



# Corporate Governance Statement

**NSX Limited**

**(ABN 33 089 447 058)**

ASX Corporate Governance Guidelines Edition 3 (2014)

*Effective 1 July 2020 NSXL has transitioned to Edition 4 (2019) of the Guidelines*

Issued: October 2020

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# INTRODUCTION

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## Background

NSX Limited (“**NSXL**”) is committed to conducting its business in a way that is open and accountable to shareholders, its stakeholders, customers and the wider marketplace. NSXL believes that its corporate governance practices as a public company should be of a high and rigorous standard.

NSXL is the parent company of the National Stock Exchange of Australia Ltd (“**NSXA**”). NSXA holds an Australian Market Licence enabling NSXA to operate a Stock Exchange within Australia.

As a market licensee, NSXA has the statutory obligation to operate a market that is fair, orderly and transparent (“**FOT obligations**”)<sup>1</sup>. Responsibility for NSXA meeting its statutory obligations as a market licensee rests with the board of NSXA and supported by the Board of NSXL.

This requirement is enshrined in the constitutions of NSX Limited and National Stock Exchange of Australia Limited.

## Governance Standards and Requirements

The policy is reflective of the following governance standards:

- (a) The Constitution of NSX Limited;
- (b) The Corporations Act;
- (c) ASIC Regulatory Guides as varied from time to time;
- (d) While NSXL is the holding company of NSXA, reflect the requirements and conditions of the National Stock Exchange of Australia Australian Market Licence and published variations; and
- (e) While NSXL is listed on ASX, the ASX Corporate Governance Council Principles and Recommendations (the third edition, 2014)<sup>2</sup>, the ASX Listing Rules and Guidance Notes.

## Reporting Period

Effective 1 July 2020 NSXL has transitioned to Edition 4 (2019) of the ASX Corporate Governance Guidelines and the period to the end of 30 June 2020 is the last period under which NSXL will report to the ASX Corporate Governance Edition 3 Guidelines (2014).

## NSXL disclosures

This document is structured along the same lines as the Council’s guidelines, with sections dealing in turn with each of the Council’s eight corporate governance principles. The various codes, policies and charters are available from the NSXL website<sup>3</sup>.

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<sup>1</sup> Subsection 792A of the Corporations Act (2001) Cth

<sup>2</sup> <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf>

<sup>3</sup> <https://www.nsx.com.au/about/governance/constitution-and-policies/>

## ASX Corporate Governance Council principles and recommendations<sup>4</sup>

In March 2003, the ASX Corporate Governance Council published the 'Principles of Good Corporate Governance and Best Practice Recommendations' ("guidelines"). This publication is the basis for the NSXL's own corporate governance statement and the guidelines published by the ASX Corporate Governance Council as amended from time to time.

***Effective 1 July 2020 NSXL, has transitioned to edition 4 of the ASX Corporate Governance Guidelines published in 2019 and effective from 1 January 2020 for entities with a financial year ending in 30 June 2021.***

NSXL progressively reviews its existing policies and codifies new policies in line with the published corporate governance guidelines. However, NSXL does not believe in a one size fits all approach and consequently has responded to the guidelines appropriately with respect to the size of its markets, the size of the entities listed on its markets, the complex regulatory environment that it operates in and the size of the businesses that NSXL operates.

## ASX Listing Rule Requirements<sup>5</sup>

ASX Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period.

If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under ASX Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of Listing Rule 4.10.3.

Under ASX Listing Rule 4.7.3, an entity must also lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX. The Appendix 4G serves a dual purpose. It acts as a key designed to assist readers to locate the governance disclosures made by a listed entity under Listing Rule 4.10.3 and under the ASX Corporate Governance Council's recommendations. It also acts as a verification tool for listed entities to confirm that they have met the disclosure requirements of Listing Rule 4.10.3.

The ASX Appendix 4G form is not a substitute for, and is not to be confused with, the entity's corporate governance statement. They serve different purposes and an entity must produce each of them separately. The ASX Appendix 4G is a key to corporate governance disclosures whereas the Corporate Governance Statement, either issued separately or in the Annual report, provides the actual disclosure of corporate governance behaviour.

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<sup>4</sup> <https://www.asx.com.au/regulation/corporate-governance-council.htm>

<sup>5</sup> <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf>

## EDITION 3 COMPLIANCE SUMMARY<sup>6</sup>

The following table summarises NSXL compliance with ASX Corporate Governance Council's guidelines. Shaded sections are Guidance Principles, while unshaded sections are NSX's responses. NSX's Corporate Governance statement is also available on its website (<https://www.nsx.com.au/about/governance/constitution-and-policies/>).

For convenience, the measures adopted to ensure compliance and how NSXL follows the Guidelines are presented in a tabular format below. In most cases, NSXL has adopted the Guidelines per se, however where this has not been possible NSXL has highlighted the steps taken to ensure compliance with the intent or 'spirit' of the Guidelines on an "if not, why not basis". The following table summaries NSXL's responses according to the 3<sup>rd</sup> edition of the Corporate Governance Council's Principles published on 27 March 2014 for the reporting period ended 30 June 2020.

