

VIA CFTC PORTAL

18 August 2020

Mr. Christopher J. Kirkpatrick

Secretary
Commodity Futures Trading Commission
1155 21st Street NW
Three Lafayette Centre
Washington, DC 20581

LCH SA Self-Certification: Governance Arrangements

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“**CFTC**”) regulation §40.6(a), Banque Centrale de Compensation, doing business as LCH SA (“**LCH SA**”), a derivatives clearing organization (“**DCO**”) registered with the CFTC, is submitting for self-certification changes to its rules relating to its governance documents (“**Governance Documents**”) including: (i) the Terms of Reference (“**ToR**”) of the Board of Directors (“**Board**”); and (ii) the Terms of Reference of the current committees of the Board (including the ToR of the Technology, Security and Resilience Committee which have not previously been certified to the CFTC). The changes will also establish ToR of a Nomination Committee for LCH SA.

Part I: Explanation and Analysis

LCH SA is a majority-owned subsidiary of LCH Group Holdings Limited (“**LCH Group**”).¹ LCH Group is indirectly majority-owned by London Stock Exchange Group PLC (“**LSEG**”). In connection with its purchase of approximately 58 percent of LCH Group² in 2013, LSEG entered into a Relationship Agreement with LCH Group for the purpose of: (i) assuring certain protections for minority LCH Group shareholders; (ii) providing for representation of stakeholders in the central counterparties (“**CCPs**”) that comprise LCH Group, *i.e.*, the clearing members of each CCP and the exchanges whose transactions were cleared through LCH SA or LCH Limited; and (iii) recognizing LSEG’s requirements as majority shareholder for appropriate controls over LCH Group.³

To this end, among other provisions, the Relationship Agreement: (i) set out certain Core Operating Principles to be applied in managing the business of LCH Group; (ii) provided that the Board of Directors of LCH Group and each CCP would be comprised of a prescribed mix of independent non-executive directors, executive directors, User Directors,⁴ exchange (“**Venues**”) Directors⁵ and LSEG representatives; (iii) provided that LCH

¹ LCH Group is also the parent of LCH Limited, which is also registered with CFTC as a DCO.

² LCH Group was then known as LCH.Clearnet Group Limited.

³ As appropriate, provisions of the Relationship Agreement were reflected in the LCH Group Articles of Association and the ToR of the LCH Group Board of Directors.

⁴ A User Director is an individual who is associated with or connected to a clearing member that is also a shareholder of LCH Group.

⁵ A Venue Director is an individual who is nominated by a Venue that is also a shareholder of LCH Group.

Group would have a separate Audit Committee and Remuneration Committee independent of the parallel committees at each CCP; and (iv) provided for a Nomination Committee, which would be responsible for nominating independent non-executive directors, User Directors and Venue Directors of the Board of Directors and committee members at LCH Group and each CCP. The Relationship Agreement also contained customary consent rights for LSEG as a majority shareholder.

LCH Group has determined to simplify its governing arrangements and to eliminate provisions in LCH Group's governance documents that are unnecessary and outdated. In this regard, LCH Group and LSEG have decided to terminate the Relationship Agreement and to remove duplication in board decision-making between LCH Group and the CCP Boards by making the LCH Group Board an internal only board, *i.e.*, comprised only of representatives of LSEG and LCH Group, and disbanding the LCH Group Board Committees.⁶

LCH SA is amending its Governance Documents to conform LCH SA's governance arrangements to actions taken by LCH Group. These changes will allow the LCH Group as a whole to operate more efficiently and effectively. Importantly, although LCH SA's Governance Documents have been revised to reflect the changes to the LCH Group's governing arrangements, in practice, these revisions will not result in any substantive changes in LCH SA's current governance. The proposed changes were approved by the LCH SA Board of Directors on 23 June 2020.

Part II: Description of Rule Changes

Board of Directors Terms of Reference

The Board of Directors ToR have been revised primarily to remove (i) those definitions and provisions of the Articles that arise from the Relationship Agreement, including for example, the requirement that LCH SA must be managed in a manner consistent with the Core Operating Principles, and (ii) certain other provisions that are no longer relevant.

The amended ToR further provide that the composition of the LCH SA Board will be governed by the ToR. In particular, the ToR provide that the composition of the Board will be essentially as it is today.⁷ With the exception of Executive Directors, future appointments to the Board will be made by the LCH SA Board following the recommendation of candidates by the Nomination Committee in accordance with the ToR of the Nomination Committee. The Executive Directors will be the CEO of LCH SA, the CEO of LCH Group and a third executive who may be, but will not be limited to, the chief risk officer of LCH Group.

The ToR have also been amended to incorporate certain safeguards broadly consistent with LSEG's rights under the Relationship Agreement. For example, LSEG's consent will be required for: (i) approval of LCH SA's annual budget and any material changes thereto (including any third party debt financing); (ii) approval of the terms and conditions of any merger agreement between LCH SA and a third party; (iii) matters which constitute a material increase in the risk profile of the investment policy or capital management policy, or changes to the liquidity policy which would result in a material decrease in liquidity resources; (iv) information technology investments in an amount greater than EUR three million; (v) settlement of litigation which involves a payment in an amount greater than EUR two million; (vi) approval of matters which constitute Listing Rule

⁶ The Relationship Agreement is no longer necessary because certain contractual provisions are provided for in law or regulation and other provisions are historic and no longer relevant. Importantly, as explained below, certain protections consistent with LSEG's existing rights under the Relationship Agreement are incorporated into the revised LCH SA Board of Directors Terms of Reference. Such protections include but are not limited to certain consent rights and the right to have a representative on the Board of Directors of LCH SA, as well as the several committees of LCH SA.

⁷ Specifically, the Board will be composed of the following: (i) an independent non-executive chairman; (ii) the LCH SA Chief Executive Officer ("CEO"); the LCH Group CEO and an additional executive of LCH SA or LCH Group, who may be but will not be limited to the chief risk officer of the LCH Group; four Independent Directors; one director proposed by EURONEXT; two User Directors; and one director nominated by LSEG.

10/11 transactions for LSEG;⁸ (vii) approval of changes to the structure, size and composition of LCH SA's Board; and (viii) amendment of the Board and committee ToRs, to the extent that LSEG has rights thereunder. In addition, certain matters will require consultation with LCH Group, including material acquisitions and disposals, joint ventures, and ceasing all or a material part of LCH SA's business.

A new provision governing related party transactions has been added to provide that any contracts and agreements (including commercial and trading arrangements in the ordinary course of business) between LCH SA and LSEG or any of LSEG's subsidiaries (other than members of the LCH Group), will be subject to the prior approval of a committee of the Board consisting solely of the independent non-executive directors of LCH SA. The committee must approve the contract or agreement if the committee finds that the contract or agreement is on bona fide arm's length terms.

Nomination Committee Terms of Reference

The LCH SA Nomination Committee is a new committee. The ToR of the Nomination Committee are based substantially on the same ToR of the LCH Group Nomination Committee, subject to the following revisions: (i) the ToR set out the composition of the LCH SA Board, reflecting the current composition of the Board; (ii) the proposed LSEG director will be subject to Nomination Committee consideration; (iii) the procedures for LSEG to appoint a Venue Replacement Independent Director have been removed as these appointment rights have never been used; and (v) User Shareholders no longer have board observer rights.

The ToR require the Committee to consult the LCH Group CEO, the chief executive officer of LSEG and the chairman of LSEG (and may consult other persons who are not members of the Committee as appropriate) as to the suitability of the short-listed candidates being considered by the Committee. The ToR also direct the Committee to consult periodically with the Nomination Committee of LCH Limited to ensure that there is a coordinated process for the appointment of suitable directors to the Board and the board of directors of LCH Limited.

Finally, to assure independence at the CCP level, the ToR provide that LCH SA's CEO, in consultation with the LCH Group CEO will be responsible for appointing the management team for LCH SA.

Technology, Security and Resilience Committee

The Technology, Security and Resilience Committee has been established to "represent the interests of the Board in the sound management of technology, security and operational resilience, including cyber security, to ensure that technology security and operational resilience strategies, investments and outcomes support the mission, values, and strategic goals" of LCH SA, and determine whether management has put in place adequate strategies that provide reasonable assurance that LCH SA "operates within its risk appetite and complies with regulatory requirements."

Audit Committee

The Audit Committee ToR have been revised to: (i) make references to the External Auditor plural to reflect that LCH SA is required under French law to have two external auditors; (ii) require the Committee to review the annual audit plan ahead of any submission to LCH SA's regulator, instead of only on an annual basis; (iii) require the Committee to coordinate with the Technology, Security and Resilience Committee as may be required from time to time in connection with the Audit Committee's functions and to fulfill its responsibilities; (iv) require the Audit Committee's minutes to be presented to the Committee for approval at the next following meeting; and (v) provide that the Audit Committee ToR may be amended only by the Board of Directors and, with respect to certain provisions, with LSEG's consent. In addition, the requirement that the

⁸ Listing Rules 10 and 11 are rules of the UK Financial Conduct Authority that require the timely disclosure of certain matters.

Committee arrange for an annual independent internal review of its performance to ensure it is operating at maximum effectiveness has been removed. This review is conducted, instead, by the Board of Directors.

Risk Committee

The Risk Committee ToR have been revised to provide that the ToR may be amended only by the Board and, with respect to certain provisions, with LSEG's consent. In addition, certain technical changes have been made to reflect the changes in the LCH Group governance documents described above.

Remuneration Committee

The Remuneration ToR have been revised to: (i) require the Committee to review annually the ongoing appropriateness of any individual remuneration; (ii) require Board approval for reviews of incentive plan and performance-related pay schemes, including performance targets to be used, designed by and received from the LSEG remuneration committee; (iii) specify that the Committee, in consultation with the chairman and/or chief executive, as appropriate, will determine the total individual remuneration package of the chief executive officer, the chief risk officer, and the chief compliance officer; (iv) require the Committee to consult from time to time with the LSEG and LCH Limited remuneration committees to ensure that there is a coordinated approach to the remuneration of LCH SA's Board and LCH Limited's board of directors; (v) provide that the LCH Group CEO will be entitled to attend meetings of the Committee as an observer; (vi) require minutes to be presented to the Committee for approval at the following meeting; and (vii) provide that the ToR may be amended only by the Board and, with respect to certain provisions, with LSEG's consent.

Further, the ToR have been revised to: (i) to remove the requirement that, prior to making a recommendation to the Board of Directors to make a change in the remuneration of the CEO or any Specified Executive (as defined), the Committee first receive a joint recommendation from the LSEG CEO and LCH Group CEO; and (ii) provide, instead, that the Committee, in consultation with the LCH Group CEO, will make a recommendation directly to the Board of Directors.

These rule changes will become effective on, or after, September 1, 2020, subject to the receipt of all applicable regulatory approvals.

The text of the changes is attached hereto as:

Appendix I, Board of Directors Terms of Reference

Appendix II, Nomination Committee Terms of Reference

Appendix III, Technology, Security and Resilience Committee Terms of Reference

Appendix IV, Audit Committee Terms of Reference

Appendix V, Risk Committee Terms of Reference

Appendix VI, Remuneration Committee Terms of Reference

Part III: Core Principle Compliance

LCH has reviewed the changes against the requirements of the Core Principles and has concluded that it will continue to comply with all the requirements and standards therein. In particular, the changes are consistent with the provisions of: (i) CFTC Rule 39.24, Governance; (ii) CFTC Rule 39.25, Conflicts of Interest; and (iii) CFTC Rule 39.26, Composition of Governing Boards.

Part IV: Public Information

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's website at: <https://www.lch.com/resources/rules-and-regulations/proposed-rule-changes>.

Part V: Opposing Views

There were no opposing views expressed to LCH SA by governing board or committee members, members of LCH SA or market participants that were not incorporated into the rule. The approach has been designed around broad market participant consultation and bilateral feedback with ongoing regulatory engagement.

Certification

LCH SA hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in the Commission regulation § 40.6, that attached rule submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Should you have any questions please contact me at françois.faure@lch.com

Yours sincerely,



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Chief Compliance Officer

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Board Reserved Matters, Executive Delegation and Management Team Composition

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LCH SA Terms of Reference of the Board (Adopted by the Board on ~~2-October-2019~~ [●] 2020)

Article 1. Purpose

These Terms of Reference provide for the terms relating to the organisation and functioning of the Board of the Company and of its Committees, which in addition to the law and to the articles of association, specify certain rules relating to the allocation of tasks and responsibilities between the General Management, the Chairman and the Board, and specify the rules applicable to the Directors.

The Directors are bound by the provisions of these Terms of Reference.

Article 2. Definitions

The following words and expressions when used in these Terms of Reference have the meaning given to them below:

Audit Committee means the audit committee of the Company.

Board means the board of directors (*conseil d'administration*) of the Company.

Cash Clearing Agreement means the agreement for cash equities clearing between the Company and EURONEXT dated 28 January 2013 as amended.

Cash Clearing Infrastructure means UCS Cash, or the successor clearing infrastructure used for cleared financial instruments agreed upon between the Company and EURONEXT as the clearing infrastructure to be used by the Company to render the clearing services.

Cash Common Services means the clearing services provided by the Company to the trading facilities for the cash clearing of financial instruments listed on the Euronext markets and other trading facilities operated by EURONEXT using the Cash Clearing Infrastructure developed and operated by the Company for the clearing of such financial instruments.

CEO means the chief executive officer (*directeur général*) of the Company.

Chairman means the chairman (*président du conseil d'administration*) of the Board.

Clearing Member has the meaning ascribed to it in the Company's clearing rules.

Committee means a committee established by the Board, which are listed in Article 15.

Company means LCH SA.

Conflicted Shareholder has the meaning ascribed to it in Article 14.18 of these Terms of Reference.

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Conflict of Interest means a situation in which a Director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company.

Conflict Situation has the meaning ascribed to it in Article 14.18 of these Terms of Reference.

~~**Core Operating Principles** means the principles to be applied by LCH Group Holdings Limited in managing its business, as set out in and adopted pursuant to the Relationship Agreement.~~

~~**Customer** has the meaning set out in the US CFTC Rules as in force from time to time.~~

~~**Customer Director** means a Director who is nominated by a shareholder of LCH Group Holdings Limited which is a Customer or who is otherwise connected to such Customer shareholder by virtue of his employment or directorship.~~

Deputy-CEO means a deputy managing director (*directeur général délégué*) of the Company, if any.

Director means a director (*administrateur*) of the Company.

Eligible Institution has the meaning ascribed to it in the articles of association of LCH Group Holdings Limited from time to time.

EMIR Regulation means the Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories as well as the Commission Implementing Regulation (EU) No. 1249/2012 of 19 December 2012 implementing regulatory technical standards and Commission Delegated Regulation (EU) No. 153/2013 of 19 December 2012 supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council, or any applicable successor law or regulation.

Euronext means Euronext Brussels S.A./N.V., Euronext Amsterdam N.V., Euronext Paris S.A., Euronext Lisbon – Sociedade Gestora De Mercados Regulamentados S.A. ~~and~~, [Euronext Oslo Børs ASA](#), Euronext UK Markets Ltd ~~and any other member of the Euronext group from time to time.~~

Exchanges has the meaning ascribed to it in the articles of association of LCH Group Holdings Limited from time to time.

General Management means the general management (*direction générale*) of the Company.

~~**Group Nomination Committee** means the nomination committee of the LCH Group Holdings Ltd.~~

Head of Compliance means the person who satisfies the role of chief compliance officer of the Company, as defined under the EMIR Regulation.

Independent Director means an independent director, who satisfies applicable Regulatory Requirements regarding independent directors and who is appointed in accordance with the **Group** Nomination Committee terms of reference.

LCH Group means LCH Group Holdings Limited and its subsidiaries from time to time.

Local Management Committee means the Local Management Committee of LCH SA, which advises and supports the Chief Executive Officer on all key management matters of the company, in order for

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him to fulfill his responsibilities. The composition and powers of the Local Management Committee are set out in its ~~T~~erms of ~~R~~eference.

LSEG means London Stock Exchange Group plc.

~~**LSEG Audit Representative** means the LSEG chief financial officer, the LSEG head of audit or the LSEG chief risk officer or any other person of appropriate seniority and expertise as may be agreed from time to time between LSEG and the chairman of LCH Group Holdings Limited to sit on the Company's Audit Committee.~~

~~**LSEG Consent Matters** has the meaning given thereto in the Relationship Agreement.~~

LSEG Director means a director appointed to the board of LCH Group Holdings Limited by LSEG (other than the CEO of LCH Group Holdings Limited).

LSEG Group means London Stock Exchange Group plc and its subsidiaries from time to time other than those entities comprising the LCH Group.

~~**LSEG NomCom Representative** means any person of appropriate seniority and expertise as may be agreed from time to time between LSEG and the chairman of LCH Group Holdings Limited to sit on the nomination committee.~~

Managers in Charge means the CEO and the other person(s) designated as "dirigeant effectif" of the Company in accordance with applicable Regulatory Requirements, who are empowered with the effective determination of the operation of the Company's business, as described in Article 13.2 of these Terms of Reference.

~~**Material Interest** means the entitlement to exercise or control the exercise of at least 20 per cent. of the votes able to be cast on all or substantially all matters at general meetings of LCH Group Holdings Limited~~**Nomination Committee** means the nomination committee of the Company.

~~**Minority Protection Reserved Matters** has the meaning given thereto in the Relationship Agreement.~~

~~**Push Matters** has the meaning ascribed to it in the Relationship Agreement.~~

Regulatory Requirements means, with respect to the Company, any regulation or requirement of applicable law or of any applicable regulatory body or any request of any applicable regulatory body, with which failure to comply would result or would reasonably be expected by the Company to result in the withdrawal of authorisation necessary to conduct clearing business in any relevant jurisdiction or other disciplinary or enforcement action that would have a material adverse effect on the ability of any member of the LCH Group to conduct clearing business in any relevant jurisdiction.

~~**Relationship Agreement** means the relationship agreement entered into by LCH Group Holdings Limited, LSEG and London Stock Exchange (C) Limited.~~

Remuneration Committee means the remuneration committee of the Company.

Risk Committee means the risk committee of the Company.

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Secretary means the secretary (*secrétaire*) of the Board.

Senior Management has the meaning given thereto in the EMIR Regulation.

Settlement Systems means one of the settlement systems used by the Company for the Cash Common Services which are Euroclear Bank, Euroclear Belgium, Euroclear France, Euroclear Netherlands, or Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (Interbolsa), Banque Nationale de Belgique (BNB), or any successor settlement system agreed upon between the Company and EURONEXT.

~~**Significant Interest** means the entitlement to exercise or control the exercise of at least 40 per cent. of the votes able to be cast on all or substantially all matters at general meetings of LCH Group Holdings Limited.~~

Terms of Reference means these terms of reference (*réglement intérieur*) of the Board.

User means Eligible Institutions other than ~~Venues~~[Exchanges](#).

User Director means a director who is nominated by a shareholder of LCH Group Holdings Limited which is a User or who is otherwise connected to such User shareholder by virtue of his employment or directorship ~~(and, for the avoidance of doubt, excludes a Customer Director).~~

~~**Venue** means Eligible Institutions (save for LSEG) which are Exchanges.~~

~~**Venue Director** means a director who is nominated by a shareholder of LCH Group Holdings Limited which is a Venue or who is otherwise connected to such Venue shareholder by virtue of his employment or directorship.~~

Article 3. Composition of the Board

The Board is composed of a minimum of three and a maximum of eighteen Directors. Each Director is proposed by the Board at a shareholders' meeting and appointed for a period of three years. The Board's proposals regarding appointment of Directors shall be based on recommendations made by the ~~Group~~ Nomination Committee in accordance with its terms of reference.

