

LSE PLC SECTION 172 (1) STATEMENT

Section 172 of the Companies Act 2006 requires a director of a Company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct, and need to act fairly between members of the Company.

In discharging our section 172 duties we have regard to the factors set out above and give consideration to those factors when discharging those duties. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our pension scheme members and our relationship with regulators and government. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders and we do, however, aim to make sure that our decisions are consistent and predictable. The Board recognises that building strong relationships with our stakeholders will help to deliver the Company's strategy in line with our long-term values and operate the business in a sustainable way.

As is normal for large companies, we delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. We review financial and operational performance, customer-related matters and legal and regulatory compliance at every Board meeting.

We also review other areas over the course of the financial year including the Company's business strategy; key risks (including risks relating to Brexit and Cyber risk) the Company's risk appetite, operational resilience and workforce matters (including culture, wellbeing, diversity and pensions). This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

The Company's key stakeholders are its customers, regulators and government and the workforce. Our suppliers are also important stakeholders of the Company. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Group means that sometimes our stakeholder engagement will take place at an operational or Group level. For details on the some of the engagement that takes place with the Company's stakeholders at a Group level please refer to the London Stock Exchange Group plc Annual Report for the financial period ended 31 December 2019.

During the period we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement. The information received by the Board included an update on the progress made by the Company in relation to listed ETFs, there were 29 new listings during 2019.

During 2019, the Company also welcomed the largest green fund IPO to date, Octopus Renewable Infrastructure Trust, raising \$460m to invest in renewable infrastructure assets in Europe and Australia.

As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the Company.

We set out below some examples of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty and the effect of that on decisions taken by us.

Annual review of the Company's budget and business plan

The Board carries out a review of the Company's budget on an annual basis. This includes approving the business plan for the following three years. In 2019 the Board's review included a review of progress against 2019 strategic priorities and the Company's long-term strategic goals. The review also focused on investment decisions around the Company's control environment, internally driven resilience activity and regulatory requirements including but not limited to patching, end-of-life systems and core platform refreshes.

This review is carried out in parallel to the Group's divisional budget process and the Company's CEO participates in the overall Group Exco Budget and three-year business plan target setting for divisions. All financials are aligned to the divisional numbers presented to the Group Board annually in December. In making its decision to approve the business plan and future strategy of the Company, the Board also considered amongst other things, its impact on the long-term position of the Company and its reputation as well as feedback from engagement exercises with the workforce and dialogue with customers and regulators.

Customers

Our engagement with customers takes a variety different forms, we engage with customers at roundtable events, market opens, the new market close sessions, conferences and through market consultations. We monitor customer feedback to help us establish our customer's views on the Company's products and services as ways we can improve our offering. In 2019 we issued market consultations on market structure and trading hours, rule amendments, changes arising from amendments to and/or cessation of GBP Libor publication and amendments to the International Securities Market.

We believe that aligning our strategy, services and products to the needs and interests of our customers is central to supporting long-term value creation, enabling innovation.

Regulators

In 2019, we engaged with the FCA on a number of matters including: governance, operational resilience including cyber preparedness and regulatory change. Representatives from the FCA attend the Company's December Board meeting to deliver the results of the annual firm evaluation.

Workforce

Engagement with our workforce includes formal and informal meetings, an annual engagement survey and town hall meetings. The Board reviewed the Company's culture dashboard during the year. The dashboard tracks metrics around: recruitment and onboarding, performance and development, talent and mobility, diversity and inclusion and leavers, allowing the Board to measure and assess culture and track progress over time. The Board also received the results of the annual "Have your say survey". The survey enables employees to share their views on what it is like to work for the Company and it provides management and the Board with insight into employees' views on a number of topics as well as a way to track engagement within the organisation. Much of this activity is supported by Group led mechanisms. For details on some of the engagement that takes place with the Company's workforce at a Group level please see the London Stock Exchange Group plc Annual Report for the financial period ended 31 December 2019.

Payment Practices

The Company is required to report its supplier payment performance and policies as part of the Small Business, Enterprise and Employment Act 2015. On a half yearly basis, the Board approves the required information which includes: the average time to pay (days), percentage of invoices paid within 30 and 60 days (respectively), invoices paid later than 60 days and invoices not paid within agreed terms. As part of our desire to foster good relationships with our suppliers, in 2019, steps were taken to accelerate the payment process and focus was given to ensuring purchase orders are raised and receipted promptly and in compliance with the Group's procurement policy with the result being that average payments were below standard 30 day terms. This information is published on a government portal every six months and allows current and prospective suppliers to see the Company's payment policy, practice and performance, which could help reduce the administrative and financial burden suppliers face when not paid on time.

Pensions

The Company operates defined benefit and defined contribution pension schemes. The Company's defined benefit scheme has 1,600 deferred members (members not yet retired). In 2018, the Board approved a pension strategy to target self-sufficiency by 2023 and agreed to make contributions of £14m per year from 2018 to 2022 inclusive.

In 2019, the Board was required to consider and make a decision regarding an element of the defined benefit scheme, the provision of Company sponsored Independent Financial Advice. In making its decision the Board considered the benefits to pension scheme members (including members of the workforce) of the provision of this additional service and concluded that this would increase pension scheme member's engagement and awareness of options available to them as well as the provision of quality advice made available to them. The Board approved the proposal to provide this service from 2020.