Principle	Compliance/Response/Activity	References
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>	
<b>Recommendation 1.1</b>	<b>A listed entity should disclose:</b> <b>(a) the respective roles and responsibilities of its board and management; and</b> <b>(b) those matters expressly reserved to the board and those delegated to management.</b>	
<b>NSXL Response</b>	The Board Charter makes it clear that the roles of Chair and Chief Executive Officer and Managing director are to be separate and distinct. The charter provides information on roles of responsibilities of the Board, the Chair and management.	NSXL Board Charter  NSXL Corporate Governance Statement
<b>Recommendation 1.2</b>	<b>A listed entity should:</b> <b>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</b> <b>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</b>	
<b>NSXL Response</b>	<p>On appointment, new Board members are provided a questionnaire where they are required to disclose information about their bankrupt status and good fame and character. Australian police checks are also carried out.</p> <p>Security holders are provided information on existing and newly appoint Directors when Directors are due for election. This information is provided in the Notice of Meeting documents.</p> <p><u><a href="#">Australian Market Licence Conditions</a></u></p> <p>From 26 February 2018 new Australian Market Licence conditions became effective where the Board of NSXA is required to provide information on Persons of</p>	NSXL Board Charter  NSXL Corporate Governance Statement  Remuneration and Nomination Committee Charter  NSXL Annual report and Notice of Meeting documents  NSXA Australian Market Licence

<sup>6</sup> Location of policies and procedures: <https://www.nsx.com.au/about/governance/constitution-and-policies/>

Principle	Compliance/Response/Activity	References
	Influence who are to be appointed or re-appointed as a director, company secretary, senior manager or decision maker with respect of admission and compliance decisions. This condition applies to both NSXL and NSXA persons. For NSXA persons of influence NSXA must supply the information to ASIC. NSXA must receive a non-objection advice from ASIC before NSXA can appoint or re-appoint the person to a position. For NSXL, NSXA is only required to supply the information before appointment or re-appointment, to ASIC. Before each AGM, those directors that are eligible for appointment or re-appointment must provide information to NSXA and NSXA must lodge the required information with ASIC.	
<b>Recommendation 1.3</b>	<b>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</b>	
<b>NSXL Response</b>	All executive directors and senior management have applicable written agreements or Board approval.	NSXL Annual Report and Remuneration Report
<b>Recommendation 1.4</b>	<b>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</b>	
<b>NSXL Response</b>	The Company Secretary reports to the Chairman of the Board.	NSXL Board Charter
<b>Recommendation 1.5</b>	<p><b>A listed entity should:</b></p> <p><b>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</b></p> <p><b>(b) disclose that policy or a summary of it; and</b></p> <p><b>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</b></p> <p style="padding-left: 40px;"><b>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</b></p> <p style="padding-left: 40px;"><b>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</b></p>	
<b>NSXL Response</b>	The NSXL maintains a diversity policy which is published on the website.	NSXL Board Charter Diversity Policy

Principle	Compliance/Response/Activity	References								
	<p>At the end of the reporting period, the employment constituency is made up as follows:</p> <ul style="list-style-type: none"><li>• 17% of Directors are women.</li><li>• 13% of all employees are women.</li></ul> <p>NSX Limited is not defined as a relevant employer under the Workplace Gender Equality Act.</p> <p>The diversity policy publishes the relevant diversity targets as follows:</p> <table><tr><th>Target</th><th>By When</th></tr><tr><td>(1) at Board level: at least one of the next 2 Board appointments desirably should be female with appropriate skills and attributes.</td><td>(1) when it is appropriate to expand or refresh the Board.</td></tr><tr><td>(2) at Executive level: at least one of the next 2 executive appointments desirably should be female with appropriate skills and attributes.</td><td>(2) when it is appropriate to expand or refresh the executive team.</td></tr><tr><td>(3) generally: subject to the qualifying note under “Achieving Diversity” not less than 33% of new appointments should be male and not less than 33% of new appointments should be female.</td><td>(3) review annually each year</td></tr></table>	Target	By When	(1) at Board level: at least one of the next 2 Board appointments desirably should be female with appropriate skills and attributes.	(1) when it is appropriate to expand or refresh the Board.	(2) at Executive level: at least one of the next 2 executive appointments desirably should be female with appropriate skills and attributes.	(2) when it is appropriate to expand or refresh the executive team.	(3) generally: subject to the qualifying note under “Achieving Diversity” not less than 33% of new appointments should be male and not less than 33% of new appointments should be female.	(3) review annually each year	NSXL Annual Report
Target	By When									
(1) at Board level: at least one of the next 2 Board appointments desirably should be female with appropriate skills and attributes.	(1) when it is appropriate to expand or refresh the Board.									
(2) at Executive level: at least one of the next 2 executive appointments desirably should be female with appropriate skills and attributes.	(2) when it is appropriate to expand or refresh the executive team.									
(3) generally: subject to the qualifying note under “Achieving Diversity” not less than 33% of new appointments should be male and not less than 33% of new appointments should be female.	(3) review annually each year									

