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24th January 2017

Dear Shareholder

**REMUNERATION POLICY 2017**

I am writing to you as Chairman of the Remuneration Committee of London Stock Exchange Group plc ("LSEG"), as part of our consultation with major shareholders. Our Remuneration Policy was approved by shareholders at our 2014 AGM and is therefore up for renewal at our April 2017 AGM. This letter sets out our intentions with respect to the Policy and provides an update on activity likely to occur in 2017.

As a result of our proposed merger with Deutsche Börse, we are currently operating in an unusual period as we focus on the completion of this transaction to create a leading global markets infrastructure group.

Our current Remuneration Policy has provided strong alignment between executive remuneration and shareholders' long-term interests and, in light of the current transaction we are not intending to amend our policy at this stage. As such, we will seek shareholder approval for our existing policy (attached as an appendix) at our AGM in April 2017. Our remuneration decisions for 2016 will be made within the parameters of our existing policy, which we will advise you of once these decisions have been made.

**Proposed merger**

Upon completion, as proposed Remuneration Committee Chair for the new merged company, I intend to conduct shareholder consultation on a new Remuneration Policy for the merged company. At that time, we will present our proposed remuneration arrangements and you will have the opportunity to review and discuss with us in detail.

On the basis that the transaction completes, the new merged company will seek approval for a new Remuneration Policy incorporating all elements of remuneration which will be reviewed in the context of the new entity.

If you have any comments or queries about the proposed Remuneration Policy or any other executive remuneration matters, we would welcome your views. Please contact me or Tim Jones, Group Head of Human Resources (tjones@lseg.com or +44 (0) 207 7797 4210) if you would like to discuss the above.

Yours sincerely

**Jacques Aigrain**
**Chairman of the Remuneration Committee**

## Remuneration Policy

| ELEMENT | PURPOSE AND LINK TO STRATEGY | OPERATION |
|---|---|---|
| **Salary** | Provides a core element of remuneration which reflects the responsibilities of the role.<br><br>Enables the recruitment and retention of individuals of the calibre required to execute the Group's strategy. | Base salaries are normally reviewed annually by taking into account a range of factors, including:<br><br>– size and scope of the role;<br>– skills and experience of the individual;<br>– market competitiveness/relative positioning;<br>– performance of the Group and of the individual;<br>– wider market and economic conditions; and<br>– level of increases being made across the Group.<br><br>Any changes are normally effective from 1 April each year. |
| **Benefits** | Provide local market competitive benefits and support the well-being of employees. | A flexible benefits plan is offered, in which individuals have certain core benefits (such as private medical, life assurance, income protection and, additionally in Italy only, disability, accident, car, fuel allowance and luncheon vouchers) together with (in the UK) a taxable cash allowance which can be spent on elective benefits (such as additional medical, life or dental cover).<br><br>A chauffeur-driven motor car may also be provided for Executive Directors where appropriate.<br><br>Due to the high profile of the Group, the Committee reserves the right to provide our Executives with the appropriate level of security arrangements to allow them to perform their duties in the safest possible conditions.<br><br>Benefits are reviewed periodically to ensure they remain affordable and competitive. The Committee retains the discretion to provide reasonable additional benefits as appropriate – for example, relocation and other allowances including expatriate assistance, housing and school fees for a finite period, tax preparation and filing assistance and flights back to the home country for the Executive and his family. Repatriation costs are met by the Company if employment is terminated by the Company, other than for just cause.<br><br>Where necessary any benefits may be grossed up for taxes.<br><br>Executives are eligible to participate in the Group's HMRC-approved Save As You Earn Option Scheme (or international equivalent) on the same basis as other employees.<br><br>Executive Directors are covered by the Directors' and Officers' insurance and indemnification. |
| **Retirement benefits** | Provide Executives with retirement benefits.<br><br>Support recruitment and retention of high-calibre people. | Provision of annual pension allowance, invested in the Company's defined contribution plan or taken as a cash allowance.<br><br>In certain jurisdictions, more bespoke pension arrangements may be provided. In such circumstances, the Committee will give appropriate consideration to local employment legislation, market practices and the cost of the arrangement. |

| MAXIMUM OPPORTUNITY | PERFORMANCE MEASURES |
|---|---|
| There is no defined maximum salary.<br><br>Increases are determined based on the factors described in the Operation column.<br><br>The Committee's normal approach is to initially consider increases within the range awarded to other employees. More significant increases may be awarded in certain circumstances, such as where there is a significant change in the scale, scope or responsibility of a role, development within a role and/or significant market movement.<br><br>The annual base salaries in FY2016 and for FY2017 for each Executive Director are set out in the Annual Report on Remuneration. | n/a |
| There is no defined maximum.<br><br>Benefits plans are set at (what are in the Committee's opinion) reasonable levels in order to be market competitive for their local jurisdiction and are dependent on individual circumstances.<br><br>Participation in the Save As You Earn Option Scheme (or international equivalent) is capped at the same level as all other participants, which is determined by the Company within the parameters of applicable legislation. | n/a |
| The maximum annual pension contribution/cash allowance is 25 per cent of salary (except where determined by local market practice).<br><br>In Italy, Mr Jerusalmi accrues mandatory state pension (INPS) benefits which are calculated on salary, benefits and annual bonus. Actual benefit due at retirement is set out by the applicable Italian legislation in force from time to time. Under the Italian Trattamento di Fine Rapporto (TFR), he receives contributions which are funded by the Group at a rate fixed by local law and which are paid to Mr Jerusalmi's private pension plan. TFR is calculated on salary, capped benefits, annual bonus and LTIP. | n/a |

