant to identify suitable candidates in a director recruitment search process. Candidates are selected based on their level of skill, knowledge and experience that enables the Board to discharge its responsibilities effectively. The selection process also aims to achieve an appropriate mix of skills, expertise, experience and diversity (including gender).
- 3.4. a) The Chairman is an independent non-executive director.
- b) In exceptional circumstances, the Chairman may be required to act as Executive Chairman for a limited period of time.
- c) A Chairman acting as Executive Chairman for a limited period of time is not and is not deemed to be the CEO.
- d) Board policy is that the CEO may not become Chairman.
- 3.5. The Chairman is responsible for:
- a) leading the Board in its duties to the ASX Group;
- b) oversight of the processes and procedures in place to evaluate the performance of the Board, its committees and individual directors; and
- c) facilitating effective discussions at Board meetings.
- 3.6. A review of directors' independence is undertaken by:
- a) tabling of individual director interests at each and every Board meeting; and
- b) an annual formal assessment using defined criteria of independence and materiality consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The involvement with a listed entity or a participant in an ASX licensed market or CS facility does not in itself diminish a director's ability to act as an independent director of ASX.
- 3.7. The Board has not adopted a tenure policy.
- 3.8. The Board and directors undergo regular performance reviews.
- 3.9. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

## **4. Relationship with other ASX Group governance forums**

- 4.1. The Board has established an Audit and Risk Committee ('ARC'), a Nomination Committee and Remuneration Committee to assist and advise the Board on specific matters set out in the charters of

those committees. In the case of the ARC, this includes providing oversight of compliance and conflict handling arrangements of the ASX Group's markets and clearing and settlement facilities, as set out in the ARC Charter.

- 4.2. The ASX Group has four subsidiary companies which hold licences issued under the Corporations Act to operate clearing and settlement facilities ('CS licensees'). Together with two intermediary holding companies, these are referred to as the CS subsidiaries and are governed by their respective boards ('CS boards').
- 4.3. The CS boards provide oversight of the clearing and settlement operations of the CS subsidiaries, including the management of clearing and settlement risk. The CS boards are responsible for, and the Board and ARC rely on the CS boards to perform, the functions set out in Schedule 1.
- 4.4. The ASX Clear and ASX Settlement boards have been constituted such that directors not on the Board can form a quorum if required if considering conflict or commercially sensitive information. This would usually arise where another market operator or listing venue is obtaining services from, or access to, the CS facility. In such circumstances, only those CS board directors who are not on the Board will attend and receive papers for the meeting. Neither the matters discussed nor the minutes of such meetings are reported to the ASX directors or Board. Management attendance at such meetings is restricted.
- 4.5. The Chief Compliance Officer has responsibility for the performance of compliance and enforcement functions for the ASX Group's markets and clearing and settlement facilities. The Chief Compliance Officer reports to the Board at each meeting in relation to these functions, as well as providing a detailed report on the performance and resourcing of these functions to each meeting of the ARC.
- 4.6. ASX directors are invited to attend CS board meetings and can request copies of board papers. CS board meeting minutes are included in Board papers. ASX directors do not attend or receive copies of papers or minutes of any meetings of the CS boards which include confidential or commercially sensitive information.
- 4.7. The Board has implemented governance arrangements to provide oversight and reporting regarding the exercise of the powers delegated to the CS boards and the ARC. Where appropriate, these include providing guidance on how the delegated powers should be exercised, and an annual review of ASX's listings strategic framework.

## **5. Managing Director and CEO**

- 5.1. The Board has appointed a CEO, who has responsibility for the overall operational, business and profit performance of the ASX Group. The CEO manages the ASX Group in accordance with the strategy, plans and policies approved by the Board from time to time.
- 5.2. The CEO may not sit on the board or have a material commercial association with a company listed on ASX or a participant in an ASX licensed market or CS facility without the prior written consent of the Board.
- 5.3. The CEO appoints all senior executives reporting to him after consultation with the Board (and in the case of the Chief Risk Officer and Chief Operating Officer, with the agreement of the CS boards, and in the case of the Chief Compliance Officer ('CCO'), with the agreement of the Chair of the ARC).

## **6. Review**

- 6.1. The Board will review this Charter annually to keep it up to date and consistent with the Board's objectives and responsibilities.
- 6.2. Amendments to the Charter, other than updates for ASX branding or position titles, are to be approved by the Board.

## Schedule 1 – Responsibilities of the CS boards

- a) Set the operational risk tolerances for the CS licensees.
- b) Review and approve the risk management framework, and oversee the adequacy of internal controls, systems and processes for the effective management of clearing and settlement risks of the CS facilities, including: receiving reports on performance of systems, services, models and controls; reviewing at an aggregate level, and when needed at individual participant level, limits and stress testing outcomes; reviewing participant revenues, business initiatives and operational issues; and operational and technical incident reporting.
- c) Review and approve the investment mandate and risk management framework for the investment of clearing participant margins deposited with the CS licensees and other prefunded default resources.
- d) Assess and approve new product categories against the clearability policy for admittance of new products, and provide feedback to Management on potential counterparty or systemic risk issues that need to be considered.
- e) Oversee the adequacy of Management, systems, processes and ASX's culture to achieve:
  - (i) ongoing compliance with the Financial Stability Standards ('FSS') and international PFMI standards for financial market infrastructure
  - (ii) ongoing compliance with the CS licensees' statutory obligations
  - (iii) management of the CS licensees within the ASX risk appetite and the operational risk tolerances set by the CS boards
  - (iv) appropriate consideration of relevant public interest considerations and objectives of relevant stakeholders.
- f) Review default management policies, systems and processes in the event of counterparty failure and default.
- g) Receive updates on the cyber resilience of clearing and settlement participants.
- h) Review whether the ASX Group's remuneration arrangements and processes:
  - (i) provide incentives that encourage appropriate behaviour
  - (ii) comply with the FSS and other applicable regulatory requirements.
- i) Provide input to the Remuneration Committee on the remuneration arrangements and performance processes of key executives, including the Chief Risk Officer and Group Executive Operations.
- j) Review and approve the CS licensee quarterly management accounts and full-year statutory reports.