



**London**

Stock Exchange Group

# Encouraging growth. Expanding opportunities.

Group Corporate Sustainability Report

31 December 2017



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**About London Stock Exchange Group (LSEG)**

London Stock Exchange Group is a global markets infrastructure business. We provide valuable services for a wide range of customers, focusing on Intellectual Property, Risk and Balance Sheet Management and Capital Formation.

The Group plays a vital economic and social role in enabling companies to access funds for growth and development.

-42%

Overall carbon footprint per Full Time Employee

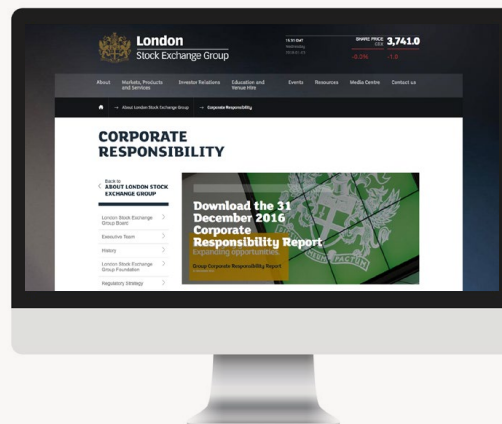
£1.4m

Donated to charity by LSEG Foundation

100%

Employees successfully completed mandatory Anti-Bribery and Corruption training in 2017

**For further information, visit:**  
[www.lseg.com](http://www.lseg.com)



**Our culture of sustainability**

This report provides an annual update of the Group's approach, aims and achievements across all aspects of Corporate Sustainability (CS). Our sustainability performance for 2017 is demonstrated through both quantitative KPIs and descriptions of various initiatives and programmes that were put in place to implement our strategy and reach our targets.

**For further information, visit:**  
[www.lseg.com/about-london-stock-exchange-group/corporate-responsibility](http://www.lseg.com/about-london-stock-exchange-group/corporate-responsibility)

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For a glossary of terms, visit:  
[www.lseg.com/investor-relations/group-glance/glossary](http://www.lseg.com/investor-relations/group-glance/glossary)

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# Welcome to our 2017 Corporate Sustainability Report

**David Warren**  
Interim Chief Executive Officer and  
Group Chief Financial Officer



“We are committed to supporting a financial ecosystem that fosters long-term investment horizons, that helps businesses across the world, especially small and medium sized companies, drive sustainable economic growth.”

Sustainable and green finance are becoming important issues for our clients, both issuers and investors, and is rising up the agenda of governments and policy makers around the world. In 2017, we have continued to review both the impact of the Group in the way we operate our expanding international operations and also the positive contribution and benefits we can bring through our activities. We are committed to supporting a financial ecosystem that fosters long-term investment horizons, that helps businesses across the world, especially small and medium sized companies, drive sustainable economic growth. The way in which we manage our business, and the services we provide to financial markets, demonstrates our commitment to responsibly run our business for the benefit of all stakeholders: clients, colleagues and shareholders amongst others. Our Group Corporate Responsibility policy sets out the way we conduct our business to deliver long-term value creation. We incorporate good practice governance, and take into account our environmental and social impacts to ensure the long-term viability of our Group and the fulfilment of our responsibility to stakeholders.

Our core role as a global markets infrastructure business is to enable wealth and job creation, through the provision of safe, transparent and trusted services. Our markets facilitate equity and debt funding, providing small, medium and larger businesses with access to capital, giving them a chance to grow, create jobs and contribute to the broader economies in which they operate. We also help investors make informed investment decisions through a range of data and analytics, including FTSE Russell’s benchmarking services which provide a range of criteria, including environmental, social and governance (ESG) factors, and indexes such as the new FTSE Blossom Japan Index, to facilitate the transition to a sustainable economy.

Our ESG Reporting Guidance, launched in 2017, is encouraging and assisting issuers in providing ESG information that informs the engagement between investors and companies. Furthermore, we signed the Task Force on Climate-related Financial Disclosures (TCFD) statement of support, affirming our commitment to climate-related disclosures.