Principle	Compliance/Response/Activity	References
Recommendation 1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	
NSXL Response	<p>The processes for evaluation of Board member is available in the Remuneration and Nomination Committee Charter available from the website.</p> <p>The Board undertakes the review as is appropriate to the size and operations of its business and organisation at an appropriate time.</p>	NSXL Board Charter Remuneration and Nomination Committee Charter
Recommendation 1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	
NSXL Response	<p>The processes for evaluation of Board member is available in the Remuneration and Nomination Committee Charter available from the website.</p> <p>A performance evaluation was not undertaken during the reporting period.</p> <p>A review of its performance and evaluation policy is currently underway.</p>	Remuneration and Nomination Committee Charter
Principle 2 Recommendation 2.1	<p><b>Structure the board to add value</b></p> <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> </ul>	



Principle	Compliance/Response/Activity	References
	<p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	
NSXL Response	<p>The NSXL Board consists of six directors, including the Chair.</p> <p>The Board currently does not have a Remuneration and Nomination Committee. The Board does have a Remuneration and Nomination Committee Charter should the Board decide to activate the Committee. At present, given the scale and operations of the NSX, the Board addresses all issues related to remuneration and nomination.</p> <p>The Board is of the view that this is the best arrangement to grow the business of the company in the current development cycle of the Company.</p>	<p>Code of Ethics and Conduct</p> <p>NSXL Corporate Governance Statement</p> <p>Conflicts of Interest Policy</p> <p>Procedures for the maintenance of the conflicts of interest register</p> <p>Procedures for appointment of new directors or senior officers to NSX</p>
Recommendation 2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	
NSXL Response	<p>With the growth in the number of directors during the reporting period, the Board is in the process of reviewing its skills matrix and requirements for more or less directors and the mix of directors as appropriate.</p> <p>The qualifications and experience of each director are disclosed in the Annual report.</p>	NSXL Annual report
Recommendation 2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	

Principle	Compliance/Response/Activity	References
NSXL Response	<p>The Board consists of 6 directors, including the Chair.</p> <p>Applying the independence test outlined in the Principles, the Board considers that the independent directors are Tod McGrouther and Kelly Humphreys. The remaining four directors are associates of various substantial shareholders and therefore do not meet the test in box 2.3 of the guidelines.</p> <p>The Board is cognisant of the need for independence and so has in place policies to mitigate for the emergence of a lack of independence and potential conflicts of interest at any point in time. The independence of the Board is supported by adherence by the Board to various policy documents and delegations to relevant committees that have external members or have a majority of independent directors.</p> <p>Information is provided on each director within the financial statements of the NSXL Annual Report. This information includes the date of appointment of each director and the responsibilities they hold.</p> <p>The Board is of the view that this is the best arrangement to grow the business of the company in the current development cycle of the Company.</p>	<p>NSXL Annual Report</p> <p>Disclosure of Conflicts of Interest and review parties</p> <p>Website</p>
<b>Recommendation 2.4</b>	<b>A majority of the board of a listed entity should be independent directors.</b>	
NSXL Response	<p>Applying the independence test outlined in the Principles, the Board considers that the independent directors are Tod McGrouther and Kelly Humphreys. The remaining four directors are associates of various substantial shareholders and therefore do not meet the test provided in box 2.3 of the guidelines.</p> <p>The Board is cognisant of the need for independence and so has in place policies to mitigate for the emergence of a lack of independence and potential conflicts of interest at any point in time. The independence of the Board is supported by adherence by the Board to various policy documents and delegations to relevant independent committees that have external members or have a majority of independent directors.</p> <p>The Board is of the view that this is the best arrangement to grow the business of the company in the current development cycle of the Company.</p>	<p>NSXL Annual Report</p> <p>Disclosure of Conflicts of Interest and review parties</p> <p>Website</p>