Subject to the decision of the shareholders' meeting, the Board shall be composed of the following categories of Directors:

- [an independent](#) non-executive Chairman
- ~~i~~[Independent non-executive d](#)Directors ~~(including the chairman of LCH Group Holdings Limited)~~[\(provided that at least two of the Independent Directors \(which may include the Chairman\) shall not also be independent directors on the board of directors of LCH Limited\);](#)
- executive ~~d~~[Directors](#) (including the CEO of the Company, the CEO of LCH Group Holdings Limited and [an additional LCH executive, who may be but shall not be limited to](#) the chief risk officer of LCH Group Holdings Limited);
- [a Director proposed by EURONEXT in accordance with and subject to the terms of these Terms of Reference;](#)

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- ~~Venue Directors or, if an insufficient number of Venue Directors is available, independent non-executive directors nominated by LSEG;~~
- User Directors; and
- ~~one~~ a Director representing LSEG ~~(for so long as LSEG is entitled to exercise or control the exercise of at least 5 per cent. of the votes able to be cast on all or substantially all matters at general meetings in LCH Group Holdings Limited),~~

such categories and such numbers of Directors within each category being subject to change to comply with any applicable legal or regulatory requirements from time to time (including the appointment of additional Independent Directors ~~or Customer Directors~~ as may be required from time to time to comply with applicable Regulatory Requirements).

Pursuant to either (i) the Cash Clearing Agreement and for so long as the Cash Clearing Agreement is in force or (ii) the Derivatives Clearing Agreement and for so long as the Derivatives Clearing Agreement remains in force, EURONEXT is entitled to propose the appointment of a maximum of one Director to the Board through the ~~Group~~-Nomination Committee, such appointment being approved by the shareholders' meeting upon recommendation made by the Board (with the assistance of the ~~Group~~-Nomination Committee).

In its proposals, the Board aims for its own composition and that of the Committees it creates to be balanced and in line with the needs of the Company in terms of the skills and experience of the Directors chosen. The preceding sentence notwithstanding, the composition of the Board and its Committees shall at all times reflect Regulatory Requirements. The Board shall take appropriate measures to ensure that the Directors meet all appropriate fitness standards under applicable law and that their duties are carried out with the necessary level of independence, integrity and objectivity.

Directors may be dismissed at any time by the shareholders' meeting without cause. If the conduct of a Director appears to the ~~Group~~-Nomination Committee likely to be prejudicial to the sound and prudent management of the Company, the ~~Group~~-Nomination Committee shall (and with regard to Directors appointed by LSEG, with LSEG's consent (not to be unreasonably withheld or delayed)) recommend to the Board convening a shareholders' meeting and the Board may propose such Director's removal at the shareholders' meeting. The shareholders may decide, in their sole discretion, taking into account the recommendation of the Board, to dismiss the relevant Director.

Directors may also resign by notice to the Company.

Otherwise, a Director's duties come to an end at the close of the shareholders' meeting approving the annual accounts for the past financial year and held the year the Director's term ends.

Directors shall be eligible for re-appointment up to a maximum of three three-year terms, unless otherwise determined by the ~~Group~~-Nomination Committee.

Only in case of a vacancy due to the death or resignation of one or more Directors, the Board may, in the period between shareholders' meetings, decide on temporary appointments, subject to the ratification by the next shareholders' meeting and compliance with Regulatory Requirements. A Director appointed by the Board to replace another shall remain in office for the remaining period of his/her predecessor's term. He/she is eligible for re-appointment.

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Article 4. Rules applicable to Directors

4.1 General obligations

The Directors represent the shareholders as a whole and must act under all circumstances in the corporate interest of the Company.

A Director must, at the time of his/her appointment, review the laws and regulations regarding his/her function as well as the specific provisions laid out in the articles of association and the internal rules and procedure of the Board and its Committees. A Director should, if he/she deems it necessary, be able to receive training regarding the specific features of the Company and its activities.

A Director's acceptance of his/her appointment requires his/her commitment, in particular:

- To dedicate the required time and attention to his/her duties and to matters considered by the Board, and where applicable, by the Committee of which he/she is a member;
- To ask for any additional information he/she might find useful;
- To form an opinion prior to making any decision; taking into consideration only the Company's best interests; and
- To actively participate in Board meetings.

He/she undertakes to attend Board meetings according to the pre-established annual calendar and, where possible, to make him/herself available for any exceptional meetings.

Each Director must fulfil his/her duties with respect to the requirement to commit sufficient time to perform their functions in the Company and the rules governing the number of corporate directorships that can be held. In a case where a Director intends to accept an office in addition to the ones he/she already holds, he/she must notify the Secretary.

Directors shall be prohibited from accepting an office (*mandat social*) in a competing company, save for an office in the LSEG Group.

4.2 Right of information of Directors

Save as otherwise prescribed in these Terms of Reference, the Chairman or the CEO shall communicate to the Directors all necessary information for the fulfilment of their duties and the Directors may obtain all documents they consider useful prior to any meeting.

If a majority of the Independent Directors determine in good faith that, in order to prevent a breach of applicable competition law or regulation, a Director connected to a particular shareholder of LCH Group Holdings Limited [or of the Company](#) should not have access to competitively sensitive information concerning a particular Eligible Institution, the relevant Director shall be notified of this situation and shall immediately make appropriate arrangements in order not to receive such competitively sensitive information. The relevant Director shall also absent him/herself from any part of a Board meeting at which such competitively sensitive information is discussed, and/or shall abstain him/herself to participate in discussions or vote on any resolution at such Board meeting (or a meeting

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of any Committee) relating to such competitively sensitive information, unless a majority of the Independent Directors agree otherwise.

The Independent Directors may only make a determination described in the paragraph above on a case by case basis and:

- on their own initiative, provided that they have consulted the Company's legal advisers in advance of such determination and taken their views into account; or
- if, following receipt by the Company of a written request from any Eligible Institution that a particular Director should not have access to certain competitively sensitive information concerning such Eligible Institution, a majority of the Independent Directors determine, having obtained such legal advice as they consider appropriate, that such request is proportionate and not vexatious.

Any restriction imposed pursuant to the previous paragraphs shall be without prejudice to any rights of consent ~~under the which LSEG Consent Matters and Minority Protection Reserved Matters, or any may have under these Terms~~ of ~~LSEG's rights in connection with the Push Matters~~ [Reference](#).

The Chairman, assisted by the Secretary, is responsible for the communication to Directors of all relevant information according to the circumstances and the points on the scheduled agenda. Where practicable, the Board's files shall be made available to the Directors at least a week before the proposed Board meeting.

Directors shall be informed regularly, by any means, of the Company's financial situation, its accounts and its undertakings as well as of any significant risk, event or operation regarding the Company as well as risk management policies and any amendments thereto.

To complete the information they have and for the fulfilment of their duties, Directors may meet with the Company's managers as reasonably requested, provided that the Chairman and the CEO have given their prior approval to such a meeting.

4.3 Discretionary and confidentiality duties

~~Without prejudice to any rights LSEG may have in the Relationship Agreement, r~~ Reports and documents provided to the Board shall be deemed confidential, unless otherwise indicated. The discussions as well as the minutes transcribing their content shall also be confidential. This duty of confidentiality applies to all persons attending the Board meetings.

Directors shall be bound by an absolute duty of confidentiality, even after the end of their term, with respect to the content of the discussions and deliberations of the Board with the exception of cases where the disclosure of such information is required by the laws or regulations in force or where it is in the public interest.

4.4 Duty of expression

Directors commit to clearly express any objection they might have to a draft decision they deem might harm the Company.

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Article 5. Board meetings

The dates of Board meetings for the following calendar year shall be agreed on a provisional basis, taking into account the scheduled dates of the meetings of the other boards of the LCH Group, as well as those of the board-level committees in the LCH Group. The proposed schedule is subject to the approval of the Chairman and the CEO as well as executives of the LCH Group. It is then placed on the Board's agenda to inform all Directors. Board meetings will be convened by e-mail.

The Board shall meet as often as required in the interests of the Company, at the request of any Director of the Company. The Board shall meet, on average, six times per year and at least once per annum. The Board shall devote an item on its agenda to a discussion of its working procedures.

When the Board does not meet for more than two months, a Director may request that the Chairman call a meeting with a determined agenda. The CEO may also request at any time that the Chairman call the Board with a determined agenda.

Board meetings shall be held at the registered office or at any other location specified in the notice (including abroad). Meetings shall be chaired by the Chairman or, failing that, by a Director temporarily carrying out the duties of chairman designated for that purpose by the Board.

Within the limits and conditions of the legal and regulatory provisions, the Board meetings may take place by means of video-conferencing or telecommunication. Any Directors participating in this manner shall be deemed to be present for the purpose of establishing quorum and majority, except (i) if provided otherwise by the articles of association, or (ii) when decisions relating to the closing of the annual accounts and consolidated financial statements and the drafting of the corporate management report are being made.

Article 6. Quorum

—The board of Directors may validly deliberate only if [at least](#) half of the Directors are present.

If there is a breakdown in the telecommunication or video-conference link noted by the Chairman, the Board may validly deliberate and/or continue with the Directors who are physically present as long as the conditions of quorum have been fulfilled. The occurrence of any technical incident disrupting the operation will be mentioned in the minutes, including the interruption and re-establishment of remote participation.

Should no quorum exist at the commencement of a meeting, the Board shall be reconvened within five days with the same agenda.

Article 7. Voting majority

7.1 Simple majority

Subject to Article 7.2, decisions shall be made by a majority vote of the Directors present or represented at the Board meeting. The Chairman casts the deciding vote in the event of an equality of votes.

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When only two Directors are present, decisions must be made by unanimous vote.

7.2 Enhanced majority

Decisions of the Board in respect of the following topics require a majority vote of 75% of the non-conflicted Directors voting at the meeting, unless otherwise agreed by EURONEXT and the Company:

- reduction in the choice, access to, and operating principles of Settlement Systems relevant to the Cash Common Services;
- changes of information technology systems or developments of new information technology architectures, advancements, in technologies (hardware, software and parameterisation of these hardwares and softwares) relating to the Cash Clearing Infrastructure; and
- allocation of costs relating to information technology systems developments (which include the costs incurred for hardware purchasing, software development, parameterisation, consultancy services, project management, related maintenance and support services and the Clearing Members technical support services) relating to the Cash Clearing Infrastructure.

Article 8. Alternate Director

Any Director may give a proxy in writing (by email, fax or letter) to another Director to represent him/herself at a specified Board meeting.

Each Director may only hold one proxy per meeting and cannot represent more than one Director. An Independent Director may only appoint a proxy who qualifies as an Independent Director and any purported appointment of an alternative who does not so qualify will be void *ab initio*.

Article 9. Record of Board attendance

Where Directors are unable to attend any Board meeting, they must notify the Secretary of their intended absence in a timely manner following receipt of their convening notice. The Secretary shall have the Directors sign the attendance register and take note of the Directors attending by means of videoconferencing or telecommunication, as the case may be. In the event that a Director has been repeatedly absent for more than three consecutive Board meetings, the Director concerned may be called to order by the Chairman.

The attendance register is kept in a safe in the office of the Secretary.

Article 10. Minutes

The minutes of any Board meetings shall be prepared by the Secretary. The minutes shall be subject to approval of the Chairman and CEO. They shall be distributed to the Directors and approved at the following meeting. Given the French and English composition of the Board, minutes shall be translated into French before being presented to the Board.

The minutes shall be signed by the chairman of the meeting and at least one Director. In case of impediment of the chairman of the meeting, the minutes shall be signed by at least two Directors.

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Copies or extracts from the minutes of the meetings shall be validly certified either by the Chairman, the CEO, a Deputy-CEO (if any), any other Director temporarily delegated to fulfil the functions of the chairman, or by a proxy empowered for this purpose.

During the liquidation of the Company, these copies or extracts would be certified by a sole liquidator.

Article 11. Board Secretary

The Secretary may be any person that the Board elects to appoint.

The Secretary is responsible for convening the Board meetings and the shareholders' meetings on behalf of the Chairman. In conjunction with the Chairman and CEO, the Secretary draws up the agenda of the Board. The agenda and notice of any Board meeting shall be then sent to the Directors or any other Board meeting attendees such as representatives of the works council.

The Secretary establishes the list of the documents that will be provided to the Directors in accordance with the proposed agenda and ensures their collection. The content of all the supplied documents shall be subject to the approval of the Chairman and the CEO before being sent or transmitted to Directors where practicable, approximately a week before the proposed Board meeting.

In compliance with laws and regulations, the Secretary shall ensure that copies of minutes are provided upon request to anyone entitled to receive such copies.

The Secretary is available to satisfy any request for information from a Director regarding his/her rights and obligations, the operation of the Board or the life of the Company.

The Secretary submits evidence of any official changes (Directors, financial statements, articles of association, etc.) to the commercial registry and to any relevant legal gazette, if required.

Article 12. Powers of the Board

The Board determines the business strategies of the Company and oversees their implementation. Subject to the powers that the laws and regulations expressly reserve to general meetings of shareholders and to the Managers in Charge, namely the CEO and the other person(s) designated as "dirigeant effectif" of the Company, and within the limits of the Company's corporate purpose, the Board is responsible for the overall management of the Company, deals with all questions concerning the smooth course of the Company's business and passes resolutions to settle all matters that concern it.

This Article does not prevent the Board from having full access to relevant information which is outside the scope of the matters listed in this Article. ~~In following this Article, the Board shall have regard to the relevant provisions of the Relationship Agreement.~~

~~The business of the Company will be managed in a manner that is consistent with LCH Group Holdings Limited being run at all times in accordance with the Core Operating Principles.~~

Within this framework, and without this list being exhaustive:

- (a) with respect to business management and strategy, the Board shall:

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- establish clear objectives and strategies for the Company;
 - approve the Company's annual operating and capital expenditure budget subject to the consent of LSEG;
 - approve any material changes to the Company's budget (including any third party debt financing) subject to the consent of LSEG;
 - review the Company's performance in light of the strategy, objectives, business plans and budgets approved by the Board and any subsequent revision, and ensure that appropriate corrective action is taken;
 - approve any change in the fee grid which has a material impact on the relevant Business line's approved budget;
 - approve the terms and conditions of any merger agreement between the Company and a third party subject to the consent of LSEG;
 - convene and set the agenda of the shareholders' meeting;
 - approve the planned extension of the Company's activities through the launch of new products or the launch of existing products in new geographic areas where new or novel risk is being introduced;
- (b) with respect to the structure and capital of the Company, the Board shall issue a report to the shareholders to recommend:
- any changes relating to the Company's share or regulatory capital structure including any reduction of capital, issue of shares or other securities and share buy-back, to be decided upon by a general meeting of shareholders ~~for so long as LSEG and any member of its Group hold in aggregate a Significant Interest in LCH Group Holdings Limited (such consent not to be unreasonably delayed)~~, (save where such ~~breach~~change results from the ~~issue or~~ loan by a member of the LCH Group of a de minimis number of shares to one or more of its directors ~~to comply with legal requirements~~). In addition to shareholder approval, each issue of shares in the Company shall be subject to the consent of LSEG (such consent not to be unreasonably delayed);
 - any changes to the Company's legal status to be decided upon by general meeting of shareholders;
 - any changes to the Company's management and control structure to be decided upon by general meeting of shareholders;
- (c) with respect to remuneration of the Company's employees, the Board shall:
- establish and regularly review appropriate remuneration policies, with the assistance of the Remuneration Committee, and control its implementation;

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- on the basis of the recommendation of the Remuneration Committee, to the extent required by EMIR [Regulation](#) or by the Company's regulators, approve the remuneration policy for the Chairman of the Board, the Executive Directors of the Company, the Company's Head of Compliance and any other senior executive personnel of the Company as decided by the Board;
 - determine the remuneration of the non-executive Directors of the Company;
 - in consultation with the Boards of other LCH Group subsidiary companies (as applicable), determine any material changes to the Company's pension arrangements;
- (d) with respect to financial reporting and controls, the Board shall:
- prepare the Company's annual accounts to be approved by general meeting of shareholders and issue a related management report to the shareholders;
 - ~~issue a report to the shareholders to recommend the payment of any interim and final dividend to be decided upon by general meeting of shareholders;~~ having due regard to the Company's interests, issue a report to the shareholders recommending the payment of a final dividend, to be decided upon by general meeting of shareholders, having taken into account the following matters:
 - applicable regulatory and regulatory capital requirements, including reasonable capital "buffers";
 - restrictions in any finance documents;
 - investment to support capital expenditure contemplated by the business plan and budget from time to time, including technology, taking into account future expected cash flows; and
 - applicable laws;
 - approve any significant changes in accounting policies or practices;
- (e) with respect to risk management, the Board shall:
- establish and monitor the risk management function of the Company;
 - determine the general framework of membership rules (e.g. criteria for admission) following recommendation from the Risk Committee;
 - determine the general framework of risk control rules following recommendation from the Risk Committee;
 - determine the framework of Default Fund rules following recommendation from the Risk Committee;

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- approve the internal policy framework for defining the type of extreme but plausible market conditions that could expose the Company to greatest risk following recommendation of the Risk Committee and review any material change reported by the Risk Committee and any review undertaken by the Risk Committee and reported to the Board;
- approve the new stress-testing model following recommendation from the Risk Committee;
- at least annually, [approve](#) the adoption of the LCH Group Risk Governance Framework;
- at least annually, [approve](#) the Company's Financial Resource Adequacy Policy, Default Management Policy, Collateral Risk Policy, Investment Risk Policy, Liquidity Risk Policy, Settlement, Payment & Custody Risk Policy, Counterparty Credit Risk Policy, Contract and Market Acceptability Policy, Model Governance, Validation & Review Policy, Operational Risk Policy and Procyclicality Policy and any significant changes to those policies following recommendations from the Risk Committee;
- approve the liquidity plan after consulting the Risk Committee;
- approve the level of liquidity risk tolerance determined by the Managers in Charge, and come to a decision at least once per year on such level of risk tolerance and on the strategies, policies, procedures, systems, tools and limits allowing the Company to detect, measure, manage and follow the liquidity risk, and approve any material change thereto;
- approve the limits (including, without limitation, the risk global limits) proposed by the Managers in Charge after having consulted, as the case may be, the Risk Committee;
- determine the conditions of communication and periodicity under which information on whether risk limits are satisfied, including whether global limits are likely to be reached, is communicated to the Board and the Risk Committee;
- approve the IT strategy of the company, the strategic guidelines and any significant changes annually;
- approve the business continuity policy and the disaster recovery plan of the Company, and review independent reviews of such business continuity policy and disaster recovery plan reported to the Board;
- oversee the crisis management function of the Company;
- ratify the suitability of any guarantor which is the issuer of a commercial bank guarantee to be accepted as collateral, after a full assessment of the issuer and of the legal, contractual and operational framework of the guarantee and ensure

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that the Company has a high level of comfort on the effectiveness of the guarantee;

