LSEG

# A leading financial markets infrastructure and data provider

**London Stock Exchange Group plc**
Annual Report 2020

## Our purpose

Driving financial stability, empowering economies and enabling customers to create sustainable growth.

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## Our vision

As a leading financial markets infrastructure and data provider, we want to shape the future of our industry to serve our customers and markets better.

**Further information on London Stock Exchange Group can be found at: www.lseg.com**

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## ABOUT LSEG PLC

LSEG (London Stock Exchange Group) is more than a diversified global financial markets infrastructure and data business. We are dedicated, open-access partners with a commitment to excellence in delivering the services our customers expect from us. With extensive experience, deep knowledge and worldwide presence across financial markets, we enable businesses and economies around the world to fund innovation, manage risk and create jobs. It's how we've contributed to supporting the financial stability and growth of communities and economies globally for more than 300 years.

## LOOKING FORWARD

In January 2021, LSEG completed the acquisition of Refinitiv, which transforms the size, scale and range of our business activities. In the first section of the Strategic Report of this Annual Report (pages 2–41), we provide information on LSEG in its new form with a focus on what this means for the shape of the Group going forward. The second section of the Strategic Report (pages 42–71) provides commentary on the Group's financial performance in 2020, and relates to the financial statements and notes in the Group Financial Statements section of this Annual Report.

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# Chair's statement

**Don Robert**
Chair

## LSEG's role as a systemically important business was again demonstrated in 2020

**Overview**
LSEG's role as a systemically important business was again demonstrated in 2020 as financial markets and the wider global economy faced the significant challenges of the Covid-19 pandemic and macro-economic uncertainty. Throughout, our businesses have focused on operational resilience, delivering continuity of service to our customers, maintaining orderly markets and managing market risk. The Group has continued to perform well with total income up 6% to £2.4 billion and adjusted earnings per share up 5%. We maintain a strong financial position with good cash generation supporting investment and product development and have proposed a final dividend of 51.7 pence per share, representing a total dividend of 75.0 pence per share, up 7%.

**Refinitiv**
We successfully completed the acquisition of Refinitiv in January 2021. It is a transformational transaction, strategically and financially, and positions the Group for long-term sustainable growth. Refinitiv brings highly complementary capabilities in data, analytics and capital markets. We share a commitment to an Open Access philosophy, working in partnership with our customers, and this will remain a fundamental pillar of our business strategy.

6%

**Growth in total income**

209.7 pence

**Adjusted earnings per share, up 5%**

75.0 pence

**Total dividend for 2020, up 7%**

In October, shareholders approved the sale of the Borsa Italiana Group to Euronext, in order to facilitate regulatory approval of the Refinitiv transaction. Upon closing, in the first half of 2021, LSEG is expected to receive proceeds in cash (before deductions of applicable taxes and other transaction related costs) of €4.325 billion plus an additional amount reflecting cash generation to completion. It is LSEG's intention to use the net proceeds from the Transaction to repay indebtedness related to the Refinitiv Transaction and for general corporate purposes. The Borsa Italiana Group has played an important part in LSEG's development and we are confident that, under Euronext's ownership, it will continue to succeed and contribute to the Italian economy and to European capital markets.

## Governance

The Board seeks to operate to high governance and ethical standards. Further detail is available in the Board's Governance report starting on page 76. In preparation for the proposed divestment of the Borsa Italiana Group to Euronext, Raffaele Jerusalmi and Andrea Sironi stepped down from the Board in November. Ruth Wandhöfer and Marshall Bailey also stepped down from the Board in March and September respectively, and David Warren retired as CFO in November. On behalf of the Board, I would like to thank them for the individual contributions they have made to the Group's success.

Following the completion of the Refinitiv transaction, Martin Brand, Erin Brown and Douglas Steenland have joined the LSEG plc Board as Non-Executive Directors. They have also been appointed to LSEG plc's Nomination Committee. In November, Anna Manz joined the Group as Chief Financial Officer and a member of the Board.

## Culture

The Board, along with the Executive Committee, seeks to promote a culture of Group-wide collaboration and customer focus. LSEG has made good progress this year on these efforts, which you can read more about on page 57. The Board continues to engage directly with employees, with candid feedback provided to Directors through a series of informal meetings as well as more formal interaction. The Group has also strengthened its commitment to diversity and inclusion, initiating six dedicated workstreams, each headed by an Executive Committee member, focused on making LSEG a more inclusive and racially diverse organisation.

## Sustainability

LSEG is committed to supporting the communities in which we operate around the world, partnering with global and local charitable organisations. Responding to the impact of Covid-19, LSEG and the LSEG Foundation donated £3.3 million in 2020 for emergency relief support and longer-term recovery efforts. In May, LSEG joined the National Business Response Network as a founding partner, making a £1 million investment. The National Business Response Network was launched in April by Business in the Community (BITC) and The Prince's Responsible Business Network. The work of BITC is closely aligned with the Group's longstanding commitment to supporting SMEs, which are critical to the UK economy.

In November, the LSEG Foundation celebrated its 10th anniversary. Since its launch in 2010, the Foundation has donated over £11 million to help empower people and enrich communities in the locations where we operate. The Group also encourages colleagues to support charitable initiatives, offering two paid volunteering days per year. Since the scheme launched in 2017, employees across our locations have donated over 7,000 hours and, despite the challenges of remote working, have continued to fundraise and support charities virtually in 2020.

As a global company, we take our responsibility to supporting the transition to a more sustainable economy seriously. The debate among issuers, investors, regulators, policy makers and wider society is quickly evolving and LSEG remains well positioned to engage on and lead this discussion. We estimate that the green economy is currently worth approximately US$4 trillion, representing 6% of the market capitalisation of all global listed companies. LSEG offers companies and investors a comprehensive green and sustainable product offering providing access to capital and world-class data and analytics. In September, FTSE Russell launched its enhanced Green Revenues 2.0 Data Model, a powerful tool that investors can use to quantify a company's contribution to the green economy in a single percentage of revenue figure. A high degree of overlap with the incoming EU Taxonomy will also allow asset managers to demonstrate the proportion of a fund that contributes to the green economy.

> "As a global company, we take our responsibility to supporting the transition to a more sustainable economy seriously

As a listed company, LSEG is also carefully considering the climate risks and opportunities facing our own business. LSEG was one of the first companies in the financial services sector to commit to a long-term science-based carbon reduction target, committing to a 40% reduction in our carbon emissions by 2030. In 2020, our Environmental Management Group continued to make good progress against our sustainability targets to improve environmental efficiency year on year, resulting in a 9% reduction in total market-based emissions compared to 2019. Full details can be found later in this report on page 64.

## Summary

Despite the challenges faced by the pandemic and macro-economic and political uncertainty, LSEG has delivered another good financial performance. LSEG holds a privileged position at the heart of financial markets and the successful completion of the Refinitiv transaction will enable the Group to further capitalise on the digital transformation of financial markets infrastructure.

On behalf of the Board, I would like to thank our employees for their dedication and professionalism during what has been a very demanding and challenging year. I look forward to working with the Board and the Executive Committee to continue to develop our global business in partnership with our customers.

**Don Robert**
**Chair**
5 March 2021

# Chief Executive Officer's statement

**David Schwimmer**
Chief Executive Officer

## As a leading global financial markets infrastructure and data provider, LSEG provides high value services to customers around the world

The Covid-19 pandemic and broader geopolitical events presented unprecedented challenges in 2020. Throughout, LSEG has been focused on ensuring the welfare of our employees and continuity of services to our customers. Our systemic role has perhaps never been clearer: maintaining access to our capital markets; managing risk through our clearing operations; and providing important information services to market participants.

6%

**Rise in FTSE Russell subscription revenues**

12%

**Growth in Post Trade income**

8%

**Underlying revenue growth in Capital Markets**

Despite this unparalleled environment, and with the vast majority of employees working remotely across our global locations, LSEG has delivered a strong financial performance and demonstrated strong operational resilience. The Group also remains highly cash generative. As our financial performance demonstrates, our focus on product and service development is delivering results across our businesses. Our Open Access and Customer Partnership approach remains key to our strategy as we work with customers to innovate in a range of areas, from reference rate reform to sustainable investment. We have also continued to invest in our business as we grow, while remaining focused on efficiency and operational excellence to maintain and enhance our resiliency, deliver system scalability and support our growing global footprint. For example, LCH successfully implemented a new clearing platform for its EquityClear service in March. The platform offers next generation clearing, operations and risk functionality, increasing operational efficiencies and enabling enhanced risk management for the service.

> "LSEG's acquisition of Refinitiv will enable us to shape the industry's evolution, accelerating our strategy to be a leading global financial markets infrastructure and data provider

We keep a close eye on the broader macro-economic, technological and regulatory factors which continue to drive change in our industry. The digital transformation of financial markets infrastructure is driving customer demand to work with global providers that are better positioned to do more for them across the financial markets value chain.

In January, we successfully completed the Refinitiv transaction. LSEG's acquisition of Refinitiv will enable us to shape the industry's evolution, accelerating our strategy to be a leading global financial markets infrastructure and data provider. This transformational combination will deliver value to customers, helping them to access data, trading tools, analytics, liquidity and risk management across the financial markets and around the globe. LSEG is now truly global with a significant presence in North America, Europe, Asia and emerging markets, operating in 70 countries, bringing together exceptional skills and experience at scale. The Group is firmly focused on delivering the strategic benefits of the transaction to our shareholders, customers and other stakeholders. Integration of the businesses is fully underway as we implement the various multi-year opportunities identified across the three core operating divisions: Data & Analytics; Capital Markets; and Post Trade. I look forward to working with David Craig, the wider Executive Committee and our global team to execute on our strategy. I would also like to thank colleagues within the Borsa Italiana Group for their significant contribution to the Group's success, under the leadership of Raffaele Jerusalmi.

**Sustainable investment**

The growing demand from asset owners and managers to incorporate sustainable investment approaches into their strategies has persisted through the pandemic. LSEG has many touch points with stakeholders that position us to play a key role in the investment chain on sustainable investment. For example, FTSE Russell is working closely with customers to calibrate indices to their requirements to integrate climate and other environmental, social and governance (ESG) themes. The FTSE TPI Climate Transition Index, which was launched in early 2020, was the first global index to enable investors to align a broad equity portfolio with climate transition and the goals of the Paris Agreement. And in October, BlackRock selected FTSE Russell's 'Advanced Climate EGBI' as the benchmark for the first climate risk-adjusted government bond ETF in the market. In Capital Markets, London Stock Exchange's Green Economy Mark recognises listed companies with 50% or more of their revenues derived from products and services that contribute to the global green economy. Its Sustainable Bond Market welcomed 43 new issues in 2020 raising £14 billion across its sustainability, social and issuer-level segments.

LSEG has been a public supporter of the Task Force for Climate-related Financial Disclosures (TCFD) since its launch in 2017. In July, Mark Carney, UN special envoy for climate and finance, and I launched an initiative with the United Nations Sustainable Stock Exchanges (UN SSE) to work with exchanges around the world to help their issuers transition towards net zero. LSEG is now chairing a UN SSE advisory group, alongside the Johannesburg Stock Exchange to develop reporting guidance based on TCFD. These guidelines can then be used by corporate issuers, wherever they are listed, to ensure globally consistent disclosures.

In February 2021, LSEG also confirmed that it had become a signatory to the Business Ambition for 1.5°C, and a member of the United Nations Climate Change 'Race to Zero'. The Group's ambitious, science-based targets to reduce emissions in alignment with the Paris Agreement have also been approved by the Science Based Targets initiative (SBTi).

> LSEG has many touch points with stakeholders that position us to play a key role in the investment chain on sustainable investment

**Customer partnership**
LSEG remains focused on building long-term partnerships with our customers to develop value-add products and services across the investment cycle. FTSE Russell continues to be a leader in the global index industry and is well positioned in growth segments such as passive investing. Passive assets under management are estimated to grow to US$36.6 trillion in the next five years and FTSE Russell's multi-asset capabilities are a key differentiator enabling product innovation across global equities and fixed income. Despite a challenging macro-economic environment, 44 ETFs linked to FTSE Russell benchmarks were launched in 2020 including China's first onshore Bond ETF listed in Singapore. At the end of 2020, the value of ETF assets tracking its indices was US$869 billion, up 16% on the previous year.

FTSE Russell's close partnerships with exchange groups resulted in a number of contract wins including a 10-year extension to our index derivatives agreement with Cboe Global Markets. FTSE Russell also strengthened its longstanding partnerships with SGX and Johannesburg Stock Exchange to provide a comprehensive range of derivatives and fixed income indices.

In Post Trade, LCH has engaged closely with the relevant government authorities and industry participants to support the global transition to alternative reference rates. In October, LCH successfully completed the transition to SOFR discounting. More than one million contracts transitioned with a total notional of US$120 trillion including cleared interest rate swaps in SwapClear, deliverable and non-deliverable forwards and options in ForexClear, and cross-currency swaps in SwapAgent. FTSE Russell has also partnered with market participants in the development of a new sterling interest rate benchmark based on overnight indexed swaps and has begun publication of daily indicative Term SONIA Reference Rates.

**Market access**
2020 clearly demonstrated the importance of markets remaining open to enable price discovery and access to liquidity. Despite extreme market conditions, particularly in Q1, all of our markets continued to operate as normal with record volumes executed on our trading and clearing platforms. For example, 44.8 million trades were executed on London Stock Exchange's Order Book in March, 74% higher than the previous record. LCH's SwapClear processed US$1.1 quadrillion in notional in 2020, from a record 6.4 million trades. US$747.2 trillion in notional, and 5.2 million trades were compressed over the period, enabling members and their clients to save approximately US$33 billion in capital over the course of the year. LCH has embedded various anti-procyclical measures within its risk models, as a result of this prudent risk management approach, during the market stress and increased volatility of March and April 2020, LCH risk models behaved in a very predictable and incremental manner with very modest gradual increases in initial margin.

The pandemic and the resulting economic disruption highlighted the importance of access to liquidity and the ability for firms to raise equity capital efficiently. In 2020, 526 businesses raised £34.4 billion in follow-on capital, 113% more than in 2019 and the most in a decade. Many of these firms are listed on AIM, London Stock Exchange's growth market, which celebrated its 25th anniversary in June. £9.2 billion was raised through IPOs, up 27% from 2019. In fixed income, over £718 billion was raised, a 77% increase on 2019. Of this, over £75 billion was raised through Covid-19 response bonds, including social bonds from development banks across the world.

As part of LSEG's commitment to broadening retail investor access to public equity markets, the Group made a minority investment in PrimaryBid, a technology platform which connects retail investors with listed companies raising capital. LSEG's investment builds on collaboration with PrimaryBid to support innovation in capital markets allowing retail investors to access capital raisings on the same terms as institutional investors.

44

**ETFs linked to FTSE Russell benchmarks launched in 2020**

US$120 trillion

**Total notional transitioned to SOFR**

526

**businesses raised £34.4 billion in follow-on capital in 2020**

“

LSEG remains focused on building long-term partnerships with our customers to develop value-add products and services across the investment cycle

Following the UK’s departure from the European Union and the end of the transition period on 31 December 2020, LSEG continues to advocate strongly for the prevention of the fragmentation of systems designed to make the financial markets efficient, stable and safe. In September, the European Securities and Markets Authority confirmed that LCH Ltd will remain an authorised Tier 2 CCP under the EMIR 2.2 supervisory framework until 30 June 2022. As such, LCH Ltd continues to offer clearing for all products and services to all members and clients. LCH will also engage and cooperate with the relevant regulatory authorities in respect of the long-term permanent recognition of LCH Ltd under EMIR 2.2. Turquoise Europe also successfully launched offering customers trading European stocks with a complete continuity of service.

**Our Purpose**

As a leading global financial markets infrastructure and data provider, LSEG provides high value services to customers around the world. We run businesses that are of systemic importance and recognise that in doing so we hold an important position in the financial ecosystem with a broad set of responsibilities to our stakeholders. We are also acutely aware of the role LSEG can play in the economic recovery driving financial stability and sustainable growth by enabling businesses and customers to fund innovation, manage risk and create jobs.

Events from across 2020, in particular the Black Lives Matter movement, have also led us to reflect on the importance and urgency of strengthening LSEG’s commitment to diversity and inclusion, particularly racial inclusion. In June we launched six workstreams to improve our focus on ethnic diversity and make LSEG a more inclusive environment. Those six workstreams are: Culture, Wellbeing, Hiring, Training, Mentoring and Data. At the heart of this approach is the desire to create real, substantive and sustainable change across the Group. We have laid some of the foundations to improve diversity and strengthen inclusion at LSEG and we have grown our Inclusion Networks.

We have also made public commitments on race and disability equality through the Race at Work Charter and The Valuable 500. There is clearly much more to do but LSEG is fully committed to that effort. You can read more in our separate Sustainability report available on our website and in the Supporting Sustainable Growth section of this report from page 60.

**Looking forward**

With our trusted expertise, global scale, and foundational financial and transaction services, our whole organisation is focused on partnering with our customers, helping them to access data, trading tools, analytics, liquidity and risk management across the financial markets and at scale around the globe.

The Group is well positioned for future growth despite an uncertain macro-economic and regulatory environment. The Group will also continue to invest in new products and services as well as operational excellence and resiliency. I look forward to working with the Executive Team to deliver for our customers, shareholders and other stakeholders.

Finally, I would like to take the opportunity to thank all of our people across the Group for their hard work in delivering another successful performance in uncertain and challenging times.

**David Schwimmer**
**Chief Executive Officer**
5 March 2021

**OUR FOCUS IN 2020**

Our response to Covid-19

Page 62

£75 billion

**of Covid-19 bonds were listed on London Stock Exchange**

Diversity and Inclusion

Page 60

44%

**Female representation at Board level as of 31 December 2020**

# What we do – our business model

**The completion of the Refinitiv transaction, together with the pending divestment of the Borsa Italiana Group (expected to close in the first half of 2021), will materially impact the evolution of the Group's products, capabilities and global footprint. This section describes our business model on a go-forward basis.**

The Group serves customers across the breadth of the financial markets value chain, operating on a global scale with a significant presence in key financial centres, including North America, Europe, Asia and across emerging markets.

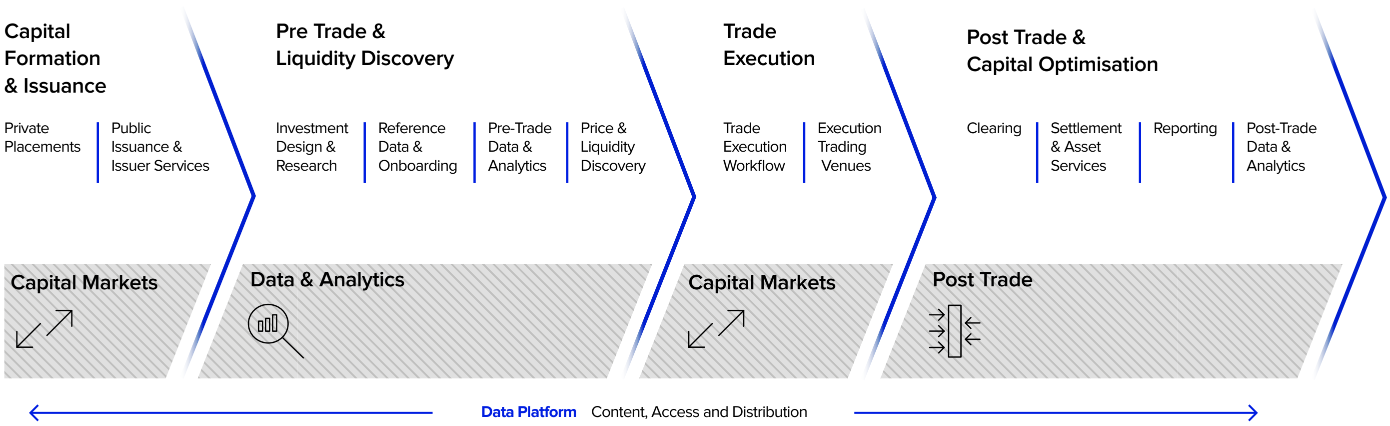
The Group operates three business divisions: (i) Data & Analytics, (ii) Capital Markets, and (iii) Post Trade, all supported by a commitment to operational and technological innovation and performance.

| Data & Analytics | Capital Markets | Post Trade |
|---|---|---|
| The Data & Analytics division provides customers with a wide range of leading information and data products including real-time and non-real-time data, pricing and reference services, indices, analytics and risk management services, delivered via a number of distribution channels, including data feeds and desktop solutions. | The Capital Markets division provides access to capital for domestic and international participants, and efficient electronic platforms for secondary market trading of equities, fixed income and FX. | The Post Trade division provides a range of clearing and bilateral services as well as financial resource optimisation and reporting solutions to support customers' risk and balance sheet management, regulatory reporting and capital efficiency. This includes the effective management of cash collateral contained in margin and collateral funds. |
| The division consists of LSEG's previous Information Services division together with Refinitiv's Data Platform, Workspace, Risk segments and workflow trading products. | The division brings together LSEG's previous Capital Markets division with Refinitiv's leading fixed income and FX venues. | The division includes LSEG's existing clearing and trade reporting businesses. |

**Technology & Operations**
Our three business divisions are underpinned by scalable, global technology and operations functions, which support delivery of the Group's products and services through resilient, efficient and secure technology platforms and operations.

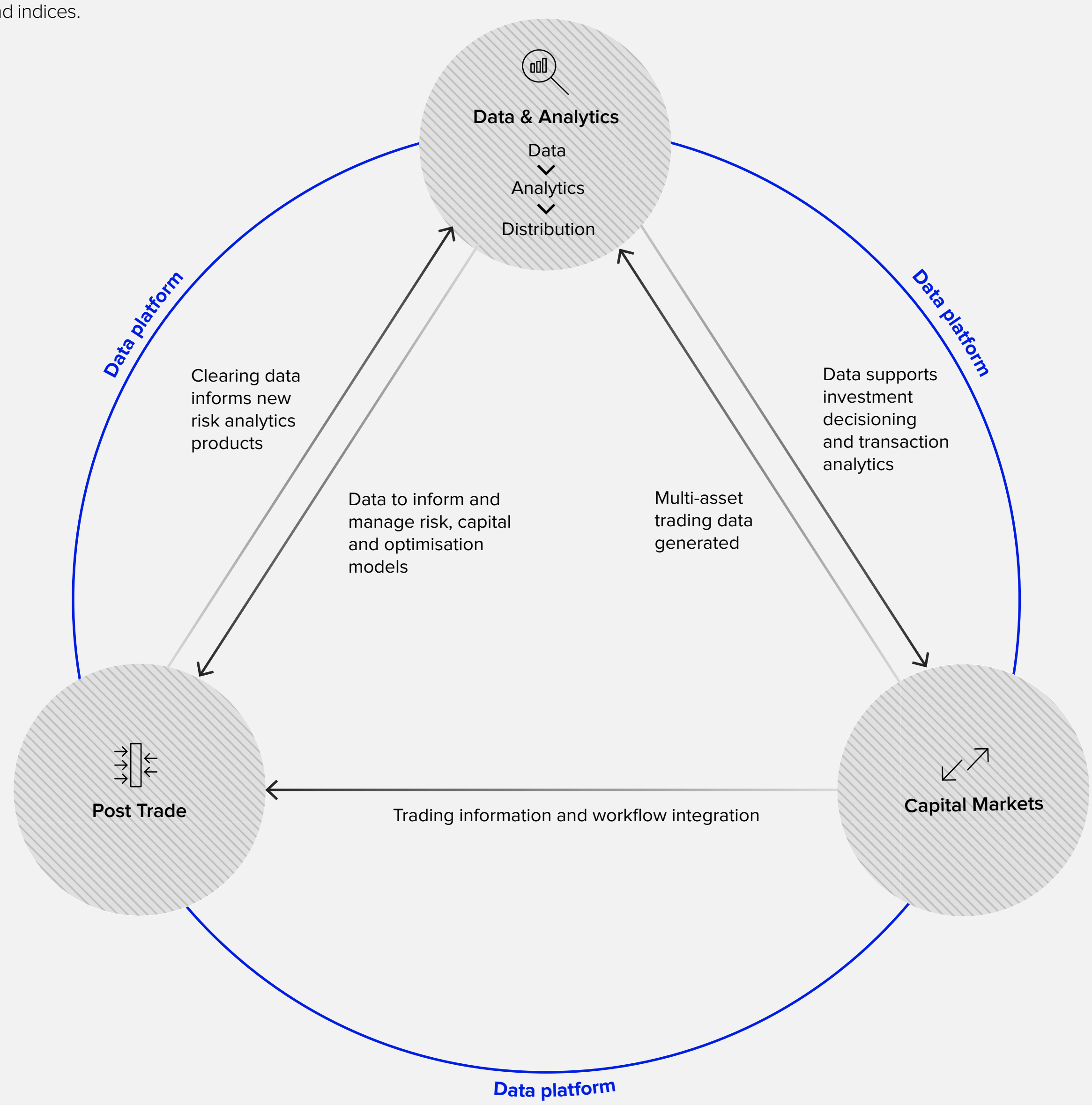
Within this business model, the Group's three business divisions operate across the financial markets value chain all the way from capital issuance and formation through to post trade as shown in the diagram below:

**Financial Markets Value Chain**



### Ecosystem of connected businesses

The Group has created an ecosystem of connected businesses with a flow of information that supports further development of products and provides improved services to customers. Data from each business can be used to improve investment and trading decision-making, inform risk models and develop better analytics and indices.



# What we do – our business model continued

**How we deliver value to customers and our competitive advantages**

The Group has a long-standing and systemically important role in supporting the development of financial markets and responding to customers' evolving needs across the financial markets value chain. To sustain this role, there are a number of key aspects of our business which we continue to invest in and develop, to help deliver our products and services and create value for our customers.

**Leading data and analytics**

The Group has a leading value proposition in data and analytics, providing access to high value proprietary and third-party content, IP and data management capabilities, supporting customers as they look to generate insight and manage risk.

To maintain and enhance these offerings we continue to invest in new data, data management and analytics capabilities, to enable customers to make better informed investment decisions. This builds on our existing capabilities and partnerships to create new products in areas of growing interest across banking and investment communities (such as ESG and multi factor indices).

We are accelerating investment into the Group's Data Platform, which today provides a leading set of data management capabilities that power many of its products and services, including aggregation, normalisation and enrichment, cataloguing, symbology and data tagging, with distribution across desktop, API and others. The Data Platform represents a competitive advantage for the Group, and we continue to migrate more of our content and services onto the Platform to improve our customers' integration and discovery experience, including providing:

- A simplified point of access to the breadth and depth of our data products and services;
- A channel for the Group to work with customers and partners to build new IP, products and services, and to package the data with analytics and tools in a tailored way for different customer use cases; and
- A consistent mechanism for distribution through multiple channels, including real-time data feeds, human interfaces (i.e. desktop solutions such as Eikon and Workspace) and the cloud.

**Open Access**

The Group has a long-standing commitment to Open Access, delivering innovation and choice on a fair and non-discriminatory basis. We are committed to our Open Access principles and consider this a strength for the Group, benefiting our customers and shareholders, and in contrast to vertical or integrated models that may be more susceptible to future competitive or regulatory pressures.

For example, LSEG provides access to execution venues and products for a wide range of users, including to those venues and products that compete with the services of the Group. The Group's open access approach is also evident in Post Trade, where LCH Group provides clearing and settlement services for products traded on third-party venues (such as BrokerTec and Euronext), and via the Group's Data Platform, which allows customers to engage with third-party providers across an open architecture environment.

**Customer Partnership**

LSEG has an extensive network of customers whose ongoing support, trust and input into our business is essential to the generation of long-term value for all our stakeholders. A number of businesses within the Group are owned and governed in partnership with customers, including LCH and Turquoise. As LSEG's customers are shareholders in these businesses, they have the opportunity to participate in their governance and development.

We believe this customer partnership approach provides competitive advantage by enabling further innovation and plays an important role in the redistribution of non-proprietary data on behalf of customer partners globally.

In addition to the extensive sales and account management functions in each of our three business divisions (Data & Analytics, Capital Markets and Post Trade), the Group operates a Group Strategic Accounts (GSA) function, targeted at providing a single point for relationship management across the Group for its largest and most strategic customers, and further driving customer partnership across our markets.

**Innovation**

Refinitiv brings an established set of highly innovative capabilities to the Group. As we embed these capabilities into our operating model alongside our core divisions, we will continue to invest in value-add technology and data science, and in our underlying infrastructure platforms to drive innovation on a cross-Group basis. The Group constantly monitors developments in our operating landscape across markets, asset classes and through partners, and pursues initiatives that help our customers manage cost, improve efficiency and generate insight.

We will look to build on the established innovation processes of Refinitiv Labs across the Group to increase the speed and agility of product innovation within our divisions. With significant expertise in the fields of artificial intelligence, machine learning and data science, Refinitiv Labs is a proven research and development function, capable of deploying new technologies to meet the emerging needs of our partners and customers.

Our partnerships and strategic investments also help to accelerate and reinforce our capabilities across exciting opportunity areas. We have a dedicated strategic investments team that operates across the business, managing LSEG's existing investments and identifying and executing on opportunities aligned to our strategic goals.

## 40,000+

**Refinitiv customers and more than 400,000 end users**

## 190

**Refinitiv has customers in approximately 190 counties**

## 9,800

**The new Group has approximately 9,800 employees in Asia**

**Scale and breadth of global operations**
With the acquisition of Refinitiv, the Group has a truly global footprint with a significant presence in key financial centres, particularly across North America, Asia and fast-growing emerging markets, as well as in Europe. Refinitiv's businesses provide access to over 40,000 customers and more than 400,000 end users across approximately 190 countries, significantly expanding and diversifying the Group's overall geographic footprint and customer reach.

In particular, the Group has an extensive footprint in North America with strong relationships across sell-side and buy-side customers, as well as the corporate market. The Group also has differentiated access to Asia with a presence in 30 countries in the region, including approximately 9,800 employees in Asia, of which over 1,100 are in China.

**People and Culture**
People are the foundation of our business with both our customers and stakeholders benefiting from the expertise, commitment and innovation LSEG employees bring. The retention and nurturing of high quality talent is fundamental to delivering our strategy, and the Group continues to deepen its domain expertise, cultivate its existing industry relationships and develop new innovative capabilities through its people.

Underpinning the way we work is our culture. We are focused on creating an environment that is both diverse and inclusive, and believe that a diverse group of colleagues and a commitment to equal opportunities are key to driving innovation and building a culture that reflects our global customers and the communities in which we operate.

**Trusted regulatory relationships, technology and operations**
Many of the markets we operate within are highly regulated and subject to ongoing regulatory change. We have proven expertise in operating resilient, transparent, efficient, and well governed market infrastructure.

Our global reach, strong industry reputation and relationships with regulators, government and market participants, position the Group as a trusted partner to customers and their interests as markets evolve. Collectively, our businesses play a leading role across global financial markets, and we work proactively with regulators to manage risks across the whole capital markets value chain.

Underpinning our trusted relationships is a commitment to stable and resilient technology and operations across the Group. We prioritise cyber security, resilience and operational excellence as a fundamental part of our strategy and continue to invest in technology that both strengthens our global platform and improves the quality of our infrastructure.

**For more information on the culture for the new Group, see our report on pages 57–59.**

# Overview of Group activities

The tables describe the new Group's business segments, customer profile and main types of revenue.

For pro-forma financial information as if the new Group had existed for all of 2019 and 2020, please see page 53.

**Key performance indicators (KPIs)**

KPIs for the new LSEG following the acquisition of Refinitiv are currently being developed and will be included in our next Annual Report. For 2020, we continued to use KPIs previously identified by segment. A selection of these are set out in the charts in the Financial Review on pages 46–48.

## DATA & ANALYTICS

| | | | | | |
|---|---|---|---|---|---|
| **Business Segment** | **Trading and Banking Solutions**<br>Provides a broad suite of content, analytics, and workflow solutions to inform and connect customers that are trading, investing, hedging, and managing risks in their portfolios | **Enterprise Data Solutions**<br>Provides real time data and machine-readable news, pricing and reference data, and associated integration capabilities for a variety of platforms | **Investment Solutions**<br>Provides a range of investment and risk management services targeted at supporting consistency and accuracy in investment strategy and asset allocation decisions through insight, analytics, indices and benchmark products | **Wealth Solutions**<br>Provides a suite of solutions designed to facilitate workflows in wealth management, including advisor solutions, investor wealth portals and brokerage processing tools | **Customer and 3rd Party Risk Solutions**<br>Provides a suite of risk management services which support customers with Know Your Customers (KYC), due diligence and digital identity, payments verification and fraud prevention activities |
| **Financial highlights** | **Approximate percentage of pro-forma income**<br>22% | **Approximate percentage of pro-forma income**<br>17% | **Approximate percentage of pro-forma income**<br>16% | **Approximate percentage of pro-forma income**<br>7% | **Approximate percentage of pro-forma income**<br>4% |
| | **2020 pro-forma income**<br>£1,598m<br>(2019: £1,619m) | **2020 pro-forma income**<br>£1,176m<br>(2019: £1,135m) | **2020 pro-forma income**<br>£1,117m<br>(2019: £1,094m) | **2020 pro-forma income**<br>£500m<br>(2019: £461m) | **2020 pro-forma income**<br>£284m<br>(2019: £266m) |
| **Customer profile** | A broad range of market participants, including banks and buy-side trading desks, hedge funds, treasury management | A diverse range of market participants seeking financial data and insight, including for example global banks and buy-side firms | Customers include asset owners, asset managers, hedge funds, ETF issuers, sovereign wealth funds, banks and brokers | Customers span the wealth community including wealth management, wealth advisory firms and private banks | Customers include sell-side financial institutions, buy-side financial institutions and a wide range of corporates |
| **Main types of revenue** | • Subscription fees based on data usage and/or user licences<br>• Some enterprise software and connectivity licences | • Subscription fees based on content selected and data usage<br>• Enterprise fees based on service components, application rights and data egress<br>• Redistribution charges for select products | • Subscription fees based on data usage and/or user licences<br>• Licence fees for benchmarks and subscription fees for data and analytics services<br>• Asset-linked fees for ETFs and passive funds | • Transaction fees related to trade processing (BETA)<br>• Subscription fees based on content selected, data usage and/or user licences<br>• Redistribution charges for select products | • Primarily subscription fees related to usage requirements<br>• Subscription plans and on-demand report fees (Refinitiv Due Diligence) |

Note: Approximately 5% of pro-forma income is from Recoveries, Other Revenue and Other Income

| | CAPITAL MARKETS | POST TRADE |
|---|---|---|
| **Business Segment** | Provides access to capital for domestic and international participants, and efficient electronic platforms for secondary market trading of equities, fixed income and FX | Provides a range of clearing and bilateral services as well as financial resource optimisation and reporting solutions to support customers' risk and balance sheet management, regulatory reporting and capital efficiency |
| **Financial highlights** | **Approximate percentage of pro-forma income**<br>16%<br><br>**2020 pro-forma income**<br>£1,170m<br>(2019: £1,099m) | **Approximate percentage of pro-forma income**<br>13%<br><br>**2020 pro-forma income**<br>£915m<br>(2019: £803m) |
| **Customer profile** | **Primary Markets**<br>Entities from around the world come to our markets to raise money, together with issuers of bonds, ETFs and other instruments<br><br>**Secondary Markets – Equities, FX, Fixed Income & Derivatives**<br>Sell-side banks and brokers and buy-side investors worldwide, trading on the Group's platforms | **Clearing services**<br>A wide base of banks, brokers and fund manager firms worldwide for OTC derivatives and listed equities, exchange traded derivatives, fixed income and commodities<br><br>**Regulatory reporting**<br>A wide range of banks and buy-side firms managing their reporting requirements |
| **Main types of revenue** | **Primary Markets**<br>• Admission fees for initial listing or raising further capital<br>• Annual fees for securities traded on our markets<br><br>**Secondary Markets – Equities, FX, Fixed Income & Derivatives**<br>• Fees based on value traded | **Clearing services**<br>• Fees based on trades or contracts cleared and CCP services provided<br>• Fees for SwapClear interest rate swap service and other OTC derivative clearing primarily based on membership fees or client trades<br>• Fees for managing non-cash collateral and compression services<br><br>**Regulatory reporting**<br>• Fees based on number of reported transactions<br><br>**Net Treasury Income**<br>• Net interest on cash held for margin and default funds |

# Our strategy

**Our purpose**

Driving financial stability, empowering economies and enabling customers to create sustainable growth.

**Our vision**

As a leading financial markets infrastructure and data provider, we want to shape the future of our industry to serve our customers and markets better

| | | | | |
|---|---|---|---|---|
| **Our competitive differentiators** | Open Access at the core of our operating model | Platform and our expertise in data management | Breadth and depth of our global venues footprint | Trusted reputation for resilient scalable financial markets infrastructure (FMI) |
| **Strategic priorities** | Responding to customers' and partners' needs for a trusted FMI partner to provide seamless access and solutions across the financial markets value chain on a global scale | Developing innovative data, analytics, indices and IP for customers, including drawing on data and domain expertise from across LSEG's Data & Analytics, Capital Markets and Post Trade businesses | Providing efficient access to support capital raising and trading activities across asset classes globally to drive sustainable growth | Delivering a technology and operating model focused on enabling simplified access for customers to the Group's products and services |

Strategic priorities underpinned by a commitment to our core principles of Open Access and Customer Partnership

## OUR STRATEGIC PRIORITIES

We recognise the vital role our Group plays in the global economy and therefore our responsibility in promoting sustainable economic growth and financial stability for our stakeholders. We continuously monitor the evolving landscape in which we operate and the positioning of our businesses to ensure that we can best fulfil our purpose and achieve our ambition of being the leading global financial markets infrastructure and data business. Underpinning our strategy is a commitment to our core principles of Open Access and Customer Partnership.

**Responding to customers' and partners' needs for seamless access across the financial markets value chain on a global scale**

The Group serves over 40,000 customers in over 190 countries. We continue to build on our existing set of products and services to deliver innovation and enable customer efficiency on a truly global basis.

The Group will continue to work in close partnership with its customers to develop tailored solutions. Opportunities include exploring solutions to reduce the costs of capital raising for corporates and SMEs, delivering new and enhanced data and analytics to inform pre-trade and post-trade decision making, and developing solutions targeted at simplifying capital markets workflows, as well as continuing to focus on investment and partnerships in emerging and frontier markets.

**Developing innovative data, analytics, indices and IP for customers, drawing on domain expertise from across the Group's Data & Analytics, Capital Markets and Post Trade businesses**

The acquisition of Refinitiv brings together Refinitiv's data, content, management and solutions capabilities with LSEG's global index and analytics businesses. This will enable us to better support customers responding to the growth and development of passive investment and multi-asset class investment strategies.

We continue to invest in data across the Group which draws on Refinitiv's extensive content assets and LSEG's index creation and analytics capabilities to develop new products in areas of growing investor demand such as ESG and multi-factor indices. Our joint data capabilities will also complement and reinforce the workflow of our Capital Markets and Post Trade businesses, allowing us to feed data into execution and risk-based decision making.

The Group will also continue to invest in a simplified global data platform experience (including Refinitiv Workspace) to provide faster data onboarding, roll out, and a better customer experience, while also targeting increased flexibility in how customers consume content and derive value from the Group's products.

**Providing efficient access to support capital raising and trading across asset classes**

The Group brings together global, multi-asset class listing and trading venues in equities, exchange traded funds (ETFs), fixed income, FX and derivatives.

The Group will continue to focus on developing its access model to serve customers across the end-to-end capital markets value chain, providing efficient access to liquidity across multiple asset classes and regions, and supporting customers seeking to trade and raise capital on a global basis.

The Group will seek to (i) broaden and expand solutions for issuers via the data, analytics and distribution capabilities in Data & Analytics, (ii) simplify connectivity across multiple venues and asset classes, including utilising trade workflow tools such as REDI and AlphaDesk, and (iii) extend the global reach and access of capital markets offerings beyond Europe, drawing on the Group's enhanced global footprint.

**Delivering a technology and operating model focused on enabling simplified access for customers to the Group's products and services**

The Group's strategy is focused on deploying trusted and scalable technology to the processes of sourcing, extracting, translating and controlling data, alongside a more consistent approach to the Group's interaction with, and support of, external and internal customers. This is enabled by domain expertise in building and operating resilient, high performing data and market infrastructure platforms which positions it well to meet the challenges and opportunities presented by the increasing importance of technology infrastructure. The Group is in the process of moving significant parts of its operations to the cloud and will continue to adopt a "cloud first" strategy, whilst investing in cyber security and resilience.

# Market trends and our response

The landscape across financial markets infrastructure and data is fast moving, dynamic and has evolved significantly in recent years.

The needs of LSEG's customers, who operate on a global basis and range from the world's largest financial institutions to retail investors, multinationals, and SMEs, are changing. Infrastructure enablers, including LSEG, are continuously adapting to these changes and responding to the evolving needs of customers and partners.

There are a number of key trends and drivers of change which are shaping both the current and future needs of the customer, and therefore influencing LSEG's strategy and plans:

**01** Greater demand for data-driven solutions, enabled through digitisation, AI and automation
**02** Increasing demand for multi-asset class solutions and coverage across the investment value chain
**03** Innovation and competition
**04** Growth in ESG, climate awareness and the impact of social responsibility
**05** Growth and distribution of global wealth
**06** Technology resiliency and cyber security
**07** Continued regulatory change

The impact of the events of 2020, most noticeably the Covid-19 pandemic, will act as a catalyst for the change we are already witnessing across the financial services industry. This has been particularly notable through increased global demand for ESG solutions and insight, and the value of strong cyber security processes and controls as employees and customers operate in an increasingly digital world. We continue to invest in the technologies, cyber security and process capabilities that underpin our product offerings and support our customers through volatile market conditions, ensuring our platforms are capable of managing the demands for service and connectivity across the financial system.

## 01 GREATER DEMAND FOR DATA-DRIVEN SOLUTIONS, ENABLED THROUGH DIGITISATION, AI AND AUTOMATION

Advances in technology, including cloud computing, machine learning and AI, have enhanced data processing and storage capabilities across the financial markets industry. Sell-side banks are increasingly focused on digitising their processes through automation with savings of c.US$1 trillion p.a. expected globally by 2030 across front, middle and back office operations. As already noted, this movement has, in part, been accelerated by the impact of Covid-19 which has propagated the widespread adoption of digital communication channels and information sharing tools.

Buy and sell-side customers continue to focus on operating model reforms and cost efficiencies in response to management and performance fee pressures, growing investor scrutiny and regulatory-driven changes. Customers are increasingly looking across the value chain from trading to clearing and settlement in order to realise efficiencies and are looking for more innovative and effective ways of accessing products and services.

Demand for well maintained and structured data sets has also been growing as customers seek to improve the output quality of their digitisation efforts and make more use of the data at their disposal. Improvements in data processing and automation tools are enabling customers to benefit from deeper insights, sophisticated analytics, and more thorough and actionable risk management.

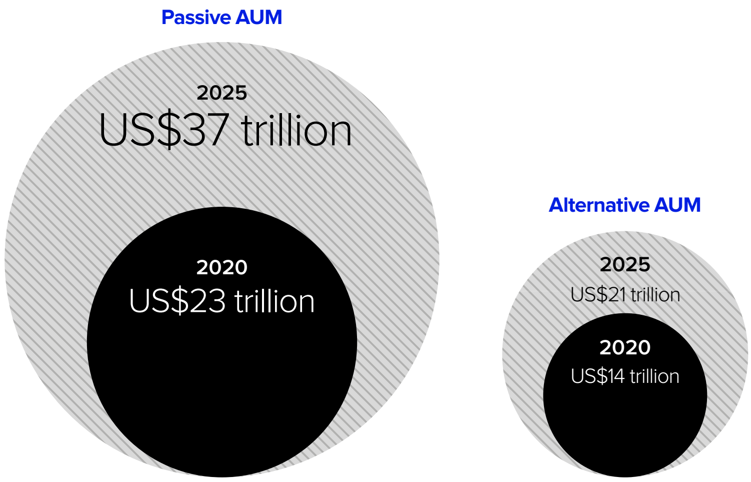
**Implications for LSEG:**
Through the Refinitiv acquisition, LSEG has materially increased its range of data driven solutions including Refinitiv's Data Platform. The Group expects investment in these offerings to further support collaboration with end-user communities and relevancy of its platform tools, as well as improving its extensive network of third-party partnerships. Offerings such as Refinitiv Workspace, Datastream and StarMine, are well positioned in addressing investment managers' need to access data and quantitative analytics to support their investment strategies.

The Group will continue to develop innovative data, analytics, indices and IP for customers, drawing on domain expertise from across the Group's Data & Analytics, Capital Markets and Post Trade businesses.

Additionally, the Group continues to reduce costs for customers via its approach to cloud, whilst supporting increased consumption of data in an agile and flexible way. Cloud technology feeds into and supports our ability to deliver on our Open Access commitments with solutions more readily compatible with client infrastructures. Similarly, machine learning and AI technologies are also driving consumption of, and the desire for, sophisticated data analytics to improve pre-trade workflow and are further enabled by our approach to cloud.

The market for the Group's data, information, software, services and products is highly competitive and is subject to continual technological change. In managing this change, the Group continues to work alongside its customers to adapt to developments as they arise, with a clear focus on organic and inorganic execution routes that can support the development and delivery of our products, services and commercial strategy.

## 02 INCREASING DEMAND FOR MULTI-ASSET CLASS SOLUTIONS AND COVERAGE ACROSS THE FINANCIAL MARKETS VALUE CHAIN




Source: PWC Asset & Wealth Management Research Centre

**Changes in investment preferences and products:**
Investment preferences are continuing to shift in response to the changing market landscape. Demand for infrastructure solutions, data and analytics continue to develop as investors look for more diversity and flexibility within their portfolios, and opportunities to identify 'alpha', stretching beyond traditional equities into other asset classes such as fixed income and private capital. In 2019, assets in passive US equity funds outweighed actively managed assets for the first time, with passive and alternative investment AUMs expected to grow considerably by 2025, to US$37 trillion and US$21 trillion, respectively. ETFs also continue to grow in popularity as low-cost alternative investment vehicles with US$12 trillion AUM forecast by 2023 and ESG factors increasingly critical considerations in investment decision-making.

**Electronification of asset classes and automation of multi-asset investment strategies:**
There continues to be a gradual transition from single-asset class human-based trading to both single and multi-asset class electronic trading, which is reliant on a wider set of distribution channels including APIs, data feeds, cloud and bulk delivery. This transition has been accelerated by the adoption of technology across the industry such as automation tools, cloud computing and machine learning.

**Implications for LSEG:**
Our long-standing commitment to Open Access is critical to the way we deliver our services across the capital markets value chain, and how we enable customers to access liquidity and capital efficiencies.

LSEG will continue to focus on aggregating, organising and distributing data to its customers, covering multiple asset classes across the financial markets value chain in response to rising demand. We are also utilising commercial models that are more aligned with our growing open platform approach, providing customers with greater flexibility in extracting value from the data they are consuming on an enterprise basis. Customers want to be able to trade and access liquidity across different regions, asset classes and currencies and are, therefore, looking to FMI providers who can provide both access and execution on a global scale. Our Capital Markets division provides a truly global platform for domestic and international businesses to access capital, and both human and electronic connectivity for secondary market trading of equities, fixed income and FX.

LSEG will continue to seek opportunities to expand its capabilities across the value chain through a variety of means, including strategic acquisitions, organic initiatives and partnerships. For example, LSEG made a minority investment in PrimaryBid in October 2020, a technology platform which connects retail investors with listed companies raising capital.

## 03 INNOVATION AND COMPETITION

The level of competition, innovation and technological disruption across the financial services industry has created the need for financial market infrastructure and data providers to respond in an agile and flexible way. Large scale consolidation activities, the arrival of new entrants and the growth of FinTechs (plus Big Tech) are all key components of this trend. Providers continue to invest in and improve their products through enhancing their technology footprint, and partnering with businesses in adjacent sectors to offer a wider array of solutions. Meanwhile, other providers are diversifying and broadening their propositions to gain access to new product areas and geographies.

Customers continue to sponsor the entry of new market infrastructure providers, for example, by committing to provide order or transaction flow and/or by participating in their formation, thus contributing to the competitive dynamics within the sector. Through sponsored entry, customers are able to ensure that they receive access to the services that they demand on competitive terms, and incentivise existing platforms to innovate in order to compete against new players.

**Implications for LSEG:**
As our operating landscape continues to evolve, the Group works alongside customers to adapt. We have an extensive network of customers from across the globe whose ongoing support, trust and input into our business is essential to the generation of long term value for all our stakeholders. We believe that this Partnership approach enables us to continue to foster innovation and add value to customers' operations.

In addition, we actively assess and execute growth opportunities that will enhance our existing business offerings or create new opportunities in complementary segments. The Group also continuously monitors its markets and pricing policies to mitigate its exposure to competitive threats.

# Market trends and our response continued

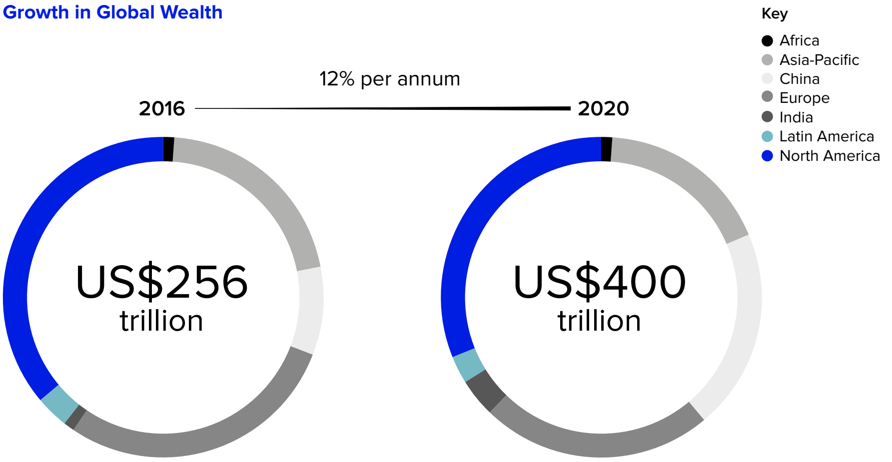
## 04 GROWTH IN ESG, CLIMATE AWARENESS AND THE IMPACT OF SOCIAL RESPONSIBILITY

ESG and climate factors are becoming a mainstream consideration in investment decision-making with the number of ESG indices growing by c.40% in 2020 alone. Businesses are increasingly disclosing climate related risk metrics in their external reporting with 77 of the FTSE 100 having implemented the Task Force on Climate-related Financial Disclosures (TCFD) framework covering climate governance, strategy and risk management. Equally, our customers are increasingly focused on diversity, inclusion and corporate governance as factors in their investment decision making, with global service providers responding to these needs rapidly with new data and innovative IP.

**Implications for LSEG:**
The increasing awareness of, and focus on, ESG brings a growing demand for relevant benchmarks, data and analytics to support investment mandates and decision making. Recognising these shifts in demand, both LSEG and Refinitiv have continued to invest in building out their data sets, capabilities and products in these areas which have come together as part of the acquisition. As an example, over the last year, LSEG launched its enhanced Green Revenues 2.0 Data Model, measuring the green revenue exposure of more than 16,000 listed companies across developed and emerging markets and Refinitiv invested in Lipper ESG Fund Scores to objectively measure sustainable performance across 10 core themes including: emissions, environmental product innovation, diversity and inclusion, human rights and shareholders satisfaction. Lipper ESG Fund scores now provide ratings to over 31,000 unique portfolios covering US$29 trillion in AUM.

## 05 GROWTH AND DISTRIBUTION OF GLOBAL WEALTH

**Growth in Global Wealth**




Source: Credit Suisse – Global Wealth Report 2020

Global wealth reached US$400 trillion in 2020, up from US$256 trillion in 2016, growth of more than 12% p.a.. As global wealth continues to increase, developing markets are expected to play a greater role in wealth generation, particularly across Asia-Pacific and in Latin America (where AUM is expected to grow by c.12% p.a. and c.10% p.a. respectively). Developing economies will contribute c.75% of the world's GDP growth by 2025 (according to the IMF) representing a material change to the distribution of global wealth creation across international markets. Customers want to be able to trade across different regions, asset classes and currencies and are, therefore, seeking market providers who can provide access and insight on a global scale.

The growth of global wealth and access to global markets will continue to be uneven, particularly in the context of geopolitical uncertainties and the impact of events including Covid-19 and Brexit. Measures designed to curb the economic impact of such events will continue to cause widespread disruption to markets and normal patterns of business activity. Providing access to data and information which can help market participants understand and respond to events as they arise is therefore a critical step in stabilising the long-term profile of global growth.

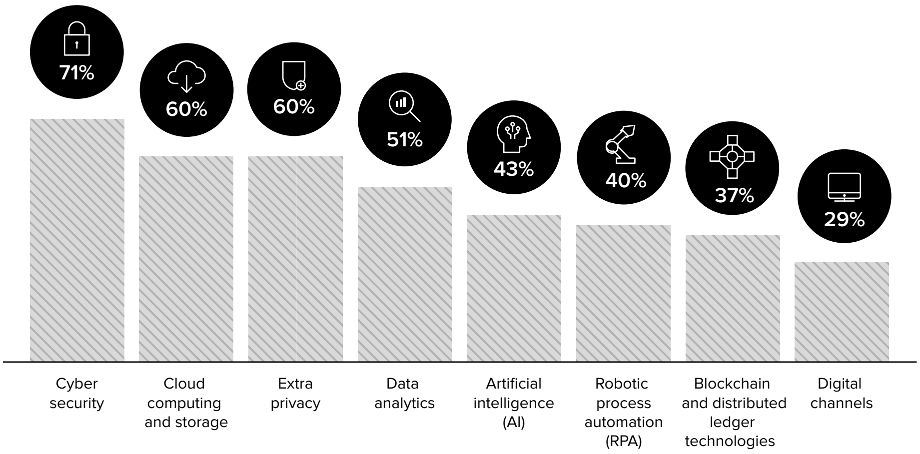
**Implications for LSEG:**
LSEG is established as a global FMI leader and provider of trusted data and execution capabilities. Through the acquisition of Refinitiv, LSEG has established a strong emerging markets footprint and, as such, is well-positioned to capitalise on opportunities in these markets, alongside a broad presence in wealth management with solutions across wealth advisors, brokerage processing and digital platforms.

LSEG will continue to establish partnerships in strategically important regions to serve its global customers. The Group will continue to work with stakeholders across North America, Asia and fast-growing emerging markets, as well as Europe to grow our business and execute against our strategy. We seek to utilise our global relationships to improve the connectedness of our markets and facilitate capital flow globally. For example, Shanghai-London Stock Connect allows global investors to access China's growing capital markets, while London Stock Exchange listed issuers have direct access to Chinese investors. This relationship has supported a number of high profile IPOs including China Yangtze Power's US$1.8 billion listing in 2020. Refinitiv also has a track record of investing across both emerging and developed markets to ensure it retains highly rated content and capabilities, such as FXT, a leading FX desktop product, and Dealing, a professional trading community with more than 15,000 trading professionals around the world.

# 06 TECHNOLOGY RESILIENCY AND CYBER SECURITY

**Banks plan to increase spending on various technologies over the next year**

Finance respondents whose organisations plan to increase spending




Source: The Deloitte Center of Financial Services Global Outlook Survey 2020

**Percentages of Financial Services Firms Leveraging Cloud Services**

39%

**Cloud Platform-as-a-Service**

49%

**On-Site Private Clouds**

51%

**Public Cloud Services**

Source: Marlin & Associates – Capital Markets Technology Industry Overview June 2020

Technology has been a critical component of the industry's fight against the cyber threats facing financial markets, with many businesses moving to improve and further align their resiliency standards. There is a continuous focus from regulators on the operating standards of FMIs to ensure continuity of critical business services and the overall resilience of the financial sector. Key industry players are adopting technology strategies commensurate with changes to global regulation and standards to appropriately manage their technology footprint.

**Implications for LSEG:**

One of the Group's key priorities is to invest in global cyber resilience and compliance projects in a consistent way across our businesses and geographies. In addition, LSEG continues to comply with various regulations covering cyber security, operational controls and data protection requirements. The Group will continue to monitor and engage with regulators and leading industry working groups on the development of regulatory frameworks and appropriate harmonisation of standards across jurisdictions.

The Group will also continue to monitor and respond to developments in resiliency and cyber security arising from the Covid-19 pandemic. Covid-19 has substantially changed ways of working globally leading to swift changes in tools, processes, and business models. This change and disruption to standard ways of working has heightened potential risks to our control environment and we are working hard to both mitigate these risks and support our customers through a volatile period for the markets. We are confident in the ability of our platforms to manage the increased demand for our services triggered by the pandemic and will continue to maintain these in a way that protects our customers and the broader financial system.

# 07 CONTINUED REGULATORY CHANGE

### Regulatory change

**Brexit update**
The transition period provided by the withdrawal agreement ended on 31 December 2020. Both the UK and the EU conducted assessments of regulatory equivalence of their respective regimes throughout 2020. Some of LSEG's cross-border activities benefit from equivalence, including equivalence for the EU CCPs operating in the UK and UK CCPs operating in the EU. Not all aspects of the UK regulatory framework have been deemed equivalent by the EU at this stage, including the Markets in Financial Instruments Regulation (MiFIR) for the purposes of the Share Trading Obligation (STO) and Derivatives Trading Obligation (DTO).

### Implications for LSEG

Equivalence for UK CCPs operating in the EU allowed LSEG temporarily to secure recognition of LCH Ltd by ESMA until 30 June 2022. LCH S.A. benefits from the UK Temporary Permission Regime. There is no EU equivalence currently for the purpose of the STO which has affected the ability for some EU firms to trade certain shares on LSE plc. The absence of EU equivalence for the purpose of the DTO will limit the ability of some EU firms to trade some classes of derivatives in the UK, which may impact subsequent clearing activities for LCH S.A.. From 30 September 2019, Refinitiv migrated its FX MTF to Ireland from the UK in anticipation of Brexit and obtained relevant licensing throughout the EEA, UK and rest of world jurisdictions in which the MTF operates.

The migration allowed for a continuation of service for customers from 31 December 2020 when the withdrawal agreement ended. LSEG continues to engage with UK and EU policy makers to advise on financial market infrastructure considerations. Our key objectives are: (i) maintaining London's position as a global financial hub; (ii) providing continuity of cross-border financial services; and (iii) guarding against policies which may result in the fragmentation of financial markets. We continue to maintain an ongoing dialogue with UK, EU and other international authorities on these matters.

**Benchmark regulation and LIBOR transitions:**
Interest rate benchmarks play a key role in global financial markets and use of LIBOR in the five top currencies (USD, GBP, EUR, JPY and CHF) is widespread internationally. Regulators have established a clear priority to move away from inter-bank rates including LIBOR and EURIBOR and to introduce alternative reference rates in several major jurisdictions. Industry-wide efforts to transition to new interest rate benchmarks are now well underway. The EU Benchmark Regulation (EU BMR) came into effect in January 2018. It impacts benchmark users, contributors and administrators. The EU BMR is currently being reviewed to enable the IBOR transition and exclude third country FX benchmarks. The UK is introducing an equivalent UK BMR and is consulting on new powers for the Financial Conduct Authority (FCA) to enable a smooth transition from LIBOR.

FTSE Russell is a leading global benchmarks provider. FTSE International Limited has been authorised by the FCA as a Benchmark Administrator, under the Benchmark Regulation. LSEG is committed to supporting the inter-bank reference rate transitions. LCH is closely engaged with the relevant government authorities and industry participants to fully support a smooth transition to selected alternative reference rates. For example, in October 2020 LCH successfully transitioned over one million cleared USD contracts with a total notional of US$120 trillion from Fed Funds to SOFR discounting and Price Alignment Interest (PAI). This was a key part of the Paced Transition Plan set in place by the US ARRC in 2018. CurveGlobal has also launched SONIA futures contracts to support the transition.

US$120 trillion

**total notional transitioned to SOFR**

**Uncleared margin rules (UMR):**
In response to Covid-19, the Financial Stability Board (FSB) recommended delaying the final two phases (Phase 5 and Phase 6) of UMR implementation by one year. Relevant jurisdictions have implemented these changes, including the EU, UK and US. Phase 5, capturing firms with US$50 billion or more in notional activity, compliance is required in September 2021 and Phase 6, capturing firms with US$8 billion or more in notional activity, compliance is required in September 2022.

The upcoming phases of UMR implementation are likely to incentivise counterparties to send more of their transactions to CCPs and benefit from services such as SwapAgent.

>1,000

**counterparties captured in Phases 5 and 6**

## CONTINUED REGULATORY CHANGE CONTINUED

| Regulatory change | Implications for LSEG | |
|---|---|---|
| **CCP Recovery and Resolution:** Whilst North America and other major jurisdictions, as well as international standard setters, are working on further developing the regulatory frameworks for the recovery and resolution of CCPs, the EU framework will require all EU CCPs to allocate additional resources to ensure that in severe distress or failure the critical functions of CCPs are preserved while maintaining financial stability. In addition, international standard setters are expected to develop more comprehensive guidance to support CCP resolution and evaluate the treatment of equity in resolution and the impact of a CCP's recovery and resolution tools on financial stability. | LCH is monitoring these developments and stands ready to implement EU requirements once specified. | |
| **Market Structure Reviews:** The European Commission and ESMA have started the MiFID II Review process with a series of consultations and subsequent reports. The European Commission is expected to propose legislative amendments in 2021. | MiFID II/MiFID are currently applicable to LSEG, both in the EU and as they are on-shored in the UK. The reviews of MiFID II are likely to impact rules on market transparency, trading protocols and microstructures, provision of market data, transaction reporting, SME Growth Markets, and Open Access. | LSEG promotes outcomes-based alignment between the EU and the UK and remains closely engaged with authorities to promote cross-border access to LSEG products and services. |
| **Capital Markets Union (CMU):** CMU is a plan introduced by the European Commission in 2015 that aims to create deeper and more integrated European capital markets, enhance competition and remove investment barriers, for example by amending the prospectus rules. The CMU plan was refreshed in 2020 with 16 new measures to be completed in the coming years. The measures include establishment of the EU Consolidated Tape, as well as a number of proposals targeted at small and medium sized enterprises and retail investors, as well as changes in the supervisory framework. | The impact of future CMU initiatives will be limited as any new legislation related to CMU will not be automatically onshored to the UK given the UK is no longer a member of the EU. However, new legislation will be directly applicable to LSEG's EU based entities. The EU CMU debate is also likely to influence the UK to a certain degree, especially if the UK would like to be deemed to be equivalent. | LSEG's main interest relates to the revision of the Central Settlement Depositories Regulation (CSDR) and the possible risks and opportunities related to the establishment of an EU Consolidated Tape. LSEG continues to monitor and engage on Market Data pricing and the proposal for the introduction of Consolidated Tape debates and supports the principle of Reasonable Commercial Basis. |

# Market trends and our response continued

## CONTINUED REGULATORY CHANGE CONTINUED

| Regulatory change | Implications for LSEG | |
|---|---|---|
| **Sustainable Finance:**<br>The sustainable investing ESG market is advancing radically, in large part due to the demands of global asset owners – pension funds who consider climate risk and sustainability to be integral in their selection of asset managers and benchmarks. Policy makers globally, including in the UK, Europe, China, Canada, and ASEAN markets are increasingly taking policy and legislative action which supports this trend.<br><br>Assets under management that integrate ESG factors are growing in the US, EMEA and APAC. This year sustainable investment funds have attracted record levels and global assets under management now stand at over US$1 trillion. The milestone that the world is corralling around is net zero targets by 2050. | We work with investors, issuer companies, policy makers, regulators, academics and other organisations to drive the transition to a sustainable and net zero economy.<br><br>LSEG works with issuer companies and the investor community to develop sustainability solutions, provide access to capital for sustainable debt, equity and funds and companies in transition, and integrate sustainability into the investment process. We support issuers through LSEG ESG guidance, London Stock Exchange Green Economy Mark and access to raise green capital. We develop solutions in partnership with investors such as Green Revenues 2.0 data model which is aligned with the EU taxonomy. | We work with global investor initiatives such as Climate Action 100+ and the Transition Pathway Initiative that aim to provide a common global benchmark of corporate progress towards the Paris Agreement objectives.<br><br>We continue to actively contribute to this global and regional debate in the run up to COP26, in particular the IFRS Sustainability Standards Board proposal, EU Commission Renewed Sustainable Finance Strategy and EFRAG, and policy making in the UK, North America and APAC. |
| **Open Access:**<br>Open Access underpins provisions within MiFID II/ MiFIR, mandating non-discriminatory access to trading, clearing and indices. The provisions were previously expected to apply from July 2020. However, a further delay to this deadline was introduced for the exchange traded derivatives (ETDs), on the basis that operational requirements of Open Access were too high for trading venues and CCPs, who in parallel suffered from operational difficulties due to Covid-19. The UK has since clarified that this extension would not be applicable in the UK and that Open Access is fully applicable as of 1 January 2021. In the EU, Open Access provisions for ETDs should be fully applicable on 4 July 2021. | Open Access remains a key principle that underpins LSEG's operating philosophy and business model and is fully aligned with the way LSEG and its businesses currently operate. LSEG has made specific commitments to maintain Open Access in certain clearing and market data services as a condition of the EU competition approval process of LSEG's acquisition of Refinitiv. | |

## CONTINUED REGULATORY CHANGE CONTINUED

| Regulatory change | Implications for LSEG | |
|---|---|---|
| **Emerging Technology:** Major jurisdictions are monitoring and developing regulatory frameworks on emerging financial technology (Fintech), specifically the potential uses of distributed ledger technology (DLT), cloud computing, machine learning and AI. Regulators are also exploring opportunities for regulatory technology to help develop new strategies for the hosting and use of regulatory data. There is continuous focus from regulators on the operational resilience of FMI providers to ensure continuity of critical business services and the overall resilience of the financial sector. | Emerging technology-related regulatory initiatives have implications to varying degrees on all our functions and services, either due to compliance obligations or constituents of the services that we provide to our customers. We continue to monitor and engage with regulators and relevant industry working groups on these issues in support of the development of appropriate regulatory frameworks. | |
| **Operational resilience and cyber security:** Regulators and policy makers, both at EU, national level and other multilateral bodies, and the industry more broadly are working to keep pace with the growing cyber threats and challenges from Covid-19 facing markets through enhancements and further development of resilience standards. | One of our top priorities is to continue to invest in ensuring cyber resilience and compliance with regulations. In addition to complying with current cyber and data protection requirements, we comply with significant data and cyber operational controls and standards. | We continue to monitor and engage with regulators on the development of regulatory frameworks and the appropriate harmonisation of standards across jurisdictions. |

# Principal risks and uncertainties

The management of risk is fundamental to the successful execution of our strategy, including integration of the Refinitiv businesses, and to the resilience of our operations.

During 2020, the Group successfully adapted its systems, processes and controls, to maintain its operations, supporting a high degree of remote working, during the Covid-19 pandemic. The Group continued to support its key markets and deliver stable and resilient services that meet our customers' needs, whilst making preparations for integration with Refinitiv and for the divestment of Borsa Italiana Group, and for orderly transition to a post-Brexit environment.

As LSEG's risk culture, objectives, appetite, governance and operations are well established, these descriptions naturally do not significantly change from year to year. We have included a category of emerging risks which are new to the Group or which are difficult to quantify due to their remote or evolving nature. In most cases, the mitigation for such risks is to establish appropriate contingency plans and monitor the development of the risk until it can be quantified and removed or included as a principal risk.

For each principal risk, the Group has Executive leads with the Chief Risk Officer and Risk function providing a second line of oversight. Information describing the risk post the Refinitiv acquisition has been summarised together with mitigating actions. More detailed information related to the Refinitiv transaction can be found in the shareholder prospectus dated 9 December 2020. The risk trend indicator reflects the risk of the new Group.

**Further information**

Our strategic risk objectives, current risk focus, a narrative description of our risk appetite, how LSEG's risk management framework operates, as well as an overview of the CCP's risk management and operations, are well established and are not described here

Detailed information can be found in our risk management oversight supplement.

Please visit: **www.lseg.com/about-london-stock-exchange-group/risk-management-oversight**

## LSEG RISK GOVERNANCE

**Overview of principal risks:**

**Strategic Risks**

Global economy
Regulatory change
Compliance
Reputation/Brand/IP
Transformation
Divestment of Borsa Italiana Group

**Financial Risks**

Credit risk
Market risk
Liquidity risk
CCP – settlement and custodial risk
Capital risk
Model risk

**Operational Risks**

Data governance
Information and cyber security threats
Technology
Change management
Resilience
Third-party risk
Employees and talent

**Emerging Risks**

Geopolitical risk
Emerging technology
Climate-related risk

**KEY**

▲ Risk Increasing
— Risk Trend Static
▼ Risk Decreasing
↗ Emerging Risks

## STRATEGIC RISKS

Risks related to our strategy (including the implementation of strategic initiatives and external threats to the achievement of our strategy). The category also includes risks associated with reputation or brand values.

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **Global economy**<br>Executive Lead: Chief Executive Officer<br><br>As a diversified markets infrastructure business and data and analytics service provider, we operate in a broad range of equity, fixed income and derivative markets servicing customers who increasingly seek global products and innovative solutions. If the global economy underperforms, or there is lower activity in our markets, it may lead to lower revenue.<br><br>The Covid-19 pandemic has turned into a global pandemic since emerging as a risk to the global economy in early 2020. Emergency interest rate cuts, unprecedented fiscal measures, government schemes and central bank support frameworks have bolstered global economies and financial markets. The scale of the longer-term impact on the global economy is still uncertain but in the short term global growth remains subdued (with some economies in or emerging from recession). This is exacerbated by the uncertainty with respect to the UK's future relationship with the EU and other trading partners post transition period.<br><br>Weaker economic data and low levels of inflation have dominated central bank official rate actions. The Federal Open Market Committee (FOMC) has left the Fed Funds target rate unchanged during 2020. The Bank of England's Monetary Policy Committee (MPC) has maintained the Bank rate at 0.1% since March 2020 Meanwhile the European Central Bank (ECB) has left rates unchanged at zero and has restarted its quantitative easing programme.<br><br>Whilst well diversified, these global risks could have an adverse impact on the Group's businesses, operations, financial condition and cash flows.<br><br>**Refinitiv Transaction**<br>Since the acquisition of Refinitiv, the Group has increased its geographical footprint which further reduces its exposure to downturns in individual markets. | The footprint of the Group continues to broaden, further improving the geographical diversification of the Group's income streams which mitigates the risks of a localised economic downturn. Furthermore, income streams across the business divisions of the Group comprise annuity and fee based recurring revenues to balance against more cyclical and market driven activity. This diversification has been significantly enhanced (including enjoying an increasing proportion of recurring revenues) since the completion of the acquisition of Refinitiv that occurred on 29 January 2021.<br><br>The Group performs regular analyses to monitor markets and the potential impacts of market price and volume movements on the business. Activities include Key Risk Indicator tracking, stress testing, and hedging. LSEG continues to actively monitor the ongoing developments following the UK's exit from the EU to ensure continuity of market function and customer service in the event of a divergence of regulation if no trade agreement is achieved.<br><br>The Financial Risk Committee closely monitors and analyses multiple market stress scenarios and action plans in order to minimise any impacts stemming from a potential deterioration of the macro-economic environment. The stress scenarios are regularly reviewed and updated in response to changes in macro-economic conditions.<br><br>LSEG monitors the potential impact of macro-economic and political events on our operating environment and business model and the Group is an active participant in international and domestic regulatory debates. | ▲ |

For more information, see Market trends and our response on pages 16-23, and Note 2 to the accounts, Financial Risk Management on pages 148–154

# Principal risks and uncertainties continued

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **Regulatory change**<br>Executive Lead: Chief Executive Office, Divisional Group Heads<br><br>LSEG is a global business operating in multiple regulatory environments that reflect the diversity of products and the jurisdictions in which it operates. The Group is exposed to risks associated with the management of changes to these regulatory requirements, including<br><br>**Brexit** – Following the UK's exit from the EU, there is a risk of regulatory bifurcation which could lead to liquidity fragmentation in European Capital Markets.<br><br>**MiFID II/MiFIR** – Risk of potential impacts on the Group, particularly in the areas of trading transparency (e.g. double volume cap) and market data (fees transparency and potential introduction of consolidated tape) as a result of two reviews of the directive:<br>• The European Commission proposed a targeted review of the directive on 24 July 2020, amending information requirements, product governance and positions limits to help the recovery from the Covid-19 pandemic.<br>• In parallel, ESMA continued its targeted review of the Directive and Regulation, with the view of contributing to a broader review by the European Commission in 2021.<br><br>**Benchmark Regulation** – Risk arising from the ongoing regulatory focus on the role of benchmarks in the market and regulation of benchmark providers continues to increase in several major jurisdictions around the world. In July 2020, the EU Commission proposed a focused EU BMR Review which has yet to conclude.<br><br>**Regulation Impacting CCPs** – Risk due to regulatory initiatives with the potential to impact cleared derivatives markets and CCPs which continue through international standard setters and regulators in the EU and US and other major jurisdictions. Our primary focus remains on development of a coherent, cross-border regulatory framework for market access to global CCPs.<br><br>**Financial Transactions Tax (FTT)** – Risk of adverse impacts to volumes in financial markets from possible introduction of a FTT, which is being discussed by a sub-set of EU members, under enhanced cooperation.<br><br>**Information and cyber security standards** – Risk of conflicting or duplicative regulatory requirements emerging in the information and cyber security domain due to the, increasing legislative and regulatory focus on cyber security and data protection in many of our key regulatory jurisdictions which could impact our operations and compliance models. LSEG supports the regulatory efforts on these issues, as they increase the standards for customers, vendors and other third parties with whom we interact.<br><br>**Refinitiv Transaction**<br>Following the acquisition of Refinitiv, the increased breadth of our services and footprint of the Group into new jurisdictions, increases the risk of exposure to regulatory change globally. | Changes in the regulatory environment form a key input into our strategic planning, including the political impact on our growth strategies, both organic and inorganic. We monitor regulatory developments continually and engage directly with regulatory and governmental authorities at local, regional and national levels.<br><br>The Group also had a structured Brexit programme which included regulatory specialists engaging at appropriate levels and on financial market infrastructure considerations. Risks are actively monitored and managed and the Group has implemented its contingency plans to maintain continuity of service to customers and orderly functioning of its markets, including the launch of new operations in the EU27 – see the sections on Geopolitical risks and Emerging risks on page 39.<br><br>On 21 September 2020, the European Commission extended this equivalence decision for another 24 months confirming LCH Ltd's ability to continue to offer all clearing services for all products and services to all members and clients. The Group's European CCPs are allowed under the Bank of England Temporary Recognition Regime (TRR) to provide clearing services and activities in the UK until at least the end of 2023.<br><br>LSEG's key objectives are to provide continuity of stable financial infrastructure services as part of our global remit. As the various regulatory initiatives progress, there will be greater certainty with regard to their likely final form. The Group continues to focus on remaining well positioned to respond to regulatory developments and further opportunities exist for the Group to deliver solutions to help the market address the changing regulatory environment including those linked with the departure of the UK from the EU. | ▲ |

For more information on regulatory changes, see Market trends and our response on pages 16–23.

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **Compliance**<br>Executive Lead: Group General Counsel, Group Chief Executive Officer<br><br>There is a risk that one or more of the Group's entities may fail to comply with the laws and regulatory requirements to which it is, or becomes, subject. In this event, the entity in question may be subject to censures, fines and other regulatory or legal proceedings.<br><br>**Refinitiv Transaction**<br>Following the acquisition of Refinitiv, the increased breadth of our services, number of regulated entities and the substantially increased number of countries in which the Group operate, including high-risk countries, increases the Group's compliance risk. | The Group continues to maintain systems and controls to mitigate compliance risk. Compliance resources with specialised knowledge of each of the regulated services provided by the Group are aligned with the regulated entities operating within each business division and provide regulatory advice to the business, Corporate Functions and Boards to support them in ensuring that both day-to-day operations and business developments are undertaken in accordance with the relevant regulatory obligations. Compliance policies are reviewed regularly and employees across the Group are reminded of the requirements to which they are subject under these policies through the deployment of mandatory annual training, the completion of which is tracked.<br><br>**Refinitiv Transaction**<br>Refinitiv, prior to its acquisition by the Group had its own compliance framework. In preparation for the Refinitiv transaction a dedicated Compliance workstream has been established to ensure that, in developing the future state operating model for Compliance, the current level of focus on, and support to, the regulated entities within the combined group is maintained and that Compliance policies and training thereon is updated as necessary to meet the needs of the combined group. As owners of the Group Financial Crime Policy, Compliance are also engaged with relevant stakeholders in the design of the organisation and procedures that will enhance and support the application of effective AML and KYC controls in a global organisation.<br><br>Since the close of the transaction, the Refinitiv business is now subject to the Group compliance standards as described above. | ▲ |
| **Reputation/Brand/IP**<br>Executive Lead: Chief Executive Officer, Executive Committee<br><br>Several of the Group's businesses are iconic and trusted international brands. The strong reputation of the Group's businesses and their brand names are valuable for the Group and its business credibility with regulators and attractiveness to customers alike. Some events or actions could damage the reputation and brand of the Group, such as miscommunication on social media, misrepresentation, interruption of services or regulatory censure which could be consequence adversely impact the Group's business, financial condition and operating results.<br><br>The Group has a portfolio of intellectual property including brands, products and services which are proprietary and protected by patent, trademark and copyright. Some of the Group's products and processes may not be subject to intellectual property protection, and competitors of the Group may also independently develop and patent, or otherwise protect products or processes, that are the same or similar to the products or processes of the Group. In either scenario, failure to protect the Group's intellectual property rights adequately could result in reputational damage and affect the Group's ability to compete. Additionally, any financial impact would be compounded by costs incurred to defend or enforce the Group's intellectual property rights.<br><br>**Refinitiv Transaction**<br>The acquisition of Refinitiv introduces additional iconic brands and intellectual property to the Group's portfolio. This increases the reputational and brand risks and enhances the need for effective mitigation strategies. | LSEG has policies and procedures in place which are designed to ensure the appropriate use of the Group's brands and to maintain the integrity of the Group's reputation.<br><br>LSEG actively monitors the use of its brands including monitoring for internet brand impersonation and social media sentiment, and other intellectual property in order to prevent, or identify and address, any infringements.<br><br>The Group protects its intellectual property by relying upon a combination of trademark laws, copyright laws, patent laws, design laws, trade secret protection, database rights, confidentiality agreements and other contractual arrangements with its employees, affiliates, customers, suppliers, strategic partners and others.<br><br>**Refinitiv Transaction**<br>The Refinitiv business is now subject to the Group Risk Framework since the completion of the Refinitiv transaction.<br><br>Group policies have been updated and approved for the expanded Group, and policy embedding and compliance is tracked by Group Risk. | ▲ |

# Principal risks and uncertainties continued

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **Transformation**<br>Executive Lead: Chief Executive Officer, Chief Operating Officer<br><br>The Group is exposed to risk of loss or failure resulting from transformation or integration as it continues to grow rapidly both organically and inorganically. Acquisitions may, in some cases, be complex or necessitate change to operating models, business models, technology and people. This is particularly likely for the current integration of Refinitiv. The combined business' success will have a high dependency on its ability to integrate the businesses of LSEG and Refinitiv and to address the challenges associated with the delivery of synergies. The benefits or business performance expected as a result of the transaction may not be achieved as anticipated or at all, and the costs to achieve the synergies and benefits may be higher than anticipated. A failure to align the businesses of the Group successfully may lead to an increased cost base without a commensurate increase in revenue; a failure to capture future product and market opportunities; and risks in respect of capital requirements, regulatory relationships and management time.<br><br>In particular, some of the key integration challenges associated with combining LSEG and Refinitiv include: coordinating and consolidating services and operations, particularly across different countries, regulatory regimes (including in relation to different business lines) and cultures, consolidating infrastructure, procedures, systems, facilities, accounting functions and policies, and managing a significant increase in the number of employees across geographically dispersed locations (from approximately 5,551 to approximately 25,118, with a material increase in the number of employees in certain locations including India, the Philippines and Poland), which may have challenges for compensation structures and other employee policies, oversight and management of employees and corporate culture. These challenges may be accentuated as a result of widespread remote working arrangements due to measures adopted in response to the Covid-19 pandemic. Challenges may also include operating and integrating a large number of different technology platforms and systems, including maintaining the operational resilience and security of legacy platforms, and consolidating services, or developing new services, where underlying assets used to provide those services are subject to contractual commitments with third parties.<br><br>The newly combined company will face significant competition in each of its main business areas, including Data & Analytics (indices data, risk and analytics); Capital Markets (primary and secondary capital markets trading) and Post Trade (clearing, settlement, central securities depository services and risk management services). The market segments for the Group's data, information, software, services and products are highly competitive and are subject to rapid technological changes and evolving customer demands and needs. | The Group's exposure to transformation risk is mitigated through the application of the Group's Enterprise Risk Management Framework to deploy consistent, appropriate Risk Management across the Group, both during and post-acquisition. The governance of the Group following a merger or acquisition is aligned and strengthened as appropriate.<br><br>The Integration Management Office, reporting to the Executive Committee, has been established to oversee the integration of LSEG and Refinitiv. Oversight during transformation is provided by a Steering Group comprising Integration Leaders representing Executive Committee members with regular reports to the Executive Committee, Board Risk Committee and the Board.<br><br>The Group Transformation Forum, reporting to the Executive Committee, has been established and is responsible for the successful delivery of the Group Strategic Programmes and providing oversight across the Group's change Portfolio. This is a programme execution forum comprising senior Business Leaders responsible for significant operational and delivery issues, risks and dependencies impacting the Group Investment Portfolio.<br><br>The Group has an effective track record of integrating acquisitions and delivering tangible synergies, supported by robust governance and programme management structures through the Group's Change Framework to mitigate change-related risks.<br><br>The new Group will continue to work hard to address these changing customer needs in an evolving regulatory and technological landscape. | ▲ |

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| As a result of the EC conditional approval of the Refinitiv acquisition on 13 January 2021, LSEG has committed to divest the Borsa Italiana Group to Euronext N.V.. The Borsa Italiana Group will be held separate from the wider group until closing of the divestment. The separation of the Borsa Italiana Group creates further complexities and demands on key resources supporting the integration of Refinitiv. There are also existing risks to LSEG that will be impacted by the acquisition of Refinitiv Transaction and new risks to LSEG as a result of the transaction which are each described in the shareholder prospectus related to the transaction dated 9 December 2020.<br><br>The additional effort related to M&A, especially the post-transaction alignment activities for the Refinitiv transaction, could have an adverse impact on the Group's day-to-day performance and/or key strategic initiatives which could damage the Group's reputation and financial performance.<br><br>The size and complexity of recent acquisition targets as well as those acquired in the past five years, have increased the Group's transformation risks. However, the acquisition's aim is to increase the Group's opportunities to compete on a global scale and diversify its revenue footprint by industry, geography and customer base. | | ▲ |
| **Divestment of Borsa Italiana Group**<br>Executive Lead: Chief Executive Officer, Executive Committee, Group Board<br><br>As part of LSEG's commitments to the EC in connection with conditional approval of the Refinitiv acquisition, LSEG has agreed to divest the Borsa Italiana Group to Euronext N.V.. Alcis Advisers GmbH, the monitoring trustee, will oversee LSEG's compliance with the commitments on behalf of the EC.<br><br>The divestment remains subject to a number of conditions, including additional regulatory approvals. If such conditions are not satisfied (or, where possible, waived), this could delay or prevent completion of the Borsa Italiana Group divestment.<br><br>The Borsa Italiana Group will need to be managed separately from the wider Group until closing of the divestment.<br><br>There are existing risks to LSEG that will be mitigated by the divestment and new risks to LSEG as a result of the divestment. The separation of Borsa Italiana Group creates complexities and demands on key resources supporting the integration of Refinitiv. These challenges may be accentuated as a result of widespread remote working arrangements due to measures adopted in response to the Covid-19 pandemic. Challenges may also include operating and separating a large number of different technology platforms and systems, including maintaining the operational resilience and security of those platforms and services. Provisions of such platforms and services have been documented and agreed by both Borsa Italiana Group and LSEG under a Separation Framework Agreement. | A Separation Management Office for the Divestment (the SMO) has been established, headed by David Shalders, Chief Integration Officer and Group COO. The SMO is responsible for managing the overall separation delivery process and will be responsible for ensuring that the activities expected to result from the divestment are properly monitored, reported and delivered.<br><br>The SMO comprises senior leaders from across the business. LSEG has also engaged a leading global external consulting firm, which is a specialist in planning and delivering large-scale and complex business separation projects for global institutions, to support the divestment.<br><br>Separation activities continue to be managed with close oversight from senior executives, with individual members of the Executive Committee accountable for the delivery of separation activities within their own divisions or functions and the SMO responsible for the coordination of activities particularly where they lie across multiple areas of accountability. The SMO will report to the Board on a regular basis.<br><br>Given the overlap between the separation activities of Borsa Italiana Group and those as part of the Integration of LSEG and Refinitiv, resources, systems, and activities within the SMO are also within the Integration Management Office (IMO) oversight. | New |

## FINANCIAL RISKS

The risk of financial failure, loss of earnings and/or capital as a result of investment activity, lack of liquidity, funding or capital, and/or the inappropriate recording, reporting and disclosure of financial results, taxation or regulatory information.

