

## **LONDON STOCK EXCHANGE PLC – 31 DECEMBER 2023**

### **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 community and the broader environment, 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, the Board delegates authority, for day-to-day management of the Company, to executives and then engages 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 the regulatory landscape, cyber and sanctions) the Company's risk appetite, operational resilience and workforce matters (including culture, diversity, pensions and remuneration). 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 and responses to questions from Directors.

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 London Stock Exchange Group plc Group means that sometimes our stakeholder engagement will take place at an operational or Group level. For details on some of the engagement that takes place with the Company's stakeholders at a Group level please refer to the LSEG Annual Report for the financial period ended 31 December 2023.

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 updates on: (i) gender pay gap reporting, (ii) our data centre migration and technology, (iii) operational resilience, (iv) our private markets strategy, (v) remuneration framework, (vi) Russian sanctions management and (vii) sustainable finance.

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 have regard to them as we comply with our section 172 duty to promote the 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 certain decisions taken by us.

### **1. Annual review of the Company's budget and business plan**

The Board carries out a review of the Company's budget and business plan on an annual basis. This includes a review of the business activities within the setting of changing market trends and competition. The Directors consider the Company's financial performance and obligations and discuss its medium-long term strategic objectives. As in previous years, the Board's review in 2023 included an evaluation of the progress the Company had made against its 2023 strategic priorities and considered the key business risks facing the Company.

This review is carried out in parallel to the Group's divisional budget process. All financial information is aligned to the divisional financial information presented to the LSEG 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 our shareholder, customers and regulators.

- **Shareholder considerations**

The Company is a wholly owned subsidiary of LSEG and as such operates within LSEG's strategic framework and in accordance with LSEG's policies and procedures, enjoying a constructive working relationship. As a regulated exchange the Company also operates a number of Company specific policies which may impose a higher set of standards, if required.

- **Community and Environment considerations**

Environmental, social and governance (ESG) matters are of high importance and the Directors encourage openness, accessibility and the development of ESG products and indicators. As a Group, LSEG is committed to being an enabler of sustainable economic growth. The Board is cognisant of customer needs for solutions to support their own sustainability ambitions. The Company continues to explore how it can work collaboratively with other parts of the LSEG Group to drive the development of ESG products and leverage its unique role as the UK's primary listing venue to develop products and services that support the financing of the just transition. For more details on LSEG's ESG initiatives please refer to LSEG Report for the financial period ended 31 December 2023.

Considering the systemic role of the Company in UK financial markets there is engagement with Government policy making at Company and Group level. The Company also adopts the LSEG Group Modern Slavery Statement.

- **Customer considerations**

Our engagement with customers takes a variety of forms. We engage with customers at roundtable events, market opens, market close sessions, conferences and through market consultations. We believe that aligning our strategy, services and products to the needs and interests of customers is central to supporting long-term value creation and enabling innovation.

We monitor customer feedback to help us establish our customers' views on the Company's products and services in order to improve our offering.

During the year, some members of the Board attended the inaugural Capital Markets Industry Taskforce conference which was held at LSEG headquarters in London. The Directors were able to hear about initiatives to strengthen the UK's capital markets whilst also taking the opportunity to engage first hand with customers and representatives from buy-side institutions.

During the year, the Directors also sought to ensure that they continued to be regularly updated on the impact of the Russia/Ukraine conflict on the Company's customers and revenues. Whilst it was anticipated that there would continue to be a decline in revenues in 2023 due to the extension of sanction regimes, it is expected that the Company will continue to perform strongly due to its diversified revenues and well managed cost base.

- **Regulators**

In 2023, we engaged with the FCA on a number of matters including financial resource requirements, operational resilience, Russia sanctions, Wholesale Market Data and the broader UK regulatory agenda. The Chair meets regularly with the CEO and Head of Compliance to discuss regulatory matters. The Non-Executive Directors have met with UK regulators both individually and collectively. Topics for discussion in 2023 included FCA transformation, governance (including Board composition and Board/Committee operation), ESG matters, strategy, succession planning and supervisory engagement.

- **Workforce**

Engagement with our workforce includes formal and informal meetings, an annual engagement survey and town hall meetings. Non-Executive Directors have met with members of the workforce to receive updates on and discuss relevant business matters.

Vital to the success of LSEG is its global workforce with employees residing in over 70 countries. The Group continues to emphasise the importance of engaging with the people and cultures of each region. In 2023, this was especially apparent when monitoring the developments in the Middle East, Ukraine and Russia. The welfare of colleagues is always of primary concern, and employee focused initiatives continued with the aim to mitigate uncertainties faced by employees.

During 2023, the Group launched its new values via a global streaming event, watched by over 19,000 employees. Information about how employees were engaged in setting these values is available in the LSEG Annual Report for the financial period ended 31 December 2023.

- **Pension Scheme Members**

During 2023 the Board received a Pension Scheme strategy update and approved an additional contribution to the Company's section of the LSEG Scheme. This followed a long-term strategy for the Scheme approved by the Board in 2019. The Group's management continue to have a collaborative relationship with the Trustees of the Scheme.

## **2. Capital Allocation**

Each year the Board makes an assessment of the strength of the Company's balance sheet and future prospects relative to uncertainties in the external environment. During 2023, the Company continued to deliver a robust financial performance against the backdrop of sustained macro-economic uncertainty and increased technology costs. The Company remains highly cash generative, which together with its strong financial position, has enabled continued strategic investment and product development. Such investment and development are beneficial for customers, employees, our shareholder and other stakeholders.

The Company continues to invest in technology and operational resilience. A key component of our technology strategy is ensuring resilient, reliable, and uninterrupted access to financial markets for our customers. During 2023, the Board was focused on the successful data centre migration and monitoring client impact.

Due to the Company's continued strong performance, the Board recommended a final dividend of £50m in March 2023 and an interim dividend of £71m in September 2023. In making these decisions the Board considered a range of factors. These included the long-term viability of the Company; its expected cash flows and financing requirements (including the FCA's financial resourcing requirements); the financial position of the Company's pension scheme and the ongoing need for strategic investment in our business and our workforce as well as the expectations of our shareholder, LSEG.

### **3. Financial Resources Requirement ("FRR") Calculation**

The Company is required annually to assess and submit its proposed level of FRR to the FCA. During 2023, the Board reviewed management's assessment of the Company's top risks, stress test scenarios, enhanced reverse stress testing and assessment of wind down costs. Before approving the annual FRR calculation the Board had the opportunity to question and challenge management. This exercise provided insight into the assessment and how the Company demonstrates it maintains adequate headroom in terms of both its liquid financial assets and net capital.

### **4. Diversity and Inclusion**

The Board believes that diversity makes us more dynamic, fosters innovation and boosts performance.

A common theme from the engagement with stakeholders, is the importance of diversity to our employees, customers, our shareholder, LSEG and other stakeholders. As an organisation, we have set four key goals: (i) create a culture that fosters belonging; (ii) build a diverse leadership team, (iii) accelerate progression of underrepresented talent; and (iv) shape inclusion in our industry.

For more details on LSEG's Diversity and Inclusion initiatives please refer to the LSEG Annual Report for the financial period ended 31 December 2023.

The Board is pleased to confirm that its diversity was maintained during 2023. Female directors make up 50% of board membership which includes a female Chief Executive Officer.

### **5. 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 reviews and 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 2023, we continued to enhance 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. The Directors encourage that SMEs should be paid promptly and remain well represented among suppliers.

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.