- approve the policy for the use of derivative contracts by the Company for the purpose of investing its financial resources, after having consulted the Risk Committee;
- approve each year, or following any material change, the model that the financial and non-financial counterparties shall have for using marking-to-model as referred to in the EMIR Regulation, unless this approval has been delegated by the Board to a Committee (e.g. the Risk Committee);
- review the results of the independent audit assessments of the information technology systems and the information security framework reported to the Board;
- approve the contemplated dismissal of the chief risk officer (*responsable de la fonction de gestion des risques*);
- ~~R~~review at least annually risk tolerance limits and the associated warning thresholds (including policies and procedures containing these metrics).

provided that, in each case, any matter which constitutes a material increase in the risk profile of the investment policy or capital management policy of the Company or which would result in a material decrease in the liquidity resources available to the Company will be subject to LSEG consent, provided that nothing will prevent the Company from taking such steps as are: (i) necessary or desirable to comply with any legal or regulatory requirements; or (ii) considered by the Company's Chief Risk Officer; or, in his or her absence, the CEO; or, in his or her absence, the Chairman of the Risk Committee, to be required to be taken in response to a default by a clearing member or members or adverse macro-economic event;

- (f) with respect to Board membership and other appointments, the Board shall:
- subject to LSEG consent, recommend changes to the structure, size and composition of the Board upon recommendations from the ~~Group~~-Nomination Committee, to be approved by general meeting of shareholders;
 - ensure adequate succession planning for the Board;
 - decide appointments to the Board Committees further to recommendations from the ~~Group~~-Nomination Committee;
 - appoint the Chairman of the Board and the CEO (in accordance with the terms of reference of the Nomination Committee) and determine their remuneration;
 - in consultation with the Company's Head of Compliance (or his or her designee) manage and authorise Director conflicts of interest in accordance with these Terms of Reference;

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- recommend the appointment or reappointment of the external auditor upon recommendations from the Audit Committee, to be approved by general meeting of shareholders;
 - be responsible for the oversight of the Company's Head of Compliance, internal audit function and chief risk officer (all of which report directly to the Board); and
 - effectively monitor the Senior Management of the Company.
- (g) with respect to delegation of authority, the Board shall approve the terms of reference of Board Committees and any changes thereto [subject to the consent of LSEG \(to the extent provided for in those terms of reference or in these Terms of Reference below\)](#);
- (h) with respect to compliance and internal control, the Board shall:
- determine the compliance policies and procedures of the Company, jointly with the Managers in Charge;
 - monitor the compliance function and internal control function of the Company;
 - review on a regular basis, with the assistance of the Risk Committee, the policies implemented in order to comply with internal control requirements, and assess the efficiency of such policies, arrangements and procedures implemented for the same purpose and of the measures taken to remedy any failures;
 - review on a regular basis, with the assistance of the Risk Committee, the effectiveness of the implementation of the Company's risk and control processes by the Managers in Charge and take all appropriate measures to remedy any failures;
 - undertake twice a year a review of the Company's risk and control processes, results and activities of the internal control system, including the control of compliance, and the significant incidents revealed by the internal control procedures;
 - determine the nature, volume, form and frequency of information communicated to the Board;
 - set the criteria and thresholds of significance allowing the identification of incidents by risk analysis and risk measurement systems, which must be brought to its attention;
 - approve the audit planning of the Company and its review;
 - oversee the outsourcing arrangements of the Company;
 - oversee the compliance of the Company with all provisions of the EMIR Regulation and all other regulatory and supervisory requirements;

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- meet with the Company's Head of Compliance at least once per year, together with the Managers in Charge, to which the Company's Head of Compliance reports;
 - provide accountability to the shareholders or owners and employees, clearing members and their customers of the Company and other relevant stakeholders;
 - ~~R~~review at least annually the specific / formal sign-off of exceptions to Group policies;
- (i) with respect to corporate governance and compliance, the Board shall:
- undertake an annual review of its own performance and that of its Committees;
 - oversee compliance with applicable legal, regulatory and contractual requirements from time to time; and
 - take into account any implications of the group for the Company's own governance arrangements (including having an appropriate conflicts policy in place) including whether the Company has the necessary level of independence to meet its regulatory obligations as a distinct legal person and whether its independence could be compromised by the group structure.

If there is any doubt as to whether a particular matter falls within the scope of this Article, the matter shall be brought to the attention of the Secretary of the Board who shall refer it to the Chairman of the Board who shall then decide whether the matter referred to him is reserved for the Board and his decision shall be final.

Article 13. Company management (Chairman – CEO)

The Board appoints from the Directors a Chairman, who shall be an individual. The Chairman may be dismissed at any time by the Board.

~~In following this Article, the Board shall have regard to the relevant provisions of the Relationship Agreement.~~

13.1 General Management

The Board shall entrust the General Management to the CEO.

The Chairman does not assume the General Management, he/she has no executive responsibilities and will be in charge of the following functions:

- To ensure the proper operation of the Company's bodies and in particular ensure that the Directors are able to carry out their duties within the Board;
- To report to the shareholders' meeting on the manner in which the work of the Board and the internal control procedures implemented by the Company are prepared and organized;
- To ensure the application of good governance standards;

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- To maintain, in consultation with the CEO, the Company's high-level relationships with customers, regulators and public authorities both in France and abroad.

As the functions of Chairman and CEO are separated, the Board, with assistance from its Committees, appoints the CEO, sets the term of office, determines the remuneration and, if necessary, the limitations on its powers.

The CEO may be dismissed at any time by the Board.

With respect to day-to-day management, the CEO is vested with the broadest powers to act in any and all circumstances in the name of the Company. He/she exercises these powers within the limits of the Company's corporate purpose and subject to those powers that the law expressly reserves to general meetings of shareholders and to the Board.

The CEO represents the Company in its relationship with third parties. The CEO is also responsible for providing the Board and its Committees with the information they need and to implement the decisions taken by the Board.

The CEO ensures, through the Local Management Committee, that no person, save for the CEO, is entitled on his/her own, on behalf of the Company, to make an expense exceeding EUR 100,000 and to commit to its payment. The approval of the list of authorized signatories and any changes thereto is of the competence of the Local Management Committee.

As an internal restriction only and without effect towards third parties, [\(subject to any LSEG consent rights under article 12 of these Terms of Reference\)](#) the CEO must obtain the prior approval by a resolution of the Board in order to carry out:

- any planned extension of the Company's activities through the launch of new products or through the launch of existing products in new geographic areas where new or novel risk is being introduced;
- any opening of a new branch or representative office of the Company, whether conducting clearing activities through such branch or office or otherwise;
- ~~• any type of joint venture arrangement between the Company and any third party;~~
- ~~• any acquisition of a business with a valuation representing 5% or more of the Company's net revenue stated in the last audited accounts published by the LCH Group;~~
- ~~• any disposal of all or any material part of the Company's business;~~
- ~~• any decision to cease to operate all or any material part of the Company's business;~~
- any major change to the Company's corporate structure such as the creation of new holding or subsidiary companies;
- any contract which the Company or any subsidiary of the Company proposes to enter into in the ordinary course of business of the Company, which is material to the Company's business strategically or by reason of its duration (over three years) or its size, namely with an estimated or actual present value of EUR 5,000,000 or more;

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- any contract which the Company or any subsidiary of the Company proposes to enter into outside the ordinary course of business of the Company including any loan or similar arrangement with a value of EUR 1,000,000 or more;
- ~~any acquisition or disposal of shares or any interest in shares of the Company, any significant investment in any third party or the making of any takeover offer;~~
- any prosecution, defence or settlement of litigation worth at least EUR 2,000,000 or otherwise material to the Company's interests (provided that the settlement of any litigation which could result in a payment to or by the Company in excess of EUR 2,000,000 will be subject to LSEG consent);
- any item of expenditure or the incurrance of any liability if such expenditure or liability is in excess of EUR 10,000,000 or results in the total limit on spending or costs set out in the annual budget exceeding the budgeted level by more than 10%;
- ~~any material acquisitions and disposals, including in relation to intellectual property and the Company's various business segments and group undertakings. For the purposes of this paragraph, an acquisition or disposal shall be **material** if the value of the consideration or the assets which are the subject of the transaction exceed an aggregate amount of EUR 10,000,000;~~
- any material borrowings and material capital expenditure. For the purposes of this paragraph: (i) **material borrowings** includes any new committed facilities (irrespective of the size of the borrowing), ~~the Preferred Securities (as defined in the Articles of LCH Group Holdings Limited)~~ and any intra-day or over-night settlement bank and concentration bank facilities entered into for the purposes of the Company's clearing activities; and (ii) capital expenditure shall be **material** if it exceeds an aggregate annual amount of EUR 3,000,000; and
- ~~any material IT investments proposed to be made by the Company (subject to LSEG consent). IT investments shall be material if they exceed an aggregate annual amount of EUR 23,000,000.~~
- ~~any material IT investments proposed to be made by the Company. IT investments shall be **material** if they exceed an aggregate annual amount of EUR 2,000,000. As an internal restriction only and without effect towards third parties, (subject to any LSEG consent rights under article 12 of these Terms of Reference) the CEO must consult with the board of LCH Group Holdings Limited and must obtain the prior approval by a resolution of the Board in order to carry out:~~
- any type of joint venture arrangement between the Company and any third party;
- any acquisition of a business with a valuation representing 5% or more of the Company's net revenue stated in the last audited accounts published by the Company;
- any disposal of all or any material part of the Company's business;
- any decision to cease to operate all or any material part of the Company's business;

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- any acquisition or disposal of shares or any interest in shares of the Company, any significant investment in any third party or the making of any takeover offer; and
- any material acquisitions and disposals, including in relation to intellectual property and the Company's various business segments and group undertakings. For the purposes of this paragraph, an acquisition or disposal shall be **material** if the value of the consideration or the assets which are the subject of the transaction exceed an aggregate amount of EUR 10,000,000.

13.2 Managers in Charge

The Managers in Charge are both empowered with the effective determination of the operation of the Company's business. In summary, they are notably responsible, with the support of the other members of the Senior Management of the Company for (i) the accounting and financial information of the Company, (ii) ensuring the Company complies with French and EU law requirements relating to its own funds and (iii) ensuring the Company complies with French law requirements relating to internal control within the Company. In particular but not limited to:

- (a) **with respect to accounting and financial information the Managers in Charge and other members of the Senior Management of the Company (if any) shall:**
- With respect to the ACPR, a Manager in Charge shall answer any request for information, circulate accurate information and ensure the submission of annual accounts in consolidated form.
 - With respect to statutory auditors, a Manager in Charge shall ensure the nomination of statutory auditors, ensure their convening to all general meetings and more generally cooperate with them in performing their duties.
 - They shall ensure that the annual accounts are made publicly available.
- (b) **with respect to risk management, the Managers in Charge and other members of the Senior Management of the Company (if any) shall:**
- ensure consistency of the Company's activities with the objectives and strategy of the company as determined by the Board;
 - ensure that sufficient resources are devoted to risk management;
 - ensure that feedback and suggestions are provided to the Board and to the Risk Committee in respect of risk management framework including the measures taken to ensure the continuity of the activity and the assessment of the efficiency of the current arrangements, and the measures taken to ensure the control of the outsourced activities and the potential risks arising therefrom for the Company;
 - more generally, ensure that risks posed to the Company are duly addressed in compliance with policies, risk appetite defined by the board and applicable regulations;

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(c) **with respect to compliance and internal controls, the Managers in Charge and other members of the Senior Management of the Company (if any) shall:**

— determine the compliance, risk and internal control policies, processes and procedures of the company that promote the company's objectives, jointly with the Board (subject to regular review and testing and control of their efficiency).

13.3 The Board delegates responsibility to the CEO or his/her management team to provide to LSEG (subject to all laws and regulations (including antitrust laws and regulations)):

(a) sufficient financial and other information that LSEG may reasonably require to meet any applicable reporting requirements or standards and LSEG's budgeting and forecasting processes; and

(b) the audited accounts for each financial year and monthly management reports.

Article 14. Conflicts of Interest

14.1 Subject to Article 14.18 and applicable Regulatory Requirements, a Director shall be authorised by the Board to act or continue to act as a Director of the Company notwithstanding that at the time of his/her appointment or subsequently he/she also:

- holds office as a director of, or holds any other office or employment with, any other member of the LCH Group or the LSEG Group;
- holds office as a director of, or holds any other office or employment with, any other Eligible Institution that is a shareholder;
- participates in any scheme, transaction or arrangement for the benefit of the employees or former employees of the Company or any other member of the LCH Group or the LSEG Group (including any pension fund or retirement, death or disability scheme or other bonus or employee benefit scheme); or
- is interested directly or indirectly in any shares or debentures (or any rights to acquire shares or debentures) in the Company or any other member of the LCH Group or the LSEG Group.

and such authorisation shall also apply to a conflicting interest or duty that subsequently arises as a result of such office, employment, participation or interest.

14.2 A majority of the Independent Directors (in consultation with the Company's Head of Compliance (or his or her designee)) may, in accordance with Article 14.18, authorise any matter proposed to them which would, if not so authorised, involve a breach by a Director of his/her duty to avoid Conflicts of Interest.

14.3 Any authorisation under Article 14.2 will be effective only if:

- any requirement as to the quorum at the Board meeting at which the matter is considered is met without counting the Director in question or any other Director interested in the matter under consideration; and

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- the matter was agreed to without such Directors voting or would have been agreed to if such Directors' votes had not been counted.
- 14.4 The Board may give any authorisation under Article 14.2 upon such terms as it thinks fit. The Board may vary or terminate any such authorisation at any time.
- 14.5 For the purposes of this Article 14, a Conflict of Interest includes a conflict of interest and duty and a conflict of duties, and interest includes both direct and indirect interests.
- 14.6 A Director shall be under no duty to the Company with respect to any information which he/she obtains or has obtained otherwise than as a Director and in respect of which he/she owes a duty of confidentiality to another person. In particular the Director shall not be in breach of the general duties he/she owes to the Company if he/she:
- fails to disclose any such information to the Board or to any Director or other officer or employee of the Company; or
 - does not use or apply any such information in performing his/her duties as a Director.

However, to the extent that his/her relationship with that other person gives rise to a Conflict of Interest or possible Conflict of Interest, this Article 14.6 applies only if the existence of that relationship has been authorised pursuant to Articles 14.1 or 14.2.

- 14.7 Where the existence of a Director's relationship with another person has been authorised pursuant to Articles 14.1 or 14.2 and his/her relationship with that person gives rise to a Conflict of Interest or possible Conflict of Interest, such Director shall not be in breach of the general duties he/she owes to the Company if at his/her discretion or upon suggestion of the Board or any Committee he/she:
- absents him/herself from a meeting of the Board or a Committee at which any matter relating to the Conflict of Interest or possible Conflict of Interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise; or
 - makes arrangements not to receive documents and information relating to any matter which gives rise to the Conflict of Interest or possible Conflict of Interest sent or supplied by or on behalf of the Company or for such documents and information to be received and read by a professional adviser on his/her behalf^{7.4}.

for so long as he/she reasonably believes such Conflict of Interest (or possible Conflict of Interest) subsists.

- 14.8 The provisions of Articles ~~14.6~~14.6 and ~~14.7~~14.7 are without prejudice to any equitable principle or rule of law which may excuse the Director from:
- disclosing information, in circumstances where disclosure would otherwise be required under these Terms of Reference; or
 - attending meetings or discussions or receiving documents and information as referred to in Article ~~14.7~~14.7, in circumstances where such attendance or receiving such

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documents and information would otherwise be required under these Terms of Reference.

- 14.9 Subject to Article 24, a Director who is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company shall declare the nature and extent of his/her interest to the Board before the Company enters into the transaction or arrangement.
- 14.10 Subject to Article 24, a Director who is in any way, directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company shall declare the nature and extent of his/her interest to the Board as soon as is reasonably practicable, unless the interest has already been declared under Article 14.9.
- 14.11 Subject to Article 24, any declaration required by Article 14.9. may (but need not) be made at a Board meeting or by notice in writing. Any declaration required by Article 14.10 must be made at a Board meeting or by notice in writing.
- 14.12 If a declaration made under Article 14.9 or 14.10 proves to be, or becomes, inaccurate or incomplete, a further declaration must be made as appropriate.
- 14.13 Subject to Article 24, a Director need not declare an interest under this Article 14:
- if it cannot reasonably be regarded as likely to give rise to a Conflict of Interest;
 - if, or to the extent that, the Board is already aware of it (and for this purpose the Board is treated as aware of anything of which it ought reasonably to be aware); or
 - if he/she is not aware of his/her interest or is not aware of the transaction or arrangement in question (and for this purpose a Director is treated as being aware of matters of which he/she ought reasonably to be aware).
- 14.14 Subject to the provisions of the law and provided that he/she has declared the nature and extent of any direct or indirect interest of his/hers in accordance with this Article 14, where Article 14.3 applies and no declaration of interest is required, or where Article 14.1 applies, a Director notwithstanding his/her office:
- may be a party to, or otherwise be interested in, any transaction or arrangement with the Company or in which the Company is directly or indirectly interested;
 - may act by him/herself or through his/her firm in a professional capacity for the Company (otherwise than as auditor), and in any such case on such terms as to remuneration and otherwise as the Board may decide; or
 - may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise be interested in, any corporate body:
 - in which the Company is directly or indirectly interested as shareholder or otherwise; or

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- which is the parent undertaking of the Company or a subsidiary undertaking of any parent undertaking of the Company; or
- with which he/she has such a relationship at the request or direction of the Company or any parent undertaking of the Company or a subsidiary undertaking of any parent undertaking of the Company.

14.15 A Director shall not, by reason of his/her office, be accountable to the Company for any remuneration or other benefit which he/she derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate:

- the acceptance, entry into or existence of which has been authorised pursuant to Articles 14.1 or 14.2; or
- which he/she is permitted to hold or enter into pursuant to Article 14.14 or otherwise pursuant to these Terms of Reference^{7.4}.

nor shall the receipt of any such remuneration or other benefit constitute a breach of his/her duty not to accept benefits from third parties. No transaction or arrangement authorised or permitted pursuant to Article 14.1, 14.2 or 14.14 or otherwise pursuant to these Terms of Reference shall be liable to be avoided on the ground of any such interest or benefit.

14.16 ~~Subject to the terms of the Relationship Agreement~~ Save that this provision shall not restrict information being shared with LSEG in its capacity as an indirect shareholder of the Company for legal, accounting, tax, regulatory or disclosure purposes, a Director nominated by a shareholder of LCH Group Holdings Limited ~~(or that Director's alternate)~~ may not provide to the shareholder of LCH Holdings Group Limited which nominated him any information which he or she receives by virtue of being a Director without the consent of a majority of the Independent Directors. The Independent Directors may give such consent either generally or in relation to specific information, and may vary or withdraw such consent at their absolute discretion.

14.17 Without prejudice to the Director's disclosure obligations under the law and these Terms of Reference, but subject to Articles 4.2 above, 14.18 and 24 below, a Director may:

- vote at any meeting of the Board or of a Committee on any resolution and be counted in the quorum present at a meeting in relation to any resolution; or
- participate in any decision unanimously taken^{7.4}

concerning a transaction or arrangement with the Company or in which the Company is interested, or concerning any other matter in which the Company is interested, notwithstanding that the Director is interested in that transaction, arrangement or matter or has in relation to it a duty which conflicts or may conflict with the interests of the Company in relation to it.