Principle	Compliance/Response/Activity	References
<b>Recommendation 2.5</b>	<b>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO/Managing Director of the entity.</b>	
<b>NSXL Response</b>	<p>The Chair is not the same person as the Managing Director or Chief Executive Officer. The Chair is not an independent due to an association with a substantial shareholder.</p> <p>The Board is of the view that this is the best arrangement to grow the business of the company in the current development cycle of the Company.</p>	<p>NSXL Board Charter</p> <p>NSXL Annual Report</p>
<b>Recommendation 2.6</b>	<b>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</b>	
<b>NSXL Response</b>	New directors are given a package of relevant information concerning the Company. Directors are able to participate in director development activities as an when they are available.	NSXL Board Charter
<b>Principle 3</b> <b>Recommendation 3.1</b>	<p><b>A listed entity should act ethically and responsibly.</b>  <b>A listed entity should:</b></p> <p><b>(a) have a code of conduct for its directors, senior executives and employees; and</b></p> <p><b>(b) disclose that code or a summary of it.</b></p>	
<b>NSXL Response</b>	<p>NSXL has in place a number of procedures and policy documents to guide the directors and Chief Executive Officer in making ethical and responsible decisions.</p> <p>The Code of Ethics and Conduct requires that all directors and employees uphold high standards honesty, fairness and equity in all aspects of their employment and or association with the company.</p> <p>Additionally, the Procedures for dealing in securities sets out the rules relating to dealings by employees and directors in financial products traded on NSXA markets. The Procedures restate the <i>Corporations Act</i> prohibition on insider trading, improper use of inside information and the prohibition on making gains by improper use of position.</p> <p>The Procedures also place prohibitions on employees and directors in dealing with NSXL shares at certain times of the year.</p>	<p>Procedures for appointment of new directors or senior officers to NSX</p> <p>Procedures for dealing in securities by Directors, Officers and Employees of NSX</p> <p>Code of Ethics and Conduct</p> <p>Conflicts of Interest Policy</p> <p>Procedures for dealing in securities by Directors, Officers and Employee of NSX</p>

Principle	Compliance/Response/Activity	References
	<p>Each individual must abide by these policies and procedures in order to contribute to the high standard of integrity expected by the company.</p> <p>The company declares on its website the conflicts of interest each director and Senior Officers have as well as those entities either Advisers, Participants or Listed Issuers that have been declared as review parties due to some association with either a Director or a Senior Officer which may put either party in direct conflict.</p>	<p>Disclosures of Conflicts of Interest and review Parties</p> <p>Website</p>
<b>Principle 4</b> <b>Recommendation 4.1</b>	<p><b>Safeguard integrity in corporate reporting</b>  <b>The board of a listed entity should:</b></p> <p><b>(a) have an audit committee which:</b></p> <p style="padding-left: 40px;"><b>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</b></p> <p style="padding-left: 40px;"><b>(2) is chaired by an independent director, who is not the chair of the board,</b></p> <p><b>and disclose:</b></p> <p style="padding-left: 40px;"><b>(3) the charter of the committee;</b></p> <p style="padding-left: 40px;"><b>(4) the relevant qualifications and experience of the members of the committee; and</b></p> <p style="padding-left: 40px;"><b>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</b></p> <p><b>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</b></p>	
<b>NSXL Response</b>	<p>The Board accepts the importance of safe guarding the integrity of its financial reporting systems. The Board sees that this obligation requires conduct at two levels.</p> <p>First, it requires the Board members to take steps to maintain the integrity of its reporting systems that is with respect to being properly resourced to produce relevant reports. Secondly, this requirement obligates the company to adopt strategies to verify and safeguard the integrity of those financial reports.</p> <p><i>During the period the Board oversaw the Audit and Risk Committee function. From 1 July 2020, inline with edition 4 of the guidelines the Company has established an Audit and Risk Committee with a majority of independent directors as members.</i></p>	<p>NSXL Board Charter</p> <p>Audit &amp; Risk Committee Charter</p>

Principle	Compliance/Response/Activity	References
	<p>Secondly, the Board considers that the Board is of sufficient size and possesses sufficient technical, legal, accounting and commercial expertise to ensure that the company carries out its reporting obligations.</p> <p>The integrity of NSXL financial reporting is promoted by the following:</p> <ol style="list-style-type: none"> <li>1. That at least one director has significant accounting experience and expertise;</li> <li>2. the company is not so large as to warrant resources beyond that of the existing board being utilised;</li> <li>3. The NSXL Board engages with its auditors on a regular basis;</li> <li>4. As NSXL continues to develop the sophistication of its markets and business structure the board will reassess its position in relation to its reporting safe guards.</li> </ol> <p>The Board is of the view that this is the best arrangement to grow the business of the company in the current development cycle of the Company.</p>	
<b>Recommendation 4.2</b>	<p><b>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO/Managing Director and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</b></p>	
<b>NSXL Response</b>	<p>The Board and auditors are provided with a management representation letter attesting to the above requirements for each quarterly cashflow report (Appendix 4C), Half Year report and Annual Report.</p>	<p>Audit &amp; Risk Committee Charter</p>
<b>Principle 5</b> <b>Recommendation 5.1</b>	<p><b>Make timely and balanced disclosure</b>  <b>A listed entity should:</b></p> <p><b>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</b></p> <p><b>(b) disclose that policy or a summary of it.</b></p>	
<b>NSXL Response</b>	<p>The NSXL maintains a continuous disclosure policy. A full copy of the policy is available on the Website.</p>	<p>Continuous Disclosure Policy</p>