**Risk Description** | **Mitigation** | **Risk Trend**

### Credit risk

Executive Lead: Chief Financial Officer, Group Head of Post Trade

#### Risk Description

**Clearing**

CCPs in the Group are exposed to credit risk as a result of their clearing activities. A default by a CCP clearing member that could not be managed within the resources of the defaulted clearing member, could adversely affect that CCP's reputation. LSEG CCPs are required to make a proportion of their regulatory capital available to cover default losses after the defaulter's resources have been exhausted and prior to allocation of losses to non-defaulters and so, in extreme circumstances, a default could lead to a call on the Group CCPs' own capital 'skin-in-the-game'. CCPs may also be exposed to credit exposure to providers of infrastructure services such as Central Securities Depositaries (CSDs) and commercial banks providing investment and operational services.

In addition, certain CCPs within the Group have interoperability margin arrangements with other CCPs requiring collateral to be exchanged in proportion to the value of the underlying transactions.

The relevant clearing provider entities within the Group are therefore exposed to the risk of a default of other CCPs under such arrangements.

**Non-Clearing**

CCPs and other parts of the Group are also exposed to credit risk as a result of placing money with investment counterparties on both a secured and an unsecured basis. Losses may occur due to the default of either the investment counterparty or of the issuer of bonds bought outright or received as collateral. The Group's credit risk also relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full.

There is an enormous focus on the impacts of climate change on credit risks, although methodologies are still being developed, we do not believe this will give rise to significant increased risks in the short term, and will monitor market development, in particular the proposed climate stress tests as part of the UK Prudential Regulation Authority Biennial Exploratory Scenario (BES) in 2021.

**Refinitiv Transaction**

Refinitiv is exposed to credit risk that might materialise as a result of customer late payment or default on obligations to Refinitiv. There is further credit risk in the use of Treasury investment and derivative counterparties on an unsecured basis.

In addition, Refinitiv has counterparty credit exposure through its trading venues that offer the guaranteed settlement principle.

#### Mitigation

**Clearing**

As CCP members continue to work towards strengthening of their balance sheets, the risk to LSEG CCPs of a member default reduces, although continuing geopolitical uncertainty continues, and the banking sectors of some countries remain stressed. The financial risks associated with clearing operations are further mitigated by:

- Strict CCP membership rules including supervisory capital, financial strength and operational capability
- The maintenance of prudent levels of margin and default funds to cover exposures to participants. Members deposit margin computed at least daily, to cover the expected costs which the clearing service would incur in closing out open positions in a volatile market in the event of the member's default. A default fund sized to cover the default of at least the two members with the largest exposures in each service using a suite of extreme but plausible stress tests mutualises losses in excess of margin amongst the clearing members
- Regular 'Fire Drills' are carried out to test the operational soundness of the CCPs' default management processes. The CCPs of the Group successfully completed the fire drill requested by ESMA to be completed while working from home
- Infrastructure providers are regularly assessed in line with policy
- During the Covid-19 crisis, CCPs have constantly monitored their Clearing Members/Counterparties credit quality. No significant creditworthiness deterioration or delay in due payments was observed

**Non-Clearing**

Policies are in place to ensure that investment counterparties are of good credit quality, and at least 95% of CCP commercial bank deposits are secured. CCP and non-CCP counterparty concentration risk is consolidated and monitored daily at the Group level and reported to the Executive Committee and to the Board Risk Committee, including limits and status rating.

Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default.

During the Covid-19 crisis, the Group's treasury function has constantly monitored their Counterparties' credit quality. No significant creditworthiness deterioration or delay in due payments was observed.

**Refinitiv Transaction**

Since the completion of the Refinitiv transaction, an alignment of capture and treatment of the Group's credit risks, governed by applicable, appropriate and consistent policies is being embedded.

For more information on this risk see Note 2 to the accounts, Financial Risk Management on pages 148–154.

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **Market risk**<br>Executive Lead: Chief Financial Officer, Group Head of Post Trade<br><br>**Clearing**<br>The Group's CCPs assume the counterparty risk for all transactions that are cleared through their markets. In the event of default of their clearing members, therefore, credit risk will manifest itself as market risk. As this market risk is only present in the event of default this is referred to as 'latent market risk'. The latent market risk includes interest rate risk, foreign exchange risk, equity risk and commodity price risk as well as country risk, issuer risk and concentration risk. This risk is greater if market conditions are unfavourable at the time of the default.<br><br>**Non-Clearing**<br>The Group is exposed to foreign exchange risk as a result of its broadening geographical footprint. There are, however, also benefits of global diversification including reduced exposure to local events such as the UK Brexit vote and certain geopolitical tensions.<br><br>The Group is exposed to interest rate risk through its borrowing activities (including to support M&A objectives) and treasury investments. Further changes in interest rates may increase the Group's exposure to these risks.<br><br>Similar to credit risks, regulators are also considering the impacts of climate change on market (systemic) risks, and whilst we do not foresee any short-term material risks, we will also keep this under review.<br><br>**Refinitiv Transaction**<br>Following the acquisition of Refinitiv, the Group exposure to foreign exchange risk has increased substantially as a result of its global footprint. Additionally, financing activities and treasury investments increase the exposure to interest rate risks.<br><br>In addition, Refinitiv trading venues that offer the guaranteed settlement principle can expose the Group to further latent market risk. | **Clearing**<br>The margins and default funds referred to previously are sized to protect against latent market risk. The adequacy of these resources is evaluated daily by subjecting member and customer positions to 'extreme but plausible' stress scenarios encapsulating not only historical crises, but theoretical forward-looking scenarios and decorrelation events. All our CCPs are compliant with the appropriate regulatory requirements regarding margin calculations, capital and default rules. Latent market risk is monitored and managed on a day-to-day basis by the risk teams within the clearing services. Committees overseeing market risks meet on a regular basis. All CCPs within the Group have proven their resiliency during periods of increased market volatility as observed at the start of the Covid-19 pandemic.<br><br>**Non-Clearing**<br>FX risk is monitored closely and translation risk is managed by matching the currency of the Group's debt to its earnings to protect key ratios and partially hedge currency net assets. FX derivatives including cross-currency swaps are used – under a control framework governed by LSEG Board approved Treasury Policy.<br><br>The split between floating and fixed debt is managed to support the Group's target of maintaining an interest coverage ratio that underpins a good investment grade credit rating.<br><br>Authorised derivatives can be used to:<br>• transform fixed rate bond debt, to supplement a mix of short dated commercial paper and floating rate loan borrowings, to achieve the Group's policy objective, and / or<br>• hedge prospective FX and interest rates ahead of the completion of a planned M&A transaction to protect the financial position of the Group.<br><br>**Refinitiv Transaction**<br>The new Group plans central co-ordination and management of Treasury operations. This extends to alignment of Treasury teams' objectives, working under a revised policy framework consistent with the Group's existing approach, and includes the planned refinancing of Refinitiv's debt on significantly improved terms. | ▲ |

For more information on this risk, see Note 2 to the accounts, Financial Risk Management on pages 148–154.

# Principal risks and uncertainties continued

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **Liquidity risk**<br>Executive Lead: Chief Financial Officer, Group Head of Post Trade<br><br>**Clearing**<br>There are two distinct types of risk to which the Group's CCPs are exposed to that are commonly referred to as liquidity risk – market liquidity risk and funding liquidity risk. The former is the risk that it may be difficult or expensive to liquidate a large or concentrated position and is addressed under market risk. The latter is the risk that the CCP may not have enough cash to pay variation margin to non-defaulters or to physically settle securities delivered by a non-defaulter that cannot be on-sold to a defaulter.<br><br>The Group's CCPs collect clearing members' margin and default funds contributions in cash and/or in highly liquid securities. To maintain sufficient ongoing liquidity and immediate access to funds, the Group's CCPs deposit the cash received in highly liquid and secure investments, such as sovereign bonds and reverse repos, as mandated under EMIR; securities deposited by clearing members are therefore held in dedicated accounts with Central Securities Depositories (CSDs) and/or International Central Securities Depositaries (ICSDs). The Group's CCPs also hold a small proportion of their investments in unsecured bank and money market deposits subject to the limitations imposed by EMIR. The successful operation of these investment activities is contingent on general market conditions and there is no guarantee that such investments may be exempt from market losses.<br><br>**Non-Clearing & Refinitiv**<br>Liquidity risk in a non-clearing context is the risk that the firm may be unable to make payments as they fall due. Their risks could impact the financial position of the Group. | **Clearing**<br>The Group's CCPs have put in place regulatory compliant liquidity plans for day-to-day liquidity management, including contingencies for stressed conditions. The Group's CCPs have multiple layers of defence against liquidity shortfalls including intraday margin calls, minimum cash balances, access to contingent liquidity arrangements, and, for certain CCPs, access to central bank liquidity.<br><br>Under the Enterprise Risk Management Framework (ERMF), CCP investments must be made in compliance with the Group CCP Financial Risk Policy (as well as the policies of the CCPs themselves). These policies stipulate a number of Risk Management standards including investment limits (secured and unsecured) and liquidity coverage ratios. Committees overseeing CCP investment risk meet regularly.<br><br>Each CCP monitors its liquidity needs daily under stressed and unstressed assumptions and reports to the Group Financial Risk Committee each month.<br><br>**Non-Clearing**<br>Requirements for liquidity including headroom requirements are set out in the Group's Board approved Treasury Policy. The Group maintains appropriately sized liquidity facilities for business as usual and, from time to time, may increase resources to find large scale acquisitions. The Group monitors its requirements on an ongoing basis. Stressed facility headroom is assessed regularly and on a one-off basis for working capital reviews associated with large scale acquisitions using plausible downside business projections.<br><br>Group Treasury activities are managed within the constraints of a Board approved policy by the Group Treasury team that is overseen by the Treasury Committee (a sub-Committee of the Financial Risk Committee, both chaired by the CFO). An update on Group Treasury risks and actions is provided monthly to the Financial Risk Committee and to each meeting of the Board Risk Committee.<br><br>**Refinitiv Transaction**<br>The Group has arranged new, committed bank facilities to provide comfortable liquidity headroom to the new Group following completion of the acquisition of Refinitiv by LSEG. Headroom modelling prudency including stress testing will be maintained. | – |

For more information on this risk, see Note 2 to the accounts, Financial Risk Management on pages 148–154.

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **CCP – settlement and custodial risks**<br>Executive Lead: Group Head of Post Trade<br><br>The Group's CCPs are exposed to operational risks associated with clearing transactions and the management of collateral, particularly where there are manual processes and controls. While the Group's CCPs have in place procedures and controls to prevent failures of these processes, and to mitigate the impact of any such failures, any operational error could have a material adverse effect on the Group's reputation, business, financial condition and operating results.<br><br>The Group provides routing, netting and settlement to ensure that securities are settled in a timely and secure manner. There are operational risks associated with such services, particularly where processes are not fully automated. | Operational risk related to settlement is minimised via highly automated processes reducing administrative activities while formalising procedures for all services.<br><br>The operations of the settlement service are outsourced to the European Central Bank (TARGET2-Securities).<br><br>Our Business Continuity Plans cover all the critical operational processes and related activities. | – |

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **CCP – settlement and custodial risks (continued)**<br>**Refinitiv Transaction**<br>The newly acquired Refinitiv business does not operate a CCP but is exposed to settlement risk through trading venues that offer the guaranteed settlement principle.<br><br>Settlement failure within the context of the guaranteed settlement principles implies counterparty credit risk exposure. This is addressed in the 'Credit Risk' section of this report. | **Refinitiv Transaction**<br>Following the close of the Refinitiv transaction, an alignment of capture and treatment of the new Group's settlement risks, governed by applicable policies is being embedded. | — |
| **Capital risk**<br>Executive Lead: Chief Financial Officer<br><br>Principal risks to managing the Group's capital are:<br>• In respect of regulated entities, capital adequacy compliance risk (the risk that regulated entities do not maintain and report sufficient qualifying capital to meet regulatory requirements) and capital reporting compliance risk (the risk that regulated entities fail to comply with capital reporting and regulatory obligations). If a regulated entity in the Group fails to ensure that sufficient capital resources are maintained to meet regulatory requirements, this could lead to loss of regulatory approvals and/or financial sanctions<br>• In respect of regulated and unregulated entities, commercial capital adequacy and quality risk (the risk that Group and solo entities do not maintain both sufficient quantity and quality of capital to meet commercial requirements) and investment return risk (the risk that capital is held in subsidiaries or invested in projects that generate a return that is below the Group's cost of capital)<br>• Availability of debt or equity capital (whether specific to the Group or driven by general financial market conditions)<br><br>**Refinitiv Transaction**<br>Refinitiv has both regulated and non-regulated entities. Capital adequacy compliance risk, commercial capital adequacy and quality risk and the risk of non-availability of debt or equity capital are all applicable to this newly acquired business. | The Group's Capital Management Policy provides a framework to ensure the Group maintains suitable capital levels (both at Group and solo entity levels), and effectively manages the risks thereof. The Group's Treasury Policy recognises the need to observe regulatory requirements in the management of the Group's resources.<br><br>The Risk Appetite approved by the Board includes components related to the Group's leverage ratios and capital risks; Key Risk Indicators are monitored regularly. The Group maintains an ongoing review of the capital positions of its regulated entities to ensure that they operate within capital limits which are overseen by the Financial Risk Committee, the Executive Committee and the Board. The Group can manage its capital structure by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom.<br><br>The Group regularly assesses debt and equity markets to maintain access to new capital at reasonable cost. The Group is mindful of potential impacts on its key metrics when considering changes to its capital structure.<br><br>**Refinitiv Transaction**<br>Following the close of the Refinitiv transaction, an alignment of capture and treatment of the new Group's capital risks, governed by applicable policies is being embedded. | ▲ |
| For more information on this risk, see Note 2 to the accounts, Financial Risk Management on pages 148–154 | | |
| **Model risk**<br>Executive Lead: Group Head of Post Trade, Group Head of Data & Analytics, Chief Risk Officer<br><br>The Group defines model risk as the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation or use of such models.<br><br>The key existing model risks are in CCP margining, Yield Book mortgage valuation, Environmental, Social and Governance (ESG) scoring and the firms' capital models. Model risks can impact both the reputation and the financial condition of the Group.<br><br>**Refinitiv Transaction**<br>The newly acquired Refinitiv business relies on a wide range of analytical tools and processes (e.g. RDP, Indices and Benchmarks) and results in the addition of numerous models to LSEG's inventory carrying the same risk as above. | LSEG businesses have industry standard model risk control and governance pillars in place, including Model Risk Policy, the Model Management System, Developer and Validation Documentation Templates, as well as Development and Documentation Standards. Robust model validation is in place to ensure Group models are fit for purpose with respect to the development and implementation procedures. The Model Risk Management team provides model risk status reports on a quarterly basis to the Model Risk Committee, which oversees model risk across the Group.<br><br>Model Management System (model inventory) has newly added model risk reporting functionality that supports model risk reporting on the Group and business unit level.<br><br>**Refinitiv Transaction**<br>Model Risk Management processes are being extended to cover the inventory of Refinitiv models. | — |

# Principal risks and uncertainties continued

## OPERATIONAL RISKS

The risk of loss, or other adverse consequences to the business, resulting from inadequate or failed internal processes, people and systems, or from external events.

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **Data governance**<br>Executive Lead: Chief Information Officer, Chief Data Officer, Chief Operating Officer<br><br>Through its various entities, LSEG collects, owns, licenses, calculates, transforms, and distributes data in many forms (e.g. structured, unstructured, electronic and print formats, audio-visual data, production, testing, archive data, derived data, etc.). LSEG is accountable to its customers, counterparties, owners, vendors, regulators, and the public, for the careful and proper protection and use of its data.<br><br>Failure to govern the Group's data effectively, could result in those data being unfit for purpose with respect to availability, completeness, accuracy, validity, usage, entitlement, and timeliness. This could result in the Group or its customers and stakeholders placing reliance on inadequate data when making strategic or operational decisions, which could adversely affect the Group's reputation, financial condition and operating results.<br><br>**Refinitiv Transaction**<br>The acquisition of Refinitiv has substantially increased the Group's data and analytics business and the volume, value and complexity of data which underpins it as well as the breadth of stakeholders consumption and relying on the data. This in turn increases the risks associated with ineffective data governance. | The LSEG Chief Data Office (CDO) defines the Group's data standards within its Data Policy. The standards identify the various data held across the Group, access rights/entitlements, any legal or regulatory restrictions which may apply and how such data is used, and the intended future uses. The Data Governance Framework sets out the principles to ensure Group data is of the highest quality and meets the highest standards, while highlighting key characteristics of data in relation to oversight, function and measurement. As such the Group has defined a consistent, standardised approach to procurement, collection, ingestion, transformation, quality, storage, retention, calculations and disposition of its data.<br><br>**Refinitiv Transaction**<br>The Group's Data Policy and Data Governance Framework covering the Refinitiv business have been in effect since the close of the deal. Work is in progress to embed this policy. | ▲ |
| **Information and cyber security threats**<br>Executive Lead: Chief Information Officer, Chief Information Security Officer.<br><br>Public and private organisations continue to be targeted by cyber-attacks which are growing in frequency, complexity, and sophistication. Cyber-attacks have the potential to adversely impact LSEG customers and businesses. The loss or modification of data and information, or disruption to our important systems and services through any form of cyber-attack could result in a significant, negative reputational or financial impact to our Group.<br><br>Threats such as ransomware, theft of customer or sensitive data, and distributed denial of service attacks remain significant to the financial industry, and we expect these to continue. Further, Covid-19 has introduced additional cyber threats which look to exploit remote working arrangements, such as Covid-19 themed phishing attempts, and attacks on video conferencing facilities. Additionally, new emerging technologies for the Group such as cloud computing and artificial intelligence could impact our cyber security risk profile.<br><br>**Refinitiv Transaction**<br>The expansion of the Group's geographic footprint, its networks, systems and channels increase our exposure to information security and cyber threats. | The Group continues to invest in enhancing our information and cyber security controls and operational processes, including our capability to recover quickly.<br><br>Operational cyber risk scenario analysis is performed to assess business impact and residual risk which informs our Board approved Cyber Security Strategy.<br><br>Extensive controls aligned to the National Institute of Standards and Technology (NIST) cyber security framework are in place to prevent, detect and respond to cyber security threats and potential incidents. These controls are subject to regular testing and assurance. Thorough onboarding due diligence, security training, and ongoing monitoring of our employees and third-party service providers remain key components of the control framework.<br><br>The Group routinely monitors threat intelligence and liaises closely with global Government agencies, industry forums and regulators to help improve our ability to respond to the evolving threats faced by our customers, businesses and our industry.<br><br>**Refinitiv Transaction**<br>Information security policies and standards have been aligned across the new Group and are being embedded. These have been designed to reflect the new Group's information security and cyber risk exposure. The Group's information security and technology risk functions are being enhanced to ensure a robust Group-wide capability. Work is in progress to fully embed these policies. | ▲ |

| Risk Description | Mitigation | Risk Trend |
| --- | --- | --- |
| **Technology**<br>Executive Lead: Chief Information Officer<br><br>LSEG is highly dependent on the development and operation of its sophisticated technology and advanced information systems and those of its third-party service and outsourcing providers. Technology failures potentially leading to system outages may impact our customers and the orderly running of our markets, data services and distribution. The Group continues to recognise the increased technology risk posed by remote working and heightened market volatility experienced globally during the Covid-19 pandemic. This could adversely affect the reputation, the financial condition and the performance of the Group.<br><br>LSEG, by the nature of its business activities, is exposed to potentially disruptive technologies in the markets in which it operates, which could impact its ability to compete in its industry.<br><br>**Refinitiv Transaction**<br>The new Group following the completion of the Refinitiv acquisition has a larger technology footprint and an increased reliance on third-party services, increasing the technology risk for the Group. | The Group continues to invest in the resilience of the technology systems and processes that underpin its important business services. The performance and availability of the Group's systems are constantly reviewed and monitored to prevent problems arising and where possible, ensure a prompt response to any potential service-impacting incident.<br><br>Regular rigorous business impact and operational risk scenario analysis are performed in conjunction with the Group Risk, Group Business Continuity and Crisis Management functions to identify, assess and remediate potential system and governance vulnerabilities. In addition, all technology solutions are comprehensively tested by both LSEG Technology and third-party quality assurance providers as appropriate; functional, non- functional, user-acceptance and other testing is performed across all technology environments to ensure products are ready for deployment.<br><br>LSEG Technology systems are designed to be highly resilient and alternative systems are available in the unlikely event of multiple failures from which the system is unrecoverable. The Group has additionally worked to enhance its service management capability and tooling to enhance technology service delivery to its businesses.<br><br>The Group actively manages relationships with key strategic technology suppliers to avoid any disruption to service provision which could adversely affect the Group's businesses. Where possible the Group has identified alternative suppliers that could be engaged in the event of a third-party failing to deliver on its contractual commitments. Service Level Agreements (SLAs) and ongoing monitoring is in place for key suppliers.<br><br>**Refinitiv Transaction**<br>A new Group Technology Risk policy, revised Technology Risk library, and updated supporting processes have been defined and are being embedded. The Group technology and risk functions are being enhanced including the formation of a new Third-Party Risk Management function. Work is in progress to fully embed this policy. | ▲ |

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **Change management**<br>Executive Lead: Chief Operating Officer, Chief Information Officer and Divisional Group Heads<br><br>The considerable change agenda exposes the Group to the risk that change is either misaligned with the Group's strategic objectives or not managed effectively within time, cost and quality criteria and could impact the resilience of its operations and business services. This risk could be exacerbated by the remote working arrangements in place for most of its global workforce, key third-party service providers and of its customers and members.<br><br>The volume of change is driven by both internal and external factors. Internal factors include a drive for technology innovation, consolidation and operational resilience and by the expected divestment of the Borsa Italiana Group (the integration of the Refinitiv business is covered under the Transformation section). External factors include the changing regulatory landscape and requirements which necessitate changes to our systems and processes. Design defects, errors, failures or delays associated with new, modified or upgraded technology, products or services could negatively impact the business, the financial performance and the reputation of the Group.<br><br>**Refinitiv Transaction**<br>Post-acquisition, the Group now has a larger and more complex change portfolio with more interdependencies and a potential for greater resource and change window contention increasing the technology change risk for the Group. | The risks associated with change are mitigated by effective implementation of the Group's Change framework. This includes Board oversight across the Group's change portfolio and project pipeline, to ensure these align to the Group and Divisional strategies and support our financial plans. Appropriate governance, risk and executive oversight is exercised over individual programmes and projects based on the scale, complexity and impact of the change. The purpose of this oversight is to confirm changes do not breach the Group's risk appetite, are compliant with the approved project management policy and to manage budget, resource, escalations, risk, issues and dependencies. For software specific development, software design methodologies, testing regimes and test environments are continuously being enhanced to minimise implementation risk.<br><br>**Refinitiv Transaction**<br>Rigorous planning and oversight was in place ahead of the Refinitiv transaction to ensure that technology change strategies and practices are aligned, and to minimise the risk of disruption to the Group's services or operations. | ▲ |
| For more information, see the Chair's statement on pages 2–3, and the Chief Executive's statement on pages 4–7. | | |
| **Resilience**<br>Executive Lead: Chief Information Officer, Chief Risk Officer and Divisional Group Heads<br><br>Resilience addresses the ability for the Group to prevent, adapt, respond and recover from operational disruptions to minimise the impact on our customers and on the capital markets financial stability. Business Continuity is central to resilience and tolerance for our business strategy.<br><br>Whilst the Group has in place processes and controls to ensure the continuity of its operations, unforeseen events such as physical security and system security threats, epidemy or pandemic, or a major system breakdown, could impact the continuity of the Group's operation, reputation and its financial condition.<br><br>The Covid-19 pandemic has presented many challenges throughout 2020 and required a coordinated response across all businesses to ensure continuity of operations whilst maintaining the wellbeing of all colleagues. Remote working has put additional pressure on technology resources and colleagues as they learn to adapt to new working practices.<br><br>**Refinitiv Transaction**<br>Whilst, the new Group's increased scale and complexity add to the resilience risks outlined, there are opportunities to leverage the diversity of technology, increased footprint and resources to enhance resilience capabilities for the benefit of the Group. | A Group-wide response has been provided to both the FCA and Bank of England consultations that reflects our role at the centre of financial markets. The response highlighted the need for clear communications and a resilience framework that is embedded within the organisational culture.<br><br>Our Business Continuity plans have been updated throughout 2020 and migrated to a single platform to enable ease of access and reporting.<br><br>The response to the Covid-19 pandemic was driven from our pandemic plan and was governed using our Crisis Management structure. A centralised framework for decision making across the Group drew upon local intelligence which ensured consistent implementation that could be tailored to local conditions. Technology infrastructure was bolstered early in the pandemic and there are regular communications with colleagues about our approach alongside wellbeing support. Refinitiv have followed a similar model to the rest of the Group for their Covid-19 response with more local decision-making to ensure speed of response across multiple locations.<br><br>A Crisis Management plan is in place and regularly tested to ensure the business can respond appropriately in all situations. Plans must be the approach to resilience.<br><br>**Refinitiv Transaction**<br>A revised set of Business Continuity policies, standards and controls have been defined and are now being implemented. These have been designed to reflect the business' approach to resilience with supporting functions enhanced to ensure a robust Group-wide capability. Work is in progress to fully embed these policies. | ▲ |

| Risk Description | Mitigation | Risk Trend |
| --- | --- | --- |
| **Third-party risk**<br>Executive Lead: Group Chief Operating Officer, Chief Technology Officer<br><br>In pursuit of operational excellence, the Group and its entities engage third-party service providers, which may include outsourcing functions to other Group entities and external service providers, including Cloud Service Providers (CSPs).<br><br>Increasingly the Group has engaged CSPs to host critical services and data. Whilst there are many similarities in the risks associated with CSPs and traditional outsourcing arrangements, reliance on a CSP exacerbates certain third-party risks such as data governance risks; inability to exit a CSP relationship and bring services back in house without service disruption; and the risk of services being concentrated on a small set of CSPs.<br><br>Failure to manage the risks associated with the selection, management and oversight of critical third-party suppliers could impact the Group's ability to deliver its strategic objectives and result in the supplier being unable to meet its contractual, regulatory, confidentiality or other obligations to the Group, which could lead to incurring material financial loss, higher costs, regulatory actions and reputational harm.<br><br>**Refinitiv Transaction**<br>Following completion of the Refinitiv acquisition, the new Group outsources certain functions to third-party service providers, including for telecommunications, certain finance and human resources administrative functions, facilities management and IT services, in order to leverage leading specialised capabilities and achieve cost efficiencies.<br><br>The new Group also relies on access to certain data used in its business through licences with third parties and depend on third-party suppliers for data and content that will be used in its products and services. Some of this data is provided exclusively from particular suppliers and may not be obtained from other suppliers. This increases the risk exposure of the Group described above. | The Group has a third-party risk management framework in place to ensure there are effective controls across all stages of the third-party lifecycle, covering the planning of the service, evaluation and selection of the third-party; contracting and onboarding; monitoring and managing the services; and termination and off-boarding.<br><br>The framework helps to ensure that the Group assesses risk at key stages in the lifecycle and actively manages relationships with critical third-parties to avoid a breakdown in service provision. The existing outsourcing policy and controls have been broadened to include critical third-party suppliers in non-outsourcing arrangements and oversight of third-party risk management has been formally directed by the Second Line of Defence, to strengthen and formalise the risk oversight.<br><br>The Group has focused on the ability of critical suppliers, who form part of its supply chain, to continue to supply goods and services in accordance with requirements and in compliance with contractual obligations. Due to uncertainties around supply chains at the start of the pandemic, an exercise was conducted to identify alternative suppliers and to purchase forward where practical to ensure that the supply chain was not disrupted. This analysis has continued throughout the pandemic and also in the lead up to and post the end of the Brexit transition period. There have been no significant impacts to the supply chain for the Group.<br><br>**Refinitiv Transaction**<br>Following completion of the Refinitiv acquisition the Third-Party Risk Management Framework, which was enhanced in collaboration with Refinitiv to address the increased complexity of the third-party landscape, will be embedded across the new Group to deliver consistency in the management of risk for critical suppliers and outsourced services. Work is in progress to embed this policy. | ▲ |

# Principal risks and uncertainties continued

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **Employees and talent**<br>Executive Lead: Chief People Officer<br><br>The Group's ability to attract and retain key personnel is critical to achieving its strategic objectives. This is impacted by a number of key factors including the Group's culture, reputation, diversity and inclusion, career development and training, as well as external impacting factors of prevailing market conditions and changes in the regulatory landscape. A failure to adequately manage these factors could result in a loss of key talent or the inability to recruit an appropriate workforce. Cultivating a diverse talent pool and an inclusive culture is a key focus of the Group to ensure we reflect the societies we serve through delivering innovative benefits that diversity of thought helps to promote, but also in light of increased industry-wide expectations for ESG transparency and disclosure.<br><br>While we have continued to operate a successful workforce largely remotely throughout 2020, the development of the existing Covid-19 pandemic and the threat of potential future pandemics continues to pose a threat to the health and safety and wellbeing of our employees globally.<br><br>Although we have executed on our Brexit preparation plans and strategy, uncertainty of the longer term impact on the status of the EU citizens in the UK and UK citizens in the EU continues.<br><br>**Refinitiv Transaction**<br>In the context of the Refinitiv transaction, there is a risk that some current and prospective employees experience uncertainty about their future roles within the combined business impacting the ability to retain or recruit key talents. | We focus on ensuring we attract and retain the right talent for our business and continue to foster a culture of high performance. We operate a rigorous in-house recruitment and selection process, to ensure we bring the best talent into the organisation, in terms of their skills, technical capabilities, cultural fit and potential. A periodic review of compensation and benefit packages against industry standards globally is completed to ensure that we have the ability to attract high calibre of employees. A comprehensive annual review of critical roles is undertaken to ensure succession plans are in place to minimise the impact of losing critical personnel. Career development remains a key enabler for success, and we have a carefully managed learning and development programme which enables us to focus on providing colleagues with a range of courses, materials and tools to support their development. Levels of attrition are continually monitored, and actions taken where this is outside of accepted tolerance.<br><br>We aim to strengthen colleagues' overall sense of engagement and level of satisfaction for working at LSEG, and this is assessed through the annual 'Have Your Say' engagement survey and analysis of the findings. During 2020, additional engagement surveys relating to Ways of Working were completed semi-annually to ensure that employees are appropriately supported while they continue to work remotely.<br><br>We continue to recognise the importance of the wellbeing of our colleagues and have strengthened our approach to supporting colleague wellbeing across the Group. The Wellbeing framework has been successfully delivered in the year covering the five pillars of wellbeing: financial, emotional, physical, social purpose, and workplace choice. New developments include the creation of Mental Health Champions across the Group globally for which over 340 colleagues deliver support to fellow colleagues through this support network. A social network has been launched to link colleagues globally to promote collaboration with other teams. Wellbeing resource through webinars, training and access to Employee Assistance Programme is provided and is accessible to all employees globally. This framework has enabled us to respond to the pandemic and support colleagues while working remotely.<br><br>Diversity and inclusion remain a high priority of the Group to ensure we create an inclusive environment for all colleagues to pursue careers and encourage industry-wide change to increase equal opportunity for all, and across every part of LSEG. Our Diversity and Inclusion programme is focussed on key areas including gender, ethnicity, disability, sexual orientation and gender identity and other visible and invisible characteristics and beliefs. Following on from the success of the Women Inspired Network (WIN), we have launched a global Inclusion Network which will embrace networks supporting all elements of diversity. This includes the launch of the Black Employee Inspired Network Group (being), Parenting and Caregivers Network, Proud Network and Ability Networks which have all continued to develop and strengthen across the Group globally during the remote working environment. A virtual inclusion week was successfully held during September 2020 to celebrate and promote diversity across the Group, providing unique opportunities to connect with colleagues from different backgrounds and perspectives, locally and globally. | – |

For more information, see Supporting Sustainable Growth on pages 54–67, Corporate Governance on pages 76–83 and Remuneration Report on pages 98–119.

## EMERGING RISKS

Risks which are new to the Group or which are difficult to quantify due to their remote or evolving nature.

| Risk Description | Mitigation | Risk Trend |
|---|---|---|
| **Geopolitical risk**<br>Executive Lead: Chief Executive Officer, Executive Committee<br><br>The UK exit from the EU leaves significant uncertainty with respect to the UK's future relationship with EU and other trading partners post transition period. Trade tensions between the US and its major trading partners, and more specifically China, also continues to unsettle global markets. These could have adverse impacts on the Group's businesses, operations, financial condition and cash flows.<br><br>The new Group has a greater geographical footprint which leads to increased geopolitical risk exposure, including some high-risk jurisdictions. Significant regulatory change continues to be managed across the Group including Brexit, where aspects of equivalence are likely to remain for some time. | LSEG monitors the potential impact of macro-economic and political events on our operating environment and business model and the Group is an active participant in international and domestic regulatory debates. | ↗ |
| **Emerging technology**<br>Executive Lead: Chief Information Officer<br><br>The increased integrated artificial intelligence (AI) in digital transformation strategies brings with it associated risks such as inherent bias in the historical data and behaviour patterns which feed AI algorithms. This may give rise to automated decisions which are not aligned with current societal expectations or organisational values. AI use by cyber hackers can also render cyber security defence and detective mechanisms ineffective.<br><br>Regulators are considering the application of existing or new frameworks to manage the development of innovative financial services technologies, which are important for maintaining the resilience and stability in the market and allowing innovation with emerging technology. | The Group actively monitors new technological developments and opportunities such as blockchain and Artificial Intelligence (AI) and participates in relevant industry and academic forums on emerging technologies<br><br>The Group continues to maintain systems and controls to mitigate the risk resulting from emerging technology. Risk arising from the Group's use of AI is identified, assessed, managed and reported through the risk framework. We align with industry best practices and guidance when considering the trustworthiness and bias in AI systems and AI-supported decision making. The Group ensures the use of AI is fair, explainable and transparent, secure and safe. The continuous development of AI has the potential to impact industry behaviour and our business, we will continue to monitor and manage this risk closely. | ↗ |
| **Climate-related risk**<br>Executive Lead: Group Sustainability Committee<br><br>International organisations, governments and regulators are focused on integrating climate risks and opportunities into investment decision making, to enable transition to a low carbon economy. This is an area of emerging and wide-ranging policy making, impacting financial market participants and corporates.<br><br>The increased focus from regulators, investors and other stakeholders, has generated a requirement for enhanced climate-related risk oversight. Climate-related risks include Transition risks (e.g. Regulation and Litigation risks) and Physical Risks.<br><br>To further align with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, the Group has developed some preliminary quantification models to facilitate the risk assessment of climate related risks stemming from the Climate Scenarios previously selected. The two models currently developed cover Physical Risks for Operations and Transition Risks for one of the Group's business units. The Operations model developed has focused on three main pathways, namely the impact of climate events on our operations and resultant foregone revenue, the business disruption and repair costs for uninsurable buildings and equipment and the rising insurance costs. The associated preliminary output of the quantification of the financial risk for our Operations ranges between the probable values of £395,000 and £690,000 of likelihood-weighted annual costs before mitigation over the next 10 to 30 years for the Group prior to the Transaction. With respect to this, it is acknowledged that climate-related risks are inherently linked to other strategic, financial and operational risks, as well as commercial opportunities.<br><br>Please see also Supporting Sustainable Growth on pages 54–67 for details regarding sustainability. | We support consistent global standards and encourage continued alignment between the EU and UK on sustainable finance. We have been members of the EU High Level Expert Group and the Technical Expert Group, and the FCA/PRA Climate Financial Risk Forum. To further align with the TCFD recommendations, the Group has developed climate-related risks scenarios over both the medium and longer term, and how these may impact credit, operational, market and liquidity risks.<br><br>In line with increased disclosure requirements for corporations and financial markets participants, LSEG has taken proactive steps to develop its methodology to define and model how climate change impacts its businesses. The aim is to reinforce the Group's resilience to acute physical risks today and chronic physical risks in the future, and to address transition risks, to be aligned with the TCFD recommendations, be prepared for potential future mandatory reporting requirements and to protect the Group's reputation – See the TCFD disclosures section under Supporting Sustainable Growth for more information.<br><br>From the review of published climate scenarios, IEA WEO SDS and IEA WEO SPS were selected for transition risk, and for physical risk, SSP 2 RCP 4.5 and SSP 5 RCP 8.5 were considered as most appropriate. These scenarios cover a <2 degree and 3-4 degree scenario, over both the medium term (2025-2035 for transition risks) and longer term (2030-2050 for physical risks).<br><br>Looking ahead, we plan to continue to integrate climate risk into our existing risk management frameworks, use and further improve the new Operations model to inform future strategic decisions and footprint planification, and develop further quantification models and climate risk assessment tools for the other Business Units and for the new Group following the Transaction. | ↗ |

# Executive Management Team

Day-to-day management of the Group is led by the CEO David Schwimmer, supported by the Executive Committee.

The team meets regularly to review a wide range of business matters, including financial performance, development and implementation of strategy, setting and monitoring performance targets, reviewing investment and projects, corporate culture and other initiatives.

Profiles of the Executive team, following completion of the acquisition of Refinitiv in January 2021, are provided here. For further information on David Schwimmer and Anna Manz, who are also members of the Board of Directors, see their biographies on page 73.

**Changes to the Executive Committee**

Anna Manz joined LSEG as Chief Financial Officer in November 2020, replacing David Warren who retired from the Group.

Raffaele Jerusalmi left the Executive Committee and Board of Directors in November 2020 as a result of the planned divestment of the Borsa Italiana Group.

With the completion of the Refinitiv transaction in January 2021, David Craig, Andrea Remyn Stone and Debra Walton joined the Executive Committee from Refinitiv.

Balbir Bakhshi joined LSEG as Chief Risk Officer in January 2021, replacing Diane Côté.

Brigitte Trafford joined LSEG as Chief Communications and Marketing Officer in September 2020, as Gavin Sullivan left the Group.

Nikhil Rathi left the Group in September 2020 and Waqas Samad left the Executive Committee following the completion of the Refinitiv transaction.

**David Schwimmer**
**Chief Executive Officer**
Joined LSEG in 2018

**Anna Manz**
**Chief Financial Officer**
Joined LSEG in November 2020

**Balbir Bakhshi**
**Chief Risk Officer**
Joined LSEG in January 2021

Brings a deep commercial understanding and knowledge of risk management. Was previously Group Head of Non-Financial Risk Management at Deutsche Bank and served on the Supervisory Board of Deutsche Bank Luxembourg S.A. as Chair of its Risk Committee.

**David Craig**
**Group Head, Data & Analytics and CEO, Refinitiv**
Joined LSEG in January 2021

Was the founding CEO of Refinitiv from October 2018, and as President led the company out of the Financial & Risk division of Thomson Reuters. Joined Reuters as Chief Strategy Officer in 2007 and was founder and CEO of the Risk and Compliance business. Previously a partner at McKinsey and Co.

**Catherine Johnson**
**General Counsel**
Joined LSEG in 1996

Manages an international team of lawyers and compliance professionals, advising the Board and senior executives on key legal and compliance issues and strategic initiatives. She is also Chair of FTSE International Limited. Catherine qualified as a lawyer at Herbert Smith in 1993.

**Tim Jones**
**Chief People Officer**
Joined LSEG in 2010

Leads the global Human Resources function, responsible for attracting, developing and retaining talent for the Group's global business. Tim was previously HR Director of Aegis Media for EMEA.

**Daniel Maguire**
**Group Head, Post Trade & CEO, LCH Group**
Joined LCH in 2008

Held a variety of senior roles across LCH and LSEG, with experience in risk and default management, product management and regulatory strategy. Daniel was appointed to the Board of the International Swaps and Derivatives Association in April 2018 and as Chair of the Board of CurveGlobal Ltd in May 2020.

**Anthony McCarthy**
**Chief Information Officer**
Joined LSEG in 2017

Previously held various senior positions at Deutsche Bank, including Managing Director in IT and Group CIO, and CIO for Investment Banking Technology.

**Andrea Remyn Stone**
**Chief Product Officer, Data & Analytics**
Joined LSEG in January 2021

Was Chief Customer Proposition Officer at Refinitiv. Previously Chief Strategy Officer at Dealogic and spent five years at Bloomberg as Global Head of Strategy and Corporate Development. She has also held leadership positions at S&P and McGraw Hill.

**Murray Roos**
**Group Head, Capital Markets**
Joined LSEG in April 2020

Joined from Citigroup, where he was Global Co-Head of Equities and Securities Services. Previously spent a decade at Deutsche Bank, holding various senior roles.

**David Shalders**
**Chief Operating Officer and Head of Integration**
Joined LSEG in 2019

30 years' experience in integration, technology and operations in the financial services sector. Was previously Group Operations and Technology Director at Willis Towers Watson, having led the integration of Willis and Towers Watson, and spent 19 years at RBS in a number of senior operations and technology roles.

**Brigitte Trafford**
**Chief Communications and Marketing Officer**
Joined LSEG in September 2020

Leads the Group's communications, government relations, regulatory strategy, sustainability and marketing functions. 25 years' corporate affairs experience at Virgin Media, Lloyds Banking Group, ICAP and ITV plc. On global advisory board of NewsGuard Technologies, an organisation that issues trust ratings for news websites.

**Debra Walton**
**Chief Revenue Officer, Data & Analytics**
Joined LSEG in January 2021

Was Chief Revenue Officer at Refinitiv. Previously held a number of senior roles at Thomson Reuters and a partner at Cantor Fitzgerald. She is a board member for Tradeweb Markets.

# Strategic Report: 2020 Review

This second section of the Strategic Report (pages 43–71), provides commentary on the Group's financial performance in 2020, and relates to the financial statements and notes in the Financial Performance section of this Annual Report.

# Highlights

The figures in the graphs below are for the Group on a continuing basis, so exclude businesses classified as discontinued during the periods shown. Percentages are based on 2020 compared with 2019 on an organic and constant currency basis where available.

The graphs show full 12 month figures on a December year-end basis.
There have been no businesses classified as discontinued during 2020 or 2019.

**Total income** (£m)

+5%

| | |
|---|---|
| **2020** | **2,444** |
| 2019 | 2,314 |
| 2018 | 2,135 |
| 2017 | 1,955 |
| 2016 | 1,657 |

**Adjusted operating profit** (£m)

+6%

| | |
|---|---|
| **2020** | **1,118** |
| 2019 | 1,065 |
| 2018 | 931 |
| 2017 | 812 |
| 2016 | 686 |

**Operating profit** (£m)

+3%

| | |
|---|---|
| **2020** | **755** |
| 2019 | 738 |
| 2018 | 751 |
| 2017 | 626 |
| 2016 | 427 |

**Adjusted basic earnings per share** (pence)

+5%

| | |
|---|---|
| **2020** | **209.7** |
| 2019 | 200.3 |
| 2018 | 173.8 |
| 2017 | 148.7 |
| 2016 | 124.7 |

**Basic earnings per share** (pence)

+1%

| | |
|---|---|
| **2020** | **120.3** |
| 2019 | 119.5 |
| 2018 | 138.3 |
| 2017 | 153.6 |
| 2016 | 63.8 |

**Dividends per share** (pence)

+7%

| | |
|---|---|
| **2020** | **75.0** |
| 2019 | 70.0 |
| 2018 | 60.4 |
| 2017 | 51.6 |
| 2016 | 43.2 |

LSEG uses non-GAAP performance measures as key financial indicators as the Board believes these better reflect the underlying performance of the business. As in previous years, adjusted operating profit, adjusted profit before tax and adjusted basic earnings per share all exclude amortisation and impairment of purchased intangible assets and goodwill and non-underlying items

# Financial Review

**Anna Manz**
**Group Chief Financial Officer**

**The financial review covers the financial year ended 31 December 2020**

Commentary on performance uses variances on a continuing organic and constant currency basis, unless otherwise stated. Constant currency is calculated by rebasing 2019 at 2020 foreign exchange rates. Sub-segmentation of revenues are unaudited and are shown to assist the understanding of performance.

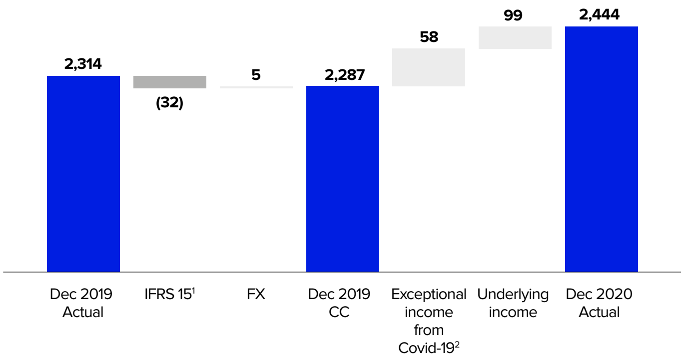
## Highlights

- Total revenue of £2,124 million (2019: £2,056 million) increased by 3%
- Total income of £2,444 million (2019: £2,314 million) increased by 5%
- Adjusted EBITDA[1] of £1,329 million (2019: £1,265 million) increased by 5%
- Adjusted operating profit[1] of £1,118 million (2019: £1,065 million) increased by 6%
- Operating profit of £755 million (2019: £738 million) increased by 3%
- Adjusted basic earnings per share[1] of 209.7 pence (2019: 200.3 pence) increased by 5%
- Basic earnings per share of 120.3 pence (2019: 119.5 pence) increased by 1%
- Total dividend per share of 75.0 pence (2019: 70 pence) increased by 7%

**There were no discontinued operations in 2020. The assets included in the divestment of the Borsa Italiana Group have been classified as discontinued from 13 January 2021.**

1. London Stock Exchange Group uses non-GAAP performance measures as key financial indicators as the Board believes these better reflect the underlying performance of the business. As in previous years, adjusted operating expenses, adjusted EBITDA, adjusted operating profit and adjusted earnings per share all exclude amortisation and impairment of purchased intangible assets and goodwill and non-underlying items

**Total Income** (£ million)




1. IFRS 15 relates to the prior year one off beneficial impact in Capital Markets due to a change in accounting estimates
2. Total Income includes £58 million of exceptional gain as a result of the pandemic

**Anna Manz**
**Group Chief Financial Officer**
5 March 2021

## Continuing Operations

| Revenue | 12 months ended 31 Dec 2020 £m | 12 months ended 31 Dec 2019 £m | Variance % | Organic and constant currency variance[2] % |
|---|---|---|---|---|
| Information Services | **882** | 855 | 3 | 3 |
| Post Trade Services | **751** | 700 | 7 | 7 |
| Capital Markets | **427** | 426 | – | – |
| Technology Services | **61** | 66 | (7) | (7) |
| Other revenue | **3** | 9 | – | – |
| **Total revenue** | **2,124** | 2,056 | 3 | 3 |
| Net Treasury Income from CCP clearing business | **319** | 255 | 25 | 24 |
| Other income | **1** | 3 | – | – |
| **Total income** | **2,444** | 2,314 | 6 | 5 |
| Cost of sales | **(224)** | (210) | 7 | 6 |
| **Gross profit** | **2,220** | 2,104 | 6 | 5 |
| Adjusted operating expenses before depreciation, amortisation and impairment[1] | **(887)** | (839) | 6 | 5 |
| Income from equity Investments | **–** | 7 | – | – |
| Share of loss after tax of associates | **(4)** | (7) | – | – |
| **Adjusted earnings before interest, tax, depreciation, amortisation and impairment[1]** | **1,329** | 1,265 | 5 | 5 |
| Underlying depreciation, amortisation and impairment[1] | **(211)** | (200) | 5 | 5 |
| **Adjusted operating profit[1]** | **1,118** | 1,065 | 5 | 6 |
| Amortisation of purchased intangible assets and non-underlying items | **(363)** | (327) | 11 | 11 |
| **Operating profit** | **755** | 738 | 2 | 3 |
| **Adjusted basic earnings per share[1]** | **209.7p** | 200.3p | 5 | |
| **Basic earnings per share** | **120.3p** | 119.5p | 1 | |

1. Before amortisation of purchased intangible assets and non-underlying items
2. Organic growth is calculated in respect of businesses owned for at least 12 months in either period and excludes Beyond Ratings

## Information Services

| Revenue | 12 months ended Dec 2020 £m | 12 months ended Dec 2019 £m | Variance % | Organic and constant currency[1] % |
|---|---|---|---|---|
| Index – Subscription | **443** | 418 | 6 | 6 |
| Index – Asset Based | **225** | 231 | (2) | (2) |
| FTSE Russell[2] | **668** | 649 | 3 | 3 |
| Real Time Data | **105** | 97 | 9 | 8 |
| Other Information Services[1,2] | **109** | 109 | – | (1) |
| **Total revenue** | **882** | 855 | 3 | 3 |
| Cost of sales | **(68)** | (72) | (6) | (7) |
| **Gross profit** | **814** | 783 | 4 | 4 |
| Adjusted operating expenses before depreciation, amortisation and impairment[3] | **(304)** | (300) | 1 | – |
| **Adjusted earnings before interest, tax, depreciation, amortisation and impairment[3]** | **510** | 483 | 6 | – |
| Underlying depreciation, amortisation and impairment[3] | **(55)** | (49) | 12 | – |
| **Adjusted operating profit[3]** | **455** | 434 | 5 | – |

1. Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Beyond Ratings
2. UnaVista and some other minor items (previously reported in Other information services) are now included in Post Trade. Historical comparatives have been adjusted to reflect this
3. Operating expenses before depreciation, amortisation and impairment; earnings before interest, tax, depreciation, amortisation and impairment; depreciation, amortisation and impairment; and operating profit variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects

Information Services provides a wide range of information and data products including indices and benchmarks, analytics, real time pricing data and product identification reporting. Total revenue was £882 million (2019: £855 million).

FTSE Russell's revenue increased by 3% to £668 million (2019: £649 million). Good subscription renewal rates and sales activity contributed to 6% revenue growth in index subscription products, partly offset by a 2% decrease in asset-based revenues, reflecting a challenging year in asset valuations and asset based products as a result of market volatility associated with the global pandemic.

Real time data revenue increased by 8% to £105 million (2019: £97 million) driven by increased licence sales and demand for non-display data, particularly in Asia which saw strong growth in the number of retail customers accessing the service. This was partially offset by a 4% decline in terminal usage.

Cost of sales reduced by 7% to £68 million (2019: £72 million), primarily due to lower payments to FTSE Russell business partners related to the decline of asset based product revenue.

Adjusted operating expenses excluding depreciation, amortisation and impairment increased by 1% to £304 million (2019: £300 million). Underlying depreciation, amortisation and impairment rose 12% to £55 million (2019: £49 million) reflecting continued investment to support growth of the business and enhance the underlying infrastructure.

Adjusted operating profit increased by 5% to £455 million (2019: £434 million).

### Operational highlights

2020 was a strong year for FTSE Russell ETFs with 44 ETFs launched based on our indices by partner clients and we also saw the highest number of fixed income ETFs (16) and the highest number of sustainability ETFs (11) launched in a single year (including use of the FTSE Advanced Climate Risk-Adjusted EMU Government Bond Index adopted by iShares).

Other highlights include the launch of the Green Revenues 2.0 Data Model, which measures the green revenue exposure of more than 16,000 listed companies across 48 developed and emerging markets. This represents 98.5% of the total global market value of listed companies and significantly enhances FTSE Russell's sustainability offering and future new products.

FTSE Russell also entered into a long term strategic partnership with the Singapore Exchange (SGX) to develop a comprehensive Asian and Emerging Markets focused, multi-asset index derivatives offering, and support growing demand across Asia for index-based listed derivatives, including in sustainable investment.

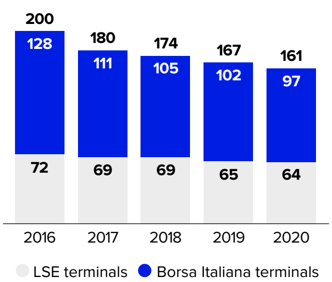
Going forward, FTSE Russell, the real time data business in the UK, and the majority of other information services will be incorporated into the newly formed Data & Analytics division. Real time data revenues in relation to Borsa Italiana terminals, are included in the Borsa Italiana Group divestment and will be classified as discontinued from 13 January 2021.

### Post Trade

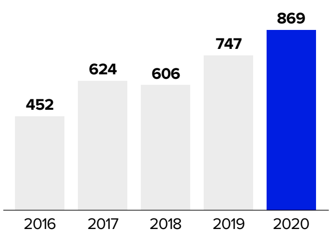
| Revenue | 12 months ended Dec 2020 £m | 12 months ended Dec 2019 £m | Variance % | Organic and constant currency variance % |
|---|---|---|---|---|
| OTC – SwapClear, ForexClear & CDSClear | **309** | 307 | 1 | 1 |
| Non-OTC – Fixed income, Cash equities & Listed derivatives | **164** | 140 | 17 | 16 |
| LCH other revenue | **118** | 103 | 14 | 14 |
| **Total LCH revenue** | **591** | 550 | 7 | 7 |
| Clearing (CC&G) | **43** | 43 | 1 | – |
| Settlement, Custody & other (Monte Titoli) | **63** | 60 | 4 | 3 |
| **Total Post Trade Italy revenue** | **106** | 103 | 3 | 1 |
| UnaVista | **54** | 47 | 16 | 16 |
| **Total revenue** | **751** | 700 | 7 | 7 |
| LCH – Net treasury income | **269** | 206 | 31 | 30 |
| CC&G – Net treasury income | **50** | 49 | 2 | 1 |
| **Total income** | **1,070** | 955 | 12 | 12 |
| Cost of sales | **(144)** | (122) | 18 | 17 |
| **Gross profit** | **926** | 833 | 11 | 11 |
| Adjusted operating expenses before depreciation, amortisation and impairment[1] | **(355)** | (332) | 7 | – |
| **Adjusted earnings before interest, tax, depreciation, amortisation and impairment[1]** | **571** | 501 | 14 | – |
| Underlying depreciation, amortisation and impairment[1] | **(98)** | (90) | 9 | – |
| **Adjusted operating profit[1]** | **473** | 411 | 15 | – |

1. Operating expenses before depreciation, amortisation and impairment; earnings before interest, tax, depreciation, amortisation and impairment; depreciation, amortisation and impairment; and operating profit variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects

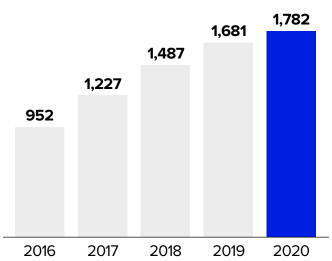
**LSE and Borsa Italiana terminals** (thousands)



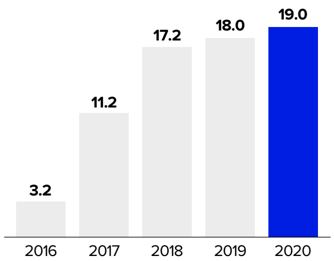

**ETF assets under management benchmarked to FTSE Russell indexes** (US$ billion)




**SwapClear - Client number of cleared trades** (thousands)




**ForexClear - Total notional cleared** (US$ trillions)



Post Trade provides clearing, settlement, custody and regulatory reporting activities. Revenue was £751 million (2019: £700 million). Total income was £1,070 million (2019: £955 million).

OTC clearing revenue increased by 1% to £309 million (2019: £307 million), driven by higher activity levels in SwapClear in H1 as the market reacted to Covid-19. Annual member and client revenues both increased marginally in the year. Member revenues are largely tiered fixed-fee arrangements based on annual volume levels but grew slightly as some members moved up to higher fee tariffs.

Client revenues, which vary more directly with service activity levels also increased with client trade volume up 6% to 1,784,000 (2019: 1,681,000) year on year, driven by the significant volumes in H1 (volumes were up 24% in H1). In Q3 2020, Rates market activity levels reduced from H1 highs, and as Q4 2020 volumes began to normalise to levels more in line with Q4 2019 (up 5%), revenues remained resilient. Reflecting the market activity levels, US$1.1 quadrillion of total member and client notional was cleared across 6.4 million trades in the year (2019: US$1.2 quadrillion, 6.1 million). ForexClear membership increased to 35 members (2019: 34) while notional value cleared grew by 5% to US$19.0 trillion (2019: US$18.0 trillion). Of this, US$167 billion was client cleared notional, up significantly from the previous year (2019: US$61 billion). CDSClear client cleared notional increased to €193 billion (2019: €42.9 billion).

Non-OTC clearing revenue increased by 16% to £164 million (2019: £140 million), reflecting high trading volumes across equities and fixed income markets. Cleared trades in EquityClear increased 41%, to 1,963 million trades (2019: 1,397 million) with the service demonstrating the resilience of its new clearing platform which was successfully launched during the height of market volatility.

LCH other revenue, which mainly includes fees from non-cash collateral management and compression services, increased by 14% to £118 million (2019: £103 million), reflecting high activity levels across the clearing services.

UnaVista, the regulatory reporting business, revenues increased by 16% to £54 million (2019: £47 million) driven by the launch of the Securities Financing Transaction Regulation (SFTR) in July, which enhances the transparency of securities financing markets by requiring participants to report relevant transactions to a Trade Repository, and volatility.

LCH Net Treasury Income (NTI) increased by 30% to £269 million (2019: £206 million). The growth reflects a 12% rise in average cash collateral held to €110 billion (2019: €98 billion), primarily driven by volumes cleared and market volatility during H1. In 2020, NTI comprised approximately 70% handling fee income and 30% investment return. The investment return component in H1 was elevated due to the higher quantum of cash posted by members and the rapid reduction in central bank interest rates. In H2 cash collateral levels normalised down to an average of €103 billion, broadly in line with H2 2019 and short-term investments reflected the new lower interest rates. The Group expects NTI to stabilise around the levels seen in Q4 2020 if cash collateral levels and interest rates remain stable, and therefore c.£48 million of NTI in 2020 is unlikely to be repeated in 2021.

Cost of sales increased 17% to £144 million (2019: £122 million), reflecting the higher income and sharing within the SwapClear agreement.

Adjusted operating expenses excluding depreciation, amortisation and impairment increased by 7% to £355 million (2019: £332 million) and depreciation, amortisation and impairment increased by 9% to £98 million (2019: £90 million) driven by increased IT costs and investment to ensure the resilience of the Group's infrastructure.

Adjusted operating profit increased by 15% to £473 million (2019: £411 million).

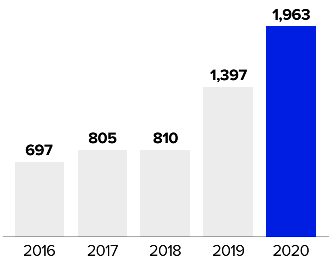
### Operational highlights

LCH experienced record activity in CDSClear, ForexClear, EquityClear and SwapClear client clearing, with volumes driven by volatile market conditions. LCH remained operationally resilient whilst simultaneously investing in and significantly upgrading software and hardware across multiple platforms.

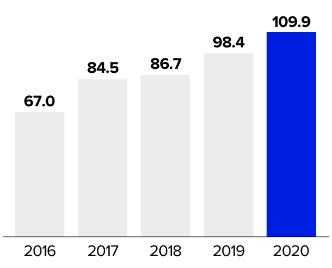
During the year, LCH continued to drive and support the global efforts to reform reference rates, successfully completing the switch to Euro short-term rate (€STR) discounting in July 2020, with €81.3 trillion in notional transitioned. The transition to the Secured Overnight Financing Rate (SOFR) discounting saw US$120 trillion in notional transitioning to the risk-free rate in October 2020.

SwapClear also became the first clearing service to offer Singapore Dollar swaps benchmarked to SORA and launched clearing for Israeli Shekel-denominated swaps in September 2020. SwapClear now offers clearing for interest rate derivatives across 27 currencies. In 2020, ForexClear launched clearing for non- deliverable FX options across nine currency pairs, complementing clearing of non-deliverable FX forwards, deliverable FX options and deliverable FX forwards. Clearing the new product creates further opportunities for clearing members and their clients to achieve operational and capital efficiencies through portfolio netting with products already cleared at ForexClear. CDSClear went live with US credit index options.

**EquityClear - Cleared trades**
(millions)




**Cash collateral held - daily average**
(€ billions)



## Capital Markets

| Revenue | 12 months ended Dec 2020 £m | 12 months ended Dec 2019 £m | Variance % | Organic and constant currency % |
|---|---|---|---|---|
| Primary Markets | **131** | 151 | (13) | (13) |
| Secondary Markets – Equities | **171** | 151 | 13 | 13 |
| Secondary Markets – Fixed income, derivatives and Other | **125** | 124 | – | (1) |
| **Total revenue** | **427** | 426 | – | – |
| Cost of sales | **(4)** | (5) | (23) | (23) |
| **Gross profit** | **423** | 421 | – | – |
| Adjusted operating expenses before depreciation, amortisation and impairment[1] | **(203)** | (192) | 6 | – |
| Share of loss after tax of associates | **–** | (1) | – | – |
| **Adjusted earnings before interest, tax, depreciation, amortisation and impairment[1]** | **220** | 228 | (4) | – |
| Underlying depreciation, amortisation and impairment[1] | **(35)** | (32) | 9 | – |
| **Adjusted operating profit[1]** | **185** | 196 | (6) | – |

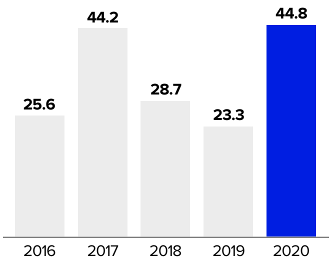
1. Operating expenses before depreciation, amortisation and impairment; earnings before interest, tax, depreciation, amortisation and impairment; depreciation, amortisation and impairment; and operating profit variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects

Capital Markets comprises Primary Market capital raising and Secondary Market trading activities. Revenue was £427 million (2019: £426 million). Excluding the one-off impact of the £32 million balance sheet adjustment under IFRS 15 in 2019, underlying revenue grew 8%.

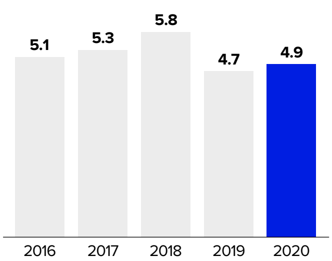
Primary Markets revenue decreased by 13% to £131 million in 2020 (2019: £151 million), however removing the one-off impact of the balance sheet adjustment underlying Primary Markets revenue grew 10%. The underlying revenue growth was driven by the total amount of capital raised across the Group's markets, through new and further issues, which increased by 91% to £44.8 billion (2019: £23.4 billion). The number of new issues in 2020 across the Group's markets was 108, largely in-line with prior year (2019: 109). The increase in total capital raised was mainly due to the £35.3 billion (2019: £16.6 billion) of further issuance, demonstrating the ability of public markets to respond quickly to the new capital needs of issuers during the pandemic.

Secondary Markets revenue increased by 13% to £171 million (2019: £151 million). London Stock Exchange revenue is directly linked to average orderbook daily value traded, which increased by 4% to £4.9 billion (2019: £4.7 billion) as a result of the pandemic driving increased trading amidst heightened market volatility, particularly in March and November. Italian equity trading volumes, which directly relate to revenue, increased by 35% year on year, with an average of 345,000 trades per day (2019: 255,000).

**Equity money raised - Group**
(£ billion)




**LSE - average daily value traded**
(£ billion)




Turquoise, the Group's pan-European equities platform, saw record volumes on Turquoise Plato and Turquoise Plato Lit Auctions orderbooks in 2020, up 14% and 28% respectively on 2019 performance. This was offset by a fall in Lit volumes of 11% where Lit market liquidity tended towards the primary listing venues rather than MTFs, overall Turquoise saw a 4% decrease in average daily equity value traded to €2.0 billion (2019: €2.1 billion).

Fixed income, derivatives and other revenue remained broadly flat year on year at £125 million (2019: £124 million). MTS fixed income saw strong performance with the Cash market value traded up 25% this was partially offset by a decline in money market volumes, down 13%. Our Italian derivatives market's performance was impacted by decreased market volumes as a result of a short-selling ban implemented during the year.

Cost of sales decreased by 23% to £4 million (2019: £5 million), primarily driven by the removal of the revenue share in January 2020 for TRADEcho, London Stock Exchange's MiFID II reporting service.

Adjusted operating expenses excluding depreciation, amortisation and impairment increased by 6% to £203 million (2019: £192 million) while depreciation, amortisation and impairment increased 9% to £35 million (2019: £32 million), driven by increased IT costs and investment to ensure the resilience of the Group's infrastructure and market operations.

Share of loss after tax of associates in 2019 relates to the Group's share of the HUB Exchange funding platform.

Adjusted operating profit decreased by 6% to £185 million (2019: £196 million).

### Operational highlights

In the year LSEG saw a number of notable IPOs, including international and technology listings, and three companies issued GDRs through the Shanghai-London Stock Connect service, raising US$4.1 billion. The Group continued to support innovative and dynamic SMEs through AIM and AIM Italia. Demonstrating LSEG as a global hub for sustainable investment, the number of ESG ETFs listed in London increased 110% to 61, while the Group continued to develop the Sustainable Bond Market.

London Stock Exchange and Borsa Italiana's equity trading venues remained resilient throughout the year, successfully managing periods of high volatility. Turquoise was authorised to operate an MTF in the Netherlands, launching in November to ensure continued access for traders to the European market, post the UK leaving the EU.

Borsa Italiana and MTS are included in the Borsa Italiana Group divestment and have been classified as discontinued from 13 January 2021.

## Technology Services

| | 12 months ended Dec 2020 £m | 12 months ended Dec 2019 £m | Variance % | Organic and constant currency % |
|---|---|---|---|---|
| Revenue | **61** | 66 | (7) | (7) |
| Inter-segmental revenue | **22** | 17 | 29 | 29 |
| **Total revenue** | **83** | 83 | – | – |
| Cost of sales | **(7)** | (7) | – | – |
| **Gross profit** | **76** | 76 | – | – |
| Adjusted operating expenses before depreciation, amortisation and impairment[1] | **(34)** | (21) | (62) | – |
| **Adjusted earnings before interest, tax, depreciation, amortisation and impairment[1]** | 42 | 55 | (24) | – |
| Underlying depreciation, amortisation and impairment[1] | **(21)** | (25) | 16 | – |
| **Adjusted operating profit/(loss)[1]** | **21** | 30 | (30) | – |

1. Operating expenses before depreciation, amortisation and impairment; earnings before interest, tax, depreciation, amortisation and impairment; depreciation, amortisation and impairment; and operating profit / (loss) variance percentage is shown on a reported basis only i.e. not on a constant currency basis. Variances will include underlying movements and foreign exchange effects

Technology Services provides server location solutions, client connectivity and software products for the Group and third parties.

Third party revenue reduced by £5 million to £61 million (2019: £66 million), driven by Covid-19 challenges and focus on delivery of internal technology requirements.

Adjusted operating expenses excluding depreciation, amortisation and impairment increased by £13 million to £34 million (2019: £21 million), and depreciation, amortisation and impairment decreased £4 million to £21 million (2019: £25 million).

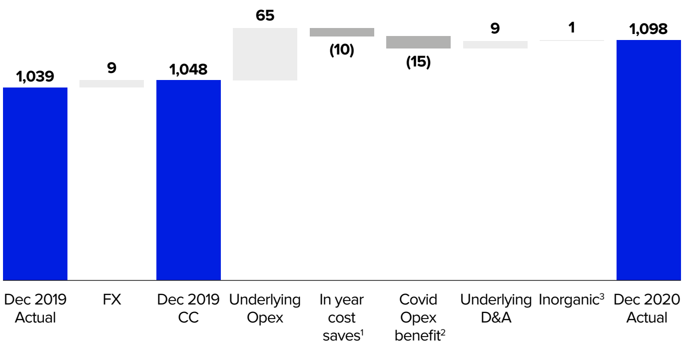
The Technology segment made a profit of £21 million (2019: £30 million).

With effect from 2021, Technology Services division will be incorporated into the Capital Markets division and its revenue recognised in the Secondary Markets – Fixed income, derivatives and other line, reflecting a move to focus on internal delivery.

## Operating Expenses

Group operating expenses (including depreciation, amortisation and impairment) before amortisation of purchased intangible assets and non-underlying items, were £1,098 million (2019: £1,039 million).

### Operating Expenses (£m)




1. In-year cost saves relate to benefit of the global headcount programme
2. Operating Expense benefit relates to net cost benefits realised in the year as a result of the pandemic
3. Inorganic includes costs for businesses held for less than 12 months in either period: Beyond Ratings

Total operating expenses increased by 5%. Within this, expenses excluding depreciation, amortisation and impairment increased 5%.

The expense increase is partly driven by spend to support the Group's growth through new product development and route to market in income generating segments. IT spend also increased to support the resilience of the Group's infrastructure and adoption of transformative technology, including enhanced cyber security and increased transfer from physical assets to cloud-based services. The Group also increased spend in non-IT related resilience, including teams supporting market operations and corporate functions.

The Group made a net cost saving of £15 million during the pandemic with extra costs from donations to Covid-19 relief charities, additional holiday carryover for employees and impairments to sublease income, more than offset by savings on travel, marketing events and facilities costs.

The Group successfully achieved the £30 million run-rate cost saving announced as part of the global headcount programme announced in March 2019. The 2020 benefit of the savings was £10 million.

Depreciation and amortisation increased by 5% reflecting go-live of projects over the last year from ongoing investment in infrastructure and resilience. This is lower than previously guided due to the impact of Covid-19 restrictions on the volume and speed of investment in the year.

Looking ahead, investment in 2021 is expected to increase, reflecting not only the continuation of spend on resilience across all parts of the new enlarged Group, but also further expenditure on efficiency-related projects and development of new products and services to drive future growth. Capital expenditure is expected to be in the region of c.£850 million, with associated operating costs of £150 million. Reflecting this increased level of investment, plus recent small acquisitions by Refinitiv, and net of in-year cost savings, 2021 operating expenses, excluding depreciation, amortisation and impairment, are anticipated to increase by mid-single-digits. Depreciation and amortisation is also expected to rise, to c.£830 million in 2021.

### Income from Equity Investments and Share of Loss After Tax of Associates

No income from equity investments was received in the current year (2019: £7 million) as the expected dividend from the Group's 4.92% share in Euroclear was postponed following guidance from Euroclear's regulators in view of the Covid-19 crisis.

The share of loss after tax of associates primarily reflects the Group's 44% minority share of the operating loss of CurveGlobal of £4 million (2019: £6 million share of loss).

### Non-underlying Items

Non-underlying operating items increased by £36 million to £363 million (2019: £327 million). Non-underlying items in 2020 included amortisation and impairment of goodwill and purchased intangible assets of £195 million (2019: £195 million). Within this, £10 million relates to accelerated amortisation in relation to Mergent CGU and a further £10 million relates to impairment of goodwill and purchased intangibles of Mergent CGU, driven by lower expected future cash flows than forecast at the time of acquisition.

In relation to acquisitions, the Group has incurred £173 million (2019: £96 million) of transaction costs.

The Group incurred £13 million (2019: £16 million) of non-underlying financing commitment fees in relation to the Refinitiv acquisition for the two tranches of bridge financing facility of US$9.325 billion and €3.58 billion, which were resized to US$7.325 billion and €3.08 billion.

### Non-underlying items

| Year ended 31 December | 2020 £m | 2019 £m |
|---|---|---|
| Transaction costs | 173 | 96 |
| Restructuring (credit)/costs | (5) | 32 |
| Integration costs | – | 4 |
| **Non-underlying operating expenses before interest, tax, depreciation, amortisation and impairment** | **168** | 132 |
| Amortisation of purchased intangible assets | 164 | 180 |
| Impairment of goodwill and purchased intangibles | 10 | 15 |
| Impairment of software | 21 | – |
| **Non-underlying operating expenses before interest and tax** | **363** | 327 |
| Non-underlying finance expense | 13 | 16 |
| **Total non-underlying expenses included in profit before tax** | **376** | 343 |

### Finance Income and Expense and Taxation

Underlying net finance costs were £57 million, down £14 million on the prior year primarily due to refinancing the October 2019 £250 million 9.125% per annum coupon bond, using existing bank facilities at significantly lower rates of interest.

The effective tax rate for the period in respect of continuing underlying operations and excluding the effect of prior year adjustments was 24.4% (2019: 23.7%).This reflects the mix of profits across a largely stable tax base without any material changes in underlying rates but does include a one off increase in the rate resulting from disputes with overseas tax authorities. Adjusting for this item, the underlying tax rate was 23.4%.

The Group continues to monitor the evolving tax landscape and potential developments with US tax reform. While there are no material changes to the underlying tax base or rates for 2021, we note that the recent UK budget announcement indicates the UK corporate tax rate will increase to 25% from April 2023. Accordingly, we have considered the impact of the increased rate on the revaluation of the Group's deferred tax assets and liabilities, which will be required during 2021.

Therefore, considering the mix of profits for the organisation combined with Refinitiv, the Group should expect to record a reported tax rate on an underlying basis of between 22% to 24% for 2021, which forms our best estimate of forward guidance.

### Cash Flow, Balance Sheet and Financing

The Group's business continued to be strongly cash generative during the year, with cash generated from operations of £1,283 million (2019: £1,089 million). Cash generation, after organic and inorganic investments and other normal course payment obligations, was positive.

At 31 December 2020, the Group had net assets of £4,125 million (2019: £3,801 million). The central counterparty clearing business assets and liabilities within LCH and CC&G largely offset each other but are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties.

### Net debt

| Year ended 31 December | 2020 £m | 2019 £m |
|---|---|---|
| Gross borrowings | 1,951 | 2,085 |
| Cash and cash equivalents | (1,785) | (1,493) |
| Net derivative financial liabilities | 17 | 38 |
| **Net debt** | **183** | 630 |
| Regulatory and operational cash | 1,242 | 1,125 |
| **Operating net debt** | **1,425** | 1,755 |

At 31 December 2020, the Group had operating net debt of £1,425 million after setting aside £1,242 million of cash and cash equivalents held to support regulatory and operational requirements, including cash and cash equivalents at LCH Group and amounts covering regulatory requirements at other LSEG companies. Total regulatory cash increased during the year in response to Covid-19 market volatility. The Group's operating net debt decreased during the year.

Net leverage (operating net debt to EBITDA updated to account for the EBITDA of acquisitions or disposals undertaken in the period) decreased to 1.1 times at 31 December 2020 (31 December 2019: 1.4 times) and positions the Group near the bottom of its targeted range of 1-2 times.

The Group's interest cover, the coverage of net finance expense by EBITDA (consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation, foreign exchange gains or losses and non-underlying items), increased to 18.8 times in the 12 months to 31 December 2020 (31 December 2019: 14.4 times) as more expensive bond debt was replaced with cheaper bank facility borrowing and EBITDA improved.

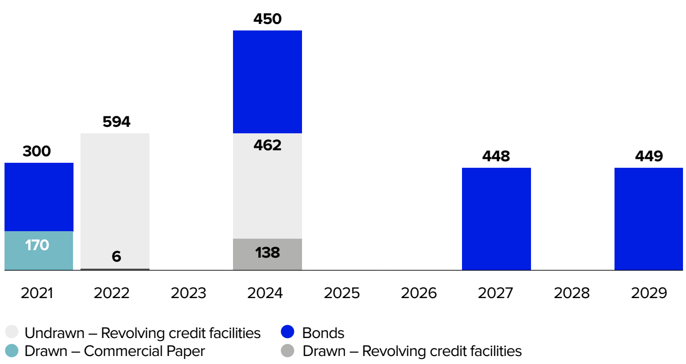
During the financial year the Group retained its £1.2 billion of committed bank facilities for general corporate purposes, and made further arrangements to ensure availability of funding capacity to replace Refinitiv's debt upon completion of the acquisition.

On 16 December 2020, the dual tranche US$9.325 billion and €3.580 billion syndicated committed Bridge Facility, taken out during 2019 in preparation for refinancing Refinitiv's debt, was resized being partially replaced with two three-year term loan facilities of US$2 billion and €500 million. At the same time, the Group entered into an additional £1,075 million syndicated committed facility agreement to replace the £600 million facility maturing in November 2022, and signed an Amendment and Restatement agreement which increases the £600 million Revolving Credit Facility agreement maturing in December 2024 to £1,425 million.

These new facilities were undrawn at 31 December 2020 and remained available to draw contingent upon the completion of the Group's proposed acquisition of Refinitiv. The combined new facilities offer the Group sufficient acquisition headroom, while at the same time providing an additional flexible financing capacity of £1.3 billion for general corporate purposes. The terms of the new agreements are consistent with those of the Group's existing facilities and appropriate for an investment grade borrower including change of control provisions.

With £886 million of undrawn committed bank lines (after taking into account committed, swingline backstop coverage for the €189 million commercial paper in issuance), the Group continues to be well positioned to fund planned growth. The new banking facilities, are also expected to provide an appropriate level of financial flexibility to the Group in its planning at the end of 2020.

**Debt maturity profile** (£m)




Graph excludes new bridge, term loans and revolving credit facilities, as well as trade finance loans

At the end of 2020, the Group's long-term credit ratings were A3 and A with Moody's and S&P respectively, with both agencies having moved their ratings to a negative outlook in anticipation of the impact of the Refinitiv acquisition on net leverage. Subsequent to the completion of the Refinitiv acquisition, both agencies affirmed their ratings with Moody's revising its outlook to stable and S&P maintaining a negative outlook.

## Foreign exchange

| | 2020 | 2019 |
|---|---|---|
| Spot £/€ rate at 31 December | **1.11** | 1.17 |
| Spot £/US$ rate at 31 December | **1.36** | 1.31 |
| Average £/€ rate for the year | **1.13** | 1.14 |
| Average £/US$ rate for the year | **1.28** | 1.28 |

The Group's principal foreign exchange exposure arises as a result of translating its foreign currency earnings, assets and liabilities into LSEG's reporting currency of Sterling. For the 12 months to 31 December 2020, the main exposures for the Group were its European based Euro reporting businesses and its US based operations, principally Russell Indices, Mergent and The Yield Book. A 10 euro cent movement in the average £/€ rate for the year and a 10 cent movement in the average £/US$ rate for the year would have changed the Group's operating profit for the year before amortisation of purchased intangible assets and non-underlying items by approximately £38.2 million and £12.5 million, respectively.

The Group continues to manage its translation risk exposure by, where possible, matching the currency of its debt to the currency of its earnings, to ensure its key financial ratios are protected from material foreign exchange rate volatility.

## Earnings per share

The Group delivered a 5% increase in adjusted basic earnings per share, which excludes amortisation of purchased intangible assets and non-underlying items, to 209.7 pence (2019: 200.3 pence). Basic earnings per share were 120.3 pence (2019: 119.5 pence).

## Dividend

The Board is proposing a final dividend of 51.7 pence per share, which together with the interim dividend of 23.3 pence per share paid to shareholders in September 2020, results in a 7% increase in the total dividend to 75.0 pence per share. The final dividend will be paid on 26 May 2021 to shareholders on the register as at 30 April 2021.

### Historic Financial Information relevant to acquisition of Refinitiv

The below table presents pro-forma financial information as if the enlarged group (excluding Borsa Italiana Group) had existed for all of 2019 and 2020.

- The tables show the pro-forma underlying results of the Group, combining the results of LSEG plc, Refinitiv and deducting the results of Borsa Italiana Group.
- All historic financial information provided on the enlarged Group is presented on an IFRS basis and is consistent with LSEG accounting policies. The combined results are unaudited and do not include adjustments for intercompany transactions, reallocations of costs, any fair value adjustments arising out of the purchase price allocation exercise, any future changes to accounting estimates or judgements, and are therefore subject to change.
- The LSEG plc financial information has been extracted from the audited consolidated financial statements of LSEG plc for the years ended 31 December 2020 and 31 December 2019.
- The Refinitiv financial information has been extracted from US GAAP financial statements of the Refinitiv Parent for the years ended 31 December 2020 and 31 December 2019. These results have been adjusted to be on an IFRS basis and are unaudited.
- An average rate of exchange of US$1.28 to £1 has been used to convert the financial information of Refinitiv Parent into pounds sterling for the year ended 31 December 2020 and year ended 31 December 2019. This reflects the average rate used in the respective year ends for the LSEG consolidated financial statements.
- The Borsa Italiana Group financial information has been extracted from the audited consolidated financial statements of LSEG plc for the years ended 31 December 2020 and 31 December 2019.
- Averages rates of exchange of €1.13 to £1 and €1.14 to £1 have been used to convert the financial information of the Borsa Italiana Group into pounds sterling for the year ended 31 December 2020 and 31 December 2019 respectively.
- The recurring/non-recurring income analysis has been presented based on management's current basis of recognition which differs to that disclosed in the Prospectus issued on 9 December 2020.

### Pro-Forma

| Revenue | 12 months ended 31 Dec 2020 £m | 12 months ended 31 Dec 2019 £m | Variance % |
|---|---|---|---|
| Data & Analytics | **4,675** | 4,574 | 2 |
| Capital Markets | **1,170** | 1,099 | 6 |
| Post Trade[1] | **915** | 803 | 14 |
| Other | **3** | 9 | – |
| **Total income (excluding recoveries)** | **6,763** | 6,485 | 4 |
| Recoveries[2] | **340** | 328 | 4 |
| **Total income (including recoveries)** | **7,103** | 6,813 | 4 |
| Cost of sales | **(970)** | (941) | 3 |
| **Gross profit** | **6,133** | 5,872 | 4 |
| Adjusted operating expenses before depreciation, amortisation and impairment | **(2,937)** | (3,037) | (3) |
| Income from equity Investments | **–** | 7 | – |
| Share of loss after tax of associates | **(4)** | (5) | – |
| **Adjusted earnings before interest, tax, depreciation, amortisation and impairment** | **3,192** | 2,837 | 13 |
| Underlying depreciation, amortisation and impairment | **(781)** | (687) | 14 |
| **Adjusted operating profit** | **2,411** | 2,150 | 12 |
| **Income split by type** | | | |
| Recurring | **5,060** | 4,952 | 2 |
| Non-recurring[1] | **2,043** | 1,861 | 10 |
| **Total income (including recoveries)** | **7,103** | 6,813 | 4 |

1. Includes NTI of £206m in 2019 and £269m in 2020
2. Recoveries revenue is collected from customers and passed through to third-party providers who provide access to their content via Refinitiv's platform

### Financial Targets

At the time of the announcement of the Refinitiv acquisition on 1 August 2019, the Group set out financial targets for the combined company. These targets remain unchanged, except to reflect the divestment of Borsa Italiana and the consequent faster timescale to move back within the target leverage range.

The financial targets are provided below:

| Targets | Target phasing (run-rate rather than in-year achievement) |
|---|---|
| 5-7% Total Income (excluding recoveries) CAGR over the first three years[1] | |
| In excess of £225 million of annual run rate revenue synergies phased over five years[2] | Year three – 60%<br>Year five – 100% |
| In excess of £350 million of annual run rate cost synergies phased over five years[2,3] | Year one – 25%<br>Year three – 70%<br>Year five – 100% |
| 50% Adjusted EBITDA margin (excluding recoveries) over the medium term | |
| Leverage to reduce to within 1-2x target range within 24 months of completion[4] | |
| Adjusted EPS accretion after the first year of completion in excess of 30% and increasing in years two and three[4] | |

Notes:
1. Total income growth target to be measured off the 2020 pro-forma Total Income (excluding recoveries) of £6,763 million and runs until 31 December 2023
2. Revenue and cost synergy targets run to 31 December 2025
3. Year one cost synergy phasing refers to the full 12 months to 31 December 2021
4. Measured from the date of Completion of the Refinitiv transaction: 29 January 2021

## Appendix to Historical Financial Information relevant to acquisition of Refinitiv

The following tables summarise the constituent elements of the Historical Financial Information between LSEG consolidated financial information, Refinitiv financial information presented on an IFRS basis, and the removal of Borsa Italiana financial information.