14.18 If a majority of the Independent Directors (in consultation with the Company's Head of Compliance (or his or her designee)) determine that there is a conflict of interest, pursuant to Articles 14.1 to 14.15, between:

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- (a) (i) a shareholder of LCH Group Holdings Limited which is connected to a Director by virtue of his employment or directorship (a "**Conflicted Shareholder**") and (ii) the Company or any other member of the LCH Group due to litigation, arbitration or other dispute, or the proposed entry into, material variation or termination of a contract, between any member of the LCH Group and the Conflicted Shareholder; or
- (b) (i) a Conflicted Shareholder other than LSEG and (ii) the Company or any other member of the LCH Group due to a matter other than those set out in (a) above;

each of (a) and (b) being a "**Conflict Situation**", then any Director connected to such Conflicted Shareholder shall abstain him/herself from attending any meeting (or part of a meeting) or participating in discussions or voting on any resolution at meetings of the Board or any Committee which relate to the relevant Conflict Situation, or from receiving confidential information concerning such Conflict Situation, unless a majority of the Independent Directors, in consultation with the Company's Head of Compliance (or his or her designee) agree otherwise.

Article 15. Committees of the Board

Committees established by the Board shall be responsible for preparing some of the deliberations of the Board and submitting to the Board their opinions, proposals and recommendations.

Committees may, in the exercise of their duties, after having informed the Chairman, carry out at the Company's expense any study that may inform the deliberations of the Board. In carrying out its duties, the Committees may interview the LCH Group management as well as auditors.

There are ~~four~~five standing committees which assist the Company: the Audit Committee, the Risk Committee, the Remuneration Committee ~~and~~ the Group-Nomination Committee and the Technology, Security and Resilience Committee. Each Committee is composed of Directors or other individuals with specific skills in given areas.

In addition to these standing Committees, the Board may establish one or more *ad hoc* Committees.

~~The Group-Nomination Committee is a LCH-Group level committee but can make recommendations to the Board in relation to the Company.~~

The proceedings of the Committees shall be governed by those provisions of the articles of association of the Company and of these Terms of Reference which regulate the proceedings of Directors so far as they apply.

Article 16. Audit Committee

Organisation and functioning of the Company's Audit Committee is detailed in the ~~7~~8 terms of reference of the Audit Committee from time to time.

These Audit Committee terms of reference are reviewed annually and are subject to approval of the Board. ~~These terms of reference shall be on substantially similar terms to and, in respect of the rights of LSEG under the terms of reference of, the audit committee of LCH Group Holdings Limited, consent of LSEG. These Audit Committee terms of reference are~~ subject to any changes required by the

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regulators of ~~LCH Group~~the Company or as a result of applicable law or regulation, including with regard to the composition of the Company's Audit Committee.

A director representing LSEG shall be ~~entitled to nominate a director (or, following the appointment by LSEG of one independent non-executive director as an LSEG Director to the LCH Group Holdings Ltd board, other LSEG Audit Representative)~~ to part of the Company's Audit Committee.

A director representing Euronext shall be ~~entitled to have a representative at the LCH SA~~ part of the Company's Audit Committee in accordance with the terms of the Derivatives Clearing Agreement (**DCA**) entered into by LCH SA, LCH Group Holdings Limited and the Euronext market undertakings.

Article 17. Risk Committee

Organisation and functioning of the Company's Risk Committee is detailed in the terms of reference of the Risk Committee from time to time.

These Risk Committee terms of reference are reviewed annually and are subject to approval of the Board and, in respect of the rights of LSEG under the terms of reference, the consent of LSEG.

~~LSEG shall be entitled to nominate to the Company's Risk Committee:~~

- ~~• for so long as LSEG has a Significant Interest in LCH Group Holdings Limited, the vice-chairman (or such other person as LSEG chooses); and~~
- ~~• for so long as LSEG has a Material Interest in LCH Group Holdings Limited, one representative,~~

~~in each case~~ A director representing LSEG shall be the vice-chairman of the Company's Risk Committee, provided that such person has the skills and experience commensurate with such a role.

Article 18. ~~Group~~ Nomination Committee

Organisation and functioning of the ~~Group~~ Nomination Committee is detailed in the terms of reference of the Nomination Committee from time to time.

These Nomination Committee terms of reference are reviewed annually and are subject to approval ~~of the board of LCH Group Holdings Limited, the Board, the Boards of any other entities within the LCH Group from time to time and LSEG (for so long as LSEG is entitled to exercise or control the exercise of at least 40% of the votes able to be cast on all or substantially all matters at general meetings of LCH Group Holdings Limited)~~ by the Board and the consent of LSEG.

~~If the Company establishes its own nomination committee, such committee shall adopt terms of reference on substantially similar terms to the terms of reference of the Group~~ A director representing LSEG shall be part of the Company's Nomination Committee, ~~subject to any changes required by the regulators of LCH Group Holdings Limited or as a result of applicable law or regulation, including with regard to the composition of such nomination committee.~~

~~LSEG shall be entitled to nominate a director, who is a director appointed by LSEG on the board of any LCH Group company (or other LSEG NomCom Representative) to the Company's nomination committee.~~

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Article 19. Remuneration Committee

The Company has established its own Remuneration Committee and has therefore adopted terms of reference which take into account the remuneration policy and principles applied by the remuneration committee of ~~LCH Group Holdings Limited (Group) and the remuneration committee of~~ LSEG for its executive management.

Organisation and functioning of the Remuneration Committee is detailed in the LCH SA terms of reference of the Remuneration Committee of the Board of Directors from time to time. These terms of reference are reviewed annually.

Such [Remuneration Committee](#) terms of reference may be amended with the approval of the Board only and ~~(for so long as LSEG is entitled to exercise or control the exercise of at least 40 per cent of the votes able to be cast on all or substantially all matters at general meetings in the Company and only to the extent that LSEG's rights or interests in those paragraphs are being amended),~~ [in respect of the rights of LSEG under the terms of reference,](#) the consent of LSEG.

~~The Remuneration Committee shall also be mindful of its obligation to operate in accordance with the terms set out in clause 12 of the Relationship Agreement between inter alia LCH Group and LSEG, as amended from time to time.~~

~~Eventually, for so long as LSEG is entitled to exercise or control the exercise of at least 5 per cent of the votes able to be cast on all or substantially all matters at general meetings in the Company, LSEG shall be entitled to nominate one independent non-executive director of the board of LSEG (who may also be, but is not required to be, a director appointed to the Board of the Company by LSEG) to the~~ [A director representing LSEG shall be part of the Company's](#) Remuneration Committee. Ideally such ~~independent non-executive~~ director of the board of LSEG would also be a member of LSEG's remuneration committee.

[Article 20. Technology, Security and Resilience Committee](#)

[Organisation and functioning of the Technology, Security and Resilience Committee is detailed in the terms of reference of the Technology, Security and Resilience Committee from time to time.](#)

[These Technology, Security and Resilience Committee terms of reference are reviewed annually and are subject to approval by the Board.](#)

Article ~~20~~21. Remuneration of non-executive Directors

Non-executive Directors may only receive a fixed annual sum as compensation for their activity (as Directors and/or Committees members), the amount of which would be decided by the shareholders' meeting.

The Board may decide to entrust certain Directors with specific tasks or services for and on behalf of the Company. Directors shall on the recommendation of the Remuneration Committee be entitled to exceptional remuneration as the Board may determine in respect of these specific tasks or services, excluding the Independent Directors.

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No Independent Director or non-executive Director may receive performance-based remuneration for their services.

Article ~~21~~22. Reimbursement of expenses

Expenses regarding travel, accommodation, food services and the tasks of Directors related to Board meetings, Committee meetings or any other meeting regarding the work of the Board or its Committees, shall be covered or shall be subject to reimbursement by the Company, upon the presentation of receipts.

The Secretary receives and verifies the aforementioned receipts and sees to their payment or to the reimbursement of the amounts due.

Article ~~22~~23. Training

Upon their appointment or throughout the duration of their term, each Director can receive training regarding the activities of the Company as deemed necessary for the fulfilment of their tasks.

Any Director who wishes to receive training on his/her role as a Director or the specific features of the Company may request it at any time. One or more ad hoc training sessions will then be set up which will include meetings with the executive officers.

Information on the specific accounting, financial and operational features of the Company is made available to all members of the Audit Committee on request.

Article ~~23~~24. Evaluation of the Board

Each year, a questionnaire evaluating the Board's performance is submitted to each Director.

This questionnaire covers the Board's activities demonstrating its role and responsibilities, organisation, operation and training policy. The analysis of the questionnaire is done anonymously and the results shall be presented at the last meeting of the Board for the year. The results of this evaluation as well as the follow up measures that may be decided shall be outlined in the minutes of the meeting.

Article ~~24~~25. Related party agreements between the Company and a manager, a Director or a shareholder

Save for transactions entered into by the Company in the ordinary course of business and transactions entered into two companies if one of them holds, directly or indirectly, the entire share capital of the other (after deduction of the minimum number of shares required to comply with article L. 225-1 of the French Commercial Code), agreements between the Company and its Chairman, its CEO, one of its Deputy-CEO (if any), one of its Directors, or one of its shareholders holding over 10% of the voting rights of the Company, or in the case of a company which is a shareholder of the Company, agreements with the entity that controls this shareholder, shall be subject to the authorisation, verification and approval procedure provided for in the French commercial code. The same applies to agreements in which one of the above persons has an indirect interest or where they enter into an agreement with the Company through an intermediary.

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Agreements between the Company and an entity where the CEO of the Company, one of the Deputy-CEO of the Company (if any) or one of the Directors of the Company is a shareholder, a partner with unlimited liability, a manager, a director, a member of the supervisory board or, in general, a manager of that entity, are also subject to the aforementioned procedure.

Directors (whether legal persons or not) are prohibited, under penalty of nullity of the contract, from entering into contracts in relation to obtaining from the Company (i) loans or overdrafts on a current account, or (ii) an endorsement or guarantee of the Directors' commitments towards third parties. This prohibition also applies to the spouses, ascendants and descendants of the Directors as well as to all intermediaries.

Any contracts and agreements (including commercial and trading arrangements in the ordinary course of business) between the Company and LSEG or any member of the LSEG Group, will be subject to the prior approval of a committee of the Board consisting solely of the independent non-executive directors of the Company, which approval shall be given provided that the contract or agreement is on bona fide arm's length terms (and such committee's determination will be final).

Article 26. Group Compliance

In acknowledgement of LSEG's obligations under the Financial Conduct Authority's Listing Rules (from time to time), the Board will notify LSEG of any proposed transaction in relation to the Company or of which the Board is otherwise aware which may constitute for LSEG either:

- 26.1 a significant transaction under Listing Rule 10 (including, for example, any material acquisitions or disposals or providing a non-ordinary course indemnity to a third party); or
- 26.2 a related party transaction under Listing Rule 11 (including, for example, any proposed transaction or arrangement with (i) a person holding 10% or more of the voting rights in LSEG or any member of the LSEG Group (or who held such voting rights in the past 12 months) and (ii) any director of LSEG or any member of the LSEG Group (including for these purposes, any director of any LCH Group company), or who was such a director in the past 12 months),

and, if LSEG informs the Board that such proposed transaction does constitute a transaction (or other relevant matter) under Listing Rule 10 or 11, no such transaction will take place without the prior approval of LSEG.

Article 27. Amendment

These Terms of Reference may be amended by the Board, provided that any changes to LSEG's rights or any changes which would otherwise have a detrimental effect on LSEG's rights pursuant to these Terms of Reference will be subject to the consent of LSEG.

Appendix II
Nomination Committee Terms of Reference

Appendix II

LCH SA (the *Company*)

TERMS OF REFERENCE OF THE NOMINATION COMMITTEE OF THE BOARD OF DIRECTORS

Adopted by the Board of Directors on [•] 2020

1. BACKGROUND

The board of directors of the Company (the *Board*) has resolved to establish a nomination committee (the *Committee*) and to adopt these Terms of Reference with effect from the date set out above. These Terms of Reference address the nomination of certain directors to the Board and replace any previous terms of reference for any nomination committee of the Board.

2. PURPOSE

Board

2.1 The Committee shall make recommendations to the Board for nominations of the following candidates for appointment as directors of the Board:

- 2.1.1 the independent chairman of the Board (the *Chairman*);
- 2.1.2 up to four independent directors who meet the standards of independence set out in paragraph 7.3 (the *Independent Directors*) (at least two of whom shall not also be independent directors on the board of directors of LCH Limited);
- 2.1.3 up to two directors (the *User Directors*) associated with or connected to shareholders of LCH Group Holdings Limited (the *Parent Company* and together with its subsidiaries, the *LCH Group*) other than London Stock Exchange Group plc (*LSEG* and together with its subsidiaries (other than the LCH Group), the *LSEG Group*) or other exchanges, trading venues, multilateral trading facilities, alternative trading systems or similar (the *User Shareholders*);
- 2.1.4 the director nominated by LSEG in accordance with paragraph 3; and
- 2.1.5 the director nominated by Euronext Brussels S.A./N.V., Euronext Amsterdam N.V., Euronext Paris S.A., Euronext Lisbon – Sociedade Gestora De Mercados Regulamentados S.A. and Euronext UK Markets Ltd (*Euronext*) in accordance with paragraph 4.

2.2 The recommendations made by the Committee as set out in paragraph 2.1 shall (i) take into account the criteria set out in these Terms of Reference and (ii) be subject to any changes to the composition of the Board for regulatory purposes or as otherwise may be agreed by a majority of the directors of the Board from time to time, subject to LSEG consent.

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2.3 The Board will also comprise:

2.3.1 the chief executive officer of the Parent Company (the **Group CEO**);

2.3.2 the chief executive officer of the Company (the **Company CEO**) as proposed by the Group CEO; and

2.3.3 the chief risk officer of the Parent Company as proposed by Group CEO or such other LCH executive as may be proposed by the Group CEO (together with the Group CEO and the Company CEO, the **Executive Directors**).

2.4 The Committee shall regularly assess the structure, size, composition and performance of the Board, and shall make recommendations to the Board if any changes are considered necessary or desirable.

3. LSEG DIRECTOR

3.1 Without prejudice to any other rights which LSEG may have, LSEG has the right to appoint one LSEG director to the Board (the **LSEG Director**).

3.2 If the existing LSEG Director retires or is removed, LSEG shall propose to the Committee a candidate to be the replacement LSEG Director.

3.3 The Committee shall consider:

- (i) the seniority, experience, skill and expertise of each candidate; and
- (ii) the regulatory good standing of each candidate.

3.4 The Committee shall recommend to the Board the appointment of the candidate proposed by LSEG unless it considers the candidate not to be appropriate based on the criteria set out in paragraph 3.3 .

4. EURONEXT DIRECTOR

4.1 Without prejudice to any other rights which Euronext may have, Euronext has the right to appoint one Euronext director to the Board (the **Euronext Director**).

4.2 If the existing Euronext Director retires or is removed, Euronext shall propose to the Committee a candidate to be the replacement Euronext Director.

4.3 The Committee shall consider:

- (i) the seniority, experience, skill and expertise of each candidate;
- (ii) the regulatory good standing of each candidate.

4.4 The Committee shall recommend to the Board the appointment of the candidate proposed by Euronext unless it considers the candidate not to be appropriate based on the criteria set out in paragraph 4.3.

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5. EXECUTIVE MANAGEMENT TEAM

The Company CEO will be responsible for appointing their own management team in consultation with the Group CEO.

6. DUTIES AND POWERS OF THE COMMITTEE

6.1 The Committee shall put forward candidates for appointment as directors in accordance with paragraphs 2, 3 and 4 and coordinate any necessary succession planning in respect of the Chairman or directors of the Board.

6.2 The Committee will need to be satisfied that candidates understand the responsibilities of Board membership and will be able to devote the necessary time to Company matters.

6.3 The Committee will need to ensure that its recommended candidates are respected for their competence and are of good standing in their field of business and that such recommended candidates are not disqualified under any provisions of applicable law from serving on the Board.

6.4 The Committee shall make available to the Board on a regular basis all such information as is required to ensure that the Board is formally kept up to date with the actions, deliberations and determinations of the Committee.

6.5 The Committee will undertake any other tasks required of it by the Board.

6.6 The Committee is authorised by the Board to:

- (a) undertake any activity within its frame of reference;
- (b) make whatever enquiries or solicit whatever further information it may need from nominees or employees of the Company or the LCH Group or elsewhere, in order to perform its duties;
- (c) maintain a list of potential candidates and may discuss with any such candidate the Committee's requirements for nomination;
- (d) obtain, at the Company's expense, outside legal or other professional advice on any matter within its Terms of Reference and to invite those persons to attend at meetings of the Committee; and
- (e) delegate any of its powers to one or more of its members or the Committee Secretary.

6.7 The Committee will consult from time to time with the nomination committee of LCH Limited to ensure that there is a coordinated process for the appointment of suitable directors to the Board and the board of directors of LCH Limited.

6.8 The Committee shall keep itself informed of any changes in the laws and regulations applicable to the composition of the Board and the other matters for which the Committee is responsible.

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7. PROCEDURES OF THE COMMITTEE

Appointment of the Chairman and the Independent Directors

- 7.1 The Committee shall set its own procedures when making decisions on recommendations in relation to the appointment of a new Chairman and/or the Independent Directors to the Board. However, as part of such procedures it will:
- (a) draw up a short-list of potential candidates whose suitability and willingness to be appointed should be explored in greater detail (and may engage a reputable firm of search consultants to recommend candidates);
 - (b) consult the Group CEO, the chief executive officer of LSEG and the chairman of LSEG (and may consult other persons who are not members of the Committee as appropriate) as to the suitability of the short-listed candidates being considered by the Committee, and if requested, arrange meeting(s) with short-listed candidates;
 - (c) with regard to the appointment of a new Chairman, consult with the Independent Directors in advance of making a recommendation to the Board.
- 7.2 When the Committee makes decisions on recommendations in relation to the appointment of a new Chairman to the Board, unless the Independent Directors on the Committee approve otherwise, the then current Chairman shall not be entitled to attend any part of a meeting of the Committee at which a candidate for the role is considered or to vote on whether a candidate should be short-listed or recommended to the Board for appointment.
- 7.3 In determining whether a person is fit for appointment as Chairman or as an Independent Director, the Committee shall consider whether such person is independent in character and judgment, and whether there are relationships or circumstances (including any with LSEG or any member of the LSEG Group and/or with any User Shareholder) which are likely to affect, or could appear to affect, such person's judgment. In addition, the Committee shall have regard to relevant factors which may include if such person has a relationship that would disqualify such person as a "public director" within the meaning of the CFTC Rules in force from time to time or as an "independent director" under any corporate governance standards applicable from time to time or which the Board otherwise determines should be complied with in the interests of best practice corporate governance.
- 7.4 The Committee shall, as often as necessary in light of all the facts and circumstances, but at least annually, verify its determination made pursuant to paragraph 7.3 in respect of each Independent Director's fitness.
- 7.5 When the Committee makes decisions on recommendations in relation to the appointment of a new Independent Director to the Board, the Committee will take into account (amongst other things) that ideally there should be, amongst the Independent Directors:
- (f) a breadth of industry expertise and experience and product knowledge;
 - (g) particular expertise and experience in each of (i) risk management, (ii) audit, (iii) clearing services and (iv) financial services; and

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(h) diversity, including gender, age, geographical provenance, and educational and professional background.

7.6 When the Committee makes recommendations of Independent Director candidates, it shall state its reasons, identifying (if relevant) why it considers that the candidate is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination as described in paragraph 7.3.

Appointment of User Directors

7.7 The Appendix to these Terms of Reference sets out the process whereby User Directors shall be nominated to the Board, including the approval rights of LSEG with respect to such appointees.

