

# **London Stock Exchange Group plc ("the Company")**

## **Audit and Risk Committee Terms of Reference**

### **Membership**

Paul Heiden (Chair)  
Baroness Cohen  
Gay Huey Evans  
Andrea Munari  
Massimo Tononi

### **1. Membership**

- 1.1 Members of the committee shall be appointed by the board. The committee shall be made up of at least 3 members.
- 1.2 All members of the committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The chairman of the board shall not be a member of the committee.
- 1.3 Only members of the committee have the right to attend committee meetings. However, other individuals such as the chairman of the board, chief executive, other directors and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 The external auditors, head of internal audit, the risk management and business continuity manager, CFO and Group Financial Controller will be invited to attend meetings of the committee on a regular basis.
- 1.5 The board shall appoint the committee chairman who shall be an independent non-executive director. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

### **2. Secretary**

- 2.1 The company secretary or their nominee shall act as the secretary of the committee.

### **3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be 2 members. The Committee may co-opt additional directors to join the Committee in the absence of a quorum from amongst its members. A duly convened meeting of the committee at which a quorum is present

shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.

#### **4. Frequency of meetings**

4.1 The committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

#### **5. Notice of meetings**

5.1 Meetings of the committee shall be called by the secretary of the committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.

#### **6. Minutes of meetings**

6.1 The secretary shall minute the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance.

6.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

#### **7. Annual General Meeting**

7.1 The chairman of the committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the committee's activities.

#### **8. Duties**

##### **8.1 Financial reporting**

8.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, preliminary results' announcements and any other formal announcement relating to its financial performance (although the standard quarterly IMS will normally be reviewed just by the Board), reviewing significant financial reporting issues and judgements which they contain.

8.1.2 The committee shall review and challenge where necessary:

8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;

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

- 8.1.2.3 whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 8.1.2.4 the clarity of disclosure in the company's financial reports and the context in which statements are made; and
- 8.1.2.5 all material information presented with the financial statements, such as the business review and the corporate governance statement (insofar as it relates to the audit and risk management committee areas of responsibility).

## 8.2 Internal controls and risk management systems

The committee shall:

- 8.2.1 keep under review the effectiveness of the company's internal control systems and (including financial, operational and compliance controls and risk management systems);
- 8.2.2 consider reports from management and the internal auditors on their monitoring of the system of internal control and risk management;
- 8.2.3 make recommendations to the board regarding the effectiveness of the Group's internal control and risk management systems ;and
- 8.2.4 review and recommend to the board the statements to be included in the annual report concerning internal controls and risk management prior to approval by the board; and

## 8.3 Treasury

The Committee shall:

- 8.3.1 approve the taking of any actions which fall outside the Group Treasury Policy;
- 8.3.2 consider material financing and treasury transactions reserved for the board ahead of review by the board; and
- 8.3.3 consider a report from the Group Treasurer on at least an annual basis.

## 8.4 Whistleblowing and fraud

The committee shall:

- 8.4.1 review the company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and

8.4.2 review the company's procedures for detecting fraud.

## 8.5 Internal audit

The committee shall:

8.5.1 monitor and review the effectiveness of the company's internal audit function in the context of the company's overall financial control and risk management system;

8.5.2 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The committee shall also ensure the function has adequate standing and is free from management or other restrictions;

8.5.3 review and assess the annual internal audit plan;

8.5.4 review promptly all reports on the company from the internal auditors which are presented to the Committee ;

8.5.5 review and monitor management's responsiveness to the findings and recommendations of the internal auditor;

8.5.6 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the board and to the committee; and

8.5.7 be consulted on the appointment or removal of the head of audit.

## 8.6 External Audit

The committee shall:

8.6.1 consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor taking account of, amongst other matters, the risk of the withdrawal of the auditor from the market. The committee shall oversee the selection process for new auditors and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required.

8.6.2 oversee the relationship with the external auditor including (but not limited to):

- 8.6.2.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - 8.6.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 8.6.2.3 assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - 8.6.2.4 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;
  - 8.6.2.5 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
  - 8.6.2.6 seeking to ensure co-ordination with the activities of the internal audit function.
- 8.6.3 meet regularly with the external auditor. The committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 8.6.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- 8.6.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 8.5.5.1 a discussion of any major issues which arose during the audit;
  - 8.5.5.2 any accounting and audit judgements; and
  - 8.5.5.3 levels of errors identified during the audit.

The committee shall also review the effectiveness of the audit:

- 8.6.6 review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.6.7 review the management letter and management's response to the auditor's findings and recommendations; and

8.6.8 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

## 8.7 Reporting responsibilities

8.7.1 The committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

8.7.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

8.7.3 The committee shall compile a report to shareholders on its activities to be included in the company's annual report taking account of any relevant guidance.

## 8.8 Other matters

The committee shall:

8.8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

8.8.2 give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as appropriate; and

8.8.3 oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort

## 9. Authority

The committee is authorised:

9.1 to seek any information it requires from any employee of the company in order to perform its duties;

9.2 to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference; and

9.3 to call any employee to be questioned at a meeting of the committee as and when required.