

London Stock Exchange Group plc ("the Company")

Audit Committee Terms of Reference

Approved by the Board of the Company on 5 December 2018. Effective 1 January 2019.

1. Purpose

- 1.1 The Audit Committee is constituted by the Board of Directors with the purpose of assisting the Board in meeting its responsibilities for the integrity of the Group¹'s financial reporting including the effectiveness of the internal control and risk management systems and for monitoring the effectiveness and objectivity of internal and external auditors.
- 1.2 The remit of the Committee concerns the whole of the Group's businesses and it has oversight responsibility for financial reporting, internal control and audit processes across the Group.
- 1.3 Where there is a perceived overlap of responsibilities between the Group Audit Committee and the Group Risk Committee, the respective Committee Chairmen will have the discretion to agree the most appropriate committee to fulfil any obligation.

2. Membership and Attendance

- 2.1 Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee (the "Committee Chairman"). The Committee shall be made up of at least three members. The Committee shall include the Chairman of the Risk Committee.
- 2.2 All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chairman of the Board shall not be a member of the Committee.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, other directors may be invited to attend all or part of any meeting as and when appropriate.
- 2.4 The external auditors, Group Head of Internal Audit, Group CRO, Group CFO and Group Financial Controller will be invited to attend meetings of the Committee on a regular basis.

¹ For the purposes of this document, the Group comprises the Company and its direct and indirect subsidiaries.

2.5 The Board, on the recommendation of the Nomination Committee, shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

3. Secretary

3.1 The Company Secretary or their nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to ensure full and proper consideration to be given to matters.

4. Quorum

4.1 The quorum necessary for the transaction of business shall be 2 members (including the Committee Chairman or his delegate). The Committee may co-opt additional directors to join the Committee in the absence of a quorum from amongst its members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Frequency of meetings

5.1 The Committee Chairman shall ensure that the Committee meets with sufficient frequency. The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5.2 The Committee may hold meetings by telephone or using any method of electronic communication and may take decisions without a meeting by unanimous written consent, when the Committee Chairman considers this to be necessary or desirable.

5.3 Outside of the formal meeting programme, the Committee Chairman and to a lesser extent the other Committee members, will maintain a dialogue with the key individuals involved in the company's governance, including the Board Chairman, Group CEO, Group Head of internal audit, Group CRO, Group CFO, Group Financial Controller and the external auditors.

6. Notice of meetings

6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meetings, together with an agenda of items to be discussed shall be forwarded to each member of the Committee and any other person required to attend before the date of the meeting. The agenda shall be

circulated together with relevant supporting papers to Committee members and other attendees as appropriate.

7. Minutes of meetings

- 7.1 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

8. Responsibilities of the Committee Chairman

8.1 The Chairman's responsibilities include:

- 8.1.1 fostering an open, inclusive and where appropriate, challenging discussion;
- 8.1.2 ensuring the Committee receives accurate, high quality, timely and clear information necessary to performs its task and devotes sufficient attention to the matters within its remit;
- 8.1.3 facilitating the running of the Committee so that it provides independent oversight of executive decision-making;
- 8.1.4 safeguarding the independence and overseeing the performance of the Internal Audit function;
- 8.1.5 reporting to the Board on the Committee's activities including : (i) the significant issues that it considered in relation to the financial statements and how these were addressed, (ii) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor and (iii) any other issue on which the Board has asked for the Committee's opinion, identifying any matters in respect of which it considers that improvement is needed, whether the subject of a specific request or not, and make recommendations as to the steps to be taken; and
- 8.1.6 engaging with shareholders as appropriate on significant matters related to the areas of the Committee's responsibilities.

9. Annual General Meeting

- 9.1 The Committee Chairman shall attend the Annual General Meeting to respond to any shareholder questions on the Committee's activities.

10. Duties

The Committee shall carry out the duties below for the Company, and its major subsidiary undertakings where appropriate and the Group as a whole. It should ensure coordination of its activities and decisions with the audit committees (or equivalent) of the Company's subsidiaries where they exist to ensure the consistency of decision making and governance at all levels of the Group.

10.1 Financial reporting

10.1.1 The Committee shall monitor the financial reporting process and integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary results' announcements and any other formal announcement relating to its financial performance (although the standard quarterly IMS will normally be reviewed just by the Board), reviewing significant financial reporting issues and judgements which they contain and submitting recommendations or proposals to ensure the integrity of the financial process having regard to matters communicated to it by the auditor.

10.1.2 The Committee shall review and challenge where necessary:

10.1.2.1 the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/Group;

10.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

10.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

10.1.2.4 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;

10.1.2.5 all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the Audit Committee's areas of responsibility); and

10.1.2.6 monitor the statutory audit of the annual and half yearly reports, in particular its performance, taking into account any findings and conclusions by the Financial Reporting Council.

10.2 Narrative Reporting.

Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to access the Company's performance, business model and strategy.

10.3 Internal controls and risk management systems

The Committee shall:

- 10.3.1 keep under review the adequacy and effectiveness of the Company's internal control systems and risk management systems (including financial, operational and compliance controls and where applicable, its internal audit regarding the financial reporting of the company, without breaching its independence);
- 10.3.2 receive and review regular assurance reports from management and other external reviewers, internal audit and external auditors on their monitoring of the system of internal control and risk management;
- 10.3.3 make recommendations to the Board regarding the effectiveness of the Group's internal control and risk management systems; and
- 10.3.4 review and recommend to the Board the statements to be included in the annual report concerning internal controls and risk management (in collaboration with the Risk Committee) and the viability statement.

