



NSX Limited
ACN 089 447 058
and Subsidiary Entities

1 Bligh Street,
Sydney NSW 2000
t +61 2 8378 6400
e info@nsx.com.au
nsx.com.au

MARKET RELEASE

Letter to shareholders

NSXL Limited (ASX: NSX), wishes to advise that a letter to security holders attached to this announcement has been sent to NSX Limited security holders in relation to the General Meeting #1 to be held on 24 August 2020.

This release is authorised by the Chair of the Board.

4 August 2020

ASX Company
Announcements

20 Bridge St,
SYDNEY NSW 2000

Dear Shareholders

NSX – EGM #1 24 August 2020 notice of meeting inclusion

THE MAJORITY OF DIRECTORS CONSIDER THAT IT IS **NOT** IN THE BEST INTERESTS OF THE COMPANY OR SHAREHOLDERS THAT MR CRAIG MASON BE ELECTED AS A DIRECTOR AND RECOMMEND THAT SHAREHOLDERS **VOTE AGAINST** HIS ELECTION

WHY

THE NSX BOARD IS ALREADY BIG ENOUGH

The ASX Corporate Governance Council Principles and Recommendations (ASX Principles), recommend that listed entities “Structure the board to be effective and to add value: The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.”

The Board has recently increased in size from two to six directors; Timothy J Hart, (Chair), NJ (John) Karantzis, Tod McGrouther and Kelly Humphreys who all joined the Board during 2020 and existing board members, Tony Shen Weigou and Thomas (Tom) Price. The majority of directors believe the current board composition reflects an appropriate size and diverse skills base, enabling it to effectively discharge its duties, add value and to represent the best interests of the NSX and its shareholders and sees no merit in further increasing the size of the Board and adding to the cost of running the Company.

NSX STILL OPERATES AT A LOSS AND THERE IS NO NEED TO INCUR THE COST OF MORE DIRECTORS

Following a long history of poor operating performance both in terms of negative earnings and negative operating cashflow, the majority of directors have confidence that the recent board renewal, along with a strengthened management team will assist in repositioning the NSX as a modern, competitive and profitable exchange.

THE ELECTION OF DIRECTORS SHOULD BE A TRANSPARENT PROCESS

The ASX Principles recommend that “to facilitate the effective functioning of the board and to promote investor confidence, there should be a formal, rigorous and transparent process for the appointment and reappointment of directors to the board.” The board believes that following the proper process is especially important given the obligations under the NSXA licence that the Company only appoint as directors people who have appropriate qualifications and experience and are notified to ASIC. The majority of directors do not consider that the election of Craig Mason in the manner proposed provides the Company with the benefits of a rigorous nomination process.

The s249D notice (although signed by a shareholder of the Company, Exchange Technology Investments Pty Ltd (**ETI**)) was received from the Group Executive - Corporate Operations at Financial & Energy Exchange Limited (**FEX**), from an FEX email address. The majority of the Board understands that Mr Brian Price is the ultimate majority shareholder of ETI. Mr Tom Price (a director of the Company) is Brian Price's brother and both are directors of FEX. This being the case, a majority of the Board is concerned that Mr Tom Price may have a conflict of interest in relation to the proposed resolution.

Given that the usual rigorous nomination process has not been undertaken in this case, the Company asked Mr Mason to provide a range of additional information, prior to the upcoming EGM. In summary, Mr Mason has advised the Company:

- that he does not have any interest, position or relationship that might influence his capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the Company and all shareholders;
- that he has no understandings or arrangements in relation to the Company, the appointment of directors or any voting arrangement with any other party;
- that he is not acting on behalf of any shareholder of the Company, including ETI.

Notwithstanding that Mr Mason has stated that he has no relationship or association with any of the directors or shareholders of the Company, Mr Mason has disclosed that:

- he has had *"a few telephone calls with [Mr Brian Price] over the past 4 months"*;
- that he met Mr Tom Price approximately 12 months ago and has had two subsequent telephone conversations with him; and
- that he's also *"had 4 or 5 telephone conversations [with Mr Rod Roberts] over the past 4 months"*. Mr Roberts is the subject of a further EGM regarding his appointment as a director, also initiated by a s249D notice.

In addition to these various conversations, as noted, ETI's s249D notice was sent to the Company from an FEX email address. The majority of the Board notes that Mr Tom Price is a director of FEX.

Despite the information provided by Mr Mason, because of the process of his nomination, the majority of the Board remains of the view that Mr Mason is likely an associate of ETI. This is because the majority of the Board consider that Mr Mason and ETI have an understanding as to a common purpose, namely Mr Mason's appointment as a director of the Company, making Mr Mason and ETI associates for that purpose.

To ensure that the Company's wholly owned subsidiary – National Stock Exchange of Australia Limited – remains in full compliance with its Market Licence, the Chairman of the Company has undertaken a review of the independence of the members of the Board. That review remains ongoing. However, if Mr Mason cannot be treated as being independent (including by virtue of being an associate of a substantial shareholder, namely ETI) then it may be necessary for the Board to seek approval from shareholders to reduce the size of the Board or increase the (already significant) size of the Board by appointing additional independent directors. Such additional appointment would, as mentioned above, increase the operating costs of the Company.

This letter is authorised by the Chair of the Board (3 August 2020).