This report defines our updated Corporate Sustainability (CS) strategy, and highlights the developments and progress that are material to our business and stakeholders that we have made through the past year. We hope the report gives you insight into the way we approach CS throughout our Group. We welcome your feedback.

**David Warren**

# Report at a glance

## Our 4 Strategic Pillars

### Our Markets

Funding sustainable growth and building long-term economic prosperity

#### Highlights:

- ELITE has grown to include over 700 companies from 27 different countries, with 7 companies joining public markets in 2017
- The inaugural Companies to Inspire Africa report was launched
- AIM reached £105 billion raised since launch
- Borsa Italiana launched a Green & Social bonds segment
- 2017 was a record year for green bond listings
- Borsa Italiana convened the inaugural Italian Sustainability Day

### Our Services

Providing transparent market operations and reliable and transparent information to enable informed investment decisions

#### Highlights:

- FTSE Russell was selected by a number of large institutional investors for its new sustainability indexes, including FTSE Blossom Japan Index, FTSE4Good TIP Taiwan ESG Index, FTSE Global Climate Index Series and FTSE Divest-Invest China A50 Index
- FTSE Russell partnered with The Transition Pathway Initiative, an asset owner-led initiative that assesses how companies are preparing for the transition to a low carbon economy
- Astana International Exchange selected LSEG Academy as a partner for a 2 month knowledge sharing programme

### Our People

Developing our diverse and global talent to fulfil long-term ambitions

#### Highlights:

- Developed the Group Career Framework to enable internal talent mobility
- Launched unconscious bias training as part of our Diversity and Inclusion strategy
- Further developed Diversity and Inclusion effort including development of global WIN network and committing to the UK Government Disability Confident Scheme
- Our Mentor Exchange was extended to France, Italy, Sri Lanka and the US with over 600 mentors and mentees connected

### Our Communities

Empowering people, enriching communities

#### Highlights:

- LSEG Foundation donated over £1.4 million in 2017
- School Home Support was chosen as the new LSEG UK Partner Charity
- LSEG and UNICEF made progress in the Zambian Girls 2030 project, aiming to help 11,000 girls access employment
- City Harvest was chosen as the new US Partner Charity

#### Environment

**-42%**

Overall carbon footprint per FTE

#### Social

**40%**

Stretch target of female representation for senior management and overall population by 2020

#### Governance

**100%**

LSEG businesses self-certified as compliant with our Anti-Bribery and Corruption policies

# Part 1:

London Stock Exchange Group  
Corporate Sustainability Strategy



London Stock Exchange Group welcomes  
The Rt Hon Claire Perry MP,  
Minister of State for Energy & Clean Growth  
To celebrate the UK Green Finance Taskforce

WORLD INDICES

Index	Value	Change
DAX	17,124.00	+118.00
FTSE 100	7,303.00	+118.00
NASDAQ	4,233.00	+118.00
HANG SENG	24,000.00	+118.00
NIKKEI 225	26,100.00	+118.00
ASX 200	7,303.00	+118.00
IBEX 35	11,200.00	+118.00
STOXX 50	3,500.00	+118.00
RUSSEL 2000	2,500.00	+118.00
S&P 500	3,500.00	+118.00
NYSE COMPOSITE	3,500.00	+118.00
NYSE-ARCA BLOOMBERG	3,500.00	+118.00
NYSE-ARCA VIX	11.20	+0.10
NYSE-ARCA VIX 5Y	11.20	+0.10
NYSE-ARCA VIX 10Y	11.20	+0.10
NYSE-ARCA VIX 20Y	11.20	+0.10
NYSE-ARCA VIX 30Y	11.20	+0.10
NYSE-ARCA VIX 40Y	11.20	+0.10
NYSE-ARCA VIX 50Y	11.20	+0.10
NYSE-ARCA VIX 60Y	11.20	+0.10
NYSE-ARCA VIX 70Y	11.20	+0.10
NYSE-ARCA VIX 80Y	11.20	+0.10
NYSE-ARCA VIX 90Y	11.20	+0.10
NYSE-ARCA VIX 100Y	11.20	+0.10

-13.80 (-3.31%)  
SLA.L

N.L  
SSEL  
STANL

LSBL + 3099.00

08:22:32



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# Our corporate sustainability strategy