Principle	Compliance/Response/Activity	References
<b>Principle 6</b>	<b>Respect the rights of security holders</b>	
<b>Recommendation 6.1</b>	<b>A listed entity should provide information about itself and its governance to investors via its website.</b>	
<b>NSXL Response</b>	<p>The Shareholder Communications Policy states that the company is committed to timely and accurate disclosure of information to shareholders.</p> <p>As outlined in the policy, NSXL carries out its obligations to inform its shareholders by doing the following:</p> <ol style="list-style-type: none"> <li>1. maintaining and regularly updating its website;</li> <li>2. making available electronic copies of quarterly, half yearly and annual reports to shareholders;</li> <li>3. publishing full copies of all board policies on its website</li> </ol>	<p>Shareholder Communications Policy</p> <p>Website</p>
<b>Recommendation 6.2</b>	<b>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</b>	
<b>NSXL Response</b>	This is disclosed in the Shareholder Communications Policy.	Shareholder Communications Policy
<b>Recommendation 6.3</b>	<b>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</b>	
<b>NSXL Response</b>	These are contained in the Shareholder communications policy.	Shareholder Communications Policy
<b>Recommendation 6.4</b>	<b>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</b>	
<b>NSXL Response</b>	This option is provided by the NSXL share registry service	Shareholder Communications Policy

Principle	Compliance/Response/Activity	References
<b>Principle 7</b> <b>Recommendation 7.1</b>	<b>Recognise and manage risk</b> <b>The board of a listed entity should:</b> <b>(a) have a committee or committees to oversee risk, each of which:</b> <b>(1) has at least three members, a majority of whom are independent directors; and</b> <b>(2) is chaired by an independent director,</b> <b>and disclose:</b> <b>(3) the charter of the committee;</b> <b>(4) the members of the committee; and</b> <b>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</b> <b>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</b>	
<b>NSXL Response</b>	During the period the Board oversaw the Audit and Risk Committee function. From 1 July 2020, in line with edition 4 of the guidelines, the Company has established an Audit and Risk Committee comprised of a majority of independent directors.	NSXL Corporate Governance Statement  Audit & Risk Committee Charter
<b>Recommendation 7.2</b>	<b>The board or a committee of the board should:</b> <b>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</b> <b>(b) disclose, in relation to each reporting period, whether such a review has taken place.</b>	
<b>NSXL Response</b>	Up to 30 June 2020, management reported to the Board on its operations including any review of analysis of risks facing the business.  The Audit and Risk Committee will review the risk management framework in the 2020/2021 financial year.	NSXL Corporate Governance Statement  Board Charter Compliance Plan NSXL Risk Framework

Principle	Compliance/Response/Activity	References
<b>Recommendation 7.3</b>	<p><b>A listed entity should disclose:</b></p> <p><b>(a) if it has an internal audit function, how the function is structured and what role it performs; or</b></p> <p><b>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</b></p>	
<b>NSXL Response</b>	<p>The NSXL does not have a dedicated internal audit function. However, through a mixture of Board, Committee and management oversight the Board is able to monitor the effectiveness of its risk management framework.</p> <p>The Board is of the view that this is the best arrangement to grow the business of the company in the current development cycle of the Company.</p>	NSXL Risk Framework
<b>Recommendation 7.4</b>	<p><b>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks<sup>39</sup> and, if it does, how it manages or intends to manage those risks.</b></p>	
<b>NSXL Response</b>	<p>As with all companies during the COVID-19 pandemic, NSXL has been affected to the extent that the company had to implement its Business Continuity Plan to allow staff to operate effectively from home as required.</p> <p>As staged restrictions were implemented by government NSXL staff were able to adapt and work from home or remote locations as circumstances necessitated.</p> <p>NSXL has experienced delays in the provision of services from its suppliers in some areas but this only impacted future projects and not the day to day operations of the market which has remained open throughout the period and staff still accessible to clients.</p> <p>Generally, NSXL does not have a material exposure to environmental risks.</p>	<p>NSXL Annual Report</p> <p>NSXL Risk Framework</p>



Principle	Compliance/Response/Activity	References
<b>Principle 8</b> <b>Recommendation 8.1</b>	<b>Remunerate fairly and responsibly</b> <b>The board of a listed entity should:</b> <b>(a) have a remuneration committee which:</b> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, <b>and disclose:</b> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <sup>43</sup> or <b>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</b>	
<b>NSXL Response</b>	<p>The Board has established a Remuneration and Nomination Committee. The committee consists of all NSXL Board members.</p> <p>The Board is of the view that this is the best arrangement to grow the business of the company in the current development cycle of the Company.</p>	Remuneration and Nomination Committee Charter
<b>Recommendation 8.2</b>	<b>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</b>	
<b>NSXL Response</b>	Disclosed in the Remuneration and Nomination Committee Charter.	Remuneration and Nomination Committee Charter
<b>Recommendation 8.3</b>	<b>A listed entity which has an equity-based remuneration scheme should:</b> <b>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</b> <b>(b) disclose that policy or a summary of it.</b>	
<b>NSXL Response</b>	<p>At the General Meeting of security holders held on 30 April 2020 a Performance Rights Plan was approved by shareholders. However, the plan has not been activated at this time.</p> <p>The plan document is available on the website.</p>	Performance Rights Plan Website