8. TENURE OF DIRECTORS

8.1 Each director (other than the Executive Directors and User Directors) shall in principle have a maximum tenure on the Board of three three-year terms. However, the Committee may nominate an Independent Director for such longer period as is necessary to ensure that not all such Independent Directors' appointments terminate at the same time.

8.2 All User Directors shall have a tenure on the Board of one three-year term, unless otherwise agreed by the Board to ensure that not all such User Directors' appointments terminate at the same time.

8.3 The terms of appointment of each User Director shall provide that such User Director must retire from the Board if any of the circumstances set out in sub-paragraphs 2(a) through 2(f) of the Appendix occurs.

9. MEMBERSHIP OF THE NOMINATION COMMITTEE

9.1 The Committee shall be appointed by the Board and the membership shall comprise the Chairman, at least two Independent Directors, one User Director and the LSEG Director.

9.2 The size of the Committee will be at the discretion of the Board and, for the current time, will comprise four to six directors.

9.3 The Chairman, or such other Independent Director as the independent directors and LSEG may agree, shall act as chairman of the Committee (the **Committee Chairman**). In the absence of the Committee Chairman and/or an appointed deputy at any meeting, the remaining members present shall elect one of themselves to chair the meeting from among the Independent Directors present.

10. SECRETARY

The Company secretary or his or her appointed nominee shall be secretary of the Committee (the **Committee Secretary**).

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11. TENURE OF NOMINATION COMMITTEE MEMBERS

- 11.1 The Committee Chairman will keep the Committee's composition under review, and shall make proposals to the Board accordingly.
- 11.2 If a member of the Committee ceases to be a director of the Company, that person's membership of the Committee shall automatically cease.

12. NOTICE OF MEETINGS

- 12.1 Notice of meetings shall be given by the Committee Chairman, or the Committee Secretary at the request of the Committee Chairman.
- 12.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend prior to the date of the meeting in a timely manner. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.

13. TIMING AND LOCATION OF MEETINGS

The Committee shall meet at least twice a year and additional meetings shall be arranged as necessary in order to fulfil the duties of the Committee.

14. ATTENDANCE AT MEETINGS

- 14.1 Only members of the Committee have the right to attend Committee meetings. Other individuals, such as appropriate senior employees and/or external advisers, may attend all or part of any meeting, as and when appropriate, at the invitation of the Committee Chairman.
- 14.2 Members of the Committee may hold meetings in person, by telephone or by video conference or any combination of these. Decisions may also be made by e-mail circulation, providing that approval is unanimous.

15. QUORUM

The quorum for meetings shall be one Independent Director, one User Director and the LSEG Director on the Committee. 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.

16. MINUTES OF MEETINGS

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, and such minutes shall be presented to the Committee for approval at the next following meeting.

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17. REPORTING AND REVIEWS

- 17.1 The Committee Chairman shall report to the Board on the discussions, decisions and recommendations of the Committee.
- 17.2 The Committee shall produce to the Board for approval each year a summary of (i) its activities, (ii) the process used to make nominations, (iii) a description of its policy on diversity (including gender), any measurable objectives it has set for implementing the policy and progress on achieving such objectives and (iv) shall either explain if external advice or search consultants have not been used or, if they have been used, identify them and state whether they have a connection with the Company. Following such approval, that summary is to be included as a section in the Company's annual report.
- 17.3 The Committee Chairman, or his or her designee, will make available to the chief compliance officer of the Company (the **Chief Compliance Officer**) such information relating to the Committee's work as is necessary for the relevant Chief Compliance Officer to draft and submit the annual compliance reports required by the CFTC Rules and other applicable regulations in force from time to time.
- 17.4 The Committee shall, at least annually, carry out a review of the individual and collective performance of the "management body" of the Company (taking into account the joint ESMA and EBA Collective Assessment Guidelines in place from time to time) and shall recommend any changes considered necessary to the Board for approval.

18. AMENDMENT

These Terms of Reference may be amended with Board approval, subject to LSEG consent.

19. CONFIDENTIALITY AND CONFLICTS OF INTEREST

- 19.1 All confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, save as required to be disclosed by law or regulation. Any other persons involved in the Committee's work shall either be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.
- 19.2 Conflicts of interest relating to Committee members shall be governed by the relevant articles in the articles of association of the Company from time to time.

20. OTHER

- 20.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required on all Committee matters.
- 20.2 Every member of the Committee shall be given a copy of these Terms of Reference.

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- 20.3 The Committee shall be provided with appropriate and timely training, both as an induction process and on an ongoing basis, and provided with access to external consultancy support, when required.

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APPENDIX

Mechanism for Appointment of User Directors to the Board

1. Any User Shareholder which (i) is not connected with an existing director (other than a director who retires or is removed in accordance with paragraph 2(b), (d) or (e) below), and (ii) has not served notice terminating its clearing relationship with any member of the Group (an **Eligible User**) may be invited by the Board as it sees fit from time to time to nominate to the Committee a candidate for appointment as a User Director on the Board.
2. The Committee will recommend an individual to replace any User Director who:
 - (a) retires of their own volition;
 - (b) retires or is removed as a result of the User Shareholder which nominated them ceasing to be an Eligible User;
 - (c) retires or is removed as a result of their ceasing to be employed by, or for any other reason upon request by, the User Shareholder which nominated them;
 - (d) retires or is removed following a change of role within the User Shareholder, if such role change would result in the User Director concerned no longer being able to maintain the relevant skill and expertise; or
 - (e) is disqualified or removed in accordance with the articles of association of the Company, together, **Retiring User Directors**.
3. The Committee will recommend the appointment of candidates to replace Retiring User Directors selected using the following process:
 - (a) The Committee will select which Eligible Users shall be invited to propose to the Committee a candidate or candidates to replace a Retiring User Director (each such Eligible User being a **Nominating User**). The Committee will review the list of Eligible Users that it considers most likely to promote the success of the Company and, in so doing, will have regard to the following factors (in no particular order):
 - (i) the number of each Eligible User's contracts or trades (as the case may be) cleared by any member of the Group in the immediately preceding 12 months;
 - (ii) any other contribution made to the Group's business by each Eligible User, including without limitation assistance provided to the Group in the development of new projects and the introduction to the Group of new clearing clients;
 - (iii) the size of each Eligible User's shareholding in the Parent Company; and

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- (iv) how recently (if at all) the relevant Eligible User has been represented on any LCH Board, and the desirability of achieving a reasonably fair rotation of appointees among Eligible Users.
- (b) The Committee will invite each Nominating User to propose one or more candidate(s) for the role of User Director for consideration by the Committee.
- (c) Once the Committee has received details of a Nominating User's candidate(s), the Committee will decide whether to approve the relevant candidate(s) (or any of them) (each such candidate being an **Approved Candidate**) and, in so doing, will have regard to the following factors:
 - (i) the seniority, experience, skill and expertise of each candidate;
 - (ii) the regulatory good standing of each candidate;
 - (iii) the desirability of having deep expertise on a wide range of products on the Board, including those which pose the greatest risk challenges for the Company from time to time;
 - (iv) the desirability of having on the Board significant experience and expertise in the Company's principal markets; and
 - (v) the desirability of diversity on the Board, including gender, age, geographical provenance, and educational and professional background.
- (d) If the Committee fails to approve any candidate proposed by a Nominating User for appointment as a User Director, such Nominating User will be allowed time to nominate one or more alternative candidates for consideration by the Committee until the Committee has approved a candidate proposed by such Nominating User.
- (e) The Committee will select such number of Approved Candidates as is equal to the number of Retiring User Directors (the **Proposed Directors**) for appointment as User Directors. The Committee will select those Approved Candidates that it considers to be most appropriate for the Board's needs in light of the factors set out at paragraphs 3(a) and 3(c) above. The Committee will then seek LSEG's approval of each Proposed Director.
- (f) If LSEG does not approve a Proposed Director then the Committee shall propose an alternative Proposed Director selected pursuant to paragraph 3(g)(i) or (ii) below but may nevertheless decide to propose such rejected Proposed Director to the Board together with the alternative Proposed Director selected pursuant to paragraph 3(g)(i) or (ii).
- (g) If LSEG does not approve a Proposed Director, the Nominating User concerned may:
 - (i) accept that the relevant Proposed Director should not be appointed as a User Director (in which case the Committee shall select another Proposed Director from among the Approved Candidates to be put to LSEG for its approval); or

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- (ii) propose one or more alternative candidates to be considered by the Committee on the basis set out above and, if approved by the Committee for appointment as a User Director, to be put to LSEG for its approval. However, the Committee will not be obliged to select such alternative candidate as a Proposed Director and may select another Approved Candidate as a Proposed Director in his or her place.
- (h) If LSEG approves a given Proposed Director, the Committee shall recommend the Proposed Director's appointment to the Board as a User Director.

Appendix III

Technology, Security and Resilience Committee Terms of Reference

LCH SA
(the *Company*)

**TERMS OF REFERENCE OF THE TECHNOLOGY, SECURITY AND RESILIENCE COMMITTEE
OF THE BOARD OF DIRECTORS (THE "COMMITTEE")**

Adopted by the board of directors of the Company on [•] 2020

ARTICLE I. PURPOSE

Section 1.01 The Technology, Security and Resilience Committee (LCH SA TSR Committee) (the **Committee**) shall be appointed by the Board of Directors of the Company (the **Board**) and shall represent the interests of the Board in the sound management of technology security and operational resilience, including cyber security, to ensure that technology security and operational resilience strategies, investments and outcomes support the mission, values, and strategic goals of the Company.

Section 1.02 The Committee shall determine whether management has put in place adequate strategies and plans which include appropriate management of technical, security, operational resilience and cyber risks that provide reasonable assurance that the company operates within its risk appetite and complies with regulatory requirements.

Section 1.03 The Committee shall assist the Board in fulfilling its responsibility relating to:

- (a) Review of the Company's Operations and Technology Strategy;
- (b) Review of significant investments in support of such strategy including application and infrastructure architecture;
- (c) Review of the frameworks, policies and strategies that set the internal control environment in relation to technology, security and operational resilience;
- (d) Review of the Operational Risk Management Framework;
- (e) Review of the Company's Strategy for Cyber Security and Information Security and for delivery of supporting programmes;
- (f) Review the integration of Digital and Physical Security and their alignment with Business Continuity Plans;
- (g) Review of and assessing of the Company's maturity against existing and emerging concepts of security and resilience in order to support the development of strategy; and
- (h) Providing regulatory attestations or declarations as may be required from time to time in relation to technology, security and operational resilience.

Section 1.04 The Committee shall keep itself informed of any changes in the laws and regulations applicable to its function and of changes in guidance from within the broader Group.

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Section 1.05 The Committee shall provide time and capacity for discussions relating to the rapidly developing areas of technology, security and operational resilience in order to provide constructive challenge to the business and assurance to the Board through recommendations and advice. The Committee will help the Board strengthen business continuity management, risk management and regulatory compliance.

Section 1.06 Nothing in these Terms of Reference shall diminish the responsibility of the Board to maintain ongoing review of the Company's technology, security and operational resilience policies as applicable.

ARTICLE II. STRUCTURE AND MEMBERSHIP

Section 2.01 Composition

(a) The Committee shall comprise no fewer than four directors of the Board, of which:

- (i) at least two shall be independent non-executive directors of the Board, each of whom satisfies the criteria for independence set out in, the terms of reference of the Company's Nomination Committee (the **Independent Directors**) and one of such Independent Directors shall be appointed chairman of the Committee (the **Committee Chairman**); and
- (ii) at least one shall be a member of the Audit Committee of the Company;

(b) Members of the Committee shall ideally have significant, recent and relevant experience of the operations of LCH and its dependence on technology, but the Committee as a whole should have a breadth of experience to enable alignment with financial risk management, regulatory requirements and audit.

Section 2.02 Other technology expert individuals, as considered appropriate by the Committee, may attend the meetings of the Committee on relevant matters from time to time, in a non-voting capacity.

Section 2.03 Selection and Removal

(a) Members of the Committee shall be selected and appointed by the Board at any time in consultation with the Committee Chairman.

(b) The Board may remove members of the Committee with or without cause.

Section 2.04 Committee Chairman

(a) The Board normally elects the Committee Chairman. On an exceptional basis and in the absence of the appointed Committee Chairman, the Committee shall elect a substitute Committee Chairman from amongst its ranks by majority vote.

(b) The Committee Chairman will keep the Committee's composition under review and shall make proposals to the Board accordingly.

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Section 2.05 Secretary

- (a) The secretary to the Committee (the **Committee Secretary**) shall be the Company Secretary or his or her nominee.
- (b) The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required and, where deemed necessary or appropriate, to professional advisers.

Section 2.06 Notice of Meetings

- (a) Notice of meetings shall be given by the Committee Chairman, or the Committee Secretary at the request of the Committee Chairman.
- (b) Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required or permitted to attend prior to the date of the meeting in a timely manner. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.

Section 2.07 Frequency of Meetings and Location

The Committee shall meet as frequently as it determines necessary, but not less frequently than three times per year. Other than in exceptional circumstances, all meetings shall be held in one of the registered offices of the group entities. The Committee Chairman, or any other member of the Committee, may call meetings of the Committee.

Section 2.08 Attendance

- (a) Only members of the Committee have the right to attend Committee meetings.
- (b) Members of the Company's executive and the Head of Internal Audit may attend the meetings by invitation as and when appropriate and necessary, in accordance with items on the agenda.
- (c) The Committee may hold meetings in person, by telephone or by video conference.

Section 2.09 Quorum

The quorum for meetings shall be two members of the Committee, one of whom shall be an independent Non-Executive Director. 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.

For the purposes of fulfilling the quorum requirements, a member of the Committee may provide the Chairman or another member of the Committee with their proxy, provided that the proxy is notified to the Chairman and the Secretary prior to the meeting.

Section 2.10 Conduct of Meetings

Except as outlined above, meetings of the Committee shall be conducted in accordance with the provisions of the Company's articles of association governing the proceedings of directors.

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Section 2.11 Remuneration

The remuneration of Committee members shall be as determined by the Board. No member of the Committee may receive any consulting, performance, advisory or other compensatory fee from the Company other than fees paid in his or her capacity as a member of the Board or as a member of a Committee of the Board.

ARTICLE III. REPORTS TO THE COMMITTEE

The Committee shall receive and review periodic management information for relevant operations and technology metrics and align its meeting schedule with the requirements of the Board.

ARTICLE IV. AUTHORITY AND RESPONSIBILITIES

Section 4.01 The Committee's role is one of review. The Committee will also provide support and alignment with other committees to the Board.

Section 4.02 The Committee shall perform the following specific functions:

- (a) Review the Company's operations and technology strategy and policies including application and infrastructure architecture.
- (b) Review and, as appropriate, make recommendations to the Board regarding significant technology investments in support of the Company's technology strategy.
- (c) Review and, as appropriate, make recommendations to the Board regarding the resources and delivery of the Company's technology programmes.
- (d) Review any IT resilience, cyber and information security programmes, track progress in relation to such programmes and provide reports to the Board as appropriate.
- (e) Review any significant operations and technology risk exposures of the Company, including (i) review of any detailed operational risk assessments with significant IT elements (ii) information security and cyber security risks together with the steps management has taken to monitor and control such exposures.
- (f) Review and consider, where appropriate, the Company's risk management and risk assessment guidelines and policies regarding operations and technology risk.
- (g) Review the Company's integrated security and resilience, including review of any new or novel approaches to IT including security and resilience.
- (h) Review and receive reports from management regarding the Company's Business Continuity Management planning and develop oversight of Business continuity management and disaster recovery.
- (i) Receive reports, as appropriate, from the Audit Committee regarding the results of reviews and assessments of the Company's operations and technology functions.

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- (j) Review and receive reports, as appropriate, on operations and agreed metrics in conjunction with the Audit Committee.
- (k) Review and receive reports on technology outsourcing.
- (l) Receive reports from management, as and when appropriate, on industry trends that may affect the Company's technology strategy.
- (m) Coordinate with Management and other Board Committees as may be necessary in discharging its authorities and responsibilities and provide reports to such other Board Committees as may be appropriate.

Section 4.03 The Committee shall consider any other matters as directed by the Board.

Section 4.04 The Chair of the LCH SA TSR committee shall be a standing member of the Audit Committee and may be invited to attend the meetings of the Risk Committee on relevant matters from time to time, in a non-voting capacity, and may make presentations to both Committees.

ARTICLE V. PROVISIONS FOR ACCESS

Section 5.01 Access to Management

The Committee shall have full and unrestricted access to the Group's management and employees. All employees are directed to co-operate with any requests made by the Committee.

Section 5.02 Access to Outside Advisers

The Committee is authorised by the Board, at its discretion, to obtain independent professional advice and to secure the assistance of outsiders with relevant expertise. This shall apply both to the Committee as a whole and to individual Committee members. Costs relating to the provision of advice shall be borne by the Company.

Section 5.03 Access to Company Information

The Committee shall have full and unrestricted access to any systems, records, facilities or other data it requires from the Company or other members of the LCH Group in order to carry out its functions.

ARTICLE VI. REPORTING

Section 6.01 *Minutes / Agenda.* The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, and such minutes shall be presented to the Committee for approval at the next following meeting.

Section 6.02 *Board Reporting.* The Committee Chairman shall report the Committee's discussions, decisions and recommendations to the Board, which shall decide on an appropriate policy response.

Section 6.03 The Committee shall have no executive powers with respect to those findings and recommendations.

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Section 6.04 Annual Reports. The Committee Chairman, or his or her designee, will make available to the Chief Compliance Officer of the Company such information relating to the Committee's work as is necessary for the Chief Compliance Officer of the Company to draft and submit the annual compliance reports required by applicable regulations in force from time to time.

ARTICLE VII. CONFIDENTIALITY AND CONFLICTS OF INTEREST

Section 7.01 All confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, save as required to be disclosed by law or regulation. Any other persons involved in the Committee's work shall either be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.

Section 7.02 Conflicts of interest relating to Committee members shall be governed by the relevant articles in the articles of association of the Company from time to time.

Section 7.03 Any disagreement within the Board, including disagreement between the Committee's members and the rest of the Board, should be resolved at Board level. Where disagreements between the Committee and the Board cannot be resolved, the Committee has the right to report the issue to the shareholders through the Company's annual report.

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Audit Committee Terms of Reference

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LCH SA
(the *Company*)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Adopted by the board of directors on ~~9 December 2019~~ [\[o\]](#)

1. PURPOSE

- 1.1 The Audit Committee (the *Committee*) shall be appointed by the Board of Directors of the Company (the *Board*) and shall represent the interests of the Board in the sound financial management and internal control management of the Company.
- 1.2 The Committee shall determine whether management has put in place adequate internal control systems that provide reasonable assurance that corporate objectives will be achieved and that the Company complies with applicable regulatory requirements, in force from time to time.
- 1.3 The Committee shall assist the Board in fulfilling its responsibility relating to:
 - 1.3.1 Review of the Company's audited financial statements;
 - 1.3.2 Review of the external ~~auditor~~[auditors](#) appointed by the Company (the *External Auditor*[Auditors](#));
 - 1.3.3 Review of the Company's internal audit function;
 - 1.3.4 Review of the Company's regulatory compliance;
 - 1.3.5 Review the Company's compliance with its risk governance framework, review of the Enterprise Risk report;
 - 1.3.6 Review of the Company's internal control environment; including through review of Resilience Risk matters.