**Our Corporate Sustainability (CS) strategy is defined by 6 impact areas and is executed through 4 pillars, as demonstrated in the graphic to the right.**

**Our approach to CS**

- To play an essential role in enabling sustainable global economic growth
- To ensure our CS behaviour and actions are consistent with best practice while generating long-term value creation

Corporate sustainability is core to our business growth strategy. At LSEG, our business not only helps to strengthen global economic growth, but it fulfils a social purpose, for example, by supporting the funding and development of small and medium sized enterprises (SMEs). We believe that strong corporate sustainability behaviour underpins delivery of enhanced business performance, and we set our CS objectives, above, accordingly. We collaborate to deliver, measure and promote sustainable business and investment practices, for example through the Transition Pathway Initiative, and work to sustain the environment, supporting and providing opportunities to the global community.

Our approach to CS is directed by Executive Committee members that lead working groups comprised of cross-Group colleagues, focused on developing specific targets in each of the 4 pillars. This framework, in combination with a clear and comprehensive CS strategy, allows us to have a voice in key debates that affect global capital markets, creating a platform for interacting with influential stakeholders. The successful execution of our CS strategy is exhibited through the achievements made across 2017, which are listed in this report.

**Group Strategy**

Our strategy and our activities are aligned to 3 strategic pillars

**Driving global growth**

As a customer-focused organisation, we benefit from deep and broad relationships with market participants globally. This drives product and service innovation and, combined with our ability to respond effectively to secular trends, creates growth opportunities across the financial markets value chain.

**Developing our customer partnership approach**

LSEG is set apart in the Financial Markets Infrastructure sector through our open access philosophy and collaborative approach. This gives us maximum flexibility to develop commercial and corporate opportunities amidst ongoing industry and regulatory change.

**Delivering best in class capabilities**

We constantly seek to improve our execution capabilities, customer servicing and expertise in financial markets infrastructure. We utilise technology, our global scale and the skills of our people to innovate, manage risks and operate in the most efficient and responsive way.

**CS Strategy**

Our CS strategy is defined by 6 impact areas

**Convene**

We leverage our position at the centre of capital markets to facilitate dialogue and catalyse action towards the development of sustainable finance

**Grow**

We will help SMEs raise capital and fund investments to create employment worldwide

**Disclose**

We will provide investors with information and tools to assess the ESG performance of companies to enable incorporation into engagement and investment

**Transition**

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

**Develop**

We will employ and invest in the development of a highly diverse global workforce to deliver on our sustainable vision

**Sustain**

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

**Our CS Approach**

Our CS strategy is then executed through the following 4 pillars

**Our Markets**

Funding sustainable growth and building long-term economic prosperity

**Our Services**

Providing transparent market operations and reliable information to enable informed investment decisions

**Our People**

Embracing our diverse and global talent to fulfil long-term ambitions

**Our Communities**

Empowering people, enriching communities

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# Materiality review

**Before reporting, all corporate sustainability initiatives and activities from across the year are assessed for their materiality.**

The assessment falls within our CS strategic framework, where items are cross referenced against internal and external evaluators. Internally, activities are grouped into pillars and evaluated on their relevance to 6 impact areas. Externally, the UN Sustainable Development Goals (SDGs) and Global Reporting Initiative (GRI) materiality definition are used to fine tune CS relevance. If all checks are passed, the item is reported.

Together, this framework provides a tool to:

- set coherent and congruent objectives with cross-Group impact;
- create aligned actions plans;
- engage with employees to add value through innovative CS strategies; and
- engage effectively with external audiences and stakeholder groups.

**Sustainable Development Goals**

We assess CS initiatives and activities for their contribution towards fulfilling 5 SDGs that are relevant to stock exchanges: gender equality, decent work and economic growth, responsible consumption and production, climate action and partnerships for the goals. More information on the SDGs can be found here: [sustainabledevelopment.un.org/sdgs](http://sustainabledevelopment.un.org/sdgs). Our ESG Reporting Guidance also covers the SDGs and how they can be used within corporate reporting.