### Pro-Forma for 12 months ended December 2020

| Revenue | LSEG consolidated 12 months ended 31 Dec 2020 £m | Refinitiv (IFRS basis unaudited) 12 months ended 31 Dec 2020 £m | Borsa Italiana 12 months ended 31 Dec 2020 £m | Pro-Forma 12 months ended 31 Dec 2020 £m |
|---|---|---|---|---|
| Data & Analytics | 864 | 3,852 | (41) | **4,675** |
| Capital Markets | 506 | 881 | (217) | **1,170** |
| Post Trade | 1,071 | – | (156) | **915** |
| Other | 3 | – | – | **3** |
| **Total income (excluding recoveries)** | 2,444 | 4,733 | (414) | **6,763** |
| Recoveries | – | 340 | – | **340** |
| **Total income (including recoveries)** | 2,444 | 5,073 | (414) | **7,103** |
| Cost of sales | (224) | (762) | 16 | **(970)** |
| **Gross profit** | 2,220 | 4,311 | (398) | **6,133** |
| Adjusted operating expenses before depreciation, amortisation and impairment | (887) | (2,188) | 138 | **(2,937)** |
| Income from equity Investments | – | – | – | **–** |
| Share of loss after tax of associates | (4) | – | – | **(4)** |
| **Adjusted earnings before interest, tax, depreciation, amortisation and impairment** | 1,329 | 2,123 | (260) | **3,192** |
| Underlying depreciation, amortisation and impairment | (211) | (600) | 30 | **(781)** |
| **Adjusted operating profit** | 1,118 | 1,523 | (230) | **2,411** |
| | | | | |
| **Income split by type** | | | | |
| Recurring | 1,058 | 4,149 | (147) | **5,060** |
| Non-recurring | 1,386 | 924 | (267) | **2,043** |
| **Total income (including recoveries)** | 2,444 | 5,073 | (414) | **7,103** |

### Pro-Forma for 12 months ended December 2019

| Revenue | LSEG consolidated 12 months ended 31 Dec 2019 £m | Refinitiv (IFRS basis unaudited) 12 months ended 31 Dec 2019 £m | Borsa Italiana 12 months ended 31 Dec 2019 £m | Pro-Forma 12 months ended 31 Dec 2019 £m |
|---|---|---|---|---|
| Data & Analytics | 839 | 3,771 | (36) | **4,574** |
| Capital Markets | 508 | 795 | (204) | **1,099** |
| Post Trade | 955 | – | (152) | **803** |
| Other | 12 | – | (3) | **9** |
| **Total income (excluding recoveries)** | 2,314 | 4,566 | (395) | **6,485** |
| Recoveries | – | 328 | – | **328** |
| **Total income (including recoveries)** | 2,314 | 4,894 | (395) | **6,813** |
| Cost of sales | (210) | (748) | 17 | **(941)** |
| **Gross profit** | 2,104 | 4,146 | (378) | **5,872** |
| Adjusted operating expenses before depreciation, amortisation and impairment | (839) | (2,331) | 133 | **(3,037)** |
| Income from equity Investments | 7 | – | – | **7** |
| Share of loss after tax of associates | (7) | 2 | – | **(5)** |
| **Adjusted earnings before interest, tax, depreciation, amortisation and impairment** | 1,265 | 1,817 | (245) | **2,837** |
| Underlying depreciation, amortisation and impairment | (200) | (516) | 29 | **(687)** |
| **Adjusted operating profit** | 1,065 | 1,301 | (216) | **2,150** |
| | | | | |
| **Income split by type** | | | | |
| Recurring | 1,037 | 4,059 | (144) | **4,952** |
| Non-recurring | 1,277 | 835 | (251) | **1,861** |
| **Total income (including recoveries)** | 2,314 | 4,894 | (395) | **6,813** |

# Supporting Sustainable Growth

## WHY SUSTAINABILITY MATTERS

We are a global business and a key part of the world's financial system. As such, we play an important role in contributing to economic stability and sustainable growth. Positioned at the heart of capital markets, we are well placed to drive long-term sustainable economic growth across global economies and support transition to a low-carbon, sustainable economy.

This goes beyond creating sustainable products and being a responsible business ourselves. It's about embedding sustainability as a fundamental part of our strategy and culture.

This section of our Annual Report, as well as our separate 2020 Group Sustainability Report, describes the strategy and governance of the LSEG business in 2020, before the acquisition of Refinitiv in January 2021. We are developing our approach as a new business and will disclose more as the integration takes place.

US$4 trillion

**market cap of green economy investment opportunity**

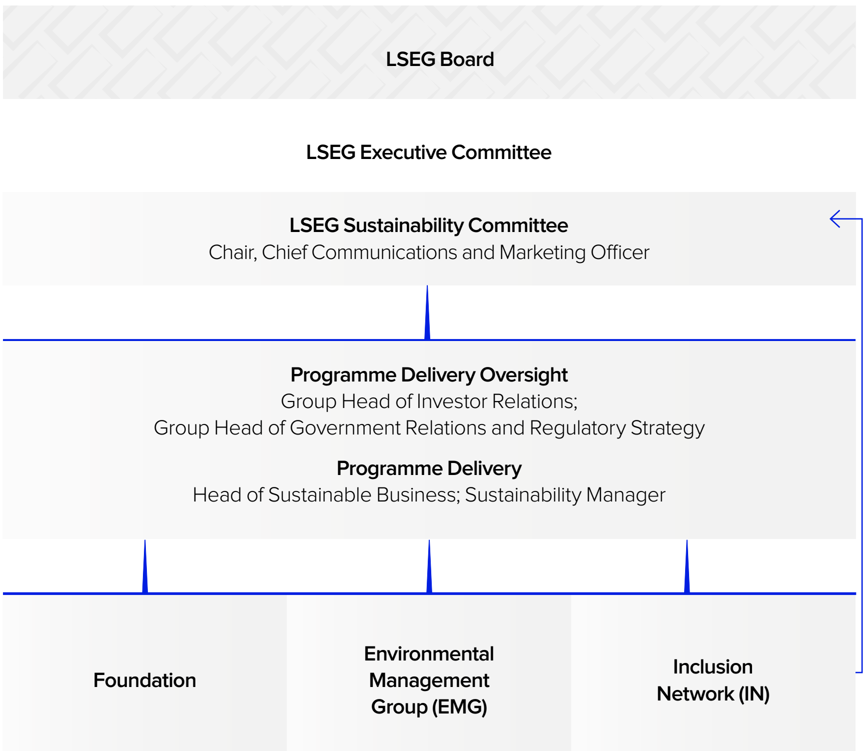
(Source: FTSE Russell Investing in the green economy – sizing the opportunity report 2020)

## SUSTAINABILITY GOVERNANCE

Our approach to sustainability is overseen by the LSEG Board. The CEO is responsible for and reports to the Board on sustainability matters, while the COO is responsible for and reports on environmental policy. In 2020, the Board discussed sustainability and environmental matters on two occasions.

Our sustainability strategy is driven by the Group Sustainability Committee, comprised of Executive Committee members and other senior executives that represent a wide cross-section of relevant business areas. Delivery of the sustainability programme is carried out by the Sustainable Business team and our related sustainability initiative teams, such as our global Inclusion Network (IN). These groups also feed back into the Group Sustainability Committee directly to input into the overall approach and direction of our sustainability activities. This process allows us to draw on a wide range of knowledge and experience from across the Group. Delivery during 2020 was overseen by the Group Head of Investor Relations and Group Head of Government Relations and Regulatory Strategy. From 1 February 2021, the Chief Communications and Marketing Officer chairs the Group Sustainability Committee.

**Governance**




## RISK GOVERNANCE

The Sustainability Committee reports to the Executive Committee on our climate-related and sustainability risks as well as provides oversight and accountability across all relevant initiatives, risks and opportunities. Although climate-related risks have been categorised as an emerging risk in our Principal Risks section of our Annual Report, they are inherently linked to other strategic, financial and operational risks, as well as commercial opportunities. Climate-related and sustainability risks and opportunities, are fully embedded within our risk taxonomy and fall within the scope of our Enterprise Risk Management (ERM) framework. To further align with TCFD recommendations and prepare for future regulations, we are preparing a new taxonomy for 2021 to give climate-related risks greater visibility and facilitating sustainability risk reporting at a more granular level. In addition, Risk Champions have direct access to the Sustainability Risk team and a dedicated and regularly updated climate and sustainability risks training pack is available within the risk register database for reference and support.

## OUR APPROACH TO SUSTAINABILITY

**Our purpose**

Driving financial stability, empowering economies and enabling customers to create sustainable growth.

**Focus areas**

Our Sustainability activities can be broadly aligned to one of two key focus areas.

**Enabling and supporting positive change**
LSEG is well positioned to support and facilitate sustainable and low carbon solutions across the financial markets ecosystem by providing access to capital and supporting integration of sustainability into investment processes.

We aim to do this through our Convene, Grow, Disclose and Transition impact areas, explained below.

They represent where we can have the biggest impact as a business, using our position at the centre of capital markets to support the integration of sustainability across the financial industry.

**Being a responsible business**
LSEG fully recognises its responsibilities to its people and their importance to our business model.

We monitor our impact on the communities around us and how it aligns with our strategy and values. We aim to promote sustainable practices and support local communities and the environment where we have a significant business presence.

**Impact areas**

We have six impact areas that direct our focus on all of our Sustainability activities.

**Convene**
Leveraging our position at the centre of capital markets to drive global growth

**Grow**
Small and medium-sized enterprises (SMEs) raise capital and fund investments to create employment worldwide

**Disclose**
Providing investors with information and tools to assess the ESG performance of companies to facilitate engagement and investment approaches

**Transition**
We work with issuers and investors to provide solutions that accelerate and manage the transition to a low carbon and sustainable economy

**Develop**
Employ and invest in the development of a highly diverse global workforce to deliver on our sustainable vision

**Sustain**
We will help the less advantaged in communities worldwide to develop business skills and to support the environment

**Further information**
In this section we provide a high-level overview of our Sustainability activities in 2020. For more detail, see our separate Group Sustainability Report at **www.lseg.com/investor-relations/sustainability**

**Non-financial information statement**
Under sections 414CA and 414CB of the Companies Act 2006 we are required to include in our strategic report a non-financial information statement.

This section of the strategic report (pages 54–67) provides the following information required to be included in the non-financial information statement:

- Environmental matters
- Our employees
- Social matters
- Human rights
- Anti-bribery and corruption.

In addition other required information can be found here:

- Business model (pages 8–11)
- Principal risks and how they are managed (pages 24–39)
- Key performance indicators for 2020 are included within our financial review (pages 44–53)

## ENABLING AND SUPPORTING POSITIVE CHANGE

Integrity and trust are at the core of what we do. As a Group we have, from the outset, operated under the banner of 'my word is my bond'. That overriding principle is still relevant today as a provider of trusted, reliable, independent and user neutral services. Positioned at the heart of capital markets, we are well placed to drive long-term sustainable economic growth, stability and resilience across global economies. We partner across the marketplace, and with other industry leaders, to champion the role responsible businesses and investors play in accelerating the transition to a net zero, sustainable economy.

**Highlights in 2020**

### TRANSITION PATHWAY INITIATIVE (TPI) INDEX

£600 million

**allocated by the Church of England Pensions Board**

In early 2020, FTSE Russell launched the FTSE TPI Climate Transition Index in collaboration with TPI and the Church of England Pensions Board. This is the first global index that enables passive funds to capture company alignment with climate transition. The index combines FTSE Russell and TPI analysis on company exposure to five climate considerations: green revenues, fossil fuel reserves, carbon emissions, management quality and carbon performance assessments. The Church of England Pensions Board has allocated a £600 million mandate to track the index, supporting the Pension Board's objective of aligning its fund with the goals of the Paris Agreement.

### GREEN ECONOMY MARK

£135 billion

**in combined market capitalisation of Green Economy Mark issuers**

The Green Economy Mark, launched in October 2019, recognises equity issuers on London Stock Exchange Main Market and AIM with green revenues of 50% or more as identified by the Green Revenues data model developed by FTSE Russell. 21 companies and funds were awarded the Green Economy Mark in 2020 including Chinese GDR issuer Yangtze Power, a first for Shanghai-London Stock Connect issuers. By the end of 2020, 92 issuers with a combined market capitalisation in excess of £135 billion had been awarded the Mark.

### CLIMATE EGBI LAUNCH

Asset owners are increasingly including climate objectives in decision making

**Arne Staal**
**Group Head of Research and Product, Investment Solutions**

FTSE Russell launched the first government bond index to adjust country weights based on climate risk consisting solely of European Monetary Union (EMU) countries. The FTSE Climate Risk-Adjusted EMU Government Bond Index (Climate EGBI) expands FTSE Russell's range of climate risk-adjusted government bond indices and follows the launch of the 'Climate WGBI' in July 2019. The Climate EGBI was developed using climate scores from one of the Group's ESG analytics providers, Beyond Ratings.

## BEING A RESPONSIBLE BUSINESS

In addition to activities that specifically aim to deliver our sustainability strategy, we also aim to ensure that our own business activities are consistent with good practice.

### Social

The engagement of colleagues is central to our organisation. We rely on their skills and experience to deliver on the Group's strategy and create a culture that ensures we can attract, retain and develop the best talent.

LSEG fully recognises its responsibilities to its people and their importance to our business model. The LSEG Board receives updates on matters relating to employees and culture, through the Group Culture Dashboard.

**See the Board's report on Corporate Governance on pages 76–83 for further information.**

**Highlights in 2020**

- More than 340 colleagues trained as Mental Health Champions
- Expansion of LSEG Inclusion Network (IN)

* LSEG Inclusion Network (IN) represents seven global networks and 18 regional networks. The global Inclusion Network (IN) meet regularly at a forum where networks will be able to share knowledge and collaborate.

**Our Culture**

Below we describe our culture as a new Group following the completion of the Refinitiv transaction in January 2021. The data and initiatives described relate to LSEG as a standalone business in 2020.

Culture sets expectations for how we behave, how we work together, how we function as a team and how we relate to our customers. It's critical to realising our purpose of 'driving financial stability, empowering economies and enabling customers to create sustainable growth' and delivering on our promise of 'Essential Partnerships. Open Opportunities'.

Following the acquisition of Refinitiv, ensuring we develop and embed a truly unified culture of growth, opportunity, diversity and innovation, has never been more vital. We recognised this need early on and so a key focus throughout our integration planning in 2020 was on creating a clear and distinctive culture by bringing with us the best of how we operated individually.

This culture is supported by three core pillars that apply to all parts of the Group:

**Connect**

We work as one company to serve our customers; We unify to get the best from our people and to deliver the greatest value for our customers. We break down silos, bringing together data, products, people and partners globally in new and better ways. We behave as a truly global organisation, creating inclusive teams that work in partnership with our customers and stakeholders.

**Create opportunity**

We have the courage to think differently; We are proud of our heritage yet not constrained by it. We're curious and willing to disrupt ourselves. We expand our horizons and recognise that brilliant ideas and perspectives can come from anywhere. We shape markets in ways that create sustainable value for society and create an impact we're proud of.

**Deliver excellence**

We execute to the highest standards; Good enough isn't good enough – we constantly challenge ourselves to be better. We deliver on our commitments and take ownership of every aspect of our work. We know that financial communities depend on the integrity of our infrastructure and data, and never compromise on stability and resilience.

We recognise that changing culture cannot be done by decree and doesn't happen overnight. How we behave every day creates our culture. It will be core to our future and will help us attract and develop the very best talented and inclusive professionals. We'll recognise and reward people for building the organisation based on these cultural traits. To help us achieve this we have set out four ways to signal our intent to ignite change:

- **Incentivising behaviour:** Our new approach to performance enablement has been designed to embody our culture. It rewards not just what you do, but how you do it. We're also designing intended behaviours into other policies, systems and processes
- **Leading by example:** Leaders will be held accountable for modelling the change that we want to create, from building teams with talented and inclusive professionals, to enabling new ways of thinking
- **Getting people involved:** Successful change is created by the people who are living it. We'll engage people across the business in developing a picture of how the culture feels across the business, and in being part of initiatives to shape it
- **Recognition:** We want to recognise the people who create the organisation that we aspire to be. We'll consistently call out the behaviours that tally with our culture

# Supporting Sustainable Growth continued

In 2019, we developed a Culture Dashboard to measure and assess our culture. The Dashboard provides the Board and Executive Committee with a quantitative way to measure and assess progress over time, using data gathered from our 'Have Your Say' employee engagement survey and other sources, which are all continually evaluated to ensure we collect the right data to best understand how our people feel.

The Dashboard focuses on five key areas:

- **Recruitment & On-Boarding:** We recruit individuals with the right skills, behaviours and mindset to support our strategy
- **Performance & Development:** We set individual goals that are aligned with enterprise-wide objectives and supported by a strong organisational learning culture
- **Talent & Mobility:** We identify, nurture and retain talent, promoting internal mobility to support opportunities across the Group
- **Diversity & Inclusion:** We encourage an inclusive environment, where diverse perspectives are welcomed, and all colleagues can be their best selves at work
- **Leavers:** We use the insights from our leavers to improve future recruitment and reduce turnover

In 2020, we changed our survey provider to enable us to strengthen the insights from colleague surveys. As a result, some of the questions we included have changed to enhance our ability to assess performance and create new opportunities for benchmarking our results, this includes the Diversity & Inclusion question previously reported in our culture dashboard, therefore no historic data is available for this question.

**Attracting the best talent**

Our Graduate and Early Career Programmes help to fuel our growth and diversification. We have 50 graduates on programmes globally, including our first cohort in Bucharest, Romania. These graduate classes remain a key source of gender diversity, with 54% female representation in the class of 2020. We have been working to diversify our pipeline further by running events and working with new partners that actively target candidates from Black, Asian and Minority Ethnic backgrounds. For our existing recruitment partners, we mandated they attend a virtual event on the importance of attracting a more diverse candidate pool, and internally we worked with the Centre for Inclusive Leadership to create career workshops on internal mobility.

Our Spring Insight Week programme continued in the UK and expanded in 2020 with our first programme the US in January 2020 that gave an insight into our work in data and technology as well as securing students for our Summer internship in 2021.

**Supporting our people in their careers**

We highlighted the importance of career development to colleagues by running a campaign focused on increasing the visibility of internal opportunities and ensuring managers evaluated internal talent to fill roles before relying on external hires. This reduces our reliance on external search firms and helps us to retain our talent. As a result we have seen an increase in roles filled internally to 33% compared to 25% in 2019.

54%

**female representation in the graduate class of 2020**

33%

**of roles filled internally**

**Learning and Development**

We have continued to invest in a range of initiatives in 2020, including:

- Launching global leadership programmes for the top 600 Managing Directors and Directors, and pivoting those programmes to a virtual environment when the Covid-19 pandemic required us to
- Launching the 2020 global mentoring programme on a virtual basis to connect colleagues, with over 500 mentoring partnerships supported within the year
- Extending the 360 degree feedback programme that launched in 2019 to the next layer of Senior Management
- Providing colleagues with access to thousands of online courses from LinkedIn that support more technical skill development

The table below shows our performance in 2020 against one of the indicators from each area from the Group Culture Dashboard for LSEG standalone in 2020.

| Focus area | Indicator | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Recruitment & On-Boarding | % of new joiners who understand LSEG's values | **98%** | 99% | 97% |
| Performance & Development | Hours spent on training | **82,993** | 74,770 | 63,150 |
| Talent & Mobility | % of roles filled internally | **33%** | 25% | 23% |
| Diversity & Inclusion | % of respondents that agree regardless of background, everyone has an equal opportunity to succeed | **68%** | N/A | N/A |
| Leavers | % of leavers that cited work-life balance as primary reason for leaving | **3%** | 7% | 5% |

**Engaging our people**
Our annual engagement survey enables colleagues to share their views on what it is like to work for LSEG and provides a clear indicator of employee engagement. The overall response rate in 2020 was 77%. The Engagement Index score of 81, up one point from 2019, was driven by the strong levels of pride and commitment to helping the group succeed[1]. Going forward we will be increasing the frequency of the survey to twice a year.

As well as the annual employee engagement survey, feedback comes through: a colleague forum which is led and attended by elected volunteers from the workforce; townhalls and Executive Committee meetings which are open to all employees and held regularly throughout the year; and Employee-Board engagement sessions with colleagues from the UK, US and APAC.

In 2020, we developed and launched a new 'Ways of Working' survey, designed to measure and assess the Group's initial response to remote working during the pandemic. We used the insights to drive actions to further support wellbeing and strengthen manager capability.

1. "I regularly put in extra effort to help the Group succeed" (89%) and "I am proud to work for the Group" (84%)

# 1,100

**employees benefitted from Sharesave maturities**

# 500+

**Mentoring partnerships in 2020**

**Roles filled internally**

| | |
|---|---|
| 2020 | 33% |
| 2019 | 25% |
| 2018 | 23% |

**Training hours**

| | |
|---|---|
| 2020 | 82,993 |
| 2019 | 74,770 |
| 2018 | 63,150 |

**Rewarding our people**
LSEG's reward strategy focuses both on the short term, through an annual bonus scheme linked to our global performance management approach, and on the medium term through share plans aimed at senior management and the wider workforce. The Long-Term Incentive Plan, details of which can be found on page 111, aligns the performance and reward of senior management with the Group's ongoing performance and growth.

In 2020, we operated two employee share ownership plans for permanent employees, split across nine countries. Under Sharesave, eligible colleagues can save up to £500 or equivalent per month, with the option after three years of using their accumulated savings to buy LSEG shares at a discounted price. SharePurchase allows eligible colleagues to purchase up to £500 of LSEG shares per month and receive an award of additional shares, which vest after completion of a three-year plan cycle.

No SharePurchase cycle has yet completed but, during 2020, more than 1,100 employees across seven countries were able to benefit from Sharesave maturities including share price appreciation of 163%, reflecting the Group's performance over the previous three years. There was also increased take up under both employee share ownership plans, increasing overall participation in 2020 to 61% of eligible employees.

We endeavour to develop a remuneration policy that is aligned with good market practice and corporate governance developments and which continues to promote the long-term success and cultural agenda of the Group. The Remuneration Committee continues to place great importance on ensuring that there is a clear link between pay and performance, including a focus on culture, adherence to the Group's risk framework, and that our remuneration outcomes are reflective of this wider context. More information on our Remuneration policy can be found on page 103 of this report.

**Supporting our people's Wellbeing**
LSEG's Wellbeing strategy provides a dedicated framework of awareness and support centred around five pillars: Emotional, Physical and Financial Wellbeing, Workplace choice and Social Purpose. During 2020 a range of programmes and initiatives focused on these topics were rolled out across the Group. For more information please see our Group Sustainability Report (page 32).

## DIVERSITY AND INCLUSION

Diversity and Inclusion (D&I) is critical to LSEG's success. We believe that diversity makes us more dynamic, fosters innovation and boosts performance. Colleagues are recruited and encouraged to develop their careers regardless of age, gender, nationality, culture or personal characteristics. While Diversity and Inclusion have always been a priority, events in 2020 refocused our commitment. We aim to embrace all aspects of diversity and seek to create an organisation that is truly inclusive and where colleagues feel they can be their true self at work.

The Diversity and Inclusion Committee is now chaired by our Group Head of Data & Analytics. We have seen further growth in our global Inclusion Network (IN), which acts as an umbrella group, representing 18 regional networks within LSEG, including our Black Employee Inspired Network Group (BEING), Multi-Cultural Network, LGBTQ+ Proud Network, Parents and Carers Network, Disability Network (Ability), our Women Inspired Network (WIN), and Veterans Network.

As a global organisation we also recognise that diversity can mean different things across our different locations. While our focus in the past has generally been centred on improving our gender diversity, 2020 has shown us that improving diversity in other ways may require more focus in some locations. Events in the US and UK in 2020 brought ethnic diversity to the forefront, while in other locations gender diversity remains the priority. Recognising this is crucial to ensure we can respond as necessary in all our global locations.

The first step in improving our diversity at LSEG is to ensure we have the appropriate data to better understand our people. We are making efforts to increase voluntary disclosure across all our locations by engaging leaders and colleagues face-to-face through leadership forums, our Inclusion Networks, events and encouragement from our Executive Team. In the UK and US the percentage of colleagues who disclosed their ethnicity was 81%, as of 31 December 2020. Amongst our UK and US colleagues, 34% identify as Black, Asian and Minority Ethnic.

We hope to improve our ethnicity disclosure rates in other locations as well as other forms of diversity data throughout 2021 and beyond.

In our efforts to strengthen diversity and inclusion across the Group and in response to the Black Lives Matter movement in 2020, we launched six workstreams which aim to improve our focus on ethnic diversity and make LSEG a more inclusive environment.

- **Culture:** we've taken steps to open up a Group-wide conversation about race and diversity, creating a safe space for our colleagues to share lived experiences. Our Inclusion Networks have helped us to celebrate a number of important events, such as Black History Month, which created opportunities to learn about racial disparities and injustice experienced by members of the Black Community
- **Wellbeing:** through our partnership with City Mental Health Alliance we've built a support network of more than 340 mental health champions. We've worked with the provider of our Employee Assistance programme to ensure all colleagues can access ethnically diverse counsellors
- **Hiring:** we've onboarded eight new recruitment partners across the UK and the US to help us reach and attract a more diverse pool of candidates. Our partners are working with us to build diverse shortlists for all roles
- **Training:** we introduced mandatory 'Breaking the bias' training across the Group and we've embedded Inclusive Leadership learning in our leadership and management development programmes to better understand and prevent bias in hiring, performance management and promotion
- **Mentoring:** we launched our Reverse Mentoring programme for our Executive Committee and BEING members, described below
- **Data:** we have invited colleagues to provide their personal diversity information to help shape the actions we take and track our progress

These workstreams aim to create substantive and sustainable change across the Group by ensuring all colleagues understand the importance of an inclusive culture, that our processes are examined and refined to remove any potential bias, and to leverage more diverse candidate pools. We are proud that we have laid some of the foundations to better embrace diversity and strengthen inclusion at LSEG.

> I'm proud that we have laid some of the foundations to better embrace diversity and strengthen inclusion at LSEG
>
> **David Schwimmer**
> **Chief Executive Officer**

We have also made public commitments on race and disability equality through the Race at Work Charter, Sunday Times Open Letter and Valuable 500 initiative.

**The BITC Race at Work Charter** aims to tackle the barriers that ethnic minority people face in recruitment and career progression. As a result of our commitment to this, we've taken steps to ensure our leaders and managers are equipped to support equality in the workplace. Examples include modules for inclusive leadership and manager training that have been embedded into LEAD 2020 and Manager Excellence programmes. We have also launched a Reverse Mentoring programme for our Executive Committee and BEING members to help our business leaders understand the experiences of Black colleagues. This also gives mentors greater access to senior leadership to raise awareness on issues, share ideas and develop their own network. In 2021 we will expand this programme to include a wider range of Black, Asian and Minority Ethnic colleagues and involve managing directors.

**Signing The Sunday Times Open Letter** provides an opportunity to take action on race inclusion. This letter made clear commitments about opening up the conversation about race in the workplace. Our Inclusion Networks have continued to focus on listening sessions to raise awareness on issues affecting Black colleagues, supporting our commitment to a 'journey of learning'. Our partnership with The Centre for Inclusive Leadership and the work we are doing to develop new 'Conscious Inclusion' learning helps to demonstrate our commitment to creating a safe place to discuss and learn about race in the workplace.

| Gender breakdown | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Female | % | Male | % | Female | % | Male | % |
| LSEG plc Board | 4 | 44% | 5 | 56% | 4 | 31% | 9 | 69% |
| LSEG Subsidiary Board[1,3] | 28 | 20% | 110 | 80% | 31 | 19% | 132 | 81% |
| ExCo and Leadership Teams[2,3] | 172 | 37% | 298 | 63% | 140 | 32% | 291 | 68% |
| All other colleagues | 1,750 | 34% | 3,334 | 66% | 1,577 | 35% | 2,957 | 65% |
| Total[4] | 1,922 | 35% | 3,632 | 65% | 1,717 | 35% | 3,248 | 65% |

1. Mix of employees and Non-Executive Directors
2. Executive Committee and Leadership Teams in LSEG
3. The LSEG Subsidiary Board members and the members of the Executive Committee and Leadership Teams together comprise the 'Senior Managers' for the purposes of section 414C(8)(c)(ii) of the Companies Act 2006
4. Total comprises Executive Committee and Leadership Teams and All other colleagues

Note: Figures as of year ended 31 December 2020

44%

**Female representation at Board level as of year end**

50%

**of our external hires at senior manager level in 2020 were female**

**The Valuable 500** is a global movement putting disability on the business leadership agenda. Our leadership-led D&I programmes will focus on developing targeted initiatives to further support colleagues with visible and non-visible differences which will be established through data captured in our D&I data workstream. We also continue to support the Group's new Ability Network, encouraging membership and allyship.

While these initiatives are creating positive change, feedback obtained from the 'Have Your Say' survey indicate there is still work to be done in creating a truly inclusive culture at LSEG.

Diversity remains an important factor in our succession planning and other appointments. We have included this consideration when selecting our Executive Committee for the combined group. Further details on the nomination process can be found on pages 88–90.

**Gender Diversity**

The Group was an early signatory of HM Treasury's Women in Finance Charter in the UK, and we set ourselves a stretch target of reaching 40% female representation in our senior leadership population by the end of 2020. In 2020 we have reached 37% of senior leadership level female representation across Group, while this is below the 40% target we set, we have made good progress and recognise we have more to do to achieve this target. In terms of female representation at Board level, the Hampton-Alexander report recognised the Group for making significant improvements that have led to women comprising 44% of our Board. In 2020 we have continued to strengthen our leadership and manager capability to ensure all processes consider diversity of thought and inclusive mindsets. We continue to promote initiatives to support and develop diverse talent at LSEG, both through our internal work, with our WIN network, which has continued to expand across our key regions in the year, and working with external partners such as the 30% club cross-company mentoring scheme.

These initiatives have resulted in an increase in the proportion of female candidates hired across the group. In 2020 at senior manager level, 50% of our external hires were female rising from 41% in 2019.

**Gender Pay Gap**

At LSEG, we conduct equal pay analysis as part of our annual pay review process and are confident that we do not differentiate pay between men and women who perform equivalent roles. We have a Group-wide reward framework, which establishes the compensation structure, elements and leverage for each stage in our career framework. This is used to review any potential gender bias as part of our annual pay review process. However, we acknowledge that we do have a gender pay gap, due to the unequal distribution of men and women across the company.

We go beyond UK statutory disclosure requirements to increase transparency, provide a more accurate picture of our gender pay gap and establish a more meaningful baseline against which to track progress. Our 2020 global gender pay gap mean reduced by 2% from 23% in 2019 to 21% and the median remained the same at 10% in 2020. The biggest factor behind our gender pay gap continues to be the fact that there are fewer women in senior positions. We recognise we need to do more to improve in this area and we have continued to focus on talent acquisition and development of female talent, particularly at senior levels, resulting in increased representation at senior leadership level. Our latest gender pay gap report was published in March 2021. This report can be found at: **www.lseg.com/investor-relations/sustainability**

## COVID-19 RESPONSE

**Across our business**
Covid-19 has had a huge impact on societies, the global economy, our own people, customers and stakeholders. The health and wellbeing of employees has been a key focus. The vast majority of our teams in most locations have been working remotely and we continue adapting our technology and working practices to this changing environment. LSEG is in regular contact with public health authorities, governments and stakeholders around the world and will adjust the response accordingly.

To support our people we developed a Covid-19 microsite on measures that the Group were taking to support them. We launched a series of video updates from our senior leaders and produced the first edition of LSEG's Covid-19 Support Guide, bringing together all related resources and making it easier to access information on their wellbeing, learning and development and to stay connected across the Group.

In May, we surveyed our teams globally to understand their experiences and plan meaningful actions. Overall feedback was positive and in line with external trends:

- 92% were confident in senior leaders' ability to lead the Group during this time
- 86% believed their manager is effectively managing them and their team virtually, with 83% agreeing their manager regularly asks how they are doing
- 93% understood their team's key priorities and 94% were clear about what is expected of them
- 82% responded that they knew who to talk to for support to manage their wellbeing
- 91% responded they were able to stay connected with colleagues

The survey included open-ended questions which invited colleagues to highlight what (if any) further support they require while working remotely. Half confirmed they were satisfied with current arrangements, while others highlighted a need to improve communication, technology and manager capability.

In response to the survey insights, we launched a series of line manager webinars focused on topics such as building resilience and how to keep a remote team connected, helping our leaders manage wellbeing within their teams and ensuring colleagues felt connected. We empowered our leaders to encourage new ways of working, through running townhalls and virtual team meetings. These meetings are run alongside regular intranet articles and events focusing on different aspects of wellbeing, such as the 'Managing Home and Work Life' webinar. We have encouraged colleagues to assess their working environments and targeted learning is available to support our managers as they learn to adapt to new ways of working and managing teams.

We launched a series of mental health awareness events and trained more than 340 colleagues as Mental Health Champions, who are now able to spot when someone may be struggling with their mental health while working remotely, and can identify support pathways for colleagues.

We introduced the LSEG Social Exchange, where colleagues are paired up for a virtual coffee break with people they might not ordinarily interact with, building relationships across the Group and fostering an environment of collaboration. Over 350 colleagues took part in the first cohort with the next group starting in early 2021.

Parts of the Group have been running an initiative called 'Mid-week My Time' where on Wednesday afternoons there is a 'no meeting zone', colleagues can use this time for their own development or wellbeing. Refinitiv already has something similar in place as a wellbeing initiative.

To measure these initiatives effectiveness, we surveyed colleagues again in September. While results remained in line with external trends, some results were lower, reflecting colleagues' need for greater human and social interaction, having worked remotely for a prolonged period. For example, 55% of our colleagues felt able to disconnect from work during non-work time (vs. 75% in May). To help them create clear boundaries, we launched a series of Wellbeing webinars focusing on how to improve motivation, stay connected and keep positive through uncertainty. The latest results showed that 73% know who to talk to if they need support to manage their wellbeing (vs. 81% in May).

We recognise that we continue to operate in a challenging environment, and for some colleagues this can take a toll on their wellbeing. We are encouraging colleagues to speak with their line managers to arrange flexible working solutions to suit them. We've provided regular communications through various channels and internal support networks to ensure all colleagues understand what resources are available to them to manage their wellbeing, and who they can talk to if they need support.

£420,000

**donated by LSEG Foundation to charities around the world**

**Across our markets**
In March, London Stock Exchange was the first exchange globally to announce that it would be admitting social and sustainability bonds with the use of proceeds aligned towards mitigating the impact of Covid-19 with no admission fees on its Sustainable Bond Market (SBM).

As of 31 December, a total of £75 billion of Covid-19 bonds were listed on London Stock Exchange, of which over £4 billion was listed on the SBM. These issuances included a US$3 billion Social 'Fight Covid-19' bond by the African Development Bank Group. The proceeds will be put towards mitigating the impact of Covid-19.

Additionally, RepoClear supported the clearing of bonds issued as part of the European Union's temporary support to mitigate unemployment risks in an emergency programme.

LSEG is committed to supporting communities where it operates around the world. In response to Covid-19, our regional charity committees made recommendations to LSEG Foundation on suitable donations, which has allocated more than £420,000 to charities across the world. Colleagues have raised additional funds to further support specific charities. We are matching employee donations for Covid-19-related relief up to £120,000 globally.

In the UK, we donated £1 million to Business in the Community's National Business Response Network, set up by The Prince's Trust. The Network matches community groups, charities and small businesses in need with other businesses that can provide support to them.

In Italy, we donated €1 million to Fondo di Mutuo Soccorso (Mutual Aid Fund), established to help individuals and support the recovery of the economy with focus on small businesses and the sectors most impacted by Covid-19.

Globally, LSEG donated £1 million to the International Committee of the Red Cross (ICRC)'s Emergency Appeal for Covid-19 to fund emergency medical aid around the world.

**For more information on how we mitigated the People related risks that came with Covid-19, please see page 38.**

## Governance

### Policies

A Group-wide Policy Framework has been established with each policy containing the following:

- Risk definition and identification
- Risk Appetite and Tolerances
- Minimum Standards and Risk Management Activities

All Group-level policies are approved by the Executive Committee as a minimum and other Committees and Boards as defined in the Enterprise Risk Management Framework and embedded in the Policy Governance Framework (PGF). Policies are subject to annual review, which may be approved by the Policy Owner and Executive Sponsor if there are no material changes.

Polices are implemented and managed in accordance with the Enterprise Risk Management Framework, the PGF and three lines of defence operating model. All Group Policies are published on the internal online intranet site, available to all staff. Material Policy breaches are reported to the Board, the Executive Committee and relevant sub-Committees.

Given their relevance for our industry and associated risks, we provide below a brief comment on the outcomes of the following policies, deemed to be most relevant to our Sustainability processes:

- Financial Crime (including Anti-Money Laundering)
- Anti-bribery and Corruption
- Group Information Security
- Business Continuity Management

In the case of all policies stated above, compliance with which is regularly monitored, the outcome is that there have been no breaches material to LSEG in 2020. More details on these policies can be found on page 37 of the Group Sustainability report.

All new and existing LSEG employees are provided with training on the Group's core policies, including all the key regulatory and legal requirements. Details of this can be found on page 38 of our Sustainability Report.

### Human Rights

LSEG adheres to the UN Guiding Principles on Business and Human Rights, together with the International Labour Organization Conventions and Recommendations within our working environment in each location where we operate. The Group strongly supports these conventions which promote freedom of association and equality and abolish forced labour and child labour. Human rights considerations are also included in our Supplier Code of Conduct and Group Sustainability Policy.

Our updated risk assessment and research in 2020 has again indicated that LSEG operates in an industry where the risk of modern slavery and human trafficking is inherently low. However, we operate as a global business and therefore recognise the risks of partnering with a varied spectrum of global suppliers and of slavery occurring deeper in those complex supply chains. We also acknowledge that modern slavery is getting more prominent globally given recent events leading to financial insecurity for many and increased vulnerability. We want to become a market leader in fighting modern slavery helping to contribute to the UN Sustainable Development Goals target to bring the modern slavery figure close to zero by 2030. The Group believes we can have a strong impact given the financial sector has unparalleled influence over global business and can invest in and foster the best practices.

The Group has a zero-tolerance approach to modern slavery. Some of our key actions taken in 2020 in order to make advances in tackling modern slavery were:

- Refreshed risk assessment on our current supplier base to identify the highest risk suppliers from a slavery perspective which has confirmed majority of our relevant supplier spend is with suppliers in our lowest slavery risk tier. Our procedures and anti-slavery approaches continue to be appropriate and proportionate
- Increased our acceptance of LSEG's Supplier Code of Conduct across our supplier base
- Engaged our key suppliers and our highest risk suppliers to have an understanding of the governance, processes and where they are further advanced than LSEG to use as an opportunity to progress ourselves in this space

Our 2020 'Slavery and Human trafficking statement' published on our website in March 2021, describes the steps taken during 2020 to improve our supply chain management and procurement processes and procedures.

The most recent version of our modern slavery statement can be found at: **www.lseg.com/investor-relations/sustainability**

# Supporting Sustainable Growth continued

## Environment

As a Group, we strive to take a leadership role in our approach to sustainability and environmental stewardship. This not only covers how we support sustainability integration into our business and capital markets but also through our own operations. The Group's primary direct environmental impacts arise from our data centres, our offices that in 2020 hosted over 5,000 employees around the world, from business travel and, indirectly, from our supply chain. We are exploring, understanding and modelling the risks and opportunities for our business arising from climate change and are taking action to address them. The integration of LSEG and Refinitiv provides an opportunity to evolve and deepen our approach to sustainability and to managing our environmental impacts.

During the reporting period, we achieved a 9% reduction in our absolute carbon footprint compared to 2019. This reduction has been a result of the impact of Covid-19 on our working arrangements, with significant reductions in business travel journeys, electricity consumption, water use and waste production during 2020. Energy efficiency initiatives were still taken during 2020, but fewer were completed in the year than planned due to limited access to our buildings. Natural gas reductions were limited, which highlighted the need for improvements in building management systems in some of our office locations. These are planned for 2021.

David Shalders, the Group COO, reports to the Board on environmental operational issues and Brigitte Trafford, the Group's Chief Communications and Marketing Officer and a member of the LSEG Executive Committee, reports to the Board on the Group's overall sustainability performance.

The GHG emissions data provided excludes 2018, due to the lack of comparability with 2020 and 2019 inventories. During 2020, we calculated a new baseline year (2019), which includes all relevant Scope 3 categories such as Purchased Goods and Services, Fuel and Energy related emissions, Upstream Leased assets, Employee Commuting and additional Business Travel emissions related to Hotels, Taxis and Ground Transfers. Due to this significant expansion of the Scope 3 inventory, the new base line year (2019) is the earliest historic data which may be considered comparable to 2020.

**For more information on the Group's emissions, including details on 2019 restatement, please see pages 42–48 of our Sustainability Report.**

## Global GHG Emissions

| $tCO_2e$ – Tonnes of carbon dioxide equivalent | | 2020 | 2019[9] | % Change |
|---|---|---|---|---|
| **Total Group Carbon Footprint[1,6]** | | **137,047** | 150,983 | -9% |
| per $m^2$ | | **0.86** | 1.22 | -30% |
| per FTE | | **23.4** | 27.8 | -16% |
| per £m Revenue | | **56.1** | 65.3 | -14% |
| **Energy Consumption (kWh)[3]** | | **66,910,236** | 75,667,753 | -12% |
| Scope 1[2] | | **2,670** | 2,734 | -2% |
| Scope 2 Market based[4] | | **0** | 0 | – |
| Scope 2 Location based | | **14,279** | 18,052 | -21% |
| Scope 3[5,6,7] | | **134,337** | 148,249 | -9% |
| 1. Purchased Goods & Services | | **120,194** | 123,224 | -3% |
| 2. Fuel-and energy-related activities (FERA) | | **2,663** | 3,230 | -18% |
| 5. Waste generated and Water withdrawal | | **170** | 54 | +215% |
| 6. Business travel | | **4,671** | 18,221 | -74% |
| 7. Employee commuting and Home working | | **6,598** | 3,440 | +92% |
| 8. Upstream leased assets | | **81** | 80 | +1% |
| Renewable Electricity[8] | | **100** | 100 | – |
| **UK** | Energy Consumption (MWh)[3] | **42,132,213** | 45,548,356 | -8% |
| | Scope 1[2] | **640** | 518 | 24% |
| | Scope 2 – Market based | **0** | 0 | – |
| | Scope 2 – Location based | **9,466** | 11,166 | -15% |
| **Europe** | Energy Consumption (MWh)[3] | **19,765,509** | 21,481,944 | -8% |
| | Scope 1[2] | **1,964** | 1,922 | 2% |
| | Scope 2 – Market based | **0** | 0 | – |
| | Scope 2 – Location based | **2,756** | 3,529 | -22% |
| **Americas** | Energy Consumption (MWh)[3] | **1,683,485** | 2,690,579 | -37% |
| | Scope 1[2] | **14** | 22 | -35% |
| | Scope 2 – Market based | **0** | 0 | – |
| | Scope 2 – Location based | **359** | 645 | -44% |
| **APAC** | Energy Consumption (MWh)[3] | **3,329,029** | 5,946,875 | -44% |
| | Scope 1[2] | **52** | 271 | -81% |
| | Scope 2 – Market based | **0** | 0 | – |
| | Scope 2 – Location based | **1,699** | 2,710 | -37% |

1. All Group totals and electricity breakdowns use market-based Scope 2 emissions factors. Group carbon footprint includes tenant consumption, excludes client-based workers
2. Scope 1 Emissions Combustion of fuel and operation of facilities – includes Natural Gas, Diesel, LPG, Fugitive Emissions and Fleet Vehicles
3. Electricity, Natural Gas, Diesel, LPG, and Fleet Vehicle fuel have each been converted from their respective units to MWh in order to be presented as an aggregate fuel consumption value. Defra GHG Conversion Factors 2020 (Fuel Properties) have been used as the basis for this conversion. Refrigerant consumption is not included in total MWh
4. Scope 2 Emissions Purchase of electricity by the Group for its own use (the Group does not purchase heat, steam or cooling). Market-based emissions use supplier-based emission factors, and energy attribute certificates for where 100% renewable supplier tariffs are not in place. Residual mix factors are excluded due to the entire group electricity consumption being covered by 100% renewable tariffs or energy attribute certificates
5. Scope 3 includes emissions from Purchased goods and services, Fuel-and-Energy Related Emissions, Air Travel, Rail Travel, Taxis, Hotels and Ground Transfers, Waste, Water, Employee Commuting (including home working) and Upstream leased asset. Emissions from Purchased goods and services, Taxis, Hotels and Ground transfers, Employee Commuting and Upstream leased assets have only been calculated as of 2019. Homeworking was calculated for the first time during 2020, as a result of the Covid-19 pandemic
6. DEFRA UK Government GHG Conversion Factors are used for our UK sites, and all business travel, water, waste, upstream leased assets and extrapolated data. US EPA factors are used for United States electricity and employee commute factors. Local GHG Protocol emissions factors are used to calculate Scope 1, 2 and Scope 3 fuel-and-energy-related emissions for international sites where available. Defra IO factors have been adjusted to reflect reporting year consumer index pricing to estimate emissions related to purchased goods and services. US and UK National Travel Surveys have been used to inform our estimations for employee commuting. Emissions related to working from home have been based on EcoAct's 'Homeworking emissions whitepaper' (2020)
7. Scope 3 emissions are not separately reported by UK and Rest of Group, due to the collection of travel, purchased goods and services and other data at the group level.
8. Energy attribute certificates have been purchased to claim renewable electricity consumption for all sites where 100% renewable supplier tariffs are not in place. These certificates have been sourced from an internationally recognised trader who is an IETA member and gold partner of CDP. 69% of our total electricity consumption is via 100% direct renewable supplier tariffs
9. 2019 total carbon emissions (and associated intensity metrics) have been restated to reflect changes made to our methodology in reporting air and rail travel emissions during 2020 (inclusion of radiative forcing and upstream well-to-tank (WTT) emissions, as well as improvements in accuracy in seat class information). We have also corrected our waste emission factors to report only waste disposal emissions, procurement of goods is covered by Scope 3 Category 1 Purchased Goods and Services

We are taking an active approach to emissions management, with our global Environmental Management Group accurately measuring and reporting on our GHG and wider environmental impacts. We report beyond the mandatory reporting guidelines to include all relevant Scope 3 emissions. Performance is reported quarterly via our Intranet, and annually discloses verified emissions on our website, in our Sustainability and Annual Reports, and in response to CDP, FTSE Russell, MSCI, Sustainalytics and S&P.

In 2020, we set a science-based target approved by the Science Based Targets Initiative (SBTi), which ensures our emissions reduction target meets with the changes needed to keep global warming below 1.5°C compared to pre-industrial levels. This target will demand us to not only make substantial change to our own operations, but also requires our supply chain to take action.

This target supports us on our trajectory towards net-zero emissions by 2050. At the start of 2021, we stated our commitment to 'Business Ambition for 1.5°C', and therefore joined the 'Race to Zero' campaign convened by the UN to build momentum around the shift to a decarbonised economy, ahead of COP26. It aims to show that businesses, cities, regions and investors are united in preparing themselves to achieve net zero carbon emissions before 2050. As LSEG integrates with the Refinitiv business, who themselves have set a science-based target approved by the SBTi, the targets for both legacy businesses will be combined to provide a new Group-wide set of targets which will be disclosed when available.

Our targets which have been approved by the SBTi are:

- London Stock Exchange Group plc commits to reduce absolute Scope 1, Scope 2 and Business Travel (Scope 3) GHG emissions by 46% by 2030 from a 2019 base year.
- London Stock Exchange Group plc's supplier engagement target commits to 66% of our suppliers (by emissions) setting a science-based target by 2025, covering 57% of our total Scope 3 emissions.

Progress against our science-based target is detailed below. During 2020, as a result of the impact of Covid-19 on our operations, we achieved a 65% reduction in Scope 1, 2 and Business Travel (Scope 3) emissions. This was primarily due to global travel restrictions. We will report on progress against our science-based target in our Sustainability and Annual Reports.

In 2020, we undertook a full inventory of all relevant indirect GHG emissions, covering emissions from our supply chain, employee commuting, upstream assets, and additional indirect fuel-and-energy-related emission sources. More information on the methodologies used for these new categories can be found in our Sustainability Report.

During 2020, we rebased our GHG inventory to allow us to make some accuracy improvements for business travel, as well as waste and energy emissions. This was required as more accurate data was made available for some offices and business travel partners, and we chose to include radiative forcing uplift to our air travel emissions calculations, as this is now common practice in corporate carbon accounting. These changes have been applied retrospectively from 2018 to ensure continuity in our reporting (see our Sustainability Report for more information).

Our focus for the early part of 2021 will be the integration of the legacy LSEG and Refinitiv organisations. This will require rebasing of our GHG inventory during 2021.

**2019 (base year)**
20,955 $TCO_2e$

**2030 Target**
-46%

**2020 Milestone**
-4.2%

**2020 Actual**
7,348 $TCO_2e$

**Progress**
-65% $TCO_2e$

### Methodology and Verification

We report all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated statement. We do not have responsibility for any emission sources that are not included in our consolidated statement.

Our emissions are calculated according to an 'operational control' boundary using GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and UK Government Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance (March 2019).

London Stock Exchange Group's Scope 1, 2 and 3 emissions disclosed here and in our Sustainability Report have been externally verified by SGS against the requirements of the WRI/WBCSD GHG Protocol, GHG Protocol Corporate Accounting and Reporting Standard (revised edition), GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard, The GHG Protocol Corporate Value Chain (Scope 3) Standard. Conduct of the verification met the requirements of ISO 14064-3:2006.

More information and full details of our emissions inventory and targets can be found in our Sustainability Report. Our verification statement is available on our website at **www.lseg.com/investor-relations/sustainability/environment**

# Supporting Sustainable Growth continued

**Task Force on Climate – related Financial Disclosures (TCFD)**

In 2020, LSEG has taken further steps, facilitated and supported by an independent and external consultancy, to define and model how climate change impacts our businesses and operations. To further align with the TCFD recommendations, the Group has undertaken scenario analysis and quantification modelling over both the medium and longer term (2035 and 2050), and how these may impact operational and market risks. The aim is to reinforce the Group's resilience to physical risks now and in the future; to address transition risks and opportunities; be prepared for potential future mandatory reporting requirements; and to protect the Group's reputation. The associated preliminary output of the quantification of the financial risk for our Operations ranges between the probable values of £395,000 and £690,000 of likelihood-weighted annual costs over the next 10 to 30 years. See LSEG's Sustainability Report (page 50) for further information.

| TCFD recommended disclosures | LSEG Approach | 2020 Enhancements | References |
|---|---|---|---|
| **Governance** | | | |
| a. Information on LSEG's governance around climate-related risks and opportunities: Board's oversight | • LSEG Board has oversight of the Group Sustainability Policy, which includes our Environmental Policy;<br>• The Group CEO sponsors the Group Sustainability Policy at Board level<br>• The Group COO reports to the Board on environmental matters | • Board Risk Committee presented with clearly identified non-financial risk framework as part of Group ERM, including climate-related risks | • Group Sustainability Policy<br>• LSEG Sustainability Report 2020: Environment section, pages 22–25 and 42–48<br>• Risk section of the Annual Report, pages 24–39<br>• LSEG Sustainability Report 2020, Governance section, page 35<br>• LSEG Annual Report 2020, Supporting Sustainable Growth section, pages 54–67 |
| b. Information on LSEG's governance around climate-related risks and opportunities: Management's role | • Group Sustainability Committee is chaired by Executive Committee member<br>• The EMG is responsible for setting Group-wide targets, and managing and seeking to improve our environmental performance | • There are two dimensions to our sustainability strategy. Our first pillar is described as "Transforming the global financial eco-system" this is about how we work across the market to support the shift to a net-zero sustainable economy.<br>Our second pillar is described as "Transforming our operations and culture while supporting the wider community" – this includes our people, our communities and our environmental impacts | |
| **Strategy** | | | |
| a. Climate-related risks and opportunities identified over the short, medium and long term: | • There is a Group approach on climate-related risks and is reported through The Group Sustainability Committee – The process is managed by Risk and has been supported by an independent external consultancy, to define and model how climate change impacts our businesses and operations | • The Group is developing climate-related risk quantification models over both the medium and longer term to help identify how physical and transition risks may impact our business | • LSEG Sustainability Report 2020: Environment section, pages 22–25 and 42–48<br>• FTSE Russell Green Revenues data model<br>• Strategy section of the Annual Report, pages 14–23<br>• For scenario analysis, see risk section of the Sustainability Report, pages 36 and 50<br>• LSEG Annual Report 2020, Supporting Sustainable Growth, pages 54–67 |
| b. Impacts of climate-related risks and opportunities on LSEG's business, strategy and financial planning | • Our EMG guides the Group's environmental strategy, and is responsible for setting Group-wide targets, managing and seeking to improve our environmental performance | • Group Risk has worked with an independent external consultancy to develop a Climate risk and opportunities heatmap and a preliminary quantitative methodology in order to quantify the financial impact on LSEG's business and support and inform future investment and business' decision making. | |
| c. Resilience of the organization's strategy based on scenario analysis | • We have been working on developing quantification models to identify the most material physical and transition risks for the business, including our operations | • Climate Change risks and opportunities qualitative and quantitative heatmaps completed<br>• Preliminary quantification models completed for Operations and one business unit | |

| TCFD recommended disclosures | LSEG Approach | 2020 Enhancements | References |
|---|---|---|---|
| **Risk management** | | | |
| a. Information on LSEG's processes for: identifying and assessing climate-related risks | • Some climate-related risks have been categorised as emerging risks and it is acknowledged that they are inherently linked to other strategic, financial and operational risks | • Training was delivered to Risk champions to enable effective identification and assessment of ESG risks, including climate-related risks<br>• Review of climate-related risks in the Group Risk database<br>• The Group has developed climate-related risk scenarios over both the medium and longer term | • LSEG 2020 CDP Response: Risk and Opportunities Section, questions C2.1–C2.3<br>• LSEG Annual Report: Principal risks and uncertainties emerging risks section, page 39<br>• LSEG Annual Report, Supporting Sustainable Growth, pages 54–67<br>• For scenario analysis, see risk section of the Sustainability Report, pages 36 and 50 |
| b. Information on LSEG's processes for: managing climate-related risks | • LSEG has taken steps to develop its methodology to define and model how climate change impact its businesses. The aim is to reinforce the Group's resilience.<br>• The Group Sustainability Committee is the governance body that provides direction to the Group, incorporating strategic input from the Executive Committee, to which the Group Sustainability Committee reports. Risk function also reports and seeks input and approval on climate risk work from the Sustainability Committee. | • Developed preliminary quantification models for Operations and one of the Group's business units<br>• On-going interaction with Operations around footprint and climate exposure | |
| c. Information on LSEG's processes for: how climate-related risks are integrated into LSEG ERM system | • LSEG continues to increase its focus on embedding these risks in our ERM framework and some climate-related risks have been categorised as emerging risks and it is acknowledged that they are inherently linked to other strategic, financial and operational risks | | |
| **Metrics and targets** | | | |
| a. Metrics and targets used by LSEG to assess and manage: relevant climate-related risks and opportunities | • Our business divisions are developing more established approaches to get more exposure of our markets to the green economy<br>• Physical risk metrics are associated with LSEG environmental programme targets | • Climate Risk and Opportunities Quantification models and ongoing refinement to drive future strategic decision-making | • LSEG Sustainability Report 2020: Environment section, pages 22–25 and 42–48<br>• FTSE Russell Report "The green economy report: How issuers are leading the drive to a low-carbon economy" 16 July 2020<br>• LSEG Annual Report 2020, Supporting Sustainable Growth, pages 54–67<br>• FTSE Russell Report "Investing in the green economy – sizing the opportunity" 16 December 2020 |
| b. Metrics and targets used by LSEG to assess and manage: Scope 1, 2 and 3 GHG emissions | • LSEG has measured and disclosed these emissions for many years and has incrementally improved its calculation of this data | • We have made improvements to how we calculate our Scope 3 emissions including radiative forcing in travel emissions | |
| c. Metrics and targets used by LSEG to assess and manage: Targets and performance | • LSEG sets environmental targets for business operations for reports against these targets externally on an annual basis | • We have set a science-based target approved by the Science Based Targets Initiative (SBTi), which ensures our emissions reduction target meets with the changes needed to keep global warming below 1.5°C compared to pre-industrial levels | |

# Board engagement with stakeholders

The table below sets out how the Board engages with and seeks to understand the views of our key stakeholders: customers, regulators and the workforce. Not all information is reported directly to the Board and not all engagement takes place directly with the Board. However, the output of this engagement informs business-level decisions, with an overview of developments and relevant feedback being reported to the Board and/or a Board Committee.

Further information on the activities of the Board can be found in the Corporate Governance Report beginning on page 72.

| Stakeholder group | Form of engagement | How this engagement influenced Board discussions and decision making |
| --- | --- | --- |
| **Our customers**<br>The Group has grown rapidly through growth and acquisition, building businesses around three strategic areas: Capital Formation, Information Services (now part of the Data & Analytics division following completion of the Refinitiv acquisition) and Post Trade and Risk Management Services. We remain focused on delivering the opportunities and efficiencies of operating a unified Group to benefit our customers and drive sustainable long-term growth. | We believe that aligning our strategy, services and products to the needs and interests of our customers is central to supporting long-term value creation, enabling innovation in products which can be rapidly adopted.<br><br>A number of our businesses including LCH, Turquoise and CurveGlobal are owned and governed in partnership with our customers which we believe helps us to better understand their views and enhances our ability to add value to their businesses.<br><br>We also engage regularly with our customers at roundtable events, market opens, market close sessions and conferences. In 2020, much of this engagement took place virtually due to the Covid-19 pandemic. The shift to virtual communications has enabled us to engage with our customers more frequently and outside of formal meetings.<br><br>We monitor customer feedback to help us understand our customer's views on the Group's products and services as well as the ways that they would like us to improve our offering. In addition, customer engagement meetings are held to enable our senior management to understand what matters to our customers and to build strategic relationships with them.<br><br>In March 2020, we actively engaged with our customers in relation to the rebalances of the equity index series following the changes in market conditions due to the impact of Covid-19. This engagement was repeated in subsequent quarters during 2020. | Customer feedback is communicated by the Group CEO, CFO and other members of the Executive team to the Board through its regular reporting mechanisms when decisions are taken which could impact customers.<br><br>When taking the decision to divest the Borsa Italiana Group, the Board concluded that it was in the best interests of shareholders to divest of the Borsa Italiana Group as a whole.<br><br>In taking this decision, the Board also noted the benefits for customers and other stakeholders of keeping the businesses together. |
| **Our workforce** | Engagement with our workforce includes formal and informal meetings, an annual engagement survey, and town hall meetings.<br><br>In 2020, we held virtual townhall meetings across the Group due to Covid-19 restrictions. Townhalls are held at the Group and Divisional levels and topics are tailored to the different audiences with interactive Q&A sessions. In addition to providing the workforce with updates on business and financial performance, management used these sessions to update the workforce on the progress of the Refinitiv Integration and future Ways of Working projects.<br><br>Additionally, in 2020, we asked employees for feedback more regularly by introducing a quarterly Ways of Working survey to improve our understanding of employee sentiment during the global pandemic.<br><br>The Board seeks to engage with a wide cross section of the workforce to better understand their perspective on the business. In any normal year, Directors would visit our operations and engage with the workforce as part of each visit. During 2020, the Board engaged with the workforce virtually through a series of Employee consultations held in key regional locations. These meetings were designed to provide Board members with an opportunity to gain insights into the culture and concerns at different levels of the business.<br><br>More information on workforce engagement can be found on pages 57–59 of the Strategic report and page 79 of the Corporate Governance Report. | There was an acknowledgement in the Employee consultation sessions of the challenges faced by colleagues working from home for an extended period of time.<br><br>Colleagues were happy with the Group's focus on wellbeing and had been impressed with the range of support available. They also shared ways they had kept in touch with other colleagues and the experience of virtual onboarding for new joiners. This feedback was incorporated into the Group's Internal Communications strategy for 2021 and the Group's onboarding procedures.<br><br>There was also agreement at these sessions that a flexible and balanced approach to office and home working would be needed post-pandemic, to meet the different needs of colleagues and the business. |

| Stakeholder group | Form of engagement | How this engagement influenced Board discussions and decision making |
|---|---|---|
| **Our regulators** | We engage with regulators on public policy, regulation and official guidance that may affect the Group's businesses in many countries across the globe.<br><br>Brexit was again a key topic where we had regular engagement with a number of regulators in 2020.<br><br>We engaged with key regulators before and after the announcement of the divestment of the Borsa Italiana Group. We also continued to engage with regulators throughout 2020 in relation to the Refinitiv acquisition.<br><br>The boards of the LSEG's regulated businesses have considerable engagement on a number of other matters, including impact and response to Covid-19, regulatory change and operational resilience including cyber and technology preparedness. | Feedback from ongoing engagement with UK and international regulators on Brexit helped inform the Board's decision-making on Brexit planning and has positioned the Group well both in its response to and planning for the regulatory impacts of Brexit and the opportunities to deliver solutions to help the market address the changing regulatory environment, including those linked with the departure of the UK from the EU.<br><br>The views of regulators were taken into account in planning for the divestment of the Borsa Italiana Group and the Refinitiv acquisition. |

## Suppliers

Our suppliers are also important stakeholders of the Group. During 2020 we completed a refreshed risk assessment of our supply chain based on latest guidance, best practice and data. This enabled us to reconfirm the tiers of our suppliers according to a number of risk factors.

Suppliers in Tiers 1-3 were asked to reconfirm their agreement to the LSEG Supplier Code of Conduct. We also reviewed and refreshed our policies and procedures and looked in detail at how these would be applied in a consistent manner to our different locations around the world following the completion of the Refinitiv acquisition.

A number of the Group's subsidiaries are required to report their supplier performance and policies as part of the Small Business, Enterprise and Employment Act 2015. During 2020, further steps were taken to accelerate the payment process and focus was given to ensuring purchase orders are raised and receipted promptly in compliance with the Group's procurement policy.

Each year we publish a statement setting out the Group's approach to managing its supply chain. More information on the Groups' approach can be found at: **www.lseg.com/about-london-stock-exchange-group/corporate-sustainability/modern-slavery-act-statement**

# How the Board has complied with Section 172(1) of the Companies Act 2006

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 as between members of the company.

In discharging our Section 172 duties we have had regard to the factors set out above. We also had regard to other factors which we consider relevant to the decisions being made. Those factors, for example, include the interests and views of our suppliers and our relationship with regulators and governments. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

For details on how our Board operates and the way in which we reach decisions, including the matters we discussed and debated during the year, the key stakeholder considerations that were central to those discussions and the way in which we have had regard to the need to foster the company's business relationship with customers, suppliers and other stakeholders, please see pages 76–87 of the Corporate Governance Report, Committee Reports, our stakeholder engagement disclosure, other relevant strategic report disclosures and the new disclosure requirements in relation to suppliers, customers and others.

We set out below some examples of how the Directors have had regard to the matters set out in Section 172(1)(a)-(f) when discharging their Section 172 duty and the effect of that on certain of the decisions taken by them.

### 1. Divestment of the Borsa Italiana Group

In 2020, having monitored the progress of the European Commission's Phase II review of the Refinitiv transaction (the Refinitiv Transaction), the Board considered the range of possible remedies that may be required by the Commission to achieve the remaining clearances and approvals.

This included discussions around the potential divestment of MTS or the Borsa Italiana Group as a whole. The Board concluded that it was in the best interests of shareholders to divest of the Borsa Italiana Group as a whole and noted the additional benefits for customers and other stakeholders of keeping the MTS and Borsa Italiana businesses together.

On 9 October 2020, LSEG confirmed the decision that it had agreed to sell its entire shareholding in London Stock Exchange Group Holdings Italia S.p.A. (LSEG Italia), the parent company of the Borsa Italiana Group to Euronext N.V. for an equity value of €4.325 billion, plus an additional amount reflecting cash generation to completion (the Transaction). As a result of Euronext N.V.'s 11.1% shareholding in LCH S.A., a subsidiary of the Company, Euronext was considered to be a related party of the Company under the Listing Rules and as a result the divestment was subject to shareholder approval, which was received 3 November 2020.

**Customers**

The Board believes that the overall strategic rationale for, and financial benefits of the Refinitiv Transaction remain compelling notwithstanding the divestment of Borsa Italiana Group will:

- transform LSEG's position as a leading global financial markets infrastructure group;
- significantly enhance LSEG's customer proposition in data and analytics;
- create a global multi-asset capital markets business; and
- deepen and expand our shared core principles of customer partnership and open access.

**Shareholders**

The Board considered that the divestment of the Borsa Italiana Group was in the interests of LSEG shareholders and that while the principal benefit was to facilitate the completion of the Refinitiv Transaction, the Board noted the following additional benefits:

- LSEG achieved an attractive valuation for the Borsa Italiana Group; and
- reduced leverage following completion of the Refinitiv Transaction, bringing LSEG closer to achieving its target net debt to adjusted EBITDA ratio of 1.0-2.0x within a desirable timeframe.

The LSEG General Meeting held on 3 November 2020 in which the LSEG shareholders approved the Transaction confirmed that the Company's shareholders had a positive view of the Transaction and marked a further important milestone toward achieving completion.

**Employees**

The Board also considered the potential impacts on the Borsa Italiana Group workforce. Consistent with relevant provisions of Italian law, Works Councils and employees were consulted in relation to the Transaction.

### 2. Capital Allocation

Each year the Board makes an assessment of the strength of the Group's balance sheet and future prospects relative to uncertainties in the external environment. During 2020, the Group has delivered good financial performance against the backdrop of the Covid-19 pandemic and remains well positioned to continue to develop and to make further progress on its strategic plans, including closing the Refinitiv Transaction.

In 2020, the Board recommended an increased final ordinary dividend of 51.7p per share, bringing the total ordinary dividend for 2020 to 75.0p per share, an increase of 7% on 2019. In making this decision, the Board considered a range of factors. These included the long-term viability of the Group; its expected cash flow and financing requirements; and the ongoing need for strategic investment in our business and our workforce as well as the expectations of our members.

### 3. Diversity and Inclusion

The Board believes that diversity makes us more dynamic, fosters innovation and boosts performance. Events in 2020 refocused LSEG's commitment to diversity and inclusion and pushed racial diversity to the forefront. As a global organisation we must also recognise that diversity can mean different things across our different locations. The Board inputted into and supported the six workstreams: culture, wellbeing, hiring (including pipeline for recruitment and succession), training, mentoring and data deep dives launched in response to the Black Lives Matter movement. These workstreams aim to make LSEG a more inclusive environment.

The Board also reviewed the Company's Culture Dashboard during the year. The dashboard tracks metrics around:

- recruitment and onboarding;
- performance and development;
- talent and mobility;
- diversity and inclusion; and
- leavers.

The Board recognises that improving the Group's diversity data has a crucial part to play in setting appropriate goals for improvement and to track progress over time.

# Governance

This section of the Annual Report pages 73–134 describes how LSEG, the Company, is governed and the control structures we have in place. Good governance is key to promoting the long term success of the Company, generating value for shareholders, building and maintaining relationships and contributing to wider society

# Board of Directors

## Committee membership key

| | |
|---|---|
| A Audit | N Nomination |
| R Remuneration | R Risk |
| G Group Executive | ■ Committee Chair |

## Board structure as at 31 December 2020

- Chair, who was independent on appointment
- One Senior Independent Director
- Five other Non-Executive Directors
- Two Executive Directors

## Director changes during the year

The following Directors were appointed as Directors during the year: Dominic Blakemore joined the Board on 1 January 2020 and Anna Manz joined the Board on 21 November 2020.

Paul Heiden stepped down from the Board on 21 April 2020 following the 2020 AGM.

Dr Ruth Wandhöfer and Marshall Bailey OBE stepped down from the Board on 2 March 2020 and 10 September 2020, respectively.

Raffaele Jerusalmi and Professor Andrea Sironi stepped down from the Board on 20 November 2020 in preparation for the proposed divestment of the Borsa Italiana Group to Euronext N.V..

David Warren stepped down as Group Chief Financial Officer and Executive Director on 21 November 2020 and will remain with the Group until 24 June 2021 to support the transition of his duties.

Additionally, Martin Brand, Erin Brown and Douglas Steenland were appointed as Non- Executive Directors (NED) under the terms of the Relationship Agreement effective 29 January 2021. A copy of their biographies are also included in this section of the Annual Report.

A short biography is provided for each Board Director listed on pages 73–75.

More detailed biographies for the Board of London Stock Exchange Group plc are available on the company's website at: **www.lseg.com/about-london-stock-exchange-group/london-stock-exchange-group-board**

### Don Robert

**Chair of the Company and the Nomination Committee.**

Appointed to the Board in January 2019 and Chair of the Company on 1 May 2019. N R

**Key areas of experience:** Data and analytics, technology, international business, financial services, mergers and acquisitions.

Don brings to the Board a strong track record in the global financial services sector and a deep understanding of technology, data and analytics as well as regulatory knowledge gained from his Bank of England role.

**Relevant past experience:** Don served in a variety of roles with the multinational information company Experian plc, including Chairman (2014-2019), Group Chief Executive (2005-2014), and CEO of its North American business (2001-2005).

**Previous senior roles include:** Chairman of Achilles Group Limited, President of Credco, Inc., former Chairman of the US Consumer Data Industry Association, Director and Trustee of the National Education and Employer Partnership Taskforce, NED First Advantage Corp and Senior Independent Director at Compass Group plc and a Non-Executive Director of the Court of Directors, Bank of England.

**Other current appointments**: Chairman of Validis Holdings Limited and the Chair of the Council at the London School of Hygiene & Tropical Medicine. Don is a Partner at the start up PE firm, Corten Capital. Don is also a Visiting Fellow at Oxford University and Honorary Group Captain, Royal Air Force.

### David Schwimmer

**Group Chief Executive Officer.**

Appointed to the Board in August 2018. G

**Key areas of experience:** Market structure, corporate finance, capital markets, mergers and acquisitions, emerging markets.

David brings significant knowledge of market structure and investment banking to the Board.

**Relevant past experience:** Prior to joining the Group in August 2018, David spent 20 years at Goldman Sachs, where he held a number of senior roles, most recently as Global Head of Market Structure and Global Head of Metals & Mining. During his tenure, he also served as Chief of Staff to Lloyd Blankfein, who was then President and COO of Goldman Sachs, and spent three years in Russia as Co-Head of Russia/CIS. Prior to joining Goldman Sachs, he practised law at Davis Polk & Wardwell.

**Other current appointments:** NED at the Center for New American Security (not-for-profit).

### Anna Manz

**Group Chief Financial Officer.**

Appointed to the Board in November 2020. G

**Key areas of experience:** Accounting, corporate finance, investor relations, risk, mergers and acquisitions, strategy, transformation, treasury management.

Anna brings significant consumer, financial, strategic and transformational experience to the Board.

**Relevant past experience:** Prior to joining the Group in November 2020, Anna was Chief Financial Officer and Executive Director of Johnson Matthey plc from 2016 to 2020, leading its Finance, Procurement and IT functions.

Prior to joining Johnson Matthey plc, Anna spent 17 years at Diageo plc in a number of senior finance roles, including most recently as Chief Strategy Officer and member of the Executive Committee, and previously Finance Director of Spirits North America, Group Treasurer and Finance Director Asia Pacific.

**Other current appointments:** Anna is currently a NED of ITV plc.

### Jacques Aigrain

**Non-Executive Director and Chair of the Remuneration Committee.**

Appointed to the Board in May 2013. A N R

**Key areas of experience:** Client management, corporate finance, corporate governance, post trade and clearing, investment management, mergers and acquisitions, strategy.

Jacques brings significant expertise and knowledge of global post trade and clearing and investment management to the Board. He also holds a PhD in Economics from the University of Paris (Sorbonne).

**Relevant past experience:** Jacques was formerly Chair of LCH Group Holdings Limited from 2010 to 2015. He has also been a NED of Resolution Ltd, a Supervisory Board member of Deutsche Lufthansa AG, a NED of the Qatar Financial Centre Authority and a NED of Swiss International Airlines AG (a subsidiary of Deutsche Lufthansa AG). Jacques was also Chief Executive Officer of Swiss Re Group from 2006 to 2009 and a Senior Adviser at Warburg Pincus LLC from 2014 to 2020.

Prior to 2001 (when he joined Swiss Re Group), Jacques spent 20 years with J.P. Morgan Chase, working in its New York, London and Paris offices.

**Other current appointments:** Jacques is currently Chairman of LyondellBasell Industries NV, Chairman of Singular Bank S.A.U. and a NED of WPP plc.

## Committee membership key

| | |
|---|---|
| A Audit | N Nomination |
| R Remuneration | R Risk |
| G Group Executive | ■ Committee Chair |

### Dominic Blakemore

**Non-Executive Director and Chair of Audit Committee.**

Appointed to the Board in January 2020. A N R

**Key areas of experience:** Accounting, corporate finance, investor relations, mergers and acquisitions, strategy, treasury management.

Dominic is currently Group Chief Executive Officer of Compass Group PLC, a role he assumed in January 2018. Dominic's previous roles at the Compass Group included: Group Finance Director from 2012 to 2015 and Group Chief Operating Officer, Europe from 2015 to 2017, before becoming Deputy Chief Executive Officer in October 2017.

Dominic brings extensive financial management experience to the Board gained from a number of senior finance roles in international businesses together with general operational management experience. Dominic is a chartered accountant.

**Relevant past experience:** Dominic was formerly a NED and Chair of the Audit, Risk and Compliance Committee of Shire plc from 2014 to 2018 and Chief Financial Officer of Iglo Foods Group Limited from 2010 to 2011. Before joining Iglo, Dominic was European Finance & Strategy Director at Cadbury plc from 2008 to 2010 having previously held senior finance roles at that company. Prior to his role at Cadbury plc, Dominic was a Director at Pricewaterhouse Coopers LLP.

**Other current appointments:** Dominic is also a member of the Council of University College London.

### Martin Brand

**Non-Executive Director.**

Appointed to the Board on 29 January 2021. N

**Key areas of experience**: Mergers & acquisitions, technology, media, telecoms, corporate finance, strategy, chair.

Martin brings extensive mergers & acquisitions expertise to the Board gained from his executive roles at Blackstone and his board roles within technology, media, telecom and financial institutions.

Martin is a Senior Managing Director and serves as co-head of U.S. Acquisitions for Blackstone's Private Equity Group. Martin leads Blackstone's investments in technology, media, telecom, and financial institutions. He serves as a member of the investment committee of Blackstone's Tactical Opportunities funds. Martin was involved in Blackstone's investments in Refinitiv, MagicLab, Promontory Interfinancial Network, Paysafe, Vungle, Ultimate Software, JDA, Optiv, Kronos, Ipreo, Knight Capital Group, Lendmark, Exeter Finance, Viva, NCR, First Eagle Investment Management, BankUnited, PBF Energy, Performance Food Group, Travelport, New Skies, Cine UK, NHP, Kabel BW, Kabelnetz NRW, Primacom, and Sulo.

**Relevant past experience:** Martin previously worked as a derivatives trader with Goldman Sachs in New York and Tokyo, and with McKinsey & Company in London. He was previously a director of Refinitiv until 2021.

**Other current appointments:** Martin is Chairman of Tradeweb Markets and a Director of, UKG, Exeter Finance, IntraFI, and First Eagle. He is a Trustee of the American Academy Berlin and a Director of the Park Avenue Armory.

### Erin Brown

**Non–Executive Director**

Appointed to the Board on 29 January 2021. N

**Key areas of experience:** Accounting, corporate finance, mergers and acquisitions and treasury management.

Erin brings significant international financial management expertise to the Board.

**Relevant past experience:** Erin has served in a number of senior executive roles at Thomson Reuters and is currently Head of Finance for the Thomson Reuters Corporates segment. Erin joined Thomson Reuters in 2011 and previously served as Treasurer, Vice President of Knowledge Solutions—Tax & Accounting, Vice President, Finance, and Vice President and Assistant Treasurer.

In 2018, Erin led Thomson Reuters' sale of a 55% interest in its former Financial & Risk business (now Refinitiv) to certain investment funds affiliated with Blackstone. Prior to joining Thomson Reuters, Erin held a number of finance roles at General Motors from 2003 to 2011. Erin has been a director of Refinitiv Holdings Limited since September 2019.

**Other current appointments:** None.

### Professor Kathleen DeRose

**Non-Executive Director and Chair of the Risk Committee.**

Appointed to the Board in December 2018. A N R

**Key areas of experience:** FinTech, financial markets, asset management.

Having spent 30 years working in global finance and asset management, Kathleen brings significant FinTech and global financial market expertise to the Board.

**Relevant past experience:** Kathleen previously held a number of senior roles at Credit Suisse Group AG from 2010 to 2015.

Other roles Kathleen has undertaken have included Managing Partner, Head of Portfolio Management and Research at Hagin Investment Management (2006 to 2010), and Managing Director, Head of Large Cap Equities at Bessemer Trust (2003 to 2006). Prior to 2003, Kathleen also held a number of roles at Deutsche Bank, and at JPMorgan Chase (formerly Chase Manhattan Bank).

In addition to her senior executive positions, Kathleen served as a board member of EDGE (Economic Dividends for Gender Equality) from 2014 to 2015, and she was founding Chair of Evolute Group AG from 2016 to 2017.

**Other current appointments:** Kathleen is a NED of Voya Financial, Inc. and a Clinical Associate Professor of Finance at the New York University Leonard N. Stern School of Business where she leads the FinTech curriculum. She is also the Director of the Fubon Center for Technology, Business and Innovation, and its FinTech initiative.

**Cressida Hogg CBE**

**Non-Executive Director.**

Appointed to the Board in March 2019. N R

**Key areas of experience:** Chair, corporate governance, infrastructure and private equity, mergers and acquisitions, pensions.

Cressida brings significant board experience to the Group combined with a strong corporate background in infrastructure and private equity.

Cressida currently chairs the Board of Directors of Land Securities Group PLC, having first joined the Board as a Non-Executive Director in 2014.

**Relevant past experience:** Cressida spent nearly 20 years with 3i Group plc and was one of the co-founders of 3i's infrastructure business in 2005, becoming Managing Partner in 2009. During this time, Cressida advised on all of 3i's infrastructure transactions.

She was also Global Head of Infrastructure at Canada Pension Plan Investment Board between 2014 and 2018.

In addition to her senior executive positions, Cressida served as a NED of Associated British Ports Holdings Limited and as a NED of Anglian Water Group.

**Other current appointments:** Cressida's principal activities currently performed outside of LSEG are as Chair of the Board of Land Securities Group PLC and NED of Troy Asset Management.

**Stephen O'Connor**

**Senior Independent Director.**

Appointed to the Board in June 2013. A N R

**Key areas of experience:** OTC derivatives, risk management, financial technology, capital markets, clearing, corporate finance.

Stephen brings international expertise in derivatives markets, clearing, counterparty risk management and financial technology to the Board. He has worked extensively with global regulators in the area of financial services market reform.

**Relevant past experience:** Stephen was Chair of the International Swaps and Derivatives Association from 2011 to 2014, having been appointed as a NED in 2009. Stephen also worked at Morgan Stanley for 25 years, where he was a member of the Fixed Income Management Committee, serving in a number of senior roles.

Stephen has served as a member of the High-Level Stakeholder Group for the UK Government's review of the Future of Computer Trading in Financial Markets and as Vice-Chair of the Financial Stability Board's Market Participants Group on Financial Benchmark Reform. He was a NED of OTC DerivNet Ltd from 2001 to 2013 and was Chair from 2001 to 2011.

**Other current appointments:** Stephen serves as Chairman of HSBC Bank plc (since 2018) and Chairman of Quantile Group Limited (since 2015). He is a member of the Scientific Advisory Board of the Systemic Risk Centre, London School of Economics and Political Science. Stephen is also a Non- Executive Director of the FICC Market Standards Board Limited.

**Dr Val Rahmani**

**Non-Executive Director**

Appointed to the Board in December 2017. N R R

**Key areas of experience:** Technology, technical risk management, digital transformation, innovation, sales and marketing, strategy, corporate governance.

Val brings significant expertise and knowledge of technology and technical risk management to the Board gained from almost 30 years with IBM and 4 years as CEO of a cyber security start up.

Val has wide-ranging experience as a senior executive in the technology sector fulfilling the role of general manager, board member, start-up mentor, management consultant and public speaker. Val holds a DPhil in Chemistry from the University of Oxford.

**Relevant past experience:** Val is a former NED of Aberdeen Asset Management plc and Teradici Corporation. Val previously ran the Innovation Panel for Standard Life Aberdeen.

**Other current appointments:** Val currently serves as a NED and member of the Audit Committee at RenaissanceRe Holdings Limited. She is also a NED of CTG Inc, where she chairs the Compensation Committee and serves as a member of the Audit and Governance Committees. Val is also a NED and member of the Compensation Committee of the private company Entrust and a NED of the early stage company, Rungway.

**Douglas Steenland**

**Non-Executive Director**

Appointed to the Board on 29 January 2021. N

**Key areas of experience:** Mergers & acquisitions, international business, financial services and insurance, corporate law and finance, strategy, chair, travel and airlines.

**Relevant past experience:** Douglas has been a Senior Adviser to Blackstone Private Equity Group since 2009.

Douglas is the former Chief Executive Officer of Northwest Airlines Corporation, serving from 2004 to 2008, and President, serving from 2001 to 2004. Prior to that, he served in a number of executive positions from 1991 including: Executive Vice President, Chief Corporate Officer and Senior Vice President and General Counsel. Douglas retired from Northwest Airlines upon its merger with Delta Airlines, Inc.

Prior to that, he was a senior partner at Washington, D.C. law firm Verner, Liipfert, Bernhard, McPherson and Hand (now part of DLA Piper) and also worked in the Office of the General Counsel of the US Department of Transportation.

Douglas was Chairman of the Air Transport Association from January 2008 to December 2009, after serving as a Director from 2005 to 2008, and previously a Director of International Lease Finance Group, Travelport LLC and Performance Food Group Company.

**Other current appointments:** Douglas is currently the Lead Independent Director of American International Group, Inc. He is also a Director of Hilton Worldwide Holdings Inc. and American Airlines Group, Inc.

# Corporate governance

> Good governance is key to promoting the long-term sustainable success of the Company, generating value for shareholders, building and maintaining relationships with stakeholders and contributing to wider society.

**Don Robert**
**Chair**

**Dear Shareholders,**
I am very pleased to present the Corporate Governance Report for the year ended 31 December 2020. This report provides an overview of how LSEG is governed and the control structures we have in place. The Board is responsible for the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board does this by supporting and challenging executive management to ensure we operate to high governance standards. This report explains how we seek to achieve this. It also contains some highlights from my perspective as Chair.

2020 is the second year that companies have been asked to report against the new Corporate Governance Code ("the Code"). This Corporate Governance Report together with the Reports of the Committees sets out how we have applied the Code. At the heart of the Code is an updated set of principles that emphasise the value of good corporate governance to long-term sustainable success.

## Board composition and appointments

There have been changes to the Board's composition during the year. The purpose of the changes is to ensure the replacement of key skills and experience and to enhance the strength of the Board, also having regard to Board Diversity.

As set out in last year's Annual Report, Dominic Blakemore was appointed as a Non-Executive Director on 1 January 2020 and became Chair of the Audit Committee at the end of the AGM on 21 April 2020 when Paul Heiden stepped down from the Board. Anna Manz was appointed Group Chief Financial officer and joined the Board as an Executive Director on 21 November 2020 replacing David Warren in that role. Anna brings significant consumer, financial and strategic experience to the Board. Prior to joining LSEG, Anna was CFO and Executive Director of Johnson Matthey plc, leading the Finance, Procurement and IT functions.

Other Board changes during the year included the following directors stepping down: Non-Executive Directors Marshall Bailey and Dr Ruth Wandhöfer. Raffaele Jerusalmi and Professor Andrea Sironi, CEO and Chair of Borsa Italiana respectively, also stepped down as a result of the proposed divestment of Borsa Italiana Group. I would like to thank each of the directors who stepped down for their contributions during their tenure.

On 9 December 2020 the Board announced that Professor Kathleen DeRose would succeed Stephen O'Connor as the Chair of the Risk Committee from 1 January 2021. Stephen O'Connor remains on the Board as Senior Independent Director.

Martin Brand, Erin Brown and Douglas Steenland joined the Board on 29 January 2021. Under the terms of the Relationship Agreement[1] effective from completion of the Refinitiv acquisition, York Parent Limited (formerly known as Refinitiv Holdings Limited which is owned by Thomson Reuters Corporation and a consortium of certain investment funds managed by Blackstone Group Inc.) will be entitled to nominate for appointment to the Board three Shareholder Directors for so long as it holds 25% or more of the total shares of LSEG plc.

The work of the Nomination Committee (including the process followed in relation to Board Appointments) is described on pages 88–90 of this report.

## Board effectiveness review

This year's Review was externally facilitated by Jan Hall of No.4 Consulting. Results and agreed areas of focus for the Board are described on page 81. The Board will ensure that these focus areas are acted upon to further improve Board performance.

## Board site visits and Workforce Engagement

Opportunities to visit our operations globally and learn about the business continue to be very important and valuable for the Board. However, in person engagement was not possible in 2020 due to restrictions on travel and in person meetings as a result of Covid-19.

During 2020, the Board engaged with the workforce virtually through a series of Employee Board consultations held in key regional locations. These meetings were designed to increase Board members' visibility with the workforce and to gain real insights into the culture and concerns at different levels of the business. More information on workforce engagement can be found on pages 58–59 of the Strategic Report and page 79 of this Corporate Governance Report.

1. Relationship Agreement means the relationship agreement effective 29 January 2021 between the Company, York Parent Limited, York Holdings II Limited, York Holdings III Limited and BCP York Holdings (Delaware) L.P. which governs the relationship between the parties following completion of the Refinitiv acquisition. Further information on the Relationship Agreement can be found at pages 65–70 of the shareholder prospectus dated 9 December 2020 and available on the LSEG website

### Committee Governance
Within this report and the Report on Directors' Remuneration, the Chairs of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Committee (Dominic Blakemore, me, Jacques Aigrain and Professor Kathleen DeRose respectively) report personally on the activities of each of their committees during the year. I would like to thank the Committee Chairs for the work they have done during the year.