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- 1.4 The Committee shall keep itself informed of any changes in the laws and regulations applicable to the audit policy of the Company and the matters for which the Committee is responsible.
- 1.5 Nothing in these Terms of Reference shall diminish the responsibility of the Board to maintain ongoing review of the Company's audit policy.

2. STRUCTURE AND MEMBERSHIP

2.1 Composition

- 2.1.1 The Committee shall comprise no fewer than four non-executive directors of the Board, of which:
 - (a) no fewer than three shall be independent non-executive directors of the Board, each of whom has been appointed in accordance with, and satisfies the criteria for independence set out in, the terms of reference of the ~~LCH Group Holdings Limited~~ Company's nomination committee (the **Independent Directors**) and one of such Independent Directors shall be appointed chairman of the Committee (the **Committee Chairman**);
 - (b) one shall be a member of the Risk Committee of LCH SA;
 - (c) one shall be a director associated with or connected to LCH Group Holdings Limited shareholders other than exchanges, trading venues, multilateral trading facilities, alternative trading systems or similar (**User Director**); and
 - (d) ~~for so long as one shall be a director recommended or approved by London Stock Exchange Group plc (LSEG) is entitled to exercise or control the exercise of at least 20 per cent. of the votes able to be cast on all or substantially all matters at general meetings of LCH Group Holdings Limited (Material Interest), one shall be a director recommended or approved by LSEG (the LSEG Director) (or, following the appointment of one independent non-executive director to the Board of LCH Group Holdings Limited by LSEG pursuant to Clause 10.10 of the Relationship Agreement between the Company and LSEG (RA), the LSEG chief financial officer, the LSEG chief risk officer or the LSEG head of audit, or any other person of appropriate seniority and expertise as may be agreed from time to time between LSEG and the Chairman of the Board~~

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~~(the LSEG Audit Representative)),~~ (the LSEG Director).

- (e) For so long as Euronext is entitled to have a representative at the LCH SA Audit Committee in accordance with the Derivatives Clearing Agreement (**DCA**) entered into by LCH SA, LCH Group Holdings Limited and the Euronext market undertakings, one shall be a director associated with and recommended by Euronext.

2.1.2 Members of the Committee shall ideally have significant, recent and relevant financial experience, either by virtue of their experience in the senior executive or non-executive management or regulation of another financial institution, or as an auditor or finance director (or holding that responsibility) within a different company. At least one Committee member should have a professional qualification from one of the professional accountancy bodies.

2.2 Selection and Removal

2.2.1 Subject to paragraph 2.1.1(d), members of the Committee shall be selected and appointed by the Board at any time in consultation with the Committee Chairman.

2.2.2 Subject to paragraph 2.1.1(d), the Board may remove members of the Committee with or without cause.

2.3 Committee Chairman

2.3.1 The Board normally elects the Committee Chairman. On an exceptional basis and in the absence of the appointed Committee Chairman, the Committee shall elect a substitute Committee Chairman from amongst its ranks by majority vote.

2.3.2 For the avoidance of doubt, the Committee Chairman may also be appointed as Chairman to the audit ~~committees~~committee of LCH Limited, ~~LCH Group Holdings Limited and/or LCH LLC.~~

2.3.3 The Committee Chairman will keep the Committee's composition under review and shall make proposals to the Board accordingly.

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2.4 Secretary

- 2.4.1 The secretary to the Committee (the **Committee Secretary**) shall be the Company secretary or such other person as ~~he~~they may nominate.
- 2.4.2 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required and, where deemed necessary or appropriate, to professional advisors.

2.5 Notice of Meetings

- 2.5.1 Notice of meetings shall be given by the Committee Chairman, or the Committee Secretary at the request of the Committee Chairman.
- 2.5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required or permitted to attend prior to the date of the meeting in a timely manner. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.

2.6 Frequency of meetings and location

The Committee shall meet as frequently as it determines necessary, but not less frequently than three times per year and otherwise as required. Other than in exceptional circumstances, all meetings shall be held in one of the registered offices of the Group entities. The Committee Chairman, or any other member of the Committee, may call meetings of the Committee. The External ~~Auditor~~Auditors may request a special meeting at any time.

2.7 Attendance

- 2.7.1 Only members of the Committee have the right to attend Committee meetings.
- 2.7.2 Members of the Company's executive, the Head of Internal Audit of the Company and representatives of the External ~~Auditor~~Auditors may attend the meetings by invitation as and when appropriate and necessary, in accordance

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with items on the agenda.

2.7.3 Members of the Committee may hold meetings in person, by telephone or by video conferences.

2.8 Quorum

The quorum for meetings shall be (i) the Committee Chairman, (ii) the User Director, (iii) ~~for so long as LSEG holds a Material Interest in the Company, the LSEG Director or, following the appointment of one independent non-executive director to the Board of LCH Group Holdings Limited pursuant to Clause 10.10 of the RA, other LSEG Audit Representative~~ the LSEG Director and (iv) one other member of the Committee. Two of the directors present shall be Independent Directors and one shall have recent and relevant financial experience. 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.

2.9 Conduct of Meetings

Except as outlined above, meetings of the Committee shall be conducted in accordance with the provisions of the Company's articles of association governing the proceedings of directors.

2.10 Remuneration

The remuneration of Committee members shall be as determined by the Board. No member of the Committee may receive any consulting, performance, advisory or other compensatory fee from the Company other than fees paid in his or her capacity as a member of the Board or as a member of a Committee of the Board.

3. AUTHORITY AND RESPONSIBILITIES

3.1 The Committee's role is one of review. The authority and responsibilities set forth do not reflect nor create any duty or obligation of the Committee to (i) plan or conduct any audit, although the Committee is responsible for agreeing the programme of audits proposed by the Internal Audit department and challenging the outcome of the audits, as appropriate, (ii) determine or certify that the Company's financial statements are complete, accurate, fairly presented, or in accordance with generally accepted

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accounting principles or applicable law, or (iii) guarantee ~~the~~each External Auditor's report.

3.2 The Committee may hold joint sessions of meetings with the audit ~~committees of LCH Group Holdings Limited and~~committee of LCH Limited from time to time as appropriate. All directors remain equally responsible for the affairs of the Company of which they are a director, as a matter of law.

3.3 The Committee shall perform the following specific functions:

3.3.1 Review of the Company's Financial Statements

The Committee shall review, discuss with and challenge where necessary the Company's management and the External ~~Auditor~~Auditors with regard to the Company's audited financial statements and any other formal announcement relating to its financial performance, before their approval by the Board, notably concerning:

- (a) Compliance with accounting standards, policies, practices, legal requirements as well as any changes;
- (b) Major judgmental areas;
- (c) Any significant adjustments arising from the audit;
- (d) The "going-concern" assumption;
- (e) The proposed statement on the directors' review of the Company's system of internal control;
- (f) Other material written communication between the External ~~Auditor~~Auditors and Company management.

3.3.2 Review of the External ~~Auditor~~Auditors

- (a) *Selection.* The Committee shall be responsible for making recommendations

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to the Board concerning the appointment, evaluation and termination of the engagement of the External ~~Auditor~~Auditors for the Company, taking into account the auditor appointed by LSEG in respect of the wider LSEG group. The Committee shall oversee the selection process for ~~any~~ new External Auditor and if an External Auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.

- (b) *Independence.* The Committee shall take, or recommend that the Board take, appropriate action to oversee the independence of the External ~~Auditor~~Auditors. The Committee shall actively engage in dialogue with the External ~~Auditor~~Auditors concerning any disclosed relationships or services that might impact upon the objectivity and independence of the External ~~Auditor~~Auditors. It is the general policy of the Company that the currently engaged External ~~Auditor~~Auditors will not be asked to tender for any non-audit services with the exception of tax advice directly related to the Company's existing business.
- (c) *Services and Compensation.* The Committee shall discuss with the External ~~Auditor~~Auditors ~~his~~their proposals regarding the nature, scope and planning of ~~his~~their work and to ensure proper co-ordination with internal audits planned by the Company's Internal Audit department. The Committee shall review from time to time the operational, control and cost effectiveness of the External ~~Auditor~~Auditors.
- (d) *Review.* The Committee shall have ultimate responsibility for overseeing the External ~~Auditor~~Auditors, including resolution of disagreements between Company management and the External ~~Auditor~~Auditors regarding financial reporting. It shall ensure that the External ~~Auditor~~Auditors ~~has~~have the fullest co-operation of staff.
- (e) *Access.* The Committee has the right to have direct access to the Company's External ~~Auditor~~Auditors on a confidential basis at any time. It shall meet the External ~~Auditor~~Auditors without executives of the Company being present at least once a year.
- (f) *Former Employees.* The Committee shall agree with the Board a policy on the employment of former employees of the External ~~Auditor~~Auditors, then monitoring the implementation of this policy.

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- (g) *Ethical Standards.* The Committee shall monitor the External ~~Auditor~~Auditors's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements.
- (h) *Qualifications.* The Committee shall assess annually the qualifications, expertise and resources of the External ~~Auditor~~Auditors and the effectiveness of the audit process, which shall include a report from ~~the~~each External Auditor on their own internal quality procedures.
- (i) *Co-ordination.* The Committee shall seek to ensure co-ordination with the activities of the internal audit function.
- (j) *Reports.* The Committee shall review with ~~the~~each External Auditor:
 - (i) the final audit;
 - (ii) any matters the External Auditor may wish to discuss;
 - (iii) any representation letters required by the External Auditor before they are signed by management;
 - (iv) the management letter and the responses from management; and
 - (v) compliance with any codes of conduct of corporate governance applicable from time to time or which the Board otherwise determines should be complied with to achieve best practice corporate governance standards.

3.3.3 *Review of the Company's Internal Audit Function*

The Committee shall regularly review the functioning of the Internal Audit department, notably concerning:

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- (a) *Internal Audit Charter.* The Committee shall review from time to time, and no less frequently than once every three years, the Internal Audit Charter of the Company.
- (b) *Audit Planning.* The Committee shall review the annual audit plan prepared by the Internal Audit department after approval by the CEO of the Company and ahead of ~~annual~~any submission to the Company's regulator, on the request of such regulator. In doing so, the Committee shall determine whether the audit programme provides appropriate coverage and may request any special tasks or projects to be included in the plan. The Committee shall also ensure that the plan is effectively coordinated with the External ~~Auditor and shall respond to any requests from the LCH Group Audit Committee to vary the internal audit programme of work, under the supervision of, and subject to the approval of the Board~~Auditors.
- (c) *Quality and Effectiveness.* The Committee shall monitor the quality and effectiveness of the Internal Audit department. An external review of Internal Audit will be conducted at least every five years. The Committee Chairman shall provide an annual appraisal of the Head of Internal Audit.
- (d) *Reporting line.* The Chairman of the Company shall, with the assistance of the advice and recommendations of the Committee, approve the appointment or termination of employment of the Head of Internal Audit of the Company and keep under review the reporting line to ensure independent operation of the department. In the event of an unresolved dispute between the executive and Internal Audit, or in respect of any matter ~~he deems as being necessary~~, the Head of Internal Audit of the Company deems as being necessary, to the extent such position exists within the Company from time to time, he or she has the absolute right to report directly to the Committee Chairman or any Committee member.
- (e) *Resources.* The Committee shall monitor the adequacy of resources within the Internal Audit department.
- (f) *Reporting.* The Head of Internal Audit shall report directly to the Committee Chairman (as well as, where appropriate, the Chairman of the Board). The Committee shall agree and receive regular reporting from the Internal Audit department including coverage of completed audit assignments, follow up of issues and planned progress. It shall meet the Head of Internal Audit of

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the Company regularly, and at least once a year without executives of the Company being present.

3.3.4 *Review of the Company's regulatory compliance*

The Committee shall:

- (a) review the adequacy and security of the Company's arrangements for its employees and contractors 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 actions;
- (b) review the Company's procedures for detecting and preventing financial crime including fraud, bribery and money-laundering;
- (c) discuss with management and the External ~~Auditor~~Auditors any correspondence with regulators, which raise material issues regarding the Company's financial statements, accounting policies and/or internal control system;
- (d) monitor the Company's procedures for ensuring compliance with regulatory reporting requirements and its relationship with the relevant regulatory authorities;
- (e) review the performance of the Company's Chief Compliance Officer and make recommendations with respect to such performance to the Board; and
- (f) discuss legal matters that may have a material impact on the financial statements or on the Company's compliance policies.

3.3.5 *Review of the Company's Risk Management Framework*

- (a) Review the process for the annual validations of the Company's risk management models;

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- (b) Review breaches of the Company's Risk Governance Framework, as approved by the Board; and
- (c) Commission and review audit reports relating to the risk management of the Company.

3.3.6 *Review of the Company's Internal Control Environment*

- (a) *Internal Control.* The Committee shall:
 - (i) keep under review the Company's framework of internal controls and make recommendations for change to the Board;
 - (ii) consider internal reports on the operation of controls and the proposals for implementation of change and strengthening;
 - (iii) receive annually reports as required by Articles 258 to 266 of the Order of 3 November 2014 on the internal control of banking sector companies, payment services and investment services
 - (iv) review at least once a year the provisions for business continuity and disaster recovery and the assessment of the effectiveness of the arrangements in place;
 - (v) review at least once a year the measures taken to control outsourced activities and any risks the Company may incur; and
 - (vi) determine whether the risk internal control and compliance resources are adequate and whether such controls and monitoring have appropriate standing within the Company.
- (b) *Issues.* The Committee shall consider any major findings, and management response(s) arising from internal audits, external audits, management reporting and internal investigations, and any other reviews carried out (including recommendations from regulatory authorities) and take appropriate actions, which include escalating issues to the Board where appropriate.

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3.3.7 Coordination with the ~~Group Audit Committee and SA~~ Risk Committee

~~(a) — The work of the Committee is complementary to that of the audit committee of LCH Group Holdings Limited. It will be that Committee's responsibility to consider Group-level issues.~~

~~(b) —~~ Internal audits, external audits, investigations and reviews carried out under the auspices of (and contained in the relevant reporting to) the Committee will include control areas responsible for executing the policies and methodologies set by the Company's Risk Committee.

3.3.8 ~~Other Subjects~~ Coordination with the Technology, Security and Resilience Committee

The Committee shall coordinate with the Technology, Security and Resilience Committee as may be required from time to time in connection with its functions and to fulfil its responsibilities.

3.3.9 ~~(a)~~ Board Direction-

The Committee shall consider any other matters as directed by the Board.

4. PROVISIONS FOR ACCESS

4.1 Access to Management

The Committee shall have full and unrestricted access to the Company's management and employees, and to the Company's Internal and External ~~Auditor~~ Auditors. All employees are directed to co-operate with any requests made by the Committee.

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4.2 Access to Outside Advisers

The Committee is authorised by the Board, at its discretion, to obtain independent professional advice and to secure the assistance of outsiders with relevant expertise. This shall apply both to the Committee as a whole and to individual Committee members. Costs relating to the provision of advice shall be borne by the Company.

4.3 Access to Company Information

The Committee shall have full and unrestricted access to (i) any systems or facilities of the Company and of the LCH group (the **Group**) and (ii) any books, records or other data it requires from the Company and from the Group in order to carry out its functions.

5. REPORTING

- 5.1 *Minutes / Agenda.* The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. ~~Minutes of Committee meetings, and such minutes shall be circulated promptly to all members of~~ presented to the Committee ~~and, once agreed, to all members of the Board unless it would be inappropriate to do so for approval at the next following meeting.~~

Board Reporting

- 5.2 The Committee Chairman shall report the Committee's discussions, decisions and recommendations to the Board, which shall decide on an appropriate policy response.
- 5.3 The Committee shall have no executive powers with respect to those findings and recommendations.
- 5.4 The Committee shall ensure that the Board is regularly informed of the adequacy of key control systems in the financial, operational and compliance-related areas.

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Annual Reports

- 5.5 The Committee Chairman, or his or her designee, will make available to the Chief Compliance Officer of the Company such information relating to the Committee's work as is necessary for the Chief Compliance Officer of the Company to draft and submit the annual compliance reports required by applicable regulations in force from time to time.
- 5.6 Where requested by the Board, the Committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Provision of information to LSEG

- 5.7 The Chairman of the Committee shall liaise regularly with the chairman of the audit committee of LSEG with a view to assisting LSEG in fulfilling its own audit requirements, including with respect to the information set out at paragraph 3.3.1 above and as referred to in paragraph 5.8 below.
- 5.8 The Committee shall have regard for ~~LCH Group Holdings Limited's obligations under the RA to provide information to LSEG, in particular under clause 21 of the RA and in particular with regard to~~ LSEG's status as a listed issuer required to comply with the UK Corporate Governance Code.

6. EDUCATION, TRAINING AND COMPETENCE

- 6.1 An induction programme shall be provided for new Committee members. This shall cover the role of the Committee, including its Terms of Reference and expected time commitment by members and an overview of the Company's business, identifying the main business and financial dynamics and risks.
- 6.2 The Committee shall be provided with appropriate and timely training, both as an induction process and on an ongoing basis, and provided with access to external consultancy support, when required.
- 6.3 Induction and training may be provided on a joint basis with ~~all or any of~~ the audit ~~committees of LCH Group Holdings Limited and~~ committee of LCH Limited.

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7. CONFIDENTIALITY AND CONFLICTS OF INTEREST

- 7.1 Without prejudice to any rights ~~LSEG may have in the RA~~ of LSEG or its representatives under these Terms of Reference, all confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, save as required to be disclosed by law or regulation. Any other persons involved in the Committee's work shall either be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.
- 7.2 Conflicts of interest relating to Committee members shall be governed by the relevant provisions in the Règlement Intérieur of the Company from time to time.
- 7.3 Any disagreement within the Board, including disagreement between the Committee's members and the rest of the Board, should be resolved at Board level. Where disagreements between the Committee and the Board cannot be resolved, the Committee will report the issue ~~through the Audit Committee of LCH Group Holdings Limited~~ to the Board of LCH Group Holdings Limited.

8. ~~ANNUAL EVALUATION AND TERMS OF REFERENCE REVIEW~~ AMENDMENT

~~The Committee shall arrange for periodic reviews of its own performance and, at least annually, shall arrange for independent internal review of its constitution and~~

- 8.1 Subject to paragraph 8.2, these Terms of Reference ~~to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for~~ may only be amended with the approval of the Board.
- 8.2 Paragraphs 2.1(d), 2.8, 5.7, 5.8, 7.1 and this paragraph 8.2 of these Terms of Reference may be amended only with approval of the Board and the consent of LSEG.