**Impact Areas**

The 6 impact areas and their materiality are:

CONVENE	GROW	DISCLOSE	TRANSITION	DEVELOP	SUSTAIN
<p>Collaboration with the financial industry, charities, governments and companies is important to progress solutions for the move to a sustainable and low carbon economy</p>	<p>Supporting the growth of companies and the economy, and access to funding, generates jobs for a growing population</p>	<p>The publication and reporting of ESG activities in accordance with rating agency sustainability recommendations addresses the growing investor base that includes ESG factors into their investment process</p>	<p>To facilitate the smooth transition to a low carbon economy, we work with our clients to develop solutions for both capital raising and allocation that embed sustainability into the investment process</p>	<p>Continued business innovation, the increase in employee expertise and diversity and setting ambitious sustainability goals strengthen our industry position and increase stability for stakeholders and the economy</p>	<p>Maintaining support for underprivileged communities, developing economies and the environment is important for the future stability of all stakeholders and the communities in the areas in which we operate</p>
<p><b>Sustainable Development Goals</b></p>					



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## Progress on our commitments





Key:

↑ Exceeded target

✓ Met target

➔ Working towards target

In the past year, we have continued to make progress towards the commitments made in our 2016 CS report.

Impact area	Commitment	Progress	SDGs Supported <sup>1</sup>	Progress	
<b>CONVENE</b>	"Convene the investment industry to discuss and progress solutions for the transition to a sustainable and low carbon economy from across our business divisions"	LSEG hosted the 'Water: Risk, Opportunity and Sustainability' Conference, organised by Environmental Finance, which brought together 150 delegates from pension funds, governments and technology providers among others. Borsa Italiana hosted the first Sustainability Day to support dialogue between companies and investors on ESG issues.	In 2017, FTSE Russell hosted Ownership Day, an event organised by the UK Sustainable Investment and Finance Association (UKSIF), which brought together asset owners and many organisations such as The Pensions Regulator, a representative of the Task Force on Climate-related Financial Disclosures (TCFD) and the Environment Agency Pension Fund, to explain the benefit of active engagement with investee companies.	  	↑
<b>GROW</b>	"Scale up our offering for the promotion of SMEs' access to funding and help them bridge the gap to long-term financing; build on the ELITE initiative, our AIM market and the 'Companies to Inspire' series; and address the needs of developing markets including the development of vital market infrastructure"	In 2017, LSEG launched the inaugural Companies to Inspire Africa report, identifying the fastest growing businesses across Africa. 1000 Companies to Inspire Britain highlighted companies under a new 'Green' section.  ELITE grew to over 700 companies from 27 countries, and launched in South America, West Africa, China and Saudi	Arabia, with 7 ELITE companies joining LSEG public markets in 2017. ELITE Club Deal launched the first ELITE Basket Bond, a €122 million 10 year bond providing debt financing to ELITE companies.  AIM reached the milestone of £100 billion being raised since launch, with £5 billion raised in 2017.		↑
<b>DISCLOSE</b>	"Keep promoting our new ESG Reporting Guidance for issuers through industry and education initiatives and integration within our existing product portfolios"	We supported the implementation of our ESG Guidance through a range of events, including ESG-focused 'Capital Market Days', the first of which was the Italian Sustainability Day, which was attended by over 250 attendees.	ESG guidance was integrated into our Issuer Services portal, accessible to all LSE issuers, found at <a href="http://www2.londonstockexchange.com/issuer-services/esg">www2.londonstockexchange.com/issuer-services/esg</a>	 	↑
	"Continue to take an active role with regulators and policy makers to advocate global alignment of ESG reporting standards and to address potential barriers to sustainable investment and finance"	LSEG, alongside industry participants, put forward recommendations to the TCFD on its Phase I report that were successfully taken into account in the production of the final report.	LSEG was a member of the High-Level Expert Group advising the European Commission on how to integrate sustainability considerations into its financial policy framework in order to mobilise finance for sustainable growth.	 	↑
<b>TRANSITION</b>	"Further develop the Global Sustainable Investment Centre, adding new tools and products that support the transition to a sustainable and low carbon economy and related capital flows"	Borsa Italiana launched a Green & Social bonds segment to offer instruments whose proceeds finance projects that benefit environmental and social projects.	LSEG saw the continued issuance of retail charity bonds and record fund listings in 2017, with 13 renewable funds now listed on our markets.	 	✓