| ELEMENT | PURPOSE AND LINK TO STRATEGY | OPERATION |
|---|---|---|
| **Annual bonus** | Rewards annual performance against challenging financial, strategic and individual targets linked to Group strategy.<br><br>Deferral reinforces retention and enhances alignment with shareholders by encouraging longer-term focus and sustainable performance. | The Group operates a Group-wide bonus pool which is funded based on the achievement of financial and strategic goals of the Group. Allocations to individual Executive Directors are made from this pool based on the Committee's assessment of their individual performance, taking into account the Group's financial and strategic performance and the achievement of any individual objectives related to their role.<br><br>Performance targets are reviewed and set by the Committee at the beginning of each performance year.<br><br>Awards are determined by the Committee after the year end based upon the actual performance against these targets.<br><br>The Committee applies judgement where necessary to ensure approved pay-out levels are reflective of actual, overall performance.<br>– 50 per cent of the annual bonus will be subject to mandatory deferral, normally for a period of two years.<br>– Until the minimum shareholding requirement (see below) is reached, bonus deferral will be 100 per cent into shares. Once the level of minimum shareholding has been reached, individuals will be able to defer 100 per cent into shares, 50 per cent into shares/50 per cent into cash or 100 per cent into cash.<br>– Dividends (or equivalents) may be paid in respect of deferred shares on vesting.<br>– Deferred awards are subject to malus provisions as described below. Paid bonuses and vested awards are subject to clawback as described below. |
| **LTIP (Long Term Incentive Plan) 2014** | Incentivises performance over the longer term through the award of performance related shares.<br><br>Aligns reward with long-term, sustainable Group performance and a focus on shareholder value. | – Under the LTIP 2014, which was approved by shareholders at the 2014 AGM, awards of shares (or equivalent) are granted annually subject to performance conditions.<br>– Awards normally vest subject to performance targets assessed over a performance period, normally of at least three financial years. The Committee has discretion to set different performance periods if it considers them to be appropriate.<br>– The Committee shall determine the extent to which the performance measures have been met. The Committee may make adjustments to performance targets if an event occurs that the Committee determines that an adjustment is appropriate. The performance targets will be at least as challenging as the ones originally set.<br>– Dividends (or equivalents) may be paid on vesting. Unvested awards are subject to a malus provision and vested awards are subject to clawback, as described below.<br>– Details on the impact of the financial year end change on the proposed LTIP can be found on page • of the 2016 Annual Report. |
| **Share ownership** | Ensures alignment with shareholders' interests. | Executive Directors are expected to build up share ownership over a period of five years and maintain holdings of at least 2x base salary. As stated in the Annual Bonus section, bonus is deferred into shares until this requirement is met. |

| MAXIMUM OPPORTUNITY | PERFORMANCE MEASURES |
|---|---|
| Maximum annual bonus opportunity of 225 per cent of salary for CEO and 200 per cent of salary for other Executive Directors for maximum performance. | Based on a combination of financial (e.g. adjusted operating profit), strategic and individual performance targets. Strategic objectives include key targets under the strategic pillars of developing our partnership approach, driving global growth and delivering best in class capabilities. These strategic objectives also impact financial results in the medium term.<br><br>The Committee will set the detail and mix of performance measures, targets and weighting based on the strategic objectives at the start of each year. At least 50 per cent of the targets relating to the annual bonus pool in any year will be subject to financial measures.<br><br>No bonuses are paid for below threshold performance. The Committee may award any amount between zero and 100 per cent of the maximum opportunity.<br><br>The performance measures are applied in the performance year only. |
| Although there is a facility for maximum awards of up to 400 per cent of salary under the plan rules in exceptional cases, it is expected that awards under this plan will normally be up to 300 per cent of salary. | The Committee determines performance targets each year to ensure that the targets are stretching and support value creation for shareholders while remaining motivational for management.<br><br>Vesting of awards is subject to achievement of total shareholder return and financial performance targets. For grants under this LTIP, awards are subject to absolute TSR and adjusted EPS measures.<br><br>Measures will normally be equally weighted but in any event, any total shareholder return element will represent at least 50 per cent of the award.<br><br>For each performance element, achievement of the threshold performance level will result in no more than 25 per cent of the maximum award paying out. For achievement of the maximum performance level, 100 per cent of the maximum pays out. Normally, there is straight-line vesting between these points. |