

## **LONDON STOCK EXCHANGE GROUP plc**

### **FCA IFPRU Remuneration Code Disclosure for Turquoise Global Holdings Limited**

**May 2017**

The Financial Conduct Authority (FCA) IFPRU Remuneration Code ('the Code') applies to Turquoise Global Holdings Limited ('Turquoise') which is a regulated subsidiary of London Stock Exchange Group plc ('the Group'). Turquoise is an IFPRU limited licence firm and as such, this firm is designated as "level three" under the FCA proportionality framework.

This disclosure covers remuneration paid in respect of the financial period from 1 January 2016 to 31 December 2016.

#### **a) Decision-making process for remuneration policy**

The Group has a Remuneration Committee ('the Committee') which meets regularly to consider issues relating to the remuneration policy and structures for all employees of the Group, including those of Turquoise. During the financial period ending 31 December 2016, the Committee met on four occasions.

The Committee is appointed by the Board and comprises only independent Non-Executive Directors. No individual is included in decisions relating to their own remuneration.

The Committee's terms of reference, which are reviewed regularly by the Board, are available on the Corporate Responsibility section of the Group's website:

[http://www.lseg.com/sites/default/files/content/documents/Remuneration%20Committee\\_8.pdf](http://www.lseg.com/sites/default/files/content/documents/Remuneration%20Committee_8.pdf)

#### **b) External consultants**

Deloitte LLP are the appointed advisors to the Committee. During the financial period ended 31 December 2016, Deloitte LLP also advised the Company in relation to tax, internal audit, consulting and transaction support services. The Committee is satisfied that the advice provided by Deloitte LLP is independent.

#### **c) Role of the relevant stakeholders**

The Committee continues to review recommendations from key stakeholders, including institutional investor bodies, and the Committee consults with major shareholders on any key decisions taken.

The Committee monitors corporate governance and best practice developments in the wider market as well as in the Financial Services sector.

#### **d) Code Staff as defined by the EBA qualitative and quantitative criteria**

The following groups of employees and directors have been identified as meeting the EBA criteria for Code Staff:

- Executive and Non-Executive members of the Turquoise Board;
- FCA Approved Persons who perform a Significant Influence Function;
- Heads of Control and Support Functions (internal audit, compliance, legal and human resources) and any individuals within their control who have a material impact on the firm's risk profile;
- 'Other' Material Risk Takers and any individuals within their control who have a material impact on the firm's risk profile.

The Code Staff population is reviewed at least annually by the Committee. Individuals are notified of their Code Staff status and the implications of this annually.

For the financial period ended 31 December 2016, there were a total of twenty-one individuals identified as Code Staff. These were split between nine individuals classified as 'Senior Management' (SIFs) and twelve individuals classified as 'Others' (non-SIFs, including Non-Executive board members).

#### **e) The link between pay and performance for Code Staff**

Each entity within the Group must attract and retain high calibre management and staff to ensure it is in a position to deliver its business plans and maximise returns for shareholders. The Remuneration Policy Statement and incentive structure to pay for performance apply to all Code Staff, rewarding them only when their goals are achieved.

The Committee takes into account multiple reference points when setting pay for Turquoise employees within and outside of the Financial Services sector.

The compensation arrangements include a mix of base salary, annual bonus and share-based incentives, in addition to pension and benefits.

The malus provision applies to all deferred bonuses and unvested awards made under the LTIP. This allows the Committee to reduce, cancel or impose further conditions in certain circumstances, including:

- (i) where there is a material misstatement or restatement of the results of the Group in its audited accounts,
- (ii) the negligence, fraud or serious misconduct of the individual which results in significant reputational damage to the Group or which has a material adverse effect on the financial position of the Group or the business opportunities of the Group, or
- (iii) if the individual is a member of a company in the Group which suffers significant reputational damage or material adverse effect on its financial position or on its business opportunities.

Non-Executive Directors are not eligible to participate in the annual bonus or the Long Term Incentive Plan. They do not receive benefits.

## Base Salary

The aggregate total compensation figures below include base salary cost for all relevant Code Staff for the financial period ended December 2016.

## Annual Bonus

The Remuneration Committee sets the detail and mix of performance measures, targets and weighting for the Group at the start of each year. The Group bonus pool is determined based on performance measures weighted 60% financial targets and 40% strategic deliverables.

The aggregate total compensation figures below include annual bonus cost for all relevant Code Staff for the financial period ended December 2016. Voluntary bonus deferral made by a small number of invited individuals (c. 29% of this population) which triggered the grant of Matching Shares (see below) is also included in the total compensation figures below.

## Share-Based Incentives

For some individuals below the LSEG Board, the LTIP has two elements: a conditional award of Performance Shares and an award of Matching Shares linked to an investment by the Executive of all or part of their annual bonus (up to a maximum of 50% of their net base salary).

Vesting of these shares is normally conditional based 50% on absolute Total Shareholder Return (TSR) performance and 50% on adjusted Earnings per Share (EPS) performance over a three-year period.

The aggregate total compensation figures below include share-based incentives value at grant for all relevant Code Staff for the financial period ended December 2016.

## Pension and benefits

The aggregate total compensation figures below include pension and benefits cost for all relevant Code Staff for the financial period ended December 2016.

## Non-Executive Directors' Fees

The aggregate total compensation figures below include fees for the Non-Executive Directors for the financial period ended December 2016. Non-Executive Director Code Staff employed elsewhere in LSEG forfeit their fees when sitting on the Turquoise Board.

## f) Aggregate total compensation cost for all Code Staff

The aggregate total compensation cost for the twenty-one Code Staff was c. **£1.3m** broken down as follows:

	Number	Total compensation
'Senior Management' Code Staff	9	c. £1.1m
'Other' Code Staff	12	c. £200k
<b>TOTAL</b>	<b>21</b>	<b>c. £1.3m</b>