LONDON STOCK EXCHANGE GROUP PLC

Annual General Meeting

Tuesday 24 April 2018

Chairman's statement by Donald Brydon

I am pleased to say that the Group delivered another strong financial performance in 2017.

We have continued successfully to execute our strategy to grow and diversify, operating on an Open Access basis in partnership with our customers. We are strategically, operationally and financially well positioned to capitalise on a range of opportunities ahead, and to continue to drive returns for shareholders.

Against a backdrop of ever evolving macroeconomic, regulatory and political challenges, including Brexit, LSEG continues to progress strongly. The recently implemented MiFID II regulation, which has embedded Open Access as a key principle in financial markets, also offers opportunities as it is a model under which we have been operating for a number of years.

Our strategic ambitions have remained steadfast. We are committed to delivering best in class capabilities, driving global growth and developing our customer partnership approach, whilst delivering the financial targets we have set for the next two years.

This was clearly demonstrated in our 2017 results, with growth across all of our core business pillars – Intellectual Property; Risk and Balance Sheet Management; and Capital Formation. We have also remained focused on both the organic and inorganic growth of our business divisions, with a number of selective acquisitions including The Yield Book from Citi and the increased shareholding in LCH.

For 2017, total continuing income rose to £1.95bn, up 18%, and adjusted operating profit increased to £812m. The Board is proposing a final dividend of 37.2 pence per share - a 19% year-on-year increase.

In Intellectual Property, FTSE Russell has continued to perform strongly, delivering more than 30 per cent revenue growth. It now has approximately 15 trillion US dollars of assets benchmarked to its indexes and also increased the value of ETF assets tracking its indexes, with over $600 billion dollars now benchmarked. The completion of the acquisition of The Yield Book and Citi Fixed Income Indices in August last year represents an opportunity to significantly enhance FTSE Russell's fixed income capabilities, whilst increasing the Group's footprint in the US and Asia.

In Risk and Balance sheet management, LCH achieved another strong performance with record volumes in 2017. SwapClear remains the leading OTC rates liquidity pool in the world processing over 870 US dollars trillion in notional in 2017. Compression volumes also continued to rise with over $600 trillion dollars compressed which also provides significant economic benefits to LCH members, delivering approximately $30 billion dollars in capital and operational savings over the course of the year.

In Capital Formation, London Stock Exchange was the largest European exchange with 108 IPOs in 2017 and second globally by money raised. AIM cemented its position as the only globally successful market for high growth companies, seeing a near 45% increase in new capital raised. In fixed income, we continue to be at the forefront of innovative green finance.

Today we have also announced our Q1 results, showing a 13% year-on-year increase in total income, with strong growth across all of our key businesses. In particular, we have delivered double-digit revenue increases in our Information Services division, in LCH and also in Capital Markets. During the period we have invested in new products and have maintained a focus on improving efficiencies. We believe the Group is strategically well-placed to further develop its many growth opportunities.

As you will be aware, in November, Xavier Rolet resigned as CEO and Director of the Group. The Board asked David Warren, Group CFO, to assume the additional role of Interim CEO, a role he is filling with vigour and enthusiasm. As we announced on 13 April, the Board is delighted to have appointed David Schwimmer as CEO. He will join the Group on 1 August 2018.

David joins the Group after a twenty year career at Goldman Sachs. Most recently, he was Global Head of Market Structure and Global Head of Metals and Mining in Investment Banking. David is a leader who brings a strategic perspective on the drivers of growth and innovation in financial markets infrastructure. He has extensive experience leading diverse and high performing teams in dynamic markets. He also brings deep experience in capital markets, having advised blue-chip corporate clients across sectors and regions. David is well known for his robust intellect and partnership approach with clients and colleagues alike.

I am delighted that Val Rahmani joined the Board in December last year, bringing considerable business experience and technology expertise to the Board.

As we continue to evolve the Board structure, today, the Board has appointed David Nish as Chair of the Audit Committee, taking over this responsibility from Paul Heiden, who remains Senior Independent Director and a member of the Audit Committee.

As noted in the Annual Report, the Board is committed to restoring the gender diversity of the Board, a process that was interrupted by restructuring ahead of the possible merger with Deutsche Börse. The Group is a signatory to the UK Treasury's Women in Finance charter to improve gender diversity and we have set ourselves a stretching target of 40% female representation in senior roles by the end of 2020. We are currently at 33%.

Now let me turn to matters at the end of 2017. The events leading to the departure of Xavier Rolet received widespread attention. The Board said in the Circular of 30 November 2017 that it "would review the steps which ultimately led to the General

Meeting to establish the appropriate lessons to be drawn by the Board". The Board subsequently asked Simon Collins, a former UK Chairman and senior partner at KPMG, to conduct an in depth review for the Board of these events.

Mr Collins looked at the issues surrounding Mr Rolet's departure and has helped the Board understand ways in which we could have done better. And I will come on to those in a minute. It is important to note that, in all of the circumstances, he considers that, even with hindsight the Board did not act improperly and alternative approaches to Mr Rolet's succession would still have caused disruption for the Group.

The resulting report has been accepted by the Board. The Board is grateful to all of the individuals, including shareholders, who cooperated with Mr. Collins.
The Board promised to share the key conclusions of the report.

It is inappropriate to go into the detail of all that happened. With a new Chief Executive now announced and continuing good opportunities ahead for the Group, the Board is focused on the future.

So, to address a number of areas where the Board could have done better, the report concluded:

- Succession should be a periodic topic of discussion between the Board and the CEO.

- The Board should set out a clear picture of the culture and behaviour it desires across the Group and embed this across its internal policies for employees.

- All Directors individually, and the Board as a whole, should ensure that each Director has an ongoing appreciation and understanding of any behavioural or performance issues in management.

- All such issues in the Group need to be confronted in a rigorous and formal manner.

- Non executive directors should have substantial engagement with a wide range of management in the Group.

- A balanced scorecard approach should be adopted, rather than focussing purely on financial measures, in assessing performance against objectives set at the start of the remuneration cycle. All aspects of this scorecard should be taken into account by the Remuneration Committee.

- There should be more, and wider, engagement with shareholders, not solely concentrated through the CEO. The Board and I will endeavour to facilitate this, and I hope that all shareholders will welcome it and support us with their time.

In the Board's and Mr. Collins' view, none of these recommendations alter the highly unusual and fundamental difficulties presented by the circumstances within which the Board had to manage.

These conclusions have all been accepted by the Board and procedures and processes to ensure that they are embedded in our future work are being established.

London Stock Exchange Group is a truly diversified market infrastructure Group by business activity, by geography and by currency. We have resiliency across market cycles, an ability to navigate political and macroeconomic changes, and opportunities for continued growth.

Further information is available from:

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