### Wider society
As described in the Supporting Sustainable Growth section of the Strategic Report (pages 54–67), LSEG has many initiatives in place to deliver our vision to become the leading global financial infrastructure group, supporting global financial stability and sustainable economic growth by enabling businesses and economies to fund innovation, manage risk and create jobs.

### Compliance with the UK Corporate Governance Code 2018 (the "Code")
London Stock Exchange Group plc has followed all principles of the Code throughout the financial year ended 31 December 2020 and to the date of this report. The Company is also required to disclose whether it has complied with all provisions of the Code during the financial year.

In the Directors' Remuneration Report we highlight that as explained last year we did not comply in full with provision 38 of the Code relating to pensions. We explain on page 105 how since the departure of David Warren we have transitioned to compliance with provision 38 of the Code, aligning executives to the workforce.

Provision 20 of the Code states that companies should generally use open advertising and/or an external search consultancy for the appointment of the Chair and Non-Executive Directors. Martin Brand, Erin Brown and Douglas Steenland were appointed pursuant to the Relationship Agreement.

For more detailed information on the Company's pension arrangements for Executive Directors and the Board appointment process, please see page 105 of the Remuneration Report and page 88 of the Nomination Committee Report.

This report is intended to give shareholders a clear and comprehensive picture of the Group's governance arrangements and how they operated during the year. Pages 76–87 set out details of the areas of our focus during the year, followed by the Committee reports.

### Conclusion
I hope you find this report helpful and informative in understanding governance at LSEG.

Although our preference had been to welcome shareholders in person to our 2021 Annual General Meeting (AGM), in light of the ongoing Covid-19 pandemic and the UK Government's current restrictions on public gatherings, the format of the AGM is likely to be altered this year to protect the health and safety of our shareholders, directors and people. Therefore, the AGM is expected to be held with the minimum attendance required to form a quorum. It is with regret that based on current government guidance we expect that shareholders will not be permitted to attend the AGM in person. We will keep this under review as new guidance is issued.

We consider the AGM to be an important part of our shareholder engagement and to ensure that we retain shareholder transparency, we have arranged for shareholders to participate in the event virtually. More information on how to do this will be included in our Notice of AGM.

The Board encourages all shareholders to vote their shares in favour of all resolutions to be considered at our AGM in April 2021 and to submit votes in advance via proxy.

**Don Robert**
**Chair**
5 March 2021

### Board responsibilities

The LSEG Board is collectively responsible for the long-term, sustainable success of LSEG and generating value for its shareholders and contributing to wider society.

**The Board:**

- Provides leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed
- Sets the Company's purpose, values and strategic aims and satisfies itself that these and its culture are aligned
- Ensures necessary resources are in place for the Group to be able to meet its objectives and measures performance against these, this includes the establishment of a framework of prudent and effective controls, which enable risk to be assessed and managed
- Reviews financial and business performance
- Leads the development of the Company's culture, values and behaviours
- Ensures that its responsibilities to shareholders and stakeholders are met, through effective engagement. This includes having workforce policies and practices that are consistent with the Company's values and support the Company's long-term sustainable success.
- In carrying out the duties of the LSEG Board, the Directors act in accordance with all relevant and applicable legislative and regulatory rules. In particular, they take into account Directors' duties contained in the Companies Act 2006 (the "Act") and will consider the factors listed in section 172 of the Act and any other relevant factors.
- LSEG's Section 172(1) statement for the year ended 31 December 2020, including illustrations of Board decisions taken during the year, can be found on pages 70–71 of the Strategic Report as required by law.

### Our Committees

The Board has delegated to its Committees responsibility for maintaining effective governance in relation to: Audit, Nomination, Remuneration and Risk. Full details of the Committees' responsibilities are detailed within the respective Committee reports on pages 88–119.

### Board and Standing Committee meetings 2020

The Board held nine Board meetings of which six were scheduled meetings and three were additional meetings. A table of attendance at Board and standing Committee meetings is set out below.

The table shows the number of meetings attended against the number of meetings each Director was eligible to attend.

| Name of Director | Board | Audit | Nomination | Remuneration | Risk |
|---|---|---|---|---|---|
| Don Robert | 8/9[1] | | 4/4 | 5/5 | |
| Jacques Aigrain | 9/9 | 4/4 | 4/4 | 5/5 | |
| Dominic Blakemore | 8/9[1] | 4/4 | 4/4 | | 4/4 |
| Professor Kathleen DeRose | 8/9[1] | 4/4 | 4/4 | | 4/4 |
| Cressida Hogg CBE | 8/9[1] | | 3/4 | 5/5 | |
| Anna Manz | 1/1 | | | | |
| Stephen O'Connor | 9/9 | 4/4 | 4/4 | | 4/4 |
| Dr Val Rahmani | 9/9 | | 4/4 | 5/5 | 4/4 |
| David Schwimmer | 9/9 | | | | |
| **Directors who left during the year** | | | | | |
| Marshall Bailey OBE[2] | 4/4 | | 2/3 | 3/3 | |
| Paul Heiden[3] | 2/2 | 1/1 | 1/1 | | 0/1 |
| Raffaele Jerusalmi[4] | 5/8 | | | | |
| Professor Andrea Sironi[5] | 4/8 | | 3/4 | 3/4 | 3/3 |
| Dr Ruth Wandhöfer[6] | 1/1 | 1/1 | | | 1/1 |
| David Warren[7] | 8/8 | | | | |

1. Don Robert, Dominic Blakemore, Professor Kathleen DeRose and Cressida Hogg CBE were unable to attend an additional, short-notice Board meeting at the end of October due to prior diary commitments. Mr O'Connor, Senior Independent Director chaired the meeting in Mr Robert's absence
2. Marshall Bailey OBE stepped down from the Board on 10 September 2020
3. Paul Heiden stepped down from the Board following the 2020 AGM
4. Raffaele Jerusalmi recused himself from three Board meetings relating to matters related to the Borsa Italiana Group divestment. He stepped down from the Board on 20 November 2020
5. Professor Andrea Sironi recused himself from three Board meetings relating to matters related to the Borsa Italiana Group divestment. He stepped down from the Board on 20 November 2020. He was also unable to attend one Board and Committee meeting in October 2020 for personal reasons
6. Dr Ruth Wandhöfer stepped down from the Board on 2 March 2020
7. David Warren stepped down the Board on 21 November 2020

### Attendance at Board Meetings

When Directors were not able to attend meetings, they received and reviewed the relevant meeting papers. Where they had comments or concerns on the matters to be discussed, they provided these to the Chair of the Board or Committee in advance of the meeting. The Chair of the Board engaged with Directors between Board meetings to discuss business and strategic issues.

When arranging meetings at short notice, every attempt is made to accommodate Directors' diaries; however, inevitably, not all Directors are able to attend all such meetings. The majority of meetings where Directors have been unable to attend were additional meetings. Some Directors also attended Committee Meetings where they were not members of the relevant Committee. These attendances are not recorded in the above table. The Board believes these assist in developing understanding of all issues by the Directors.

The NEDs meet without the presence of Executive Management at the end of every scheduled Board meeting.

Comprehensive Board and Committee papers, comprising an agenda and formal reports and briefing papers are sent to Directors in advance of each meeting. Directors are continually updated with written and verbal reports, from senior executives and external advisors.

## Stakeholder Engagement

The Board seeks to understand the views of shareholders and other key stakeholders: customers; regulators; and the workforce.

For more information on how we engage with our stakeholders as well as how the Board has discharged its duties under Section 172 of the Companies Act, please see pages 70–71 of the Strategic Report.

## Workforce Engagement

During the year the Board has sought to continue its direct engagement with a wide cross section of the workforce to better understand their perspective on the business despite employees and directors only being able to attend the office on a limited basis during the year.

### Board Engagement with the Employee Forum

During 2020 the Board engaged with the workforce virtually through a series of Employee Board consultations with the Employee Forums in Asia, USA and UK. The consultation meetings were designed to provide Board members with an opportunity to increase their visibility with the workforce and gain insights into the culture and concerns at different levels of the business.

An agenda and questions for the Forum members to consider were provided in advance. Topics where the Board asked for views included working from home, physical and mental wellbeing, the Group's response to Covid-19, remuneration and the proposed acquisition of Refinitiv. Forum members sought feedback in advance from colleagues on these areas as well as any other matters colleagues wished to raise.

Feedback received from colleagues who attended the sessions included that they were happy with the Group's focus on wellbeing during the Covid-19 pandemic and had been impressed with the range of support available. They also shared ways they had kept in touch with other colleagues and the experience of virtual onboarding for new joiners. There was also acknowledgement in these sessions of the challenges faced by colleagues working from home for an extended period of time. This feedback has been incorporated into the Group's internal communications strategy for 2021 and the Group's onboarding procedures. There was also agreement that a flexible and balanced approach to working arrangements would be needed post pandemic, to meet the different needs and preferences of colleagues and the business.

Directors who attended these sessions fed back to the rest of the Board at the next Board meeting. Employees who attended these forums also produced a blog for the Group's intranet site, to increase awareness of the engagement process across the organisation.

## Other ways in which the Board has engaged with the workforce

The Board has also engaged with the workforce and sought to understand their views through a range of other mechanisms including:

- **Employee surveys:** the Board receives the results of the annual "Have Your Say" staff survey. The survey enables employees to share their views on what it is like to work for LSEG and it provides management and the Board with insight into employees' views on a number of topics as well as way to track the level of engagement within the organisation. In 2020, 77% of the organisation participated in the survey, reflecting the culture of feedback that we are developing across the Group. The Engagement Index score of 81, up one point from 2019, was driven by the strong levels of pride and commitment to helping the group succeed.
  Additionally, in 2020, we asked employees for feedback more regularly by introducing a quarterly Ways of Working survey to improve our understanding of employee sentiment during the global pandemic.
- **Culture dashboard:** the Board regularly reviewed a culture dashboard throughout the year. The dashboard tracks metrics around: recruitment and onboarding, performance and development, talent and mobility, diversity and inclusion and leavers. This allows the Board to measure and assess culture to ensure full alignment with the Group's values and behaviours and assess progress over time.
- **Diversity and Inclusion:** the Board believes that diversity makes us more dynamic, fosters innovation and boosts performance. Events in 2020 refocused LSEG's commitment to diversity and inclusion and pushed racial diversity to the forefront. As a global organisation we must also recognise that diversity can mean different things across our different locations. The Board inputted into and supported the six workstreams launched in 2020 in response to the Black Lives Matter movement. These workstreams aim to make LSEG a more inclusive environment. For more information on Diversity and Inclusion see the section headed Social in the Supporting Sustainable Growth section of the Strategic Report on pages 60–61.

### Further information

More information on workforce engagement can be found in the section headed "Complying with the Provisions of the Code" of this Corporate Governance Report and in the section headed Social in the Supporting Sustainable Growth section of the Strategic Report on pages 57–59.

## Board Independence

The Board has evaluated the independence of all the Non-Executive Directors. In assessing each Director, the Board considers whether there are relationships or circumstances which are likely to affect or could appear to affect a Director's judgement.

Martin Brand, Erin Brown and Douglas Steenland were appointed to the Board as Non-Executive Directors effective 29 January 2021. Martin Brand and Douglas Steenland represent Blackstone and Erin Brown represents Thomson Reuters. Blackstone and Thomson Reuters are each considered to be significant shareholders of LSEG. The Board agreed that Shareholder Directors would not be considered independent under the Code given their relationships with appointing shareholders. They will not be appointed to the Audit, Remuneration or Risk committees.

The Board has evaluated the independence of the other Non-Executive Directors (Jacques Aigrain, Dominic Blakemore, Professor Kathleen DeRose, Cressida Hogg CBE, Stephen O'Connor and Dr Val Rahmani) and concluded that each are independent in character and judgement. The Chair was independent on appointment.

In line with the Code all Directors are subject to annual re-election.

## Matters considered by the Board

Each of the regular meetings includes a wide-ranging report from the Chief Executive Officer and a report from the Chief Financial Officer on the Group's financial performance. Reports from the Committee Chairs, and updates on major projects and on the progress of the integration programme are also reported on at each Board meeting.

A table of the principal matters considered by the Board during the year is provided on the next page.

### How the Board spent its time during the year

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Strategy and Implementation** | | | | | | | | | | | | |
| LSEG CEO Update | | ● | | ● | | ● | ● | | | ● | | ● |
| LSEG CFO Update | | ● | | ● | | ● | ● | | | ● | | ● |
| 2021 Strategic Objectives | | | | | | | | | | | | ● |
| M&A Update | | | | | | | | | | ● | | |
| LSEG Strategy | | | | | | | | | | ● | | |
| Refinitiv related matters | | ● | | ● | | ● | ● | | | ● | | ● |
| Divestment of Borsa Italiana Group | | | | | | | | | ● | ● | | |
| **Report from Committee Chairs** | | | | | | | | | | | | |
| Audit | | ● | | ● | | ● | ● | | | | | ● |
| Nomination | | | | | | | | | | ● | | ● |
| Remuneration | | ● | | | | | | | | ● | | ● |
| Risk | | ● | | ● | | ● | ● | | | | | ● |
| **Financial reporting and dividends** | | | | | | | | | | | | |
| Annual Report | | ● | | | | | | | | | | |
| Final Dividend and Interim Dividend | | ● | | | | | ● | | | | | |
| Preliminary Results and Interim Results | | ● | | | | | ● | | | | | |
| Quarterly Trading Statement | | | | | | | | | | ● | | |
| 2021 Budget and Business Plan | | | | ● | | | | | | | | ● |
| Shareholder Circular | | | | | | | | | | ● | | |
| US Commercial Paper Programme | | | | | | | ● | | | | | |
| **Business Unit Updates** | | | | | | | | | | | | |
| Technology Data Centre Update | | ● | | | | | | | | | | |
| LCH-MCCP Update | | ● | | | | | | | | | | |
| Business Spotlight – MTS | | ● | | | | | | | | | | |
| LCH-LIBOR Transition | | | | | | | ● | | | | | |
| Information Services Update | | | | | | | | | | ● | | |
| **Risk, regulatory and compliance** | | | | | | | | | | | | |
| Brexit Contingency planning | | | | | | | | | | ● | | |
| Risk Report and Risk Appetite | | ● | | | | ● | ● | | | | | ● |
| Cyber Security Update | | | | ● | | | | | | ● | | |
| Whistleblowing Report | | ● | | | | | | | | | | |
| Covid-19 | | | | ● | | ● | | | | | | |
| Cloud Business Case | | | | | | ● | | | | | | |
| Group Technology Update | | | | | | | | | | ● | | |
| **Governance and stakeholders** | | | | | | | | | | | | |
| Share Issuance and Hedging approach | | ● | | | | | | | | | | |
| Notice of AGM | | ● | | | | | | | | | | |
| Authorisation of Directors' Interests | | ● | | | | | | | | | | |
| Directors' Independence | | ● | | | | | | | | | | |
| LSEG Technology Risk Policy | | | | | | | ● | | | | | |
| LSEG Operational Risk Policy | | | | | | | ● | | | | | |
| Renewal of Director Appointments | | | | | | | | | | | | ● |
| Board Effectiveness (External Review) | | | | | | | | | | | | ● |
| LCH Governance | | | | ● | | | | | | | | |
| Governance of Italian Regulated Entities | | | | | | ● | | | | | | |
| Update from the Company Secretary | | | | | | ● | | | | | | |
| LSEG Policy Governance Framework | | | | | | | | | | ● | | |
| NED Fees Review | | ● | | | | | | | | | | |
| **ESG Matters** | | | | | | | | | | | | |
| Workforce Engagement Update | | | | | | | | | | | | ● |
| Modern Slavery Statement | | ● | | | | | | | | | | |
| Sustainability Report and Update | | ● | | | | ● | | | | | | |

In addition, the Board continued its practice of holding deeper dives outside of Board meetings on key topics. In 2020 they participated in sessions relating to the Refinitiv business and Counterparty Risk.

### Chairs Forum

During 2021, the Chairs Forum was established. The membership of the Forum is comprised of the Chairs of the Group's largest subsidiaries, the Group Chair and the Group CEO. The Forum provides opportunities for NEDs from across the Group to engage on common themes and topics of interest.

### Board Effectiveness and Leadership

**2020 Effectiveness Review**

A Board Effectiveness Review is carried out annually. Every three years this is externally facilitated. In 2020, the Board engaged Jan Hall (No.4 Consulting) to facilitate an external review of its effectiveness. Jan Hall was appointed following a review of providers in the market. She is not currently engaged in any other work on behalf of the Company.

No.4 interviewed each of the Board directors and also the Executives who are most closely involved with the Board, on a confidential and unattributable basis.

The Review sought the views of Directors on the effectiveness of the organisation and dynamics of the Board and the Committees; the papers and topics covered at the Board and Committee meetings; the purpose and culture of the business; stakeholder engagement; the relationship between the NEDs and the management; the Composition of the Board and the leadership of the Board.

The output of the evaluation was captured in a report to the Board in December 2020 to enable the Directors to discuss the points raised by the Review.

To ensure that the process was robust, following the Board meeting, Jan Hall spoke to the Senior Independent Director to confirm that all the information provided in the report was a fair reflection of the range of views provided by each of those interviewed and that the conclusions in the report were not influenced inappropriately by anyone.

The results of the Review will be used to assist the Board in the future development of the Board, its Committees and its individual Directors.

### Results

The results suggested that Board members are content with the governance and functioning of the Board.

The Review identified a number of positive attributes including management of Board meetings, shaping of agendas, functioning of the Board's Committees and the Chair's leadership of the Board.

### Next steps

The Board recognised that areas of focus for 2021 should be:

**Board Organisation** – Board agendas, content and KPIs to reflect the new Group following the Refinitiv acquisition.

**Values and Culture** – the Board should focus on culture and cultural differences and how these will be addressed as part of integration.

**Board Dynamics** – in the context of virtual Board meetings and changes to Board composition, finding ways to ensure that there remains a supportive and collegiate atmosphere whilst continuing to ensure appropriate challenge.

**Strategy and Integration and Performance Delivery** – a focus on successful integration of the Refinitiv business as well as monitoring financial financial performance and delivery of synergies.

The effectiveness reviews of the Board's Committees were positive about the management and composition of the committees as well as the quality of the information received. Areas for focus are summarised in the table below.

| Committee | 2021 Area of Focus |
|---|---|
| Audit | • Increased scrutiny of larger geographic footprint, multiple tax regimes, different compliance requirements and greater revenues. |
| Nomination Committee | • A focus on NED succession planning including for Committee chairs.<br>• Give focus to the talent pipeline for the new combined company. |
| Remuneration Committee | • Ensure committee membership reflects the scale and global nature of the Company. |
| Risk Committee | • Assess where the material risks sit following completion of the merger and ensure focus on the breadth of risks. |

**2019 Effectiveness Review**

The 2019 Effectiveness Review identified a number of areas on which the Board considered focus would be needed in 2020. These are summarised below, together with the resulting actions taken in 2020.

| Area | Description | Summary of actions identified and taken |
|---|---|---|
| **Board Composition** | Board members to continue to consider the appropriate size of the Board and balance of skills, in particular, as a result of the Refinitiv acquisition. | As detailed in the Nomination Committee Report a number of changes were made to the composition of the Board during the year. The Report of the Nomination Committee can be found on pages: 88–90. |
| **Stakeholder Engagement** | To continue to seek improvements in stakeholder engagement. | Opportunities for in person stakeholder engagement have been more limited in 2020. See page 79 for details of in person engagement with employees and pages 68–69 for details of other stakeholder engagement. |
| **Technology** | Board to continue to find ways of improving the Board's ability to oversee and provide effective challenge on technology opportunities and threats. | The Board was provided with an increased number of updates related to technology including an update on the Group's technology strategy, cyber security and critical, strategic IT projects. |
| **Refinitiv Integration** | To continue to oversee preparations for integrating with Refinitiv. | The Board received a written and verbal update at each of its scheduled Board meeting on Integration from the COO. It also received a number of teach-ins on the Refinitiv business from the Refinitiv CEO and his leadership team. |

### Relations with shareholders

We believe that regular and ongoing engagement with our key stakeholders and, in particular, our shareholders is extremely important for good corporate governance. The Group's Investor Relations (IR) function, reporting to the Chief Financial Officer, manages a shareholder engagement programme throughout the year.

Senior executive management and the IR team engage with investors to discuss strategy, performance, sustainability and other matters. During 2020, this engagement became entirely virtual, with senior executive management and the IR team taking part in virtual conferences hosted by banks or industry organisations and group and one-on-one calls. Across the year, we spoke with over 700 institutional equity and debt investors primarily from the UK, North America and Europe.

The Chair, Senior Independent Director and Chairs of each Board Committee are also available to engage with major investors, typically to discuss corporate governance matters. The Chair engaged with major shareholders in order to understand their views on governance and performance against the Company's strategy. The Chair of the Remuneration Committee also directly consulted with a number of shareholders on remuneration matters.

The Board receives a report on IR matters at each of its scheduled meetings, including feedback from investors, market expectations of financial performance and updates on share register composition. Sell-side analyst research notes are circulated to the Board and senior executives. The Group's corporate brokers and a specialist IR advisory firm also provide the Board with advice on market sentiment, input on market communications and share register analysis.

In 2020, the Group conducted an extensive shareholder engagement programme in relation to the proposed divestment of the Borsa Italiana Group to explain the rationale for the transaction and address any questions, ahead of a General Meeting to approve the disposal. The resolution was passed with 100% approval. The Group also engaged with shareholders following the publication of a shareholder prospectus in December 2020, ahead of the Refinitiv transaction completion and readmission of the new LSEG to trading on our main market. The Group continues to respond to ad-hoc requests by shareholders and potential new investors.

In addition to information on financial and operational performance, the Group engages with shareholders and relevant shareholder advisory agencies on environmental, social and governance (ESG) matters. The Group produces an annual Sustainability report that details its approach to ESG matters: **www.lseg.com/investor-relations/sustainability.**

The Group's AGM would normally provide the opportunity for all shareholders to meet and to put questions to the Board of Directors. We were disappointed that, as a result of the global pandemic, we were unable to hold our AGM in April 2020 in person. We appreciated shareholders' understanding in light of the ongoing Covid-19 related restrictions. The Group's 2021 AGM is also expected to take place with restrictions on attendance due to the ongoing pandemic. We will continue to engage with the UK government and relevant health bodies to ensure the AGM takes place safely and according to guidance at the time.

The IR section of the Group's website (**www.lseg.com/investor-relations**) is a primary source of regularly updated information about the Group. All financial reports and statements, regulatory news service announcements and disclosures, presentations and other relevant documents are available on the website, together with a list of analysts producing research on the Company and a summary of analysts' forecasts of performance. Recognising that joining our preliminary and interim results conference calls is not always possible, recordings of these calls are accessible to all shareholders via the Group website.

### Conflicts of interest

The Company's Articles of Association allow the Board to authorise conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The Group has established procedures whereby actual and potential conflicts of interest are regularly reviewed, appropriate authorisation is sought prior to the appointment of any new Director and new conflicts are addressed appropriately.

The decision to authorise a conflict of interest can only be made by non-conflicted Directors and, in making such decisions, the Directors must act in a way they consider, in good faith, would be most likely to promote the Company's success.

### Indemnities

Directors have the benefit of indemnity arrangements from the Company in respect of liabilities incurred as a result of their office and execution of their powers, duties and responsibilities. The Company maintained a Directors' and Officers' liability insurance policy throughout the year. This policy covers the Directors for any such liabilities in respect of which they are not indemnified by the Company and, to the extent to which it has indemnified the Directors, also covers the Company. This insurance cover has been renewed. Neither the Company's indemnity nor insurance provides cover for a Director in the event that the Director is proved to have acted fraudulently or dishonestly.

## Risk Management and Internal Control

The Board is responsible for the Group's risk management framework and maintaining an appropriate system of internal controls. A Board approved Enterprise Risk Management Framework and Group Risk Appetite Statement are central to the Group's Risk Management process. The Risk Management Framework is updated on an ongoing basis in response to changes in the Group's business and associated risks. The Group Risk Appetite statement is approved annually.

The Audit Committee and Risk Committee assist the Board in discharging its responsibilities by reviewing and assessing the Group's Risk Management Framework, system of internal controls and risk management process on a regular basis. Please see the reports of the Audit Committee on pages 91–95 and the Risk Committee on pages 96–97 for further detail on their oversight activities during the year.

The system of internal controls is designed to facilitate the management of the Group and its businesses within the Board's risk appetite rather than eliminate the risk of failure to achieve the Group's objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss, fraud or breaches of laws and regulations.

Executive management is accountable for risk identification, evaluation, mitigation, monitoring and reporting in accordance with the framework. A divisional internal control and Risk Management self-certification process is also performed semi-annually. Each business unit is required to confirm that it is in compliance with the Group's policies and governance procedures and managing its risk within appetite: exceptions are reported to the Audit Committee and Risk Committee.

Further detail on the Group's risk management oversight can be found on: **www.lseg.com/about-london-stock-exchange-group/risk-management-oversight.**

An overview of the Principal Risks and Uncertainties (including details of emerging risks) of the Group is provided on pages 24–39.

## Internal Controls

### Management structure

The Group operates a matrix structure designed to optimise resource allocation and organisational capacity. The Board has delegated the day-to-day running of the Group to the Group Chief Executive Officer and he is supported in this role by the Group Executive Committee, which he chairs. Each Executive Committee member is responsible for one of the Group's operating divisions or a major area of strategic importance. The Executive Committee meets regularly to review business and financial performance, risk exposure and to approve key decisions. Each legal entity is responsible for engaging with its local regulators and monitoring and ensuring regulatory compliance. The Executive Committee has also established sub-committees dealing with Finance and Risk matters.

### Policies and Procedures

A new Policy Governance Framework was introduced in 2020. The framework establishes the principles, minimum standards and risk management activities LSEG requires the Group's businesses and functions to follow to manage their business within its risk appetite.

The Group runs a rolling programme of mandatory online training courses for all employees covering matters including ethical conduct, risk and control management, regulatory requirements and the Group policies.

### Financial Control

The Group has a robust system of financial control and an appropriate framework of delegated authorities is in place. Comprehensive financial planning, reporting and review procedures are in place, with an annual budget and three-year business plan approved by the Board. Financial and key performance indicators are reviewed against operational budgets on a monthly basis at a Group, divisional and business unit level. The Chief Financial Officer's management reports are shared with the Board and any key issues are reviewed at each Board meeting.

The Executive Committee monitors capital expenditure across the Group and approves and prioritises projects supported by divisional and functional investment committees and portfolio boards.

The Treasury Committee operates within a Board approved policy framework and meets regularly to review the management of the Group's credit, market and liquidity risks. Material Group counterparty exposures are assessed regularly including through a Group-wide centralised counterparty risk Value at Risk model. Further details on financial risk management are provided in Note 2 to the accounts.

### Internal Audit

The Internal Audit function provides independent assurance to the Board and other key stakeholders over the adequacy and effectiveness of the Group's system of internal controls, the governance model and the Enterprise Risk Management Framework. The function is the third line of defence in the Group's risk control structure and has no operational responsibilities for the entities or processes which it reviews.

The independence of the Internal Audit function from Executive Management is ensured through the following measures:

- The Group Chief Internal Auditor reports directly to the Chair of the Audit Committee and has direct access to the Chair of the Board. For administrative matters she has a secondary reporting line to the Chief Financial Officer
- The Chair of the Audit Committee and Chief Financial Officer jointly assess the performance of the Chief Internal Auditor
- The Audit Committee approves the Internal Audit annual budget

Further details on the Internal Audit function can be found in the internal audit charter which is available on the Group's website at **www.lseg.com/investor-relations/sustainability/governance**.

## Conclusion

The Board confirms that, through the Audit and Risk Committees, it has reviewed the operation and effectiveness of the Group's system of internal controls throughout 2020 and up to the date of approval of this Annual Report and Accounts. The Board has satisfied itself that a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance and liquidity, have been carried out during the year. Necessary actions have been or are being taken to remedy any significant failings or weaknesses identified during these reviews. The Board is satisfied that the Risk Management process and system of internal controls conform with the FRC's 2014 Risk management, internal control and related financial and business reporting.

### Further information

Further detail on the Group's risk management oversight can be found on: **www.lseg.com/about-london-stock-exchange-group/risk-management-oversight.**

An overview of the Principal Risks and Uncertainties (including a summary of emerging risks) of the Group is provided on pages 24–39.

# Complying with the provisions of the Code

Throughout the financial year ended 31 December 2020 and to the date of this report, London Stock Exchange Group plc has followed all principles of the Code. The Company is also required to disclose whether it has complied with all the provisions of the Code during the financial year. In the Directors' Remuneration Report we explain the Company's pension arrangements for Executive Directors and highlight that we did not comply in full with provision 38 of the Code relating to pensions. The Company's revised Remuneration policy was approved at the 2020 AGM and pension contributions for Executive Directors were limited going forwards to 10% of salary, which is below the UK workforce average of 11% of salary. Additionally, the current CEO's pension contribution was reduced from 15% to 10%, effective April 2020. As described in last year's Annual Report the Company did not amend the contribution for the former CFO, David Warren who retired from the Board in November 2020 and leaves the Company in June 2021 or the CEO of Borsa Italiana, who also stepped down from the Board in November 2020 who accrues mandatory state pension benefits in Italy and will leave the Group following the divestment of the Borsa Italiana Group business.

Provision 20 of the Code states that companies should generally use open advertising and/or an external search consultancy for the appointment of the Chair and Non-Executive Directors. Martin Brand, Erin Brown and Douglas Steenland were appointed pursuant to the Relationship Agreement. For further detail on appointments to the Board see the report of the Nomination Committee on page 88.

In all other respects, the Company has complied with the provisions of the Code during the financial year ended 31 December 2020.

The Code is publicly available at the website of the UK Financial Reporting Council at **www.frc.org.uk**. This corporate governance section of the Annual Report and Accounts describes how we have applied the principles of the Code including its detailed provisions.

The Code sets out guidance in the form of main principles and more detailed provisions for good governance in relation to: Board Leadership and Company Purpose, Division of Responsibilities, Composition, Succession and Evaluation, Audit, Risk and Internal Control and Remuneration. This table forms part of the Corporate Governance Statement on page 120 of the Directors' Report.

## 1. Board Leadership and Company Purpose

### A. Role of the Board

The Board is the principal decision-making forum for the Group and is responsible for achieving the Group's strategic objectives and delivering sustainable growth. Directors act in a way they consider will promote the long-term success of the Company, by constructively challenging and supporting the development of the Group's strategy, for the benefit of shareholders as a whole, having regard to the interests of the workforce, the impact of the business on the community and environment, the interests of other stakeholders including the Company's suppliers and contributing to wider society. The Board manages overall control of the Group's affairs by reference to a formal schedule of matters reserved for the Board. This schedule is available on the Company's website at: **www.lseg.com/investor-relations/sustainability/governance**.

### B. Purpose, Values and Strategy

The Group's purpose is to drive financial stability, empower economies and enable customers to create sustainable growth. More information on the Company's purpose, values and strategy can be found on pages 14–15 of the Strategic Report. The Board supports and promotes a culture based on our core values (Connect, Create Opportunity, Deliver Excellence). Our Culture sets expectations for how we behave, how we work together, how we function as a team and how we relate to our customers. It's critical to realising our purpose. The Board receives periodic updates from management on matters relating to culture. This includes regular presentation of a culture dashboard tracking metrics around: recruitment and onboarding, performance and development, talent and mobility, diversity and inclusion and leavers. This allows the Board to measure and assess culture to ensure full alignment with the Group's values and behaviours and assess progress over time. The Board also reviewed the results of the latest employee engagement survey Have Your Say at its December Board meeting. More information on the Company's culture and programme of work around workforce engagement undertaken during the year can be found in section D and on pages 57–59 of the Strategic Report.

### C. Resources and Control Framework

The Board sets the strategic aims of the Group and ensures necessary resources are in place to meet its obligations and reviews financial and business performance. It discharges its responsibilities by overseeing the execution of the Group's strategy and holding executive management to account for its delivery. The Board approves the Group's annual operating and capital expenditure budgets, business plans and any material changes to them. The Board has oversight of the Group's operations ensuring: competent and prudent management is in place; sound planning is undertaken; an effective risk management framework has been established; an adequate system of internal control is maintained; adequate accounting and other records are kept and compliance with statutory and regulatory obligations.

### D. Engagement with Shareholders and Stakeholders

#### Shareholders

The Company maintains an active shareholder engagement programme, managed through the Group's IR function. The IR programme provides regular opportunity for executive management contact with existing and potential shareholders. In addition the Chair met with major shareholders in order to understand their views on governance and performance against the Company's strategy. The Chair of the Remuneration Committee also consulted with a number of shareholders on remuneration matters. For further information on the Group's Investor Relations activities please see page 82 of this Corporate Governance Report. We were disappointed that, as a result of the global Covid-19 pandemic, we were unable to hold our AGM in April 2020 in person.

#### Other Stakeholders

The Board views customers, regulators and the workforce as key stakeholders. Members of the Board have engaged directly with stakeholders and the Board also receives indirect feedback via management reporting to the Board. Please see pages 68–69 of the Strategic report for further information about stakeholder engagement. During 2020 the Board engaged with the workforce virtually through a series of consultations with the Employee Forums in key regional locations. The consultation meetings were designed to provide Board members with an opportunity to increase their visibility with the workforce and gain insights into the culture and concerns at different levels of the business.

These consultations provided the Board with new opportunities to seek the views of colleagues across the Group and to respond to this feedback. See page 81 for further information about the Board's engagement with the workforce.

### E. Workforce policies and practices

A new Policy Governance Framework was introduced in 2020. The framework establishes the principles, minimum standards and risk management activities LSEG requires the Group's businesses and functions to follow to manage the business within risk appetite. The Board reviews the Group's key policies on a periodic basis, ensuring that such policies are consistent with the Company's values, supporting long-term sustainable success. The Board has delegated authority to the Audit Committee to routinely review the adequacy and security of the Group's arrangements for its workforce to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (the Whistleblowing Policy). The Audit Committee and the Board receives periodic updates in relation to the Group's Whistleblowing Policy.

## 2. Division of Responsibilities

### F. Division of Responsibilities

The roles of the Chair and the Chief Executive Officer are distinct and separate with a clear division of responsibilities. The Chair leads the Board and is responsible for its overall effectiveness as well as promoting a culture of openness and debate. The Chair takes the lead in the development of the Group's culture by the Board and in establishing an environment in which the Directors can discharge their duties effectively and in compliance with the law. He is responsible for setting the tone of the Board consistent with the high standards of behaviour demanded of the workforce. He performs representative duties on behalf of the Group with a wide range of stakeholders including governments and regulators. The Board should appoint a Senior Independent Director and during the year, Paul Heiden stepped down from this role and Stephen O'Connor became the Senior Independent Director following the AGM in April 2020. A full description of the responsibilities of the Chair, Chief Executive Officer and the Senior Independent Director, is available on the Company's website: **www.lseg.com/investor-relations/sustainability/governance.**

### G. Board Composition

During 2020, the Board was comprised of an appropriate combination of Executive and Non-Executive Directors. There is a strong non-executive element on the Board with six independent Non-Executive Directors and a Chair who was independent on appointment. The Board has two Executive Directors. With effect from the completion of the all share acquisition of Refinitiv on 29 January 2021 three additional Non-Executive Directors representing Blackstone and Thomson Reuters joined the Board. Non-Executive Directors are responsible for scrutinising and holding to account the performance of management and individual Executive Directors against agreed performance objectives.

### H. Board responsibilities and time commitment

The other significant appointments of the Board are set out on pages 73–75 of this report. The Board is satisfied that these do not conflict with their duties and time. The Board has established procedures for the approval of additional appointments of Board Directors.

The Company has robust procedures around the recording of interests and, under the Company's Conflicts of Interest Policy, the appropriate level of discretion, to take mitigating actions, where required.

### I. Board support

The Directors have full access to the advice and services of the Group Company Secretary, who is responsible for advising the Board on corporate governance matters. Directors also have access to independent professional advice if they judge it necessary to fulfil their responsibilities as Directors. The appointment and removal of the Company Secretary is a matter for the whole Board.

# Complying with the provisions of the Code continued

**Section 3: Composition, Succession and Evaluation**

**J. Board appointments**

The Nomination Committee is responsible for monitoring the balance of skills, knowledge and experience, and diversity of the Board, making recommendations to the Board of new appointments to the Board and overseeing executive succession planning. Appointments to the Board are subject to a formal, rigorous and transparent procedure. An effective succession plan is maintained for the Board and senior management. Both appointments and succession plans are based on merit and objective criteria. The Company generally uses external search consultancies when looking to make appointments to Board positions other than as explained on pages 88–89 in respect of directors appointed pursuant to the Relationship Agreement. More information on the appointment of Directors can be found in the Report of the Nomination Committee on pages 88–90.

**K. Board skills, experience and knowledge**

The Board is comprised of an appropriate combination of Executive and Non-Executive Directors who have an appropriate combination of skills, experience and knowledge. The Non-Executive Directors provide deep corporate experience and knowledge which they apply to their understanding of the Group, its purpose, values and strategy. The Board has delegated to its Committees responsibility for maintaining effective governance in relation to: Audit, Nomination, Remuneration and Risk. The Chair of the Company (who was independent on appointment), chairs the Nomination Committee and is a member of the Remuneration Committee. Full details of the Committees' responsibilities are detailed within the respective Committee reports on pages 88–119. The Nomination Committee considers the length of service of the Board as a whole. The membership and more information on matters considered by the Nomination Committee during the year can be found in the Report of the Nomination Committee at pages 88–90.

**L. Annual Board Effectiveness Review**

The Board undertakes an annual Board Effectiveness review. As part of this review the Board considers a wide range of matters including composition, diversity and how effectively Board members work together as well as the performance of the Chair. Following the review the Chair meets with Directors individually to discuss their performance. More detail on the 2020 review and the progress made against the actions identified from the 2019 review can be found on page 81.

**Section 4: Audit, Risk and Internal Control**

**M. Role of the Audit Committee in ensuring independence and effectiveness of financial controls**

The Audit Committee is responsible for monitoring of the integrity of the Group's financial reporting including the effectiveness of the Group's internal control and risk management systems and for monitoring the effectiveness and objectivity of internal and external auditors. The Board receives regular updates from the chair of the Audit Committee at every Board meeting and between meetings, where requested. The Audit Committee report on pages 91–95 sets out details of the composition of the Committee including the expertise of members, and at least one member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which it operates. The report also outlines how the Committee has discharged its responsibilities during 2020 including: the review undertaken by the Committee of the annual and half yearly reports, the effectiveness of the Group's internal control and risk management systems and the monitoring of relevant Company's policies and procedures. The Committee's Terms of Reference can be accessed on the Company's website: **www.lseg.com/investor-relations/sustainability/governance**.

**N. Fair, balanced and understandable reporting**

The Audit Committee reviews the content of the Company's annual report and accounts and advises the Board on whether, taken as a whole, it is fair, balanced and understandable providing the information necessary for shareholders to access the Company's performance, business model and strategy.

**O. Risk management and oversight**

The Risk Committee is responsible for providing leadership, direction and oversight of the Group's overall risk appetite, risk tolerance and strategy. The Committee advises the Board on the current and future risk exposures of the Group (including emerging risks) and carries out a robust assessment of the Company's emerging and principal risks. It reviews and approves the Group's risk management framework, monitoring its effectiveness and adherence to various risk policies. The responsibility and authority of the Committee covers the whole of the Group's businesses. Where there is a perceived overlap of responsibilities between the Audit and Risk Committees, the respective committee chairmen will have the discretion to agree the most appropriate committee to fulfil any obligation. The reports of the Audit and Risk Committees can be found on pages 91–97 of this Report. The Committee's Terms of Reference can be accessed on the Company's website: **www.lseg.com/investor-relations/sustainability/governance**.

## Section 5: Remuneration

### P. Remuneration policies and practices

The Remuneration Committee is responsible for determining and implementing the Remuneration Policy for the Group, including setting the remuneration of the Chair, Executive Directors and senior management. The Committee also oversees the arrangements for the wider workforce. Executive remuneration is aligned with the Company's purpose and values and linked to the delivery of the Company's long-term strategy and culture. The remuneration of Non-Executive Directors is determined by the Board and reflects the time commitment and responsibilities of the role. Remuneration for Non-Executive Directors does not include share options or other performance related elements. The Report of the Remuneration Committee can be found at pages 98–119. The Committee's Terms of Reference can be accessed on the Company's website: **www.lseg.com/investor-relations/sustainability/governance.**

### Q. Development of Remuneration policy

The Company has a formal and transparent procedure for developing policy on executive remuneration. In determining the policy, the Remuneration Committee takes into account a range of factors including: clarity, simplicity, risk, predictability, proportionality and alignment to culture. No Director is involved in setting their own remuneration outcome. Details of the Remuneration Policy and its implementation can be found in the Report of the Remuneration Committee (pages 98–119).

### R. Remuneration outcomes

Directors exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance and wider circumstances.

# Report of the Nomination Committee

**Don Robert**
**Chair of the Nomination Committee**

On behalf of the Board I am pleased to present the report of the Nomination Committee for the year ended 31 December 2020. Key areas of focus for the Committee in 2020 were Board composition and succession planning and senior management succession planning in particular, in relation to the new Group's needs following completion of the Refinitiv acquisition.

**This report describes the work of the Committee.**

### 2020 Priorities

The four priorities set by the Committee at the start of the year are summarised below:

1. Reviewing Board composition and succession planning considering the number of changes to the Board in 2020 and future changes.
2. Identifying a new Risk Committee Chair.
3. Reviewing Senior Management succession plans in relation to the new Group's needs from completion of the Refinitiv acquisition.
4. The need for a continued focus on inclusion and diversity (including gender and ethnic diversity).

### Committee Membership

The Committee's membership is formed of the Non-Executive Directors. Structuring the membership in this way enables Non-Executive Directors to participate in all discussions relating to Board composition and succession planning, reflecting the importance placed by LSEG and the Code on these areas. The names and biographies of the Non-Executive Directors who sit on this Committee can be found on pages 73–75 of this report.

The Group Company Secretary is the Secretary to the Committee and attends all meetings. The Group Chief Executive Officer, Head of Human Resources and external advisers attend where requested by the Committee.

### Committee Purpose and Responsibilities

The Nomination Committee is responsible for monitoring the balance of skills, knowledge and experience as well as the diversity of the Board. It is also responsible for making recommendations of new appointments to the Board and overseeing Board and senior management succession planning. The Committee's Terms of Reference can be found on the Company's website: **www.lseg.com/investor-relations/sustainability/governance**.

The Committee met four times during the year, and in addition, Committee members also met with director and senior management candidates. I am pleased to confirm that these efforts have resulted in the Committee's priorities being met, as described in this report.

### Board Succession Planning and Board Appointments

During the year, the Committee reviewed the structure, size and composition of the Board and its Committees, to ensure critical skills and experience were refreshed. In carrying out its review the Committee took account of recent and likely future Board changes, Board expertise (including future expertise needed for the new Group), diversity and tenure. This review helped the Committee to identify Board succession requirements. A skills-map was used to help identify skills gaps and to support the Committee's recommendations to the Board.

### Board Appointments

Appointments to the Board are subject to a formal, rigorous and transparent procedure described below:

### Process for Board appointments (excluding Shareholder Director appointments)

When making Board appointments, the Committee reviews and approves an outline brief and role specification, and appoints an external search consultancy for the assignment.

The Chair (except in relation to his own succession) meets with the external search consultancy to discuss the specification and search as well as the Group's need for diversity. The external search consultancy prepares an initial long list of candidates from which the Committee produces a shortlist. Interviews are held with the Chair, Group CEO and a selection of Non-Executive Directors as well as in some cases the Group CFO

The Committee makes a recommendation to the Board for its consideration. Following Board approval, the appointment is announced in line with requirements of the FCA's Listing Rules. In due course, a tailored induction programme is developed for new directors.

### Process for Shareholder Director appointments

As outlined in the Chair's Statement three new directors were appointed to the Board following completion of the all share acquisition of Refinitiv - Martin Brand, Erin Brown and Douglas Steenland. Martin, Erin and Douglas bring substantial levels of experience and expertise across a range of sectors including technology, media, finance, telecom and aviation as well as significant expertise of large, international Boards. The Board believes it will benefit greatly from their experience and expertise. A biography for each Shareholder Director highlighting their suitability for the role of Non-Executive Director can be found on pages 73–75 of this report.

Under the terms of the Relationship Agreement effective from completion of the Refinitiv acquisition, York Parent Limited (formerly known as Refinitiv Holdings Limited which is owned by Thomson Reuters Corporation and a consortium of certain investment funds managed by Blackstone Group Inc.) will be entitled to nominate for appointment to the Board three Shareholder Directors for so long as it holds 25% or more of the total shares of LSEG plc. As part of its consideration of the Refinitiv acquisition the Board carefully considered the implications of having shareholder representative directors on the Board.

The Committee agreed that any proposed Shareholder Directors should have the appropriate skills and experience to bring valued contributions as Non-Executive Directors. Under the terms of the Relationship Agreement such appointments required the Committee's approval.

The Board agreed that Shareholder Directors would not be considered independent under the Code given their relationships with appointing shareholders. They will not be appointed to the Audit, Remuneration or Risk Committees.

## Appointment of a new Risk Committee Chair

The Board announced on 9 December 2020 that Professor Kathleen DeRose would succeed Stephen O'Connor as the Chair of the Risk Committee from 1 January 2021. Stephen O'Connor remains on the Board as Senior Independent Director.

## Other Board Appointments and Changes

### Non-Executive Directors

As set out in last year's Annual Report Dominic Blakemore was appointed as a Non-Executive Director on 1 January 2020. He became Chair of the Audit Committee at the end of the AGM on 21 April 2020 when Paul Heiden stepped down from the Board.

Dr Ruth Wandhöfer and Marshall Bailey OBE stepped down from the Board on 2 March 2020 and 10 September 2020, respectively.

Raffaele Jerusalmi and Professor Andrea Sironi stepped down from the Board on 20 November 2020 in preparation for the proposed divestment of the Borsa Italiana Group to Euronext N.V.

I would like to thank each of the directors who stepped down for their contributions during their tenure.

### Executive Directors

Anna Manz was appointed Group Chief Financial officer and joined the Board as an Executive Director on 21 November 2020. Anna brings significant consumer, financial and strategic experience to the Board. Prior to joining LSEG, Anna was CFO and Executive Director of Johnson Matthey plc, leading the Finance, Procurement and IT functions. She also spent 17 years of her career at Diageo plc in a number of senior finance roles, most recently as Chief Strategy Officer and a member of the Executive Committee.

David Warren stepped down as Group Chief Financial Officer and Executive Director on 21 November 2020 and will remain with the Group until 24 June 2021 to support the transition of his duties to Anna. I would like to record the Board's gratitude to David Warren for his significant contribution and commitment to the Group during his tenure, both as CFO and Interim CEO. David played a key role in the successful growth, diversification and global expansion of our business.

## Senior Management Succession Planning

During the year, the Committee (with the Group Chief Executive Officer) reviewed the detailed succession plans including for the future leadership of the Group's Executive Committee for post completion of the Refinitiv acquisition to ensure it had the appropriate mix of skills and diversity to lead the new Group. As described in the CEO's Report on page 40 a number of appointments were made to the LSEG Executive Committee both pre and post the completion of the Refinitiv acquisition.

The Group Executive Committee for the new Group is formed of individuals from a diverse range of backgrounds from both organisations. More than 40% of the Executive appointments are female reflecting the Group's ongoing commitment to seeing broader diversity in our group of leaders with the aim of having more representation from different ethnic backgrounds. The names and biographies for the Group Executive Committee can be found on pages 40–41 of this report.

## Board Effectiveness

The results of the 2020 Board Effectiveness Review are described on page 81. Board composition including Board size and balance of skills was previously identified as a key focus for the Board in 2020 and this is reflected in the actions taken by the Nomination Committee during 2020. This year's results and agreed areas of focus for the Board are described on page 81. The Board will ensure that these focus areas are acted on to further improve Board performance.

# Report of the Nomination Committee continued

## Diversity and Inclusion

The Board's membership reflects a wide range of skills and business experience, drawn from a number of industries, which is critical for bringing both the expertise required and to enable different perspectives to be brought to Board discussions. The combination of these factors means that the Board benefits from a diverse range of competencies, perspectives and thoughts, providing an ability to challenge on strategic issues and a dynamic environment for decision making.

The Board supports the proposals of the Hampton-Alexander Review to achieve 33% female representation by the end of 2020. At the end of 2020, female representation on the Board was, and remains after the further board changes, over 40%. The Board also supports the recommendations of the Parker Review on Ethnic Diversity and expects to meet the Parker Review Recommendations in 2021.

Appointments and succession plans are based on merit and objective criteria. Other than appointments covered under the Relationship Agreement, the Company uses external search consultancies when making appointments to key positions. These firms are required to provide a diverse list of candidates for senior roles. In particular, the Board's succession and appointment approach aims to secure balanced shortlists for new appointments.

The Board reviewed the Company's Culture dashboard during the year.

The dashboard tracks metrics around:
- recruitment and onboarding;
- performance and development;
- talent and mobility;
- diversity and inclusion; and
- leavers

The Board recognises that improving the Group's diversity data has a crucial part to play in setting appropriate goals for improvement and to track progress over time.

## Gender Balance in senior management and their direct reports

The Group was an early signatory of HM Treasury's Women in Finance Charter in the UK, and we set ourselves a stretch target of reaching 40% female representation in our senior leadership (Executive Committee plus two levels) population by 2020.

In 2020 we reached 37% of senior leadership level female representation across the Group which is below the 40% target we set, but we have made good progress and recognise we have more to do to achieve this target.

Female representation amongst LSEG's most senior management population (Executive Committee and their immediate direct reports) stands at 36%.

The table below summarises the progress made since 2019 for this population.

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| Female | **28** | **36%** | 25 | 29% |
| Male | **50** | **64%** | 60 | 71% |

We continue to make progress at all levels within the organisation and you can read more about this in the section titled Supporting Sustainable Growth on pages 57–67 of this report.

## Board appointments: Use of External Search Consultancies

External search consultancy Inzito supported the Board on the appointment of Dominic Blakemore. Odgers Berndston supported the Board in the search for the Group Chief Financial Officer, Anna Manz.

Inzito does not have any additional connection with LSEG. Odgers Berndston also provides general recruitment services to London Stock Exchange Group.

Martin Brand, Erin Brown and Douglas Steenland were appointed pursuant to the Relationship Agreement.

**Don Robert**
**Chair**
5 March 2021

# Report of the Audit Committee

**Dominic Blakemore**
**Chair of the Audit Committee**

The Committee is comprised entirely of Independent non-executive directors. The membership is set out below.

**Members**
Mr Dominic Blakemore
Mr Jacques Aigrain
Professor Kathleen DeRose
Mr Stephen O'Connor

## This report explains the work of the Audit Committee during the year and meets the disclosure requirements set out in the 2018 UK Corporate Governance Code.

Following the conclusion of the Group's AGM on 21 April 2020, Paul Heiden stood down from the LSEG Board and Dominic Blakemore replaced him as Chair of the Audit Committee. Dr Ruth Wandhöfer also stood down from the LSEG Board and as a member of the Audit Committee on 2 March 2020.

**Standing attendees at Committee meetings include the following:**
Group Chair, Group Chief Executive, Chief Financial Officer, Group Financial Controller, Group Chief Risk Officer, Group Chief Internal Auditor and Representatives of the external auditor, EY LLP.

The UK Corporate Governance Code (The Code) requires that at least one member of the Committee should have recent and relevant financial experience. and that the members shall have competence relevant to the sector in which the company operates. The members have a wide range of experience. The Chair of the Committee, Dominic Blakemore, is a qualified chartered accountant with a career in a variety of senior finance roles. The Chairs of the Audit and Risk Committees each sit on both committees, which ensures appropriate identification and management of issues relevant to both committees.

The Committee's effectiveness was assessed as part of the 2020 Board effectiveness review facilitated by an external provider. More details on the Committee's effectiveness review can be found in the Governance section of this report on page 81.

This report is intended to give an overview of the role and activities of the Audit Committee in assisting the Board to fulfil its oversight responsibilities relating to the monitoring of the effectiveness of the system of internal control and risk management, the independence and effectiveness of the external auditor and the integrity of the Group's financial statements. It details the activities, discussions and decisions that enabled the Audit Committee to fulfil its responsibilities effectively during 2020.

**During the year, as part of its key priorities, the Committee:**

- Oversaw, in relation to the Refinitiv transaction, the financial analysis, draft reports, disclosures and comfort in connection with the financial information and consents to be included in, or relating to, the Prospectus
- Received periodic updates on the robustness of critical controls during Covid-19
- Received and discussed the external audit management letter from EY LLP. The letter highlighted areas for improvement, in particular regarding the sales cycle management in the Information Services Division. These were noted by the Committee for follow-up
- Reviewed the effectiveness of the external auditor based on their qualifications, expertise, resources, level of independence, execution of their audit plan and the quality of their conclusions and recommendations. Based on their own interaction with EY and that of management, the Audit Committee confirmed that the services provided by EY were appropriate and in compliance with relevant auditor independence and integrity rules
- Discussed several internal audit reports during the year and satisfied itself that management action plans were in place to address the recommended improvements within reasonable deadlines
- Approved the 2020 internal audit plan, internal audit budget and resources for the Internal Audit function. The Committee also approved the updated internal audit charter and continued to review alternatives to improve the coordination of all assurance functions
- Discussed the quality of earnings in relation to the Group's Adjusted Operating Profit (AOP)
- Discussed the Group's position regarding the decision by the EU that the UK had breached EU state aid rules with regard to its Controlled Foreign Companies (CFC) rules
- Discussed the treatment of the disposal of Borsa Italiana Group and the recognition as a disposal group and discontinued operations within the Group's Interim results in 2021 and remain part of the continuing operations in this financial statements
- Assessed the financial reporting implications of its ongoing discussions with the IRS in relation to the its funding structure of within its US subsidiaries
- Continued to closely monitor the effectiveness and independence of the enhanced whistleblowing arrangements of the Group including a review of the status and resolution of the whistleblowing reports received during the year

**Priorities in the forthcoming year will include:**

- Overseeing the completion of the Refinitiv transaction and ensuring that the transaction is accurately represented in the financial statements and the annual report of the combined Group
- Receiving early and continuous understanding of the impact of the Group's acquisitions and divestitures on financial and tax accounting
- Receiving assurance that the control environment remains robust to support the continued growth and diversification of the Group's activities, including all major programmes of work and integration of acquired businesses
- Continuing to assess the impact of developments in accounting standards

**Dominic Blakemore**
**Chair of the Audit Committee**
5 March 2021

# Report of the Audit Committee continued

**Role and responsibilities of the Audit Committee**
**1. Financial reporting**
The Committee recommends the financial statements of the Group to the Board, including the annual and half-yearly reports, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing the significant financial reporting judgements that they contain.

**2. Internal controls and Risk Management systems**
The Committee keeps under review the effectiveness of the Group's system of Internal Control and Risk Management. The Audit Committee makes recommendations to the Board regarding the effectiveness of the Group's Internal Control and Risk Management systems and recommends to the Board the statements to be included in the Annual Report concerning internal controls and Risk Management (in collaboration with the Risk Committee). The Committee also monitors and reviews the effectiveness of the Group's Internal Audit function, ensuring that it has adequate resources and appropriate access to information to perform its function independently from executive management.

**3. External auditor**
The Committee oversees the relationship with the external auditor. The Committee reviews and approves the annual audit plan, ensures that it is consistent with the Committee's view of the scope of the audit engagement and reviews the findings of the audit with the external auditor. The Committee monitors and reviews the objectivity and independence of the external auditors including the non-audit activities performed by the auditors for the Group (see the external auditors fees section below for more details). The committee ensures that the external audit services contract is put out to tender on a periodic basis in line with existing best practices and regulation (the current external auditor was appointed in 2014 following a tender process overseen by the Audit Committee). The Committee oversees the selection process for new auditors and if an auditor resigns the Committee investigates the issues leading to this and decides whether any action is required.

**4. Other matters**
**Whistleblowing**
The Committee reviews the Group's arrangements for its employees and other stakeholders to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. The Committee also reviews annually the Group's procedures for detecting fraud and for the prevention of bribery.

**Composition and meetings**
The Committee comprises four independent Non-Executive Directors and it is chaired by Dominic Blakemore who is a qualified chartered accountant with a career in a variety of senior finance roles and currently holds the executive position of CEO of Compass Group. The skills and experience of each Committee member are provided in the Board of Directors section on pages 73–75.

In addition to the standing attendees, various other members of management are invited from time to time to present specific matters relevant to the Committee's remit.

Further details on the functions and responsibilities of the Audit Committee can be found in the Committee's Terms of Reference (dated 1 January 2019) which are reviewed annually and available from the Group Company Secretary or in the corporate governance section of the Group's website at: **www.lseg.com/investor-relations/sustainability/governance**.

**Activities in 2020**
The Committee met four times during the year. The Committee maintains a formal agenda which ensures that all matters for which the Committee is responsible are considered at the appropriate meeting. The agenda for each meeting was determined by the key events of the annual financial reporting cycle, the risks identified by the Committee and the standing items under its Terms of Reference. The following provides details on how the Committee discharged its responsibilities during the year as set out in its Terms of Reference:

**Financial matters:**
With regards to financial matters, the Committee reviewed, discussed and approved the half-year and full-year financial results. It reviewed, discussed and approved key accounting judgements, the annual review for goodwill impairment and assessment of indicators of impairment on purchased intangible assets, management's view of commitments and contingencies and the adequacy of the proposed disclosures. For more details on the main discussions and decisions reached by the Committee on financial matters, see the section below entitled 'Significant matters impacting the financial statements' and 'Other topics of discussion in respect to the financial statements.

**Internal controls:**
The Committee continued to exercise disciplined oversight of the effectiveness of the Group's internal controls throughout the year. In 2020 the committee appointed a new Chief Internal Auditor. It fulfilled its responsibilities by reviewing and discussing regular reports from the external auditor, the Internal Audit function as well as from external experts, including:
- Reports on compliance with the Code – internal controls (including whistleblowing) at half year and year end
- Quarterly updates on internal audit plans including internal control issues raised and management actions to remedy the deficiencies
- Annual report on the effectiveness of the Internal Audit function at the first Audit Committee of the year

The Committee obtained additional comfort by meeting with the Group Chief Internal Auditor at each Audit Committee meeting without executive management present.

The activities of the Committee related to internal controls enabled it to satisfy itself that the Internal Audit function is independent, objective and adequately staffed to perform its duties. In addition, the Committee assessed the effectiveness of the Internal Audit function throughout the year using qualitative and quantitative indicators including:
- Completeness of the audit plan
- Quality of the methodology (updated at least once a year)
- Quality of the audit reports and the issues raised
- Consistency of the audit issues raised and their ratings
- Feedback from executive management on specific audits
- Key performance indicators such as the distribution of audit ratings, percentage of past due actions and percentage of self-identified issues

The Committee relied on the assurance process throughout the year to recommend to the full Board that it could report to shareholders on the effectiveness of the Group's internal control system. The Board statement can be found on page 83.

**Oversight of the external auditor:**
The Committee assessed the effectiveness of the external audit process including the independence and quality of the Group's external auditor (EY) throughout the year. The Committee relied on its own judgement supported by the following evidence:
- The Committee received a report from management on their own evaluation of the effectiveness of the external auditor
- It received reports from EY on the status of their 2020 plan and the results of their work. The external auditor's reports were discussed at each Committee meeting and their views and opinions used to challenge decisions by Group Finance
- Evidence of matters referred for specialist review, technical review, and quality control
- The Committee also held separate meetings with EY at each Committee meeting without management being present.

Based on all evidence presented, the Audit Committee satisfied itself that the external audit has been conducted independently and effectively with the appropriate rigor and level of testing.

Having considered the performance of EY for the past six years, the Audit Committee recommended to the Board that a resolution for the reappointment of EY as the Company's external auditor for the year ending 31 December 2021 be proposed to shareholders at the AGM in April 2021.

EY were appointed as our external auditors in 2014. The Group intends to put the external audit out to tender every 10 years and no later than 2023. The lead audit partner and other key partners identified are required to rotate every five years. Other partners are required to rotate every seven years. Nick Dawes has taken over as lead audit partner in 2020.

The Committee approved the EY audit plan, the methodology used, the scope of the audit by location, the risks and areas of focus as well as the materiality threshold for the Group and the threshold for reporting unadjusted audit differences. The Committee has complied with the relevant parts of the Competition and Markets Authority Final Order on the statutory audit market for the year ended 31 December 2020.

**Report on external auditor's fees and safeguards on non-audit services**
The Committee has a formal policy governing the engagement of the auditors to provide non-audit services which is reviewed on an annual basis.

This policy prohibits certain activities from being undertaken by the auditors such as: accounting/bookkeeping services, internal auditing, certain tax and payroll services, executive recruitment and remuneration services and more generally any work where a mutuality of interest could compromise the independence of the auditors. The policy also places restrictions on the employment of former employees of the auditors. Recognising however that the auditors are best placed to undertake certain work of a non-audit nature, the policy permits the provision of audit-related services and permitted non-audit services with the prior approval of the Committee.

A breakdown of audit and non-audit service fees paid and payable to the external auditor for the year ended 31 December 2020 and prior year is provided below and in Note 35 to the financial statements.

| **Services** | **Year ended 31 December 2020 £m** | **Year ended 31 December 2019 £m** |
|---|---|---|
| Audit of parent and consolidated financial statements | **2** | 1 |
| Audit of subsidiary companies | **3** | 3 |
| Non-audit services | **–** | 1 |
| **Total** | **5** | 5 |

**Note:** EY LLP provided non-audit services of £0.4m; 8% of total fees (2019: £0.4m; 8% of total fees). This comprised of audit related assurance services of £0.3m (2019: £0.3m) and other non-audit services of £0.1m (2019: £0.1m)

# Report of the Audit Committee continued

The Committee reviewed each of these individual appointments on their merits. Prior to EY being engaged, the review process involved considering management's assessment of:

- The threats to independence and objectivity resulting from the provision of such services
- Which accounting firms had the appropriate experience and expertise to undertake the work
- Whether there were any conflicts of interest for EY
- Whether the conflicts of interest that existed for other potential firms, who were either advising other parties to the transactions or were auditors of the other company, could be appropriately managed
- The quantum of non-audit fees in the context of the overall audit fee and relative significance to EY in the context of its total client fees

In each case, the Audit Committee concluded, on the balance of risks, that the appointment of EY to perform certain non-audit services represented the most effective, secure and efficient way of obtaining the necessary advice and services, given their knowledge of our business and the Group's structure and accounting and tax affairs, together with their wider knowledge of our industry sector.

**Other matters:**
As part of its regular annual activities, the Committee assessed its own effectiveness. See page 81 for further detail.

### Significant matters impacting the financial statements

| Significant matters for January – December 2020 | How the Committee reviewed these matters and what decisions were taken |
|---|---|
| Impairment of internally developed software | The Group continues to develop and capitalise significant levels of software. The capitalisation of software development expenses involves management judgment against criteria set out in IFRS. Where indicators of impairment are identified or where an asset has not been brought into use, a full impairment assessment is performed at the reporting date. The Audit Committee reviewed the methodology used by Group Finance to capitalise software development expenses and satisfied itself that it was adequate and in conformity with IFRS. The Audit Committee also considered possible indicators of impairment for the significant internally developed software and as a result impaired software by £21 million as a consequence of assets becoming obsolete, due to the planned disposal of the Borsa Italiana Group. The impairment review was an area of focus for the external auditors, who reported their findings to the Committee. |
| Valuation of goodwill and acquired intangibles impairment assessment | The Audit Committee considered the approach and methodology applied to performing the detailed annual goodwill impairment assessment as well as the assessment for indicators of impairment of other purchased intangible assets as required under IAS 36, including the key assumptions for short and long-term growth rates, cash flow expectations and the discount rates used for the Group's cost of capital as well as key business indicators. The impairment review was also an area of focus for the external auditors, who reported their findings to the Committee. Details of the impairment review can be found in Note 13 to the financial statements on pages 164–166. |

### Other topics of discussion in respect to the financial statements:

**Acquisition of Refinitiv**
On 29 January 2021, LSEG confirmed the all-share acquisition of Refinitiv was completed. As the acquisition completed after 31 December 2020 (reporting date) and before the date when the Group's financial statements will be authorised for issue, and as the initial accounting for the business combination is incomplete, the Group has disclosed in the 'events after the reporting period' in Note 34 page 190 which disclosures cannot be made.

This is due to the size of the transaction and the short period of time between the completion and the date when the Annual Report is authorised for issue, the Group is unable to reasonably estimate and determine the:

- fair value of the consideration transferred;
- fair value of the net assets acquired;
- non-controlling interests in Refinitiv; and
- resulting goodwill.

The Audit Committee have reviewed the current progress of completion of the valuation work to ensure it will be completed within the appropriate reporting framework under IFRS.

**Disposal of Borsa Italiana Group**
As a result of the completion of the Refinitiv acquisition, the disposal of the Borsa Italiana Group is expected to complete in the first half of 2021. The Audit Committee considered the treatment of Borsa Italiana Group in the Group's financial statements and whether to consider the business as discontinued. As the disposal did not become highly probable until 2021, the Borsa Italiana Group will represent a disposal group and a discontinued operation within the Group's Interim results in 2021 and remain part of the continuing operations in these financial statements.

**EU State Aid challenge**
The Audit Committee continues to discuss the petition by the Group of the EU General Court to annul the EU Commission's findings that the UK had breached EU State Aid rules with regards to its CFC exemption known as the Finance Company Partial Exemption. The Group has recognised a tax receivable for £1 million in relation to an initial determination received from HMRC. Until a final determination has been made, any additional payments will also be recognised as a tax receivable. The exposure range to the Group remains between £0 and £65 million. However, considering the appeals made by the UK PLCs (including the Group), UK Government and management's internal view, the Group does not consider any provision is required in relation to this investigation.

**US tax position**
The Audit Committee has assessed the financial reporting implications of its ongoing discussions with the IRS in relation to the its funding structure of within its US subsidiaries. The Group has used guidance under IFRIC 23 "Uncertainty over Income Tax Treatments" to determine the possible outcomes and to assign a probability to each of those outcomes any obligations. Additional details are provided in Note 9 page 160.

**Commitments and contingencies**
The Audit Committee considered the facts and circumstances surrounding commitments and contingencies for the Group. Further details are included in Note 30 to the financial statements on page 186. The Committee agreed the provisions to be recorded in the financial statements. See Note 27 to the financial statements on page 184.

**Non-underlying items**
The Committee discussed and agreed on the classification of non-underlying items in the financial statements for the year. In particular, the Audit Committee discussed the nature and amounts of the fees linked to the acquisition of Refinitiv and proposed disposal of Borsa Italiana Group.

The non-underlying items are presented in Note 7 to the financial statements on page 159.

**Financial viability statement**
In order to meet the requirements of the UK Corporate Governance Code, the Board needs to explain how it has assessed the prospects of the Group taking into account the current position and principal risks, and over what period they have done so along with why they consider that period to be appropriate. The Audit Committee discussed the key elements required to make the statement, i.e.:
- Deciding on the appropriate period to cover
- Identifying and describing the relevant evidence and assumptions and ensuring that the various planning scenarios were realistic, taking into account the business, industry and macroeconomic factors
- Making an assessment that is appropriate to the Company's circumstances
- Applying appropriate stress testing and reverse stress testing

The Audit Committee satisfied itself that the Board of Directors was in a position to make the statement using the Group Stress testing methodology. The Financial viability statement can be found within the Directors' Report on page 124.

**Fair, balanced and understandable Annual Report**
The Audit Committee satisfied itself that the Annual Report is fair, balanced and understandable and has presented its conclusions to the Board. In order to reach its conclusions, the Committee examined the following criteria:
- Fair:
  - The Annual Report does not omit important or sensitive elements necessary to understand the strategy, performance and business model of the Group
  - Segmental reporting accurately describes the various activities of the Group and their relative contributions to the strategy, performance and business model of the Group
  - The messages in the Strategic Report and the CEO and Chair's reports are consistent with the financial reporting section

- Balanced:
  - There is an appropriate balance between the required statutory accounting metrics and Group-specific adjusted measures
  - The messages in all sections appropriately balance the favourable and less favourable events and trends affecting the strategy and performance of the Group
  - The principal risks presented in the Strategic Report on pages 24–39 accurately reflect the risk registers which are used to set the risk appetite and the strategy of the Group, including those risks which would threaten its business model, future performance, solvency and liquidity

- Understandable:
  - There is a clear and comprehensive framework for the Annual Report
  - The key messages are adequately highlighted in simple language avoiding specialised terms and acronyms wherever possible
  - There is a glossary of technical terms and acronyms used frequently across the report
  - The relevant information for shareholders is easy to find and appropriately cross-referenced where necessary without additional clutter (the 2020 Annual Report comprises 202 pages compared to the 208 pages of the 2019 report)
  - The various sections taken together present a consistent and easy to comprehend overview of the strategy, performance and business model of the Group

# Report of the Risk Committee

**Kathleen DeRose**
**Chair of the Risk Committee**

Professor Kathleen DeRose succeeded Stephen O'Connor as Chair of the Risk Committee on December 31, 2020. As of December 31, 2020, Stephen O'Connor, Kathleen DeRose, Dominic Blakemore, and Val Rahmani were members of the Risk Committee. Stuart Lewis, (Chief Risk Officer, Deutsche Bank AG), who served as a special advisor to the Committee during 2020, stepped down from his role. Cross-membership of the Chairs of the Audit and Risk Committees improves the focus on important risk matters and reduces the potential for duplication.

This report provides an overview of the role of the Risk Committee in helping the Board oversee both risk management and the internal controls that mitigate risks.

During 2020, the Risk Committee held four regular meetings. In the ordinary course of business, the Committee regularly reviews the Group's risk profile, risk appetite, and emerging risks. The Chief Risk Officer (CRO) also provides regular updates to the Chair.

As part of the regular agenda, the Committee paid particular attention to monitoring enhancement programs for operational resilience, cyber security framework, and vendor management, and to the ongoing development of the Group's risk culture, the foundation of strong risk management. It also received training on specific subjects.

In 2020 the Committee also participated in three sessions ( to which other Directors were invited) to receive an update from executive management on the impact of the Covid-19 pandemic on the global economy, and on the Group's resilience, its operations, its business continuity plans, and its people.

During the year, the Committee also focused on programs to further align and integrate the Group risk management framework, in anticipation of the Refinitiv acquisition.

In 2021, in addition to the routine review of risk within each of the Group's main business segments and subsidiaries, the Risk Committee's priorities are:
- The integration of Refinitiv, including imbedding a common Enterprise Risk Management Framework across the new Group and the development of a shared risk culture
- Monitoring the ongoing impact of the Covid-19 pandemic and its impact on economic conditions and the Group
- Identifying emerging geopolitical risks given the larger geographical reach of the Group
- Continuing a high focus on cyber security and operational resilience
- Assessing Environmental, Social and Governance risks
- Tracking the regulatory landscape with particular focus on the post-Brexit environment

**Composition and Responsibilities**

Professor DeRose brings extensive finance and risk management experience to her role as the Committee Chair, having served in a variety of senior executive and non-executive roles in the financial services industry, and due to her current academic responsibilities. The Board is satisfied that each member of the Committee has the skills and experience necessary for the Committee to effectively discharge its responsibilities. The members, and details about their backgrounds, are on pages 73-75. In addition to its non-executive members, the Chief Financial Officer, the Chief Risk Officer, and the Group Head of Internal Audit are standing invitees to all Risk Committee meetings.

The board approves and regularly reviews the Committee's Terms of Reference. The Terms of Reference are available from the Group Company Secretary, or in the corporate governance section of the Group's website at: **www.lseg.com/investor-relations/sustainability/governance**.

The Committee has non-executive responsibility for high-level risk related matters and for risk governance. The Committee reviews the risk profile of the Group on a regular basis and comments on the adequacy of the processes in place to identify and report on key risks. It reviews the risk profiles of the major Group divisions and subsidiaries. It advises the Board on the Company's overall risk appetite, tolerance and strategy, and reviews the adequacy of the Enterprise Risk Management Framework and its application to decision-making. The Committee reviews the processes through which models and methodologies adhere to requirements. The Committee sets standards for the accurate and timely reporting of critical risks, such as technology risk, cyber security, business continuity, and disaster recovery, and CCP operations, counterparty, and reputational risk. It receives regular reports on compliance with applicable regulatory requirements for each regulated entity. As part of this mandate the Committee also regularly reviews best practices for Enterprise Risk Management.

### Activities

The Committee establishes formal agendas covering all responsibilities delineated in the Committee's Terms of Reference. During the year, the Committee discharged these responsibilities with the following activities:

- Provided robust reviews of principal risks and of emerging risks with a focus in 2020 on:
  – Monitoring the resilience of the Group (financial and operational) and the adequacy of the business continuity plans and support to employees to manage the impact of the Covid-19 pandemic
  – Monitoring preparations for Brexit
  – Reviewing the Group technology resilience enhancements and risk management programme
  – Monitoring of the cyber security framework and enhancement programmes and approval of related policies
  – Monitoring the delivery of actions to manage risks within risk appetite
  – Reviewing and monitoring matters relating to operational resilience
  – Reviewing the adequacy and effectiveness of the systems of the internal controls in place to manage key risks including the review of management's assessment of information security, vendor management, financial crime, cyber-crime and data management risks as well as management's mitigating actions
  – Overseeing the adequacy of the counterparty limits and ad hoc counterparty credit risk analysis performed as required
  – Reviewing climate change financial risk quantification results
  – Reviewing detailed reports of the risk profiles of the Group's material businesses

- Monitored the Executive performance report on risk culture (awareness, transparency and accountability) which is also shared with the Remuneration Committee

- Monitored compliance with the Group risk management procedures as described in the section on internal controls on page 83 which included:
  – Reviewing regulatory compliance reports and the actions in place to ensure ongoing compliance
  – Reviewing the adequacy of the Group's Business Continuity Management plans and management programme
  – Reviewing and recommending to the Board the Group Risk Appetite, including stress tests and challenging the scenario results
  – Ensured readiness and adequacy of the Risk Framework for overseeing the management of the key risks of the new Group post Refinitiv acquisition which entailed:
  – Approving and recommending for approval Group key risk policies and also ensuring they were fit for purpose for the new Group
  – A review of the Treasury activities, the and adequacy of policy for the new Group post Refinitiv transaction including liquidity requirements and financing arrangements

- Monitored the roll out of the mandatory training programme on ethics, risks, controls and compliance

### Risk Management Function

The Chief Risk Officer leads and oversees all aspects of risk management for the Group. He reports to the Chief Executive Officer, and also, to insure independence, to the Chair of the Risk Committee. The Committee approves the CRO's remit, and ensures that the CRO has the independence and resources necessary to perform his/her duty. Group management consults with the Committee on the appointment and dismissal of the Chief Risk Officer. In 2020, the previous Chief Risk Officer communicated her intention to retire. Both the departing and incoming Committee Chairs participated in the selection of the new Chief Risk Officer, Balbir Bakhshi, who joined the Group in January 2021.

**Kathleen DeRose**
**Chair of the Risk Committee**
5 March 2021

# Directors’ Remuneration Report

## Statement by the Chair of the Remuneration Committee

**Jacques Aigrain**
**Chair of the Remuneration Committee**

**Remuneration Committee members (as at 31 December 2020)**
**Jacques Aigrain (Chair)**
**Cressida Hogg**
**Dr. Val Rahmani**
**Don Robert**

On behalf of the Board, I am pleased to present the Directors’ Remuneration Report for the financial year ended 31 December 2020.

Our Remuneration Policy Report was put to a binding shareholder vote at our 2020 AGM and we were pleased that over 96% of our shareholders voted in support. The full Remuneration Policy Report is as set out in our 2019 Directors’ Remuneration Report and no changes have been made since its approval.

Our Annual Report on Remuneration for 2020 is set out on pages 104 to 119 and is subject to an advisory vote at the 2021 AGM.

### Key Committee activities in the year

This statement sets out an overview of the Committee’s key activities and decisions during a busy year:

- 2020 remuneration outcomes and awards, including 2020 bonus, vesting of 2018 LTIP awards and granting of 2020 LTIP awards;
- Executive director changes, including transition of the Chief Financial Officer and the departure terms for Raffaele Jerusalmi following the intended sale of Borsa Italiana;
- Remuneration approach for 2021, including re-positioning of CEO salary, approach to 2021 bonus and 2021 LTIP awards;
- Shareholder consultation on the CEO’s salary;
- Consideration of the impact of the Refinitiv transaction on existing AEPS target ranges for subsisting LTIP awards (2019-2021 and 2020-2022 awards).

### Context

On 29 January 2021, the Group successfully completed its acquisition of Refinitiv to create a global financial markets infrastructure leader with significant multi-asset class capital markets capabilities, a leading data and analytics business and a broad post trade offering, well positioned for future growth in an evolving landscape.

When reviewing the Policy last year, a number of features were incorporated to reflect evolving best practice and shareholder expectations. The Committee purposefully ensured the Policy was appropriate both for LSEG as a standalone company and also for the enlarged company once the transaction completed. Therefore, we are not putting a new policy to a shareholder vote this year. However, some changes have been made to its implementation which are detailed in this Statement to ensure that our executive remuneration framework is aligned to our business objectives going forward.

### Covid-19

The Covid-19 pandemic has brought extraordinary challenges to LSEG’s employees, customers, suppliers and the communities we operate in.

The health and wellbeing of colleagues has been LSEG’s highest priority during the pandemic. LSEG launched a number of initiatives to help colleagues adapt to new ways of working and ensure they are fully supported. The majority of our employees around the world have successfully moved to remote working and no staff were furloughed in response to the pandemic.

LSEG is committed to supporting the communities where it operates around the world. Recognising the severity of the impact of the Covid-19 pandemic on many of these communities LSEG has made a number of financial donations and partnered with global and local organisations to support those directly affected.

In spite of the unprecedented impact of Covid-19, LSEG has demonstrated operational resilience and delivered a strong financial position, with an increase in the share price of 16% over 2020 and the increase in dividend of 7% to 75 pence per share. LSEG took no government support during the pandemic and no staff were furloughed and the annual salary review and operation of the annual bonus for colleagues proceeded as normal.

### Performance in the year

The Committee continues to place great importance on ensuring that there is a clear link between pay and performance, including a focus on culture, adherence to the Group's risk framework, and that our remuneration outcomes are reflective of this wider context.

This year has seen unprecedented challenges for business around the world as they respond to the impact of Covid-19. LSEG has delivered resilient performance in spite of the challenging market conditions. Total income from continuing operations rose to £2,444 million, up 6%. AOP increased by £53 million (5%) to £1,118 million while operating profit increased by £17 million (2%) to £755 million. The Group has continued to demonstrate strong operational resilience, focusing on continuity of service for customers and the welfare of employees, and has continued to execute our strategic plans across our business.

### Highlights:

- LSEG successfully completed the acquisition of Refinitiv, a leading provider of data, analytics and financial markets solutions, on 29 January 2021
- FTSE Russell announced a 10-year extension to a global index derivatives agreement with CBOE Global Markets to develop and list options based on FTSE Russell indices
- FTSE Russell index selected by BlackRock for the first climate risk-adjusted Government Bond ETF utilising the FTSE Advanced Climate EGBI
- LCH Limited recognised as a Tier 2 CCP under the EMIR 2.2 supervisory framework as part of the wider ESMA recognition of the UK framework as equivalent until at least 30 June 2022
- LCH EquityClear went live with a new LSEG Technology post trade platform, processing record equity clearing volumes in March 2020
- China Pacific Insurance Group (CPIC) listed GDRs in London on Shanghai-London Stock Connect, the largest capital raise via an admission to London Stock Exchange in 2020 to date, raising US$2 billion
- London Stock Exchange celebrated the 25th anniversary of AIM, the London Stock Exchange's growth market, with over 3,800 companies admitted since launch

The Group produced these financial results as it executes its strategy to deliver best-in-class capabilities, drive global growth and develop our partnership approach.

### 2020 bonus outcomes for Executive Directors

As a result of the Group's performance and individual contribution, the Committee determined that the Executive Directors will be awarded bonuses of between 70% and 76% of their maximum opportunity. Further detail is shown on page 108.

### 2018 LTIP award outcomes

As shown in our 'Single total figure of remuneration' table, the AEPS element of the LTIP awards made in 2018 will vest at 100%. Based on performance to date it is forecast that the TSR element will vest in full, however this will be confirmed following the end of the performance period in March 2021 and will be disclosed in our FY2021 report. The achievement of stretching targets year on year has delivered significant value. These vesting outcomes reflect AEPS growth of 4.7% year on year and 12.1% compound annual growth rate (CAGR) over the 3 year performance period, and annualised TSR performance to date for these 2018 grants is 33% p.a., incorporating share price growth of 16% in 2020.

### Discretion in relation to 2020 outcomes

These incentive outcomes above are reflective of overall Group financial and strategic performance, and the Committee determined that no discretion should be exercised to adjust the formulaic outcomes.

### Executive director changes

**Appointment terms for Anna Manz**

As announced in June 2020, Anna Manz was appointed as Chief Financial Officer and a member of the Board of LSEG plc on 21 November 2020, replacing David Warren. Anna was appointed on a salary of £650,000 with maximum incentive opportunities of 200% and 300% of salary respectively for the annual bonus and LTIP in line with the Policy. Her pension contribution of 10% of salary is in line with the wider workforce. Anna has also been granted awards to compensate for remuneration forfeited at her previous employer and these replicate the form, vesting schedule and value of awards foregone. Full details are provided on pages 109 to 110.

**Departure terms for David Warren**

David Warren stepped down as Chief Financial Officer and Executive Director on 21 November 2020 but will remain with the Group until his retirement date of 24 June 2021 to ensure a seamless transition.

He will be treated in accordance with the Company's approved remuneration policy and his service contract and as such he will remain eligible for salary and benefits until his retirement date. He will also be eligible for a pro-rated bonus until his last working day and his bonus paid for 2020 will be subject to 50% deferral into LSEG shares for a period of 3 years, in line with our remuneration policy. All Long Term Incentive Plan (LTIP) awards which are unvested at the point that David retires from the Company will be pro-rated to the date of leaving and remain subject to performance conditions with vesting at the usual time. Given the announcement of his retirement, David was not granted an LTIP award in 2020 and no further LTIP awards will be granted.

**Transfer terms for Raffaele Jerusalmi**

Following the sale of Borsa Italiana to Euronext, which is expected to complete in the first half of 2021, the CEO of Borsa Italiana ceased to be an executive director on 20 November. On completion, Raffaele Jerusalmi would be treated as a 'good leaver' for the purposes of his interests in LSEG's share plans (e.g. LTIP awards and bonus deferrals). In accordance with the Policy, he would remain subject to mandatory bonus deferral and post-employment shareholding guidelines.

When determining the treatment of Raffaele's outstanding LTIP awards, the Committee was mindful that Borsa Italiana is being acquired by a competitor. To ensure that value delivered to Raffaele is aligned with performance delivered for LSEG and to achieve appropriate separation post-completion, the Committee determined that awards should vest on completion subject to time and performance pro-rating. All vested LTIP awards remain subject to the holding period and to malus and clawback provisions.

# Statement by the Chair of the Remuneration Committee continued

**Salary review for Executive Directors**

Given the transformative nature of the transaction with Refinitiv, the Committee reviewed the CEO's salary in the context of the significantly larger, more international and complex business and the increased responsibilities and demands of the role. The combined business is now the largest publicly-listed financial markets infrastructure company by revenue globally. As such it offers significant customer benefits across the full range of LSEG's businesses by: extending its trading capabilities across asset classes; expanding its data content, management and distribution capabilities; increasing its global footprint and range of customer offerings; and enabling LSEG, Refinitiv and their customers to benefit from future data and technology-enabled innovation and growth opportunities.

The Committee considered other factors including the performance of the CEO and the Group and market positioning against appropriate UK and international comparators. Shareholders were consulted on the proposed increase and were broadly supportive of the underlying principle given the significant change in the CEO's role post-transaction.

The CEO's salary was therefore increased to £1 million from the date of completion, representing a 25% increase. While the Committee is aware that this is a large increase in absolute terms, both salary and total compensation will continue to be positioned below the lower quartile of the FTSE 30, while LSEG will be positioned firmly within the top 15 companies in the FTSE in terms of size. The salary increase for the CEO was complemented by an increase in the minimum shareholding requirement from 300% to 400% of base salary, to be built from the date of his appointment.

No changes are proposed to the salary of the new CFO.