10.4 Whistleblowing and fraud

The Committee shall:

- 10.4.1 routinely review the adequacy and security of the Group's arrangements for its workforce and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- 10.4.2 review the Group's 's procedures, for preventing and detecting fraud, its systems and controls for preventing bribery, its Code of Conduct and its policies for ensuring that the Group complies with relevant regulatory and legal requirements and receive reports and consider appropriate action in each case.

10.5 Internal Audit

The Committee shall:

- 10.5.1 monitor and review the effectiveness of the Company's Internal Audit function in the context of the Company's overall financial control and risk management system and the current needs of the organisation;
- 10.5.2 consider and approve the remit of the Internal Audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 10.5.3 review, assess and approve the annual Internal Audit plan and Internal Audit Charter to ensure it is aligned with the key risks of the business and annual budget; the Committee may also request changes in the plan and request additional reviews by internal audit as it sees fit and receive regular reports of work carried out;
- 10.5.4 review promptly all reports on the Company from the internal auditors which are presented to the Committee;
- 10.5.5 consider findings of internal investigations and review and monitor management's responsiveness to the findings and recommendations of the Internal Audit function;
- 10.5.6 meet the Head of Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from Internal Audit reports. In addition, the Head of Internal Audit shall be given the right of direct access to the Chairman of the Board and to the Committee;
- 10.5.7 approve the appointment or removal of the Head of Internal Audit;
- 10.5.8 determine whether it is satisfied that the quality, experience and expertise of Internal Audit is appropriate for the business;
- 10.5.9 consider whether an independent, third party review of processes is appropriate;
- 10.5.10 carry out an annual assessment of the effectiveness of the Internal Audit function;
- 10.5.11 review coordination between the Internal Audit Function and the external auditor; and

- 10.5.12 ensure that material issues arising from the work of the Internal Audit function relating to matters that fall within the scope of other committees are communicated to those committees.

10.6 External Audit

The Committee shall:

- 10.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor taking account of, amongst other matters, the risk of the withdrawal of the auditor from the market. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 10.6.2 develop and oversee the selection procedure for the appointment of an external audit firm including a, comparison of the quality and effectiveness of the services provided by the incumbent external auditor and other audit firms ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 10.6.3 oversee the relationship with the external auditor including (but not limited to):
- 10.6.3.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
 - 10.6.3.2 negotiation and approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 10.6.3.3 influencing the appointment of the individual identified by the external auditor as being primarily responsible for the conduct of the audit;
 - 10.6.3.4 reviewing annually and monitoring their independence and objectivity taking into account relevant UK legal, ethical, professional and regulatory requirements and the relationship with the auditor with the Group as a whole, including the provision of any non-audit services to the Group;
 - 10.6.3.5 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared

to the overall fee income of the firm, office and partner and other related regulatory requirements;

- 10.6.3.6 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
 - 10.6.3.7 seeking to ensure co-ordination with the activities of the internal audit function; and
 - 10.6.3.8 evaluating the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee.
- 10.6.4 meeting regularly with the external auditor. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 10.6.5 reviewing and approving the annual audit plan and ensure that it is consistent with the scope of the audit engagement having regard to materiality, resources and the seniority, expertise and experience of the audit team.
- 10.6.6 reviewing the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 10.6.6.1 a discussion of any major issues which arose during the audit;
 - 10.6.6.2 the external auditor's explanation of how risks to audit quality were addressed;
 - 10.6.6.3 key accounting and audit judgements;
 - 10.6.6.4 the external auditor's view of their interactions with senior management;
 - 10.6.6.5 levels of errors identified during the audit; and
 - 10.6.6.6 the effectiveness of the audit process.

The Committee shall also review the effectiveness of the audit process and the quality of the external audit including but not limited to:

- 10.6.7 reviewing any representation letter(s) requested by the external auditor before they are signed by management, considering in particular any representation on a non- standard matter;

- 10.6.8 reviewing the management letter and management's response to the auditor's findings and recommendations;
- 10.6.9 developing and implementing a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity, ensuring there is prior approval of the supply of non-audit services, that consideration is always given to the impact on independence and that any relevant regulations and ethical guidance on the matter are also taken into account; and
- 10.6.10 agreeing with the Board, a policy on the employment of former employees of the company's auditor, taking into account FRC Guidance and legal requirements, and monitor the application of this policy,

10.7 Reporting responsibilities

- 10.7.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.7.2 The Committee shall inform the Board of the outcome of the external audit and explain how the external audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process.
- 10.7.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.7.4 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report taking account of any relevant guidance. In compiling the report, the Committee should exercise judgement in deciding which of the issues it considers to be significant in relation to the Company's financial statements (and how these issues were addressed) including those matters that have informed the Board's assessment of whether the company is a going concern and the inputs to the board's viability statement. The report should also include an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor and advance notice of any retendering plans as well as an explanation of how auditor independence and objectivity are safeguarded.

10.8 Other Matters

The Committee shall:

- 10.8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.8.2 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure, Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 10.8.3 oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort;
- 10.8.4 work and liaise as necessary with other Board Committees; and
- 10.8.5 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. Authority

The Committee is authorised:

- 11.1 to undertake any activity within its terms of reference;
- 11.2 to seek any information it requires from any employee, contractor, consultant or provider of services to the Company that the Committee requires in order to perform its duties and to call any employee to be questioned at a meeting of the committee as and when required;
- 11.3 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference and invite persons giving such advice to attend Committee meetings; and
- 11.4 delegate any of its powers to one or more of its members or the Secretary of the Committee.