# EDITION 3 CORPORATE GOVERNANCE

## STATEMENT DETAIL

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The following pages describe in detail the Corporate Governance policies and procedures. All policies and procedures are published on the company's website. The format follows the eight principles that are effective under the ASX Corporate Governance Council Guidelines published 27 March 2014 and which are effective up to 30 June 2020.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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The ASX Corporate Governance Council states that a company should *recognise and publish the respective roles and responsibilities of board and management including those reserved for the board and management.*

NSXL has adopted a formal Board Charter that sets out the functions reserved to the Board and those delegated to the Chief Executive Officer. Specifically, the Board is responsible for:  
setting strategic direction of the NSXL Group and monitoring management's performance within that framework;

- (a) ensuring there are adequate resources available to meet NSXL Group objectives;
- (b) appointing and removing the Chief Executive Officer/CEOs for each of the Markets and overseeing succession plans for the senior executive team;
- (c) approving and monitoring financial reporting and capital management;
- (d) approving and monitoring the progress of business objectives;
- (e) ensuring that adequate risk management procedures exist and are being used;
- (f) ensuring that the NSXL Group has appropriate corporate governance structures in place including standards of ethical behaviour and a culture of corporate and social responsibility; and
- (g) ensuring that the Board is and remains appropriately skilled to meet the changing needs of the company.
- (h) The Board has no operational involvement in the supervision of the market. Its role in that area is confined to setting and reviewing policy.
- (i) The Board has delegated market compliance activities to the Compliance Committee.
- (j) The Board has delegated Audit review responsibilities to the Audit Committee.
- (k) The Board has delegated review of listing applications to the Listing and Admissions Committee.
- (l) The Board retains overall responsibility for approval of recommendations from the Compliance Committee, the Audit committee and the Listing and Admissions Committee Remuneration and Nomination Committee as well as any other committee that may be established by the Board from time to time.
- (m) The Board undertakes appropriate checks for new directors and senior staff as required such as but not limited to police checks and reference checks. The Board provides information on new Directors in the annual report, as a market announcement at the time of appointment and as part of the Notice of Meeting where a director is to be elected or re-elected.
- (n) The Board ensures that there are written agreements in place for all executive directors, management and staff.

- (o) The Board ensures that the Company Secretary is accountable to the Board through the Chairperson on all matters to do with the proper functioning of the Board.
- (p) The Board has approved a Diversity Policy which is available on the NSXA website. Performance against the policy is disclosed either in the Annual report or on the website in the “Governance” landing page.
- (q) The Board Charter and Remuneration and Nomination Charter outline the process for performance review of the Board and its Committees and individual directors from time to time. NSXL is to disclose at each annual reporting period whether a performance evaluation was undertaken in the reporting period according to that process.

The Chairman is responsible for leading the Board in those duties, while the Chief Executive Officer are responsible for the efficient and effective operation of the NSXL Group, including bringing material matters to the attention of the Board. The roles of Chairman and Chief Executive Officer are separate.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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The ASX Corporate Governance Council states that a company should *“Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties effectively.”*

NSX’s Board is so structured, and the Board believes that its directors adequately discharge their responsibilities and duties to the benefit of shareholders.

### 3.1 Skills.

A fundamental requirement for NSXL Board members is a deep understanding of financial markets. All Board members meet this threshold requirement. They also bring a diverse range of skills and backgrounds including accountancy, auditing, financial services including investment banking and stock broking, financial regulation, technology, law and public policy as well as business acumen including international business skills.

### 3.2 Experience.

The NSXL Board believes that the rules of tenure for director’s given by the NSXL Constitution best serves the Board structure by requiring one third of the board to retire each year. Board members are eligible to be re-elected, but the rotational basis affords directors the ability to review their contribution to the NSXL at the appropriate time. Given the nature of NSX’s business, involvement and experience in Australia’s capital markets is essential to bring the skills, the experience and the judgement required for effective decision making, ability to manage the cyclical nature of our markets and accommodate changing regulatory requirements.

The Board is also of the view that progressive and orderly renewal of its membership is important and therefore a new director has been appointed at the last AGM and two directors retired.

### 3.3 Stakeholder Perspectives.

An important function of directors is to bring the perspective of stakeholders to the oversight of a company. NSXL directors bring many perspectives to the Board’s deliberations including those of customers such as listed companies, nominated advisers and participants, members of the broader investment community and service providers such as lawyers and accountants and the views and interests of employees.