**Operation of 2021 bonus**

As per prior years, for FY2021 the Group bonus pool will be determined based on performance measures weighted 60% Group AOP and 40% strategic deliverables to be assessed over a 12-month performance period. The performance is assessed as part of a balanced scorecard of which the 'strategic' element includes key Group strategic initiatives as well as personal and divisional objectives. 50% of any bonus payment for Executive Directors will be paid in March 2022. The remaining 50% will be deferred into shares for a period of three years.

**LTIP awards to be made in 2021**

LTIP awards will be granted in 2021 under our 2014 shareholder-approved plan in line with our revised policy. The Committee has given careful consideration to the LTIP target ranges applicable to the 2021 grant, in particular for AEPS growth in the context of the Refinitiv transaction to ensure they are appropriately stretching taking into account both internal and external forecasts.

For the AEPS element (60%), the performance targets will range from 8% to 18% growth per annum. For the TSR element (40%), the relative performance targets will continue to range from median to upper quartile versus the UK FTSE 100 Index.

**Impact of the Refinitiv transaction on AEPS target ranges for subsisting LTIP awards (2019 and 2020 awards)**

The Committee will consider the continued appropriateness of the AEPS performance targets in due course in the context of the transaction. Full disclosure will be provided in the relevant remuneration report.

**Wider workforce considerations**

The Committee has responsibility for overseeing arrangements for all employees and reviews broader workforce policies and practices in order to support decisions on executive pay. Our Group-wide reward framework establishes the compensation structure, elements and leverage for each career stage in the organisation. This facilitates greater oversight of the Committee of remuneration for the wider workforce. The annual salary review with effect from 1 April 2021 and operation of the annual bonus for employees for performance year 2020 (paid in March 2021) will proceed as normal.

Employee wellbeing is an ongoing focus in light of the unprecedented impact of the Covid-19 pandemic and the majority of colleagues working on a remote basis. We are committed to fostering a positive culture of wellbeing at LSEG, creating an environment where our people can thrive and fulfil their potential. Our approach to wellbeing spans five areas (financial, mental and physical wellbeing, social purpose and work-life balance) and we have worked to update and improve the benefits and range of services we provide to colleagues across these areas. To support our employees during the pandemic, the most recent of two employee surveys in 2020 stated that 86% feel they received the support they need during this time from the Company and their leaders.

Engagement with employees has also been an important focus during the Covid-19 pandemic with a range of formal and informal channels available for colleagues to share ideas and concerns with members of the LSEG Board. Our Employee Board consultation process facilitates direct discussions between employee nominated representatives and members of our Board on executive remuneration and how it aligns with the wider company pay policy. Employee representatives had already provided feedback that colleagues do not have any concerns regarding the quantum of executive remuneration at LSEG. There was, however, an overall desire for more transparency on wider company pay. In response to this feedback, and in preparation for integration, we have further developed our reward framework in 2020 and continue to strengthen our communication and disclosure of this across the Group to enhance employee understanding. We are pleased to receive recognition of our efforts to improve employee communications and engagement with an award for the 'Best Communications/Engagement Initiative of the Year' at the 2020 Workplace Savings and Benefits Awards

Culture continues to be a key business driver and we place great importance on ensuring our pay policies and incentives support the desired culture and behaviours of the Group. For the 2020 performance year, our bonus deferral scheme was extended below Group Executive level to the Managing Director population. This reinforces the alignment of the pay of senior management with shareholder interests and the Group's long-term performance. A number of development programmes were introduced for leaders during 2020 allowing for a greater focus on culture and behaviours across all our senior employees.

In line with the regulations, we have disclosed our CEO to employee pay ratio on page 115. Paying our employees fairly relative to their role, skills, experience and performance is central to our approach to remuneration, and our reward framework and policies support us in doing this. Equal pay is also critical, and we review our pay levels on an ongoing basis to ensure that men and women are paid equally for doing equivalent work. Driven by our commitment to progressing gender diversity globally, we have chosen to disclose our global gender pay figures. Further information is provided in our Gender Pay Report which is available at: **www.lseg.com**.

As detailed earlier in this Annual Report, diversity and inclusion is a key priority for the Group and we have taken a number of actions during the year to reinforce inclusion, increase diversity and promote collaboration and innovation. One area of focus has been to improve of the level of ethnicity data voluntarily provided across LSEG globally and we are making good progress in this respect. Data is a key enabler for us to drive change, track progress and set targets and we are committed to publishing an ethnicity pay gap report as soon as we have sufficient data to provide a full picture.

We are committed to fostering an inclusive environment for all our colleagues. In 2020, 61% of eligible employees across nine countries participated in our employee share ownership plans, offering colleagues around the globe the opportunity to invest and share in the Group's future success. Further information is provided on page 109.

## Summary of key executive remuneration decisions

| Role | | Chief Executive Officer | Chief Financial Officer |
|---|---|---|---|
| Name | | David Schwimmer | Anna Manz |
| Previous salary (with effect from 1 April 2020) | | £800,000 | £650,000 |
| Annual salary (with effect from 1 February 2021)* | | £1,000,000 (+25%) | £650,000 (+0%) |
| Bonus for financial year ending 31 December 2020 | % of salary | 171% of salary | 145% of salary |
| | % of maximum | 76% | 73% |
| | £ total amount | £1,369,000 | £101,000 |
| | Of which 50% is deferred[1] | £684,500 | £50,500 |
| Max. annual bonus opportunity (% of salary) | | 225% | 200% |
| 2021 LTIP award (subject to performance) | | 300% of salary | 300% of salary |

Note: *Annual salary date applicable to CEO only and effective from the date of transaction. FY2020 bonus for Anna Manz is aligned to corporate performance, per the terms of appointment.

### Concluding remarks

The Committee continues to ensure the Group's approach to remuneration takes into account best practice and market trends in the financial services sector and wider market while continuing to support the commercial needs of the Group, the interests of shareholders and of all other stakeholders. We look forward to your support for these proposals at the forthcoming AGM.

**Jacques Aigrain**
**Chair of the Remuneration Committee**
5 March 2021

This report has been prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and the relevant sections of the Listing Rules.

# Directors' Remuneration Report

## At a glance

**Responding to the Covid-19 pandemic**

**Performance and operational resilience**

The Covid-19 pandemic has brought extraordinary challenges to LSEG's employees, customers, suppliers and the communities we operate in. In spite of this, we have demonstrated our operational resilience and as a Group we are in a strong financial position, as summarised below:

- Total income from continuing operations rose to £2,444 million, up 5%, AOP increased by £53 million (6%) to £1,118 million while operating profit increased by £17 million (3%) to £755 million.
- Following the initial impact of the pandemic, our share price has steadily grown since March 2020 and is now higher than pre-Covid levels at around £90 per share;
- Rapid upscaling and deployment of technology-based solutions to facilitate organisation-wide remote/virtual working with the majority of our employees around the world successfully moving to remote working;
- Risk and Business Continuity Planning successfully managed through period of unprecedented organisational and market volatility;
- Ongoing business resiliency with customer and government engagement unaffected;
- Execution of Return to Office on a global basis in accordance with local legislative, operational and cultural requirements; and
- Modification of processes to adapt to virtual environment successfully implemented.

**LSEG share price growth**

+16%

2020 9,008p

2019 7,750p

**Full year dividend**

+7%

2020 75.0p

2019 70.0p

**Communities**

LSEG is committed to supporting the communities where it operates around the world. Recognising the severity of the impact of the Covid-19 pandemic on many of these communities we have made a number of financial donations and partnered with global and local organisations to support those directly affected by the pandemic around the world.

£3.3m

**Donated to date by LSEG and the LSEG Foundation to support communities affected by the pandemic**

**Collegues**

The health and wellbeing of our colleagues has been our highest priority during the pandemic. We launched a number of initiatives to help colleagues adapt to new ways of working and ensure they are supported. Despite the fact that the majority of colleagues have been working remotely:

- Team and internal moral was successfully maintained, as evidenced in our most recent Ways of Working survey which showed high levels of satisfaction in key engagement areas; and
- Virtual onboarding of new hires was successfully adapted to as reflected in positive survey results.
- Furthermore, no staff were furloughed in response to the pandemic and the annual salary review and operation of the annual bonus for colleagues proceeded as normal.

86%

**of colleagues feel supported by the Group during the pandemic (based onour Ways of Working survey)**

93%

**of new hires believe the Group is adapting effectively to the pandemic**

**Annual salary**

**David Schwimmer**
(with effect from 1 February 2021)

£1,000,000 (+25%)

**Anna Manz**
(with effect from 1 April 2021)

£650,000 (+0%)

**FY2020 annual bonus**

**David Schwimmer**

£1,369,000 (of which 50% is deferred)

171% of salary

76% of maximum

**Anna Manz**

£101,000 (of which 50% is deferred)

145% of salary*

73% of maximum

*Prorated from date of service

**2021 LTIP award** (subject to performance)

**David Schwimmer**

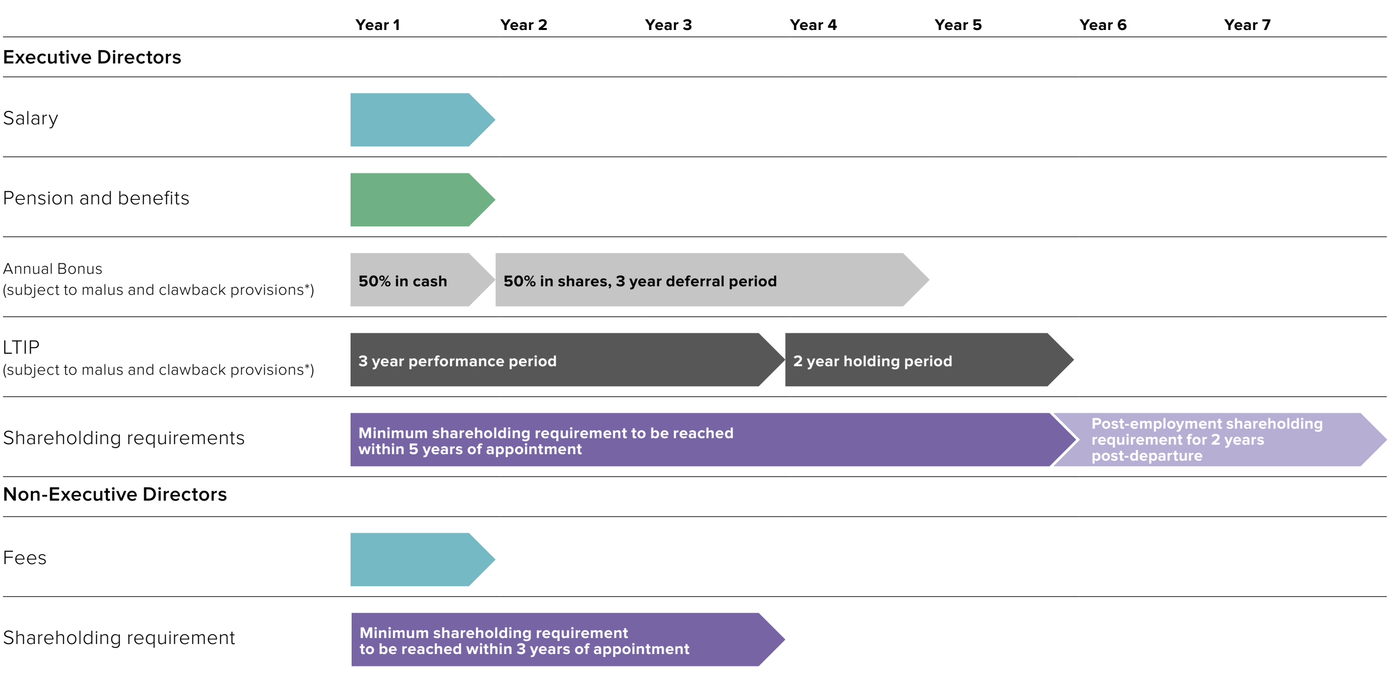
300% of salary

**Anna Manz**

300% of salary

# Remuneration Policy

The Remuneration Policy Report was subject to a binding shareholder vote at the 2020 AGM and was passed with 96.2% support. We incorporated a number of enhancements to our policy to align with good market practice. The table below illustrates the structure and time horizons of each key remuneration element, demonstrating the long-term focus of our policy. The full Remuneration Policy Report is set out in the 2019 Directors' Remuneration Report as part of our 2019 Annual Report which can be found on our website: **www.lseg.com/investor-relations/presentations-and-webcasts/annual-reports**. There have been no changes to the policy during the financial period.




* The Committee has discretion to enforce malus and clawback in certain circumstances, including: misstatement, negligence, fraud, serious misconduct, significant reputational damage, misbehaviour, material failure of risk management or any other circumstances the Committee deem similar in nature or effect. Clawback will normally apply for a period of 3 years following vesting of shares/deferred cash bonus and/or payment of bonus, unless the Committee determines otherwise

# Annual Report on Remuneration

This section sets out how remuneration arrangements have operated during the past financial year (FY2020), and also provides details on how we intend to operate our policy during the coming year (FY2021). This report will be put to an advisory vote at the 2021 AGM. The information from this page 104 to page 119 has been audited where required under the regulations and is indicated as audited where applicable.

### Single total figure of remuneration for Executive Directors (Audited)

| | David Schwimmer | | | | David Warren[6] | | | | Raffaele Jerusalmi[12] | | | | Anna Manz | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY2020 £000 | % of total | FY2019 £000 | % of total | FY2020 £000 | % of total | FY2019 £000 | % of total | FY2020 £000 | % of total | FY2019 £000 | % of total | FY2020 £000 | % of total | FY2019 £000 | % of total |
| **Fixed remuneration** | | | | | | | | | | | | | | | | |
| Salary | 794 | | 775 | | 444 | | 500 | | 414 | | 460 | | 69 | | – | |
| Flexible benefits allowance | 15 | | 15 | | 18 | | 20 | | – | | – | | 2 | | – | |
| Benefits | 213[4] | | 240 | | 100[7] | | 108 | | 42[9] | | 41 | | 2[13] | | – | |
| Other | – | | – | | – | | – | | 239[10] | | 190 | | – | | – | |
| **Pay for performance** | | | | | | | | | | | | | | | | |
| Annual bonus | 1,369 | | 1,310 | | 622 | | 732 | | 581 | | 588 | | 101 | | – | |
| Long term incentive – performance[1,2] | 2,325 | | – | | 1,332 | | 1,464 | | 1,121 | | 1,214 | | – | | – | |
| Long term incentive – share price growth[1,2] | 2,071 | | – | | 1,343 | | 1,860[3] | | 1,131 | | 1,543[3] | | – | | – | |
| Pension | 89[5] | | 116 | | 111[8] | | 125 | | 158[11] | | 174[9] | | 7[14] | | – | |
| **Total remuneration** | **6,876** | | **2,456** | | **3,970** | | **4,809** | | **3,686** | | **4,210** | | **180** | | – | |
| **of which** | | | | | | | | | | | | | | | | |
| Fixed remuneration | 1,111 | 16% | 1,146 | 47% | 672 | 17% | 753 | 16% | 853 | 23% | 865 | 21% | 79 | 44% | – | |
| Variable remuneration | 5,765 | 84% | 1,310 | 53% | 3,298 | 83% | 4,056 | 84% | 2,832 | 77% | 3,344 | 79% | 101 | 56% | – | |

**Notes to the table:**
1. Value for Long Term Incentives shown for FY2020 represents estimated value of share awards granted in 2018 that vest in April 2021. The estimate is based on the confirmed 100% vesting of the EPS element and forecast 100% vesting of the TSR element, which will be confirmed in April 2021 (August 2021 for the CEO's grant)
2. The value delivered through performance is calculated as the number of shares forecast to vest in 2021 multiplied by the share price on the date of grant. The value delivered through share price growth is calculated as the same number of shares multiplied by the difference between the average share price in the last 3 months of the financial year, being £85.82 and the share price on the date of grant. The Committee does not intend to amend the outcome or make any adjustments in regard to share price growth over the period, on the basis that this reflects our view of the Group's underlying performance and returns for shareholders over the performance period
3. Performance shares vested on 3 April 2020 at £72.00 per share

**David Schwimmer**
4. Benefits include the cash value of private medical, income protection and life assurance plus expatriate allowances and commuting expenses (including car transportation where appropriate) with associated taxes. The housing component of expatriate allowances ceases 31 July 2021. Mr Schwimmer contributed £500 per month to the SAYE plan between May and December 2020; this benefit has been valued based on the discount to market value provided (20%) in relation to these savings
5. Annual pension allowance of 10% of salary (reduced from 15%, effective 1 April 2020)

**David Warren – stepped down from the Board on 21 November 2020**
6. David Warren will remain eligible for salary and benefits until his retirement date of 24 June 2021. The figure shown in the single figure table is in respect of his services to the point of stepping down from the Board
7. Benefits include the cash value of private medical, income protection and life assurance plus expatriate allowances and commuting expenses (including car transportation where appropriate) with associated taxes
8. Annual pension allowance of 25% of salary

**Raffaele Jerusalmi – stepped down from the Board on 20 November 2020**
9. Benefits represent the cash value of private medical, disability and life insurance cover, luncheon vouchers, car and fuel benefit
10. Trattamento di Fine Rapporto mandatory arrangements calculated on salary, capped benefits, bonus and shares and paid into Mr Jerusalmi's pension plan for the 12-month reported period
11. Pension: mandatory INPS contributions calculated on salary, benefits and bonus for the 12-month reported period
12. FY2020 rate of £1 = €1.125 and FY2019 rate of £1 = €1.14

**Anna Manz – appointed to the Board on 21 November 2021**
13. Benefits include the cash value of private medical, income protection and life assurance plus commuting expenses (including car transportation where appropriate) with associated taxes
14. Annual pension allowance of 10% of salary

**Further notes**
15. There were no money or assets reported in any previous financial year that were subject to a recovery of sums paid or withholding during the year

## Additional notes to the Single total figure of remuneration (Audited)

### Fixed pay

#### Base salary

When reviewing Executive Director salaries, and in line with our policy, the Committee considers multiple reference points including companies in the FTSE 100, the broader Financial Services sector and other international exchange groups. From 2021 the Committee will continue to review these reference points for appropriateness in the context of the much-enlarged Group.

#### Benefits

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, illness, 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). Where received as a cash supplement, this allowance is not used to calculate bonus payments or pension contributions.

Benefits are reviewed periodically to ensure they remain affordable and competitive. Executives are eligible to participate in the Group's HMRC tax-favoured SAYE Scheme (or international equivalent). There has been no change to the provision of benefits and all arrangements below have previously been disclosed.

David Schwimmer receives a flexible benefits allowance of £15,000 per annum, which is unchanged from last year. In addition, he receives benefits in kind which include private health care, permanent health insurance and life assurance arrangements. Mr Schwimmer is also provided with car transportation where appropriate.

As an expatriate from the US to UK, David Schwimmer receives the following:

- For the first three years of employment, an annual allowance of £150,000 in respect of accommodation expenses; this allowance will cease on 31 July 2021.
- Tax preparation and filing assistance in the US and the UK.
- The Group will meet the costs of repatriating Mr Schwimmer's effects back to the US if it terminates his employment other than in circumstances such as serious misconduct which would justify summary termination.
- For the first five years of employment, an annual allowance of up to £50,000 to cover flights between London and the US for Mr Schwimmer and his family.

David Schwimmer contributes £500 per month Into the 2020 SAYE scheme which will mature in June 2023 with a six-month exercise window.

Anna Manz receives a flexible benefits allowance of £15,000 per annum. In addition, she receives benefits in kind which include private health care, permanent health insurance and life assurance arrangements.

David Warren receives a flexible benefits allowance of £20,000 per annum, which is unchanged from last year. In addition, he receives benefits in kind which include private health care, permanent health insurance and life assurance arrangements. He will continue to receive these until his retirement.

As an expatriate from the US to UK, David Warren receives the following:

- Tax preparation and filing assistance in the US and the UK.
- The Group will meet the costs of repatriating Mr Warren's effects back to the US if it terminates his employment other than in circumstances such as serious misconduct which would justify summary termination.
- An annual allowance of up to £30,000 net per annum to cover flights between London and New York for Mr Warren and his family.

Raffaele Jerusalmi receives benefits in kind that include private medical, disability and life insurance cover, luncheon vouchers, car and fuel. He also contributes towards the Italian mandatory national insurance system.

There are no contractual malus or clawback provisions in place in relation to benefits. Executive Directors are covered by the Directors' and Officers' insurance and indemnification.

### Retirement Benefits

In the UK, pension provision for our Executive Directors takes the form of a non-consolidated cash allowance; only base salary is used to calculate pension entitlement and no other pension supplements apply.

David Schwimmer receives an allowance equivalent to 10% of base salary as a taxable cash supplement.

Anna Manz receives an allowance equivalent to 10% of base salary as a taxable cash supplement.

As disclosed last year, David Warren received an allowance equivalent to 25% of base salary as a taxable cash supplement. The Committee did not amend Mr Warren's allowance given his announcement to retire and step down from the Board in 2020. As confirmed on page 77, since the departure of David Warren, we have transitioned to compliance with provision 38 of the Code, aligning executives to the workforce.

Raffaele Jerusalmi accrued mandatory state pension (INPS) benefits in Italy to the date of cessation. Actual benefit due at retirement is set out by the applicable Italian legislation in force from time to time. Under the Italian TFR, he receives contributions which are funded by the Company at a rate fixed by local law and which are paid to Mr Jerusalmi's private pension plan. Both INPS and TFR contributions are included in the Single total figure of remuneration table on the previous page.

### Bonus awarded for FY2020

Executive Directors are eligible to receive an annual bonus based on meeting or exceeding bonus targets that are set at the beginning of the year, looking at the Group's financial performance, strategic deliverables and their personal contribution. The Committee also receives input from the Risk Committee with regard to performance related to risk culture (awareness, transparency and accountability) when assessing remuneration decisions.

The operation of the FY2020 annual bonus is as per last year. The Group bonus pool continues to be assessed against 60% financial performance and 40% against strategic deliverables. The Committee considers AOP to be of particular significance for the Group and believes it should continue to be the main financial measure for annual bonus plan purposes. As per 2019, the maximum bonus opportunity is 225% of salary for the Chief Executive Officer and 200% of salary for other Executive Directors.

The Executive Directors' awards are funded from the Group bonus pool. For FY2020 the performance of the Executive Directors and Group Executive team continues to be assessed as part of a scorecard. This scorecard aligns the bonus assessment with the construct of the Group bonus pool: 60% against Group AOP; 40% against strategic deliverables. The 'strategic' element includes key Group strategic initiatives as well as personal and divisional objectives.

Further to our commitment to ensure a greater focus on the development of culture for the Group, the Committee determined that within this scorecard there should be a greater proportion assessing behavioural performance, to allow for a stronger emphasis on how the individuals achieved their targets. A 360° feedback process informs part of the assessment of the personal element of the scorecard.

### Determination of Bonus for FY2020

The Committee determined the overall Group bonus pool with reference to the 12-month performance period ending 31 December 2020.

In its assessment of the performance measures, the Committee considered outcomes in the context of the unprecedented impact of the Covid-19 pandemic and the wider stakeholder experience. In spite of the challenging market conditions, the Group has continued to demonstrate strong operational resilience, delivering continuity of service for customers, maintaining orderly markets and managing risk, concurrent with a strong and sustained focus on the welfare of our employees, as summarised below:

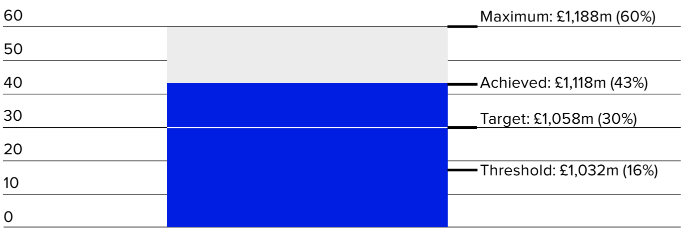
- Risk and Business Continuity Planning successfully managed through period of unprecedented organisational and market volatility;
- Rapid upscaling and deployment of technology-based solutions to facilitate organisation-wide remote/virtual working;
- Team and internal moral successfully maintained, as evidenced in our recent Ways of Working survey which showed high levels of satisfaction in key engagement areas with 86% of respondents feeling supported by the Group;
- Ongoing business resiliency with customer and government engagement unaffected;
- Execution of Return to Office on a global basis in accordance with local legislative, operational and cultural requirements;
- Successful virtual onboarding of new hires reflected in positive survey results of 93%; and
- Modification of processes to adapt to virtual environment successfully implemented.

### The performance measures and targets for the FY2020 Group bonus pool are set out below:

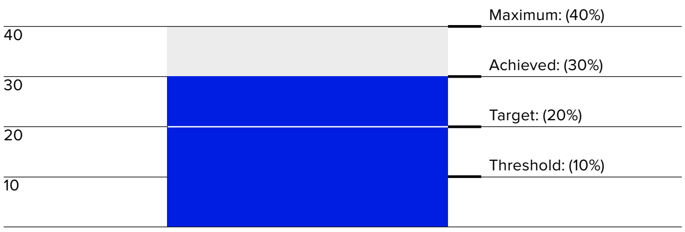
| | | Actual performance | Target | Performance relative to target | Maximum percentage of bonus | Actual percentage of bonus |
|---|---|---|---|---|---|---|
| FY2020 Group Bonus Pool | Group AOP | FY2020 AOP of £1,118m. | FY2020 AOP of £1,058m. | Above target | 60% | 43% |
| | Strategic Deliverables | • Secured shareholder and European Commission approvals to complete the proposed Refinitiv transaction; all transaction and regulatory filings completed. Detailed planning and milestone delivery for integration is well advanced and unaffected by remote working.<br>• Agreed the €4.325bn sale of Borsa Italiana Group to Euronext N.V., securing regulatory and shareholder approvals and well-progressed separation plan to deliver the transaction in H1 2021, displaying organisational agility to execute at pace.<br>• LCH Limited recognised as a Tier 2 CCP under the EMIR 2.2 supervisory framework as part of the wider ESMA recognition of the UK framework as equivalent until at least 30 June 2022. Continued senior level advocacy with authorities in Brussels, London and Paris on equivalents and post-Brexit regulatory alignment.<br>• Further enhanced the Group's capability in operational excellence and resiliency – 2020 Cyber Security Programme, upgrade and deployment of EquityClear collateral system and execution of the Multi-Currency Clearing Platform, developed in-house, evidencing Group-wide execution capability.<br>• Cyber & Information Risk operating model across the "Three Lines of Defence" are now aligned and incorporated into the delivery roadmap for the combined company.<br>• Robust navigation of the actual migration and change in relation to Brexit, with trading and clearing volumes successfully migrated with minimal attrition across platforms and venues.<br>• Leading reference rate reform in key global markets, coordinating and driving market transition. Launches included forward-looking Term SONIA Reference Rate, LCH's discounting transition in EUR and delivery of the SOFR discounting switch in USD (a critical milestone supporting industry-wide efforts to transition from LIBOR to Risk Free Rates).<br>• By close of 2020, female representation at Board level had increased to 44% and at Executive Committee to 37%. Gender diversity at 34.6%, below Group target of 40%, however senior management representation has Increased by 4.1%,<br>• Completed a strategic investment in PrimaryBid, securing a c.9% stake in this technology platform and material progress in our customer-led objective of digitising capital raising processes<br>• In spite of the unprecedented impact of Covid-19, demonstrated operational resilience and continuity of service, maintaining a strong financial position. Facilitated effective remote working and provided ongoing wellbeing support to our people. September 2020 survey stated that 86% feel they received the support they need during this time from the Company and their leaders.<br>• More than 77% of LSEG colleagues took part in the 2020 Have Your Say survey in October, where the engagement score was 81, one point higher than in 2019 and six points higher than other similar global companies. | | Above target | 40% | 30% |
| | **Total** | | | | **100%** | **73%** |

1. AOP excludes amortisation of purchased intangibles, non-underlying items.
2. For the FY2020 Group AOP bonus measure, Threshold was set at Target minus 2.5% and Maximum was set at Target plus 12%.

**Group adjusted operating profit performance** (% of total bonus)




**Strategic deliverables performance** (% of total bonus)




1. Actual result for Group AOP performance is 72% of maximum
2. Actual result for Strategic Deliverables performance is 75% of maximum

### Application of discretion

These incentive outcomes above are reflective of overall Group financial and strategic performance, and the Committee determined that no discretion should be exercised to adjust the formulaic outcomes.

### Chief Executive Officer

The Group produced robust financial results as it executes its strategy to deliver best-in-class capabilities, drive global growth and develop our partnership approach.

David Schwimmer continued in his role as CEO and has overseen strong growth in a challenging macroeconomic and geopolitical environment, continuing the Group's Open Access and customer partnership approach to deliver innovative solutions, demonstrated by the launch of several new products, services and initiatives.

Having announced the proposed transaction to acquire Refinitiv in 2019, David led the Group through the significant work involved in obtaining the necessary regulatory and competition approvals to bring a global multinational business together. Completion of the transaction occurred on 29 January 2021 with LSEG and Refinitiv combining to become a leading global financial markets infrastructure provider.

David has provided strong management of the Group's core business in an uncertain macroeconomic environment. Under David's leadership the Group successfully focused resources on strong operational resilience across the Group's systematically important market infrastructure platforms during the Covid-19 outbreak. During this time Group employees moved to working almost entirely remotely.

During 2020 David has continued to develop strong relationships with key regulators and government officials. Through these relationships he ensured the Group was well prepared for the UK's exit from the European Union, with minimal impact to customers, markets, or revenue streams. These relationships will enable the enlarged LSEG to drive further collaboration and innovation for our customers, while continuing to operate on an Open Access basis and maintaining local governance and regulatory oversight.

David has continued to build a culture of leadership and diversity and inclusion. Significant investment has been made in leadership programmes and assessment processes for appointments. In gender diversity, senior leadership representation has increased to 37%, and 50% of senior management external hires in 2020 have been female.

### Chief Financial Officer (to 21 November 2020)

David Warren continued in his position as CFO, and provided financial support for growth across the core businesses and strong leadership with respect to the Refinitiv acquisition. David stepped down from the Board of Directors of LSEG Plc on 21 November 2020

David led the Group's strong financial performance in during 2020, ensuring the Group's financial position during a period of macroeconomic uncertainty as a result of the Covid-19 pandemic. David continued to lead the financial aspects of the Group's acquisition of Refinitiv, ensuring continuity of financial capacity through arrangement of committed finance facilities ahead of the transaction close.

At the end of 2020, the Group's long-term credit ratings were A3 and A with Moody's and S&P respectively, with both agencies having moved their ratings to a negative outlook in anticipation of the impact of the Refinitiv acquisition on net leverage. Subsequent to the completion of the Refinitiv acquisition on 29 January 2021, both agencies affirmed their ratings with Moody's revising its outlook to stable and S&P maintaining a negative outlook.

### Chief Financial Officer (from 21 November 2020)

Anna Manz joined London Stock Exchange Group on 21 November 2020 as Chief Financial Officer and a member of the Board of LSEG Plc. Anna joined the Group from her previous role as CFO and Executive Director of Johnson Matthey Plc, and brings a wealth of financial and leadership experience from senior roles at major UK listed companies.

Anna will play a central role as the Group continues to grow and deliver value to shareholders, with a key focus on delivering the growth targets announced as part of the Refinitiv acquisition.

### Executive Director, CEO of Borsa Italiana & Director of Capital Markets

In addition to his responsibilities as an Executive Director for the Group until 20 November 2020, Raffaele Jerusalmi led the Group's Capital Markets businesses until 1 April 2020 as Director of Capital Markets and continues as CEO of Borsa Italiana. Raffaele led the Capital Markets division through a period of significant market uncertainty following the outbreak of Covid-19 and continued to lead the Italian business activities and employees in the months that followed.

On 9 October 2020 the Group entered into an agreement to sell its entire shareholding in the parent company of Borsa Italiana to EuroNext N.V. Following this announcement, Raffaele stepped down from the Board of Directors of LSEG Plc on 20 November 2020.

Based on the above context and an assessment of individual performance, the Remuneration Committee awarded bonuses to each of the Executive Directors as follows:

| Role | | Chief Executive Officer | Chief Financial Officer (from 21 November 2020)[2] | Chief Financial Officer (to 21 November 2020)[3] | Executive Director (to 20 November 2020), Director of Capital Markets (to 1 April 2020); and CEO of Borsa Italiana[3] |
|---|---|---|---|---|---|
| Name | | David Schwimmer | Anna Manz | David Warren | Raffaele Jerusalmi |
| Bonus for FY2020[2] | % of salary | 171% of salary | 145% of salary | 140% of salary | 140% of salary |
| | % of maximum | 76% | 73% | 70% | 70% |
| | £ total amount | £1,369,000 | £101,000 | £622,473 | €653,552 |
| | Of which 50% is deferred | £684,500 | £50,500 | £311,236 | €326,776 |
| Bonus Component | Financial Performance (60%) | 72% of maximum | 72% of maximum | 72% of maximum | 72% of maximum |
| | Strategic Deliverables (20%) | 75% of maximum | 75% of maximum | 75% of maximum | 75% of maximum |
| | Personal/ Divisional Objectives (20%) | 90% of maximum | n/a[1] | 60% of maximum | 60% of maximum |

1. FY2020 bonus for Anna Manz, the personal/ divisional objectives component is aligned to corporate performance, per the terms of appointment
2. The bonus payment to Anna Manz has been pro-rated based on time served as an Executive Director during the year
3. The bonus payments to Raffaele Jerusalmi and David Warren have been shown as pro-rated based on time served as an Executive Director during the year, but full year bonuses were actually awarded based on time worked, which in both cases was for the full calendar year

### Compulsory deferral under Remuneration Policy

For performance year 2020 onwards, in accordance with the enhancements made under our revised policy, Executive Directors must compulsorily defer 50% of their bonus into shares for a period of three years. Dividend equivalents will be paid in respect of deferred shares on vesting.

### LTIP Awards granted in March 2017 with a performance period ending in FY2020

The performance period for the absolute TSR element of the Performance Share awards ended in March 2020. The awards granted in 2017 were based on absolute TSR performance in the 3 years from grant, and adjusted EPS performance in the 36-month performance period to December 2019. Over the period, annualised absolute TSR performance in the 3 years to March 2020 was 36% per annum and therefore vested at 100% for this element. The Company also delivered average adjusted EPS growth of 15.6% per annum over the performance period and therefore vested at 100%. The vesting price as at 3 April 2020 was £72.00. These values are shown in the single figure table for the financial year ending December 2019.

### LTIP Awards granted in March 2018 with a performance period ending in FY2021

The value shown in the single figure table on page 104 for the financial year ending December 2020 represents the estimated value of the 2018 awards which will vest in March 2021. The estimate is based on the closing average share price of £85.82, which will be confirmed in March 2021. The estimated value is based on the average share price in the final 3 months of the financial year. The Committee does not intend to amend the outcome or make any adjustments in regard to share price growth over the period, on the basis that this vesting reflects our view of the Group's underlying performance and returns for shareholders over the performance period.

The final vesting outcome (including the actual share price at vesting) following the end of the performance period will be disclosed in the next Annual Report on Remuneration covering FY2021.

The performance conditions applying to awards granted in March 2018 are as follows:

| EPS element (50%) – average adjusted EPS growth | TSR element (50%) – absolute TSR growth | Proportion of relevant element which vests |
|---|---|---|
| Less than 6% p.a. | Less than 6% p.a. | 0% |
| 6% p.a. | 6% p.a. | 25% |
| 12% p.a. or more | 14% p.a. or more | 100% |
| Straight-line pro-rating applies between these points | | |

### LTIP Awards Granted in FY2020 (Audited)

Awards during FY2020 were granted in April under the LTIP and were made with a value of 300% of salary for David Schwimmer and 200% of salary for Raffaele Jerusalmi (at rate of £1 = €1.12). No LTIP award was granted to David Warren, who had indicated he would step down as CFO due to retirement. Anna Manz joined after the grant date and so was not made a 2020 LTIP award.

| | | Chief Executive Officer | Chief Financial Officer (to 21 November 2020) | Executive Director (to 20 November 2020), Director of Capital Markets (to 1 April 2020); and CEO of Borsa Italiana |
|---|---|---|---|---|
| **Name** | | **David Schwimmer** | **David Warren** | **Raffaele Jerusalmi** |
| **2014 LTIP (Nil-cost performance options)** | % of salary | 300% of salary | n/a | 200% of salary |
| | Face value | £2,400,000 | n/a | £934,663 (being GBP equivalent of €1,050,000 on date of grant) |
| | Share price[1] | £73.50 | n/a | £73.50 |
| | Number of LTIP shares granted | 32,653 | n/a | 12,716 |

Notes:
1. The share price of £73.50 was determined using the closing price (MMQ) on 21 April 2020 as approved by the Share Scheme Committee (a sub-committee of the Remuneration Committee
2. TSR is measured over a 2 month trailing average at the start and end of the performance period and compared to the UK FTSE 100 Index peer group. EPS is measured over the same performance period, 3 financial years ending 31 December 2021, and compared to the FY2019 baseline

The performance conditions applying to awards granted in April 2020 are as follows:

| EPS element (50%) – average adjusted EPS growth | TSR element (40%) – relative TSR growth vs. UK FTSE 100 Index | Proportion of relevant element which vests |
|---|---|---|
| Less than 6% p.a. | Less than median. | 0% |
| 6% p.a. | Median ranking | 25% |
| 12% p.a. or more | Upper quartile ranking | 100% |
| Straight-line pro-rating applies between these points | | |

### Other share plans (SAYE, SharePurchase)

All permanent UK employees, including Executive Directors, are eligible to participate in the HM Revenue & Customs tax-favoured Save As You Earn Scheme (SAYE). Under the rules of the SAYE, participants can save up to £500 each month, for a period of three years. At the end of the saving period, savings may be used to acquire ordinary shares by exercising the related option.

The options may be granted at an exercise price which represents a discount of up to 20% to market value at the date of invitation. No performance conditions are attached to SAYE options. There is also an International Sharesave Plan (ISP), which is designed to provide share options to Group employees, including Executive Directors, who are not based in the UK on similar terms to the options that are available to UK employees through the SAYE. Employees in France, Hong Kong, Italy, Malaysia, Sri Lanka and the US participate in the ISP.

Further detail on all employee share plans are contained in the Corporate Sustainability Report on page 31.

In 2020 Mr Schwimmer commenced saving the maximum £500 per month, pertaining to options granted on exactly the same terms as to all other eligible employees.

All permanent employees in Australia and Romania are eligible to participate in SharePurchase. Under this plan, colleagues can purchase up to an equivalent of £500 per month of ordinary shares and are then awarded additional shares which vest after the completion of a 3 year plan cycle. No performance conditions are attached to the award.

These all-employee share plans are a core component of our employee proposition and benefits offering, acting as a modest retention tool with 61% of eligible employees participating globally.

### Remuneration arrangements for the Chief Financial Officer

Anna Manz's remuneration is structured as follows:
- Salary set on appointment at £650,000.
- Pension allowance of 10% of salary in line with the wider workforce in the UK, and other benefits in line with Remuneration Policy.
- Annual bonus target of 100% of salary and maximum opportunity of 200% of salary, with 50% of any bonus deferred into shares for a period of 3 years. She was eligible to participate in the 2020 bonus, pro-rated for her time in the role and subject to performance.
- 2021 LTIP grant of 300% of salary, subject to a two-year post-vesting holding period.
- Share ownership requirement of 300% of salary and a formal post-employment shareholding requirement, for 2 years after departure.

As disclosed in June 2020, to compensate Anna for the forfeiture of incentive payments at her previous employer, replacement awards have been made which are fully in line with the remuneration policy. All replacement awards will replicate the form of the forfeited award, the vesting schedule and value foregone and will include:

- A conditional award under the Company's Restricted Share Award Plan 2018 over 3,762 shares with a face value of £296,596 (the "RSAP Award") equivalent to the value forfeited pro-rated to the date of cessation. The RSAP Award will be subject to the same performance conditions as applied to the forfeited award at Anna's previous employer, Johnson Matthey, and the value at vesting will be based on the performance of Johnson Matthey and LSEG's share price performance. The shares subject to the RSAP Award will vest in three equal tranches (replicating the terms of the forfeited award) on 1 August 2022, 1 August 2023 and 1 August 2024.
- A performance share award in the form of a nil-cost option under the Company's Long Term Incentive Plan 2014 over 11,719 shares with a face value of £923,925 (the "LTIP Award") equivalent to the value forfeited pro-rated to the date of cessation.
- A pro-rated bonus award to compensate for the forfeiture of the bonus award for 2020, 50% paid in cash and 50% as an award of shares under the LSEG Restricted Share Award Plan. The quantum will be confirmed upon the publication of Johnson Matthey's annual results in 2021.

The LTIP Award will be subject to performance conditions linked to the Company's performance over the 2021-23 financial years and after exercise and selling sufficient shares to settle taxes and associated dealing costs, the net balance of shares will be subject to a holding period until 1 August 2025, replicating the terms of the award being replaced.

## Implementation of the Remuneration Policy during 2021 (1 January 2021 to 31 December 2021)

**Base salary operation:**

During the year, the Committee conducted its annual review of the base salary levels of our Executive Directors.

Given the transformative nature of the transaction with Refinitiv, the Committee reviewed the CEO's salary to be implemented upon completion in the context of the significantly larger, more international and complex business and the increased responsibilities and demands of the role. The combined business will be the largest publicly-listed financial markets infrastructure company by revenue globally and offers significant customer benefits across the full range of LSEG's businesses by: extending its trading capabilities across asset classes; expanding its data content, management and distribution capabilities; increasing its global footprint and range of customer offerings; and enabling LSEG, Refinitiv and their customers to benefit from future data and technology-enabled innovation and growth opportunities.

As noted in the Chair's statement, other factors were taken into account including performance of the Group and individual and market positioning against appropriate UK and international comparators. In the interests of openness and transparency with our shareholders, we consulted with c. 70% of our shareholder base on the proposed approach and are grateful for their engagement and feedback during this process. Given the significant change to the size and scope of the role post-transaction, shareholders were broadly supportive of the underlying principle of the increase.

The CEO's salary was therefore increased to £1 million from 1 February 2021, representing a 25% increase. We are aware that this is a large increase in absolute terms, however both salary and total compensation will continue to be positioned below the lower quartile of the FTSE 30, while LSEG will be positioned firmly within the top 15 companies in the FTSE in terms of size.

The Committee reviewed the proposal again in light of the unprecedented impact of the Covid-19 pandemic. The first half of 2020 has brought extraordinary challenges to LSEG's employees, customers, suppliers and the communities we operate in. In spite of this, we have demonstrated our operational resilience and as a Group we are in a strong financial position, as demonstrated by our robust financial results and other achievements. In particular:

- a proposed dividend of 75.0 pence per share, an increase of 7%.
- following the initial impact of the pandemic, our share price has steadily grown since March and is now higher than pre-Covid-19 levels at around £90 per share;
- following the initial impact of the pandemic, our share price has steadily grown since March and is now higher than Covid-19 levels at around £90 per share;
- the majority of our employees around the world have successfully moved to remote working during the pandemic. No colleagues were furloughed due to Covid-19; and
- we have made a number of financial donations and partnered with global and local organisations to support those directly affected by the pandemic around the world; together, LSEG and the LSEG Foundation have donated £3.3 million to date.

The Committee is of the view that, given the numerous achievements listed above, it remains appropriate to increase the CEO's salary post-completion as planned.

No changes are proposed to the salary of the new CFO, whose salary was set on appointment in anticipation of the transaction's completion and in reflection of the larger size and value of the combined business. Following confirmation of the sale of Borsa Italiana to Euronext expected to complete in the first half of 2021, the CEO of Borsa Italiana stepped down as an executive director of LSEG from 20 November 2020.

**Pension operation:**

The Committee has extensively reviewed the new principles of the UK Corporate Governance Code, including in relation to pensions. The average LSEG employer contribution for UK employees is 11% of salary and we will reduce pension contributions for new Executive Directors to 10% of salary in line with the wider workforce in our revised policy.

The CEO's pension contribution was reduced from 15% to 10% of salary from April 2020 and, from appointment, the new CFO also receives a pension contribution of 10% of salary ensuring we are compliant with the Corporate Governance Code for all our Executive Directors.

**Annual bonus operation:**

- As per prior years, for FY2021 the Group bonus pool will be determined based on performance measures weighted 60% Group AOP and 40% strategic deliverables to be assessed over a 12-month performance period.
- For FY2021, the 'strategic' element will incorporate sustainability initiatives, reflecting our commitment to ensure the long-term viability of the Group through managing our environmental and social impacts and practicing good governance.
- The Executive Directors' awards are funded from the Group bonus pool. As per 2020, the performance of the Executive Directors and Group Executive team is assessed as part of a scorecard. This scorecard aligns the bonus assessment with the construct of the Group bonus pool: 60% against Group AOP; 40% against strategic deliverables. The 'strategic' element includes key Group strategic initiatives as well as personal and divisional objectives.
- Further to our commitment to ensure a greater focus on the development of culture for the Group, the Committee determined that within this scorecard there should be a greater proportion assessing behavioural performance, to allow for a stronger emphasis on how the individuals achieved their targets. A 360° feedback process informs part of the assessment of the personal element of the scorecard.
- 50% of any bonus payment for Executive Directors and the Group Executive team will be paid in March 2021. The remaining 50% will be deferred into shares for a period of three years.
- Deferred awards are subject to malus and clawback provisions (e.g. in cases of material misstatement. gross misconduct, misbehaviour or material failure of risk management) with judgement applied by the Committee.
- For good leavers, awards will usually vest at the normal vesting date and in full, unless the Committee determines to scale back the award based on any factors deemed relevant. Where an individual is not considered to be a good leaver, unvested awards will lapse.
- The implementation of the scorecard for the Group Executive team and extension of the bonus deferral scheme below Group Executive level to the Managing Director population provides greater alignment with the Executive Directors. In addition, it is in accordance with the revised UK Corporate Governance Code which calls for remuneration committees to determine remuneration for 'senior management' and to more closely align incentives with culture.

### Long Term Incentive Plan:

LTIP awards will be granted in 2021 under our 2014 shareholder-approved plan in line with our policy. The 2021 LTIP awards will be subject to a two-year holding period in addition to the three-year vesting period, resulting in a total five year period from the date of grant. The Committee has approved the use of conditional shares in lieu of nil cost options to deliver performance shares to participants for awards made from 2021.

The Committee has given careful consideration to the LTIP target ranges applicable to the 2021 grant, in particular for AEPS growth in the context of the Refinitiv transaction to ensure they are appropriately stretching taking into account both internal and external forecasts.

For the AEPS element (60%), the performance targets will be increased at both threshold and maximum to 8% to 18% growth per annum respectively.

For the TSR element (40%), the relative performance targets will continue to range from median to upper quartile versus the UK FTSE 100. The Committee continues to review the appropriateness of the UK FTSE 100 as the comparator group against which to measure relative TSR. It has concluded that it remains the most appropriate comparator group as LSEG is a constituent of this group and it represents an Index in which our shareholders may otherwise invest.

For LTIPs granted in LSEG in 2019 and 2020 prior to the Refinitiv transaction, the Committee will consider the continued appropriateness of the AEPS targets in the context of the transaction in due course and full disclosure will be provided in the relevant Directors' Remuneration Report.

Malus and clawback provisions will apply to these awards, allowing the Committee to reduce subsisting awards or request the refund of already paid or vested awards in certain circumstances (e.g. material misstatement, gross misconduct, misbehaviour or material failure in risk management). The 2021 awards will vest three years after the grant date subject to relative TSR and adjusted EPS performance measures as follows.

| EPS element (60%) – average adjusted EPS growth | TSR element (40%) – relative TSR growth vs. UKFTSE 100 Index | Proportion of relevant element which vests |
|---|---|---|
| Less than 8% p.a. | Less than median. | 0% |
| | Median ranking | 25% |
| 18% p.a. or more | Upper quartile ranking | 100% |
| Straight-line pro-rating applies between these points | | |

### Awards to be made during 2021

Based on the context and an assessment of individual performance, the Remuneration Committee intends to make grants to each of the Executive Directors under the 2014 LTIP as set out below.

| | | Chief Executive Officer | Chief Financial Officer (to 21 November 2020) |
|---|---|---|---|
| **Name** | | David Schwimmer | Anna Manz |
| **2021 LTIP award (subject to performance)** | % of salary | 300% of salary | 300% of salary |
| | Amount | £3,000,000 | £1,950,000 |

### Shareholding requirements

The minimum shareholding requirement for Executive Directors is 3x base salary and 2x base salary for the Group Executive team. Executive Directors will also be required to hold the lower of their actual shareholding and 100% of their MSR for two years post-departure.

### Non-Executive Directors' fees for 2021

There are no changes to fees and therefore the fee schedules for 2021 are as follows:

| Fees | With effect from 1 Jan 2020 | With effect from 1 Jan 2021 |
|---|---|---|
| Group Chairman | £525,000 | £525,000 |
| Senior Independent Director | £150,000 | £150,000 |
| Non-Executive Director base fee (inclusive of Committee memberships) | £80,000 | £80,000 |
| Audit / Remuneration / Risk Committee Chair | £30,000 | £30,000 |

Non-Executive Directors are also required to build up a shareholding requirement of 1x basic annual fees, to be built up within three years of appointment.

### Non-Executive Directors' Remuneration

Non-Executive Directors' remuneration is determined by the Board and is neither performance-related nor pensionable. The Chairman's fee is determined by the Remuneration Committee. The fees for Non-Executive Directors are set at a level which is intended to recognise the significant responsibilities of Directors and to attract individuals with the necessary experience and ability to make an important contribution to the Company's affairs. Comparisons are made with fees paid at FTSE 100 companies.

A travel allowance of £4,000 per intercontinental trip was introduced for Non-Executive Directors to reflect the global nature of the company's business and the additional time commitment required for travel. The Group Chairman will not be eligible for this allowance as he receives an all-inclusive fee for his role.

Travel and other appropriate expenses with associated taxes (including fees incurred in obtaining professional advice) incurred in the course of performing their duties are reimbursed to the Chairman and to the Non-Executive Directors.

The Chairman and the Non-Executive Directors do not participate in any of the Company's annual bonus or LTIP plans and are not entitled to any payments on termination.

Certain Non-Executive Directors are entitled to receive fees from subsidiary companies, details of which are set out below.

The original date of appointment as Directors of the Company is as follows:

| Name | Date Appointed | Date of letter of appointment | Time to expiry | Notice period | Date of resignation | LSEG Committee membership/chairmanship | Other subsidiaries/ committees |
|---|---|---|---|---|---|---|---|
| Don Robert | 01/01/2019 | 01/01/2019 as Director, 01/05/2019 as Chairman | 01/01/2022 | 6 months | | Group Chairman, Nomination Chair, Remuneration | |
| Jacques Aigrain | 01/05/2013 | Other subsidiaries/ committees | 30/04/2022 | None | | Audit, Nomination, Remuneration Chair | LCH (Remuneration Committee) |
| Stephen O'Connor | 12/06/2013 | 12/06/2019 | 11/06/2022 | None | | SID, Audit, Nomination, Risk | LSE plc |
| Dr. Val Rahmani | 20/12/2017 | 20/12/2020 | 19/12/2023 | None | | Risk, Nomination, Remuneration | |
| Professor Kathleen DeRose | 28/12/2018 | 28/12/2018 | 27/12/2021 | None | | Audit, Nomination, Risk Chair | |
| Cressida Hogg CBE | 08/03/2019 | 08/03/2019 | 07/03/2022 | None | | Nomination, Remuneration | |
| Dominic Blakemore | 01/01/2020 | 01/01/2020 | 31/12/2023 | None | | Audit Chair, Nomination, Risk | |
| **Directors who stood down from the Board during the Year:** | | | | | | | |
| Paul Heiden | 04/06/2010 | 04/06/2019 | End of AGM 2020 | None | 21/04/2020 | SID, Audit Chair, Nomination, Risk | |
| Dr. Ruth Wandhöfer | 22/10/2018 | 22/10/2018 | 21/10/2021 | None | 02/03/2020 | Audit, Nomination, Risk | |
| Marshall Bailey OBE | 25/09/2018 | 25/09/2018 | 24/09/2021 | None | 10/09/2020 | Nomination, Remuneration | LCH Group Chairman |
| Professor Andrea Sironi | 01/10/2016 | 01/10/2019 | 30/09/2022 | None | 20/11/2020 | Risk, Nomination | Borsa Italiana Chairman, LSEGH Italia Chairman |

## Non-Executive Directors' Remuneration Table (Audited)

| | FY2020 LSEG Fees £000 | FY2020 Other Fees[1] £000 | FY2020 Total Fees £000 | FY2020 Taxable benefits[2] £000 | FY2020 Total £000 | FY2019 LSEG Fees £000 | FY2019 Other Fees[1] £000 | FY2019 Total Fees £000 | FY2019 Taxable benefits[2] £000 | FY2019 Total £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Don Robert | 525 | – | 525 | 32 | 557 | 375 | – | 375 | 46 | 421 |
| Jacques Aigrain | 110 | 5 | 115 | – | 115 | 105 | 5 | 110 | 6 | 116 |
| Stephen O'Connor | 139 | 50 | 189 | – | 189 | 105 | – | 105 | – | 105 |
| Dr. Val Rahmani | 80 | – | 80 | 16 | 96 | 75 | – | 75 | 48 | 123 |
| Professor Kathleen DeRose | 80 | – | 80 | 10 | 90 | 76 | – | 76 | 38 | 113 |
| Cressida Hogg CBE | 80 | – | 80 | – | 80 | 61 | – | 61 | – | 61 |
| Dominic Blakemore | 101 | – | 101 | – | 101 | | | | | |
| **Directors who stood down from the Board during the year:** | | | | | | | | | | |
| Paul Heiden | 46 | – | 46 | 1 | 46 | 145 | – | 145 | 17 | 162 |
| Dr. Ruth Wandhöfer | 13 | – | 13 | 1 | 13 | 75 | – | 75 | 1 | 76 |
| Marshall Bailey OBE[3] | 56 | 156 | 212 | – | 212 | 75 | 225 | 300 | – | 300 |
| Professor Andrea Sironi[4] | 71 | 126 | 197 | 1 | 198 | 75 | 140 | 215 | 7 | 223 |
| **Total Non-Executive Directors' fees** | **1,300** | **338** | **1,638** | **60** | **1,698** | **1,166** | **370** | **1,537** | **162** | **1,699** |

Notes:
1. Other fees relate to subsidiaries and other committees
2. Taxable benefits relate to any travel allowance payments and travelling expenses, including grossed up taxes where applicable
3. Marshall Bailey OBE received an annualised fee of £225,000 as Chairman of LCH Group
4. Professor Andrea Sironi received a combined annualised fee of €160,000 (£142,222) for his roles as Chairman and Director of Borsa Italiana and Chairman and Director of LSEGH Italia

### Outside appointments

Executive Directors are allowed to accept appointments as Non-Executive Directors of other companies with the prior approval of the Chairman. Approval will only be given where the appointment does not represent a conflict of interest with the Company's activities and where the wider exposure gained will be beneficial to the development of the individual. Executive Directors may retain fees to encourage them to seek out the development opportunities and valuable experience afforded by these appointments and in recognition of the personal responsibility Executives assume in such roles and we would disclose these fees.

At present, none of the Executive Directors are in receipt of additional fees.

### Director changes during the year

In 2019 and 2020 the Board undertook succession planning for the CFO. The intention of the Board and Nomination Committee was to achieve an orderly, consensual succession plan for the CFO in the best interests of LSEG. As announced in October 2019, David Warren had indicated he would step down as CFO due to retirement. In June 2020, it was announced that Anna Manz would be appointed as Chief Financial Officer from 21 November 2020 with David stepping down from the Board at this date, remaining with the Group until June 2021 to ensure a seamless transition.

David Warren stepped down as Chief Financial Officer and Executive Director on 21 November 2020. He will remain with the Group until his retirement date of 24 June 2021 to ensure a seamless transition. He will be treated in accordance with the Remuneration Policy and his service contract and as such he will remain eligible for salary and benefits until his retirement date. He will also be eligible for a pro-rated bonus until his last working day and, as disclosed on page 108, 50% of the bonus in respect of 2020 will be deferred into LSEG shares for three years. The 2019 LTIP awards which will be unvested at the point that David retires from the Company will be pro-rated to the date of leaving and remain subject to performance conditions tested at the usual time. Given the timing of his announcement, no LTIP award was made in respect of 2020 and no further LTIP awards will be granted.

Raffaele Jerusalmi's employment by Borsa Italiana and LSEG Italia is unaffected by the termination of his LSEG directorship on 20 November 2020. As a consequence, no payments for loss of office will be made in connection with the cessation of his LSEG plc directorship. Mr Jerusalmi will continue to receive his salary and contractual benefits from Borsa Italiana and LSEG Italia following the cessation of his directorship, on the terms described in the Remuneration Policy. No further LTIP awards will be granted.

When Mr Jerusalmi leaves LSEG, upon completion of the proposed divestment of the Borsa Italiana Group to Euronext N.V.:

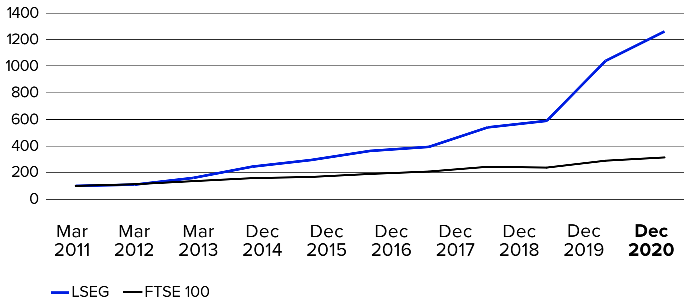
- Mr Jerusalmi (along with other employees leaving LSEG as a result of the divestment) will be treated as a 'good leaver' for the purposes of his interests in LSEG's share plans.
- Under the rules of LSEG's Long Term Incentive Plan, LSEG's remuneration committee has discretion as to the timetable on which Mr Jerusalmi's outstanding LTIP awards will vest, as well as the application of any time pro-rating. In order to achieve appropriate separation of the Borsa Italiana business, as Borsa is being acquired by a competitor, and to ensure alignment of Mr Jerusalmi's value outcome with his performance contribution to LSEG until completion, and having regard to the wishes of the buyer, the Committee decided to accelerate the vesting of his unvested LTIP awards to the completion date, notwithstanding that they would still be pro-rated for time and performance. This treatment is consistent with both the terms of the LTIP awards and the Policy. Accordingly, on completion, Mr Jerusalmi's LTIP awards under all unvested cycles would be pro-rated for time in employment and measured for performance.
- Following vesting of Mr Jerusalmi's LTIP awards, the net resulting shares (after applicable withholdings) will be subject to a further two-year holding period, as set out in the Policy.
- As disclosed on page 108, Mr Jerusalmi participated in the annual bonus scheme for the 2020 financial year in the normal way subject to time pro-rating. He will remain subject to LSEG's mandatory bonus deferral rules for any bonus awarded in respect of the 2020 financial year, and 50% will therefore be deferred into shares in accordance with the Policy.
- Mr Jerusalmi will be a good leaver in respect of any outstanding awards under LSEG's Deferred Bonus Plan ("DBP"). In accordance with the DBP rules and the Policy, those awards will vest, without time pro-rating, on their planned vesting date. Mr Jerusalmi currently holds DBP awards over 11,342 shares, granted in 2019 and 2020.
- Mr Jerusalmi will be subject, in accordance with the Policy, to a two-year post-employment shareholding requirement equivalent to three times his base salary as at the date of completion of the proposed divestment.

## Alignment between pay and performance

**Total Shareholder Return (TSR) performance**

The following graph shows, for the financial period ended 31 December 2020 and for each of the previous ten financial periods, the TSR on a holding of the Company's ordinary shares of the same kind and number as those by reference to which the FTSE 100 is calculated. The TSR graph represents the value, at 31 December 2020, of £100 invested in London Stock Exchange Group plc on 31 March 2011, compared with the value of £100 invested in the FTSE 100 Index over the same period. As a member of the FTSE 100, we have chosen the FTSE 100 Index as it is currently the most relevant index for benchmarking our performance over the ten financial periods.

### Total Shareholder Return




### Historic levels of CEO pay

| Period ended: (12 months unless otherwise stated) | CEO | CEO Single total figure of remuneration £000 | Annual bonus payout against maximum opportunity % | Long-term incentive vesting rates against maximum opportunity % |
|---|---|---|---|---|
| 31 December 2020 | David Schwimmer | 6,876 | 76% | 100% |
| 31 December 2019 | David Schwimmer | 2,456 | 75% | –[3] |
| 31 December 2018 | David Schwimmer[1] | 2,153 | 76% | –[3] |
| 29 November 2017 | Xavier Rolet[2] | 5,799[4] | 79% | 100% |
| 31 December 2016 | Xavier Rolet | 6,880 | 91% | 91% |
| 31 December 2015 | Xavier Rolet | 6,526 | 95% | 94% |
| 9 months ended 31 December 2014 | Xavier Rolet | 4,587 | 89% | 50% |
| 31 March 2014 | Xavier Rolet | 6,383 | 93% | 100% |
| 31 March 2013 | Xavier Rolet | 6,015 | 89% | 100% |
| 31 March 2012 | Xavier Rolet | 5,245 | 100% | 65% |
| 31 March 2011 | Xavier Rolet | 2,134 | 89% | – |

Notes:
1. Appointed as CEO on 1 August 2018 and his data is as per the Single total figure of remuneration table for FY2018
2. Stepped down from the Board on 29 November 2017; data therefore represents 11-month figures
3. Awards vesting In 2019 and 2020 vested at 89.6% and 100% respectively; these grants were not applicable to David Schwimmer
4. Forecast for LTIP awards to vest as applies to David Schwimmer in August 2021 is 100%

### CEO to employee pay ratio (Audited)

Paying our employees fairly relative to their role, skills, experience and performance is central to our approach to remuneration, and our reward framework and policies support us in doing this. The Committee consider pay ratios as a useful reference point to inform pay decisions, but also take into account a number of other internal and external factors when determining executive pay outcomes, including:

- Our reward framework which establishes the compensation structure, elements and leverage for each career stage in the organisation, providing the Committee with oversight of workforce remuneration;
- The Group's financial and strategic performance, including consideration of risk;
- Each individual's performance, including conduct and behaviour, against personal objectives;
- External market surveys; and
- Wider context and the views of shareholders and investor bodies.

The table below shows the ratios of the CEO single total figure of remuneration (as disclosed on page 104) to the total pay and benefits of UK employees at the 25th, 50th and 75th percentile.

| Year | Method | 25th percentile pay ratio | 50th percentile pay ratio | 75th percentile pay ratio |
|---|---|---|---|---|
| 2020 | C | 93 | 67 | 49 |
| 2019 | C | 31 | 21 | 19 |

The Committee has reviewed the ratios and pay data for the individuals identified at each of the relevant quartiles and believe they are a fair reflection of the company's wider pay policies. The remuneration received by each of each of the individuals is in line with our reward framework. Executive Directors' and other senior managers' remuneration include a greater proportion of performance related pay when compared to the identified employees. The Committee considers this is essential to differentiate levels of responsibility and align pay to sustainable long-term performance and shareholders' interests.

As discussed in last year's report, Mr Schwimmer was first granted an LTIP award in August 2018 following his appointment as CEO. The single total figure of remuneration disclosed for the CEO on page 104 therefore reflects the first LTIP award vesting to him since his appointment. As a significant proportion of the CEO's remuneration is linked to performance and share price over the longer-term, it is expected that annual changes in the pay ratio will be significantly influenced by LTIP outcomes each year and will fluctuate accordingly.

**Notes to the calculation:**

- We have chosen to use Option C in the regulations to determine the pay ratios. The best equivalents for the UK employees at the 25th, 50th and 75th percentiles were determined using the hourly rate from our additional gender pay disclosure, which goes beyond the UK statutory disclosure requirements. This option leverages the comprehensive analysis we have completed as part of our UK gender pay gap reporting exercise and includes our entire UK population and all compensation awards in the financial year to ensure that the best equivalents determined are a fair and true representation of workforce pay at the relevant percentiles. Further information on our additional gender pay disclosure is provided in our Gender Pay Report which is available at: **www.lseg.com**.
- The 2020 total pay and benefits of the identified employees was determined based on data as at 31 December 2020.
- The 2020 total pay and benefits for the 25th, 50th and 75th percentile employees are as follows: £74,004, £102,188, £139,913.
- The 2020 base salary for the 25th, 50th and 75th percentile employees are as follows: £53,000, £80,800, £90,750.

### Percentage change in remuneration of all directors and employees

The table below shows the percentage year-on-year change in salary, benefits and annual bonus for each Executive Director and Non-Executive Director compared to the global average employee remuneration. Where appropriate, amounts have been annualised to provide a like-for-like comparison.

| | Salary / fees | Benefits | Annual Bonus |
|---|---|---|---|
| **Executive Directors[1]** | | | |
| David Schwimmer | 2% | -11% | 5% |
| Anna Manz[3] | N/A | N/A | N/A |
| **Non-Executive Directors[2]** | | | |
| Don Robert | 0% | -30% | N/A |
| Jacques Aigrain | 5% | -99% | N/A |
| Stephen O'Connor[5] | 80% | -100% | N/A |
| Dr. Val Rahmani | 7% | -67% | N/A |
| Professor Kathleen DeRose | 7% | -74% | N/A |
| Cressida Hogg MBE | 7% | 0% | N/A |
| Dominic Blakemore[4] | N/A | N/A | N/A |
| **Directors who stood down from the Board during the year:** | | | |
| David Warren | 0% | 0% | -4% |
| Raffaele Jerusalmi | 0% | 7% | 10% |
| Paul Heiden | 3% | -95% | N/A |
| Dr. Ruth Wandhöfer | 7% | -44% | N/A |
| Marshall Bailey OBE | 2% | 0% | N/A |
| Professor Andrea Sironi | 2% | -90% | N/A |
| **Average pay of employees** | 3% | 10% | 4% |

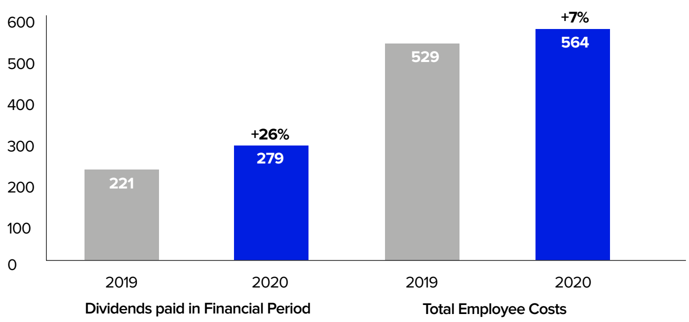
Notes:
1. Calculated using data from the single total figure of remuneration table on page 104
2. Calculated using data from the Non-Executive Directors' Remuneration Table on page 113
3. Anna Manz was appointed to the Board on 21 November 2020
4. Dominic Blakemore was appointed to the Board on 1 January 2020
5. Stephen O'Connor was appointed as Senior Independent Director on 21 April 2020

### Relative importance of spend on pay

The table below shows the relative FY2020 versus FY2019 expenditure of the Group on Dividends versus Total Employee Costs. These figures are underpinned by amounts from the Notes to the Financial Statements at the back of this report.

| Year-on-year increases (%) | FY2020 £m | FY2019 £m | Annual Increase |
|---|---|---|---|
| Dividends Paid In Financial Period | £279m | £221m | +26% |
| Total Employee Costs | £564m | £529m | +7% |

**Relative importance of spend on pay** (£m)



### Statement of Directors' shareholdings and share interests as at 31 December 2020 (Audited)

All Directors are subject to a Minimum Shareholding Requirement (MSR), as set out in the Remuneration Policy. Any Executive Director who steps down from the Board continues to be subject to a MSR for two years post-employment. Current shareholdings are summarised in the following table:

| | Shares held | Options held[1] | | | | | |
|---|---|---|---|---|---|---|---|
| | Owned Outright | Unvested and subject to performance conditions | Unvested and subject to continued employment[2] | Vested but not exercised | Requirement (% salary/fee) | Shareholding as at 31 December 2020 (% salary/fee)[3,10] | Requirement met[4] |
| **Executive Directors** | | | | | | | |
| David Schwimmer | – | 133,961 | 15,906 | – | 300 | 93 | N/A |
| Anna Manz[5] | – | 15,481 | – | – | 300 | – | N/A |
| **Non-Executive Directors** | | | | | | | |
| Don Robert | 10,000 | – | – | – | 100 | 172 | Yes |
| Jacques Aigrain | 1,400 | – | – | – | 100 | 115 | Yes |
| Stephen O'Connor | 550 | – | – | – | 100 | 33 | N/A |
| Val Rahmani | 1,429 | – | – | – | 100 | 161 | Yes |
| Kathleen DeRose | 700 | – | – | – | 100 | 57 | N/A |
| Cressida Hogg CBE | – | – | – | – | 100 | – | N/A |
| Dominic Blakemore | 928 | | | | 100 | 76 | N/A |
| **Directors who stood down from the Board during the Year:** | | | | | | | |
| David Warren[6] | 152,096 | 64,724 | 15,415 | – | 300 | 2,887 | Yes |
| Raffaele Jerusalmi[7] | 52,130 | 66,408 | 11,342 | – | 300 | 1,127 | Yes |
| Paul Heiden[8] | 3,818 | – | – | – | – | – | N/A |
| Ruth Wandhöfer | – | – | – | – | – | – | N/A |
| Marshall Bailey OBE[9] | 500 | – | – | – | – | – | N/A |
| Andrea Sironi | – | – | – | – | – | – | N/A |

1. No options were exercised by the Directors during the year to 31 December 2020
2. Refers to Deferred Bonus Plan and SAYE
3. Includes shares held outright plus, on a 'net of expected taxes' basis, share options awarded under the DBP that are unvested and subject to continued employment
4. MSR required to be reached within five years of appointment (percentage of base salary) for Executive Directors and within three years (percentage of basic annual fees) for Non-Executive Directors
5. Has five years from the date of appointment to achieve MSR. Includes an award over 3,762 shares which is subject to performance of a previous employer, Johnson Matthey Plc, as previously disclosed
6. Shareholding as at 21 November 2020
7. FY2020 rate of £1 = €1.125. Shareholding as at 20 November 2020
8. Shareholding as at 21 April 2020
9. Shareholding as at 10 September 2020
10. Based on a share price of £90.08 (being the closing share price – MMQ – on 31 December 2020)

Note: There have been no further changes in these interests between 31 December 2020 and 1 March 2021

### Directors' Interests in Ordinary Shares – Beneficial, Family and any Connected Persons Interests (Audited)

| | Ordinary Shares held | | Options with performance conditions[1] | | Options without performance conditions[2,3] | | Total Interests | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| **Executive Directors** | | | | | | | | |
| David Schwimmer | – | – | 133,961 | 101,308 | 15,906 | 5,945 | 149,867 | 101,308 |
| Anna Manz[4] | – | – | 15,481 | – | – | – | 15,481 | – |
| **Non-Executive Directors** | | | | | | | | |
| Don Robert | 10,000 | 10,000 | – | – | – | – | 10,000 | 10,000 |
| Jacques Aigrain | 1,400 | 1,400 | – | – | – | – | 1,400 | 1,400 |
| Stephen O'Connor | 550 | – | – | – | – | – | 550 | – |
| Val Rahmani | 1,429 | – | – | – | – | – | 1,429 | – |
| Kathleen DeRose | 700 | – | – | – | – | – | 700 | – |
| Cressida Hogg CBE | – | – | – | – | – | – | – | – |
| Dominic Blakemore | 928 | – | – | – | – | – | 928 | – |
| **Directors who stood down from the Board during the Year:** | | | | | | | | |
| David Warren[5] | 152,096 | 122,541 | 64,724 | 110,892 | 15,415 | 19,705 | 232,235 | 253,138 |
| Raffaele Jerusalmi[6] | 52,130 | 52,130 | 66,408 | 91,980 | 11,342 | 7,101 | 129,880 | 151,211 |
| Paul Heiden[7] | 3,818 | 3,818 | – | – | – | – | 3,818 | 3,818 |
| Ruth Wandhöfer | – | – | – | – | – | – | – | – |
| Marshall Bailey OBE[8] | 500 | 500 | – | – | – | – | 500 | 500 |
| Andrea Sironi | – | – | – | – | – | – | – | – |

1. LTIP performance shares are structured as nil-cost options
2. Unvested awards in the Deferred Bonus Plan and share options granted under SAYE
3. Deferred Bonus Plan shares are structured as nil-cost options subject to continued employment and malus provisions
4. Includes an award over 3,762 shares which is subject to performance of a previous employer, Johnson Matthey Plc, as previously disclosed
5. Shareholding as at 21 November 2020
6. Shareholding as at 20 November 2020
7. Shareholding as at 21 April 2020
8. Shareholding as at 10 September 2020

Note: There have been no further changes in these interests between 31 December 2020 and 1 March 2021

### Long Term Incentive Plan table

The 2014 Long Term Incentive Plan has one element applicable to Executive Directors, a conditional award of Performance shares.

Awards granted up to 2019 are determined by an equal weighting on Absolute TSR performance and Adjusted EPS growth. For awards granted from 2020, these are determined by Adjusted EPS growth (60% of the award) and Relative TSR performance (40%). Details of performance conditions are set out on pages 108 to 109.

The table below sets out the Executive Directors' Long Term Incentive Plan awards (including the exercise of vested shares in FY2020), as at 31 December 2020.

| | | | Number of shares | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Date of award | Price at award date £ | At start of year | Award during the year | Vested during year | Lapsed during year | At end of year | Vesting date | Price at vesting date £ | Value at vesting date[2] £ | Exercise date | Price at exercise date[2] £ | Value at exercise date £ | Comment |
| **David Schwimmer** | 08/08/2018 | 45.39 | 51,222 | – | – | – | 51,222 | 08/08/2021 | **85.82** | **4,395,939** | – | – | – | **FY2021 Estimate[1]** |
| | 22/03/2019 | 46.42 | 50,086 | – | – | – | 50,086 | 22/03/2022 | – | – | – | – | – | – |
| | 22/04/2020 | 73.50 | – | 32,653 | – | – | 32,653 | 22/04/2023 | – | – | – | – | – | – |
| | | | 101,308 | 32,653 | – | – | 133,961 | – | – | **4,395,939** | – | – | – | **FY2021 Estimate[1]** |
| **Anna Manz** | 24/11/2020 | 78.84 | – | 11,719 | – | – | 11,719 | TBD[3] | – | – | – | – | – | – |
| | | | – | 11,719 | – | – | 11,719 | – | – | – | – | – | – | – |
| **David Warren** | 03/04/2017 | 31.71 | 46,168 | – | 46,168 | – | – | 03/04/2020 | 72.00 | 3,324,096 | 06/04/2020 | 70.30 | 3,245,532 | FY2020 Actual |
| | 26/04/2018 | 42.73 | 35,104 | – | – | – | 35,104 | 26/04/2021 | **85.82** | **3,012,671** | – | – | – | **FY2021 Estimate[1]** |
| | 22/03/2019 | 46.42 | 29,620 | – | – | – | 29,620 | 22/03/2022 | – | – | – | – | – | – |
| | | | 110,892 | – | 46,168 | – | 64,724 | – | – | 3,324,096 | – | – | 3,245,532 | FY2020 Actual |
| | | | | | | | | | | **3,012,671** | – | – | – | **FY2021 Estimate[1]** |
| **Raffaele Jerusalmi** | 03/04/2017 | 31.71 | 38,288 | – | 38,288 | – | – | 03/04/2020 | 72.00 | 2,756,736 | 06/04/2020 | 70.30 | 2,691,581 | FY2020 Actual |
| | 26/04/2018 | 42.73 | 29,545 | – | – | – | 29,545 | 26/04/2021 | **85.82** | **2,535,590** | – | – | – | **FY2021 Estimate[1]** |
| | 22/03/2019 | 46.42 | 24,147 | – | – | – | 24,147 | 22/03/2022 | – | – | – | – | – | – |
| | 22/04/2020 | 73.50 | – | 12,716 | – | – | 12,716 | 22/04/2023 | – | – | – | – | – | – |
| | | | 91,980 | 12,716 | 38,288 | – | 66,408 | – | – | 2,756,736 | – | – | 2,691,581 | FY2020 Actual |
| | | | | | | | | | | **2,535,590** | | | | **FY2021 Estimate[1]** |

1. FY2021 Estimate: Average share price over the period from 1 October 2020 to 31 December 2020 with vesting forecast at 100 per cent
2. Closing price on vesting date: £72.00; price acheved on exercise of award: £70.2983
3. Award will vest on the same date as applies to awards granted to Executive Directors in FY2021

All estimates are shown separately in bold. They will be fully disclosed in next year's Annual Report on Remuneration

### Remuneration Committee – Governance

The Remuneration Committee is appointed by the Board and comprises the Chair and four independent Non-Executive Directors. The Committee's remit includes the remuneration of the Chairman of the Group, Executive Directors and Senior Management, as well as overseeing arrangements for all employees. Please see pages 40–41 for details of the Group's Executive Committee.

Details of the Committee's remit and activities are set out in this Directors' Remuneration Report. The Committee has written terms of reference which are available from the Group Company Secretary or at the corporate governance section of the Company's website at **www.lseg.com/about-london-stock-exchange-group/corporate-sustainability/governance**

During the financial period ending 31 December 2020, the Committee held 4 scheduled meetings and 1 additional meeting. The additional meeting was focused on key management appointments relating to succession planning and malus and clawback considerations.

Here is a summary of the items they discussed:

| Principle | Routine | Non-Routine |
|---|---|---|
| **January 2020** | | Succession planning |
| **February 2020** | • FY2019 Performance and Bonus approval<br>• FY2020 LTIP grants and anticipated vesting of previous LTIP and DBP schemes<br>• Performance and determination of CEO and Group Executives' remuneration<br>• FY2019 Directors' Remuneration Report<br>• Gender pay reporting and disclosure<br>• LCH Remuneration Committee proposals | Remuneration Policy<br>M&A activity (Refinitiv) |
| **June 2020** | • Governance update<br>• FY2019 Directors' Remuneration Report – Shareholder feedback<br>• FY2020 Performance and Bonus update<br>• FY2020 LTIP grants and anticipated vesting of previous LTIP and DBP schemes<br>• Regulatory update<br>• Gender pay and diversity update<br>• LCH Remuneration Committee updates<br>• FY2020 Remuneration Committee calendar | M&A activity (Refinitiv)<br>Succession planning |
| **October 2020** | • FY2020 Performance and Bonus update<br>• Anticipated vesting of previous LTIP and DBP schemes<br>• FY2020 Remuneration Committee calendar | M&A activity (Refinitiv)<br>Succession planning |
| **December 2020** | • Governance update<br>• FY2020 Directors' Remuneration Report key themes<br>• FY2020 Performance and Bonus update<br>• FY2021 Bonus considerations<br>• FY2021 LTIP grants and anticipated vesting of previous LTIP and DBP schemes<br>• 2021 salary review | M&A activity (Refinitiv)<br>Succession planning |
| **March 2021** | • FY2020 Performance and Bonus approval<br>• FY2021 LTIP grants and anticipated vesting of previous LTIP and DBP schemes<br>• Performance and determination of CEO and Group Executives' remuneration<br>• FY2020 Directors' Remuneration Report<br>• Gender pay reporting and disclosure<br>• LCH Remuneration Committee proposals | M&A activity (Refinitiv) |

To assist the Committee, the results of market surveys are made available. Where appropriate, the Committee invites the views of the Chief Executive Officer, Chief Financial Officer, Group Head of Human Resources and the Chief Risk Officer via the Risk Committee. None of these individuals nor the Chairman participated in any discussion relating to their own remuneration.

### Statement of shareholder voting

The table below sets out the results of the advisory vote on the Directors' Remuneration Report at the 2020 AGM and the binding vote on the Remuneration Policy Report at the 2020 AGM.

| | Votes for | | Votes against | | Votes cast | Votes withheld |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | | |
| **Remuneration Policy Report (2020 AGM)** | 280,907,965 | 97.78 | 6,384,799 | 2.22 | 287,292,764 | 19,354 |
| **Annual Report on Remuneration (2020 AGM)** | 276,299,114 | 96.21 | 10,890,666 | 3.79 | 287,189,780 | 122,331 |

### Advisors

The Remuneration Committee continues to be mindful of recommendations from key stakeholders, including institutional investor bodies. The Committee consults with major shareholders on any key decisions taken.

Until 30 November 2020, Deloitte LLP was the principal advisor appointed by the Committee to provide independent advice on executive remuneration policy and practice, and review the implementation of our approved policy against current and emerging corporate governance best practice. During 2020, the Committee undertook a competitive tender process for the role of Remuneration Committee advisor and appointed Willis Towers Watson as its principal advisor with effect from 1 December 2020.

During the year, Deloitte LLP received £122,725 (excluding VAT) based on actual time spent for these services. In addition, Deloitte received £40,250 (excluding VAT) at the beginning of the year for advice related to the potential transaction with Refinitiv. Separately, other parts of Deloitte LLP also advised the Company during 2020 in relation to tax, internal audit, consulting and transaction support services.

During the year, Willis Towers Watson received £29,259 (excluding VAT) based on actual time spent for their services to the Committee.

Both Deloitte LLP and Willis Towers Watson are members of the Remuneration Consultants Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that their advice was independent and objective.

Signed on behalf of the Board of Directors

**Jacques Aigrain**
**Chair of the Remuneration Committee**
5 March 2021

# Directors' Report

The Directors of the Company are pleased to present their Annual Report to shareholders, together with the financial statements for the year ended 31 December 2020 with comparatives for the year ended 31 December 2019.

The following sections of the Annual Report are incorporated into this Directors' Report by reference:

- The information that fulfils the requirements of the Strategic Report (including the Financial Review) can be found on pages 2–71
- Board of Directors on pages 73–75

### Results

The Group made a profit before taxation from continuing operations, before amortisation of purchased intangible assets and non-underlying items for the year, of £1,061 million (2019: £994 million). After taking into account amortisation of purchased intangible assets and non-underlying items, the profit of the Group before taxation for the year from continuing operations was £685 million (2019: £651 million). Profit after taxation from continuing operations for the year was £487 million (2019: £465 million).

### Dividends

The Directors are recommending a final dividend for the year of 51.7 pence (2019: 49.9 pence) per share which is expected to be paid on 26 May 2021 to shareholders on the register on 30 April 2021. Together with the interim dividend of 23.3 pence (2019: 20.1 pence) per share paid in September 2020, this produces a total dividend for the period of 75.0 pence (2019: 70.0 pence) per share estimated to amount to £417 million (2019: £244 million).

### Share capital

As at 31 December 2020, the Company had 351,587,092 ordinary shares in issue with a nominal value of $6^{79/86}$ pence each, representing 100% of the total issued share capital.

During the year to 31 December 2020, the Company issued 914,970 new ordinary shares and transferred 929,418 ordinary shares out of treasury, to settle employee share scheme awards.

As disclosed in the prospectus published on 9 December 2020, in connection with the Company's acquisition of Refinitiv, on 29 January, the Company issued (i) 112,254,597 ordinary shares of $6^{79/86}$ pence each, which carry one vote each; and (ii) 67,355,526 Limited-voting ordinary shares of $6^{79/86}$ pence each, which carry one-tenth of a vote each. As described in the prospectus, a further 24,615,845 voting ordinary shares were issued one month after completion of the transaction.

As at 4 March 2021, the total number of voting rights in the company is 495,193,087. The figure 495,193,087 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure Guidance and Transparency Rules.

### Share rights

The rights and obligations attached to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Group Company Secretary. The rights and obligations attached to the Limited-voting ordinary shares issued in connection with the acquisition of Refinitiv on 29 January 2021 are set out page 52 of the shareholder prospectus dated 9 December 2020 and available on the LSEG website. Shareholders will be asked to approve amended Articles of Association in order to reflect the rights attached to such shares at the forthcoming AGM. No shareholder shall be entitled to vote at a general meeting, either in person or by proxy, in respect of any share held by him or her unless all monies presently payable by him or her in respect of that share have been paid. In addition, no shareholder shall be entitled to vote, either in person or by proxy, if he or she has been served with a notice under section 793 of the Companies Act 2006 (concerning interests in those shares) and has failed to supply the Company with the requisite information.

Other than restrictions considered to be standard for a UK listed company (for example, restrictions on partly paid certified shares), there are no limitations on the holding, transfer or voting rights of ordinary shares in the Company, both of which are governed and regulated by the Company's Articles of Association and applicable legislation and regulation.

As a result of the Company's acquisition of Refinitiv having completed, the Relationship Agreement is now in effect. Further information on the Relationship Agreement can be found at pages 65-70 of the shareholder prospectus dated 9 December 2020 and available on the LSEG website.

The Company is not aware of any other agreements between holders of shares that may result in restrictions on the transfer of shares or on voting rights.

### Corporate Governance Statement

The Company's Corporate Governance Report and the reports of the Audit, Nomination and Risk Committees set out on pages 88–97 are, together with Board engagement with stakeholders on pages 68–69, Section 172(1) Statement on pages 70–71 and the information on share rights set out above, incorporated into this Corporate Governance Statement by reference.

### Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders. The Company's Articles of Association contain provisions relating to the appointment and removal of Directors.

