

London Stock Exchange Plc

Board: Conflicts of Interest Policy

December 2017



Document Summary

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London Stock Exchange plc (LSE/Company): Conflicts of Interest Policy

LSE is a UK market operator and therefore subject to the Markets in Financial Instruments Directive (**MiFID II**) and Regulation (**MiFIR**), together with the associated rules and guidance issued by ESMA and the FCA, and the Companies Act 2006 (the **Act**) (together the **Applicable Legislation**).

Under Applicable Legislation, LSE is required to comply with a number of provisions which impact the composition and governance of the Board including that directors perform their duties independently and objectively

In line with Applicable Legislation, this policy provides guidelines on identifying and managing conflicts of interest and assists directors and prospective directors with the procedures to be followed in the event that an actual or potential conflict of interest is identified. This policy shall apply to directors and prospective directors.

This policy details (i) the general duties owed by directors to LSE, (ii) a non-exhaustive list of situations where a conflict of interest may arise, (iii) the directors' duty to promptly disclose any circumstance that may result or has resulted in a conflict of interest and (iv) the consequences of non-compliance with the policy.

1. General Duties

Directors owe both fiduciary duties and general duties of reasonable care, skill and diligence to the Company as a whole. The statutory statement of directors' duties is contained in sections 171 -177 of the Act and is summarised below:

- (i) Only exercising powers within the authority given by, and acting in accordance with, the Company's constitution;
- (ii) At all times acting in a way which the director considers, acting in good faith, to be most likely to promote the success of the company for the benefit of all its members, whilst having regard to (a) the likely consequences of any decision in the long-term; (b) the interests of employees; (c) the need to foster relationships with suppliers, customers and others; (d) the impact on the community and the environment; (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and (f) the need to act fairly as between members of the Company;
- (iii) Exercising independent judgment in carrying out their duties;
- (iv) Exercising reasonable care, skill and diligence in carrying out their duties commensurate with the general knowledge, skill and experience that may reasonably be expected of a person carrying out the functions of the director, and

with the general knowledge, skill and experience which that particular director has;

- (v) Avoiding a situation in which the director has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the company (***Situational Conflict***);
- (vi) Duty not to accept benefits from third parties that are given because of the director's position as a director or because of the director doing (or not doing) something where this may result in a conflict of interest; and
- (vii) Duty to declare an interest in a proposed transaction or arrangement with the Company and a separate duty to disclose any interest in an existing transaction or arrangement with the Company.

2. Conflicts of Interest

Conflicts may be defined in many ways, the basic elements of any definition being the tensions between competing interests, the director's interest on the one hand - be these personal or financial - and the interest of the Company on the other hand.

Directors' interests may be direct or indirect (including connected persons' interest¹);

Even if not defined, a "conflict" includes situations in which the impartiality of an individual (the director in the relevant case) in discharging his/her duties could be called into question because of the potential, perceived or actual improper influence of personal, financial and other considerations on such individual's discharge of his/her duties.

Conflicts may impede a director's ability to perform his or her duties independently and objectively and subject them to undue influence due to:

- (i) personal, professional or economic relationships with other persons (such as shareholders or competitors);
- (ii) past or present positions held with other organisations;

¹ An individual's Connected Persons include close family members, companies under control or significantly influenced or that are controlled by close family members, or are significantly influenced by close family members.

- (iii) personal, professional or economic relationships with other members of the Board or senior management of the Company or its group;
- (iv) other economic interests; or
- (v) other interests, including the interests of Connected Persons.

3. Situational Conflicts - Duty to avoid conflicts of Interest

Directors have a duty to avoid activities or situations in which there is, or may be, a conflict between the interests of the Company and the direct or indirect interests of the director or between the director's duties to the Company and to another person.

Under the Act, the Board is able to authorise such situational conflicts. The Board may do this provided that appropriate, mitigating measures are put in place and (i) this is done in advance and in compliance with the company's articles of association; (ii) that any quorum requirement is met without counting the interested director; and (iii) the matter is agreed without counting any vote cast by the interested director. Directors should notify the Company Secretary so that the conflict may be put before the Board for approval. The Board may attach terms to any authorised conflict for example to exclude a director from a meeting or to withhold Board papers.

4. Transactional Conflicts - Duty to disclose any interest in a proposed or existing transaction or arrangement with the Company.

Under the Act, directors have an obligation to disclose any interest they have, on their own or on behalf of third parties, with respect to certain transactions or arrangements with the Company.

It should be noted that:

- transactional conflicts include auctions and tender processes; and
- a transactional conflict where the transaction or arrangement results in an ongoing relationship with the Company may become a situational conflict.

If a director becomes aware that s/he has a direct or indirect interest in an existing or proposed transaction or arrangement with the Company s/he should notify the Board at the next Board meeting or by a written declaration. Interests in proposed transactions or arrangements should be notified before the transaction or arrangement is entered into and directors have an ongoing duty to update any changes in these interests. The Company will take steps to ensure that any transaction or arrangement entered into with a director or any other related party is entered into on arms' length terms.

5. Identification of Conflicts

When assessing independence and objectivity of directors, the Board shall evaluate whether directors have conflicts of interests to the extent that it may impede their ability to perform their duties with independently and objectively.

Listed below are examples of circumstances that may give rise to conflicts of interest, this list is not intended to be exhaustive to cover all circumstances that the Board may consider.