Appendix V
Risk Committee Terms of Reference

Appendix V

LCH SA (the *Company*)

TERMS OF REFERENCE OF THE RISK COMMITTEE OF THE BOARD OF DIRECTORS

Adopted by the board of directors on ~~14 May 2019~~[\[•\] 2020](#)

1. COMPOSITION

1.1 The Risk Committee (the *Committee*) shall, subject to paragraph 1.4 below and subject to any co-option as referred to in paragraph ~~1.10~~[1.11](#) below, comprise:

1.1.1 such number of independent non-executive directors that is required from time to time each of whom has been appointed either (i) in accordance with, and satisfies the criteria for independence set out in, the terms of reference of the ~~LCH Group Holdings Limited (the Group)~~[Company's](#) nomination committee ([the *Nomination Committee*](#)) or (ii) in the case of the Vice Chairman of the Committee (the *Vice Chairman*), who has been appointed pursuant to paragraph 1.4 below, satisfies all applicable corporate governance standards of independence (each, an *Independent Director*). One of the Independent Directors will be the Chairman of the Committee (the *Committee Chairman*) nominated by the Board and one will be the Vice Chairman of the Committee, if relevant, appointed pursuant to paragraph 1.4 below;

1.1.2 such number of members who represent a clearing member of the Company or part of the group to which a clearing member belongs that is required [by law or regulation](#) from time to time and who have significant expertise and experience in market, credit or liquidity risk management or other risk disciplines related to CCP risk management (each, a *User*); and

1.1.3 such number of representatives of end-client of Users (who shall have significant expertise and experience in risk-related, audit, regulatory or compliance issues) that is required [by law or regulation](#) from time to time (each, a *Client*);

provided that: (1) the Committee Chairman is an Independent Director; (2) at least one but not more than 50% of Committee members are Independent Directors; (3) at least one but not more than 50% of Committee members are

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Users; (4) at least one but not more than 50% of Committee members are Clients; and (5) no User, or Client representatives are also employees of the Group.

1.2 The following individuals may be invited to attend the meetings of the Committee on relevant matters from time to time, in a non-voting capacity:

1.2.1 the Chairman of the Audit Committee of the Company;

1.2.2 *ex officio* the Chief Executive Officer of the Company;

1.2.3 *ex officio* the Chief Risk Officer of the Company who shall be responsible for all technical issues and recommendations made to the Committee;

1.2.4 *ex officio* the ~~Group~~ Chief Risk Officer of LCH Group Holdings Limited (LCH Group and together with its subsidiaries, the Group);

1.2.5 *ex officio* the Chief Executive Officer of ~~the~~LCH Group;

1.2.6 *ex officio* the Head of Financial Risk of the London Stock Exchange Group plc (LSEG), or their nominated delegate;

1.2.7 *ex officio* a representative of Euronext who shall be a specialist in risk related , audit, regulatory or compliance issues , or their nominated delegate;

1.2.8 such other individuals within the Group as considered appropriate by the Committee; and

1.2.9 ~~1.3~~ such other risk expert individuals who are representatives of Users of the Company (who are not already represented by a voting member of the Committee) as considered appropriate by the Committee (hereafter the ~~(“Risk Expert Attendees”)~~).

1.3 Members of the Committee shall be appointed by the Board in consultation with the Committee Chairman, save (i) for the Vice Chairman or who shall be appointed pursuant to paragraph 1.4 below and (ii) in the circumstances described in paragraph 2.7 below.

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- 1.4 ~~For so long as the London Stock Exchange Group plc (**LSEG**) is entitled to exercise or control the exercise of at least 40 per cent. of the votes able to be cast on all or substantially all matters at general meetings of the Company,~~ LSEG shall be entitled to appoint the Vice Chairman to the Committee provided that such person has the skills and experience commensurate with such a role.
- 1.5 Committee members that are not Independent Directors (each, an **External Committee Member**) attend in their capacity as risk experts and represent the clearing members or end-user clients (as the case may be) as a whole.
- 1.6 Only one External Committee Member from each User or Client (or, if any are part of a group, the group to which such User or Client belongs), is permitted. External Committee Members will do their best to contribute both their own expertise and the expertise of the User or Client (or group, if appropriate) for which they work for all markets and products which the User or Client (or group, if appropriate) clears with the Company. Where expertise other than the specialty of the External Committee Member is required, he or she will consult internally prior to the Committee meeting. Papers will be issued in good time to permit this.
- 1.7 User and Client membership of the Committee will be reviewed on an annual basis at a minimum. The metric for determining which Users and Clients are members of the Committee will be based on factors including the asset classes cleared, volume cleared, the level of contribution to the relevant default funds and whether they have previously been a voting member of the Committee.
- 1.8 As far as User membership of the Committee is concerned, a rotation between Risk Experts shall be performed, as previously approved by the Board, in accordance with the terms set out in Appendix 1.
- 1.9 The Company secretary or his or her appointed nominee shall be secretary of the Committee (the **Committee Secretary**).
- 1.10 The Committee Chairman, Vice Chairman and Committee Secretary will together seek to ensure that the Committee has a suitable range of expertise to consider and evaluate the risk matters placed before it, with particular reference to changes in the risks managed by the Company.
- 1.11 The Committee may co-opt any person, either for consideration of an individual subject or for a longer period.

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- 1.12 The Committee may set up one or more advisory groups for the purpose of reporting back to it on specific issues. The Committee shall not delegate any of its powers or responsibilities set out herein to any such advisory group.
- 1.13 Subject to paragraph 1.4, the Board may remove members of the Committee with or without cause.
- 1.14 It is acknowledged that competent regulatory authorities shall have the right to request to attend Committee meetings in a non-voting capacity and be duly informed of the activities and decisions of the Committee.

2. CONDUCT OF MEETINGS

- 2.1 Notice of meetings shall be given by the Committee Chairman, or the Committee Secretary at the request of the Committee Chairman.
- 2.2 Save for in exceptional circumstances, (i) notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend prior to the date of the meeting in a timely manner and (ii) supporting papers shall be sent to Committee members, and to other attendees, as appropriate, at least 72 hours before the start of each meeting.
- 2.3 In exceptional circumstances the Chairman as the discretion to convene a meeting of the Committee on short notice.
- 2.4 Meetings shall be held a minimum of six times per year, or more frequently according to the business to be considered.
- 2.5 Other than in exceptional circumstances, all meetings shall be held in one of the registered offices of the Group entities.
- 2.6 Committee members, including External Committee Members are encouraged to attend Committee meetings in person. Meetings can however be attended by audio or video conference facilities if necessary.
- 2.7 A quorum shall consist of a majority of the Committee members, including the Committee Chairman or Vice Chairman who shall at ~~his~~their sole discretion decide whether to defer decisions or recommendations on certain items in the light of the balance of attendance. Exceptionally, the Committee Chairman or Vice Chairman may nominate another Independent Director to represent them.

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Without prejudice to the above, in the event that the quorum requirement would not be met, the Committee Chairman, for the purpose of a specific meeting, may appoint a Risk Expert as a User Member (hereafter a Back-up Member) from a list approved by the Board and in the order established by such a list. In any event, the Committee Chairman shall ensure, when appointing a Back-up Member, that there is an appropriate representation of clearing members as a whole and shall report such an appointment to the Board.

- 2.8 Decisions will be taken by consensus. If no consensus can be reached then the topic shall be put to a vote. All voting members of the Committee have one vote. The decision will be taken by simple majority of those present at the meeting. A decision requires the majority of the Independent Directors present at the meeting to vote in favour.
- 2.9 The Committee Chairman and/or Vice Chairman shall report to the Board of the Company on the discussions, decisions and recommendations of the Committee in order for the Board to formally ratify these decisions and recommendations. The Committee Secretary shall make all minutes available to the Board ~~and to~~ the ~~respective~~ Committee ~~Chairmen~~ Chairman of the Audit Committee of the Company and ~~of~~ the LCH Group Board.
- 2.10 The Chief Risk Officer of the Company shall report to the Board of ~~the~~ LCH Group on the discussions, decisions and recommendations of the Committee to formally ratify those decisions and recommendations which affect the Group.

PURPOSE OF THE COMMITTEE

3. RISK APPETITE

To consider and comment on aspects of the Company's risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment, as reported upon regularly at Committee meetings.

4. EXECUTIVE RISK COMMITTEE

- 4.1 To receive advice, recommendations and updates (as applicable) from the Executive Risk Committee of the Company (**ERCo**) in respect of the areas to which ERCo's delegated powers, described in these Terms of Reference, apply and in respect of proposed revisions to the risk policies and risk methodology subject to the ERCo's oversight and review.

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- 4.2 To receive a detailed report from the ERCo which includes (i) the risk profile of the Company and the Group on a monthly basis and its evolution over time, (ii) qualitative comments from the ERCo and the Chief Risk Officer of the Company in relation to areas of potential concern, and (iii) a particular focus on concentration risk and members' margin circumstances.

5. CLARIFICATION OF THE POWERS OF THE CHIEF EXECUTIVE OFFICER OF THE COMPANY

- 5.1 The Chief Executive Officer of the Company has responsibility for all risk decisions taken within the framework of agreed risk policies. The exercise of these powers is considered necessary to formally preserve the independence of risk management, to avoid conflicts of interest if the Board or Committee was involved in the decision taking, and to ensure a timely response to situations which may develop or deteriorate rapidly.
- 5.2 These powers of the Chief Executive Officer establish a boundary line between the Committee's role in respect of policy review and recommendation and executive responsibility for risk management actions within the agreed policy framework.
- 5.3 The Chief Executive Officer may delegate the powers necessary to achieve the performance and implementation of any and all of his or her responsibilities and decisions referred to in these Terms of Reference to the Chief Risk Officer of the Company.

6. MEMBERSHIP

- 6.1 To review, on a periodic basis, criteria for initial admission to clearing membership and continuing membership criteria, to consider proposals for new criteria, and, as appropriate, to recommend any changes to the relevant decision-making body.
- 6.2 To review decisions of the Chief Executive Officer of the Company or ~~his~~their delegate relating to approvals and denials of membership applications.
- 6.3 To review annually the Counterparty Credit Risk Policy and, as appropriate, to recommend any changes to the Board. This review should include data on the previous year's changes in overall membership, specific aggregate information on the nature of the new members (if any) and their risk profile (if different from the existing membership), together with an assessment of any potential policy implications.

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6.4 Clarification of approvals of the Chief Executive Officer of the Company:

6.4.1 Pursuant to paragraph 6.1 above, application by a current clearing member to extend its clearing activities *vis-a-vis* the Company may be approved by the Chief Executive Officer of the Company subject to the Committee and the Board being notified. The Chief Executive Officer of the Company may, at ~~his~~their discretion, refer any such applications for consideration by the Committee.

6.4.2 Pursuant to paragraph 6.3 above and without prejudice to the Committee's authority under paragraph 6.2 above, new membership applications may be approved by the Chief Executive Officer of the Company subject to the applicant meeting the criteria determined by the Committee (and endorsed by the Board) subject to the Committee being notified of any such approvals. If an applicant is rejected by the Chief Executive Officer of the Company, it may appeal to the Board. If, before coming to a decision, the Chief Executive Officer of the Company has particular concerns regarding the applicant, ~~he~~they may exceptionally refer such an application for consideration by the Committee.

7. NEW CLEARING ACTIVITY: NEW MARKETS AND CONTRACTS

7.1 To consider the risk controls designed or adapted for the clearing of a new market (whether in the form of an exchange, or of a new product-specific OTC clearing service) or new class of instruments, and to recommend to the Board for approval.

7.2 To consider the risk controls designed or adapted for the clearing of a new contract proposed by a cleared exchange, or a new product type proposed for the Company's clearing service, and to recommend to the Board for approval.

7.3 To consider the risk controls designed or adapted for the continued clearing of an exchange contract or OTC clearing service product whose proposed terms have been significantly modified, and to make a recommendation to the Board on the continuation of clearing.

7.4 To review, on an annual basis (or more frequently if deemed necessary), the risk policy on the eligibility of new products accepted for clearing, to consider proposals for the amendment of the policy, and, as appropriate, to recommend

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any changes to the Board.

- 7.5 To review, on an annual basis (or more frequently if deemed necessary), the policy containing the principles for managing the counterparty risk of other central counterparties with which an interoperability link has been established and, as appropriate, to recommend any changes to the Board.
- 7.6 Clarification of approvals of the Chief Executive Officer of the Company:
- 7.6.1 Pursuant to paragraph 7.2 above and without prejudice to the Committee's authority contained therein, approval for the clearing of new contracts or products which present no novel risk features and require no amendment of risk controls may be granted by the Chief Executive Officer of the Company, subject to the Committee being notified of any such approvals. The Chief Executive Officer may, at ~~his~~their discretion, refer any such applications for consideration by the Committee.
- 7.6.2 In cases where the proposal is that the Company should clear a potentially large number of new contracts or products, none of which present novel risk features, the proposal will be presented for Committee consideration because of the proposed scale of the extension of clearing. The Committee will make a recommendation to the Board for approval.

8. MARGINING

- 8.1 To consider proposals for significant amendments to, or the introduction of new, variation margin methodologies, and, as appropriate, to recommend any changes to the Board.
- 8.2 To review, on an annual basis (or more frequently if deemed necessary), the initial margin policies, consider amendments to the policies and, as appropriate, to recommend any changes to the Board.
- 8.3 To consider proposals for significant amendments to, or the introduction of new, initial margin methodologies, and, as appropriate, to recommend any changes to the Board.
- 8.4 To review, on an annual basis (or more frequently if deemed necessary), the company's intra-day calling policy, to consider proposals for the adoption of a new policy, and, as appropriate, to recommend any changes to the Board.

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- 8.5 Clarification of powers of the Chief Executive Officer of the Company:
- 8.5.1 The establishment and regular review of initial margin parameters at contract level, the introduction of higher initial margin parameters or other financial requirements specific to a member or a group of members, and intra-day calls under the current policy.
- 8.6 Clarification of powers delegated to the Chief Risk Officer of the Company:
- 8.6.1 In the context of initial margin rate setting policies approved by the Committee and the Board, and with reference to the powers of the Chief Executive Officer of the Company in respect of initial margin rates, the Chief Risk Officer of the Company in ~~his~~their role as Director, Risk Management of the Company, shall ensure that any rate that does not directly flow from any of the policies is documented as exceptional treatment. The reason for such treatment must be either that a disproportionate and unrealistic margin rate would otherwise have been established or that application of the documented policy would lower a rate or rates at a time of significant volatility and run a high risk of rapid reversal. The Chief Risk Officer of the Company will ensure that the Committee is informed of such treatment in the case of major contracts as part of standard reporting of margin adequacy.

9. DEFAULT FUND, DEFAULT RULES AND DEFAULT PROCEDURES

- 9.1 To review quarterly, and on an *ad hoc* basis, as initiated by the Chief Risk Officer of the Company, the adequacy of the default funds of the Company (the **Default Funds**) on the basis of stress testing figures, and to recommend any change in the methodologies for sizing the Default Funds to the Board for approval. To review, on an annual basis (or more frequently if deemed necessary), the Default Fund policies and recommend any changes to these policies to the Board for approval.
- 9.2 To consider any adjustment to the stress testing model or the assumptions used in the model and to recommend any changes to the Board.
- 9.3 To consider any proposals to adopt a new stress-testing model and to recommend to the Board for approval.
- 9.4 To consider any proposals for changes to the Default Rules and, as appropriate, make recommendations to the Board for approval.
- 9.5 To consider the default management policy for managing a default across

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individual and multiple product lines and to make recommendations to the Board for approval.

- 9.6 To consider as soon as possible after a member default, the default procedures taken and the continued adequacy of the Default Rules and, as appropriate, make recommendations to the Board.
- 9.7 The Committee will be notified of any significant amendments, additions or deletions to the stress testing scenarios. The Committee may also request new scenarios to be added to the stress testing model.
- 9.8 Clarification of powers of the Chief Executive Officer of the Company:
 - 9.8.1 Pursuant to paragraph 9.1 above, the periodic recalculation of the Default Fund size and contributions, the stress test parameters as well as the review of the cap and floor of the Default Fund where applied, within the scope of the policy approved by the Board.
 - 9.8.2 Pursuant to paragraph 9.5 above, default declaration and management are a Chief Executive Officer responsibility, subject to a commitment to notify the Board and convene a meeting of the Board if appropriate.

10. PAYMENT AND MONEY SETTLEMENT ARRANGEMENTS, BANK EXPOSURES, LIQUIDITY RISK AND COLLATERAL POLICY

- 10.1 To review, on an annual basis (or more frequently if deemed necessary), the Company's payment and money settlement arrangements and collateral custody arrangements, to consider proposals for modification of those arrangements and, as appropriate, to recommend changes to the Board.
- 10.2 To review, on an annual basis (or more frequently if deemed necessary), the Company's 'Investment Risk Policy' for setting bank limits and 'Liquidity Risk Policy' for determining liquidity needs, to consider proposals to change these policies, and, as appropriate, to recommend any changes to the Board for approval.
- 10.3 To review, on an annual basis (or more frequently if deemed necessary), the Company's policy on acceptable forms of collateral contained within the Collateral Risk Policy together with the haircuts applied, to consider proposals to change these policies, and, as appropriate, to recommend any changes to the Board.

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- 10.4 Clarification of discretion of the Chief Executive Officer of the Company:
- 10.4.1 Pursuant to paragraph 10.2 above, to decrease or remove investments or a counterparty's investment limits if there are concerns over the investment or counterparty for any reason.
 - 10.4.2 To approve proposals for the periodic adjustment of exposure limits within the scope of the Credit Risk Management Framework approved by the Committee.
 - 10.4.3 To change repo limits in line with the size of the cash portfolio to ensure that the assigned limits do not act as a constraint on securing the portfolio.
 - 10.4.4 If any of the limits or restrictions detailed in the Collateral Risk Policy and/or the Investment Risk Policy are breached, that breach must be (i) notified to the Chief Risk Officer and Head of CaLM, (ii) signed off by either the Chief Risk Officer or the Head of CaLM and (iii) reported to the Committee, the ERCo, the Chief Executive Officers of the Company and of ~~the~~LCH Group and the Audit ~~Committees~~Committee of the Company ~~and of the Group~~.

11. OPERATIONAL RISK MANAGEMENT

- 11.1 To review, on an annual basis (or more frequently if deemed necessary), the Company's Operational Risk Policy and to consider proposals for modification of those arrangements and to make recommendations to the Board for approval.
- 11.2 On request by the Audit Committee or the Board to review and provide advice on any aspects of the Company's operational risk management framework.
- 11.3 To review a Detailed Operational Risk Assessment for all significant projects and new products as required under the Company's Operational Risk Policy and to make recommendations to the Board for approval.

12. REGULATORY ISSUES

- 12.1 To consider any risk policy-related regulatory issues referred to it, and to make recommendations to the Board.
- 12.2 To consider any issue relating to the outsourcing of functions which may impact the risk management of the CCP and to make recommendations to

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the Board for approval.

12.3 To ensure that the Company promptly reports to the relevant regulatory authorities of any decision in which the Board has rejected a recommendation of, or superseded an action by, the Committee, such report to contain at a minimum the following:

12.3.1 the Committee's recommendation or action, as applicable;

12.3.2 the rationale for such recommendation or action;

12.3.3 the rationale of the Board for rejecting such recommendation or superseding such action; and

12.3.4 the course of action the Board decided to take contrary to such recommendation or action.

12.4 The Committee Chairman, or his or her designee, will make available to the Chief Compliance Officer of the Company such information relating to the Committee's work as is necessary for the Chief Compliance Officer of the Company to draft and submit:

12.4.1 the Company's annual compliance report (i) to the ~~ACP~~[ACPR](#) as required under French law and regulation in force from time to time, (ii) ~~to the FSA, Treasury and OFT~~ as required under ~~UK~~[applicable UK](#) law and regulations in force from time to time, and (iii) to the CFTC as required under the CFTC Rules in force from time to time and any successor regulation; and

12.4.2 any other reports that the Chief Compliance Officer of the Company may from time to time be required to submit, pursuant to regulatory requirements.

It is noted that in the event that the Board does not follow a recommendation of the Committee the *Autorité de Contrôle Prudentiel [et de résolution](#)*, as the lead regulator of the Company, will be notified by the Company Secretary.