More information on the Board Appointment process can be found in the Report of the Nomination Committee on pages 88–90 of this report.

Shareholders will be asked to approve amended Articles of Association at the forthcoming AGM principally in order to reflect the rights of the Limited-voting ordinary shares issued in connection with the Company's acquisition of Refinitiv and other developments in law and practice since the Company's current articles of association were last amended in 2016. The proposed changes will be summarised in the Notice of AGM.

### Substantial Shareholders

As at 5 March 2021 the Company had been informed of the following notifiable voting rights in the issued share capital of the Company in accordance with DTR 5 of the FCA's Disclosure Guidance and Transparency Rules:

| | |
|---|---|
| York Holdings II Limited | 17.11% |
| Qatar Investment Authority | 7.59% |
| York Holdings III Limited | 6.92% |
| The Capital Group Companies, Inc. | 6.81% |
| BCP York Holdings (Delaware) L.P. | 4.97% |
| Lindsell Train Limited | 4.40% |

In connection with LSEG's acquisition of the Refinitiv business, Refinitiv's former owners, Thomson Reuters Corporation and a consortium of certain investment funds managed by Blackstone Group Inc. collectively hold an approximate 37% stake in LSEG and less than 30% of the voting rights via the entities York Holdings II Limited, York Holdings III Limited and BCP York Holdings (Delaware) L.P..

### Authority to Issue Shares

Subject to the provisions of the Companies Act 2006 and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

### Authority to Purchase Shares

The authority for the Company to purchase in the market up to 34,974,270 of its ordinary shares (representing 10% of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM) granted at the Company's last AGM, expires on the date of the forthcoming AGM. Shareholders will be asked to give a similar authority to purchase shares at the forthcoming AGM.

### Authority to Allot Shares

The authority conferred on the Directors at last year's AGM to allot shares in the Company up to a maximum nominal amount of £8,065,772 (representing 33.3% of the issued share capital of the Company (excluding treasury shares) as at the latest practicable date before publication of the Notice of the Company's last AGM) or, in connection with a pre-emptive offer to existing shareholders by way of a rights issue, up to a maximum nominal amount of £16,131,543 (representing 66.6% of the issued share capital of the Company (excluding treasury shares) as at the latest practicable date before publication of the Notice of the Company's last AGM), expires on the date of the forthcoming AGM. Shareholders will be asked to give a similar authority to allot shares at the forthcoming AGM.

### Directors' interests

Directors' interests in the shares of the Company as at 31 December 2020, according to the register maintained under the Companies Act 2006, are set out in the Directors' Remuneration Report on pages 116–117. No company in the Group was, during or at the end of the year, party to any contract of significance in which any Director was materially interested.

### Directors' indemnity

Details of qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) in force during the course of the year ended 31 December 2020 can be found on page 82. Such qualifying third-party indemnity provisions remain in force as at the date of approving this Directors' Report.

### Employees

Information on the Company's employees including the Company's approach to human rights and diversity; how the Company has supported employees through the Covid-19 pandemic; the outcomes relating to the Company's employee engagement survey Have Your Say and further examples of employee engagement can be found in the Sustainability section on pages 57–63 and page 79. Information on the Group's share schemes is provided in the Directors' Remuneration Report on pages 98–119 and in the "Rewarding our People" section on page 59. The Company provides an induction programme for new employees, including training employees on health and safety and a range of development programmes for all employees to develop their skills and knowledge.

The Group gives full consideration to applications for employment from persons with a disability where the candidate's particular aptitudes and abilities are consistent with and adequately meet the requirements of the role. The Group encourages and assists employees with a disability with training, career development and promotion opportunities, and where existing employees become disabled, our policy is to provide continuing employment and training wherever possible. Where changes to working practices or structure affect staff, staff are consulted and given the appropriate support. All employees are provided with information on matters of concern to them in their work, through regular briefing meetings and internal publications. To inform employees of the economic and financial factors affecting our business, regular updates are posted on our intranet and engagement events are hosted, such as Townhall style meetings with members of our Executive Committee, providing a briefing of specific areas of the business.

### Environment

As a Group, we recognise that we must use resources in ways that deliver long-term sustainability and profitability for the business and have regard for impact on the environment. We also take such factors into account in developing our products and services.

The Group's primary environmental impact arise from our data centres, our offices that host approximately 25,000 employees around the world, from staff travel and, indirectly, from our supply chain. We are aware of the risks and opportunities for our business arising from climate change and have developed measures to address them. We will actively monitor these changes so that we can adapt and respond as necessary.

Further details of our approach to environmental management, our targets and progress on environmental matters as well as methodology and verification can be found in supporting sustainable growth on pages 64–67.

### Research and Development

There was no Research and Development activities undertaken in 2020. More information about LSEG's approach to research and development can be found in the Strategic Report.

### Political Donations

During the year the Group did not make any political donations to EU or non-EU organisations or incur any political expenditure.

It remains the Company's policy not to make political donations or to incur political expenditure; however, the application of the relevant provisions of the Companies Act 2006 is potentially very broad in nature and, like last year, the Board is seeking shareholder authority to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities, although the Board has no intention of using this authority. As with previous years the Board is proposing that shareholders pass a resolution at the forthcoming AGM to authorise the Group to:

- make political donations to political parties and independent election candidates not exceeding £100,000 in total
- make political donations to political organisations other than political parties not exceeding £100,000 in total
- incur political expenditure not exceeding £100,000 in total, provided that in any event the aggregate amount of any such donations and expenditure made or incurred by the Group shall not exceed £100,000

Notwithstanding the Company's policy not to make political donations, we recognise the rights of our employees to participate in the political process. Their rights to do so are governed by the applicable laws in the countries in which we operate. For example, in the US under the Federal Election Campaign Act, US employees can establish non-partisan political action committees known as 'PACs' that encourage voluntary employee participation in the political process. PACs are a common feature of the US political system and operate independently of any political party or candidate.

LSEG US Holdco, Inc. operates a PAC for US employees. Consistent with US law, LSEG US Holdco, Inc. pays for the PAC's administrative expenses; providing such support is not considered to be a political donation or expenditure under US law. In accordance with the applicable law the PAC is funded entirely by voluntary contributions from eligible employees. All decisions on the amounts and recipients of contributions are directed by a steering committee comprising employees eligible to contribute to the PAC.

During the year, a total of US$14,000 was donated to political organisations by the LSEG US Holdco, Inc. employee operated PAC. All LSEG US Holdco, Inc contributions will be reviewed for legal compliance and will be publicly reported in accordance with US election laws.

### Significant agreements

The following are significant agreements as at 31 December 2020 to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid

- **SwapClear**
  LCH, along with a number of investment banks, is party to an agreement for the clearing of OTC interest rate swaps in relation to the SwapClear business. Such arrangements contain certain provisions that entitle the banks to terminate the agreement on a change of control of the Company.

- **Facility Agreements**
  - **2015 Revolving Credit Facility Agreement**
    The Company has entered into a syndicated, committed, revolving facility agreement dated 9 November 2015 (the 2015 Facility), which provides an aggregate £600 million of flexible financing capacity for the general corporate purposes of the Group. This facility agreement was cancelled at the completion of the Refinitiv acquisition.
  - **2017 Revolving Credit Facility Agreement**
    The Company has entered into a syndicated, committed, revolving facility agreement dated 11 December 2017 (the 2017 Facility) which provides an aggregate of £600 million of flexible financing capacity for the general corporate purposes of the Group. On 16 December 2020, the Company entered in an amendment and restatement of the 2017 Facility, the terms of which became effective upon completion of the Refinitiv acquisition (the Amended 2017 Facility). The amendment of the 2017 Facility increases the amount available under the 2017 Facility to £1.425 billion of flexible financing capacity for the general corporate purposes of the Group and to £1.350 billion as backstop support for commercial paper issuances. This amendment and restatement was not effective as at 31 December 2020.
  - **Bridge Facility Agreement**
    The Company has entered into a syndicated, committed, term facility agreement dated 1 August 2019, which provides US$9.325 billion and €3.58 billion of financing capacity for the purposes of refinancing Refinitiv's existing debt (the Bridge Facility). On 16 December 2020, the Bridge Facility was reduced in an amount of US$2 billion and €500 million (the equivalent amount of the dollar and euro term loans made available under the 2020 Facility, as set out below).
  - **2020 Credit Facility Agreement**
    The Company has entered into a syndicated, committed US$2 billion and €500 million term and £1.075 billion revolving facilities agreement dated 16 December 2020 (the 2020 Facility). These facilities were effective upon the completion of the Refinitiv acquisition. The term facilities are made available for the purposes of refinancing Refinitiv's existing debt. The revolving facility offers the Group additional flexible financing and is available for the general corporate purposes of the Group.
  - **Terms of Facility Agreements**
    The terms of the 2015 Facility, Bridge Facility, Amended 2017 Facility and 2020 Facility are appropriate for an investment grade borrower and each include change of control provisions which, if triggered, allow the relevant facility agent, upon instructions from the majority lenders, to cancel the facility and declare all outstanding loans under the relevant agreement, together with accrued interest and all other amounts accrued, due and payable.

As a result of LIBOR being discontinued as of 31 December 2021, the Amended 2017 Facility and the 2020 Facility also each include a rate switch mechanic such that calculations of interest under the agreements will no longer refer to LIBOR after the rate switch date and will instead refer to an interest rate margin plus an overnight reference rate.

- **Notes**
  The Company has issued to the wholesale fixed income market under its Euro Medium Term Notes Programme (the value of which is £2.5 billion), three €500 million tranches of euro notes due in 2024, 2027 and 2029. The notes contain a 'redemption upon change of control' provision which, if triggered by the combination of a change of control and, within 120 days thereafter, a credit rating downgrade to non-investment grade, allows note holders to exercise their option to require the Company to redeem the notes and pay any accrued and unpaid interest due.

- **Retail Bond Issue**
  The Company has issued £300 million in Sterling denominated retail bonds, under the Euro Medium Term Notes Programme referred to above, which are due in 2021. The retail bonds contain change of control provisions which, if triggered, by the combination of a change of control and, within 120 days thereafter, a credit rating downgrade to non-investment grade, allow the holder of these bonds to have the option to require the Company to repay early or to purchase the bonds of that holder at their face value together with the accrued interest.

- **Employee Share Plans**
  The rules of the Company's employee share plans set out the consequences of a change of control of the Company on employees' rights under the plans. Generally such rights will vest on a change of control and participants will become entitled to acquire shares in the Company (although in certain circumstances the Remuneration Committee has the discretion to defer vesting and to require rights to be exchanged for equivalent rights over the acquiring company's shares).

### Events since the balance sheet date

On the 29 January 2021, the Group completed the acquisition of Refinitiv Parent Limited (Refinitiv Parent), a company incorporated in the Cayman Islands and headquartered in London and New York.

Refinitiv is a leading global provider of market and financial data and infrastructure, delivering data, insight and analytics tailored to strategic workflows.

Refinitiv Parent holds an approximate 52% economic interest in Tradeweb Markets Inc. and its subsidiaries. Tradeweb Markets Inc. (Tradeweb) is a Delaware company and the holding company of Tradeweb Markets LLC, which offers electronic marketplaces for trading fixed income, derivatives, money market and equity products. Tradeweb operates as a standalone, publicly listed entity.

Under the terms of the Stock Purchase Agreement, the Company (directly and through certain wholly owned subsidiaries) acquired the entire issued share capital of Refinitiv Parent and, in exchange, LSEG plc issued 204,225,968 consideration shares (comprising 136,870,442 listed LSEG ordinary shares; and 67,355,526 unlisted LSEG Limited-voting ordinary shares). The Limited-voting ordinary shares rank pari passu with the LSEG ordinary shares. Based on LSEG plc's issued share capital as at completion, the total shares amounted to an economic interest in LSEG plc of approximately 37%; and less than 30% of the total voting rights in LSEG plc.

Of the total number of shares issued, 179,610,123 shares were issued on 29 January 2021 and the remaining 24,615,845 shares were issued on 1 March 2021. Assuming an equivalent value for each listed LSEG ordinary share and each unlisted LSEG Limited-voting ordinary share, upon issue, the total value of the shares was £17.5 billion[1].

On completion, the Group refinanced Refinitiv third-party debt by drawing down US$9.936 billion and €3.629 billion under the Bridge Facility, term loan, and the new and amended multi-currency revolving credit facilities.

The acquisition of Refinitiv is a transformational transaction, strategically and financially, and positions the Group for long-term sustainable growth. Refinitiv brings highly complementary capabilities in data, analytics and capital markets.

1. Calculated by reference to the opening share price of LSEG ordinary shares on 29 January 2021 (£83.94) and 1 March 2021 (£96.90)

The combination of LSEG and Refinitiv will deliver significant benefits for customers, and in particular to:
- transform LSEG's position and create a global financial markets infrastructure leader of the future;
- strengthen LSEG's global footprint and accelerate its successful growth strategy across multiple key financial centres and jurisdictions, including in North America (the world's largest financial market), Asia and fast-growing emerging markets;
- significantly enhance LSEG's customer proposition in data and analytics, utilising the Combined Business' intellectual property to offer innovative new services;
- complement LSEG's existing multi-asset class growth strategy to create a global multi-asset class capital markets business with the addition of high-growth foreign exchange and fixed income venues; and
- deepen and expand LSEG's and Refinitiv's shared core principles of open access and customer partnership.

The Group is currently completing the steps in applying the acquisition method in terms of IFRS 3 Business Combinations to determine what is part of the business combination transaction, to recognise and measure the identified net assets acquired and non-controlling interests; and to determine the consideration transferred.

However, given the size of the transaction and the short period of time between the completion and the date when the Annual Report is authorised for issue, the Group is unable to reasonably estimate and determine the:
- fair value of the consideration transferred;
- fair value of the net assets acquired;
- non-controlling interests in Refinitiv; and
- resulting goodwill.

As part of the fair value exercise the Group will consider the recognition criteria in terms of IFRS 3 and may identify the following classes of purchased intangible assets:
- Customer contracts and relationships;
- Technology – acquired software;
- Technology – internally developed;
- Databases and content;
- Licences; and
- Trade names.

The Group has 12 months from the date of acquisition to complete the valuation exercise.

#### Disposal after the reporting date

As a result of the completion of the Refinitiv acquisition, the disposal of the Borsa Italiana Group for €4.325 billion (£3.9 billion) is expected to complete in the first half of 2021. The Borsa Italiana Group will represent a disposal group and a discontinued operation within the Group's Interim results.

#### Other investments

The Group invested a further £5 million in PrimaryBid on 3 February 2021 as part of its commitment to invest a total of £10 million in the company.

#### Facility Agreements

The amendment of the 2017 Facility became effective on completion of the acquisition of Refinitiv, increasing the amount available under the 2017 Facility to £1.425 billion of flexible financing capacity for the general corporate purposes of the Group.

As at 4 March 2021, the 2017 Facility and the 2020 Facility were partially drawn, the Bridge Facility was fully drawn and the 2015 Facility has been cancelled in full.

### Employee Benefit Trust
As at 31 December 2020, the trustee of the London Stock Exchange Employee Benefit Trust, which is an independent trustee, held 487,866 shares under the terms of the trust for the benefit of employees and former employees of the Company and its subsidiaries. The trust is a discretionary trust and the shares are held to meet employees' entitlements under the Company's share plans. Employees have no voting rights in relation to the unencumbered shares while they are held in trust. The trustee has full discretion to exercise the voting rights attaching to the unencumbered shares or to abstain from voting. Shares acquired by employees through the Company's employee share plans rank equally with the ordinary shares in issue and have no special rights.

### Branches outside the UK
Certain of the Company's subsidiaries have established branches in a number of different countries in which they operate.

### Financial Risk Management
The use of financial instruments by the Group and the Group's Financial Risk Management have been specifically considered by the Directors, and relevant disclosures appear in Principal Risks and Uncertainties, on pages 24–39 of this Annual Report, and in the Notes to the Financial Statements, on pages 142–197 of this Annual Report, and in each case are incorporated by reference into this Directors' Report.

### Directors' statement as to disclosure of information to auditors
In accordance with Section 418(2) of the Companies Act 2006, the Directors confirm, in the case of each Director in office at the date the Directors' Report is approved as listed on pages 73–75, that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- They have taken all the steps that they ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information triggered, by the combination of a change of control and, within 120 days thereafter, a credit rating downgrade to non-investment grade, allow the holder of these bonds to have the option to require the Company to repay early or to purchase the bonds of that holder at their face value together with the accrued interest.

### Financial viability statement
In accordance with provision 31 of the Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. A period of three years has been chosen for the purpose of this viability statement, in line with the Group's business plan.

The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's three-year business plan, the Group's risk appetite and the expected impact of a severe but plausible downside scenarios and updated based on the recent observed impact of the Covid-19 pandemic on the business. As the viability statement is forward-looking, the analysis reflects the combined LSEG and Refinitiv businesses and the anticipated disposal of the Borsa Italiana Group.

The business plan makes certain assumptions about the performance of the core revenue streams and segments, using existing product lines as well as assumptions on take up of new product lines, assumptions on appropriate levels of investment to support expected performance, known inorganic activity, the ability to refinance debt as required, and expected returns to shareholders.

The plan is stress tested using a severe but plausible downside scenarios as determined relevant by the Group Risk Committee, over the full three-year plan period. Impacts on the performance of core revenue streams and segments are modelled through business inputs, with appropriate mitigating factors also considered.

The impact on the Group's cash-flows, liquidity headroom, and debt covenants are detailed throughout the three-year period in each scenario. No scenario over the three-year period leads to a breach in Group covenants or an inability to meet the Group's obligations through insufficient headroom. Further, a reverse stress test has been completed, to evaluate the financial impacts required to breach the Group Risk Committee's risk appetite.

### Going Concern
The Group's business activities, together with the factors likely to affect its future development, performance and position and its objectives and policies in managing the financial risks to which it is exposed and its capital are set out in the Strategic Report on pages 2–71. The Directors' statement in relation to going concern is set out in the Statement of Directors' Responsibilities on page 125.

### Future developments
The Executive Management team monitors future development and market trends affecting the Group and its subsidiaries on an ongoing basis. Details of these developments and trends and the potential implications for the Group can be found in the Market trends and our response section of the Annual Report (pages 16–23).

### Auditors
A resolution to reappoint EY LLP as the Company's auditors will be proposed at the AGM.

### Strategic Report
The Strategic Report (pages 2–71) was approved by the Board on 4 March 2021 and signed on its behalf.

By Order of the Board

**Lisa Condron**
**Group Company Secretary**
5 March 2021

### Further information
Stress testing capabilities are detailed in the risk management oversight supplement that can be found on: **www.lseg.com/about-london-stock-exchange-group/risk-management-oversight.**

# Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Group and the Company and of the profit or loss for that year.

In preparing those financial statements, the Directors are required to:
- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Make judgements and estimates that are reasonable
- Provide additional disclosures when compliance with the specific requirements in IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and the Company's financial position and financial performance
- In respect of the Group financial statements, state whether IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- In respect of the parent Company financial statements, state whether IFRSs in conformity with the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006, other applicable laws and regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules, and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Overview and Strategic Report sections of the Annual Report on pages 2–71. In particular, the current economic conditions continue to pose a number of risks and uncertainties for the Group and these are set out in Principal Risks and Uncertainties on pages 25–39.

The Financial Risk Management objectives and policies of the Group and the exposure of the Group to capital risk, credit risk, market risk and liquidity risk are discussed on pages 149–152. The Group continues to meet Group and individual entity capital requirements and day-to-day liquidity needs through the Group's cash resources and available credit facilities.

The combined total of committed facilities and bonds issued at 31 December 2020 was £2,853 million (2019: £2,781 million) excluding the undrawn Bridge Facility arranged to provide financing capacity relating to the Group's acquisition of Refinitiv, with the first maturing in November 2021. Following the completion of the acquisition of Refinitiv, the revised committed facilities and bonds issued was £6,072 million excluding the undrawn Bridge Facility.

The Directors have reviewed the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, which show that the Group has sufficient financial resources. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Each of the Directors, whose names and functions are set out on pages 73–75 of this Annual Report confirms that, to the best of their knowledge and belief:
- The Group and the Company financial statements, which have been prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole
- The report of the Directors contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face
- They consider that the Annual Report and Accounts 2020, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy

By Order of the Board

**Lisa Condron**
**Group Company Secretary**
5 March 2021

# Independent Auditor's Report to the members of London Stock Exchange Group plc

## Opinion

In our opinion:

- London Stock Exchange Group plc's (the "Company", the "Group") consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of London Stock Exchange Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise:

| Group | Parent company |
|---|---|
| Consolidated income statement for the year then ended | Balance sheet as at 31 December 2020 |
| Consolidated statement of comprehensive income for the year then ended | Statement of changes in equity for the year then ended |
| Consolidated balance sheet as at 31 December 2020 | Cash flows statement for the year then ended |
| Consolidated statement of changes in equity for the year then ended | Related notes 1 to 35 to the financial statements including a summary of significant accounting policies |
| Consolidated cash flow statement for the year then ended | |
| Related notes 1 to 35 to the financial statements, including a summary of significant accounting policies | |
| Tables within the Directors' Remuneration Report identified as 'audited' on pages 98 to 119. | |

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- We have obtained an understanding of Management's basis for use of the going concern basis of accounting through reviewing the going concern assessment and underlying forecasts and assumptions, and through inquiries of Management and those charged with governance;
- Using our understanding the business, we assessed the appropriateness of key assumptions made by management in the Group's business plan by comparing them to historical performance and challenging the achievability of budgeted growth. In assessing the reasonableness of these key assumptions, we considered the impact of Covid-19, the trading environment, principal risks and appropriate mitigating factors. We performed back-testing by comparing the budget of prior periods to actual results to assess the historical accuracy of management's forecasting process;
- We tested the clerical accuracy of management's going concern model including the data used in stress testing;
- We evaluated the reasonableness of management's adverse forecasts by benchmarking the stress testing scenario assumptions against external data and evaluated the plausibility of management actions available to mitigate the impact of the reverse stress test by comparing them to our understanding of the Group including the ability to refinance debt, if required;
- We evaluated the level of liquidity of the Group to support ongoing requirements and tested compliance with external debt covenants for a period of 12 months from the date of signing the financial statements under each plausible stress testing scenario; and
- We assessed the appropriateness of the going concern disclosures by evaluating the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

In relation to the Group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

### Overview of our audit approach

| | |
|---|---|
| **Audit scope** | • We performed an audit of the complete financial information of seven components and audit procedures on specific balances for a further eight components.<br>• The components where we performed full or specific audit procedures accounted for 91% of unadjusted pre-tax profit, 91% of adjusted pre-tax profit, 96% of revenue and 100% of total assets. |
| **Key audit matters** | • Risk that the impairment of goodwill and purchased intangible assets is inaccurate or incomplete<br>• Risk that expenses related to internally developed software are capitalised inappropriately, or that internally developed software is impaired<br>• Risk of fraud in recognition of revenue in secondary capital markets trading and Information Services revenue accruals within the FTSE Russell business |
| **Materiality** | • Overall Group materiality is £44m which represents 5% of adjusted pre-tax profit from continuing operations, calculated by including the impact of the amortisation of purchased intangible assets, but excluding other non-underlying items as disclosed in note 7 of the financial statements. |

### An overview of the scope of the parent company and Group audits

**Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the Group financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 108 reporting components of the Group, we selected 15 components covering entities within United Kingdom, United States of America, Italy, France and Sri Lanka, which represent the principal business units within the Group.

Of the 15 components selected, we performed an audit of the complete financial information of seven components ("full scope components") which were selected based on their size or risk characteristics. For the remaining eight components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

| Scope | Procedures performed by | Number of components |
|---|---|---|
| Full | Primary team | 4 |
| Full | Component teams | 3 |
| Specific | Primary team | 7 |
| Specific | Component team | 1 |
| **Total** | | **15** |

Details of the four components which were audited by component teams are set out below:

| Component | Headquartered location | Scope | Auditor |
|---|---|---|---|
| London Stock Exchange Group Holdings Italy S.p.A. | Italy | Full | EY |
| LSEG US Holdco Inc.* | United States of America | Full | EY |
| LCH S.A. | France | Full | EY and BDO |
| Millennium Information Technologies (Private) Limited | Sri Lanka | Specific | EY |

* Some specific accounts within LSEG US Holdco Inc. were audited by the EY primary audit team.

The reporting components where we performed audit procedures accounted for 91% (2019: 91%) of the Group's pre-tax profit, 91% (2019: 91%) of the Group's adjusted pre-tax profit measure used to calculate materiality (see page 132 below), 96% (2019: 97%) of the Group's Revenue and 100% (2019: 100%) of the Group's Total assets.

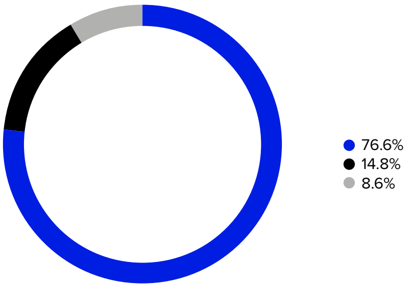
For the current year, the full scope components contributed 76% (2019: 71%) of the Group's pre-tax profit, 75% (2019: 70%) of the Group's adjusted pre-tax profit, 95% (2019: 95%) of the Group's Revenue and 100% (2019: 100%) of the Group's Total assets.

The specific scope components contributed 15% (2019: 20%) of the Group's pre-tax profit, 16% (2019: 21%) of the Group's adjusted pre-tax profit, 1% (2019: 2%) of the Group's Revenue and less than 1% (2019: less than 1%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

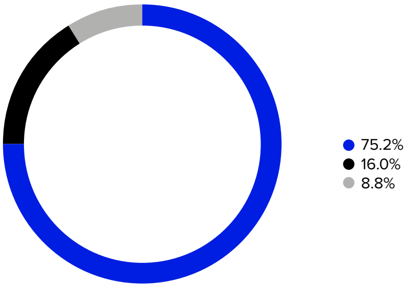
Of the remaining 93 components that together represent less than 9% of the Group's pre-tax profit, none are individually greater than 5% of the Group's adjusted pre-tax profit. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations, to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

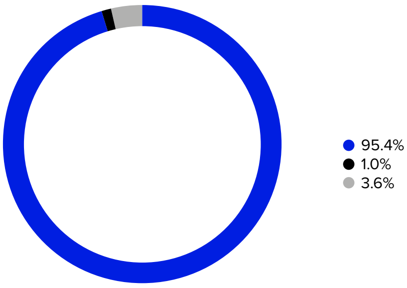
**Profit before Tax***



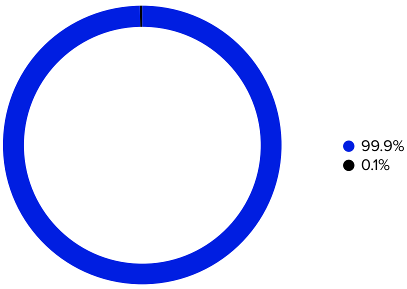

**Adjusted Profit before Tax***




**Revenue**




**Total assets**




Full Specific Out of Scope

**Changes from the prior year**

All full scope components remained consistent with the prior year, with the exception of LSEG US Holdco Inc which, in the current year, also includes LSEGH Inc. In the current year, we identified eight specific scope components (2019: 12).

The audit was largely conducted remotely using video calls, share-screen functionality, secure encrypted document exchanges and read-only access to LSEG systems to avoid any limitation on the audit evidence required.

**Involvement with component teams**

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction.

Of the seven full scope components and eight specific scope components, audit procedures were performed on four of the full scope and seven of the specific scope components directly by the primary audit team. For the three full scope and one specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

In response to the Covid-19 pandemic, the Group audit team adapted the planned visits to the component teams such that the meetings were held via video call. These virtual meetings were designed to ensure that the Senior Statutory Auditor exercised appropriate oversight of the principal locations of the Group.

During the current year's audit cycle, virtual meetings were undertaken by the Senior Statutory Auditor and/or other senior members of the primary audit team with the following locations:

- New York;
- Milan;
- Paris; and
- Colombo.

These meetings involved discussing the audit approach with the component team and any issues arising from their work, as well as meeting with local management. In addition, we virtually participated in planning and closing meetings and reviewed selected key audit working papers through the use of share screen functionality. The primary team interacted regularly with the component teams where appropriate during various stages of the audit and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Risk that the impairment of goodwill and purchased intangible assets is inaccurate or incomplete**<br><br>*Balance of £3.8 billion, prior year comparative £3.9 billion*<br><br>*Impairment charge of £10 million, prior year comparative £15 million.*<br><br>The Group holds significant intangible assets on its balance sheet, including goodwill, customer relationships, brands, software licenses, and intellectual property.<br><br>We have determined the valuation of these intangible assets to be a key audit matter due to the size of the goodwill and purchased intangible assets as at 31 December 2020 and the use of judgement by management in their impairment assessment of the intangible assets.<br><br>On an annual basis, management are required to perform an impairment assessment for goodwill, and to assess for indicators of impairment in respect of purchased intangible assets. Where indicators of impairment of purchased intangible assets are identified, a full impairment assessment is performed. These assessments involve significant management judgement in applying assumptions to the valuation models.<br><br>Key judgements and estimates used in the valuation models include:<br>• Cash flow forecasts<br>• Long-term growth rates (LTGR)<br>• Discount rates<br>• Amortisation periods for purchased intangible assets<br>• Customer retention rates<br>• Royalty rates<br><br>Refer to the Report of the Audit Committee (page 91); Accounting policies (page 145); and Notes 3 and 13 of the Financial Statements (pages 155 and 164 to 166)<br><br>The risk has neither increased nor decreased in the current year. | We have confirmed our understanding of the impairment assessment process and assessed the design effectiveness of key controls, concluding that a substantive audit approach should be adopted.<br><br>The following procedures were performed in order to determine the acceptable range of the carrying value of goodwill and purchased intangible assets:<br><br>For material cash generating units (CGU), we examined the cash flow forecasts which support management's impairment assessment and tested compliance with the requirements of IAS 36 'Impairment of Assets'. We tested the accuracy of these forecasts by comparing them to the three-year business plans approved by the Board. We evaluated the reasonableness of the cash flow forecasts by analysing the budgeted growth rates and assessing their reasonableness based on our understanding of the CGU, its historical growth rates and other relevant market expectations and developments including changes in tax rates and the impact of Covid-19. We compared prior periods' cash flow forecasts to actual results to assess management's forecasting accuracy.<br><br>We tested the discount rates assigned to each of the CGUs, as well as the LTGRs (collectively "model inputs"), with involvement of EY valuation specialists; we evaluated these model inputs within each impairment model, by comparing them to a range of economic and industry forecasts and market data where appropriate, as well as to other similar companies.<br><br>We performed sensitivity analysis on the key assumptions (including the model inputs, cash flows forecasts, royalty rates and customer retention rates) to the impairment models, to understand the impact that reasonably possible changes to these key inputs would have on the overall carrying value of the goodwill and purchased intangible assets at the balance sheet date.<br><br>In respect of purchased intangible assets, we evaluated management's assessment of impairment indicators by considering the internal and external factors specific to each class of assets and our understanding of the business. This included performing back-testing of customer retention rates within specific business lines and the current returns made on intellectual property. We also assessed the appropriateness of the remaining amortisation period of purchased intangible assets by considering management's business plan and comparing management's forecasts against historic data.<br><br>We assessed the appropriateness of the relevant disclosures made in the financial statements.<br><br>We performed full scope audit procedures over this risk area in nine components, which covered 100% of the risk amount. | We are satisfied that the carrying values of goodwill and purchased intangible assets are not materially misstated and the related disclosures are compliant with IAS 36 and IAS 38. |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
| --- | --- | --- |
| **Risk that expenses related to internally developed software are capitalised inappropriately, or that internally developed software is impaired**<br><br>*Balance of £0.5 billion, prior year comparative £0.5 billion*<br><br>*Impairment charge of £23 million, prior year comparative £9 million.*<br><br>The capitalisation of expenses to internally developed software involves management's judgement, when making their assessment of capitalisation against criteria set out in IAS 38.<br><br>The Group is required to review capitalised software assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, as well as at least annually review whether there is any change in their expected useful lives.<br><br>Where indicators of impairment are identified, a full impairment assessment is performed at the reporting date. These assessments involve significant management judgement in applying assumptions to the valuation models.<br><br>Key judgements and estimates used in the valuation models include:<br>• Discount rates<br>• Long-term growth rates (LTGR)<br>• Cash flow forecasts<br>• Amortisation periods for internally developed software<br><br>Refer to the Report of the Audit Committee (page 91); Accounting policies (page 145); and Note 13 of the Financial Statements (pages 164 to 166)<br><br>The risk has neither increased nor decreased in the current year. | We confirmed our understanding of both the capitalisation and impairment assessment processes and assessed the design and operating effectiveness of key controls, including those impacted by operational changes due to Covid-19. We concluded that the controls were designed, implemented and operating effectively, and therefore relied upon controls.<br><br>For a sample of additions, we have agreed amounts capitalised to supporting documentation to confirm that the costs were incurred, and meet the capitalisation criteria of IAS 38 'Intangible Assets'.<br><br>For a sample of assets not yet brought into use, including those where projects have been put on hold, we have tested and challenged management's assessment of indicators of impairment.<br><br>Where a full impairment assessment had been carried out, we tested the key assumptions used within the assessment, such as the discount rates, LTGR and cash flow forecasts with involvement of EY valuation specialists as needed<br><br>We also reviewed the sensitivity analysis performed by management as well as performing additional sensitivity analysis ourselves on the model inputs, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the internally developed software at the balance sheet date.<br><br>We have tested the appropriateness of the amortisation period based on economic lives and management's best estimates of future performance, amortisation method and residual values.<br><br>We have, in addition, performed journal entry testing in order to identify and test the risk of misstatement arising from management override of controls.<br><br>We assessed the appropriateness of the relevant disclosures made in the financial statements.<br><br>We performed full and specific scope audit procedures over this risk area in nine components, which covered 94.5% of the risk amount. | We are satisfied that the carrying value of internally developed software is not materially misstated and the related disclosures are compliant with IAS 36 and IAS 38. |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Risk of fraud in recognition of revenue in secondary capital markets trading and Information Services revenue accruals within the FTSE Russell business**<br><br>*Secondary capital markets – Balance of £0.3 billion, prior year comparative £0.2 billion*<br><br>*Information Services revenue accruals – Balance of £0.1 billion, prior year comparative £0.1 billion*<br><br>Compensation tied to the performance of the entity may create an incentive for management to manipulate results.<br><br>We have determined this to be a key audit matter having identified two revenue streams with heightened risk of misstatement:<br>• Secondary capital markets revenue (for certain business lines) involves multiple pricing structures based on product types, customer activity and volumes, resulting an inherently higher level of complexity<br>• Information Services revenue accruals (presented within fees receivable) can require estimation, for instance based on prior billings or preliminary usage.<br><br>As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management.<br><br>*Refer to the Report of the Audit Committee (page 91); Accounting policies (page 143); and Note 4 of the Financial Statements (pages 155 to 158)*<br><br>In the prior year, our independent auditor's report included as part of this key audit matter an additional risk in relation to the revenue share for clearing arrangements. In 2019 the revenue share agreements for clearing arrangements were renegotiated resulting in a reduced level of complexity; as a result, the revenue share for clearing arrangements was no longer deemed to be a key audit matter for the 2020 audit. | We confirmed our understanding of the secondary capital markets trading and Information Services revenue accruals within the FTSE Russell business processes, and evaluated the design effectiveness of key controls.<br><br>We evaluated whether the revenue recognition policy is appropriate and in accordance with IFRS 15.<br><br>We also performed cut-off testing to gain assurance that revenue was recognised in the correct period.<br><br>**Secondary capital markets trading**<br>For the secondary capital markets trading process, we performed testing of the operating effectiveness of key controls in one full scope component. For this component, we concluded that the controls were designed, implemented and operating effectively, and therefore took a controls-based approach. We adopted a substantive audit approach for the other in-scope components.<br><br>We increased our standard sample size for transactional testing to respond to the risk of fraud; our procedures included agreeing the sample to supporting evidence and recalculating the fee charged and reconciling this back to the pricing policy and relevant tariff schedule.<br><br>Using general ledger information, we analysed the correlation between revenue, deferred revenue, trade receivables, and cash postings, investigating any unrelated ledger entries and assessing for the risk of misstatement of revenue. We tested controls operating over the cash receipt process to verify the accuracy of cash postings in the ledger.<br><br>We also performed substantive analytical procedures by comparing recorded revenue to expected revenue; determined based on trading volumes per the trading platform multiplied by the respective tariff per tariff schedule.<br><br>**Information Services revenue accruals within the FTSE Russell business**<br>We adopted a substantive audit approach in relation to the Information Services revenue accruals process.<br><br>We selected a sample of revenue accruals using a lower testing threshold when compared to our standard testing approach and obtained appropriate supporting evidence for the accrued amounts. We also performed corroborative testing to invoices raised post year end and cash collected where applicable.<br><br>For revenue based on assets under management (AUM), we tested a sample of calculations back to supporting agreements. We also validated the AUM used in the calculations to an independent third-party source or customer declaration.<br><br>For all revenue streams and revenue accruals listed above, we performed analytical procedures and journal entry testing in order to identify and test the risk of misstatement arising from management override of controls.<br><br>We performed full and specific scope audit procedures over this risk area in five components, which covered 98.3% of the risk amount. | Based on the procedures performed, we determined that revenue related to secondary capital markets trading and Information Services revenue accruals within the FTSE Russell business is not materially misstated. |

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £44 million (2019: £40.7 million), which is 5% (2019: 5%) of adjusted pre-tax profit from continuing operations, calculated by including the impact of amortisation of purchased intangible assets, but excluding other non-underlying items as disclosed in note 7 of the financial statements.

We consider the basis of our materiality to be one of the important considerations for shareholders of the Company in assessing the financial performance of the Group. It is linked to the key earnings measures discussed when the Group presents the financial results. In addition to non-underlying items, the Group also excludes amortisation of purchased intangibles to present adjusted operating profit; this amount is not excluded from our materiality calculation.

We determined materiality for the parent company to be £47.3 million (2019: £46.5 million), which is 1% of equity. We believe that equity is an appropriate basis to determine materiality given the nature of the parent company as the investment holding company of the Group. Any balances in the parent company financial statements that were relevant to our Group audit were audited using an allocated performance materiality. The allocated materiality is based on the relative scale and risk of the parent company to the Group as a whole, and our assessment of the risk of misstatement.

| | |
|---|---|
| **Starting basis** | • £684.9 million<br>• Profit before tax from continuing operations |
| **Adjustments** | • £212.4 million<br>• Exclude non-underlying items, mostly costs related to the acquisition of Refinitiv, the potential divestment of Borsa Italiana and impairment of goodwill and purchased intangible assets. |
| **Adjusted basis** | • £897.3 million<br>• Adjusted pre-tax profit from continuing operations but including amortisation of purchased intangible assets |
| **Materiality** | • Materiality of £44 million (5% of materiality basis) |

During the course of our audit, we reassessed initial materiality and made adjustments based on the final financial performance of the Group.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, namely £22 million (2019: £20.4 million). We have set performance materiality at this percentage due to audit differences which were identified in the prior year audit. Our approach is designed to have a reasonable probability of ensuring that the total of uncorrected and undetected misstatements does not exceed our overall materiality of £44 million (2019: £40.7 million) for the Group financial statements as a whole. Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality.

The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component.

In the current year, the range of performance materiality allocated to components was between £5.5 million and £14.3 million.

### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.2 million (2019: £2.0 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Other information

The other information comprises the information included in the annual report set out on pages 2 to 125 including the Strategic Report, Governance information and disclosures (including Board of Directors, Corporate governance, Complying with the provisions of the Code, Report of the Nomination Committee, Report of the Audit Committee, Report of Risk Committee, Directors' Remuneration Report, Directors' Report and Statement of Directors' responsibilities), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

### Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Code relating to the group and company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:
- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, as set out on page 125;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate, as set out on page 125;
- Directors' statement on fair, balanced and understandable, as set out on page 125;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, as set out on page 125;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, as set out on page 92; and;
- The section describing the work of the audit committee, as set out on page 91.

### Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities statement set out on page 125, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# Independent Auditor's Report to the members of London Stock Exchange Group plc continued

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies to the European Union, the UK Companies Act 2006, UK Corporate Governance Code 2016, The Financial Conduct Authority's (FCA) Listing Rules, other relevant FCA rules and regulations, and tax legislation (governed by HM Revenue and Customs).
- We understood how the Group is complying with those frameworks by making enquiries of senior management, including the Chief Financial Officer, the Group General Counsel, the Chief Risk Officer, the Group Head of Compliance and the Group Head of Internal Audit. We also reviewed significant correspondence between the Group and regulatory bodies, reviewed minutes of the Board, Risk Committee, and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework and the Board's review of the Group's risk management framework and internal control processes.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the Group, or that otherwise seek to prevent, deter or detect fraud. This included assessing the impact of remote working due to Covid-19. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of investors.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of senior management, legal counsel, the compliance officer and internal audit, review of significant correspondence with regulatory bodies, minutes of meetings of the Board and certain Board committees, the whistleblowing log, and focused testing, as referred to in the key audit matters section above.
- The Group operates in the exchange, benchmarks and CCP industries which are regulated environments. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of experts where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

**Other matters we are required to address**

- Following the recommendation from the Audit Committee, we were appointed as auditors of the company and signed an engagement letter on 12 June 2014, and were appointed by the company at the AGM on 16 July 2014, to audit the financial statements for the nine months period ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering the nine months period ended 31 December 2014 to the year ended 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

**Nicholas Dawes (Senior Statutory Auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
5 March 2021

# Consolidated income statement

| Year ended 31 December 2020 | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | Notes | Underlying £m | Non-underlying £m | Total £m | Underlying £m | Non-underlying £m | Total £m |
| **Revenue** | 4 | **2,124** | **–** | **2,124** | 2,056 | – | 2,056 |
| **Net treasury income from CCP clearing business** | 4 | **319** | **–** | **319** | 255 | – | 255 |
| **Other income** | 4 | **1** | **–** | **1** | 3 | – | 3 |
| **Total income** | | **2,444** | **–** | **2,444** | 2,314 | – | 2,314 |
| Cost of sales | 4 | **(224)** | **–** | **(224)** | (210) | – | (210) |
| **Gross profit** | | **2,220** | **–** | **2,220** | 2,104 | – | 2,104 |
| **Expenses** | | | | | | | |
| Operating expenses before depreciation, amortisation and impairment | 5, 7 | **(887)** | **(168)** | **(1,055)** | (839) | (132) | (971) |
| Income from equity investments | 4, 18 | **–** | **–** | **–** | 7 | – | 7 |
| Share of loss after tax of associates | 4, 14 | **(4)** | **–** | **(4)** | (7) | – | (7) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | | **1,329** | **(168)** | **1,161** | 1,265 | (132) | 1,133 |
| Depreciation, amortisation and impairment | 7, 12, 13 | **(211)** | **(195)** | **(406)** | (200) | (195) | (395) |
| **Operating profit/(loss)** | | **1,118** | **(363)** | **755** | 1,065 | (327) | 738 |
| Finance income | | **7** | **–** | **7** | 14 | – | 14 |
| Finance expense | | **(64)** | **(13)** | **(77)** | (85) | (16) | (101) |
| Net finance expense | 7, 8 | **(57)** | **(13)** | **(70)** | (71) | (16) | (87) |
| **Profit/(loss) before tax** | | **1,061** | **(376)** | **685** | 994 | (343) | 651 |
| **Taxation** | 7, 9 | **(257)** | **59** | **(198)** | (236) | 50 | (186) |
| **Profit/(loss) for the year** | | **804** | **(317)** | **487** | 758 | (293) | 465 |
| **Profit/(loss) attributable to:** | | | | | | | |
| Equity holders | | **734** | **(313)** | **421** | 699 | (282) | 417 |
| Non-controlling interests | | **70** | **(4)** | **66** | 59 | (11) | 48 |
| **Profit/(loss) for the year** | | **804** | **(317)** | **487** | 758 | (293) | 465 |
| **Earnings per share attributable to equity holders** | | | | | | | |
| Basic earnings per share | 10 | | | **120.3p** | | | 119.5p |
| Diluted earnings per share | 10 | | | **118.9p** | | | 118.1p |
| Adjusted basic earnings per share | 10 | | | **209.7p** | | | 200.3p |
| Adjusted diluted earnings per share | 10 | | | **207.3p** | | | 198.0p |
| **Dividend per share in respect of the financial year** | | | | | | | |
| Dividend per share paid during the year | 11 | | | **23.3p** | | | 20.1p |
| Dividend per share declared for the year | 11 | | | **51.7p** | | | 49.9p |

The notes on pages 142 to 197 form an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

| Year ended 31 December 2020 | Notes | 2020 £m | 2019 £m |
|---|---|---|---|
| **Profit for the year** | | **487** | 465 |
| **Other comprehensive income:** | | | |
| **Items that will not be subsequently reclassified to profit or loss:** | | | |
| Defined benefit pension scheme remeasurement (loss)/ gain | 17 | **(1)** | 7 |
| Gain on equity instruments designated at fair value through other comprehensive income | 18 | **6** | – |
| Income tax relating to these items | 9 | **1** | – |
| | | **6** | 7 |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Net (losses)/gains on net investment hedges | 18 | **(64)** | 71 |
| Debt instruments at fair value through other comprehensive income: | | | |
| – Net gains from changes in fair value | 18 | **26** | 16 |
| – Net gains reclassified to the consolidated income statement on disposal | | **(4)** | (2) |
| Exchange gains/(losses) on translation of foreign operations | | **86** | (218) |
| Income tax relating to these items | 9 | **(5)** | (5) |
| | | **39** | (138) |
| **Other comprehensive income/ (loss) net of tax** | | **45** | (131) |
| **Total comprehensive income for the year** | | **532** | 334 |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Equity holders | | **449** | 298 |
| Non-controlling interests | | **83** | 36 |
| **Total comprehensive income for the year** | | **532** | 334 |

The notes on pages 142 to 197 form an integral part of these consolidated financial statements.

# Balance sheets

| At 31 December 2020 | Notes | Group 2020 £m | Group 2019 £m | Company 2020 £m | Company 2019 £m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | **297** | 288 | **–** | – |
| Intangible assets | 13 | **4,324** | 4,421 | **–** | – |
| Investment in associates | 14 | **25** | 28 | **8** | 12 |
| Investment in subsidiary companies | 15 | **–** | – | **6,806** | 6,750 |
| Deferred tax assets | 16 | **51** | 49 | **–** | – |
| Investments in financial assets | 18 | **280** | 266 | **–** | – |
| Retirement benefit asset | 17 | **81** | 66 | **–** | – |
| Trade and other receivables | 18, 20 | **14** | 19 | **45** | 41 |
| | | **5,072** | 5,137 | **6,859** | 6,803 |
| **Current assets** | | | | | |
| Trade and other receivables | 18, 20 | **594** | 566 | **677** | 668 |
| Derivative financial instruments | 18 | **–** | 2 | **–** | 2 |
| Clearing member financial assets | | **758,510** | 729,094 | **–** | – |
| Clearing member cash and cash equivalents | | **83,011** | 67,118 | **–** | – |
| Clearing member assets | 18 | **841,521** | 796,212 | **–** | – |
| Current tax | | **77** | 160 | **–** | – |
| Investments in financial assets | 18 | **92** | 81 | **–** | – |
| Cash and cash equivalents | 21 | **1,785** | 1,493 | **1** | 2 |
| | | **844,069** | 798,514 | **678** | 672 |
| **Total assets** | | **849,141** | 803,651 | **7,537** | 7,475 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 18, 22 | **613** | 620 | **866** | 712 |
| Contract liabilities | 24 | **168** | 157 | **–** | – |
| Derivative financial instruments | 18 | **6** | 1 | **6** | 1 |
| Clearing member liabilities | 18 | **841,553** | 796,102 | **–** | – |
| Current tax | | **24** | 127 | **–** | – |
| Borrowings | 18, 25 | **605** | 512 | **599** | 504 |
| Provisions | 27 | **1** | 19 | **–** | – |
| | | **842,970** | 797,538 | **1,471** | 1,217 |
| **Non-current liabilities** | | | | | |
| Borrowings | 18, 25 | **1,346** | 1,573 | **1,345** | 1,573 |
| Derivative financial instruments | 18 | **11** | 39 | **11** | 39 |
| Contract liabilities | 24 | **94** | 88 | **–** | – |
| Deferred tax liabilities | 16 | **411** | 432 | **–** | – |
| Retirement benefit obligations | 17 | **18** | 17 | **–** | – |
| Other non-current payables | 18, 22 | **152** | 150 | **–** | – |
| Provisions | 27 | **14** | 13 | **–** | – |
| | | **2,046** | 2,312 | **1,356** | 1,612 |
| **Total liabilities** | | **845,016** | 799,850 | **2,827** | 2,829 |
| **Net assets** | | **4,125** | 3,801 | **4,710** | 4,646 |

# Balance sheets continued

| At 31 December 2020 | Notes | Group 2020 £m | Group 2019 £m | Company 2020 £m | Company 2019 £m |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | | | |
| Ordinary share capital | 28 | **24** | 24 | **24** | 24 |
| Share premium | 28 | **971** | 967 | **971** | 967 |
| Retained earnings | | **911** | 668 | **1,896** | 1,836 |
| Other reserves | | **1,805** | 1,796 | **1,819** | 1,819 |
| **Total shareholders' funds** | | **3,711** | 3,455 | **4,710** | 4,646 |
| **Non-controlling interests** | | **414** | 346 | **–** | – |
| **Total equity** | | **4,125** | 3,801 | **4,710** | 4,646 |

The Company recorded profit for the year of £261 million (2019: £301 million).

The notes on pages 142 to 197 form an integral part of these consolidated financial statements.

The financial statements on pages 135 to 197 were approved by the Board on 2 March 2021 and signed on its behalf by:

**David Schwimmer**
Chief Executive Officer

**Anna Manz**
Chief Financial Officer

5 March 2021
London Stock Exchange Group plc
Registered number 5369106

# Cash flow statements

| Year ended 31 December 2020 | Notes | Group 2020 £m | Group 2019 £m | Company 2020 £m | Company 2019 £m |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Cash generated from/(used in) operations | 29 | **1,283** | 1,089 | **(150)** | (196) |
| Interest received | | **4** | 6 | **–** | 1 |
| Interest paid | | **(78)** | (103) | **(67)** | (91) |
| Royalties paid | | **(1)** | (2) | **–** | – |
| Corporation tax paid | | **(232)** | (153) | **–** | – |
| Withholding tax paid | | **(4)** | – | **–** | – |
| **Net cash inflow/(outflow) from operating activities** | | **972** | 837 | **(217)** | (286) |
| **Cash flow from investing activities** | | | | | |
| Purchase of property, plant and equipment | 12 | **(33)** | (41) | **–** | – |
| Purchase of intangible assets | 13 | **(189)** | (154) | **–** | – |
| Proceeds from sale of businesses[1] | | **29** | 30 | **–** | – |
| Acquisition of business, net of cash acquired[2] | 31 | **–** | (14) | **–** | – |
| Investment in subsidiaries | 15 | **–** | – | **–** | (244) |
| Investment in associates | 14 | **–** | (11) | **–** | (11) |
| Investments in financial assets classed as FVOCI[3] | 18 | **(2)** | (247) | **–** | – |
| Investment in government bonds | | **–** | (3) | **–** | – |
| Proceeds from divestment of government bonds | | **2** | – | **–** | – |
| Dividends received | | **–** | – | **193** | 464 |
| **Net cash (outflow)/inflow from investing activities** | | **(193)** | (440) | **193** | 209 |
| **Cash flow from financing activities** | | | | | |
| Capital additions into group entities | | **–** | – | **(56)** | – |
| Dividends paid to shareholders | 11 | **(257)** | (221) | **(257)** | (221) |
| Dividends paid to non-controlling interests | | **(21)** | (40) | **–** | – |
| Purchase of non-controlling interests[4] | | **–** | (9) | **–** | – |
| Loans to subsidiary companies | | **–** | – | **(54)** | (10) |
| Repayments received on loans to subsidiary companies | | **–** | – | **298** | 110 |
| Loans from subsidiary companies | | **–** | – | **312** | 447 |
| Repayment of loans to subsidiary companies | | **–** | – | **–** | (247) |
| Purchase of own shares by the employee benefit trust | | **(4)** | (5) | **–** | – |
| Proceeds from exercise of employee share options | | **10** | 5 | **10** | 5 |
| Funds gifted to the employee benefit trust | | **–** | – | **(4)** | – |
| Investment in convertible debt | | **–** | (4) | **–** | – |
| Loan to associate | | **–** | (1) | **–** | – |
| Arrangement fee paid | | **(4)** | – | **(4)** | – |
| Bond repayment | | **–** | (250) | **–** | (250) |
| Repayment towards commercial paper | | **(101)** | – | **(101)** | – |
| Repayments made towards bank credit facilities | | **(127)** | (35) | **(125)** | (26) |
| Additional drawdowns from bank credit facilities | | **4** | 261 | **4** | 261 |
| Trade finance loans | | **1** | – | **–** | – |
| Principal element of lease payments | | **(43)** | (41) | **–** | – |
| **Net cash (outflow)/inflow from financing activities** | | **(542)** | (340) | **23** | 69 |
| **Increase/(decrease) in cash and cash equivalents** | | **237** | 57 | **(1)** | (8) |
| Cash and cash equivalents at beginning of year | | **1,493** | 1,510 | **2** | 6 |
| Exchange gain/(loss) on cash and cash equivalents | | **55** | (74) | **–** | 4 |
| **Cash and cash equivalents at end of year** | | **1,785** | 1,493 | **1** | 2 |

1 Proceeds from sale of businesses represent deferred consideration of £29 million (2019: £30 million) received by the Group from its disposal of Russell Investment Management in 2016
2 Acquisition of business, net of cash acquired, in the prior year relates to the Group's acquisition of Beyond Ratings for £14 million
3 Investments in financial assets classed as FVOCI in the current year relate to the Group's minority investment of £2 million in PrimaryBid. In the prior year, the Group made equity investments in Nivaura Limited of £3 million and in Euroclear of £244 million
4 Purchase of non-controlling interests in the prior year relates to the Group's purchase of the remaining 30% interest in EuroTLX SIM S.p.A

The Group's net cash inflow from operating activities of £972 million (2019: £837 million) includes £95 million (2019: £98 million) of expenses related to non-underlying items. The Group's net cash outflow from investing activities of £193 million (2019: £440 million) includes cash payments towards non-underlying purchases of fixed assets of £1 million (2019: nil).

The Company's net cash outflow from operating activities of £217 million (2019: £286 million) includes £96 million (2019: £88 million) of expenses related to non-underlying items.

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of their clearing members for use in their operations as managers of the clearing and guarantee systems. These balances represent margins and default funds held for counterparties for short periods in connection with these operations.

The notes on pages 142 to 197 form an integral part of these consolidated financial statements.

# Statements of changes in equity

**Year ended 31 December 2020**

| Group | Notes | Ordinary share capital £m | Share premium £m | Retained earnings £m | Other reserves £m | Total attributable to equity holders £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders | | | | | | |
| 31 December 2018 | | 24 | 965 | 401 | 1,930 | 3,320 | 355 | 3,675 |
| Profit for the year | | – | – | 417 | – | 417 | 48 | 465 |
| Other comprehensive income for the year | | – | – | 15 | (134) | (119) | (12) | (131) |
| Issue of shares | 28 | – | 2 | – | – | 2 | – | 2 |
| Final dividend relating to the year ended 31 December 2018 | 11 | – | – | (151) | – | (151) | – | (151) |
| Interim dividend relating to the year ended 31 December 2019 | 11 | – | – | (70) | – | (70) | – | (70) |
| Dividend payments to non-controlling interests | | – | – | – | – | – | (44) | (44) |
| Employee share scheme expenses | | – | – | 37 | – | 37 | – | 37 |
| Tax in relation to employee share scheme expenses | | – | – | 17 | – | 17 | – | 17 |
| Purchase of non-controlling interest | | – | – | 2 | – | 2 | (1) | 1 |
| 31 December 2019 | | 24 | 967 | 668 | 1,796 | 3,455 | 346 | 3,801 |
| Profit for the year | | **–** | **–** | **421** | **–** | **421** | **66** | **487** |
| Other comprehensive income for the year | | **–** | **–** | **19** | **9** | **28** | **17** | **45** |
| Issue of shares | **28** | **–** | **4** | **–** | **–** | **4** | **–** | **4** |
| Final dividend for the year ended 31 December 2019 | **11** | **–** | **–** | **(175)** | **–** | **(175)** | **–** | **(175)** |
| Interim dividend for the year ended 31 December 2020 | **11** | **–** | **–** | **(82)** | **–** | **(82)** | **–** | **(82)** |
| Dividend payments to non-controlling interests | | **–** | **–** | **–** | **–** | **–** | **(16)** | **(16)** |
| Employee share scheme expenses | | **–** | **–** | **51** | **–** | **51** | **–** | **51** |
| Tax in relation to employee share scheme expenses | | **–** | **–** | **9** | **–** | **9** | **1** | **10** |
| **31 December 2020** | | **24** | **971** | **911** | **1,805** | **3,711** | **414** | **4,125** |

Other reserves comprise the following:

- Merger reserve of £1,305 million (2019: £1,305 million), a reserve that arose when the Company issued shares as part of the consideration to acquire subsidiary companies.
- Capital redemption reserve of £514 million (2019: £514 million), a reserve set up as a result of a court approved capital reduction.
- Reverse acquisition reserve of £(512) million (2019: £(512) million), a reserve arising on consolidation as a result of the capital reduction scheme.
- Foreign exchange translation reserve of £608 million (2019: £535 million), a reserve reflecting the impact of exchange rate movement on the retranslation of non-UK Sterling subsidiary companies. A net gain of £73 million was recorded in the year (2019: loss of £218 million) in the statement of other comprehensive income. The balance remains in equity until the subsidiary company is sold or disposed of by the Group.
- Hedging reserve of £(110) million (2019: £(46) million), a reserve representing the cumulative fair value adjustments recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles. The balance remains in equity until the hedging and underlying instrument are derecognised. Further detail on hedging is given in note 18.

Purchase of non-controlling interests in the prior year relates to the Group's acquisition of the remaining 30% of EuroTLX SIM S.p.A.

The number of shares held by the Employee Benefit Trust to settle exercises of employee share awards was 487,866 (2019: 517,563).

Employee share scheme expenses include costs related to the issue and purchase of own shares for employee share schemes of £(8) million (2019: £(5) million), subscriptions, net of sundry costs, received on the vesting of employee share schemes of £10 million (2019: £5 million) and equity-settled share scheme expenses for the year of £49 million (2019: £37 million).

The notes on pages 142 to 197 form an integral part of these consolidated financial statements.

**Year ended 31 December 2020**

| Company | Notes | Ordinary share capital £m | Share premium £m | Retained earnings £m | Capital redemption reserve £m | Merger reserve £m | Total attributable to equity holders £m |
|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders | | | Other reserves | | |
| 31 December 2018 | | 24 | 965 | 1,701 | 514 | 1,305 | 4,509 |
| Profit for the year | | – | – | 301 | – | – | 301 |
| Issue of shares | 28 | – | 2 | – | – | – | 2 |
| Final dividend for the year ended 31 December 2018 | 11 | – | – | (151) | – | – | (151) |
| Interim dividend for the year ended 31 December 2019 | 11 | – | – | (70) | – | – | (70) |
| Employee share scheme expenses | | – | – | 55 | – | – | 55 |
| 31 December 2019 | | 24 | 967 | 1,836 | 514 | 1,305 | 4,646 |
| Profit for the year | | **–** | **–** | **262** | **–** | **–** | **262** |
| Issue of shares | **28** | **–** | **4** | **–** | **–** | **–** | **4** |
| Final dividend for the year ended 31 December 2019 | **11** | **–** | **–** | **(175)** | **–** | **–** | **(175)** |
| Interim dividend for the year ended 31 December 2020 | **11** | **–** | **–** | **(82)** | **–** | **–** | **(82)** |
| Employee share scheme expenses | | **–** | **–** | **55** | **–** | **–** | **55** |
| **31 December 2020** | | **24** | **971** | **1,896** | **514** | **1,305** | **4,710** |

The merger reserve of £1,305 million (2019: £1,305 million) is a potentially distributable reserve that arose when the Company issued shares as part of the consideration to acquire subsidiary companies.

The capital redemption reserve of £514 million (2019: £514 million) is a non-distributable reserve set up as a result of a court approved capital reduction.

Employee share scheme expenses of the Company include movement in the fair value of loan balances with the Employee Benefit Trust of £3 million (2019: £15 million), costs relating to the issue of own shares for employee share schemes of £(3) million (2019: £(2) million), subscriptions received on the vesting of employee share schemes of £10 million (2019: £5 million), funds gifted to the employee benefit trust £(4) million (2019: nil ) and equity-settled share scheme expenses for the year of £49 million (2019: £37 million).

The notes on pages 142 to 197 form an integral part of these financial statements.

# Notes to the financial statements

## 1. Basis of preparation and accounting policies

### Basis of preparation

The Group's consolidated and the Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

From 1 January 2021, the Group will apply UK-adopted International Accounting Standards under the Companies Act 2006. No standards have been early adopted during the year.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This provides the reader with supplemental data relating to the financial condition and results of operations. The Group presents profit for the year before any non-underlying items as this highlights more clearly trends in the Group's business and gives an indication of the Group's ongoing sustainable performance. Items of income and expense that are material by their size and/or nature are not considered to be incurred in the normal course of business and are classified as non-underlying items on the face of the income statement within their relevant category.

Non-underlying items include:

- Amortisation and impairment of goodwill and other purchased intangible assets which are recognised as a result of acquisitions
- Incremental depreciation, amortisation and impairment of the fair value adjustments of tangible or intangible assets recognised as a result of acquisitions
- Other income or expenses not considered to drive the operating results of the Group.

This profit measure before non-underlying items is used to calculate adjusted earnings per share. Profit before non-underlying items is reconciled to profit before taxation on the face of the income statement. Non-underlying items are disclosed in note 7.

The Company is a public company, incorporated and domiciled in England and Wales. The address of its registered office is 10 Paternoster Square, London, EC4M 7LS.

As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements.

#### Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiary companies sold or acquired in the period are included in the income statement up to, or from, the date that control passes. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The acquisition of subsidiary companies is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Upon completion of the Group's fair value exercise, comparatives are revised up to 12 months after the acquisition date, for the final fair value adjustments. Further details are provided in Note 31. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with non-controlling interests through the economic entity model. Transactions with non-controlling interests are recognised in equity.

Investments in subsidiary companies' shares, loans and other contributions are recognised at cost. These are reviewed for impairment when events indicate the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

### Critical accounting judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The Group has considered and exercised judgements in evaluating the ongoing impact of Covid-19 on preparation of these financial statements. In addition to sources of estimation uncertainty, a number of areas have been impacted by Covid-19 as explained in note 3.

### Going concern

In assessing whether the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group and Company can continue in operational existence for the foreseeable future.

The Group's business activities, together with the factors likely to affect its future development, performance and position and its objectives and policies in managing the financial risks to which it is exposed and its capital are set out in the Strategic Report on pages 2–71. The financial risk management objectives and policies of the Group and the exposure of the Group to capital, credit and concentration, country, liquidity, settlement and custodial, and market risk are discussed in note 2 to the financial statements.

Management's base case forecasts reflect the completed all-share acquisition of Refinitiv and draw down of the bridge financing facility to refinance Refinitiv's debt. The base case forecasts also reflect the impact of the disposal of the Borsa Italiana Group and the acquisition of GIACT Systems by Refinitiv, and the related transaction, separation, integration and financing/funding costs.

The Group's combined businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due.

Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions or stress events. The forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing of these financial statements.

To assess the Group's resilience to more adverse outcomes, its forecast performance was sensitised to reflect a reasonable worst-case downside scenario, causing a significant market dislocation and included the observed impact of the Covid-19 pandemic on the business.

The Directors consider there to be no material uncertainties that may cast significant doubt on the Group and Company's ability to continue to operate as a going concern. The Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing of these financial statements. Accordingly, they continue to adopt the going concern basis in the preparation of these financial statements.

**Recent accounting developments**

The following amendments have been endorsed by the EU and adopted in these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3, 'Business Combinations'
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 & IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 16 'Leases' Covid-19-Related Rent Concessions

The impact of adopting these amendments on the Group's financial results did not have a material impact on the results of the Group.

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC, but have not been adopted because they are not yet mandatory and the Group has not chosen to early adopt. The Group plans to adopt these standards and interpretations when they become effective and as applicable. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, but the following amendments and standards are not expected to have a material impact on the results of the Group.

| International accounting standards and interpretations | Effective date |
|---|---|
| Amendments to IAS 1 'Presentation of Financial Statements' classification of liabilities | 1 January 2023 |
| Amendments to IFRS 3, IAS 16 and IAS 37 and Annual Improvements 2018-2020 | 1 January 2022 |
| Amendments to IFRS 4 'Insurance Contracts' – deferral of IFRS 9 | 1 January 2021 |
| Amendments to IFRS 9, IAS 39 & IFRS 7: Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| IFRS 17, 'Insurance Contracts', including Amendments to IFRS 17 | 1 January 2023 |

**Accounting policies**

**Income Statement**

**Revenue**

The main source of the Group's revenue is through fees for services provided. Revenue is measured based on the consideration specified in a contract with a customer. Amounts deducted from revenue relate to discounts, value added tax and other sales related taxes, revenue share arrangements whereby as part of an operating agreement amounts are due back to the customer and pass-through costs where the Group has arrangements to recover specific costs from its customers with no mark up.

The Group recognises revenue as services are performed and as it satisfies its obligations to provide a product or service to a customer. Further details of the Group's revenue accounting policy are set out below:

| | |
|---|---|
| **Information Services** | The Information Services segment generates revenues from the provision of information and data products including indexes, benchmarks, real-time pricing data and trade reporting and reconciliation services.<br><br>**Data subscription and index licence fees** are recognised over the licence or usage period as the Group meets its obligation to deliver data consistently throughout the licence period. Services are billed on a monthly, quarterly or annual basis.<br><br>**Other information services** include licences to the regulatory news service and reference data businesses. Revenue from licences that grant the right to access intellectual property are recognised over time, consistent with the pattern of the service provision and how the performance obligation is satisfied throughout the licence period. Revenues from other information services, including revenues from the sale of right to use licences, are recognised at the point the licence is granted or service is delivered. |
| **Post Trade** | Revenues in the Post Trade segment are generated from clearing, settlement, custody and other post trade services.<br><br>**Clearing, settlement and custody services** generate fees from trades or contracts cleared and settled, compression and custody services which are recognised as revenue at a point in time when the Group meets its obligations to complete the transaction or service. In cases where the Group's performance obligations are completed over time, revenue is recognised on a straight-line basis over that period, representing the continuous transfer of services during that time. In cases where there is a fixed annual fee for a service, the revenue is recognised and billed monthly in arrears.<br><br>**Other post trade services** include revenue from client connectivity services which is recognised as revenue on a straight-line basis over the service period as this reflects the continuous transfer of services. Post trade services relating to capital market services are recognised on a per transaction basis at the point the service is provided. |
| **Capital Markets** | Revenues in the Capital Markets segment are generated from Primary and Secondary market services.<br><br>**Primary market initial admission and the ongoing listing services** represent one performance obligation and the Group recognises revenue from initial admissions and further issues over the period the Group provides the listing services. All admission fees are billed to the customer at the time of admission to trading and become payable when invoiced.<br><br>**Primary market annual fees, secondary markets membership and subscription fees** are generally paid in advance on the first day of the membership or subscription period. The Group recognises revenue on a straight-line basis over the period to which the fee relates, as this reflects the extent of the Group's progress towards completion of the performance obligation under the contract.<br><br>Revenue from **secondary market trading and associated capital market services** is recognised as revenue on a per transaction basis at the point that the service is provided. |
| **Technology** | Technology revenue is generated from contracts to develop capital market technology solutions, software licences, network connections and hosting services.<br><br>**Capital markets software licence** contracts contain multiple deliverables for the provision of licences and software installation, and ongoing maintenance services. The transaction price for each contract is allocated to these performance obligations based upon the relative standalone selling price. Revenue is recognised based on the actual service provided during the reporting period, as a proportion of the total services to be provided. This is determined by measuring the inputs consumed in delivering the service (for example, material and actual labour) relative to the total expected input consumption over the contract. This best reflects the transfer of assets to the customer which generally occurs as the Group incurs costs on the contract.<br><br>**Network connection and hosting services** revenues are recognised on a straight-line basis over the period to which the fee relates as this reflects the continuous transfer of technology services and measures the extent of progress towards the completion of the performance obligation. |
| **Other** | Fees are generated from the provision of events and media services, and are typically recognised as revenue at the point the service is rendered and becomes payable when invoiced. |

Customer contracts across the Group that contain a single performance obligation at a fixed price do not require variable consideration to be constrained or allocated to multiple performance obligations. Certain businesses in the Group provide services to customers under a tiered and tariff pricing structure that generates a degree of variability in the revenue streams from the contract as a result of discounts given. Where the future revenue from a contract varies due to factors that are outside of the Group's control, the Group limits the total transaction price at contract inception and recognises the minimum expected revenue guaranteed by the terms of the contract over the contract period. Any variable element is subsequently recognised in the period in which the variable factor occurs. Rebates given to customers as part of an operating agreement are calculated on a pro rata basis on revenue earned and recognised as they fall due.

The Group does not have any contracts where the period between the transfer of services to a customer and when the customer is expected to pay for that service is in excess of one year. Consequently, no adjustments are made to transaction prices for any financing component.

### Other income

Other income typically relates to property service charges.

### Cost of sales

Cost of sales comprises data and licence fees, data feed costs, expenses incurred in respect of revenue share arrangements and costs incurred in the MillenniumIT business that are directly attributable to the construction and delivery of customers' goods or services, and any other costs linked and directly incurred to generate revenues and provide services to customers.

Revenue share expenses recognised as cost of sales relate to arrangements with customers where the revenue share payment is not limited to the amount of revenues receivable from the specific customer.

### Contract costs

Incremental costs of obtaining a customer contract, such as sales commissions paid to employees, are recognised as an intangible asset if the benefit of such costs is expected to be longer than one year. The associated asset is amortised over the period from which a customer benefits from existing software technology supporting the underlying product or service, which the Group has determined to be between three to five years and is presented as an intangible asset in the Group's consolidated balance sheet. The Group amortises the contract costs over the period from which a customer benefits from existing software technology supporting the underlying product or service.

The Group recognises the incremental cost of obtaining a contract as an expense when incurred, if the amortisation period is less than one year.

### Net treasury income

Income recognised in the CCP clearing businesses includes net treasury income earned on margin and default funds, held as part of the risk management process. Net treasury income is the result of interest earned on cash assets lodged with the clearing house, less interest paid to the members on their margin and default fund contributions. Net treasury income is shown separately from the Group's revenues on the face of the income statement to distinguish this income stream from revenues arising from other activities and provide a greater understanding of the operating activities of the Group. Where negative interest rates apply, the Group recognises interest paid on cash assets as a treasury expense and interest received on clearing members' margin as treasury income.

### Pension costs

The Group operates defined benefit and defined contribution pension schemes. For the defined benefit schemes the service cost, representing benefits accruing to employees, is included as an operating expense. The interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is recognised in profit or loss as incurred.

### Share-based compensation

The Group operates a number of equity settled share-based compensation plans for employees. The employment benefit expense recognised in profit or loss is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

### Foreign currencies

The consolidated financial statements are presented in Sterling, which is the Company's presentation and functional currency. Foreign currency transactions are converted into the functional currency of the reporting entity using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for differences arising on pension fund assets or liabilities which are recognised in other comprehensive income.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate;
b) income and expenses are translated at the average rate for the period; and
c) all resulting exchange differences are recognised in other comprehensive income as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is disposed of, exchange differences that were recorded in other comprehensive income are recognised in profit or loss as part of the gain or loss on sale.

### Finance income and expense

Finance income and expense comprises interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial period and calculated using the effective interest rate method. In conditions where negative interest rates apply, the Group recognises interest paid on cash deposits as an expense and interest received on liabilities as income.

Recurring fees and charges levied on committed bank facilities, cash management transactions and the payment services provided by the Group's banks are charged to profit and loss as accrued in other finance expenses. Credit facility arrangement fees are capitalised and then amortised to profit or loss over the term of the facility subject to projected utilisation.

## Balance Sheet

### Property, plant and equipment (excluding right-of-use assets)

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Freehold buildings, plant and equipment are depreciated to residual value on a straight-line basis over their estimated useful economic lives as follows:

a) Freehold buildings – 30 to 50 years;
b) Plant and equipment – 3 to 20 years.

Leasehold improvements are recorded at cost and depreciated to residual value over the shorter of the period of the lease or the useful economic life of the asset.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

Assets generally do not generate cash inflows independently and so are included in the recoverable amount of a cash generating unit (CGU). When the carrying amount of the CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

**Leases – right-of-use assets**

The Group recognises a right-of-use asset where the Group has control of an asset for a period of more than 12 months. Assets are recorded initially at cost and depreciated on a straight-line basis over the shorter of the lease term or the estimated useful economic life. Cost is defined as the lease liabilities recognised plus any initial costs and dilapidations provisions less any lease incentives received.

The lease term is the non-cancellable term plus any optional extensions or less any reductions due to break clauses that in the judgement of management are likely to be exercised.

The Group applies discount rates specific to the leaseholder company for all leases. The interest rate is based on the expected rate at which the entity could borrow the required funds. In some cases, these rates may be negative.

Where a lease is terminated early, this is recognised as a disposal and any difference in value between the asset and the liability is recognised as a profit or loss on disposal. Penalty fees payable are recognised directly in profit or loss as an operating expense.

**Lease liabilities**

Lease liabilities are recognised at the net present value of the future payments to be made over the lease term at the commencement of a lease. Where a lease includes a break clause or extension option, management use their best estimate on the likely outcome on a lease by lease basis. Variable lease payments based on an index are estimated at the commencement date and revalued on an annual basis.

The net present value is determined using the incremental borrowing rate of the leasing entity, unless there is a rate implicit within the lease agreement.

Lease payments due within the next 12 months are classified as current liabilities; payments due after 12 months are classified as non-current payables.

**Short-term leases and leases of low value assets**

Rental costs for leased assets that are for less than 12 months or are for assets with an individual value of less than £5,000 are recognised directly in profit or loss on a straight-line basis over the life of the lease.

**Group as lessor**

Where the Group sub-lets a right-of-use asset for substantially all the useful life of that asset, this is recognised as a finance lease. The right-of-use asset is derecognised and a net investment in lease equivalent to the net present value of the future receipts is recognised.

Where the value of the receipts is lower than the amount payable on the head-lease, a loss on disposal of the right-of-use asset is recognised.

A right-of-use asset that is sub-let for less than its expected useful life is recognised as an operating lease and rental income is recognised as received.

**Investments in associates**

An associate is a company over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the company, but is not control nor joint control over those policies. Significant influence is determined using considerations similar to those for determining control over subsidiaries.

The Group's investments in associates are accounted for using the equity method. The Company accounts for its investments in associates at cost, less any impairments recognised in profit or loss.

Investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition total comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The Group's investments in associates are assessed for impairment at each balance sheet date. Where indicators of impairment are identified, a full impairment assessment is performed. Any difference between the recoverable amount of the associate and its carrying value is recognised as an impairment loss within the 'share of profit or loss of associates' in the Group consolidated income statement.

**Intangible assets**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the difference is recognised in profit or loss as a gain on purchase.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer and supplier relationships, software licences and intellectual property, all of which are recognised as intangible assets and recorded at cost less accumulated amortisation and accumulated impairment losses. These assets are amortised on a straight line basis over their useful economic lives which are as follows:

a) Customer and supplier relationships – 2 to 25 years (material assets are amortised over a life exceeding 15 years);
b) Brand names – 10 to 25 years (material assets are amortised over a life of 25 years); and
c) Software licences and intellectual property – 2 to 25 years (the majority of material assets are amortised over a life not exceeding 5 years).

The useful economic lives are based on management's best estimates such as attrition rates on customer relationships, product upgrade cycles for software and technology assets, market participant perspective for brands and pace of change of regulation for business.

Third-party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives of 3 to 5 years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third-party expenses, and amortised over their useful economic lives of 3 to 7 years.

Intangible assets are assessed for any indicators of impairment at each balance sheet date. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset or CGU. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group recognises an intangible right-of-use asset where the Group has control of an asset for a period of more than 12 months. Assets are recorded initially at cost and depreciated on a straight-line basis over the lease term. Cost is defined as the lease liabilities recognised plus any initial costs.

**Current and non-current classification**

Current assets comprise assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised within one year from the reporting date, or intended for trade or consumption and realised in the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities comprise liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

**Current and deferred taxation**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantively enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

**Financial instruments**

Financial assets and financial liabilities are initially recognised on their settlement date. The Group classifies its financial instruments as fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) or amortised cost. The classification depends on the Group's business model for managing its financial instruments and whether the cash flows generated are 'solely payments of principal and interest' (SPPI).

**Initial recognition:**

- *Financial assets at amortised cost* are financial assets that are held in order to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. This includes cash and cash equivalents, trade and other receivables, clearing member trading balances relating to certain collateralised transactions, and other receivables from clearing members of the CCP businesses.
- *Financial assets at fair value through other comprehensive income (FVOCI)* are assets where the objective is achieved by collecting the contractual cash flows or selling the asset. The contractual cash flows received are solely payments of principal and interest. This includes quoted debt instruments (predominantly government bonds) held by the CCP businesses of the Group, which are used under the business model to both collect the contractual cash flows and on occasion, to sell.
  The Group has irrevocably elected to classify strategic investments in equity instruments which are held for the long-term but do not give the Group control or significant influence as FVOCI.
- *Financial assets at fair value through profit or loss (FVPL)* include all other financial assets not classified as amortised cost or FVOCI. This includes CCP businesses' clearing member trading balances comprising derivatives, equity and debt instruments that are marked to market on a daily basis.
- *Financial liabilities at fair value through profit or loss (FVPL)* are liabilities that are held at fair value. This includes the CCP businesses' clearing member trading balances, comprising derivatives, equity and debt instruments that are marked to market on a daily basis.
- *Financial liabilities at amortised cost* are all financial liabilities that are not classified as financial liabilities at FVPL. This includes trade and other payables, borrowings and other payables to clearing members.

**Subsequent measurement:**

- *Financial assets at amortised cost* are measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is disposed of or impaired.
- For debt instruments held at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.
  Gains and losses on equity instruments held at FVOCI are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established. Equity instruments designated at FVOCI are not subject to impairment assessment.
- *Financial instruments at FVPL* are carried on the balance sheet at fair value with net changes in fair value recognised in the statement of profit or loss.

**Impairment:**

The Group adopts a forward-looking approach to estimate impairment losses on financial assets. An expected credit loss (ECL) is calculated based on the difference between the contractual cash flows due and the expected cash flows. The difference is discounted at the asset's original effective interest rate and recognised as an allowance against the original value of the asset.

- *Financial assets at amortised cost* – the ECL for trade receivables, fees receivable, contract assets, and cash and cash equivalents is calculated using a lifetime ECL. The allowance is based on historic experience of collection rates, adjusted for forward looking factors specific to each counterparty and the economic environment at large, to create an expected loss matrix.
  The ECL on other financial assets held at amortised cost is measured using the general approach. An allowance is calculated based on the 12-month ECL at each reporting date unless there is a significant increase in the financial instrument's credit risk, at which point a loss allowance based on the lifetime ECL is calculated, as described for FVOCI assets.
- *Financial assets at FVOCI* – debt instruments held at FVOCI comprise high-quality government bonds that have a low credit risk and equity instruments. The Group's policy is to calculate a 12-month ECL on these assets. If there is a significant increase in credit risk, then a lifetime ECL will be calculated. A significant increase in credit risk is considered to have occurred when contractual payments are more than 30 days past due. Equity instruments are not impaired.
- *Financial assets at FVPL* – no ECL is calculated for assets held at FVPL as any expected loss is already recognised in the fair value.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

*Cash and cash equivalents* comprises cash at bank, short-term deposits, money market funds and other instruments and structures that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

*Clearing member cash and cash equivalents* represents amounts received from the clearing members to cover initial and variation margins and default fund contributions that are not invested in bonds. These amounts are deposited with banks, including central banks, or invested securely in short-term reverse repurchase contracts (reverse repos).

**Fair value measurement**
All assets and liabilities for which fair value is measured are categorised using the fair value hierarchy which is described in detail in note 18.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at each balance sheet date.

**Derivative financial instruments and hedging activities**
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and the nature of the item being hedged.

The Group hedges a proportion of its net investment in its foreign subsidiaries by designating Euro and US dollar borrowings and derivative instruments as net investment hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income.

In order to qualify for hedge accounting, a transaction must meet strict criteria regarding documentation, effectiveness, probability of occurrence, and reliability of measurement. The Group documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its risk management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The ineffective portion is recognised in profit or loss as finance income or expense.

Amounts accumulated in other comprehensive income are recognised in profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in other comprehensive income and is recognised in profit or loss when the forecast transaction itself is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately recognised in profit or loss.

The profit or loss on derivatives not designated as hedging instruments is recognised directly in the income statement.

**Trade and other receivables**
Trade receivables are initially recognised at the amount of the consideration that is unconditionally due and subsequently at amortised cost, less any expected credit loss. The Group's approach to calculating expected credit loss allowances is described in the financial instruments policy.

Other receivables are initially recognised at fair value and subsequently at amortised cost, less any loss allowance as described above.

Fees receivable are recognised when the Group has an unconditional right to consideration in exchange for goods or services transferred, but no fee invoice has been formally issued. Amounts are transferred to trade receivables when a formal invoice has been issued.

Where there is no longer any expectation of recovery of a receivable the full amount is written off. The Group will continue to seek recovery and any subsequent amounts recovered against amounts previously written off are recognised in profit or loss.

**Contract assets**
Contract assets are recognised when the Group has the conditional right to consideration from a customer in exchange for goods or services transferred.

Contract assets are transferred to trade or fees receivables when the entitlement to payment becomes unconditional and only the passage of time is required before payment is due.

**Contract liabilities**
Revenue relating to future periods is classified as a contract liability on the balance sheet to reflect the Group's obligation to transfer goods or services to a customer for which it has received consideration, or an amount of consideration is due, from the customer.

Contract liabilities are amortised and recognised as revenue over the period the services are rendered.

**Borrowings**
Borrowings are initially recorded at the fair value of amounts received, net of direct issue costs and transaction costs (including upfront facility fees). Subsequently, these liabilities are carried at amortised cost, and interest is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Similarly, direct issue costs and transaction costs (including upfront facility fees) are recognised in profit or loss over the period of the borrowings using the effective interest rate method.

**Provisions**
A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, i.e. the present value of the amount that the Group would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

Property provisions represent the present value of the Group's estimate of the cost of fulfilling lease obligations for dilapidations on its right-of-use assets.

All provisions are discounted where the time value of money is considered material. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

### Equity and related items

**Share capital**
The share capital of the Company includes balances relating to the Company's ordinary equity shares, own shares held by the Employee Benefit Trust and any treasury shares held by the Company.

When the Company issues new shares to the Employee Benefit Trust at par, the share capital of the Company is increased by the par value of these own shares, and a corresponding deduction or debit is recorded to the employee share scheme reserve.

From time to time, the Company may also issue new shares to the Employee Benefit Trust to satisfy vesting of specific employee share schemes. These shares may be issued at a subscription price above par value, reflecting the option cost payable by the participant in the employee share scheme. In such instances, the share capital of the Company is increased by the par value of these own shares and the difference between the subscription price and the par value of the own share is recorded in share premium. A corresponding deduction or debit is recognised in the employee share scheme reserve.

Shares acquired by the Company from the open market as part of share buyback programmes are referred to as treasury shares and are held by the Company. The consideration payable is deducted from retained earnings.

The par value of the treasury shares is recorded as a transfer from the Company's ordinary equity shares to treasury shares within share capital.

No gain or loss is recognised by the Company in the income statement on the purchase, sale, issue or cancellation of the Company's own shares held by the Employee Benefit Trust and treasury shares.

### Dividend distributions

Dividend distributions to the Company's equity holders are recognised as a liability in the Group financial statements in the period in which the dividends are approved by the Company's shareholders. The Group maintains a sustainable progressive dividend policy. The interim dividend will generally be payable each year in September and final dividend in May. The Group's dividend policy determines that the interim dividend is calculated as one-third of the prior full year dividend.

## 2. Financial risk management

The Group seeks to protect its financial performance and the value of its business from exposure to capital, credit, concentration, country, liquidity, settlement, custodial and market (including foreign exchange, cash flow and fair value interest rate) risks.

The Group's financial risk management approach is not speculative and adopts a '3 lines of defence' model. It is performed both at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and, locally, where operating units manage their regulatory and operational risks. This includes clearing operations at the Group's CCPs (CC&G and LCH Group) that adhere to local regulation and operate under approved risk and investment policies.