### 3.4 Independence.

Recognising that the perspective of customers is vital to the running of a company, the ASX Corporate Governance Council guidelines and the IFSA Blue Book both employ the concept of materiality when judging

whether a non-executive director's relationship with a customer, supplier, consultant or professional adviser affects their independence. NSXL believes that employing this materiality concept is essential in judging whether customer, supplier, consultant or professional adviser relationships affect the independence of NSXL directors. In the absence of a materiality criterion, no person with a past or present association with the broking industry, a nominated adviser or a listed company would be deemed capable of bringing independent judgement to bear as a director on the NSXL Board. This is not a view that NSXL believes to be reasonable, widely supported, or in the best interests of shareholders.

The Board has adopted AASB standard 1031 to determine levels of materiality. A relationship is presumed immaterial when it generates less than 5%, and presumed material when it generates more than 10%, of revenue over a twelve-month period in the absence of evidence or convincing argument to the contrary. In considering such evidence or argument NSXL considers the strategic value and other material but not non-quantitative aspects of the relationship in question.

The threshold for materiality for the purpose of assessing the materiality of relationships between a non-executive director and NSXL (other than as a director) will be judged according to the significance of the relationship to the director in the context of their activities as a whole.

At each meeting of the Board, directors table their current directors interests both for entities associated with the NSXL Market and also outside interests. Where appropriate the relevant director absents him or herself from voting where there is a conflict of interest. All interests are registered in the Register of Director's Interests which is circulated to the Board at each meeting. NSXL applies a similar concept at an executive level to ensure that supervisory responsibilities are not compromised by any commercial discussions concerning NSXA listed entities.

The Board has determined to maintain at least one or more independent directors on each board of NSX Limited and its subsidiaries.

The NSXL discloses the independence of its directors in the annual report and website along with related party transactions, date of appointment and skills information.

### 3.6 Board Committees.

The Board has constituted two separate committees, Compliance & Audit Committee and the Listing Committee.

The Compliance Committee is comprised of a majority of independents as independent external panel members of the committee. The Committee does not have any members that are directors or management of NSX. This committee has a charter approved by the Board.

The Listing and Admissions Committee is comprised of a majority of independents as independent external panel members of the committee. The Committee does not have any members that are directors or management of NSX. This committee has a charter approved by the Board.

The Audit Committee is not a separately constituted committee. Given the nature of the business of the Markets the Board has resolved to perform the functions of this committee. The Board has approved a Charter for this Committee.

The Remuneration and Nomination Committee is not a separately constituted committee. Given the nature of the business of the Markets the Board has resolved to perform the functions of this committee. The Board has approved a Charter for this Committee.

### 3.7 Independent advice.

NSXL directors may also seek external professional advice at the expense of the company on matters relating to their role as directors of NSXL in accordance with the NSXL Constitution. However, they must first request approval from the Chairman, which must not unreasonably be withheld. If permission is withheld the matter may be referred to the whole Board.

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

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The ASX Corporate Governance Council states that a company should *“should act ethically and responsibly”*.

NSXL has formally adopted a Code of Ethics and Conduct, which promotes ethical and responsible decision making by directors, executives and employees.

The Code requires high standards of honesty, integrity, fairness and equity in all aspects of employment with NSXL. The Code also sets the task for management of delivering shareholder value, with the oversight of the Board, through the sustainable and efficient operation of the company. Specific obligations regarding fitness for office also apply to NSXL directors and management by virtue of its role as market operator.

NSXL also has formal Dealing Rules that set the parameters for dealing in the securities of NSXL and prohibit insider trading. Any dealing in the securities of NSXL requires prior sign off from a nominated officer. The Dealing Rules apply to all NSXL employees and directors.

The Board has developed a Diversity Policy.

The Code of Conduct and Diversity Policy are available on the NSXL website.

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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The ASX Corporate Governance Council states that a company should *“Have a formal and rigorous process that independently verifies and safeguards the integrity of the company’s corporate reporting”*.

NSXL believes its practices in this regard are in accordance with this principle given the relative size of the NSXL Group. The NSXL undertakes half year reviews and annual audit of its financial performance according to Corporations Act 2001 requirements.

Amongst other things, the Audit Committee has specific responsibility for monitoring and reviewing any audit and non-audit work carried by the external audit firm. No director has any association, past or present, with NSXL’s external auditors.

### 5.1 External audits.

The external auditor under the scrutiny of the Board, presently conducts financial audits in return for reasonable fees.

The Auditor partner is rotated every 5 years. Each year an audit report is presented to the Board and the Board has an opportunity to discuss and review the findings of the report and require implementation of improvements to policies and processes.

A management sign off letter is provided for each audited report.

The auditor is required to attend the AGM and is invited and informed of AGM date and time by the Company Secretary.

## 5.2 Internal audit.

Given the size of the NSXL Group there is no separate internal audit function. The General Manager reviews NSXL systems and process based on the Management Review Report provided by the auditor. The Management Review is circulated to the NSXL Board. Improvements identified in the Management Review are discussed at Board level and appropriate action is taken by NSXL employees.