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# Progress on our commitments continued

**Key:**  
 ↑ Exceeded target  
 ✓ Met target  
 → Working towards target

Impact area	Commitment	Progress	SDGs Supported <sup>1</sup>	Progress	
<b>DEVELOP</b>	"Work towards the achievement of the Group-wide 2020 gender diversity targets and consider extension of diversity programmes beyond gender"	In 2017, we increased female representation in all areas: Board, senior management and overall staff numbers. To extend diversity programmes beyond gender we partnered with agencies who specialise in attracting under-represented	groups such as disabled, LGBTI (lesbian, gay, bi-sexual, trans and inter-gender) and BAME (Black and Minority Ethnic) groups.		→
	"Set and achieve a target for staff involvement in volunteering across the Group"	2020 volunteering targets were set: to involve 15% of the Group's workforce in volunteering initiatives, either individual or Group-led. Over 2017, we achieved 6% involvement.			→
<b>SUSTAIN</b>	"Set targets on charitable giving to deepen focus on LSEG Foundation's core mission"	We set the target of fully aligning our grant-making activity to LSEG Foundation's core mission. In 2017, 88% of grants, up from 79% in 2016, were aligned with a small proportion	of donations outside core focus, mainly in response to humanitarian emergencies.		→
	"Upgrade our environmental management system and consider revised environmental targets"	In 2017, all UK electricity at controlled sites came from 100% natural renewable resources, rated at zero emissions. 64% of global electricity usage is from 100% renewable sources.			↑

1. The Sustainable Development Goals (SDGs) identified here are those considered material for exchanges by the Sustainable Stock Exchanges initiative

## Part 2:

2017 Review





## Our Markets

### Funding sustainable growth and building long-term economic prosperity

**As a fundamental component of the economy, our markets, built on transparency and trust, help our customers optimise their capital resources and let businesses thrive.**

#### HIGHLIGHTS

- ELITE has grown to include over 700 companies from 27 different countries, with 7 companies joining public markets in 2017
- The inaugural Companies to Inspire Africa report was launched
- AIM reached £105 billion raised since launch
- Borsa Italiana launched a Green & Social bonds segment
- 2017 was a record year for green bond listings
- Borsa Italiana convened the inaugural Italian Sustainability Day

## £105bn

Raised on AIM since launch

## 28

Green bonds listed on LSE in 2017

“Our markets provide opportunities for international and domestic businesses of all sizes to raise capital, build sustainable growth and create long-term economic prosperity.”

**Raffaele Jerusalemi**

Group Director of Capital Markets

#### Impact Areas:

Convene | Grow | Disclose | Transition

#### Sustainable Development Goals:



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## Our Markets continued

### Initiative

#### Companies to Inspire

Grow

#### Companies to Inspire Africa

LSEG launched the inaugural Companies to Inspire Africa report, identifying the fastest growing and most dynamic private businesses across Africa. 343 companies from 42 African countries, 22 of which in the renewable energy industry, were selected. The report highlights the important role of female entrepreneurship, with 12% of featured companies led by women, more than 3 times the average for companies across Africa.

343

Companies from 42 African countries



The inaugural Companies to Inspire Africa report was published in 2017

#### 1000 Companies to Inspire

The 1000 Companies to Inspire report is LSEG's strategy for identifying the fastest-growing and most dynamic SMEs. This year we issued the fourth 1000 Companies to Inspire Britain and second 1000 Companies to Inspire Europe reports.

In the 2017, 1000 Companies to Inspire Britain report, we highlighted specific companies under a new 'Green' section, as there is a growing number of British businesses that meet the consumer demand for environmentally friendly business practices and products.

96,500

Estimated number of low carbon and renewable energy businesses in the UK



The fourth Companies to Inspire Britain report highlighted specific companies under a new 'Green' section

#### AIM

Grow

#### The world's leading growth market

In January, AIM reached a major milestone for a growth market, having raised over £100 billion since launch. Founded in 1995, AIM has been a source of long-term growth capital for more than 3,500 companies from around the world. During 2017, a further £5 billion was raised, underlining AIM's unparalleled capacity to act as a vital source of permanent capital.