The Group Chief Risk Officer's team provides assurance that the governance and operational controls are effective to manage risks within the Board-approved risk appetite, supporting a robust Enterprise-Wide Risk Management Framework. The Financial Risk Committee, a sub-committee of the Group Executive Committee and chaired by the Chief Financial Officer, meets at least quarterly to oversee the consolidated financial risks of the Group. In addition, the Treasury Committee, a sub-committee of the Financial Risk Committee (which is also chaired by the Chief Financial Officer), meets regularly to monitor the management of, and controls around, foreign exchange, interest rate, credit and concentration risks and the investment of excess liquidity, in addition to its oversight of the Group's funding arrangements and credit ratings. Both committees provide the Group's senior management with assurance that the treasury and risk operations are performed in accordance with Group Board approved policies and procedures. Regular updates, on a range of key criteria as well as new developments, are provided through the Enterprise-Wide Risk Management Framework to the Group Risk Committee. See 'Risk Management Oversight Supplement' for further detail on the Group's risk framework on our website at: **www.lseg.com/about-london-stock-exchange-group/risk-management-oversight.**

On 31 January 2020, the UK left the European Union and on 24 December 2020 the UK and EU agreed to the EU/UK Trade and Cooperation Agreement.

The Group had a structured Brexit programme which includes regulatory specialists engaging at appropriate levels and on financial market infrastructure considerations. Risks are actively monitored and managed and the Group has implemented its contingency plans to maintain continuity of service to customers and orderly functioning of its markets, including the launch of new operations in the EU27. Both the UK and the EU conducted assessments of regulatory equivalence of their respective regimes throughout 2020. Some of LSEG's cross-border activities benefit from equivalence. Not all aspects of the UK regulatory framework have been deemed equivalent by the EU at this stage. The affected companies have executed contingency plans as follows:

**Post Trade**

On 1 January 2021, LCH Ltd became a third-country CCP under the EU framework (EMIR). On 21 September 2020, the European Commission published an Implementing Decision determining that the UK framework is equivalent to the EU framework. This equivalence decision confirms LCH Ltd's ability to continue to offer all clearing services for all products and services to all EU members and clients until 30 June 2022. LCH Ltd continues to engage and cooperate with the relevant authorities in respect of the permanent recognition of LCH Ltd under EMIR.

In addition, LCH SA and CC&G SpA are allowed under the Bank of England Temporary Recognition Regime (TRR) to provide clearing services and activities in the UK for up to three years post 31 December 2020, which may be extended in increments of 12 months thereafter.

UnaVista TRADEcho BV, an entity within the EU, has been granted a licence to operate as a Trade Repository for both EMIR and Securities Financing Transaction Regulations. This entity provides access to the full range of UnaVista services for EU clients and customers.

**Capital Markets**

There is no EU equivalence currently for the purpose of the Share Trading Obligation which has affected the ability for some EU firms to trade certain shares on LSE plc. The absence of EU equivalence for the purpose of the Derivative Trading Obligation will limit the ability of some EU firms to trade some classes of derivatives in the UK. The Group's key objectives are to provide continuity of stable financial infrastructure services as part of our global remit. As the various regulatory initiatives progress, there will be greater certainty with regard to their likely final form. The Group continues to focus on remaining well positioned to respond to regulatory developments and further opportunities exist for the Group to deliver solutions to help the market address the changing regulatory environment, including those linked with the departure of the UK from the EU.

Turquoise Global Holdings Europe BV (Turquoise Europe), an entity within the EU, went live on 30 November 2020 and offers the full range of Turquoise services to EU members. Turquoise Europe is regulated by the Autoriteit Financiële Markten (AFM – the Dutch Financial Services and Markets Authority) and the Dutch National Bank and has a licence to operate as a multilateral trading facility within the EU.

Borsa Italiana SpA continues to operate as normal within the EU.

MTS operates throughout the EU through a number of subsidiary companies and continues to offer all services as normal.

**Information Services**

FTSE Russell operates around the world through a number of subsidiary companies and these continue to offer the full range of services to EU customers and clients.

### Capital risk

| Risk description | Risk management approach |
|---|---|

**Risk description**

The Group is profitable and strongly cash generative and its capital base comprises equity and debt capital.

However, the Group recognises the risk that its entities may not maintain sufficient capital to meet their obligations or they may make investments that fail to generate a positive or value enhancing return.

The Group comprises regulated and unregulated entities. It considers that:
- increases in the capital requirements of its regulated companies, or
- negative yields on its investments of cash, or
- a scarcity of debt or equity (driven by its own performance, its capital structure, or financial market conditions)

either separately or in combination are the principal specific risks to managing its capital.

**Risk management approach**

The Group focuses upon its overall cost of capital as it seeks, within the scope of its risk appetite, to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining access to capital and flexibility to invest for growth is a key management consideration.

The Group can manage its capital structure and react to changes in economic conditions by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. A high-level summary of the Group's capital structure is presented below:

| Book value of capital | 2020 £m | 2019 £m |
|---|---|---|
| Total shareholders' funds | **3,711** | 3,455 |
| Group consolidated debt | **1,951** | 2,085 |

Whilst the Company is unregulated, the regulated entities within the Group monitor compliance with the capital requirements set by their respective competent authorities and the terms of reference of the Financial Risk Committee includes oversight of the Group's Capital Management Policy. The Capital Management Policy seeks to ensure that capital is allocated optimally in order to maintain a prudent balance sheet and meet regulatory requirements, drive growth and offer suitable returns to shareholders. Regulated entities within the Group have to date predominantly issued equity and held cash to satisfy their local regulatory capital requirements.

We believe that capital held by Group companies is sufficient to comfortably support current regulatory frameworks. The total amount of cash and financial assets set aside for regulatory purposes increased during the year in response to Covid-19 market volatility. The aggregate of the Group's regulatory and operational capital is shown below:

| Regulatory and operational capital | 2020 £m | 2019 £m |
|---|---|---|
| Total regulatory and operational capital | **1,352** | 1,231 |
| Amount included in cash and cash equivalents | **1,242** | 1,125 |

To maintain the financial strength to access new capital at reasonable cost and sustain an investment grade credit rating, the Group monitors its net leverage ratio which is operating net debt (i.e. net debt after excluding cash and cash equivalents set aside for regulatory and operational purposes) to proforma adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation, foreign exchange gains or losses and non-underlying items, prorated for acquisitions or disposals undertaken in the period) against a target range of 1-2 times. The Group is also mindful of potential impacts on the key metrics employed by the credit rating agencies in considering increases to its borrowings. The Group seeks to maintain a strong investment grade credit rating over time and will therefore employ a credible plan to return to its target range in the event leverage rises temporarily due to a debt funded major investment.

As at 31 December 2020, net leverage was 1.1 times (2019: 1.4 times) and remains well within the Group's target range. The Group is comfortably in compliance with its bank facility ratio covenants (net leverage and interest cover) and these measures do not inhibit the Group's operations or its financing plans.

### Credit and concentration risk

| Risk description | Risk management approach |
|---|---|
| The Group's credit risk relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full, including:<br>• customer receivables,<br>• repayment of invested cash and cash equivalents, and<br>• settlement of derivative financial instruments.<br><br>In their roles as CCP clearers to financial market participants, the Group's CCPs guarantee final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. They manage substantial credit risks as part of their operations including unmatched risk positions that might arise from the default of a party to a cleared transaction. For more information see 'Principal Risks and Uncertainties', pages 24 to 39.<br><br>Notwithstanding regulations that require CCPs to invest predominantly in secured instruments or structures (such as government bonds and reverse repos), CC&G and the LCH Group CCPs are able to maintain up to 5% of their total deposits at commercial banks on an unsecured basis. Through this potential for its CCPs to invest on an unsecured basis (as well as by certain other regulated and unregulated operations observing agreed investment policy limits), the Group may continue to face some risk of direct loss from a deterioration or failure of one or more of its unsecured investment counterparties.<br><br>Concentration risk may arise through Group entities having large individual or connected exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. This is a particular focus of the investment approach at the Group's CCPs. | **Group**<br>Credit risk is governed through policies developed at a Group level. Limits and thresholds for credit and concentration risk are kept under review.<br><br>Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. The Group is exposed to a large number of customers and so concentration risk on its receivables is deemed low by management. The Group's credit risk is equal to the total of its financial assets as shown in note 18. No estimated credit losses have been recognised on other financial instruments and there have been no significant increases in credit risk for these assets.<br><br>**Non-CCP entities**<br>Credit risk associated with cash and cash equivalents is managed by limiting exposure to counterparties with credit rating levels below policy minimum thresholds, potentially overlaid by a default probability assessment. Except where specific approval is arranged to increase this limit for certain counterparties, investment limits of between £25 million and £100 million apply for periods ranging between a week and 12 months, depending on counterparty credit rating and default probability risk. Derivative transactions and other treasury receivable structures are undertaken or agreed with well-capitalised counterparties and are authorised by policy to limit the credit risk underlying these transactions.<br><br>**CCPs**<br>To address market participant and latent market risk, the Group's CCPs have established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. Each member must pay margins, computed and collected at least daily, to cover the exposures and theoretical costs which the CCP might incur in order to close out open positions in the event of the member's default. Margins are calculated using established and internationally acknowledged risk models and are debited from participants' accounts through central bank accounts and via commercial bank payment systems. Minimum levels of cash collateral are required. Non-cash collateral is revalued daily but the members retain title of the asset and the Group only has a claim on these assets in the event of a default by the member.<br><br>Clearing members also contribute to default funds managed by the CCPs to guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. Amounts are determined on the basis of the results of periodic stress testing examined by the risk committees of the respective CCPs. Furthermore, each of the Group's CCPs reinforces its capital position to meet the most stringent relevant regulatory requirements applicable to it, including holding a minimum amount of dedicated own resources to further underpin the protective credit risk framework in the event of a significant market stress event or participant failure.<br><br>An analysis of the aggregate clearing member contributions of margin and default funds across the CCPs is shown below: |

| Total collateral held | | 2020 £bn | 2019 £bn |
|---|---|---|---|
| Collateral security | Cash received | **113** | 93 |
| | Non-cash pledged | **140** | 115 |
| | Guarantees pledged | **3** | 4 |
| **Total collateral as at 31 December** | | **255** | 212 |
| Maximum collateral held during the year | | **311** | 242 |

Investment counterparty risk for CCP margin and default funds is managed by investing the cash element in instruments or structures deemed 'secure' by the relevant regulatory bodies including through direct investments in highly rated, 'regulatory qualifying' sovereign bonds and supra-national debt, investments in tri-party and bilateral reverse repos (receiving high-quality government securities as collateral) and, in certain jurisdictions, deposits with the central bank. The small proportion of cash that is invested unsecured is placed for short durations with highly rated counterparties where strict limits are applied with respect to credit quality, concentration and tenor.

| | 2020 £bn | 2019 £bn |
|---|---|---|
| Total investment portfolio | **90** | 85 |
| Maximum portfolio size during the year | **150** | 122 |
| **Additional portfolio information:** | | |
| Amount invested securely | **99.98%** | 100.00% |
| Weighted average maturity (days) | **61** | 90 |

Associated liquidity risks are considered in the investment mix and discussed further below.

To address concentration risk, the Group maintains a diversified portfolio of high-quality, liquid investments and uses a broad range of custodians, payment and settlement banks and agents. The largest concentration of treasury exposures as at 31 December 2020 was 32% of the total investment portfolio to the French Government (2019: 17% to the French Government).

## Credit and concentration risk

| Risk description | Risk management approach |
|---|---|

**Trade and fees receivable**

An impairment analysis is performed monthly using a provision matrix to measure expected credit losses on trade and fees receivable. The calculation reflects current conditions and forecasts of future economic conditions. None of the Group's trade receivables are material by individual counterparty.

| 31 December 2020 | Fees receivable £m | <180 days £m | >180 days £m | Total £m |
|---|---|---|---|---|
| Expected credit loss rate | <1% | <1% | 64% | |
| Total receivables | 123 | 288 | 14 | 425 |
| Expected credit loss | – | (2) | (9) | (11) |
| | 123 | 286 | 5 | 414 |

| 31 December 2019 | £m | £m | £m | £m |
|---|---|---|---|---|
| Expected credit loss rate | <1% | <1% | 46% | |
| Total receivables | 141 | 310 | 16 | 467 |
| Expected credit loss | – | (2) | (7) | (9) |
| | 141 | 308 | 9 | 458 |

## Country risk

**Risk description**

Distress can result from the risk that certain governments may be unable or find it difficult to service their debts. This could have adverse effects, particularly on the Group's CCPs, potentially impacting cleared products, margin collateral, investments, the clearing membership and the financial industry as a whole.

**Risk management approach**

Specific risk frameworks manage country risk for both fixed income clearing and margin collateral and all clearing members' portfolios are monitored regularly against a suite of sovereign stress scenarios. Investment limits and counterparty and clearing membership monitoring are sensitive to changes in ratings and other financial market indicators, to ensure the Group's CCPs are able to measure, monitor and mitigate exposures to sovereign risk and respond quickly to anticipated changes. Risk Committees maintain an ongoing watch over these risks and the associated policy frameworks to protect the Group against potentially severe volatility in the sovereign debt markets.

The Group's sovereign exposures of £1 billion or more at the end of the financial reporting periods were:

**Group Aggregate Sovereign Treasury Exposures**

| Country | 2020 £bn | 2019 £bn |
|---|---|---|
| France | 29 | 18 |
| USA | 10 | 12 |
| Netherlands | 10 | – |
| UK | 10 | 6 |
| Italy | 9 | 11 |
| EU | 2 | 10 |
| Spain | 1 | 1 |
| Germany | 1 | – |

## Liquidity, settlement and custodial risk

**Risk description**

The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations.

In addition, the Group's CCPs and certain other Group companies must maintain a level of liquidity (consistent with regulatory requirements) to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market stress event or member failure. This includes the potential requirement to liquidate the position of a clearing member under a default scenario including covering the associated losses and the settlement obligations of the defaulting member.

The Group is exposed to the risk that a payment or settlement bank could fail or that its systems encounter operational issues, creating liquidity pressures and the risk of possible defaults on payment or receivable obligations.

The Group uses third-party custodians to hold securities and is therefore exposed to the custodian's insolvency, its negligence, a misuse of assets or poor administration.

**Risk management approach**

**Group**
The combined Group businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, meet its pension commitments, appropriately support or fund acquisitions or repay borrowings. Subject to regulatory constraints impacting certain entities, funds can generally be lent across the Group and cash earnings remitted through regular dividend payments by local companies. This is an important component of the Group Treasury cash management policy and approach.

Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions or stress events. The Group will take the appropriate actions to satisfy working capital requirements when committing to large scale acquisitions, including comfortable liquidity headroom projected over a reasonable timeframe.

**Non-CCP entities**
Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to cover its expected funding requirements and ensure a minimum level of headroom for at least the next 24 months. The financial strength of lenders to the Group is monitored regularly.

For full details on the Group's borrowings and the new facilities arranged during the year see note 25.

**CCPs**
The Group's CCPs maintain sufficient cash and cash equivalents and, in certain jurisdictions, have access to central bank refinancing or commercial bank liquidity support credit lines to meet the cash requirements of the clearing and settlement cycle. Revised regulations require CCPs to ensure that appropriate levels of back-up liquidity are in place to underpin the dynamics of a largely secured cash investment requirement, ensuring that the maximum potential outflow under extreme market conditions is covered (see credit and concentration risk section above). The Group's CCPs monitor their liquidity needs daily under normal and stressed market conditions.

Where possible, the Group employs guaranteed delivery versus payment settlement techniques and manages CCP margin and default fund flows through central bank or long-established, bespoke commercial bank settlement mechanisms. Monies due from clearing members remain the clearing members' liability if the payment agent is unable to effect the appropriate transfer. In addition, certain Group companies, including the CCPs, maintain operational facilities with commercial banks to manage intraday and overnight liquidity.

Custodians are subject to minimum eligibility requirements, ongoing credit assessment, robust contractual arrangements and are required to have appropriate back-up contingency arrangements in place.

**Financial liability maturity**
The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table reflect the contractual undiscounted cash flows. The borrowings line includes future interest on debt that is not accrued for in relation to bonds that are not yet due.

| 31 December 2020 | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|
| Borrowings | **648** | **20** | **505** | **947** | **2,120** |
| Trade and other payables (excluding lease liabilities) | **554** | **–** | **–** | **–** | **554** |
| Lease liabilities | **42** | **36** | **82** | **82** | **242** |
| Clearing member business liabilities | **841,553** | **–** | **–** | **–** | **841,553** |
| Derivative financial instruments | **6** | **–** | **9** | **2** | **17** |
| Other non-current payables (excluding lease liabilities) | **–** | **5** | **–** | **–** | **5** |

| 31 December 2019 | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|
| Borrowings | 529 | 333 | 483 | 914 | 2,259 |
| Trade and other payables (excluding lease liabilities) | 560 | – | – | – | 560 |
| Lease liabilities | 39 | 41 | 90 | 36 | 206 |
| Clearing member business liabilities | 796,102 | – | – | – | 796,102 |
| Derivative financial instruments | 1 | – | 30 | 9 | 40 |
| Other non-current payables (excluding lease liabilities) | – | 4 | – | – | 4 |

## Market risk – foreign exchange risk

**Risk description**

The Group operates primarily in the UK, Europe and North America, but also has growing and strategically important businesses in Asia, and other alliances and investments across the globe. Its principal currencies of operation are Sterling, Euro and US dollars.

Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, Sterling, and from occasional, high value intragroup transactions. Exceptions exist including at MillenniumIT (a Sri Lankan Rupee reporting entity) which invoices a material proportion of its revenues in US dollars, and at certain operations of the LCH Group (a Euro reporting subsidiary), which generate material revenues in Sterling and US dollars and incur material costs in Sterling.

Intragroup dividends and the currency debt interest obligations of the Company may create short-term transactional FX exposures but play their part in controlling the level of translational FX exposures the Group faces.

The Group may be exposed from time to time to FX risk associated with strategic investments in, or divestments from, operations denominated in currencies other than Sterling.

**Risk management approach**

The Group seeks to match the currency of its debt liabilities to the currency of its earnings and cash flows which, to an extent, protects its key ratios (net leverage and interest coverage) and balances the currency of its assets with its liabilities. In order to mitigate the impact of unfavourable currency exchange rate movements on earnings and net assets, non-Sterling cash earnings are centralised and applied to matching currency debt and interest payments, and, where relevant, interest payments on Sterling debt re-denominated through the use of cross-currency swaps.

A material proportion of the Group's debt is held in or swapped into Euros and US dollars as noted below.

| Currency of debt | 2020 £m | 2019 £m |
|---|---|---|
| Euro denominated drawn debt | **1,530** | 1,557 |
| Euro denominated cross-currency interest rate swaps | **(613)** | (637) |
| US dollar denominated drawn debt | **–** | 107 |
| US dollar denominated cross-currency interest rate swaps | **613** | 637 |

The cross-currency interest rate swaps are directly linked to Euro fixed debt. The Euro and US dollar denominated debt, including the cross-currency swaps, provides a hedge against the Group's net investment in Euro and US dollar denominated entities.

As at 31 December 2020, the Group's designated hedges of its net investments were fully effective.

Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy (which requires cash flows of single transactions or a series of linked transactions of more than £5 million or equivalent per annum to be hedged) with appropriate derivative instruments or by settling currency payables or receivables within a short timeframe. Where appropriate, hedge accounting for derivatives is considered in order to mitigate material levels of income statement volatility.

In addition to projecting and analysing its earnings and debt profile by currency, the Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. The Group has considered movements in the Euro and the US dollar over the year ended 31 December 2020 and year ended 31 December 2019 and, based on actual market observations between its principal currency pairs, has concluded that a 10% movement in rates is a reasonable level to illustrate the risk to the Group. The impact on post tax profit and equity is set out in the table below:

| | | Post tax profit £m | 2020 equity £m | Post tax profit £m | 2019 equity £m |
|---|---|---|---|---|---|
| Euro | Sterling weaken | **–** | **40** | – | 5 |
| | Sterling strengthen | **–** | **(36)** | – | (5) |
| US dollar | Sterling weaken | **6** | **(51)** | (4) | (55) |
| | Sterling strengthen | **(5)** | **47** | 4 | 50 |

This reflects foreign exchange gains or losses on translation of Euro and US dollar denominated financial assets and financial liabilities, including Euro and US dollar denominated cash and borrowings.

The impact on the Group's operating profit for the year before amortisation of purchased intangible assets and non-underlying items, of a 10 Euro cent and 10 US dollar cent movement in the Sterling-Euro and Sterling-US dollar rates respectively, can be seen below:

| | | 2020 £m | 2019 £m |
|---|---|---|---|
| Euro | Sterling weaken | **42** | 32 |
| | Sterling strengthen | **(35)** | (27) |
| US dollar | Sterling weaken | **14** | 37 |
| | Sterling strengthen | **(12)** | (31) |

**Market risk – interest rate risk**

| Risk description | Risk management approach |
|---|---|
| The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates. The Group may also face future interest rate exposure connected to committed M&A transactions where significant debt financing is involved.<br><br>The Group's CCPs face interest rate exposure through the impact of changes in the reference rates used to calculate member liabilities versus the yields achieved through their predominantly secured investment activities. | Group interest rate management policy focuses on protecting the Group's credit rating and maintaining compliance with bank covenant requirements. To support this objective, a minimum coverage of interest expense by EBITDA of 7 times, and a maximum floating rate component of 50% of total debt are targeted. This approach reflects:<br>i) a focus on the Group's cost of gross debt rather than its net debt given the material cash and cash equivalents set aside for regulatory purposes;<br>ii) the short duration allowed for investments of cash and cash equivalents held for regulatory purposes which, by their nature, generate low investment yields;<br>iii) a view currently maintained that already low market yields are unlikely to move materially lower; and<br>iv) the broad natural hedge of floating rate borrowings provided by the significant balances of cash and cash equivalents held effectively at floating rates of interest.<br><br>As at 31 December 2020, consolidated net interest expense cover by EBITDA was measured over the 12-month period at 18.8 times (2019: 14.4 times) and the floating rate component of total debt was 16% (2019: 25%).<br><br>Where the Group has committed to M&A transactions and is exposed to prospective interest rate risk on borrowings the Group Treasury function will consider the exposure and recommend hedging solutions that conform with policy and seek to limit future interest costs. The acquisition of Refinitiv will meaningfully increase the Group's debt and the interest rate risk exposure was evaluated during the financial period. As at 31 December 2020, no hedging had been arranged but the exposure remains under ongoing review.<br><br>In the Group's CCPs, interest bearing assets are generally invested in secured instruments or structures and for a longer term than interest bearing liabilities, whose interest rate is reset daily. This makes investment revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures (and the risk to CCP capital) are managed within defined risk appetite parameters against which sensitivities are monitored daily.<br><br>In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a 1 percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 December 2020, at the Group level, if interest rates on cash and cash equivalents and borrowings had been 1 percentage point higher with all other variables held constant, post tax profit for the year would have been £10 million higher (2019: £8 million higher) mainly as a result of higher interest income on floating rate cash and cash equivalents partially offset by higher interest expense on floating rate borrowings.<br><br>At 31 December 2020, at the CCP level (in aggregate), if interest rates on the common interest bearing member liability benchmarks of Eonia, Fed Funds and Sonia, for Euro, US dollar and Sterling liabilities respectively, had been 1 percentage point higher, with all other variables held constant, the impact on post tax profit for the Group would have been £2 million lower (2019: £2 million lower). This deficit is expected to be recovered as investment yields increase as the portfolio matures and is reinvested. |

## 3. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. A number of areas have been impacted by Covid-19 when exercising judgements and estimates and these are identified below.

**Estimates:**

For the year ended 31 December 2020, the following areas require the use of estimates:

**Impairment of intangible assets, goodwill and investment in subsidiaries** – these assets form a significant part of the balance sheet and are key assets for the Group's businesses. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by investors to determine an appropriate discount rate. The Group has reviewed the impact of Covid-19 on future cash flows along with the impact on the weighted average cost of capital applied to each cash generating unit and long-term growth rates. Following this review there was no direct impact to any cash generating units for Covid-19. Details are provided in note 13.

**Defined benefit pension asset or liability** – determined based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. The value of the liabilities within the scheme have increased as the discount rates have fallen due to the global impact of Covid-19 on bond rates, but this has been offset by the growth in the assets leading to an overall growth in the Group's pension surplus. Sensitivity analysis is provided in note 17.

**Estimated service period for admission and listing services within the Primary Markets business** – the Group determines the estimated period for admission services using historical analysis of listing durations in respect of the companies on our markets. The estimated service period inherently incorporates an element of uncertainty in relation to the length of a customer listing which is subject to factors outside of the Group's control. The estimated service periods are reassessed at each reporting date to ensure the period reflects the Group's best estimates. The Group estimates that a one year decrease in the deferral period would cause an estimated £22 million increase in revenue and a one year increase in the deferral period would cause an estimated £20 million decrease in revenue recognised in the year.

**Expected credit losses** – the Group has factored into impairment reviews of financial assets the expectations of future events including Covid-19. The measured lifetime expected credit losses associated with these assets have not been materially impacted. The Group continues to monitor events and review whether additional provisions will be required in future periods.

**Judgements:**

In preparing the financial statements for the year ended 31 December 2020, the following judgement has been made:

**Clearing member trading assets and trading liabilities** – The Group uses its judgement to carry out the offsetting within clearing member balances. The carrying values of the balances are offset at what the Group considers an appropriate level to arrive at the net balances reported in the balance sheet. The Group has an aligned approach for its CCP subsidiaries to ensure the principles applied are consistent across similar assets and liabilities. The approach is reviewed on a timely basis to ensure the approach used is the most appropriate. Details of amounts offset are provided in note 19.

**Taxation**

**EU State Aid** – The Group has used its judgement to assess any obligations arising in relation to EU State Aid investigations, considering the appeals made by the UK PLCs (including the Group), UK Government, and management's internal view. Additional details are provided in note 9.

**US Tax Position** – The Group has used its judgement in assessing the financial reporting implications of its ongoing discussions with the IRS in relation to its funding structure of its US subsidiaries. The Group has used guidance under IFRIC 23 "Uncertainty over Income Tax Treatments" to determine the possible outcomes and to assign a probability to each of those outcomes. Additional details are provided in note 9.

**Lease terms** – The Group uses its judgement when assessing the lease term of property assets where options exist to either extend or curtail the lease term. The Group takes into account the location and likely use of the property when making its judgement (note 23).

**Italian group disposal** – the Group has judged that due to the uncertainty surrounding the potential disposal of Borsa Italiana and its associated businesses (Italian group) the sale was not highly probable at 31 December 2020, and has therefore not been treated as a disposal group. The sale was dependent on the completion of the Refinitiv transaction, which itself was uncertain at 31 December 2020 and thus the Group determined that the sale while likely, was not highly probable. The Italian group will be treated as a discontinued operation in 2021 from the date the sale becomes highly probable (further details provided in note 34).

**Pension assets** – under current accounting standards, the Group judges that it can expect any remaining pension surplus to be refunded in full to the Group on the winding up of the schemes. It therefore continues to recognise these assets on the balance sheet (further details provided in note 17).

## 4. Segmental information

The Group is organised into operating units based on its service lines and has five operating segments: Information Services, Post Trade Services, Capital Markets, Technology Services and Other. These segments generate revenue in the following areas:

- **Information Services** – Subscription and licence fees for data and index services provided;
- **Post Trade Services** – Fees based on CCP and clearing services provided, fees from settlement and custody service, non-cash collateral management and net interest earned on cash held for margin and default funds;
- **Capital Markets** – Admission fees from initial listing and further capital raises, annual fees charged for securities traded on the Group's markets, and fees from our secondary market services;
- **Technology Services** – Capital markets software licences and related IT infrastructure, network connection and server hosting services; and
- **Other** – Includes events and media services.

The Group has realigned its segmental reporting to reflect management structure changes so that all Post Trade Services are now combined in one operating segment. The new operating segment includes the previous segments of LCH Group and the Post Trade businesses in Italy, Monte Titoli and CC&G, as well as the results of UnaVista, which were previously included in the Information Services Division. There has been no impact on the allocation of goodwill and the cash generating units of LCH Group and Post Trade Services in Italy remain separate. The segmental results for the comparative period have been re-presented to align with the new structure. There is no change to the overall result.

The Executive Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Executive Committee primarily uses a measure of adjusted earnings before interest, tax, depreciation, and amortisation (EBITDA) to assess the performance of the operating segments.

Sales between segments are carried out at arm's length and are eliminated on consolidation.

# Notes to the financial statements continued

Segmental disclosures for the year ended 31 December 2020 are as follows:

| | Information Services £m | Post Trade Services £m | Capital Markets £m | Technology Services £m | Other £m | Eliminations £m | Group £m |
|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | 882 | 751 | 427 | 61 | 3 | – | 2,124 |
| Inter-segmental revenue | – | – | – | 22 | – | (22) | – |
| **Revenue** | 882 | 751 | 427 | 83 | 3 | (22) | 2,124 |
| **Net treasury income from CCP clearing business** | – | 319 | – | – | – | – | 319 |
| **Other income** | – | – | – | – | 1 | – | 1 |
| **Total income** | 882 | 1,070 | 427 | 83 | 4 | (22) | 2,444 |
| Cost of sales | (68) | (144) | (4) | (7) | (1) | – | (224) |
| **Gross profit** | 814 | 926 | 423 | 76 | 3 | (22) | 2,220 |
| Share of loss after tax of associates | – | – | – | – | (4) | – | (4) |
| **Adjusted earnings before interest, tax, depreciation, amortisation and impairment** | 510 | 571 | 220 | 42 | 3 | (17) | 1,329 |
| Underlying depreciation, amortisation and impairment | (55) | (98) | (35) | (21) | (8) | 6 | (211) |
| **Adjusted operating profit/(loss) (before non-underlying items)** | 455 | 473 | 185 | 21 | (5) | (11) | 1,118 |
| Amortisation and impairment of goodwill and purchased intangible assets | | | | | | | (195) |
| Other non-underlying items affecting operating profit (note 7) | | | | | | | (168) |
| **Operating profit** | | | | | | | 755 |
| Net finance expense (including non–underlying items) | | | | | | | (70) |
| **Profit before tax** | | | | | | | 685 |

Revenue from external customers principally comprises fees for services rendered of £2,060 million (2019: £1,981 million) and Technology Services of £61 million (2019: £66 million).

Presented within revenue are net settlement expenses from the CCP clearing businesses of net £8 million (2019: nil) which comprise gross settlement income of £39 million (2019: £30 million) less gross settlement expense of £31 million (2019: £30 million).

**Net treasury income**
Net treasury income of £319 million (2019: £255 million) from the CCP clearing businesses comprises gross interest income of £766 million (2019: £1,337 million) less gross interest expense of £447 million (2019: £1,082 million), note 18.

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the year ended 31 December 2020 is shown below:

| | Information Services £m | Post Trade Services £m | Capital Markets £m | Technology Services £m | Other £m | Group £m |
|---|---|---|---|---|---|---|
| **Revenue from external customers** | | | | | | |
| **Major product and service lines** | | | | | | |
| FTSE Russell Indexes – subscription | 443 | – | – | – | – | 443 |
| FTSE Russell Indexes – asset based | 225 | – | – | – | – | 225 |
| Real time data | 105 | – | – | – | – | 105 |
| Other information services | 109 | – | – | – | – | 109 |
| Clearing | – | 634 | – | – | – | 634 |
| Settlement, custody and other | – | 63 | – | – | – | 63 |
| UnaVista | – | 54 | – | – | – | 54 |
| Primary capital markets | – | – | 131 | – | – | 131 |
| Secondary capital markets – equities | – | – | 171 | – | – | 171 |
| Secondary capital markets – fixed income, derivatives and other | – | – | 125 | – | – | 125 |
| Capital markets software licences | – | – | – | 61 | – | 61 |
| Other | – | – | – | – | 3 | 3 |
| **Total revenue from contracts with customers** | 882 | 751 | 427 | 61 | 3 | 2,124 |
| **Timing of revenue recognition** | | | | | | |
| Services satisfied at a point in time | 7 | 721 | 278 | 4 | 3 | 1,013 |
| Services satisfied over time | 875 | 30 | 149 | 57 | – | 1,111 |
| **Total revenue from contracts with customers** | 882 | 751 | 427 | 61 | 3 | 2,124 |

Segmental disclosures for the year ended 31 December 2019 are as follows:

| | Information Services £m | Post Trade Services £m | Capital Markets £m | Technology Services £m | Other £m | Eliminations £m | Group £m |
|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | 855 | 700 | 426 | 66 | 9 | – | 2,056 |
| Inter-segmental revenue | – | – | – | 17 | – | (17) | – |
| **Revenue** | 855 | 700 | 426 | 83 | 9 | (17) | 2,056 |
| **Net treasury income from CCP clearing business** | – | 255 | – | – | – | – | 255 |
| **Other income** | – | – | – | – | 3 | – | 3 |
| **Total income** | 855 | 955 | 426 | 83 | 12 | (17) | 2,314 |
| Cost of sales | (72) | (122) | (5) | (7) | (4) | – | (210) |
| **Gross profit** | 783 | 833 | 421 | 76 | 8 | (17) | 2,104 |
| Income from equity investments | – | – | – | – | 7 | – | 7 |
| Share of loss after tax of associates | – | – | (1) | – | (6) | – | (7) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | 483 | 501 | 228 | 55 | 4 | (6) | 1,265 |
| Underlying depreciation, amortisation and impairment | (49) | (90) | (32) | (25) | (8) | 4 | (200) |
| **Adjusted operating profit/(loss) (before non-underlying items)** | 434 | 411 | 196 | 30 | (4) | (2) | 1,065 |
| Amortisation and impairment of goodwill and purchased intangible assets | | | | | | | (195) |
| Other non-underlying items affecting operating profit (note 7) | | | | | | | (132) |
| **Operating profit** | | | | | | | 738 |
| Net finance expense (including non–underlying items) | | | | | | | (87) |
| **Profit before tax** | | | | | | | 651 |

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the year ended 31 December 2019 is shown below:

| | Information Services £m | Post Trade Services £m | Capital Markets £m | Technology Services £m | Other £m | Group £m |
|---|---|---|---|---|---|---|
| **Revenue from external customers** | | | | | | |
| **Major product and service lines** | | | | | | |
| FTSE Russell Indexes – subscription | 418 | – | – | – | – | 418 |
| FTSE Russell Indexes – asset based | 231 | – | – | – | – | 231 |
| Real time data | 97 | – | – | – | – | 97 |
| Other information services | 109 | – | – | – | – | 109 |
| Clearing | – | 593 | – | – | – | 593 |
| Settlement, custody and other | – | 60 | – | – | – | 60 |
| UnaVista | – | 47 | – | – | – | 47 |
| Primary capital markets | – | – | 151 | – | – | 151 |
| Secondary capital markets – equities | – | – | 151 | – | – | 151 |
| Secondary capital markets – fixed income, derivatives and other | – | – | 124 | – | – | 124 |
| Capital markets software licences | – | – | – | 66 | – | 66 |
| Other | – | – | – | – | 9 | 9 |
| **Total revenue from contracts with customers** | 855 | 700 | 426 | 66 | 9 | 2,056 |
| **Timing of revenue recognition** | | | | | | |
| Services satisfied at a point in time | 42 | 686 | 283 | 11 | – | 1,022 |
| Services satisfied over time | 813 | 14 | 143 | 55 | 9 | 1,034 |
| **Total revenue from contracts with customers** | 855 | 700 | 426 | 66 | 9 | 2,056 |

### Geographical disclosures

| | 2020 £m | 2019 £m |
|---|---|---|
| **Revenue from external customers by location of service provided** | | |
| UK | **1,160** | 1,149 |
| USA | **409** | 388 |
| Italy | **349** | 327 |
| France | **165** | 144 |
| Other | **41** | 48 |
| **Total** | **2,124** | 2,056 |

| | 2020 £m | 2019 £m |
|---|---|---|
| **Non-current operating assets** | | |
| UK | **1,567** | 1,492 |
| USA | **1,946** | 2,113 |
| Italy | **1,219** | 1,203 |
| France | **87** | 74 |
| Other | **89** | 96 |
| **Total** | **4,908** | 4,978 |

Non-current operating assets consist of property, plant and equipment, intangible assets, investment in associates and strategic long-term investments in equity instruments.

## 5. Expenses by nature

Expenses comprise the following:

| | Notes | 2020 £m | 2019 £m |
|---|---|---|---|
| Employee costs | 6 | **564** | 529 |
| IT costs | | **156** | 146 |
| Short-term lease costs | | **–** | 2 |
| Lease costs for low value items | | **1** | 2 |
| Other costs[1] | | **159** | 163 |
| Foreign exchange losses/(gains) | | **7** | (3) |
| **Adjusted operating expenses before depreciation, amortisation and impairment** | | **887** | 839 |
| **Non-underlying operating expenses before depreciation, amortisation and impairment** | 7 | **168** | 132 |
| **Operating expenses before depreciation, amortisation and impairment** | | **1,055** | 971 |

1 Other costs include £60 million in relation to professional fees (2019: £49 million)

## 6. Employee costs

Employee costs comprise the following:

| | Note | 2020 £m | 2019 £m |
|---|---|---|---|
| Salaries and other benefits | | **416** | 397 |
| Social security costs | | **72** | 71 |
| Pension costs | 17 | **31** | 26 |
| Share-based compensation | | **45** | 35 |
| **Total** | | **564** | 529 |

Employee costs include the costs of contract staff who are not on the payroll, but fulfil a similar role to employees.

The average number of employees in the Group from total operations was:

| | 2020 | 2019 |
|---|---|---|
| UK | **1,829** | 1,631 |
| USA | **683** | 664 |
| Italy | **652** | 643 |
| France | **200** | 185 |
| Sri Lanka | **1,236** | 1,082 |
| Other | **619** | 493 |
| **Total** | **5,219** | 4,698 |

Average staff numbers are calculated from the date of acquisition for subsidiary companies acquired in the year and up to the date of disposal for businesses disposed in the year.

The Company had no employees in the year (2019: nil).

## 7. Non-underlying items

| | Note | 2020 £m | 2019 £m |
|---|---|---|---|
| Transaction costs | | **173** | 96 |
| Restructuring costs | | **–** | 32 |
| Restructuring credit | | **(5)** | – |
| Integration costs | | **–** | 4 |
| **Non-underlying operating expenses before interest, tax, depreciation, amortisation and impairment** | | **168** | 132 |
| Amortisation of purchased intangible assets | 13 | **164** | 180 |
| Impairment of goodwill and purchased intangibles | | **10** | 15 |
| Impairment of software | | **21** | – |
| **Non-underlying operating expenses before interest and tax** | | **363** | 327 |
| Non-underlying finance expense | | **13** | 16 |
| **Total non-underlying expenses included in profit before tax** | | **376** | 343 |
| **Tax on non-underlying expenses:** | | | |
| Deferred tax on amortisation of purchased intangible assets | | **(21)** | (31) |
| Current tax on amortisation of purchased intangible assets | | **(15)** | (11) |
| Tax on other items | | **(23)** | (8) |
| | | **(59)** | (50) |
| **Total non-underlying charge to income statement** | | **317** | 293 |

Transaction costs comprise charges incurred for services relating to the Refinitiv transaction and proposed disposal of the Borsa Italiana group.

Restructuring credit relates to the release of accruals recognised in relation to the cost savings programme announced in March 2019.

Integration costs in 2019 related to the activities to integrate the Mergent and Yield Book businesses into the Group.

Non underlying amortisation of purchased intangible assets includes accelerated amortisation of £10 million (2019: £25 million) in relation to the Mergent CGU (note 13). The goodwill of the Mergent CGU was impaired by £10 million (2019: £6 million) (note 13). In 2019 the goodwill of the Turquoise CGU was impaired by £8 million and purchased intangible assets by £1 million (note 13).

The software impairment of £21 million relates to asset write downs resulting from ongoing transactions.

Financing costs relate to fees for establishing a Bridge Financing facility to refinance the Refinitiv notes and term loans in full following completion of the Group's Refinitiv transaction. Further details of the facility are provided in note 26.

The tax impact of the Group's non-underlying items and its adjustment to income statements of the individual entities of the Group to which the non-underlying items relate, is computed based on the tax rates applicable to the respective territories in which the entity operates. There is no tax impact arising on non-underlying items which are neither taxable nor tax-deductible.

Non-underlying deferred tax includes deferred tax in relation to the amortisation of purchased intangible assets and further details are provided in note 16.

## 8. Net finance expense

| | Notes | 2020 £m | 2019 £m |
|---|---|---|---|
| **Finance income** | | | |
| Expected return on defined benefit pension scheme assets | 17 | **1** | 1 |
| Bank deposit and other interest income | | **4** | 9 |
| Other finance income | | **2** | 4 |
| **Underlying finance income** | | **7** | 14 |
| **Finance expense** | | | |
| Interest payable on bank and other borrowings | | **(56)** | (73) |
| Lease interest payable | 23 | **(4)** | (4) |
| Other finance expenses | | **(4)** | (8) |
| **Underlying finance expense** | | **(64)** | (85) |
| **Underlying net finance expense** | | **(57)** | (71) |
| **Non-underlying finance expense** | | **(13)** | (16) |
| **Net finance expense** | | **(70)** | (87) |

Bank deposit and other interest income includes negative interest earned on the Group's borrowings. Interest payable includes amounts where the Group suffers negative interest on its cash deposits.

Other finance income includes amounts relating to the unwind of discount on net investments in leases. These amounts are immaterial.

During the year the Group recognised a total of £58 million (2019: £72 million) of underlying net interest expense on financial assets and financial liabilities held at amortised cost, comprising £6 million (2019: £13 million) gross finance income and £64 million (2019: £85 million) gross finance expense. Presented within finance income and finance expense are amounts in relation to defined benefit pension schemes which are measured at fair value.

# Notes to the financial statements continued

### 9. Taxation

The standard UK corporation tax rate for the year was 19% (2019: 19%).

| Taxation recognised in profit or loss | Note | 2020 £m | 2019 £m |
|---|---|---|---|
| **Current tax** | | | |
| UK corporation tax for the year | | **74** | 84 |
| Overseas tax for the year | | **145** | 134 |
| Adjustments in respect of previous years | | **4** | (3) |
| | | **223** | 215 |
| **Deferred tax** | 16 | | |
| Deferred tax for the year | | **2** | 2 |
| Adjustments in respect of previous years | | **(6)** | – |
| Deferred tax liability on amortisation and impairment of purchased intangible assets | | **(21)** | (31) |
| | | **(25)** | (29) |
| **Taxation** | | **198** | 186 |

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns agreed with relevant tax authorities.

| Taxation on items not recognised in profit or loss | 2020 £m | 2019 £m |
|---|---|---|
| **Current tax** | | |
| Tax allowance on share awards in excess of expense recognised | **12** | 7 |
| | **12** | 7 |
| **Deferred tax** | | |
| Tax allowance on defined benefit pension scheme remeasurements | **1** | (2) |
| Tax allowance on share options/awards in excess of expense recognised | **(3)** | 10 |
| Tax on movement in fair value of financial assets | **(5)** | (5) |
| Adjustments relating to change in defined benefit pension tax rate | **–** | 2 |
| | **5** | 12 |

**Factors affecting the tax charge for the year**

The income statement tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%) as explained below:

| | 2020 £m | 2019 £m |
|---|---|---|
| Profit before tax | **685** | 651 |
| | | |
| Profit multiplied by standard rate of corporation tax in the UK | **130** | 124 |
| Expenses not deductible | **(5)** | 9 |
| Adjustment arising from change in tax rates | **(9)** | 7 |
| Overseas earnings taxed at higher rate | **70** | 38 |
| Adjustments in respect of previous years | **(2)** | (3) |
| Adjustment arising from changes in tax rates on amortisation of purchased intangible assets | **5** | 4 |
| Deferred tax provided for withholding tax on distributable reserves | **(1)** | 2 |
| Deferred tax not recognised | **10** | 5 |
| **Taxation** | **198** | 186 |

On 22 July 2020, the Finance Act 2020 received Royal Assent enacting the UK corporation tax rate would remain at 19% from 1 April 2020 onward instead of reducing to 17%, the previously enacted rate. This has impacted the valuation of UK deferred tax balances giving rise to an increase in deferred tax assets of £2 million.

Following the UK budget on the 3 March and the announcement that the UK rate of corporation tax will increase from 19% to 25% effective 1 April 2023 with legal enactment of the new rate expected in 2021, the Group has assessed the impact on its deferred tax assets and liabilities unwinding post 1 April 2023. The Group expects that the higher rate would lead to additional deferred tax liabilities of £10 million should the change have been reflected in the balance sheet at 31 December 2020.

**EU State Aid**
The Group continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company (CFC) regime was published. It concludes that the UK legislation up to December 2018 does partially represent illegal State Aid.

Both the Group, among a number of other UK PLCs, and the UK Government have submitted appeals to the EU General Court to annul the EU Commission's findings.

The UK Government is required to continue the process of recovering the State Aid whilst the decision is under appeal. HMRC issued its first round of determinations in December 2019, focusing on the financial year 2015 due to the expiry of statutory time limits. One of these determinations was issued to the Group and required one of its two affected subsidiaries to pay over £1.2 million to HMRC. At the same time the Group appealed to HMRC against the determination. As at 31 December 2020, no further determinations had been received. Subsequent to the year-end however, the Group received additional determinations from HMRC of £8.1 million excluding compound interest.

Under new recovery powers granted to HMRC, the Group must settle the additional amounts by 28 March 2021. This is also the deadline for filing any appeal against HMRC's decisions for issuing the determination. The Group will meet both of these deadlines.

The appeal against the determination to HMRC is likely to be stayed until the final outcome of all appeals to the EU Courts in respect of the EU Commission's original decision are known.

The issuance and settlement of any such determinations does not however change the Group's view that in light of the appeals made by UK PLCs (including the Group), the UK Government's own appeal, and in consideration of management's own internal view, no provision is required in relation to the investigation. Additionally, and in accordance with the provisions of IFRIC 23, the Group has continued to recognise a receivable against the HMRC determination paid in January 2020 and also intends to recognise a receivable against the new HMRC determination described above.

As previously disclosed, the Group has made claims under the CFC regime and still considers that the maximum potential amount of additional tax payable excluding compound interest remains between nil and £65 million depending on the basis of calculation.

**IRS Audit**
The Group is currently under audit in the US by the IRS in relation to the interest rate applied on certain cross border intercompany loans from the UK to the US. During the year the IRS issued a Notice of Proposed Adjustment (NOPA) which seeks to apply the safe haven rate under the US regulations to the interest charged on cross border loans.

The maximum exposure under the NOPA is $130 million, however this the upper bound of a range of nil to $130 million plus interest and penalties over the lifetime of the loans. The Group disagrees with the NOPA assessment and has sought legal advice to support its position that the safe haven rate is arbitrary and should not be sustained. The NOPA has been appealed by the Group and the audit is ongoing.

**Other**
The Group does not have any other uncertain tax positions as at 31 December 2020 (2019: nil).

# Notes to the financial statements continued

### 10. Earnings per share

Earnings per share is presented on four bases: basic earnings per share, diluted earnings per share, adjusted basic earnings per share, and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities. Diluted earnings per share takes into account the dilutive effects that would arise on conversion or vesting of all outstanding share options and share awards under the Group's share option and award schemes. Adjusted basic earnings per share and adjusted diluted earnings per share exclude non-underlying items to enable a better comparison of the underlying earnings of the business with prior periods.

| | 2020 | 2019 |
|---|---|---|
| **Basic earnings per share** | **120.3p** | 119.5p |
| **Diluted earnings per share** | **118.9p** | 118.1p |
| **Adjusted basic earnings per share** | **209.7p** | 200.3p |
| **Adjusted diluted earnings per share** | **207.3p** | 198.0p |

Profit and adjusted profit for the year attributable to the Company's equity holders:

| | Note | 2020 £m | 2019 £m |
|---|---|---|---|
| Profit for the financial year attributable to the Company's equity holders | | **421** | 417 |
| **Adjustments** | | | |
| Total non-underlying items net of tax | 7 | **317** | 293 |
| Non-underlying items attributable to non-controlling interests | | **(4)** | (11) |
| **Adjusted profit for the year attributable to the Company's equity holders** | | **734** | 699 |
| | | | |
| **Weighted average number of shares – millions** | | **350** | 349 |
| Effect of dilutive share options and awards – millions | | **4** | 4 |
| **Diluted weighted average number of shares – millions** | | **354** | 353 |

The weighted average number of shares for the current year excludes those held in the Employee Benefit Trust. The weighted average number of shares for the prior year excludes those held in the Employee Benefit Trust and treasury shares held by the Group.

### 11. Dividends

| | 2020 £m | 2019 £m |
|---|---|---|
| Final dividend for 31 December 2018 paid 29 May 2019: 43.2p per Ordinary share | **–** | 151 |
| Interim dividend for 31 December 2019 paid 17 September 2019: 20.1p per Ordinary share | **–** | 70 |
| Final dividend for 31 December 2019 paid 27 May 2020: 49.9p per Ordinary share | **175** | – |
| Interim dividend for 31 December 2020 paid 22 September 2020: 23.3p per Ordinary share | **82** | – |
| | **257** | 221 |

Dividends are only paid out of available distributable reserves of the Company.

The Board has proposed a final dividend in respect of the year ended 31 December 2020 of 51.7p per share, which is estimated to amount to an expected payment of £417 million in May 2021. This is not reflected in the financial statements.

## 12. Property, plant and equipment

| | Land & Buildings | | | | |
|---|---|---|---|---|---|
| **Cost** | **Freehold property £m** | **Property right-of-use assets £m** | **Leasehold improvements £m** | **Plant and equipment £m** | **Total £m** |
| 31 December 2018 | 55 | 170 | 55 | 253 | 533 |
| Additions | 4 | – | 3 | 41 | 48 |
| Acquisition of subsidiaries | – | 1 | – | – | 1 |
| Disposals | – | (5) | (5) | (15) | (25) |
| Transfers | (2) | – | 7 | (6) | (1) |
| Foreign exchange translation | – | (3) | (1) | (7) | (11) |
| 31 December 2019 | 57 | 163 | 59 | 266 | 545 |
| Additions | **6** | **36** | **–** | **37** | **79** |
| Adjustments due to lease modifications | **–** | **3** | **–** | **–** | **3** |
| Disposals | **–** | **(6)** | **(1)** | **(10)** | **(17)** |
| Foreign exchange translation | **(1)** | **1** | **1** | **4** | **5** |
| **31 December 2020** | **62** | **197** | **59** | **297** | **615** |
| | | | | | |
| **Accumulated depreciation and impairment** | | | | | |
| 31 December 2018 | 29 | – | 36 | 147 | 212 |
| Disposals | – | (3) | (3) | (13) | (19) |
| Charge for the year | – | 26 | 6 | 34 | 66 |
| Impairment | – | 2 | – | – | 2 |
| Foreign exchange translation | – | – | – | (4) | (4) |
| 31 December 2019 | 29 | 25 | 39 | 164 | 257 |
| Disposals | **–** | **(3)** | **(1)** | **(10)** | **(14)** |
| Charge for the year | **–** | **28** | **6** | **36** | **70** |
| Foreign exchange | **–** | **–** | **1** | **4** | **5** |
| **31 December 2020** | **29** | **50** | **45** | **194** | **318** |
| | | | | | |
| **Net book values** | | | | | |
| **31 December 2020** | **33** | **147** | **14** | **103** | **297** |
| 31 December 2019 | 28 | 138 | 20 | 102 | 288 |

The Group leases a number of properties in the countries in which it operates and these are represented above as property right-of-use assets.

Consideration for additions comprises £33 million in cash (2019: £41 million), £39 million (2019: £3 million) of leased assets and £7 million (2019: £4 million) in accruals.

Disposals of right-of-use assets represent office space that is no longer used by the Group and the lease has been terminated. No profit (2019: £2 million) was recognised on the derecognition of these assets.

Plant and equipment includes right-of-use assets with a cost of £5 million (2019: £2 million) and depreciation charges of £1 million (2019: £1 million).

The Company has no property, plant and equipment (2019: nil).

### 13. Intangible assets

| Year ended 31 December 2020 | | Purchased intangible assets | | | | |
|---|---|---|---|---|---|---|
| Cost | Goodwill £m | Customer and supplier relationships £m | Brands £m | Software, licences and intellectual property £m | Software and other £m | Total £m |
| 31 December 2018 | 2,447 | 1,892 | 1,005 | 582 | 872 | 6,798 |
| Acquisition of subsidiaries | 14 | – | – | – | – | 14 |
| Additions | – | – | – | – | 206 | 206 |
| Disposals and write-off | – | (2) | (1) | (2) | (16) | (21) |
| Foreign exchange translation | (104) | (64) | (24) | (12) | (39) | (243) |
| 31 December 2019 | 2,357 | 1,826 | 980 | 568 | 1,023 | 6,754 |
| Additions | **–** | **–** | **–** | **–** | **221** | **221** |
| Disposals and write-off | **–** | **–** | **–** | **–** | **(18)** | **(18)** |
| Foreign exchange translation | **45** | **21** | **(27)** | **1** | **34** | **74** |
| **31 December 2020** | **2,402** | **1,847** | **953** | **569** | **1,260** | **7,031** |
| **Accumulated amortisation and impairment:** | | | | | | |
| 31 December 2018 | 528 | 662 | 197 | 304 | 420 | 2,111 |
| Amortisation charge for the year | – | 117 | 41 | 22 | 123 | 303 |
| Impairment | 14 | 1 | – | – | 9 | 24 |
| Disposals and write-off | – | (2) | (1) | (2) | (14) | (19) |
| Foreign exchange translation | (27) | (26) | (5) | (6) | (22) | (86) |
| 31 December 2019 | 515 | 752 | 232 | 318 | 516 | 2,333 |
| Amortisation charge for the year | **–** | **101** | **40** | **23** | **139** | **303** |
| Impairment | **10** | **–** | **–** | **–** | **23** | **33** |
| Disposals and write-off | **–** | **–** | **–** | **–** | **(18)** | **(18)** |
| Foreign exchange translation | **21** | **15** | **(7)** | **4** | **23** | **56** |
| **31 December 2020** | **546** | **868** | **265** | **345** | **683** | **2,707** |
| **Net book values** | | | | | | |
| **31 December 2020** | **1,856** | **979** | **688** | **224** | **577** | **4,324** |
| 31 December 2019 | 1,842 | 1,074 | 748 | 250 | 507 | 4,421 |

**Goodwill**

There were no additions to goodwill in the current year.

In 2019, the Group acquired Beyond Ratings, which resulted in additions to goodwill of £14 million (note 31). Beyond Ratings was included in the FTSE Group CGU.

During the year, the fair value of the goodwill and purchased intangibles relating to the acquisition of Beyond Ratings were finalised, with no adjustment to the goodwill recognised required (note 31).

The goodwill arising on consolidation represents the growth potential and assembled workforces of the Italian Group, LCH Group, FTSE Group, MillenniumIT, the US Information Services Group and Turquoise.

The Company has no intangible assets (2019: nil).

**Impairment tests for goodwill**

Goodwill has been allocated for impairment testing purposes to 10 cash generating units (CGUs).

The recoverable amounts of these CGUs have been determined based on value in use calculations using discounted cash flow forecasts based on business plans prepared by management for a three year period ending 31 December 2023, and then projected for a further two years to 31 December 2025. Cash flows beyond this period are extrapolated using the estimated long-term growth rates and applying the pre-tax discount rates referred to below.

The amount of the net book value of goodwill allocated to each CGU is set out below.

| | Net book value of goodwill | | | | Pre-tax discount rate used in value in use calculations[1] | |
|---|---|---|---|---|---|---|
| | 31 December 2019 £m | Impairment £m | Foreign exchange translation £m | 31 December 2020 £m | 2020 | 2019 |
| **Italian Group:** | | | | | | |
| Capital Markets | 384 | – | 21 | 405 | 12.3% | 11.6% |
| Technology Services | 23 | – | 1 | 24 | 12.3% | 11.4% |
| Post Trade Services | 420 | – | 24 | 444 | 12.3% | 13.0% |
| **MillenniumIT** | 1 | – | – | 1 | 16.0% | 19.3% |
| **Turquoise** | 1 | – | – | 1 | 10.6% | 8.8% |
| **FTSE Group** | 204 | – | (1) | 203 | 11.6% | 10.5% |
| **LCH Group** | 122 | – | 7 | 129 | 10.8% | 9.9% |
| **US Information Services Group:** | | | | | | |
| Frank Russell Group | 415 | – | (19) | 396 | 11.5% | 10.4% |
| Yield Book | 209 | – | (7) | 202 | 11.7% | 11.1% |
| Mergent | 63 | (10) | (2) | 51 | 11.0% | 11.3% |
| | 1,842 | (10) | 24 | 1,856 | | |

1 Pre-tax discount rates are based on a number of factors including the risk-free rates in Italy, France, Sri Lanka, USA and UK as appropriate, the Group's estimated market risk premium, and a premium to reflect the inherent risks of each CGU

Management has based its value in use calculations for each CGU on key assumptions about short- and medium-term revenue and cost growth, long-term economic growth rates (used to determine terminal values) and pre-tax discount rates.

The values assigned to short- and medium-term revenue and cost growth assumptions are based on the business plans prepared by management for a three year period ending 31 December 2023. The assumptions are derived from an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management's experience. These factors are considered in conjunction with the Group's long-term strategic objectives to determine appropriate short- and medium-term growth assumptions.

Long-term growth rates represent management's internal forecasts based on external estimates of GDP and inflation analysis for the 10-year period 1 January 2015 to 31 December 2024, and do not exceed the long-term average growth rates for the countries in which the CGUs operate.

| | Long-term growth rates | |
|---|---|---|
| | 2020 | 2019 |
| Italian group | 1.4% | 1.8% |
| MilleniumIT | 8.0% | 8.6% |
| US Information Services group | 3.5% | 4.0% |
| All other | 3.0% | 3.4% |

Value in use calculations for each CGU are sensitive to changes in short- and medium-term revenue and cost growth assumptions, long term growth rates and pre-tax discount rates.

During the year an impairment of £10 million (2019: £6 million) of goodwill has been recognised in relation to Mergent due to lower forecast cash flows. At 31 December 2020, the value in use of the Mergent CGU is higher than the carrying value.

In 2019, an impairment of goodwill was recognised in relation to the Turquoise CGU due to uncertainties in the underlying future cash flows resulting in an impairment of £8 million.

Following management assessment the value in use of each CGU is significantly higher than the carrying value, and is unlikely to be materially impaired by reasonable adverse changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 December 2020. Revenue and cost sensitivities assume a 5% change in revenues or costs for each of the 5 years in the value in use calculations.

**Purchased intangible assets**
The Group's purchased intangible assets include:

### Customer and supplier relationships
These assets have been recognised on acquisition of major subsidiary companies by the Group. The amortisation periods remaining on these assets are between 6 to 22 years.

Following a reassessment of useful economic lives £10 million accelerated amortisation has been recognised in Customer and Supplier relationships in relation to Mergent Inc. In the prior year following a reassessment of useful economic lives the Group recognised £25 million acceleration of amortisation in relation to Mergent Inc.

### Brands
Brand name assets have been recognised on a number of major acquisitions, including FTSE, LCH, Frank Russell, and Yield Book. Included within brands are trade names relating to Frank Russell Group of £491 million (2019: £538 million). Other assets are not individually material and the remaining amortisation periods on these assets are between 2 and 22 years.

### Software, licences and intellectual property
These assets have been recognised on acquisition of subsidiary companies and have a remaining amortisation period of 1 to 17 years.

There are no other individual purchased intangible assets with a carrying value that is considered material to each asset class.

**Internally developed software and other intangible assets**
As a part of the business operating model the Group develops technology solutions where software products are developed internally, for use within the Group or to sell externally. These assets have a useful economic life of up to 12 years.

During the year, consideration for additions comprises £189 million (2019: £154 million) in cash additions relating to internally generated software of £203 million (2019: £176 million).

The cost of self-developed software products includes £188 million (2019: £100 million) representing assets not yet brought into use. No amortisation has been charged on these assets and instead they are tested for impairment annually.

Other amounts represent capitalised contract costs and right-of-use assets. These assets have a useful economic life of up to 7 years.

During the year the Group recognised additions of £10 million (2019: £21 million) as right-of-use assets, with a corresponding amortisation charge of £7 million (2019: £7 million).

### Impairment tests for internally developed software and other intangible assets
Following a review of software assets in the year the Group recognised £23 million (2019: £9 million) impairment in relation to assets with a recoverable amount less than its value in use.

During the year the Group recognised disposals and write-offs of assets no longer in use of £18 million with nil net book value (2019: £16 million).

## 14. Investment in associates

The Group has a number of equity-accounted investments, listed in note 35. The activities of these companies are complementary to the Group's businesses.

The investment in these companies is as follows:

| | Group £m | Company £m |
|---|---|---|
| 31 December 2018 | 25 | 7 |
| Acquisitions and investments | 11 | 11 |
| Share of loss after tax | (7) | – |
| Impairment | – | (6) |
| Foreign exchange translation | (1) | – |
| 31 December 2019 | 28 | 12 |
| Acquisitions and investments | **1** | **–** |
| Share of loss after tax | **(4)** | **–** |
| Impairment | **–** | **(4)** |
| **31 December 2020** | **25** | **8** |

The total comprehensive income of the associates is equivalent to the loss after tax shown above. None of the associates are material to the Group.

During the year, the Group made an additional investment of £1 million in The Hub Exchange Limited (2019: Curve Global for £11 million, increasing the Group's equity interest to 44.1%).

## 15. Investment in subsidiary companies

| Company | Shares £m | Other £m | Total £m |
|---|---|---|---|
| 31 December 2018 | 5,489 | 1,017 | 6,506 |
| Investment in London Stock Exchange (C) Limited | 244 | – | 244 |
| 31 December 2019 | 5,733 | 1,017 | 6,750 |
| Investment in London Stock Exchange Group Holdings Limited | **50** | **–** | **50** |
| Investment in London Stock Exchange Reg Holdings Limited | **6** | **–** | **6** |
| **31 December 2020** | **5,789** | **1,017** | **6,806** |

Other includes amounts invested in subsidiary companies by way of capital contributions and awards granted under the Group's share schemes.

| Principal operating subsidiaries | Principal activity | Country of incorporation and principal operations | % equity and votes held |
|---|---|---|---|
| **Held directly by the Company** | | | |
| London Stock Exchange plc | Recognised investment exchange | England and Wales | 100.00 |
| **Held indirectly by the Company** | | | |
| Banque Centrale De Compensation SA (LCH SA) | CCP clearing services | France | 73.45 |
| Borsa Italiana S.p.A. | Recognised investment exchange | Italy | 99.99 |
| Cassa di Compensazione e Garanzia S.p.A. | CCP clearing services | Italy | 99.99 |
| Elite S.p.A. | Business support programme | Italy | 74.99 |
| Frank Russell Company | Market indices provider | USA | 100.00 |
| FTSE International Limited | Market indices provider | England and Wales | 100.00 |
| LCH Limited | CCP clearing services | England and Wales | 82.61 |
| Mergent, Inc. | Business and financial information provider | USA | 100.00 |
| Millennium IT Software (Private) Limited | IT solutions provider | Sri Lanka | 100.00 |
| Monte Titoli S.p.A. | Pre–settlement, settlement and centralised custody | Italy | 98.87 |
| MTS S.p.A. | Wholesale fixed income bonds | Italy | 62.53 |
| The Yield Book Inc. | Fixed income indices and analytics | USA | 100.00 |
| Turquoise Global Holdings Ltd | Multilateral trading facility | England and Wales | 51.36 |

Under Regulation 7 of The Partnerships (Accounts) Regulations 2008, the Group elected not to prepare partnership accounts for its indirect partnership interest in London Stock Exchange Connectivity Solutions LP, as its results are contained in the consolidated group accounts.

A full list of subsidiaries is provided in note 35.

### Material non-controlling interests

The LCH companies, LCH Ltd, based in the UK, and LCH SA, based in France, are the only subsidiaries that have material non-controlling interests within the Group.

The Group owns 82.61% of LCH Ltd and 73.4% of LCH SA.

**Summarised financial information attributable to material non-controlling interests**
Amounts include goodwill, purchased intangible assets and associated amortisation, impairments and deferred tax attributable to non-controlling interests.

| | 2020 £m | 2019 £m |
|---|---|---|
| Profit for the year attributable to non-controlling interests | 60 | 49 |
| Total comprehensive income for the year attributable to non-controlling interests | 76 | 38 |
| Dividends paid to non-controlling interests in the year | (7) | (35) |

**Summarised total financial information for companies with material non-controlling interests**
Amounts include goodwill, purchased intangible assets and associated amortisation, impairments and deferred tax.

| Summarised balance sheet | 2020 £m | 2019 £m |
|---|---|---|
| Non-current assets | 574 | 570 |
| Current assets | 732,669 | 654,402 |
| Current liabilities | (731,578) | (653,684) |
| Non-current liabilities | (65) | (64) |
| **Total equity** | 1,600 | 1,224 |
| **Attributable to:** | | |
| Equity holders of the company | 1,271 | 965 |
| Non-controlling interests | 329 | 259 |
| | 1,600 | 1,224 |

The summarised total comprehensive income of the LCH Group is provided below. This information is based on amounts excluding goodwill, purchased intangible assets and associated amortisation attributable to non-controlling interests.

| Summarised balance sheet | 2020 £m | 2019 £m |
|---|---|---|
| Total income for the year | 859 | 756 |
| Total profit for the year | 305 | 241 |
| Total comprehensive income for the year | 383 | 197 |
| Net increase/(decrease) in cash and cash equivalents | 185 | (3) |

## 16. Deferred tax

The movements in deferred tax assets and liabilities during the year are shown below:

| Group | Accelerated tax depreciation £m | Acquisition deferred tax and amortisation £m | Provisions and other temporary differences £m | Total £m |
|---|---|---|---|---|
| 31 December 2018 | 7 | (470) | 34 | (429) |
| Tax recognised in profit or loss | (2) | 31 | – | 29 |
| Tax recognised in other comprehensive income: | | | | |
| – movement in debt instruments at FVOCI | – | – | (5) | (5) |
| – foreign exchange translation | – | 15 | (3) | 12 |
| Tax recognised in equity – allowance on share awards | – | – | 10 | 10 |
| 31 December 2019 | 5 | (424) | 36 | (383) |
| Tax credited to the income statement | – | 23 | 2 | 25 |
| Tax recognised in other comprehensive income: | | | | |
| – defined benefit scheme remeasurement gain | – | – | 1 | 1 |
| – movement in debt instruments at FVOCI | – | – | (5) | (5) |
| Allowance on share options/ awards – to equity | – | – | (3) | (3) |
| Foreign exchange | – | 3 | 2 | 5 |
| **31 December 2020** | 5 | (398) | 33 | (360) |
| | | | | |
| **Assets at 31 December 2020** | 5 | – | 46 | 51 |
| **Liabilities at 31 December 2020** | – | (398) | (13) | (411) |
| **Net assets/(liabilities) at 31 December 2020** | 5 | (398) | 33 | (360) |
| | | | | |
| Assets at 31 December 2019 | 5 | – | 44 | 49 |
| Liabilities at 31 December 2019 | – | (424) | (8) | (432) |
| Net assets/(liabilities) at 31 December 2019 | 5 | (424) | 36 | (383) |

The deferred tax assets are recoverable against future taxable profits and are due after more than one year.

The net deferred tax asset of £33 million (2019: £36 million) in respect of provisions and other temporary differences relates to:

| | 2020 £m | 2019 £m |
|---|---|---|
| Share-based payments | **27** | 28 |
| Retirement benefits liabilities | **(28)** | (19) |
| Interest payable | **21** | 17 |
| Trading losses | **6** | 4 |
| Withholding tax on distributable reserves of subsidiaries | **(5)** | (6) |
| Impact of new accounting standards | **4** | 4 |
| Accrued bonuses | **6** | 2 |
| Yield Book closing costs | **–** | 2 |
| Other provisions and temporary differences | **2** | 4 |
| | **33** | 36 |

The purchased intangible assets of the acquired subsidiaries create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the purchased intangible assets. As at 2020 this liability was £398 million (2019: £424 million).

The Group has unrecognised deferred tax assets in respect of losses of £20 million (2019: £20 million) within certain Group subsidiaries. The assets will be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company (2019: nil).

## 17. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes are held separately from those of the Group.

All schemes are governed by the local regulatory framework and employment laws in the country in which they operate.

The Company has no retirement benefit obligations.

### Defined benefit schemes

#### United Kingdom

On 5 September 2016, the London Stock Exchange Retirement Plan (LSERP) and the LCH Pension Scheme in the UK (LCH UK) underwent a sectionalised merger into a new London Stock Exchange Group Pension Scheme (LSEGPS). The scheme maintains separate LCH and LSE Sections.

The LSEGPS is administered by trustees who are responsible for the scheme's governance. The scheme invests in a wide range of assets in the UK and overseas through investment managers, appointed by the scheme's trustees, who seek to balance risk and investment return. The assets are primarily managed by Ruffer LLP, Royal London Asset Management, Payden and Rygel Investment Management, Schroder Investment Management Limited and a 'buy-in' insurance asset with Pension Insurance Corporation.

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The LSE section of LSEGPS was a non-contributory defined benefit scheme that closed to new members in 1999. With effect from 31 March 2012, the LSERP also closed to accrual of future benefits for active members and it has been agreed that the benefits already accrued for affected members will remain linked to their salary with the Group.

The LCH section of LSEGPS was closed to new members from 30 September 2009. It was closed to further employee contributions and accrual of future benefits from 31 March 2013 with the defined contribution section remaining open until April 2017, when the Legal & General mastertrust was provided to all UK employees.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

#### Overseas

LCH Group operates retirement indemnity and long-service award schemes in Paris, for which the scheme obligations are calculated by an independent qualified actuary. They also operate an independent defined benefit scheme in Porto. Updated valuations of these funds are carried out by an independent qualified actuary.

The Trattamento di Fine Rapporto (TFR) operated by the Italian Group is a severance and leaving indemnity scheme, classified as an unfunded defined benefit scheme for funds accumulated prior to 1 July 2007. The service cost, representing deferred salaries accruing to employees, was included as an operating expense and was determined by law at 6.91% of salary payments subject to certain adjustments. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75% of 'national life price index +1.5%' by an independent qualified actuary. Since 1 July 2007, the Group retains no obligation, as contributions are made directly into Italian state funds in the manner of a defined contribution scheme.

The employee benefit and retirement plan operated by MillenniumIT is classified as an unfunded defined benefit plan. The net obligation in respect of this plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Once an employee is continuously employed for more than five years, he or she is entitled to a payment equivalent to half a month's gross salary multiplied by the number of years in service at MillenniumIT.

**Pension risks**

The principal risk to which the defined benefit schemes expose the Group arises from an increase in pension liabilities.

The pension liabilities could increase in the following circumstances:
- if increases in the plan liabilities are not accompanied by corresponding increases in the plan assets;
- if investment returns are lower than assumed in assessing the adequacy of plans;
- if inflation is higher than expected, increasing liabilities through indexing of pension payments; and
- the risk that members live longer than expected, increasing the length of time for which pensions have to be paid, potentially due to a medical breakthrough.

Such an increase in pension liabilities could lead to an increase in pension deficit. Defined benefit schemes are normally revalued by actuaries every three years. Where any material funding gap is identified by this process, the Trustees will agree a schedule of contributions with the sponsor company. Such contributions would result in financial impact to the Group.

In addition, with regard to the LSE Section of LSEGPS, the Group is exposed to the credit of the buy-in insurance provider. A failure of the buy-in insurance provider would reduce the pension assets and could thus also lead to a pension deficit or an increase in pension deficit and the need for contributions from the Group.

**Defined contribution schemes**

In the UK, the only pension scheme open to employees is a defined contribution scheme, provided by Legal & General. Following a pension consultation, from April 2017, all UK employees are eligible to participate in the same pension scheme. A core contribution of 8% of basic salary is paid by the Group, who will also match employee contributions up to 4% of basic salary.

Defined contribution schemes are operated by FTSE International and US entities.

**Amounts recognised in profit or loss are as follows:**

| | | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| Defined contribution schemes | | **(4)** | **(5)** | **(13)** | **(22)** | (4) | (4) | (11) | (19) |
| Defined benefit scheme – current/past service cost and expenses | | **(1)** | **(3)** | **(5)** | **(9)** | (1) | – | (6) | (7) |
| Pension expense recognised in employee costs | 6 | **(5)** | **(8)** | **(18)** | **(31)** | (5) | (4) | (17) | (26) |
| Net finance income | 8 | **–** | **1** | **–** | **1** | – | 1 | – | 1 |
| | | **(5)** | **(7)** | **(18)** | **(30)** | (5) | (3) | (17) | (25) |

**Defined benefit assets/(obligations) for pension schemes**

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| **Fair value of assets** | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| **Equities:** | | | | | | | | |
| – Quoted | **28** | **51** | **–** | **79** | 17 | 52 | – | 69 |
| – Not quoted | **1** | **–** | **–** | **1** | 1 | 3 | – | 4 |
| Bonds: | | | | | | | | |
| – Quoted | **78** | **106** | **–** | **184** | 71 | 95 | 1 | 167 |
| – Not quoted | **143** | **162** | **–** | **305** | 120 | 133 | – | 253 |
| Property | **4** | **–** | **–** | **4** | 5 | – | – | 5 |
| Cash | **(1)** | **4** | **–** | **3** | 1 | 4 | – | 5 |
| Pensioner buy-in policy | **197** | **–** | **–** | **197** | 187 | – | – | 187 |
| **Total fair value of assets** | **450** | **323** | **–** | **773** | 402 | 287 | 1 | 690 |
| **Present value of funded obligations** | **(432)** | **(260)** | **(18)** | **(710)** | (395) | (228) | (18) | (641) |
| **Surplus/(deficit)** | **18** | **63** | **(18)** | **63** | 7 | 59 | (17) | 49 |

As at 31 December 2020, the Group has recognised a net defined benefit asset of £18 million (2019: £7 million) in relation to the LSE section and £63 million (2019: £59 million) in relation to the LCH section, on the basis that the Group has access to the surplus in the event of a wind-up of the scheme and therefore no asset ceiling has been applied to the net surplus recognised. Further, no minimum funding commitments are associated with the plan.

### Changes in the present value of the defined benefit obligations during the year:

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| **1 January** | 395 | 228 | 18 | 641 | 361 | 198 | 17 | 576 |
| **Pension expense recognised in profit or loss** | | | | | | | | |
| Past/current service cost | **–** | **2** | **5** | **7** | – | – | 6 | 6 |
| Interest cost | **8** | **5** | **–** | **13** | 10 | 6 | – | 16 |
| | **8** | **7** | **5** | **20** | 10 | 6 | 6 | 22 |
| **Remeasurements recognised in OCI** | | | | | | | | |
| Actuarial losses/(gains) – financial assumptions | **48** | **36** | **–** | **84** | 44 | 32 | 1 | 77 |
| Actuarial losses – demographic assumptions | **3** | **3** | **–** | **6** | (3) | (3) | – | (6) |
| Actuarial (gains)/losses – experience | **(1)** | **(1)** | **–** | **(2)** | (1) | – | – | (1) |
| | **50** | **38** | **–** | **88** | 40 | 29 | 1 | 70 |
| Benefits paid | **(21)** | **(13)** | **(5)** | **(39)** | (16) | (6) | (6) | (28) |
| Foreign exchange translation | **–** | **–** | **–** | **–** | – | 1 | – | 1 |
| **31 December** | **432** | **260** | **18** | **710** | 395 | 228 | 18 | 641 |

### Movement in fair value of scheme assets during the year:

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| **1 January** | **402** | **287** | **1** | **690** | 355 | 244 | 1 | 600 |
| **Pension income recognised in profit or loss** | | | | | | | | |
| Interest income | **8** | **6** | **–** | **14** | 10 | 7 | – | 17 |
| | **8** | **6** | **–** | **14** | 10 | 7 | – | 17 |
| **Remeasurements recognised in OCI** | | | | | | | | |
| Return on plan assets, excluding interest income | **47** | **40** | **–** | **87** | 39 | 38 | – | 77 |
| | **47** | **40** | **–** | **87** | 39 | 38 | – | 77 |
| Employer contributions | **15** | **3** | **–** | **18** | 15 | 3 | – | 18 |
| Expenses | **(1)** | **(1)** | **–** | **(2)** | (1) | – | – | (1) |
| Benefits paid | **(21)** | **(13)** | **(1)** | **(35)** | (16) | (6) | – | (22) |
| Foreign exchange translation | **–** | **1** | **–** | **1** | – | – | – | – |
| **31 December** | **450** | **323** | **–** | **773** | 402 | 287 | 1 | 690 |

### UK pension plan actuarial assumptions are set out below:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | LSERP | LCH UK | LSERP | LCH UK |
| Inflation rate – RPI | **2.9%** | **2.8%** | 2.9% | 2.9% |
| Inflation rate – CPI | **1.9%** | **1.8%** | 1.8% | 1.8% |
| Rate of increase in salaries | **2.9%** | **n/a** | 2.9% | n/a |
| Rate of increase in pensions in payment | **3.5%** | **1.8%** | 3.5% | 1.8% |
| Discount rate: | | | | |
| – Non-insured | **1.4%** | **1.4%** | 2.1% | 2.1% |
| – Insured | **1.2%** | **n/a** | 1.9% | n/a |
| Life expectancy from age 60 (years) | | | | |
| – Non-retired male member | **27.6** | **27.6** | 27.6 | 27.6 |
| – Non-retired female member | **30.2** | **30.1** | 30.1 | 30.0 |
| – Retired male member | **26.7** | **27.1** | 26.7 | 27.0 |
| – Retired female member | **29.0** | **28.9** | 28.9 | 28.8 |

The mortality assumptions are based on S2PA tables published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. An allowance for CMI 2019 projections has been used and applied 1.25% for the male and female long-term trend rate in respect of future mortality improvements.

#### Sensitivities
The sensitivities regarding the principal assumptions used to measure the LSERP and LCH UK scheme obligations are:

| | | Impact on scheme obligations | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Change in assumption | LSERP £m | LCH UK £m | LSERP £m | LCH UK £m |
| Inflation rate (CPI) and salary increase | +0.5% | 3 | 7 | 3 | 6 |
| Rate of increase in pensions payment | +0.5% | 31 | 20 | 26 | 17 |
| Discount rate | +0.5% | (34) | (29) | (30) | (24) |
| Mortality rate | +1 year | 21 | 10 | 18 | 8 |

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The impact of the salary increase assumption as a standalone sensitivity has an immaterial impact on the scheme obligations.

The actual gain on plan assets was £101 million (2019: loss £94 million).

#### Defined benefit actuarial gains and losses recognised
The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income.

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | LSERP £m | LCH UK £m | Other plans £m | LSERP £m | LCH UK £m | Other plans £m |
| 1 January | (29) | 39 | 1 | (28) | 30 | 2 |
| Net actuarial (losses)/gains recognised in the year | (3) | 2 | – | (1) | 9 | (1) |
| **31 December** | (32) | 41 | 1 | (29) | 39 | 1 |

The last actuarial valuations of the UK defined benefit scheme were carried out as at 31 December 2017 by an independent qualified actuary. According to the schedule of contributions of these valuations, LSE plc has funded its defined benefit scheme deficit by £14 million in 2019 and 2020 and is expected to pay £14 million per annum into the LSE Section in years 2021 and 2022. LCH Limited funded its defined benefit scheme deficit of £3 million in 2020 and is expected to pay £3 million per annum into the LCH Section in years 2021 and 2022.

The weighted average duration of the LSERP defined benefit obligation at the end of the reporting period is estimated to be 22 years and 12 years for non-insured and insured, respectively. The weighted average duration of the LCH UK defined benefit obligation at the end of the reporting period is estimated to be 24 years.

The Trustees invests the Scheme's assets in a portfolio of physical assets and liability matching assets. The physical assets have the objective of outperforming the liabilities by investing in a suitably diversified range of assets, consisting of risk premia strategies, corporate bonds and other credit alternatives and property which together are expected to reduce investment volatility.

The liability matching assets have the objective of using a liability driven investment strategy to hedge against the interest rate and inflation risks associated with liabilities predominantly in a range of gilts, both nominal and index linked. The LSERP scheme also includes a bulk annuity transaction insuring the benefits for a part of the scheme's pensioner liabilities.

This combination of physical assets and liability matching assets is expected to provide an appropriate risk and return profile, with suitable interest rate and inflation hedging characteristics, consistent with lower volatility and improved funding level.

## 18. Financial assets and financial liabilities

### Financial instruments by category

The financial instruments of the Group and Company are categorised as follows:

### Financial assets

| 31 December 2020 | Group | | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Amortised cost £m | Fair value through OCI £m | Fair value through profit or loss £m | Total £m | Amortised cost £m | Fair value through profit or loss £m | Total £m |
| Clearing business financial assets: | | | | | | | |
| – Clearing member trading assets | 98,736 | – | 632,699 | 731,435 | – | – | – |
| – Other receivables from clearing members | 2,484 | – | – | 2,484 | – | – | – |
| – Other financial assets | – | 24,591 | – | 24,591 | – | – | – |
| – Clearing member cash and cash equivalents | 83,011 | – | – | 83,011 | – | – | – |
| | 184,231 | 24,591 | 632,699 | 841,521 | – | – | – |
| Trade and other receivables | 544 | – | 5 | 549 | 701 | – | 701 |
| Cash and cash equivalents | 1,785 | – | – | 1,785 | 1 | – | 1 |
| Investments in financial assets – debt instruments | – | 111 | – | 111 | – | – | – |
| Investments in financial assets – equity instruments | – | 261 | – | 261 | – | – | – |
| Total | 186,560 | 24,963 | 632,704 | 844,227 | 702 | – | 702 |

There were no transfers between categories during the year.

Prepayments and contract assets within trade and other receivables are not classified as financial instruments.

The following table provides the fair value measurement hierarchy of the Group's financial assets:

### Financial assets measured at fair value

| 31 December 2020 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total £m |
| **Clearing business financial assets:** | | | | |
| – Derivative instruments | 5,867 | 2,726 | – | 8,593 |
| – Non-derivative instruments | 6 | 624,100 | – | 624,106 |
| Other financial assets | 24,591 | – | – | 24,591 |
| | 30,464 | 626,826 | – | 657,290 |
| Investments in financial assets – debt | 111 | – | – | 111 |
| Investment in financial assets – equity | – | – | 261 | 261 |
| Derivatives not designated as hedges: | | | | |
| – Trade and other receivables – convertible loan notes | – | – | 5 | 5 |
| | 30,575 | 626,826 | 266 | 657,667 |

The Company has no derivative assets.

| Movements in fair value of investments classified as level 3: | £m |
|---|---|
| 1 January 2020 | 246 |
| **Additions** | 2 |
| **Revaluations recognised in other comprehensive income** | 6 |
| **Effect of foreign exchange on consolidation** | 12 |
| **31 December 2020** | 266 |

### Financial liabilities

| 31 December 2020 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Amortised cost £m | Fair value through profit or loss £m | Total £m | Amortised cost £m | Fair value through profit or loss £m | Total £m |
| Clearing business financial liabilities: | | | | | | |
| – Clearing member trading liabilities | 98,736 | 632,699 | 731,435 | – | – | – |
| – Other payables to clearing members | 110,118 | – | 110,118 | – | – | – |
| | 208,854 | 632,699 | 841,553 | – | – | – |
| Trade and other payables | 747 | – | 747 | 866 | – | 866 |
| Borrowings | 1,951 | – | 1,951 | 1,944 | – | 1,944 |
| Derivative financial instruments | – | 17 | 17 | – | 17 | 17 |
| **Total** | 211,552 | 632,716 | 844,268 | 2,810 | 17 | 2,827 |

There were no transfers between categories during the year.

Social security and other tax liabilities within trade and other payables, and contract liabilities are not classified as financial instruments. Accruals reflect obligations for which the invoice has not been received and are included within financial liabilities.

The following table provides the fair value measurement hierarchy of the Group's financial liabilities:

| 31 December 2020 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total £m |
| Clearing business financial liabilities: | | | | |
| Derivative instruments | 5,867 | 2,726 | – | 8,593 |
| Non-derivative instruments | 6 | 624,100 | – | 624,106 |
| | 5,873 | 626,826 | – | 632,699 |
| Derivatives designated as hedges: | | | | |
| – Cross-currency interest rate swaps | – | 11 | – | 11 |
| Derivatives not designated as hedges: | | | | |
| – Foreign exchange forward contracts | – | 6 | – | 6 |
| | 5,873 | 626,843 | – | 632,716 |

The Company had derivative liabilities of £17 million. Derivative liabilities in the Company are the same as for the Group.