Examples of circumstances that may give rise to conflicts of interest, in particular whether:

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| 1. | the director, either directly or indirectly, is or has been a shareholder holding at least 5% of the voting rights (a “ qualified shareholder ”) of the Company or an officer of, or otherwise associated directly with, a qualified shareholder; |
| 2. | the director is, or has been over the past 18 months, employed in an executive capacity in (i) the Company or (ii) companies which directly or indirectly control the Company, are controlled by the Company or are subject to joint control together with the Company; |
| 3. | the director, either directly or indirectly has, or have had, over the past 18 months, any material business or professional relationship with: <ul style="list-style-type: none"> (i) the Company, (ii) companies which directly or indirectly control the Company, are controlled by the Company or are subject to joint control together with the Company; |
| 4. | the director is, or has been within 18 months, a qualified shareholder or a member of the management body of a company listed on the markets organised and managed by LSE; |
| 5. | the director is, or has been, a material supplier to, or customer of, the Company or companies which directly or indirectly control the Company, are controlled by |

Examples of circumstances that may give rise to conflicts of interest, in particular whether:

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| | the Company or are subject to joint control together with the Company, or an officer of, or otherwise associated with, such supplier or customer; |
| 6. | the director has, or used to have, any other material contractual relationship with (i) the Company or (ii) companies which directly or indirectly control the Company, are controlled by the Company or are subject to joint control together with the Company, other than as a member of the management body; |
| 7. | the director has, or has had, any significant relationship with competing companies which may raise a conflict of interests regarding the Company. In this respect, it shall be considered (i) being a qualified shareholder of competing companies or an officer of, or otherwise associated directly with, a qualified shareholder of competing companies, (ii) being—employed in an executive capacity in competing companies, (iii) having a significant business, financial or professional relationship with competing companies, that may compromise the director’s independence of mind. For the purposes of this paragraph, competing companies mean those companies which are not within the LSEG group and operate in the same geographical and product markets where the Company operates; and |
| 8. | the director is a close relative of a person who finds him/herself in any of the situations described in the previous points; the category “close relative” includes (i) the person’s parents and children, (ii) non-separated spouses, (iii) the common-law spouses and the children of the common-law spouses, (iv) relatives who live with the person. |

Directors have a duty to disclose promptly in accordance with this policy if any of the above mentioned situations apply, or may apply, to them.

Directors should also disclose promptly in accordance with this policy any other matter that they consider might give rise to conflicts of interest and provide sufficient information for the Board to evaluate the materiality of the conflict.

6. Reporting Responsibilities

Directors must identify and promptly report to the Board **any** circumstances which may give rise to conflicts of interest that may impede their ability to perform their duties independently and objectively.

On joining the Board of the Company and each year thereafter, each director is required to complete the Board Declaration form in Annex 1. If you have questions regarding completion of the declaration please contact the Company Secretary.

7. Assessment of Independence and Objectivity (*Independence of Mind*)

The Board of Directors of LSE is responsible for the assessment of the independence and objectivity of its members upon their appointment and where relevant changes in circumstances have been identified either as a result of being notified by the relevant director or otherwise being made aware of such circumstances.

The Board shall assess each situation on a case-by-case basis, taking into consideration the following list of non- exhaustive factors:

- the overall position of the director;
- the interests of the Company;
- the materiality of the conflict; and
- its ability to influence the independence and objectivity of the director.

Materiality will be determined from a quantitative and qualitative perspective. Quantitative factors shall include: the materiality of a business, financial or professional relationships. Qualitative factors shall include: strategic importance, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and any other factors which may potentially divert directors from promoting the interests of the Company.

8. Mitigation of Conflicts

The Board of Directors reserves the right to decide on appropriate mitigation actions and/or specific conflict procedures to address any actual or potential conflict of interest that is notified by a director. This may include requiring the director to abstain from voting on particular matters, leaving board meetings at which particular matters are to be discussed and not being provided with board papers relating to certain matters.

9. Register of Conflicts

A register of declaration of interests shall be kept and updated regularly (see Annex 2).

Records shall be kept at the Company's registered office for a minimum period of five years and made available on request of the FCA. Directors accept and agree that information on conflicts of interest that they disclose in accordance with this policy may be provided to the FCA.

The Company Secretary is responsible for the management and keeping of the register as well as the recording of the Board of Directors' decisions regarding the assessment of the independence and objectivity of directors.

10. Non compliance with the policy

Directors must adhere to this policy at all times.

Any violation of this policy shall be referred to the Chairman of the Board for consideration and action.

Failure to comply with this policy may result in disciplinary proceedings up to and including a director's removal from office and legal action by the Company and/or the FCA.

11. Monitoring and policy review

The policy shall be reviewed by the Board on at least an annual basis.

Annex 1 - LSE- Declaration of Interests Form

LSE - Declaration of Interests Form

I hereby acknowledge that I have read and understood the Conflicts of Interest Policy for LSE.

I am/was employed by [Insert Name of Company] as [Insert job title].

I am/was a director of the following companies [list name(s) of companies].

I am/was a shareholder in the following companies or subsidiaries of companies [list name(s) of companies].

Other interests (Please list)²

Potential Conflict

I am to be regarded as interested in any contract that may be made with any organisation listed below. I am an officer or a member of the following company or organisation, and that could result in a conflict between my interests and duties and my duties or interests as a Director.

[list name(s) of organisations and office(s) held].

² Other interests may include:

1. personal, professional or economic relationships with other members of the Board or senior management team (or with other entities within the wider LSEG group);
2. other economic interests e.g. loans; and
3. other interests, including family interest, that may create actual conflicts of interest.

LSE - Declaration of Interests Form

Undertaking

I undertake to notify the other directors of LSE of:

- (a) any changes in the facts set out above; and
- (b) any further interest, direct or indirect, that arises.

Signature

Director

Date