## 5.3 Audit Committee

The Audit Committee is not a separately constituted committee. Given the nature of the business of the Markets the Board has resolved to perform the functions of this committee. The Board has approved a Charter for this Committee.

# PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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The ASX Corporate Governance Council states that a company should *"make timely and balanced disclosure of all material matters concerning the company that a reasonable person would expect to have a material effect on the price or value of the company's securities."*

The Board has ultimate authority and responsibility for approving market disclosure, which in practice is exercised in consultation with the Chief Executive Officer and Company Secretary.

The Compliance Plan is designed to ensure that company announcements are made in timely manner, are factual, do not omit material information and are expressed in a clear and objective manner. The plan provides a 'road map' of NSXL compliance with its disclosure obligations.

NSXL provides on its web site a summary of the policies and procedures designed by NSXL to guide NSXL compliance with the above mentioned ASX Listing Rule disclosure requirements. NSXL publishes the Trading and Dealing in Securities policies and procedures on its website.

NSXL considers its disclosure of financial results falls within the scope outlined in the Corporations Act.

# PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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The ASX Corporate Governance Council states that a company should *"Respect the rights of security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively."*

All relevant policy documents are available to security holders via the NSXL website.

NSXL has documented a shareholder communication policy, as recommended in the guidelines which represents a formalised summary of longstanding practices and aims.

The policy identifies disclosure and transparency as important qualities for NSX's investors and prospective investors. NSXL therefore aims to ensure the quality and clarity of communication with shareholders, using available methods and technologies.

As for any public company, shareholder meetings are an opportunity for shareholders to hear from and question the Board and management of NSX. Shareholders are informed of each AGM via correspondence from the Board.

The Chairman and the Chief Executive Officers may make presentations separately before attending to voting on resolutions and general business. The chair of the meeting, usually the Chairman, is responsible for the conduct of the meeting. NSX's auditor attends its annual general meeting and is available to answer any questions regarding the conduct of and any issues arising from NSX's audit.

NSXL accepts nominations for the board of NSXL that are made to the Company Secretary in accordance with the NSX's constitution. NSXL conducts annual and extraordinary general meetings in accordance with the Corporations Act and NSX's constitution.

Security holders are able to receive electronic copies of the annual reports from NSXL and can nominate to receive a hardcopy half year and annual report. These financial reports are available from the NSXL website.

Security holders are able to enrol for a client account with the share registry and thereby interact electronically with the NSXL share registry service.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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The ASX Corporate Governance Council states that a company should *"Establish a sound risk management framework and periodically review the effectiveness of the framework."*

NSXL takes this responsibility seriously and has put in place appropriate means of risk and compliance management applicable to the size of its markets and business. The Board has established a written risk framework and policy to help it understand and manage the risks of the businesses. The Board reviews this risk framework as and when appropriate.

The Risk Committee structure is currently inactive as the NSXL Board oversees these functions. The Board is of the view that this is the best arrangement to grow the business of the NSXL in the current development cycle of the Company.

The primary function of the Committee is to assist the Board of Directors of the NSX Limited to carry out the following:

- (a) monitor the integrity of the NSXL Group's statutory financial reports and statements;
- (b) monitor management's framework to identify and manage enterprise risk and internal control for the NSXL Group;
- (c) monitor compliance, in conjunction with the NSX Compliance Committee, with laws and regulations and code of conduct for the NSX Group; and
- (d) monitor the performance and independence of the external auditor.

When considering the financial reports and statements of the NSXL Group, the Committee relies on the Board of each NSXL Group controlled entity to review and consider their respective financial statements, risk management processes, internal controls and compliance systems. The Committee receives confirmation of these matters through the annual reports of the respective entity boards to the NSXL Board.

Risk is broadly considered anything that may impede the achievement of effective market operation and NSX's strategic goals.

NSXL also considers the security of its people, buildings and technology systems as part of organisational risk management.

Generally, NSXL does not have any material exposure to environmental risks.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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The ASX Corporate Governance Council states that a company should *“pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for the security holders”*.

The NSXL Board has responsibility for the remuneration of directors and employees. A separate remuneration and nomination committee has been created but is currently inactive. The Board is of the view that this is the best arrangement to grow the business of the NSXL in the current development cycle of the Company.

The Committee’s primary functions are to:

- (a) review director competence standards;
- (b) review Board succession plans;
- (c) evaluate the Board’s performance;
- (d) make recommendations for the appointment and removal of directors to the Board; and
- (e) make recommendations to the Board on, executive remuneration and incentive policies, the remuneration packages of senior management, recruitment, retention and termination policies for senior management, incentive schemes, and remuneration for directors.

The remuneration of directors and senior executives is disclosed in the annual report along with NSXL remuneration policies as well as short term and long term incentive programs.