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13. MISCELLANEOUS

- 13.1 To discharge any duties ascribed to the Committee in the Group risk policies reviewed by the Committee from time to time.
- 13.2 To consider any other matters as directed by the Board.
- 13.3 To hold joint meetings with the Risk ~~Committees~~Committee of LCH Ltd, ~~LCH-LLC~~ and the Risk Committees of any other operating subsidiaries of ~~the~~LCH Group as there may be from time to time.

14. PUBLICATIONS

The Committee shall ensure that summaries of significant decisions implicating the public interest, including all decisions relating to (i) open access; (ii) membership; and (iii) the finding of products acceptable or not acceptable for clearing, including a description regarding whether the Board has rejected or superseded an action of the Committee, shall be made public on the Company's website in an up to date, clear and accurate manner.

15. REGULAR REPORTS

- 15.1 The Committee shall consider and review regular reports prepared by the Risk Management department of the Company which shall cover recent developments in at least the following areas:
 - 15.1.1 Membership (additions, deletions, extensions to business cleared, and other significant developments)
 - 15.1.2 Operation and adequacy of margin rate setting (back testing) and of the default fund (as revealed by the stress test results)
 - 15.1.3 Operation of Liquidity Risk policy
 - 15.1.4 Operation of Counterparty Credit Risk policy
 - 15.1.5 Operation of Collateral Risk policy
 - 15.1.6 Operation of Payment, Settlement and Custody Risk policy

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- 15.1.7 Operation of Investment Risk Policy
- 15.1.8 Any other material issues which have arisen during the previous three months for any risk policy or its implementation
- 15.1.9 Review at least annually risk tolerance limits and the associated warning thresholds (including policies and procedures containing these metrics)
- 15.1.10 Review at least annually the specific / formal sign-off of exceptions to Group policies

16. CONFIDENTIALITY AND CONFLICTS OF INTEREST

- 16.1 Without prejudice to any rights ~~LSEG may have in the Relationship Agreement between the Company and LSEG~~ of LSEG or its representatives under these Terms of Reference, all confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, save as required to be disclosed by law or regulation. Any other persons (with the sole exception of competent regulatory authorities) involved in the Committee's work shall either be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.
- 16.2 Conflicts of interest relating to Committee members shall be governed by the relevant provisions in the règlement intérieur of the Company from time to time and those relevant provisions shall apply to the External Committee Members as if they were directors of the Company.

17. HARMONISATION WITH LCH LTD ~~AND/OR LCH LLC~~

- 17.1 To review any proposals for harmonisation of policies or procedures between the Company, LCH Ltd, ~~LCH LLC~~ and any other operating subsidiaries of ~~the~~ LCH Group as there may be from time to time, having regard to local law or regulatory requirements and liquidity characteristics of the relevant entity in the Group, and, as appropriate, to recommend any changes to the Board.
- 17.2 In the event that the Risk Committees of the Company, LCH Ltd, ~~LCH LLC~~ and any other operating subsidiaries of ~~the~~ LCH Group as there may be from time to time cannot agree on the harmonisation issues, the Board of ~~the~~ LCH Group and the

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Board of the relevant operating subsidiary together are responsible for the final decision.

18. RELATIONSHIP WITH THE COMPANY'S AUDIT COMMITTEE

18.1 Internal audits, external audits, investigations and reviews carried out under the auspices of (and contained in the relevant regular reporting to) the Company's Audit Committee will cover those departments and teams executing the policies and methodologies set by the Risk Committee.

19. AUTHORITY

19.1 The Committee is authorised to: (i) investigate any activity relating to these Terms of Reference; (ii) seek any information it requires from any employee of the Company in order to perform its duties; (iii) call any employee to be questioned at a Committee meeting as and when required; and (iv) obtain at the Company's expense, outside legal or other professional advice on any matter within its Terms of Reference.

19.2 In particular, the Committee shall have access to: (i) the risk management department (to assess how the remuneration structure affects the risk profile of the Company); (ii) the human resource department; (iii) the compliance department (to ensure legal and regulatory changes are properly implemented); and (iv) the internal audit department (who shall periodically carry out and report to the Committee on an independent audit of the design, implementation and effects of the remuneration structure).

20. OTHER

20.1 Notwithstanding any other provision set out herein, the Committee is solely accountable to, and reports solely to, the Board of the Company. Without limiting the foregoing, no decisions made by the Committee under paragraph 6 (*Membership*) or paragraph 7 (*New Clearing Activity: New Markets and Contracts*) may be restricted or otherwise limited by any body other than the Board of the Company.

20.2 Every member of the Committee shall be given a copy of these Terms of Reference.

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- 20.3 The Committee, in particular the Independent Directors, shall be provided with appropriate and timely training, both as an induction process and on an ongoing basis, and provided with access to external consultancy support, when required.
- 20.4 The Committee shall arrange for periodic reviews of its own performance and, at least annually, shall arrange for independent internal review of its constitution and these Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 20.5 [Subject to paragraph 20.6, these Terms of Reference may be amended only with approval of the Board.](#)
- 20.6 [Paragraphs 1.2.6, 1.4, 16.1 and this paragraph 20.6 of these Terms of Reference may be amended only with approval of the Board and the consent of LSEG.](#)

APPENDIX I

Rotation of voting rights Among Users

A number of Risk Experts who attend the Risk Committee fulfil the criteria of Users. The voting rights of the Risk Committee are rotated between the Risk Experts on a regular basis (at least once a year), so as to ensure compliance with the quorum requirements set out in Clause 1.1 of the Terms of Reference.

The following criteria are applied by the Board when rotating the voting rights of the Risk Committee:

1. Expertise in matters of risk;
2. Length of service on the Risk Committee;
3. Attendance at Risk Committee meetings; and
4. The Chairman of the Risk Committee being satisfied that the membership of Users on the Risk Committee is an appropriate representation of the clearing members as a whole.

Appendix VI
Remuneration Committee Terms of Reference

LCH SA
(the *Company*)

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE OF THE BOARD OF
DIRECTORS

Adopted by the board of directors on ~~27 February 2019~~[\[.\]](#)

1. DUTIES AND POWERS OF THE COMMITTEE

- 1.1 The Remuneration Committee (the *Committee*) is a committee of the board of directors of the Company (the *Board*). The Board shall approve the remuneration packages which relate to its employees, based on the recommendations of the Committee.
- 1.2 The Committee should carry out the following duties for the Company:

Broad Remuneration Policy

- 1.2.1 determine the broad remuneration policy and principles for the Company, the ~~Executive Management~~[Specified Executives](#) (defined below) and the chairman of the Board in the context of the Group as a whole taking into account all factors which it deems necessary, including the remuneration policy and principles applied by the remuneration committee of LCH ~~Group Holdings~~ Limited (~~LCH Group~~) and the remuneration committee of London Stock Exchange Group plc (*LSEG*) for its executive management, for approval by the Board;
- 1.2.2 the objective of such policy and principles shall be to ensure that (i) such policies are aligned with the risk tolerance and corporate strategy of the Company, (ii) ~~Executive Management~~[Specified Executives](#), and employees of the Company (as relevant), are provided with appropriate incentives to encourage enhanced performance with a particular focus on risk management as the core purpose of the Company and (iii) such ~~members of Executive Management~~[Specified Executives](#) and employees of the Company are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- 1.2.3 review [annually](#) the ongoing appropriateness and relevance of such policy and principles, including testing how the policy will react to future external and internal events;

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- 1.2.4 if, and to the extent that, any remuneration policy or proposal includes long term or other incentive or bonus plans which involve the issue of, or the creation of rights over, the shares of LSEG (**LSEG Shares**), or are otherwise linked to the price or market performance of LSEG Shares, ensure that such plans are subject to the approval of LSEG's remuneration committee;

Individual Remuneration

subject to paragraph 1.2.9, within the terms of the remuneration policy and in consultation with the chairman and/or chief executive, as appropriate, determine the total individual remuneration package of the ~~{executive directors of the Company}, the members of the Executive Committee of the Group, who are employed by the Company,~~ CEO (as defined below), the chief risk officer and the chief compliance officer and any other senior ~~executive personnel~~ executive personnel designated by any of the Board from time to time, including any personnel with an annual remuneration package of more than €1,000,000 or equivalent (together, **Executive Management** Specified Executives), and the chairman of the Board;¹

- 1.2.5 when setting remuneration policy for any relevant person, review and have regard to the remuneration trends across Group and the companies owned by LCH Group ~~(Holdings Limited (LCH Group and together with its subsidiaries, the Group)~~ as a whole and within LSEG;
- 1.2.6 ensure that contractual terms upon recruitment and upon termination, and any payments made, are fair to the individual and the Company;
- 1.2.7 when determining remuneration for personnel engaged in risk management, compliance and internal audit, ensure that they are compensated in a manner that is independent of the business performance of the Company and that the level of remuneration is adequate in terms of responsibility as well as in comparison to the level of remuneration in the business areas;
- 1.2.8 when making any change in the remuneration (including salary, bonus and long term incentives) of either the Chief Executive Officer of the Company (the **CEO**);

¹ The remuneration (if any) of the non-executive directors (other than the chairman of the Company) shall be a matter for the Board (excluding the non-executive directors), provided that the compensation of such non-executive directors shall not be linked to the business performance of the Group. No person shall be involved in any decisions as to their own remuneration

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~~any other member of the Executive Committee of the Group, who is employed by the Company or with a recruitment or termination package of more than €1,000,000 or equivalent~~ or any Specified Executive ensure that the following procedure shall be followed:

- (a) ~~the chief executive officer of Group and the LSEG chief executive officer shall agree and propose a joint~~ in consultation with the LCH Group CEO, the Committee shall make a recommendation to the ~~Committee in the case of the remuneration of the CEO or of any personnel with an annual remuneration package of more than~~ Board of the Company for approval; €1,000,000 or equivalent;
- ~~(b) following receipt by the Committee of such a joint recommendation, the Committee shall discuss the recommendation with the relevant recommending persons and, having considered the proposal and made any changes considered appropriate (having obtained the approval of the relevant recommending persons for any significant changes), the Committee shall recommend the proposal for approval to the Board of the Company;~~
- (b) ~~(c)~~ once approved by the Board of the Company, the proposal shall be shared with LSEG's remuneration committee for its approval before it is implemented;
- (c) ~~(d)~~ in the event that LSEG's remuneration committee does not approve the proposal, the proposal shall be revisited by the ~~relevant recommending persons and reviewed with the~~ Committee, which shall submit a revised proposal to the Board of the Company for approval and then to LSEG's remuneration committee for its approval;
- (d) in the event that LSEG's remuneration committee does not approve the revised proposal, the ~~chairman of the~~ LCH Group ~~remuneration committee~~ CEO shall over the following 10 business days mediate between the Committee and the LSEG remuneration committee with the objective of reaching agreement on a final revised proposal. Following the end of this mediation process, the Committee shall recommend a final revised proposal for approval to the Board of the Company;

1.2.9 review annually the ongoing appropriateness of any individual remuneration.

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Benefits/incentives

- 1.2.10 ~~1.2.10~~ review for approval by the Board the design of, all incentive plans and performance related pay schemes of the Company ~~which shall be set in accordance with the policies and reward framework set by the Group, for approval by the Board, including performance targets to be used, designed by and received from the LSEG remuneration committee.~~ For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards (e.g. the "total bonus pool"), ~~approve the performance targets to be used,~~ and determine the individual awards to any ~~member of Executive Management~~ Specified Executives;
- 1.2.11 ~~1.2.11~~ determine the policy for, and scope of, pension arrangements for the Company and for each ~~member of~~ Specified Executive ~~Management~~;
- 1.2.12 ~~1.2.12~~ oversee any major changes in employee benefits structures of the Company;
- ~~1.2.13~~ ~~agree the policy for authorising claims for expenses from the directors;~~

Peer review/consultants

- 1.2.13 obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board and having regard to the approach of the ~~LCH~~ Group as a whole;
- 1.2.14 if requested by the Board, obtain and provide the Board with reliable, up-to-date information about remuneration of non-executive directors in other companies and make recommendations to assist the Board (excluding the non-executive directors) in its determination of the remuneration of the non-executive directors; and
- 1.2.15 be exclusively responsible for approving the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 1.3 In exercising its duties and powers, the Committee shall be mindful of its obligation to:

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- 1.3.1 implement and maintain a remuneration policy which promotes sound and effective risk management and which does not create incentives to relax risk standards;
 - 1.3.2 ensure that the remuneration policy and pension policy of the Company is maintained in line with the business strategy, objectives, values and long-term interests of the Company's stakeholders; and
 - 1.3.3 ~~operate in accordance with the terms set out in clause 12 of the relationship agreement between inter alia LCH Group and LSEG (the RA), as amended from time to time, including liaising~~ liaise with LSEG on a regular basis and in any case prior to changing the remuneration (including salary, bonus and long term incentives) of the CEO, ~~other members of the Executive Committee of the Group who are employed by the Company, or of any personnel with a recruitment or termination package of more than €1,000,000 or equivalent~~ and other Specified Executives.
- 14 The chairman of the Committee (the **Committee Chairman**) and the ~~chairman of the LCH Group~~ Committee CEO shall consult with each other on a regular basis in respect of the broad policies and principles applicable to the remuneration of their respective directors and employees.
- 15 The Committee will consult from time to time with the remuneration committee of LSEG and the remuneration committee of LCH Limited to ensure that there is a coordinated approach to the remuneration of directors on the Board and the board of directors of LCH Limited.
- 16 ~~15~~ The Committee shall keep itself informed of any changes in the laws and regulations applicable to the ~~Group~~ Company's remuneration policy and the matters for which the Committee is responsible, and shall take these into account in determining remuneration policy.
- 17 ~~16~~ Nothing in these Terms of Reference shall diminish the responsibility of the Board of the Company to maintain ongoing oversight of the Company's remuneration policy.

2. COMPOSITION OF THE COMMITTEE

- 2.1 The Committee shall comprise at least four members, the majority of whom shall be independent non-executive directors of the Board of the Company, each of whom has been appointed in accordance with, and satisfies the criteria for independence set out in, the terms of reference of the ~~LCH.Clearnet Group~~ Company's Nomination

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Committee (the *Independent Directors*). The Chairman of the Board of the Company may also serve on the Committee as an additional member if he or she was considered independent on appointment as chairman. Members of the Committee shall be appointed by the Board of the Company, in consultation with the Committee Chairman.

- 2.2 ~~For so long as LSEG is entitled to exercise or control the exercise of at least 5 per cent of the votes able to be cast on all or substantially all matters at general meetings in Group,~~ LSEG shall be entitled to appoint one representative (who is a director appointed to the Board of the Company by LSEG) to the Committee.

2.3 The LCH Group CEO shall be entitled to attend meetings of the Committee as an observer.

2.4 ~~2.3~~ The Committee Chairman, who shall be an Independent Director, shall be appointed by the Board of the Company. In the absence of the Committee Chairman and/or an appointed deputy at any meeting, the remaining members present shall elect one of themselves to chair the meeting. The chairman of the Board of the Company shall not be the Committee Chairman.

2.5 ~~2.4~~ Appointments to the Committee are made by the Board of the Company and shall be for a period of three years, which may be extended for further periods of up to three- years, provided the director still meets the criteria for membership of the Committee.

2.6 ~~2.5~~ The Committee Chairman will keep the Committee's composition under review, and shall make proposals to the Board of the Company accordingly.

3. SECRETARY

The person responsible for the Company's secretariat shall be secretary of the Committee (the *Committee Secretary*)

4. TIMING OF MEETINGS

The Committee shall meet at least twice a year and additional meetings shall be arranged as necessary in order to fulfil the duties of the Committee.

5. NOTICE OF MEETINGS

5.1 Notice of meetings shall be given by the Committee Chairman, or the Committee Secretary at the request of the Committee Chairman.

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- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend prior to the date of the meeting in a timely manner. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time.

6. ATTENDANCE AT MEETINGS

- 6.1 Only members of the Committee have the right to attend Committee meetings. Other individuals, such as appropriate senior employees and/or external advisers, may attend all or part of any meeting, as and when appropriate, at the invitation of the Committee Chairman.
- 6.2 Members of the Committee may hold meetings in person, by telephone or by video conferences.

7. QUORUM

The quorum for meetings shall be two members of the Committee, at least one of whom should be independent. 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.

8. CONDUCT OF MEETINGS

Except as outlined above, meetings of the Committee shall be conducted in accordance with the provisions of the Company's articles of association and *reglement interieur* governing the proceedings of directors.

9. MINUTES OF MEETINGS

~~9.1~~ The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, and such minutes shall be presented to the Committee for approval at the next following meeting.

~~9.2~~ Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless it would be inappropriate to do so.

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10. AMENDMENT

10.1 Subject to paragraph ~~10.2~~,10.2, these Terms of Reference may be amended only with approval of the Board.

10.2 ~~10.2 Paragraphs 1.2.1, 1.2.4, 1.2.6, 1.2.9, 1.2.10, 1.3.3, 1.4, 2.2, Paragraphs 1.2.1, 1.2.4, 1.2.6, 1.2.9, 1.2.10, 1.3.3,, 1.5, 2.2, 12.1 and~~ this paragraph 10.2 ~~and 14.4~~ of these Terms of Reference may be amended only with approval of the Board and ~~(for so long as LSEG is entitled to exercise or control the exercise of at least 40 per cent of the votes able to be cast on all or substantially all matters at general meetings in Group and only to the extent that LSEG's rights or interests in those paragraphs are being amended)~~ the consent of LSEG.

11. REPORTING

11.1 The Committee Chairman shall report to the Board on the discussions, decisions and recommendations of the Committee.~~11.2~~

12. CONFIDENTIALITY AND CONFLICTS OF INTEREST

12.1 Without prejudice to any rights LSEG ~~may have in the RA~~ or its representatives under these Terms of Reference, all confidential matters considered by the Committee and any confidential information disclosed to members of the Committee in connection with their position as a member of the Committee must remain confidential, notwithstanding the company to which that information relates, nor whether the member is a director of that company or not, save as required to be disclosed by law or regulation. Any other persons involved in the Committee's work shall either be bound by undertakings of professional secrecy or by ad hoc confidentiality agreements with the Committee.

12.2 Conflicts of interest relating to Committee members shall be governed by the relevant articles in the *reglement interieur*² of the Company from time to time.

13. RESOURCES AND INFORMATION

13.1 The Committee shall have access to sufficient resources and information in order to carry out its duties, including access to the Company secretariat for assistance as required and, where deemed necessary or appropriate, to professional advisors.

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13.2 In particular, the Committee shall have access to (i) the human resource department, (ii) the risk management department (to assess how the remuneration structure affects the risk profile of the Company) (iii) the compliance department (to ensure legal and regulatory changes are properly implemented) and (iv) the internal audit department (who shall annually carry out and report to the Committee on an independent audit of the design, implementation and effects of the remuneration structure).

14. OTHER

14.1 Every member of the Committee shall be given a copy of these Terms of Reference.

14.2 The Committee shall be provided with appropriate and timely training, both as an induction process and on an ongoing basis, and provided with access to external consultancy support, when required.

14.3 The Committee shall arrange for periodic reviews of its own performance and, at least annually, shall arrange for independent internal review of its constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

~~14.4 The rights of LSEG set out in these Terms of Reference shall cease automatically if LSEG ceases to be entitled to exercise or control the exercise of at least 5 per cent. of the votes able to be cast on all or substantially all matters at general meetings of Group.~~