

# London Stock Exchange Group plc (“the Company”)

## Risk Committee Terms of Reference

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

### 1. Constitution and Purpose

- 1.1 The Committee is constituted by the Board of Directors with the purpose of assisting the Board in providing leadership, direction and oversight of the Group’s<sup>1</sup> overall risk appetite, risk tolerance and strategy. Overseeing and advising the Board on the current and future risk exposures of the Group, reviewing and approving the Group’s risk management framework, monitoring its effectiveness and adherence to the various risk policies.
- 1.2 The responsibility and authority of the Committee covers the whole of the Group’s businesses.
- 1.3 Where there is a perceived overlap of the 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. The Committee shall comprise at least three members all of whom shall be independent non-executive directors. Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee and shall include the Chairman of the Audit Committee.
- 2.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Group Chief Executive, other directors may be invited to attend all or part of any meeting as and when appropriate.
- 2.3. The Group CFO, Group CRO, the Group Head of Internal Audit and other representatives of the risk function, and external audit will be invited to attend meetings of the Committee on a regular basis.
- 2.4. The Board shall appoint the Committee Chairman who shall be a 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.

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

### **3. Secretary**

- 3.1. The Group Company Secretary or his or her nominee shall act as the secretary of the Committee and ensure that the Committee receives information and papers in a timely manner to ensure full and proper consideration is given to matters.

### **4. Quorum**

- 4.1. The quorum necessary for the transaction of business shall be two 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 and otherwise as required. The Committee shall approve the annual calendar of its meetings.
- 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.

### **6. Notice of meetings**

- 6.1. Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members or at the request of the CRO if he or she considers a meeting necessary.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, all other non-executive directors 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 to 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**

The responsibilities of the Committee Chairman include:

- 8.1 fostering an open, inclusive and where appropriate, challenging discussion;
- 8.2 ensuring the Committee receives accurate, high quality, timely and clear information necessary to perform its tasks and devoting sufficient time and attention to the matters within its remit;
- 8.3 facilitating the running of the Committee to assist it in providing independent oversight of executive decisions;
- 8.4 safeguarding the independence of, and overseeing the performance of the Risk Function;
- 8.5 reporting to the Board on the Committee's activities; and
- 8.6 engaging with shareholders on significant matters related to the areas of responsibility of the Committee.

## **9. Annual General Meeting**

- 9.1. The Committee Chairman should attend the annual general meeting to respond to questions from shareholders on the Committee's activities.

## **10. Duties and Areas of Responsibility**

The Committee shall carry out the duties below for the Company, and its major subsidiary undertakings where appropriate. It should ensure coordination of its activities and decisions with the risk 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 Company.

The Committee shall:

- 10.1. advise the Board on the Company's overall risk appetite, profile, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and drawing on guidelines, rules, recommendations and general publications by relevant industry and regulatory bodies including the Bank of England, the Financial Conduct Authority and other authoritative sources that may be relevant for the Company's risk policies;
- 10.2. oversee and advise the Board on the current risk exposures and profile of the Company, emerging risks and future risk strategy;
- 10.3. in relation to risk assessment and subject to overlap with the Audit Committee:

- 10.3.1. keep under review the Company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
- 10.3.2. ensure rigorous stress and scenario testing of the Company's key risk exposures and profile and regularly review the parameters used in these measures and the models and methodology adopted;
- 10.3.3. set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
- 10.3.4. approve and recommend risk policies to the Board; and
- 10.3.5. ensure there is a proper monitoring process in place for policy compliance and review major exceptions/ breaches;
- 10.4. review the Company's capability to identify, measure and manage new risk types;
- 10.5. as requested from time to time by any Director in consultation with the Committee Chairman, advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence risk appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, with the support of external advice where appropriate and available;
- 10.6. review reports on any material breaches of risk appetite and the adequacy of proposed action;
- 10.7. keep under review the effectiveness of the Company's risk management framework and systems and review and approve the statements to be included in the annual report concerning internal controls and risk management (in collaboration with the Audit Committee);
- 10.8. review regulators' reports and their risk assessment of the Company and its subsidiaries satisfying itself that the responses is/are adequate;
- 10.9. consider and approve the remit of the risk management 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 independence and is free from management and other restrictions;
- 10.10. be consulted on the appointment or removal of the Group CRO;
- 10.11. review promptly all reports on the Company from the CRO;
- 10.12. review and monitor management's responsiveness to the findings and recommendations of the CRO;

- 10.13. ensure the CRO shall be given the right of unfettered direct access to the Chairman of the Board and to the Committee;
- 10.14. work and liaise as necessary with all other Board committees; and
- 10.15. meet the CRO at least once a year, without management being present to discuss their remit and any issues arising from risk reviews carried out.
- 10.16. When requested by the Remuneration Committee, provide quantitative and qualitative advice on the alignment of risk appetite with performance objectives and on whether any adjustments for risk needs to be applied when considering performance objectives or actual performance including in respect of designated Material Risk Takers pursuant to the FCA's Remuneration Code.
- 10.17. In relation to Treasury related activities, the Committee shall:
  - 10.17.1 approve the taking of any actions which fall outside the Group Treasury Policy;
  - 10.17.2 consider material financing treasury transactions reserved for the Board ahead of the Board; and
  - 10.17.3 consider a report from the Group Treasurer on at least an annual basis.

## **11. Reporting responsibilities**

- 11.1. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3. The Committee shall produce a report of its activities and the Company's risk management and strategy to be included in the Company's annual report.
- 11.4. The directors' report in the annual report and accounts should set out risk management objectives and policies.

## **12. Other Matters**

The Committee shall:

- 12.1. have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 12.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 12.3. 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 and Transparency Rules and any other applicable rules, as appropriate;

- 12.4. oversee any investigation of activities which are within its terms of reference;
- 12.5. 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; and
- 12.6. work and liaise as with other Board Committees.

### **13. Authority**

The Committee is authorised:

- 13.1. to seek any information it requires from any employee, contractor, consultant or provider of services to the Company that the Company requires in order to perform its duties and to call any employee questioned at a meeting of the Committee as and when required;
- 13.2. to obtain, at the Company's expense, external legal or other professional advice on any matter within its terms of reference where required and invite persons giving such advice to attend Committee meetings; and
- 13.3. to delegate any of its powers to one or more of its members or the secretary of the Committee.