During the year, we published an AIM Discussion Paper to seek feedback from users of the market to inform our future development of AIM. Overall, respondents recognised the benefits of the AIM market model which provides SMEs with the opportunity to join a public market that both supports their development and provides investors with a comprehensive standard of disclosure and a fair and orderly market.

£105bn

Raised on AIM since launch

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## Our Markets continued

### Initiative

**Bonds**  
**Grow**  
**Transition**

**Green bonds** Over 2017, 28 green bonds listed on LSE, solidifying LSEG's position as a leading international green and sustainable financing centre. Highlights include the largest green bond by a UK company (SSE €600 million), the first UK bank to list a green bond (Barclays €500 million) and the Indian Renewable Energy Development Agency's (IREDA) inaugural green Masala bond (US\$300 million), the first bond of its kind to list on our new International Securities Market.

Rural Electrification Corporation of India (REC) also launched its first green bond in London, securing US\$450 million. In addition, we welcomed the first green bond from the Gulf Region, issued by First Abu Dhabi Bank.

These landmark transactions bring the total number of green bonds listed on our markets to 65, which have raised around US\$21 billion.

LSEG was awarded a Certificate of Recognition at the Climate Bonds Initiative Green Bond Awards on the 6 March 2017. The award recognises issuers, regulators and service providers that have played a pivotal role in growing the market.

28

Green bonds listed on LSE in 2017

**Borsa Italiana's Green & Social bonds segment** Borsa Italiana launched a Green & Social bonds segment to offer investors a list of defined instruments whose proceeds finance projects which benefit environmental and social projects: green and social bonds, respectively. In 2017, the value of green and social bonds traded on Borsa Italiana was €47 billion.

€47bn

value of green and social bonds traded on Borsa Italiana in 2017

**Charity bonds** Retail Charity bonds is an issuing platform enabling UK charities to raise medium-term debt finance through bonds issued to retail and wholesale investors. In 2017, we welcomed 4 new charity bonds on our markets, raising a total of over £90 million in aggregate terms.

housing; Hightown Housing, a housing association; and Golden Lane, a provider of supported housing for people with learning disabilities.

Over £90m

Raised from charity bonds

Issuers include Greensleeves Care, a care home provider; Dolphin Square Charitable Foundation, a charity providing affordable



Greensleeves Care, a care home provider, launched the first retail bond for the care sector

**Conferences**  
**Convene**

**Water Finance Conference**

In April 2017, LSE hosted the Environmental Finance 'Water: Risk, Opportunity and Sustainability 2017' Conference, which highlighted the importance of long-term business sustainability and funding approaches, requirements and risks to global investors in water utilities and infrastructure projects.

150 delegates and 30 speakers from universities, pension funds, governments and technology providers attended the event.