The financial instruments of the Group and Company for the prior year were as follows:

### Financial assets

| 31 December 2019 | Group | | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Amortised cost £m | Fair value through OCI £m | Fair value through profit or loss £m | Total £m | Amortised cost £m | Fair value through profit or loss £m | Total £m |
| Clearing business financial assets: | | | | | | | |
| – Clearing member trading assets | 122,299 | – | 574,889 | 697,188 | – | – | – |
| – Other receivables from clearing members | 8,330 | – | – | 8,330 | – | – | – |
| – Other financial assets | – | 23,576 | – | 23,576 | – | – | – |
| – Clearing member cash and cash equivalents | 67,118 | – | – | 67,118 | – | – | – |
| | 197,747 | 23,576 | 574,889 | 796,212 | – | – | – |
| Trade and other receivables | 521 | – | 5 | 526 | 706 | – | 706 |
| Cash and cash equivalents | 1,493 | – | – | 1,493 | 2 | – | 2 |
| Investments in financial assets – debt instruments | – | 106 | – | 106 | – | – | – |
| Investments in financial assets – equity instruments | – | 241 | – | 241 | – | – | |
| Derivative financial instruments | – | – | 2 | 2 | – | 2 | 2 |
| **Total** | 199,761 | 23,923 | 574,896 | 798,580 | 708 | 2 | 710 |

Prepayments and contract assets within trade and other receivables are not classified as financial instruments.

The following table provides the fair value measurement hierarchy of the Group's financial assets:

### Financial assets measured at fair value

| 31 December 2019 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total £m |
| **Clearing business financial assets:** | | | | |
| Derivative instruments | 11,492 | 3,061 | – | 14,553 |
| Non-derivative instruments | 3 | 560,333 | – | 560,336 |
| Other financial assets | 23,576 | – | – | 23,576 |
| | 35,071 | 563,394 | – | 598,465 |
| Investments in financial assets – debt | 106 | – | – | 106 |
| Investment in financial assets – equity | – | – | 241 | 241 |
| Derivatives not designated as hedges: | | | | |
| – Foreign exchange forward contracts | – | 2 | – | 2 |
| – Trade and other receivables – convertible loan notes | – | – | 5 | 5 |
| | 35,177 | 563,396 | 246 | 598,819 |

The Company's derivative assets of £2 million are the same as those shown for the Group.

| **Movements in fair value of investments classified as level 3:** | £m |
|---|---|
| 1 January 2019 | – |
| Additions – investments in equity | 247 |
| Additions – investment in convertible debt | 4 |
| Revaluations recognised in other comprehensive income | – |
| Revaluations recognised in profit or loss | 1 |
| Effect of foreign exchange on consolidation | (6) |
| 31 December 2019 | 246 |

### Financial liabilities

| 31 December 2019 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Amortised cost £m | Fair value through profit or loss £m | Total £m | Amortised cost £m | Fair value through profit or loss £m | Total £m |
| Clearing business financial liabilities: | | | | | | |
| – Clearing member trading liabilities | 122,299 | 574,889 | 697,188 | – | – | – |
| – Other payables to clearing members | 98,914 | – | 98,914 | – | – | – |
| | 221,213 | 574,889 | 796,102 | – | – | – |
| Trade and other payables | 747 | – | 747 | 712 | – | 712 |
| Borrowings | 2,085 | – | 2,085 | 2,077 | – | 2,077 |
| Derivative financial instruments | – | 40 | 40 | – | 40 | 40 |
| Total | 224,045 | 574,929 | 798,974 | 2,789 | 40 | 2,829 |

Social security and other tax liabilities within trade and other payables are not classified as financial instruments.

### Financial liabilities measured at fair value

| 31 December 2019 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total £m |
| Clearing business financial liabilities: | | | | |
| Derivative instruments | 11,492 | 3,061 | – | 14,553 |
| Non-derivative instruments | 3 | 560,333 | – | 560,336 |
| | 11,495 | 563,394 | – | 574,889 |
| Derivatives designated as hedges: | | | | |
| – Foreign exchange forward contracts | – | 1 | – | 1 |
| Derivatives not designated as hedges: | | | | |
| – Cross-currency interest rate swaps | – | 39 | – | 39 |
| | 11,495 | 563,434 | – | 574,929 |

The Company's derivative liabilities of £40 million are the same as those shown for the Group.

### Fair value classification

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities classified as Level 1, the fair value is based on market price quotations at the reporting date. For assets and liabilities classified as Level 2, the fair value is calculated using one or more valuation techniques (e.g. the market approach or the income approach) with market observable inputs. The selection of the appropriate valuation techniques may be affected by the availability of the relevant inputs as well as the reliability of the inputs. The inputs may include currency rates, interest rate and forward rate curves and net asset values.

When observable market data is not available, the Group uses one or more valuation techniques (e.g. the market approach or the income approach) for which sufficient and reliable data is available. These inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments.

There have been no transfers between levels during the current year. In 2019, the investment in Euroclear was reclassified from Level 2 to Level 3; there were no other transfers.

The Group determines whether a transfer between levels has occurred by reviewing the categorisation of assets and liabilities at the end of each reporting period, based on the lowest level input that is significant to the valuation.

With the exception of Group borrowings, management has assessed that the fair value of financial assets and financial liabilities categorised as being at amortised cost approximate to their carrying values. The fair value of the Group's borrowings is disclosed in note 25.

The Group's financial assets and financial liabilities held at fair value consist largely of securities restricted in use for the operations of the Group's CCPs as managers of their respective clearing and guarantee systems. The nature and composition of the CCP clearing business assets and liabilities are explained in the accounting policies section in note 1.

As at 31 December 2020, there are no provisions for expected credit losses in relation to any of the CCP businesses' financial assets held at amortised cost or FVOCI (2019: nil). The Group closely monitors its CCP investment portfolio and invests only in government debt and other collateralised instruments where the risk of loss is minimal. There was no increase in credit risk in the year and none of the assets are past due (2019: nil).

### Net treasury income by classification

Net treasury income is earned from instruments held at amortised cost or fair value as follows:

- A net £261 million (2019: £29 million) was earned from financial assets and financial liabilities held at amortised cost (£614 million (2019: £1,028 million) income and £353 million (2019: £999 million) expense)
- A net £58 million (2019: £226 million) was earned from assets held at fair value (£152 million (2019: £309 million) income and £94 million (2019: £83 million) expense).

**Investment in financial assets – equity**

Investments in equity instruments are recognised at fair value through other comprehensive income (FVOCI), given the intended long-term nature of these investments. The equity investments in Euroclear and Nivaura are both classified as Level 3.

The investment in convertible loan notes issued by Nivaura is held within trade and other receivables and treated as fair value through profit or loss (FVPL) as the notes contain a derivative option. This investment is also classified as level 3.

In the absence of any relevant third-party data on the fair value of Euroclear or Nivaura, the Group undertakes its own internal valuations. The Group regularly reviews the financial information of its investments which is available publicly or received as a shareholder.

The value of the investments is calculated primarily using discounted cash flow forecasts using a terminal growth rate of 1%. A risk adjusted discount rate of 9% was used for Euroclear and 30% for Nivaura. These valuations are then be benchmarked against other available models such as the dividend discount model, regression analysis, and trading multiples. These valuation models generated a range of values of between £262 and £298 million by considering reasonable changes in the key unobservable inputs (including terminal growth rates and discount rates) and the investments are recognised at the lowest value in the range.

In November 2020, the Group committed to invest £10 million in PrimaryBid Limited (PrimaryBid), a UK private limited company that provides a technology platform that connects retail investors with listed companies raising capital. The Group agreed to acquire 13.2% of the issued share capital of PrimaryBid, which will equate to 9.2% on a fully diluted basis. The investment will be completed in stages. In November 2020, the Group paid £2 million for its initial allocation of shares. Additional shares will be acquired at a later date (for further details refer to note 34).

The Group has an existing commercial arrangement with PrimaryBid, and this will continue unchanged. The Group has the right to appoint one director to the board of PrimaryBid. The Group does not consider that it is able to wield significant influence on PrimaryBid and is therefore choosing to recognise this as an investment in equity at fair value through other comprehensive income, in line with its policy on other long-term strategic investments. The investment in PrimaryBid is classified as a Level 3 investment.

As at 2020, the Group estimates the fair value of its investment in Euroclear to be €285 million (£257 million) (2019: €278 million (£238 million)) and in Nivaura to be £3 million in equity and £5 million in the convertible loan notes (2019: £3 and £5 million). The fair value of PrimaryBid is estimated to be equivalent to the initial investment cost (£2 million).

The fair value shown in the Group's results for Euroclear also includes the effects of the retranslation of the euro investment into sterling. Movements in the fair value of the investments in the year are shown in the table above.

### Hedging activities and derivatives

#### Net investment hedges

The Group has designated some of its euro and US dollar borrowings as net investment hedges. In addition, a proportion of the euro borrowings has been swapped into US dollar debt via a cross-currency interest rate swaps and this is also designated as a net investment hedge. The hedge instruments are detailed below.

There is an economic relationship between the hedged items and the hedging instruments as the euro and US dollar borrowings match the Group's net investment in euro and US dollar investments. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying FX risk of the borrowings are identical to the investments. To test the hedge effectiveness, the Group ensures that the borrowings are always less than the value of the investments. Hedge ineffectiveness only arises if the value of the hedging instruments (borrowings) exceeds the value of the underlying net investments.

#### Cross-currency interest rate swaps

In 2017, the Group issued €1 billion of bonds in two €500 million tranches that mature in 2024 and 2029. €700 million of these bonds were swapped on a coordinated basis into US$836 million through a series of cross-currency interest rate swaps which mature on the same dates as the bonds. These instruments effectively exchange some of the obligations and coupons of the bonds from euros into US dollars in order to more closely match the Group's currency of borrowing to the currency of its net assets and earnings. These swaps have been designated as a hedge of the Group's net investments in its US dollar reporting subsidiaries and qualify for effective hedge accounting.

| €700 million cross-currency interest rate swap | 2020 | 2019 |
|---|---|---|
| Fair value of derivative on the balance sheet | **£(11)m** | £(39)m |
| Nominal value of hedging instrument | **$836m** | $836m |
| Hedge ratio | **1:1** | 1:1 |
| Hedge effectiveness | **100%** | 100% |
| Change in fair value of derivative | **£28m** | £(22)m |
| Change in value of net investment | **£(28)m** | £22m |
| Cumulative amount held in hedging reserve | **£(11)m** | £(39)m |

The 2009 £250 million bond was swapped from Sterling into euros. This resulted in a reduction in balance sheet translation exposure on euro denominated net assets and the protection of Sterling cash flows. These swaps were designated as a hedge of the Group's net investment in the Italian Group and qualified for effective hedge accounting until their maturity in October 2019.

| £242 million cross-currency interest rate swap | 2020 | 2019 |
|---|---|---|
| Fair value of derivative on the balance sheet | **–** | – |
| Nominal value of hedging instrument | **–** | – |
| Hedge ratio | **–** | – |
| Hedge effectiveness | **–** | – |
| Change in fair value of derivative | **–** | £12m |
| Change in value of net investment | **–** | £(12)m |
| Cumulative amount held in hedging reserve | **£(18)m** | £(18)m |

The £18 million loss remains in the hedging reserve as the Group continues to own the underlying investment.

#### Non-derivative hedges

€800 million of the €1,500 million bonds not swapped into US dollars qualify as hedges of the Group's net investments in Euro denominated subsidiaries and qualify for effective hedge accounting. The movement on the €700 million that has been swapped is included below and is netted against the fair value movement of the US dollar derivative in the hedging reserve.

| Euro denominated bonds | 2020 | 2019 |
|---|---|---|
| Carrying value of debt on the balance sheet | **£1,347m** | £1,274m |
| Nominal value of hedging instrument | **€1,500m** | €1,500m |
| Hedge ratio | **1:1** | 1:1 |
| Hedge effectiveness | **100%** | 100% |
| Change in carrying value of hedging instrument | **£(73)m** | £71m |
| Change in value of net investment | **£73m** | £(71)m |
| Cumulative amount held in hedging reserve | **£(23)m** | £50m |

# Notes to the financial statements continued

Throughout the financial year the Group drew on its committed bank facilities in euros and US dollars and issued euro denominated commercial paper. These drawings and issuances were designated as hedges of the Group's net investments in euro and US dollar denominated subsidiaries.

| Revolving credit facility and commercial paper | 2020 | 2019 |
|---|---|---|
| Carrying value of debt on balance sheet | **£135m** | £378m |
| Nominal value of hedging instrument – Euros | **€191m** | €317m |
| Nominal value of hedging instrument – US dollars | **–** | US$141m |
| Hedge ratio | **1:1** | 1:1 |
| Hedge effectiveness | **100%** | 100% |
| Change in carrying value of hedging instruments | **£(19)m** | £10m |
| Change in value of net investments | **£19m** | £(10)m |
| Cumulative amount held in reserve | **£(18)m** | £1m |

| Hedging reserve | 2020 £m | 2019 £m |
|---|---|---|
| 1 January | **(46)** | (117) |
| Changes in fair value recognised in other comprehensive income | **(64)** | 71 |
| 31 December | **(110)** | (46) |

No amounts have been reclassified to the income statement during the year (2019: £nil). £40 million of losses remain in reserves as at 2020 that have not been recycled to the income statement, as the Group continues to hold the underlying investments (2019: £40 million losses).

The Group's hedging instruments are recognised on the balance sheet as derivative financial instruments or borrowings.

### Foreign currency forwards

At 2020, net payables of €211 million and US$442 million were hedged forward into the next financial year. The fair value of the derivatives at the year end was an asset of nil (2019: £2 million) and a liability of £6 million (2019: £1 million).

Hedge accounting is not applied to these derivatives.

## 19. Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

The following tables show the impact of netting arrangements on all financial assets and financial liabilities that are reported net on the balance sheet:

| 31 December 2020 | Gross amounts £m | Amount offset £m | Net amount as reported £m |
|---|---|---|---|
| Other financial assets | **1,389,935** | **(1,381,326)** | **8,609** |
| Repurchase agreements | **841,309** | **(118,483)** | **722,826** |
| **Total assets** | **2,231,244** | **(1,499,809)** | **731,435** |
| Other financial liabilities | **(1,419,738)** | **1,411,129** | **(8,609)** |
| Reverse repurchase agreements | **(841,309)** | **118,483** | **(722,826)** |
| **Total liabilities** | **(2,261,047)** | **1,529,612** | **(731,435)** |

| 31 December 2019 | Gross amounts £m | Amount offset £m | Net amount as reported £m |
|---|---|---|---|
| Other financial assets | 1,087,976 | (1,073,415) | 14,561 |
| Repurchase agreements | 792,921 | (110,294) | 682,627 |
| **Total assets** | 1,880,897 | (1,183,709) | 697,188 |
| Other financial liabilities | (1,118,402) | 1,103,841 | (14,561) |
| Reverse repurchase agreements | (792,921) | 110,294 | (682,627) |
| **Total liabilities** | (1,911,323) | 1,214,135 | (697,188) |

All offset amounts are clearing member trading assets and trading liabilities within the Group's CCP businesses' financial instruments.

The Group's CCP companies sit in the middle of members' transactions and hold default funds and margin amounts as a contingency against the default of a member. As such, further amounts are available to offset in the event of a default reducing the asset and liability of £731,435 million (2019: £697,188 million) to nil.

## 20. Trade and other receivables

| | Notes | Group 2020 £m | Group 2019 £m | Company 2020 £m | Company 2019 £m |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Fees receivable | | **1** | 1 | **–** | – |
| Amounts due from Group companies | 33 | **–** | – | **45** | 41 |
| Amounts due from associates | 33 | **–** | 1 | **–** | – |
| Net investments in leases | 23 | **1** | 3 | **–** | – |
| Convertible loan notes | 18 | **5** | 5 | **–** | – |
| Other receivables | | **7** | 9 | **–** | – |
| | | **14** | 19 | **45** | 41 |
| **Current** | | | | | |
| Trade receivables | | **302** | 328 | **–** | – |
| Fees receivable | | **123** | 141 | **–** | – |
| Provision for ECL on trade receivables | | **(11)** | (9) | **–** | – |
| Net trade receivables | | **414** | 460 | **–** | – |
| Amounts due from Group companies | 33 | **–** | – | **569** | 513 |
| Amounts due from associates | 33 | **3** | 2 | **–** | – |
| Group relief receivable | | **–** | – | **45** | 101 |
| Deferred consideration | | **–** | 27 | **–** | – |
| Other receivables | | **118** | 18 | **58** | 51 |
| Prepayments | | **57** | 58 | **5** | 3 |
| Contract assets | | **2** | 1 | **–** | – |
| | | **594** | 566 | **677** | 668 |
| **Total** | | **608** | 585 | **722** | 709 |

The carrying amount of the Group's current trade and other receivables are denominated in the following currencies:

| | 2020 £m | 2019 £m |
|---|---|---|
| Sterling | **256** | 208 |
| Euro | **154** | 116 |
| US dollar | **175** | 227 |
| Other currencies | **9** | 15 |
| | **594** | 566 |

**Provision for expected credit losses:**

| | 2020 £m | 2019 £m |
|---|---|---|
| 1 January | **9** | 11 |
| Provision for impairment | **5** | – |
| Receivables written off as uncollectible | **(2)** | – |
| Provisions no longer required | **–** | (2) |
| Amounts recovered | **(1)** | – |
| 31 December | **11** | 9 |

The creation and release of the provisions for impaired receivables are recognised as operating expenses in profit or loss. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

Other classes of trade and other receivables and other categories of financial assets do not contain impaired assets.

**Contract assets**
Contract assets relate to the Group's rights to consideration for work completed but that remain conditional on something other than the passage of time.

Movements in the Group's contract assets were as follows:

| | 2020 £m | 2019 £m |
|---|---|---|
| 1 January | **1** | 4 |
| Amounts billed | **(1)** | (4) |
| Services provided | **2** | 1 |
| 31 December | **2** | 1 |

# Notes to the financial statements continued

## 21. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| Cash at bank | **644** | 607 | **1** | – |
| Cash equivalents | **1,141** | 886 | **–** | 2 |
| | **1,785** | 1,493 | **1** | 2 |

Cash and cash equivalents are held with authorised counterparties of a high credit standing. Cash is held in unsecured interest bearing current and call accounts. Cash equivalents comprise short-term deposits of £710 million (2019: £587 million) and AAA-rated money market funds of £413 million and US$25 million (2019: £282 million and US$22 million). Short-term deposits within the CCP businesses are in overnight or short-term secured investments (reverse repos). Management does not expect any losses from non-performance by counterparties holding cash and cash equivalents and there are no material differences between book and fair values. Cash and cash equivalents do not include amounts held by the CCPs on behalf of their clearing members.

At 31 December 2020, cash and cash equivalents shown above include £1,242 million (2019: £1,125 million) of amounts held by regulated entities for regulatory and operational purposes. Total amounts set aside for regulatory and operational purposes include current investments in financial assets of £92 million (2019: £81 million) and non-current investments in financial assets of £19 million (2019: £25 million). Amounts are subject to regular reviews with regulators in the UK, France and Italy.

## 22. Trade and other payables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Non-current** | | | | | |
| Other non-current payables | | **5** | 4 | **–** | – |
| Lease liabilities | 23 | **147** | 146 | **–** | – |
| | | **152** | 150 | **–** | – |
| **Current** | | | | | |
| Trade payables | | **54** | 57 | **3** | 1 |
| Amounts owed to Group companies | 33 | **–** | – | **764** | 663 |
| Amounts owed to associates | 33 | **1** | 1 | **–** | – |
| Social security and other taxes | | **18** | 23 | **–** | – |
| Other payables | | **69** | 164 | **18** | 19 |
| Lease liabilities | 23 | **42** | 37 | **–** | – |
| Accruals | | **429** | 338 | **81** | 29 |
| | | **613** | 620 | **866** | 712 |
| **Total** | | **765** | 770 | **866** | 712 |

## 23. Leases

Movements in lease liabilities were as follows:

| | 2020 £m | 2019 £m |
|---|---|---|
| 1 January | **183** | 206 |
| Acquisition of subsidiary | **–** | 1 |
| Leases terminated early | **(3)** | (1) |
| New lease contracts | **51** | 20 |
| Extensions to existing leases | **3** | – |
| Lease interest expense (note 8) | **4** | 4 |
| Lease payments | **(50)** | (45) |
| Foreign exchange translation | **1** | (2) |
| **31 December** | **189** | 183 |

The Group is both a lessee and lessor of assets.

### Group as lessee

Right-of-use assets are disclosed within property, plant and equipment (note 12) and intangible assets (note 13).

The maturity of the Group's lease commitments is disclosed within the risk management note (note 2). Lease liabilities are included within trade and other payables (note 22).

The weighted average discount rate used by the Group for lease liabilities was 2.3% (2019: 2.4%).

A limited number of the Group's leases are subject to variable lease payments linked to publicly available indexes. Adjustments to the value of the lease liability and associated assets are made annually, but do not have a material impact on the Group's net assets.

The Group has not exercised any extension options during the year. Outstanding options to extend lease periods or early break clauses that have not been recognised could create an additional asset and liability of up to £47 million.

The total amount paid during the year for all leased assets was £50 million (2019: £49 million).

### Group as lessor

The Group sub-lets a number of its properties where there is surplus space or the office is no longer used by the business. The Group has both finance and operating leases, but all amounts are immaterial.

## 24. Contract liabilities

Contract liabilities relate to consideration received from customers for services that have not yet been rendered.

The Group has the following contract liabilities:

| Group | 2020 £m | 2019 £m |
|---|---|---|
| Non-current | **94** | 88 |
| Current | **168** | 157 |
| | **262** | 245 |

There were no contract liabilities in the Company (2019: nil).

Changes in the Group's contract liabilities balances during the year were as follows:

| | 2020 £m | 2019 £m |
|---|---|---|
| 1 January | **245** | 271 |
| Revenue recognised as a result of revised recognition period | **–** | (32) |
| Revenue recognised in profit or loss | **(153)** | (154) |
| Increases due to consideration received | **171** | 162 |
| Foreign exchange translation | **(1)** | (2) |
| **31 December** | **262** | 245 |

The Group's contract liabilities are expected to be recognised within the following periods after 31 December 2020:

| | Information Services £m | Post Trade Services £m | Capital Markets £m | Technology Services & other £m | Group £m |
|---|---|---|---|---|---|
| Less than 1 year | **115** | **5** | **46** | **2** | **168** |
| More than 1 year but less than 5 years | **–** | **–** | **87** | **–** | **87** |
| More than 5 years | **–** | **–** | **7** | **–** | **7** |
| **Contract liabilities as at end of year** | **115** | **5** | **140** | **2** | **262** |

## 25. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Current** | | | | |
| Bank borrowings | **135** | 256 | **129** | 248 |
| Commercial paper | **170** | 256 | **170** | 256 |
| Bonds | **300** | – | **300** | – |
| | **605** | 512 | **599** | 504 |
| **Non-current** | | | | |
| Bonds | **1,347** | 1,573 | **1,347** | 1,573 |
| Trade finance loans | **1** | – | **–** | – |
| Bank borrowings | **(2)** | – | **(2)** | – |
| | **1,346** | 1,573 | **1,345** | 1,573 |
| **Total** | **1,951** | 2,085 | **1,944** | 2,077 |

The Group's £300 million bond issued in 2012 is due for repayment in November 2021.

The Group has the following committed bank facilities and unsecured notes:

| Type | Expiry date | Notes/facility £m | Carrying value at 31 December 2020 £m | Interest rate percentage at 31 December 2020 % |
|---|---|---|---|---|
| Dual-currency bridge facility | Jan 2022[1] | 8,156 | **(8)** | LIBOR + 0.3 |
| Multi-currency revolving credit facility | Nov 2022[2] | 600/0 | **6** | LIBOR + 0.45 |
| Multi-currency revolving credit facility | Dec 2024[3] | 600/1,425 | **138** | LIBOR + 0.30 |
| Multi-currency revolving credit facility | Dec 2025[4] | 0/1,075 | **(1)** | LIBOR + 0.475 |
| Committed bank facilities | | | **135** | |
| Commercial paper[5] | Jan 2020 | 170 | **170** | (0.380) |
| €500 million term loan | Dec 2023[6] | 451 | **–** | LIBOR + 0.725 |
| $2,000 million term loan | Dec 2023[6] | 1,468 | **(2)** | LIBOR + 0.725 |
| Committed term loans | | | **(2)** | |
| £300 million bond, issued November 2012 | Nov 2021 | 300 | **300** | 4.750 |
| €500 million bond, issued September 2017 | Sep 2024 | 451 | **450** | 0.875 |
| €500 million bond, issued December 2018 | Dec 2027 | 451 | **448** | 1.750 |
| €500 million bond, issued September 2017 | Sep 2029 | 451 | **449** | 1.750 |
| Bonds | | | **1,647** | |
| **Total committed facilities and unsecured notes** | | | **1,950** | |

1 Terminates January 2022, with an option to extend for a further 6 months
2 This facility is to be cancelled at the time of the Refinitiv acquisition and replaced with a new £1,075m 5 year facility
3 This facility will be amended to increase the facility limit to £1,425m at the time of the Refinitiv deal close
4 This facility will become effective when the Refinitiv acquisition closes and will replace the £600m facility maturing in November 2022
5 The Commercial paper interest rate reflected is the average interest rate achieved on the outstanding issuances
6 These term loan facilities will be effective at the time of the Refinitiv acquisition and partially replace and term out the bridge facilities

### Committed bank facilities

#### Revolving credit facilities

The Group retained its total committed revolving credit bank facilities of £1,200 million throughout the period. In December 2020, the Group arranged an additional £1,075 million syndicated committed facility agreement to replace the £600 million facility maturing in November 2022, and signed an Amendment and Restatement agreement which increases the £600 million Revolving Credit Facility agreement maturing in December 2024 to £1,425 million. These new facility arrangements will become effective at the time of the Refinitiv deal close. The revolving credit facilities were partially drawn at 31 December 2020 with a carrying value of £143 million (2019: £264 million).

#### Bridge facility

In December 2020 the Group resized its US$9.325 billion and €3.58 billion Bridge Facilities to US$7.325 billion and €3.08 billion (£8.156 billion), and partially replaced them with 3 year term loan facilities of US$2 billion and €500 million, which become effective at the time of the Refinitiv acquisition. The Bridge Facility remained undrawn, but has a carrying value of £(8) million (2019: £(8) million) which represents deferred arrangement fees.

### Commercial paper

The Group maintained its £1 billion Euro Commercial Paper Programme. Outstanding issuances at 31 December 2020 of €188 million (£170 million) (2019: €300 million (£256 million)) may be reissued upon maturity in line with the Group's liquidity requirements.

### Term loan facilities

In December 2020, the group arranged US$2 billion and €500 million 3 year term loan facilities which become effective at the time of the Refinitiv acquisition and mature in December 2023. The term loans are undrawn at the year end, but had a carrying value of £(2) million which represents deferred arrangement fees.

#### Bonds

In November 2012, the Company issued a £300 million bond under its Euro Medium-Term Notes Programme which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal.

In September 2017, the Company issued €1 billion of bonds in two €500 million (£451 million) tranches under its updated Euro Medium-Term Notes Programme. The bonds are unsecured and the tranches are due for repayment in September 2024 and September 2029 respectively. Interest is paid annually in arrears in September each year. The issue prices of the bonds were €99.602 per €100 nominal for the 2024 tranche and €99.507 per €100 nominal for the 2029 tranche.

In December 2018, the Company issued a €500 million (£451 million) bond under its updated Euro Medium-Term Notes Programme. The bond is unsecured and due for repayment in December 2027. Interest is paid annually in arrears in December each year. The issue price was €99.547 per €100 nominal.

#### Other

Cassa di Compensazione e Garanzia S.p.A. (CC&G) has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements in the event of a market stress or participant failure. In addition, it has arranged commercial bank back-up credit lines with a number of commercial banks, which total €420 million at 31 December 2020 (2019: €420 million), for overnight and longer durations to broaden its liquidity resources consistent with requirements under the European Markets Infrastructure Regulation (EMIR).

LCH SA has a French banking licence and is able to access refinancing at the European Central Bank to support its liquidity position. LCH Limited is deemed to have sufficient fungible liquid assets to maintain an appropriate liquidity position, and has direct access to certain central bank facilities to support its liquidity risk management in accordance with the requirements under the EMIR. In accordance with the Committee on Payments and Market Infrastructures (CPMI), International Organization of Securities Commissions (IOSCO) and Principles for Financial Market Infrastructures (PFMIs), many Central Banks now provide for CCPs to apply for access to certain Central Bank facilities.

During the year, the Group entered into a sale and leaseback arrangement which is classified as a trade finance loan. Under this arrangement, the Group borrowed £1 million, repayable over three years at an effective interest rate of 7.3%.

In addition, a number of Group entities have access to uncommitted operational, money market and overdraft facilities which support post trade activities and day-to-day liquidity requirements across its operations.

### Fair values

The fair values of the Group's borrowings are as follows:

| Group | 2020 Carrying value £m | 2020 Fair value £m | 2019 Carrying value £m | 2019 Fair value £m |
|---|---|---|---|---|
| Borrowings | | | | |
| – within 1 year | 605 | 616 | 512 | 512 |
| – after more than 1 year | 1,346 | 1,466 | 1,573 | 1,676 |
| | 1,951 | 2,082 | 2,085 | 2,188 |

The fair values of the Company's borrowings are as follows:

| Company | 2020 Carrying value £m | 2020 Fair value £m | 2019 Carrying value £m | 2019 Fair value £m |
|---|---|---|---|---|
| Borrowings | | | | |
| – within 1 year | 599 | 610 | 504 | 504 |
| – after more than 1 year | 1,345 | 1,466 | 1,573 | 1,676 |
| | 1,944 | 2,076 | 2,077 | 2,180 |

Bonds are classified as Level 1 in the Group's hierarchy for determining and disclosing the fair value of financial instruments. Bond fair values are as quoted in the relevant fixed income markets.

Bank borrowings and commercial paper are classified as Level 2 in the Group's hierarchy for determining and disclosing the fair value of financial instruments. The fair values of these instruments are based on discounted cash flows using a rate based on borrowing cost. Bank borrowings bear interest at an appropriate inter-bank reference rate plus and agreed margin, and commercial paper attracts interest at a negotiated rate at the time of issuance.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| Currency | 2020 Drawn £m | 2020 Swapped £m | 2020 Effective £m | 2019 Drawn £m | 2019 Swapped £m | 2019 Effective £m |
|---|---|---|---|---|---|---|
| Sterling | 421 | – | 421 | 420 | – | 420 |
| Euro | 1,530 | (613) | 917 | 1,557 | (637) | 920 |
| US dollar | – | 613 | 613 | 108 | 637 | 745 |
| **Total** | 1,951 | – | 1,951 | 2,085 | – | 2,085 |

The carrying amounts of the Company's borrowings are denominated in the following currencies:

| Currency | 2020 Drawn £m | 2020 Swapped £m | 2020 Effective £m | 2019 Drawn £m | 2019 Swapped £m | 2019 Effective £m |
|---|---|---|---|---|---|---|
| Sterling | 420 | – | 420 | 420 | – | 420 |
| Euro | 1,524 | (613) | 911 | 1,549 | (637) | 912 |
| US dollar | – | 613 | 613 | 108 | 637 | 745 |
| **Total** | 1,944 | – | 1,944 | 2,077 | – | 2,077 |

# Notes to the financial statements continued

## 26. Analysis of net debt

Group net debt comprises cash and cash equivalents less interest bearing loans and borrowings and derivative financial instruments.

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Due within 1 year:** | | | | |
| Cash and cash equivalents | **1,785** | 1,493 | **1** | 2 |
| Bank borrowings | **(135)** | (256) | **(129)** | (248) |
| Commercial paper | **(170)** | (256) | **(170)** | (256) |
| Bonds | **(300)** | – | **(300)** | – |
| Derivative financial assets | **–** | 2 | **–** | 2 |
| Derivative financial liabilities | **(6)** | (1) | **(6)** | (1) |
| | **1,174** | 982 | **(604)** | (501) |
| **Due after 1 year:** | | | | |
| Bank borrowings and trade finance loans | **1** | – | **2** | – |
| Bonds | **(1,347)** | (1,573) | **(1,347)** | (1,573) |
| Derivative financial liabilities | **(11)** | (39) | **(11)** | (39) |
| **Net debt** | **(183)** | (630) | **(1,960)** | (2,113) |

Reconciliation of net cash flow to movement in net debt

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Increase/(decrease) in cash and cash equivalents** | **237** | 57 | **(1)** | (8) |
| Net repayments made towards commercial paper | **101** | – | **101** | – |
| Additional drawdowns from bank credit facilities | **(4)** | (261) | **(4)** | (261) |
| Repayments made towards bank credit facilities | **127** | 35 | **125** | 26 |
| Trade finance loans received | **(1)** | – | **–** | – |
| Repayment of bonds | **–** | 250 | **–** | 250 |
| **Change in net debt resulting from cash flows** | **460** | 81 | **221** | 7 |
| Foreign exchange | **(36)** | 14 | **(91)** | 92 |
| Movement on derivative financial assets and liabilities | **21** | 9 | **21** | 9 |
| Bond valuation adjustment | **–** | (2) | **–** | (2) |
| Movement in bank credit facility arrangement fees | **2** | 8 | **2** | 8 |
| Net debt at 1 January | **(630)** | (740) | **(2,113)** | (2,227) |
| **Net debt at 31 December** | **(183)** | (630) | **(1,960)** | (2,113) |

## 27. Provisions

| Group | Property £m | Other £m | Total £m |
|---|---|---|---|
| 1 January 2020 | 14 | 18 | 32 |
| Utilised | **–** | **(13)** | **(13)** |
| Provisions no longer required | **–** | **(4)** | **(4)** |
| **31 December 2020** | **14** | **1** | **15** |
| | | | |
| Current | **–** | **1** | **1** |
| Non-current | **14** | **–** | **14** |
| **31 December 2020** | **14** | **1** | **15** |

The property provision represents the estimated net present value of future costs for dilapidation costs.

Other provisions primarily relate to the expected costs arising from restructuring.

The majority of the non-current provisions are expected to be due in 2024.

The Company has no provisions (2019: nil).

## 28. Share capital and share premium

### Ordinary shares issued and fully paid

| | Number of shares millions | Ordinary shares[1] £m | Share premium £m | Total £m |
|---|---|---|---|---|
| 1 January 2019 | 351 | 24 | 965 | 989 |
| Issue of shares to the Employee Benefit Trust | – | – | 2 | 2 |
| 31 December 2019 | 351 | 24 | 967 | 991 |
| Issue of shares to the Employee Benefit Trust | **–** | **–** | **4** | **4** |
| **31 December 2020** | **351** | **24** | **971** | **995** |

1 Ordinary shares of 6 $^{79}/_{86}$ pence

The Board approved the allotment and issue of 775,000 ordinary shares at par and a further 139,970 ordinary shares at a price of 3,111 pence to the Employee Benefit Trust (2019: 68,020 ordinary shares of par value 6 $^{79}/_{86}$ pence at 2,238 pence), to settle employee 'Save As You Earn' share plans. This generated a premium of £4 million (2019: £2 million).

As at the reporting date, the Company holds no treasury shares (2019: 1 million treasury shares). The Ordinary Share Capital of 351 million shares in the current and prior years do not include treasury shares.

## 29. Net cash flow generated from operations

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Profit before tax** | | **685** | 651 | **215** | 268 |
| **Adjustments for depreciation, amortisation and impairments:** | | | | | |
| Depreciation and amortisation | 12,13 | **372** | 369 | **–** | – |
| Impairment of software and intangible assets | 13 | **33** | 24 | **–** | – |
| Impairment of property, plant and equipment | 12 | **–** | 2 | **–** | – |
| **Adjustments for other non-cash items:** | | | | | |
| Loss on disposal of property, plant and equipment | | **1** | – | **–** | – |
| Loss on disposal of intangible assets | | **–** | 2 | **–** | – |
| Share of loss of associates | 14 | **4** | 7 | **–** | – |
| Impairment of investment in associate | 14 | **–** | – | **4** | 6 |
| Net finance expense[1] | 8 | **71** | 87 | **71** | 83 |
| Share scheme expenses | 6 | **49** | 35 | **–** | – |
| Royalties | | **1** | 1 | **–** | – |
| Movements in pensions and provisions | | **(32)** | (2) | **–** | – |
| Net foreign exchange differences | | **(6)** | (27) | **82** | (103) |
| Dividend income | 33 | **–** | – | **(583)** | (464) |
| Research and development tax credit | | **–** | (1) | **–** | – |
| Decrease/(Increase) in receivables and contract assets | | **(42)** | 203 | **(6)** | (18) |
| Increase/(decrease) in payables and contract liabilities | | **(45)** | 37 | **85** | 39 |
| **Movement in other assets and liabilities relating to operations:** | | | | | |
| Decrease/(increase) in clearing member financial assets | | **(3,635)** | 6,525 | **–** | – |
| (Decrease)/increase in clearing member financial liabilities | | **3,818** | (6,796) | **–** | – |
| Movements in derivative assets and liabilities | | **9** | (28) | **(18)** | (7) |
| **Cash generated from/(used in) operations** | | **1,283** | 1,089 | **(150)** | (196) |

1 excludes items related to pension and provisions

### Movement in financial liabilities arising from financing activities:

| | 31 December 2019 £m | Cash flows from financing activities £m | Acquisition activities £m | Foreign exchange £m | Other movements £m | 31 December 2020 £m |
|---|---|---|---|---|---|---|
| Bank borrowings | 256 | **(123)** | **(4)** | **3** | **1** | **133** |
| Trade finance loans | – | **1** | **–** | **–** | **–** | **1** |
| Bonds | 1,573 | **–** | **–** | **73** | **1** | **1,647** |
| Commercial paper | 256 | **(101)** | **–** | **15** | **–** | **170** |
| Lease liabilities | 183 | **(48)** | **–** | **1** | **53** | **189** |
| | 2,268 | **(271)** | **(4)** | **92** | **55** | **2,140** |

Other movements comprise non-cash movements relating to amortisation of arrangement fees of £2 million, new leases recognised of £49 million, interest accrued on leases of £4 million, lease modifications of £3 million and leases written of £(3) million during the year.

Acquisition activities include arrangement fees of £4 million paid on funding arrangements, which have been disclosed as arrangement fee paid within the Group's cash flows from financing activities.

| | 31 December 2018 £m | Cash flows from financing activities £m | Acquisition activities £m | Foreign exchange £m | Other movements £m | 31 December 2019 £m |
|---|---|---|---|---|---|---|
| Bank borrowings | 41 | 226 | (19) | (4) | 12 | 256 |
| Bonds | 1,892 | (250) | – | (71) | 2 | 1,573 |
| Commercial paper | 270 | – | – | (14) | – | 256 |
| Lease liabilities | 206 | (41) | 1 | (2) | 19 | 183 |
| | 2,409 | (65) | (18) | (91) | 33 | 2,268 |

Other movements comprise non-cash movements relating to amortisation of arrangement fees of £14 million, new leases recognised of £20 million and leases terminated early of £(1) million during the year.

Acquisition activities include arrangement fees of £19 million paid on funding arrangements, which have been disclosed as part of interest paid within the Group's cash flows from operating activities.

## 30. Commitments and contingencies

As at 31 December 2020, the Group had commitments of £18 million for professional fees relating to the merger with Refinitiv. The amounts were payable on the successful completion of the merger (31 December 2019: nil).

The Group has commitments of £19 million for professional fees relating to the proposed divestment of Borsa Italiana. The amounts are payable on the successful completion of the divestment (31 December 2019: nil).

As at 31 December 2020, the Group had a commitment of £8 million in relation to its investment in PrimaryBid (see note 34).

In the normal course of business, the Group and the Company receive legal claims in respect of commercial, employment and other matters. Where a claim is more likely than not to result in an economic outflow of benefits from the Group or the Company, a provision is made representing the expected cost of settling such claims.

## 31. Business combinations

**Acquisitions in the year to 31 December 2020**

There were no acquisitions in the year.

**Acquisitions in the year to 31 December 2019**

On 31 May 2019, the Group acquired 100% of Beyond Ratings, a provider of financial analysis that includes Environmental, Social and Governance criteria based in France. The consideration of £14 million (€15 million) cash was paid in two instalments during the year.

The Group has completed its fair value review of the business acquired and considers that the fair value of the assets acquired was immaterial and has therefore concluded that the total value of the consideration should be regarded as goodwill. The business is highly complementary to the Group's existing business and there is expected to be future cash flow growth from the combined business.

## 32. Share plans

The Group operates various employee share-based compensation plans. These include a performance share plan, a restricted share plan, Sharesave and an international Share Incentive Plan.

The London Stock Exchange Group Long Term Incentive Plan 2014 (LTIP), approved at the 2014 AGM, is equity settled and includes an award of Performance Shares and an award of Matching Shares linked to investment by the employee of annual bonus in the Company's shares – the latter element is not applicable to executive directors. Vesting of these awards is dependent on both market and non-market performance conditions. The performance conditions include achievement of total shareholder return (TSR) and adjusted basic earnings per share (AEPS) targets. Grants during the current year, have replaced absolute TSR as a performance measure with relative TSR. Grants in prior years, continue to be measured with reference to absolute TSR. The performance weighting for TSR was reduced from 50% to 40% for the current year. The performance weighting of the AEPS was increased for the current year from 50% to 60%. Awards are granted at nil cost to employees. The Group has not granted any Matching Share awards during the year.

Awards are granted under the Restricted Share Award Plan 2018 (RSAP) at nil cost to employees. RSAP awards are not subject to any performance conditions, other than a service condition. In the current year, such grants were small in number and typically made for the purpose of staff recruitment and retention.

Deferred bonus plan share awards (DBP) are structured as nil-cost options subject to continued employment and malus and clawback provisions. Such awards usually vest in full on the normal vesting dates.

The SAYE Option Scheme and International Sharesave Plan 2018 (SAYE) provide for grants of options over the Company's shares to employees who enter into a three year savings contract. The options are granted at 20% below fair market value on the date of grant and become exercisable three years later.

The Group also operates the International Share Incentive Plan (SIP) under which employees can buy shares in the Company monthly via salary deduction. For every four shares purchased by the employee, the Group awards them one additional share which vests after completion of a three year plan cycle (SIP Matching Share).

The Group recognises share-based payment charges for LTIP awards including RSAP and DBP awards, SAYE options and SIP Matching Shares under IFRS 2.

Vesting periods under the Company's share plans vary by plan, but are typically three years and tranche vesting may apply.

Further details on the Group's share plans are provided in the Directors' Remuneration Report on pages 98 to 119.

The Group has an employee benefit trust (EBT) to administer the share plans and to acquire shares to meet commitments to Group employees. At 31 December 2020, 487,866 shares were held by the trust (2019: 517,563). The EBT is fully funded by the Company via loans, cash gifts and issues and transfers of shares.

The Company has no employees but, in accordance with IFRS 10 'Consolidated Financial Statements', has the obligation for the assets, liabilities, income and costs of the employee benefit trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

Movements in the number of share options and awards outstanding and their weighted average exercise prices are as follows:

| | Share options | | SAYE | | LTIP[1] | | SIP Matching Shares | |
|---|---|---|---|---|---|---|---|---|
| | Number | Weighted average exercise price £ | Number | Weighted average exercise price £ | Number | Weighted average exercise price £ | Number | Weighted average exercise price £ |
| 31 December 2018 | 1,676 | 8.94 | 792,987 | 29.87 | 4,794,922 | – | – | – |
| Granted | – | – | 207,202 | 38.46 | 1,135,926 | – | – | – |
| Exercised | – | – | (195,424) | 23.01 | (1,496,293) | – | – | – |
| Lapsed/forfeited | – | – | (69,556) | 32.33 | (495,157) | – | – | – |
| 31 December 2019 | 1,676 | 8.94 | 735,209 | 33.88 | 3,939,398 | – | – | – |
| Granted | **–** | **–** | **186,015** | **56.00** | **1,024,793** | **–** | **479** | **–** |
| Exercised | **–** | **–** | **(309,198)** | **31.17** | **(1,602,880)** | **–** | **–** | **–** |
| Lapsed/forfeited | **–** | **–** | **(43,780)** | **36.16** | **(308,212)** | **–** | **(9)** | **–** |
| **31 December 2020** | **1,676** | **8.94** | **568,246** | **42.42** | **3,053,099** | **–** | **470** | **–** |
| | | | | | | | | |
| **Exercisable at:** | | | | | | | | |
| **31 December 2020** | **1,676** | **8.94** | **38,506** | **31.49** | **9,921** | **–** | **–** | **–** |
| 31 December 2019 | 1,676 | 8.94 | 11,057 | 32.59 | – | – | – | – |

1 The outstanding LTIP awards of 3,053,099 in the current year include 281,990 RSAP awards. The outstanding LTIP awards in the prior year of 3,939,398 included 255,015 RSAP awards

The weighted average share price of London Stock Exchange Group plc shares during the year was £81.75 (2019: £58.75).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Number outstanding | Weighted average remaining contractual life Years | Number outstanding | Weighted average remaining contractual life Years |
| **Share options** | | | | |
| Between £8 and £9 | **1,676** | **–** | 1,676 | – |
| **SAYE** | | | | |
| Between £30 and £50 | **386,134** | **0.9** | 735,209 | 1.4 |
| More than £50 | **182,112** | **2.4** | – | – |
| **LTIP** | | | | |
| Nil | **3,053,099** | **1.2** | 3,939,398 | 1.2 |
| SIP Matching Shares | **470** | **2.2** | – | – |
| **Total** | **3,623,491** | **1.2** | 4,676,283 | 1.2 |

The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

| | Performance Shares | | | Restricted Share Award | | | | Share Save Plan | Deferred Bonus Plan | SIP Matching Shares |
|---|---|---|---|---|---|---|---|---|---|---|
| | 22-Apr | 14-Sep | 24-Nov | 16-Mar | 22-Apr | 14-Sep | 24-Nov | 28-Apr | 16-Mar | Offer Period Jan to Dec 2020 |
| Grant date share price | £76.22 | £89.60 | £76.16 | £63.12 | £76.22 | £89.60 | £76.16 | £74.88 | £63.12 | £63.12 to £91.50 |
| Expected life | 3 years | 3 years | 3.4 years | 1 year to 3 years | 0.9 year to 4.9 years | 0.5 year to 3.5 years | 1.8 years to 3.8 years | 3.3 years | 2 years to 3 years | 2.21 years to 3.12 years |
| Exercise price | nil | nil | nil | nil | nil | nil | nil | £56.00 to £58.09 | nil | nil |
| Dividend yield | 1.1% | 0.9% | 1.0% | 1.1% | 1.1% | 0.9% | 1.0% | 1.2% | n.a. | 0.76% to 1.11% |
| Risk-free interest rate | 0.1% | -0.1% | 0.0% | 0.09% to 0.11% | 0.11% to 0.21% | -0.11% to 0.03% | -0.02% to 0% | 0.1% | 0.09% to 0.10% | n.a. |
| Volatility | 26% | 27% | 27% | 23.7% to 32.1% | 25.8% to 38.5% | 25.8% to 41.2% | 26.0% to 33.1% | 25% | 26.6% to 23.7% | n.a. |
| Fair value | n.a. | n.a. | n.a. | £61.05 to £62.42 | £72.15 to £75.46 | £86.76 to £89.19 | £0.96 to £0.97 | £20.18 to £21.45 | £63.12 | £78.33[1] |
| Fair value TSR | £65.64 | £76.80 | £29.64 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Fair value EPS | £73.71 | £87.16 | £74.01 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

1 Represents weighted average fair value (£) for the offer period

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a Total Shareholder Return pricing model which incorporates TSR and EPS performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black-Scholes model was used.

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical 3-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

## 33. Transactions with related parties

### Key management personnel

Key management personnel comprises the Executive Directors, Group Chair and Executive Committee, who have authority for planning directing and controlling the activities of the Group.

Compensation for key management personnel was as follows:

| | 2020 £m | 2019 £m |
|---|---|---|
| Salaries and other benefits | 16 | 11 |
| Pensions | 1 | 1 |
| Share-based payments | 17 | 12 |
| **Total compensation** | **34** | **24** |

Key management compensation relates to the Executive Directors, Group Chair and Executive Committee, who have authority for planning directing and controlling the Group.

### Other directors' interests

One director of the Company has a 33.8% (2019: 40.5%) equity interest in Quantile Group Limited (QGL) which as a group is an approved compression service provider for the Group's LCH Limited and London Stock Exchange plc subsidiaries. The Group operated a commercial arrangement with Quantile Technologies Limited (a subsidiary of QGL) and all transactions were carried out on an arm's length basis. During the year the Group recognised income of £0.1 million as part of the agreement (2019: income £0.5 million; expenses £0.4 million).

### Inter-company transactions with subsidiary undertakings

The Company has unsecured loans with subsidiary undertakings. Details of the loans outstanding as at 31 December 2020 are shown below:

| Loan counterparty | Amount (owed to)/due from 2020 | 2019 | Term | Interest rate | Interest (charge)/credit 2020 | 2019 |
|---|---|---|---|---|---|---|
| London Stock Exchange plc | **£(209)m** | £(203)m | 25 years from May 2006 with five equal annual repayments commencing in May 2027. | LIBOR plus 2% per annum | **£(6)m** | £(6)m |
| London Stock Exchange Employee Benefit Trust | **£45m** | £41m | Repayable on demand. | Non-interest bearing | **–** | – |
| London Stock Exchange Group Holdings (Italy) Limited | **€(202)m** | €(206)m | Fifth anniversary of the initial utilisation date which was April 2018. | EURIBOR plus 1.5% per annum | **€(2)m** | €(2)m |
| London Stock Exchange Group Holdings Limited | **£175m** | £272m | Fifth anniversary of the initial utilisation date which was October 2019. | LIBOR plus 1.5% per annum | **£4m** | £9m |
| London Stock Exchange Reg Holdings Limited | **£15m** | £24m | Fifth anniversary of the initial utilisation date which was July 2018. | LIBOR plus 1.2% per annum | **–** | – |
| London Stock Exchange (C) Limited | **–** | €(40)m | Fifth anniversary of the initial utilisation date which was May 2017. | EURIBOR plus 1.5% per annum | **–** | – |
| London Stock Exchange Group Holdings (Luxembourg) Ltd | **US$(418)m** | US$(227)m | Fifth anniversary of the initial utilisation date which was November 2019. | LIBOR plus 1.5% per annum | **US$(6)m** | US$(2)m |
| LSEG Employment Services Limited | **£71m** | £34m | Fifth anniversary of the initial utilisation date which was April 2020. | LIBOR plus 1.2% per annum | **£1m** | £1m |
| London Stock Exchange Group (Services) Limited | **£217m** | £197m | Fifth anniversary of the initial utilisation date which was January 2016. | LIBOR plus 0.9% per annum | **£2m** | £3m |

During the year, the Company charged its subsidiaries the following amounts in respect of employee share scheme expenses:

| Subsidiary company or group | 2020 £m | 2019 £m |
|---|---|---|
| LSEG Employment Services Limited | **16** | 10 |
| LCH group | **9** | 6 |
| London Stock Exchange Group Holdings Italia SpA | **5** | 4 |
| FTSE group | **4** | 4 |
| London Stock Exchange Group Holdings Inc | **7** | 5 |
| London Stock Exchange plc | **6** | 4 |
| Other | **2** | 2 |

During the year the Company received the following dividends:

| Subsidiary company | 2020 £m | 2019 £m |
|---|---|---|
| LSEGH (Luxembourg) Ltd | **55** | 60 |
| London Stock Exchange Group Holdings (Italy) Ltd | **123** | 31 |
| London Stock Exchange Group Holdings Ltd | **45** | 155 |
| London Stock Exchange plc | **193** | 218 |
| London Stock Exchange (C) Ltd | **167** | – |

The Company recognised £11 million other income (2019: £7 million) and £58 million operating expenses (2019: £72 million) with subsidiary companies in corporate recharges during the year.

At 31 December 2020, the Company had £88 million (2019: £25 million) other receivables due from subsidiary companies and other payables of £68 million (2019: £78 million) owed to subsidiary companies.

### Transactions with associates

In the year ended 31 December 2020, the Group recognised £3 million revenue (2019: £1 million) from its associates and as at 31 December 2020, the Group had £3 million receivable from its associates (2019: £1 million).

All transactions with subsidiaries and associates were carried out on an arm's length basis.

# Notes to the financial statements continued

**34. Events after the reporting period**

Business combination after the reporting date

On the 29 January 2021, the Group completed the acquisition of Refinitiv Parent Limited (Refinitiv Parent), a company incorporated in the Cayman Islands and headquartered in London and New York. Refinitiv is a leading global provider of market and financial data and infrastructure, delivering data, insight and analytics tailored to strategic workflows.

Refinitiv Parent holds an approximate 52% economic interest in Tradeweb Markets Inc. and its subsidiaries. Tradeweb Markets Inc. (Tradeweb) is a Delaware company and the holding company of Tradeweb Markets LLC, which offers electronic marketplaces for trading fixed income, derivatives, money market and equity products. Tradeweb operates as a standalone, publicly listed entity.

Under the terms of the Stock Purchase Agreement, LSEG plc (directly and through certain wholly owned subsidiaries) acquired the entire issued share capital of Refinitiv Parent and, in exchange, LSEG plc issued 204,225,968 shares (comprising 136,870,442 listed LSEG ordinary shares; and 67,355,526 unlisted LSEG limited-voting ordinary shares). The limited-voting ordinary shares rank pari passu with the LSEG ordinary shares. Based on LSEG plc's issued share capital as at completion, the total shares amounted to an economic interest in LSEG plc of approximately 37%; and less than 30% of the total voting rights in LSEG plc.

Of the total number of shares issued, 179,610,123 shares were issued on 29 January 2021 and the remaining 24,615,845 shares were issued on 1 March 2021. Assuming an equivalent value for each listed LSEG ordinary share and each unlisted LSEG limited-voting ordinary share, upon issue, the total value of the shares was £17.5 billion[1].

On completion, the Group refinanced Refinitiv third-party debt by drawing down $9.936 billion and €3.629 billion under the Bridge Facility, term loan, and the new and amended multi-currency revolving credit facilities. Further details of the facilities are provided in note 25.

The acquisition of Refinitiv is a transformational transaction, strategically and financially, and positions the Group for long-term sustainable growth. Refinitiv brings highly complementary capabilities in data, analytics and capital markets.

The combination of LSEG and Refinitiv will deliver significant benefits for customers, and in particular to:

- transform LSEG's position and create a global financial markets infrastructure leader of the future;
- strengthen LSEG's global footprint and accelerate its successful growth strategy across multiple key financial centres and jurisdictions, including in North America (the world's largest financial market), Asia and fast-growing emerging markets;
- significantly enhance LSEG's customer proposition in data and analytics, utilising the Combined Business' intellectual property to offer innovative new services;
- complement LSEG's existing multi-asset class growth strategy to create a global multi-asset class capital markets business with the addition of high-growth foreign exchange and fixed income venues; and
- deepen and expand LSEG's and Refinitiv's shared core principles of open access and customer partnership.

The Group is currently completing the steps in applying the acquisition method in terms of IFRS 3 Business Combinations, to determine what is part of the business combination transaction, to recognise and measure the identified net assets acquired and non-controlling interests; and to determine the consideration transferred.

However, given the size of the transaction and the short period of time between the completion and the date when the Annual Report is authorised for issue, the Group is unable to reasonably estimate and determine the:

- fair value of the consideration transferred;
- fair value of the net assets acquired;
- non-controlling interests in Refinitiv; and
- resulting goodwill.

As part of the fair value exercise the Group will consider the recognition criteria in terms of IFRS 3 and may identify the following classes of purchased intangible assets:

- Customer contracts and relationships;
- Technology – acquired software;
- Technology – internally developed;
- Databases and content;
- Licences; and
- Trade names.

The Group has 12 months from the date of acquisition to complete the valuation exercise.

**Disposal after the reporting date**

As a result of the completion of the Refinitiv acquisition, the disposal of the Italian Group for €4.325 billion (£3.9 billion) is expected to complete in the first half of 2021. The Italian Group will represent a disposal group and a discontinued operation within the Group's Interim results.

**Other investments**

The Group invested a further £5 million in PrimaryBid on 3 February 2021 as part of its commitment to invest a total of £10 million in the company.

1 Calculated by reference to the opening share price of LSEG ordinary shares on 29 January 2021 (£83.94) and 1 March 2021 (£96.90)

### 35. Other statutory information

Auditors' remuneration payable to Ernst and Young LLP and its associates comprise the following:

| | 2020 £m | 2019 £m |
|---|---|---|
| Audit of parent and consolidated financial statements | 2 | 1 |
| Audit of subsidiary companies | 3 | 3 |
| Non-audit services | – | 1 |
| **Total** | **5** | 5 |

Ernst and Young LLP provided non-audit services of £0.4 million; 8% of total fees (2019: £0.4 million; 8% of total fees). This comprised of audit related assurance services of £0.3 million (2019: £0.3 million) and other non-audit services of £0.1 million (2019: £0.1 million).

During the year, one Director (2019: one) had retirement benefits accruing under a defined benefit scheme.

Further details of the services provided by Ernst and Young LLP are given in the Report of the Audit Committee on pages 91 to 95.

Full details of Directors' emoluments are included in the Remuneration Report on pages 98 to 119.

**Related undertakings**

A list of the Group's subsidiaries as at 31 December 2020 is given below including the percentage of each class held and the Group's ownership percentages.

The share ownership percentage records the percentage of each subsidiary's share capital owned within the LSEG Group. Shares owned directly by LSEG plc are listed as being a 'direct' shareholding, shares owned by other LSEG Group companies are listed as an 'indirect' shareholding. Where more than one LSEG Group company owns shares in a subsidiary these interests have been added together. The ultimate economic interest percentage on the other hand does not show actual share ownership. It records LSEG plc's effective interest in the subsidiary, allowing for situations where subsidiaries are owned by partly owned intermediate subsidiaries.

All subsidiaries are consolidated in the Group's financial statements.

On 29 January 2021, the all share acquisition of Refinitiv was completed. A list of the Combined Group's subsidiaries will be provided in the 2021 Annual Report.

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| Banque Centrale de Compensation SA (LCH SA) | France | 18 Rue du Quatre-Septembre, 75002, Paris, France | Ordinary | Indirect | 88.91 | 73.45 |
| Beyond Ratings | France | 18 Rue du Quatre-Septembre, 75002, Paris, France | Ordinary | Indirect | 100.00 | 100.00 |
| BIt Market Services S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 99.99 | 99.99 |
| Bondclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| Borsa Italiana S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 99.99 | 99.99 |
| Cassa Di Compensazione e Garanzia S.p.A. (CC&G) | Italy | Via Tomacelli 146, 00186 Rome, Italy | Ordinary | Indirect | 100.00 | 99.99 |
| CommodityClear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| Elite Americas LLC | United States | c/o United Agent Group Inc., 3411 Silverside Road, Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect | 100.00 | 74.99 |
| Elite Club Deal Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 74.99 |
| Elite S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 75.00 | 74.99 |
| Elite SIM S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 100.00 | 74.99 |
| EquityClear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| EuroMTS Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 62.52 |
| ForexClear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| Frank Russell Company | United States | c/o United Agent Group Inc., West 505 Riverside Avenue #500, Spokane, Spokane County, WA, 99201, United States | Common | Indirect | 100.00 | 100.00 |
| FTSE (Australia) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE (Beijing) Consulting Limited | China | Room 02D-H, 6/F Dongwai Diplomatic Building, 23 Dongzhimenwai Dajie, Beijing, China | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE (Japan) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE Americas, Inc. | United States | c/o United Agent Group Inc., 15 North Mill Street, Nyack, Rockland County, NY, 10960, United States | Ordinary | Indirect | 100.00 | 100.00 |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| FTSE China Index Ltd | Hong Kong | Suite 1106-8<br>11/F Tai Yau Building<br>No.181 Johnston Road<br>Wanchai, Hong Kong | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE Fixed Income LLC | Unites States | c/o United Agent Group Inc.,<br>3411 Silverside Road Tatnall Building<br>#104, Wilmington, New Castle County,<br>DE, 19810, United States | Member Interest | Indirect | 100.00 | 100.00 |
| FTSE Global Debt Capital Markets Inc. | Canada | c/o Miller Thomson LLP,<br>40 King Street West, Suite 5800,<br>Toronto, ON, M5H 3S1, Canada | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE Global Debt Capital Markets Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International (France) Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International (Hong Kong) Limited | Hong Kong | Suite 1106-8<br>11/F Tai Yau Building<br>No.181 Johnston Road<br>Wanchai, Hong Kong | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International (Italy) Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International (MEA) Ltd | United Arab Emirates | Unit 15501, Level 15, Gate Building,<br>DIFC, PO Box 121208,<br>Dubai, United Arab Emirates | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International Brasil Representacoes LTDA | Brazil | Edificio Argentina, Praia de Botafogo<br>228, 16 andar, Sala1617,<br>Rio de Janeiro, Brazil | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International Taiwan Limited | Taiwan | 12F, No. 100, Song Jen Road,<br>Xinyl District, Taipei 110, Taiwan | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE Italy S.p.A. | Italy | Piazza degli Affari 6, 20123,<br>Milano, Lombardia, Italy | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE Mexico Sociedad de Responsabilidad Limitada de Capital Variable | Mexico | Paseo de los Tamarindos 400ª,<br>5 piso, Col. Bosques de las Lomas,<br>Mexico City, C.P. 05120, Mexico | Ordinary | Indirect | 100.00 | 100.00 |
| Gatelab Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| Gatelab S.r.l. | Italy | Via dei Pentri, 161, 86170,<br>Isernia, Italy | Ordinary | Indirect | 100.00 | 100.00 |
| globeSettle S.a.r.l. | Luxembourg | 1 Boulevard de la Foire,<br>L-1528, Luxembourg | Ordinary | Indirect | 100.00 | 100.00 |
| International Commodities Clearing House Limited | England and Wales | Aldgate House,<br>33 Aldgate High Street,<br>London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| Intrinsic Research Systems Inc. | United States | c/o United Agent Group Inc.,<br>3411 Silverside Road Tatnall Building<br>#104, Wilmington, New Castle County,<br>DE, 19810, United States | Ordinary A | Indirect | 100.00 | 100.00 |
| | | | Ordinary B | Indirect | 100.00 | 100.00 |
| LCH Limited | England and Wales | Aldgate House,<br>33 Aldgate High Street,<br>London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| LCH Group Holdings Limited | England and Wales | Aldgate House,<br>33 Aldgate High Street,<br>London, England, EC3N 1EA | Ordinary (Voting) | Indirect | 82.61 | 82.61 |
| LCH.Clearnet LLC | United States | c/o United Agent Group Inc.,<br>3411 Silverside Road Tatnall Building<br>#104, Wilmington, New Castle County,<br>Delaware, 19810, United States | Member units | Indirect | 100.00 | 82.61 |
| LCH.Clearnet Group Limited | England and Wales | Aldgate House,<br>33 Aldgate High Street,<br>London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| LCH Pensions Limited | England and Wales | Aldgate House,<br>33 Aldgate High Street,<br>London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| London Stock Exchange (C) Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | £ Ordinary | Direct | 100.00 | 100.00 |
| | | | € Ordinary | Direct | 100.00 | |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| London Stock Exchange Connectivity Solutions LP | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Partnership | Indirect | 100.00 | 100.00 |
| London Stock Exchange Group (Services) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| London Stock Exchange Group Holdings (Italy) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| London Stock Exchange Group Holdings (R) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| London Stock Exchange Group Holdings Italia S.p.A | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 100.00 | 100.00 |
| London Stock Exchange Group Holdings Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| London Stock Exchange LEI Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| London Stock Exchange Plc | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| London Stock Exchange Reg Holdings Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| LSEG (F) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG F1 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 9.10 | 100.00 |
| | | | | Indirect | 90.90 | |
| LSEG F2 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG F3 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG HK Financing Limited | Hong Kong | Suite 1106-8 11/F Tai Yau Building No.181 Johnston Road Wanchai, Hong Kong | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG (M) Financing Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Business Services Colombo (Private) Limited | Sri Lanka | Trace Expert City, Maradana, Colombo 10, Sri Lanka | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Business Services Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG (ELT) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Business Services RM S.R.L | Romania | 6F Iuliu Maniu Blvd, Building 6.1, 3rd – 4th floor, District 6, Bucharest, Romania | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Employment Services Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Financing Corporation | United States | c/o United Agent Group Inc., 3411 Silverside Road, Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Financing LLC | United States | c/o United Agent Group Inc., 3411 Silverside Road, Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member interest | Indirect | 100.00 | 100.00 |
| LSEG Information Services (US), Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Ireland Limited | Ireland | 10 Earlsfort Terrace Dublin, D02 T380, Ireland | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Ireland 2 Limited | Ireland | 1 Stokes Place, St Stephen's Green, Dublin, D02 DE03, Ireland | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Ireland 3 Limited | Ireland | 1 Stokes Place, St Stephen's Green, Dublin, D02 DE03, Ireland | Ordinary | Indirect | 100.00 | 100.00 |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| LSEG LuxCo 1 S.a.r.l | Luxembourg | 1 Boulevard de la Foire, L-1528, Luxembourg | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG LuxCo 2 S.a.r.l | Luxembourg | 1 Boulevard de la Foire, L-1528, Luxembourg | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Malaysia Sdn. Bhd. | Malaysia | Level 19-1, Menara Milenium Jalan Damanlela, Pusat Bandar Damansara, W.P. Kuala Lumpur, 50490, Malaysia | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Pension Trustees Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Technology Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG US Holdco, Inc | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Direct | 100.00 | 100.00 |
| LSEGA Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| LSEGA2 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| LSEGA Financing plc | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| LSEGA Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Direct | 100.00 | 100.00 |
| LSEGA Jersey Limited | Jersey | 47 Esplanade, St Helier, JE1 0BD, Jersey | Ordinary | Direct | 100.00 | 100.00 |
| LSEG Netherlands B.V. | Netherlands | Keizersgracht 679, Amsterdam, 1017DV, Netherlands | Ordinary | Direct | 100.00 | 100.00 |
| LSEGH (I) LLC | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 100.00 |
| LSEGH (Luxembourg) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| LSEGH Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 100.00 |
| LSEGH US PT, Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Direct | 100.00 | 100.00 |
| LUH Financing Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Limited by guarantee | Indirect | 100.00 | 100.00 |
| Marché de Titres France (MTS France) | France | 18 Rue du Quatre-Septembre, 75002, Paris, France | Ordinary | Indirect | 100.00 | 62.52 |
| Mergent Japan K.K. | Japan | Otemachi First Square East Tower 11F, 1-5-1 Otemachi, Chiyoda-ku, Tokyo, 100-0004 | Ordinary | Indirect | 100.00 | 100.00 |
| Mergent, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 100.00 |
| Millennium Information Technologies (India) (Private) Limited | India | 83-C, Mittal Tower, Nariman Point, Mumbai 400 021, India | Ordinary | Indirect | 100.00 | 100.00 |
| Millennium IT (USA) Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Indirect | 100.00 | 100.00 |
| Millennium IT Services (Private) Limited | Sri Lanka | 65/2, Sir Chittampalam A Gardiner Mawatha, Colombo 02, Sri Lanka | Ordinary | Indirect | 100.00 | 100.00 |
| Millennium IT Software (Canada) Inc. | Canada | Suite 2400, 333 Bay Street, Toronto, Ontario, Canada | Common | Indirect | 100.00 | 100.00 |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| Millennium IT Software (Private) Limited | Sri Lanka | No.01 Millennium Drive, Malabe, Sri Lanka | Ordinary | Indirect | 100.00 | 100.00 |
| Monte Titoli S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 98.89 | 98.88 |
| MTS S.p.A. | Italy | Via Tomacelli, 146, 00186, Rome, Italy | Ordinary | Indirect | 62.53 | 62.52 |
| MTS Markets International Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 62.52 |
| MTSNext Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| Repoclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| SSC Global Business Services Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| Stock Exchange (Holdings) Limited (The) | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| SwapAgent Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| Swapclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| The London Clearing House Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| The London Produce Clearing House Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| The London Stock Exchange Retirement Plan Trustee Company Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| The Yield Book, Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Indirect | 100.00 | 100.00 |
| Turquoise Global Holdings Europe B.V. | Netherlands | Suite 108, Nieuwezijds Voorburgwal 162, Amsterdam, 1012 SJ, Netherlands | Ordinary | Indirect | 100.00 | 51.36 |
| Turquoise Global Holdings Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary A | Indirect | 100.00 | 51.36 |
| | | | Ordinary B | – | – | – |
| Turquoise Global Holdings US, Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 51.36 |
| UK LSEG Financing Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| UK LSEG Financing 1 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| Unavista Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| UnaVista TRADEcho B.V. | Netherlands | Suite 108, Nieuwezijds Voorburgwal 162, Amsterdam, 1012 SJ, Netherlands | Ordinary | Indirect | 100.00 | 100.00 |
| Yield Book Software BRE LLC | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect | 100.00 | 100.00 |
| Yield Book Tangible Property BRE LLC | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect | 100.00 | 100.00 |

The Group's associate undertakings are:

| Associate name | Country of incorporation | Registered office address | Identity of each class of share held in the associate undertaking | Direct or indirect holding | Share ownership % held by the investing company | Group ultimate economic interest % |
|---|---|---|---|---|---|---|
| AcadiaSoft, Inc. | United States | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, 19801 United States | Convertible Preferred | Indirect | 15.67 | 15.67 |
| Curve Global Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary A | Direct | 43.99 | 43.71 |
| | | | Ordinary B | Direct | 46.01 | |
| | | | Ordinary C | – | – | |
| MTS Associated Markets S.A. | Belgium | Rue des Comédiens 16-22, 1000 Brussels, Belgium | Ordinary | Indirect | 23.30 | 14.57 |
| The Hub Exchange Limited | England and Wales | 843 Finchley Road, London, England, NW11 8NA | Ordinary | Indirect | 30.03 | 22.52 |

The Group has significant influence over AcadiaSoft, Inc. due to its right to appoint three of the company's directors.

All associates have the same year end as the Group, with the exception of The Hub Exchange Limited which has a 31 January year end.

# Glossary

**AIM**
The Group's market for smaller and growing companies established in London and in Italy as AIM Italia

**Beyond Ratings**
LSEG completed the acquisition of Beyond Ratings in 2019. Beyond Ratings is a provider of ESG data and analytics for fixed income investors

**Borsa Italiana**
(BIt) Borsa Italiana S.p.A., the Italian exchange business. Borsa Italiana is included in the expected divestment of the Borsa Italiana Group

**Borsa Italiana Group**
Includes Borsa Italiana, CC&G. Monte Titoli, MTS and ELITE. The Borsa Italiana Group is expected to be divested to Euronext N.V. in H1 2021

**Bridge Facility**
A syndicated, committed, term facility agreement comprising of US$9.325 billion and €3.58 billion. On 16 December 2020, the Bridge Facility was reduced in an amount of US$2 billion and €500 million, and drawn at completion of the Refinitiv acquisition

**CAGR**
Compound annual growth rate

**New Group**
Combination of stand-alone LSEG and Refinitiv following completion of the Refinitiv acqusition, which took place on 29 January 2021

**CCP**
Central Counterparty – stands between two parties to a trade to eliminate counterparty risk by ensuring that settlement takes place

**CC&G**
Cassa di Compensazione e Garanzia S.p.A., the Group's Italian subsidiary which manages the Italian CCP for equity, derivative, commodity and fixed income trades. CC&G is included in the expected divestment of the Borsa Italiana Group in H1 2021

**CDSClear**
LCH's over-the-counter credit default swap (CDS) clearing service

**Central Securities Depository (CSD)**
An entity that enables securities to be processed, settled and held in custody

**Central Securities Depositories Regulation (CSDR)**
EU regulations framework to harmonise CSD operations

**Company or LSEG or London Stock Exchange Group**
London Stock Exchange Group plc and its subsidiaries

**CurveGlobal**
An interest rate derivatives venture between LSEG and a number of major dealer banks together with Cboe

**COP26**
The 2021 United Nations Climate Change Conference, also known as COP26, is the 26th United Nations Climate Change conference. It is scheduled to be held in the UK, in November 2021

**Dark Pool**
Electronic trading networks developed by regulated venues such as Regulated Markets, MTFs and by OTC broker dealers to enable the matching of orders between buyers and sellers without pre-trade transparency (non-displayed) until the trade is complete

**Depositary Receipts/Global Depositary Receipts (GDR)**
Tradable certificates representing ownership of a number of underlying shares, mainly for companies in developing or emerging markets

**Derivatives**
Tradable financial instruments whose value is determined by the value of underlying instruments; this could be equity, an index, a commodity or any other tradable instrument

Exchange traded derivatives (ETD)
Listed derivatives traded on an electronic trading venue such as an exchange and cleared through a clearing house

Over the counter (OTC)
Derivatives are negotiated privately between two parties and may be cleared through a clearing house EBITDA Earnings before interest, tax, depreciation and amortisation

**Derivatives Trading Obligation (DTO)**
The obligation set out in Article 23 of MiFIR, applicable to EU investment firms, to ensure the derivative trades the firm undertakes to trade on a regulated market or traded on a trading venue shall take place on a regulated market, MTF or systematic internaliser, or a third-country trading venue assessed as equivalent, unless certain limited circumstances apply

**Double Volume Cap**
The European Union's (EU) Markets in Financial Instruments Regulation (MiFIR) includes a provision known as the "Double Volume Cap" or "DVC" as a mechanism for protecting the price formation process in equity financial instruments by limiting the level of "dark" trading on trading venues

**EGBI**
FTSE Russell's European Government Bond Index which measures performance of fixed rate local currency investment grade sovereign bonds

**European Market Infrastructure Regulation (EMIR)**
European legislation on regulation of clearing of derivatives, and the operation and governance of CCPs and trade repositories

**European Benchmark Regulation (EU BMR)**
European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds It applied from 1 January 2018

**EU Consolidated Tape**
A consolidated tape is an electronic system which combines sales volume and price data from different exchanges and certain broker-dealers. It consolidates these into a continuous live feed, providing summarised data by security across all markets. ESMA recommends the establishment of a European Union (EU) wide real-time consolidated tape for equity instruments.

**ESMA**
The European Securities and Markets Authority (ESMA), the EU securities markets regulator

**ELITE**
An international programme and platform to help ambitious companies prepare and structure for further growth and investment. ELITE is included in the expected divestment of the Borsa Italiana Group in H1 2021

**ESOP**
Employee Share Option Plan

**ETP**
Exchange traded products including ETFs

**Exchange Traded Fund (ETF)**
Low-cost and flexible investments that track indices and sectors

**Fintech**
Financial technology

**SORA**
The three-month compounded Singapore Overnight Rate Average (SORA).

**FCA**
Financial Conduct Authority, the current regulator of conduct of providers of financial services in the UK and of UK trading venues such as Recognised Investment Exchanges (RIEs) and MTFs

**ForexClear**
LCH's over-the-counter foreign exchange clearing service

**FTSE Russell**
FTSE International Limited and its subsidiaries, the Group subsidiary that is a leading global provider of index and analytics solutions

**Global Equity Segment (GES)**
Segment of London Stock Exchange Main Market that allows trading in international companies on LSE during London trading hours

**Green Economy Mark**
Mark recognising equity issuers on London Stock Exchange with 50% or more green revenues

**Group**
The Company and its Group undertakings

**Group undertakings**
Group undertakings shall be construed in accordance with section 1161 of the Companies Act 2006 and, in relation to the Company

**International Central Securities Depository (ICSD)**
An entity that enables international securities to be processed, settled and held in custody

**IDEM**
The Group's Italian Derivatives Market, trading contracts based on equities and related indices

**IOB**
International Order Book – the Group's electronic trading service for international securities

**IPO**
Initial Public Offering – the process whereby companies join our markets and raise capital for the first time

**KYC**
Know your customer screening

**LCH or LCH Group**
LCH Group Limited and its subsidiaries, the Group's 82.6% owned global clearing and risk management business

**Legal Entity Identifiers (LEI)**
The Legal Entity Identifier (LEI) initiative is designed to create a global reference data system that uniquely identifies every legal entity or structure, in any jurisdiction, that is party to a financial transaction

**Lipper**
Lipper provides global, independent fund performance data in a precise, granular fund classification system, and includes mutual funds, closed-end funds (CEFs), exchange-traded funds (ETFs), hedge funds, domestic retirement funds, pension funds, and insurance products

**LSE**
London Stock Exchange plc

**LSEG**
London Stock Exchange Group plc

**LSEG Business Services Limited (BSL)**
Our shared services company providing a range of technology and corporate functions Group-wide

**Main Market**
The market for companies which have been admitted to trading on the London Stock Exchange's principal market; and in Italy, the market for companies listed on Borsa Italiana's principal MTA market

**Mergent Inc.**
LSEG completed the acquisition of Mergent Inc., a provider of business and financial data on public and private companies, in January 2017 and has been integrated within FTSE Russell

**MiFID or Markets in Financial Instruments Directive**
EU Directive introduced in November 2007 to harmonise cross-border trading of equities, providing greater choice of trading venues

**MiFID II**
The revised MiFID and the accompanying Markets in Financial Instruments Regulation – better known as MiFID II and MiFIR – came into effect across all EU member states from January 2018. MiFID II is intended to build on the achievements of MiFID I, with the aim of making financial markets more open, efficient, resilient and transparent

**MCCP**
LSEG Technology's post trade platform for LCH's EquityClear service. The platform is designed to be scalable, highly efficient and resilient. Implemented in 2020

**Monte Titoli**
Monte Titoli S.p.A., the Group's Italian Central Securities Depository and settlement provider. Monte Titoli is included in the expected divestment of the Borsa Italiana Group in H1 2021

**MOT**
Mercato Obbligazionario Telematico is the Group's Italian retail bond trading platform

**MTS**
MTS S.pA., the Group's 62.53% subsidiary which owns and operates an electronic trading platform for European and US fixed income securities. MTS is included in the expected divestment of the Borsa Italiana Group in H1 2021

**Multilateral Trading Facility (MTF)**
Alternative electronic trading systems as categorised under MiFID

**Non-Executive Director (NED)**
A Non-Executive Director (NED) is a member of the Board, who is not part of the company's executive management team

**ORB**
The Group's UK Order Book for Retail Bonds

**OTC**
Over-the-counter trades in financial instruments executed outside a Regulated Market or MTF – see also Derivatives

**PrimaryBid**
A technology platform which connects retail investors with listed companies raising capital, which LSEG made a minority investment in during 2020

**Primary Market**
The listing of securities for the first time via an IPO or introduction of existing securities

**Prospectus**
LSEG published a shareholder prospectus on 9 December 2020, ahead of the Refinitiv transaction completion and readmission of the new LSEG to trading on London Stock Exchange's main market

**Refinitiv**
Refinitiv is a global provider of financial market data and infrastructure. The company was founded in 2018. It is a subsidiary of London Stock Exchange Group as of 29 January 2021

**Refinitiv transaction / acquisition**
The all-share acquisition of Refinitiv by London Stock Exchange Group plc, completed on 29 January 2021

**Regulated Market**
A multilateral system which brings together multiple third party buying and selling in financial instruments in accordance with rules, authorised under provisions of MiFID

**Relationship Agreement**
The relationship agreement effective 29 January 2021 between the Company, York Parent Limited, York Holdings II Limited, York Holdings III Limited and BCP York Holdings (Delaware) L.P. which governs the relationship between the parties following completion of the Refinitiv acquisition. Further information on the Relationship Agreement can be found at pages 65–70 of the shareholder prospectus dated 9 December 2020 and available on the LSEG website

**Repo**
Repurchase Agreement – the process of borrowing money by combining the sale and subsequent repurchase of an asset, traded through MTS and cleared through CC&G or LCH

**RNS**
Regulatory News Service, the Group's Primary Information Provider, for dissemination of regulatory and non-regulatory news to the market

**Secondary Market**
The public market on which securities once issued are traded

**SEDOL**
The Group's securities identification service

**Share Trading Obligation (STO)**
The obligation set out in Article 23 of MiFIR, applicable to EU investment firms, to ensure the trades the firm undertakes in shares admitted to trading on a regulated market or traded on a trading venue shall take place on a regulated market, MTF or systematic internaliser, or a third-country trading venue assessed as equivalent, unless certain limited circumstances apply

**SETS**
The electronic order book operated by the London Stock Exchange for the trading of the most liquid securities

**Smart Beta (also known as Factor indices)**
An alternative index-based methodology that seeks to enhance portfolio returns or reduce portfolio risk, or both. Smart beta indices have rules-based strategies designed to provide focused exposure to specific factors, market segments or investment strategies. These may include volatility indices, defensive and high dividend yield indices, or a combination of fundamentals

**StarMine**
StarMine is an analyst revisions stock ranking model that is designed to predict future changes in analyst sentiment

**Sustainable Bond Market (SBM)**
A dedicated segment of London Stock Exchange for social and sustainable bonds

**SwapAgent**
LCH's service designed to simplify the processing, margining and settlement of non-cleared derivatives

**SwapClear**
LCH's over-the-counter interest rate swap clearing service

**TARGET2-Securities (T2S)**
Initiative led by the European Central Bank to provide a platform for settlement of bonds and equities traded in the Eurozone

**Temporary Recognition Regime (TRR)**
Regime of Bank of England which allows EU domiciled CCPs to continue to offer clearing services and activities in the UK until at least the end of 2023

**The Yield Book**
The Yield Book provides fixed income analytics that enables market makers and institutional investors to perform portfolio analysis and risk management. LSEG acquired The Yield Book in August 2017 and incorporated it within FTSE Russell

**Turquoise**
Turquoise Global Holdings Limited, the Group's 51.36% owned pan-European MTF equity trading subsidiary, a venture between the Group and 12 global investment bank clients

**UnaVista**
The Group's web-based matching, reconciliation and data integration engine that provides matching of post trade data in a simple, automated process and the Trade Repository approved by ESMA under EMIR

# Investor Relations

## Shareholder services

### Equiniti registrars Shareview services

Shareholders who hold London Stock Exchange Group shares in certificated form or within an Equiniti Investment Account or ISA can access Shareview. Shareview is a free service provided by our registrars, Equiniti. It may be accessed through the internet at: **www.shareview.co.uk**.

By creating a Shareview portfolio, shareholders will gain online access to information about their London Stock Exchange Group shares and other investments including:

- Direct access to information held for you on the share register including share movements
- A daily indicative valuation of all investments held in your portfolio
- A range of information and practical help for shareholders

To register at Shareview shareholders will need their shareholder reference (which can be found on your share certificate) and they will be asked to select their own personal identification number. A user ID will then be posted to them.

If shareholders have any problems in registering their portfolio for the Shareview service, contact Equiniti on 0371 384 2544. For calls from outside the UK, contact Equiniti on +44 (0)121 415 7047.

### Group's share price service

To obtain share price information for London Stock Exchange Group plc, see our website at: **www.lseg.com**.

By clicking on the Investor Relations tab, you will find the Company's share price, historical closing prices and volumes and an interactive share price graph.

### Substantial Shareholders

As at 5 March 2021 the Company had been informed of the following notifiable voting rights in the issued share capital of the Company in accordance with DTR 5 of the FCA's Disclosure Guidance and Transparency Rules:

| | |
|---|---|
| York Holdings II Limited | 17.11% |
| Qatar Investment Authority | 7.59% |
| York Holdings III Limited | 6.92% |
| The Capital Group Companies, Inc. | 6.81% |
| BCP York Holdings (Delaware) L.P. | 4.97% |
| Lindsell Train Limited | 4.40% |

### Financial calendar (provisional)

| | |
|---|---|
| Preliminary Results (for year ending 31 December 2020) | 05 March 2021 |
| AGM | 28 April 2021 |
| Q1 Trading Statement (revenues only) | 28 April 2021 |
| Ex dividend date for final dividend | 29 April 2021 |
| Final dividend record date | 30 April 2021 |
| Final dividend payment | 26 May 2021 |
| Half year end | 30 June 2021 |
| Interim Results (for six months ended 30 June 2021) | 06 August 2021 |
| Q3 Trading Statement (revenues only) | October 2021 |
| Financial year end | 31 December 2021 |
| Preliminary Results | March 2022 |

Please refer to our website: **www.lseg.com/investor-relations** and click on the shareholder services section for up-to-date details.

For Tradeweb reporting dates please refer to their website: **investors.tradeweb.com**

## 2021 AGM

In light of the ongoing Covid-19 pandemic and the UK Government's current restrictions on public gatherings, the AGM is expected to be held with the minimum attendance required to form a quorum. It is with regret that based on current government guidance we expect that shareholders will not be permitted to attend the AGM in person. We will keep this under review as new guidance is issued.

We consider the AGM to be an important part of our shareholder engagement and to ensure that we retain shareholder transparency, we have arranged for shareholders to participate in the event virtually. Information on how to do this is included in our Notice of AGM, available on our website: **www.lseg.com/investor-relations**.

# Investor Relations contacts

**Investor Relations**
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Shareholder helpline: +44 (0)20 7797 3322. Email: ir@lseg.com

Visit the Investor Relations section of our website for up-to-date information including the latest share price, announcements, financial reports and details of analysts and consensus forecasts: **www.lseg.com/investor-relations**

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**Registered company number**
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Designed by Superunion, London. www.superunion.com.

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Printed sustainably in the UK by Pureprint, a Carbon Neutral company with FSC® Chain of custody and an ISO 14001-certifi ed environmental management system recycling over 100% of all dry waste.

FSC www.fsc.org MIX Paper from responsible sources FSC® C022913

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