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# Our Markets continued

Initiative	
<p><b>Listings Transition</b></p>	<p><b>Green ETFs</b></p> <p>23 green ETFs are listed on LSE, with value traded up 31% year on year. Lyxor, Europe's second largest ETF issuer, launched the world's first ETF to offer exposure to the investment grade green bond market, the Lyxor Green Bond UCITS ETF, on LSE.</p> <p><b>Record fund listings</b></p> <p>LSEG saw record fund listings in 2017, with a total of 13 renewable funds now listed on our markets. One notable listing is that of Greencoat Renewables, an investor in Euro-denominated renewable energy infrastructure.</p>
	<p><b>31%</b></p> <p>Year on year increase in green ETF value traded on LSE</p>
<p><b>ELITE Grow</b></p>	<p><b>Continuing to support SMEs achieve growth</b></p> <p>ELITE is LSEG's international business support and capital raising programme designed for ambitious, high growth companies. In 2017, the ELITE global community grew to over 700 companies, from 27 countries and 35 sectors, accounting for over 240,000 jobs. Demonstrating our commitment to supporting global SME growth, ELITE launched in China, South America, West Africa and Saudi Arabia. In 2017, 7 ELITE companies joined LSEG's public markets across Italy and the UK.</p> <p>ELITE Club Deal, the private placement platform that streamlines the capital raising for ELITE companies, launched the first ELITE Basket Bond. The €122 million, 10 year bond is a unique way of providing debt financing to ELITE companies, and is made up of 10 well performing Italian ELITE companies.</p> <p>ELITE Connect, a platform dedicated to listed companies, investors and other intermediaries, co-hosted an ESG briefing with the UK IR society. The event saw a panel, including expert buy and sell side speakers, give a strategic overview on how the ESG landscape is evolving. ELITE Connect is a tool that helps companies improve visibility to the global financial community using digital technology.</p>
<p><b>LSEG ESG Reporting Guidance Disclose</b></p>	<p><b>Promoting good ESG reporting practice</b></p> <p>On 9 February 2017, LSEG issued guidance through the Global Sustainable Investment Centre, setting out recommendations for good practice in ESG reporting. The global guide responds to demand from investors for a more consistent approach to ESG reporting, which is now a core part of the investment decision process. The Guidance is available online to both issuers and investors globally, and was sent to more than 2,700 companies that have securities listed on LSEG's UK and Italian markets with a combined market capitalisation of more than US\$7 trillion.</p> <p>We have engaged companies of all sizes listed on London Stock Exchange and Borsa Italiana, and FTSE Russell has consulted asset owners and asset managers to understand key ESG reporting challenges. The Guidance builds on market standards such as the Financial Stability Board's Task Force on Climate-related Financial Disclosures report and the UN Sustainable Development Goals. The launch of the Guidance leverages the central role LSEG plays in capital markets and support improvements in reporting, dialogue and data flows along the investment chain. The launch event was attended by over 800 market participants globally, both in presence and remotely.</p>
	<p><b>13</b></p> <p>Renewable funds listed on our markets</p>
	<p>ELITE's global community grew to over 700 companies</p>
	<p>Following the launch, the Guidance was integrated into London Stock Exchange's Issuer Services portal (<a href="http://www2.londonstockexchange.com/issuer-services">www2.londonstockexchange.com/issuer-services</a>) and presented at the first Italian Sustainability Day organised by Borsa Italiana (see p.14 for more detail). The full Guidance can be viewed at: <a href="http://www.lseg.com/esg">www.lseg.com/esg</a>.</p>

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# Our Markets continued

Initiative								
<b>Sustainability</b> <b>Convene</b> <b>Transition</b>	<b>First Italian Sustainability Day</b>	Borsa Italiana hosted its first Sustainability Day to raise awareness among all market participants and support the direct dialogue between companies and investors on ESG and sustainability topics.	Training was provided on ESG communication and discussions on global sustainable investment trends were held for over 250 attendees, with over 80 investor meetings held across the day. The event addressed the trend of investors incorporating ESG factors into their investment strategies. The UK Sustainability Day is expected to take place in 2018.					<b>Borsa Italiana hosted its first Sustainability Day to raise awareness on ESG and sustainability topics</b>
	<b>Environmental and sustainable indexes</b>	Over 2017, FTSE's climate themed indexes rose by more than their benchmark indexes, a trend also seen over a 5 year period. These indexes include the FTSE All-World ex Climate Balanced Factor Index, FTSE Environmental Opportunities Index series and the FTSE ex Fossil Fuels Index Series.	Environmental index performance supports the growing recognition by market participants globally that applying ESG considerations to portfolios can align with investment objectives.					
<b>Task Force on Climate-related Financial Disclosures</b> <b>Convene</b> <b>Disclose</b> <b>Transition</b>	<b>Influencing policy to address climate change</b>	In June 2017, the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) released its reporting recommendations. The Group signed the TCFD statement of support, affirming its commitment to support the recommendations and sees them as an important step in driving improved global consistency in voluntary global reporting standards. The TCFD is an industry-led task force with the objective to develop voluntary, consistent climate-related disclosures that would be useful to investors, lenders and insurance underwriters in understanding material risks.	The TCFD took into account several recommendations put forward by LSEG and industry participants in the response to the Phase I report in the previous year, on topics such as green revenues, sector approach and standardisation in frameworks. The TCFD recommendations strike a balance between encouraging the supply of consistent, easily comparable and reliable data and the need to avoid overly prescriptive requirements, particularly where global consensus has not yet been reached.	The final report provides context, background and the general framework for climate-related financial disclosures and is intended for broad audiences. The Annex provides the next level of detail to help companies implement the recommendations and the Technical Supplement provides a further level of detail that can be helpful for companies in considering scenario analysis.				



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## Our Services

Providing transparent market operations and reliable information to enable informed investment decisions

**The Group provides systemically important infrastructure services that support and enable sustainable growth, from market failure prevention mechanisms and responsible investment to regulatory reporting mechanisms, through an Open Access approach that underpins all our operations. We aim to help investors and market participants make informed and sustainable investment decisions and execute them efficiently, safely and cost-effectively.**

### HIGHLIGHTS

- FTSE Russell was selected by a number of large institutional investors for its new sustainability indexes, including FTSE Blossom Japan Index, FTSE4Good TIP Taiwan ESG Index, FTSE Global Climate Index Series and FTSE Divest-Invest China A50 Index
- FTSE Russell partnered with The Transition Pathway Initiative, an asset owner-led initiative that assesses how companies are preparing for the transition to a low carbon economy
- Astana International Exchange selected LSEG Academy as a partner for a 2 month knowledge sharing programme

# 57%

Of large funds (over US\$10bn AUM) want to incorporate ESG into Smart Beta strategies

“Delivering long-term business success or investment returns requires taking a broader, longer-term view. Sustainability data is central to this and our services enable market participants to incorporate this information into investment processes, engagement and business decisions.”

### Mark Makepeace

Group Director of Information Services

### Impact Areas:

Convene | Grow | Disclose | Transition | Develop

### Sustainable Development Goals:





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## Our Services continued

### Initiative

#### Awards Transition

##### Awards for integrating sustainability into factor index investing

FTSE Russell champions ESG integration into passive investing through its 'Smart Sustainability' framework. This helps investors integrate ESG into core passive portfolios and builds on the growth of 'Smart Beta' investing. The concept brings together 'Smart Beta' factors with sustainability parameters into a single index design.

FTSE Russell's work in this area has won them and their clients 5 awards in 2017, particularly for work on the FTSE Climate Balanced Factor Index. This index is used, by HSBC Bank UK Pension Scheme, one of the largest corporate pension funds in the UK, for its default passive equity allocations for its Direct Contribution (DC) and Direct Benefit (DB) schemes. The total allocation across the DC and DB schemes is over £4 billion. In doing so, HSBC became the first scheme to adopt a multi-factor investment strategy incorporating climate change protection as part of its default fund.

Legal and General Investment Management (LGIM) use the index for its new high profile Future World Fund. LGIM has also invested its own capital in the fund and LSEG has included it as an option for its DC pension members.

This award winning index is designed to target improved long-term risk-adjusted returns through:

- incorporating protection from climate change risks – through reduced exposure to carbon emissions and fossil fuel reserves;
- benefiting from the transition to a lower carbon economy – via increased exposure to companies with 'green revenues'; and
- exposure to 4 alternative risk premia (value, size, momentum and quality).

The index uses the risk premia factors and climate parameters to 'tilt' constituent weights either towards or away from specific characteristics within individual companies.



Mark Thompson, HSBC UK Pension Fund, and David Harris, LSEG, collect the IPE award for Factor Investing

##### Smart Sustainability

The fourth annual FTSE Russell global institutional Smart Beta Survey, which comprised responses from approximately 200 asset owners from around the world, noted the significance of Smart Sustainability for global asset owners.

The results demonstrate strong interest in applying ESG considerations to Smart Beta, known as Smart Sustainability, with 57% of large asset owners (over US\$10 billion assets under management) anticipating applying ESG considerations to their Smart Beta strategies. The main rationale provided for ESG integration into smart beta was to avoid long-term risk.

# 57%

Of large funds (over US\$10bn AUM) want to incorporate ESG into Smart Beta strategies

#### FTSE Russell Disclose Transition

##### ESG Ratings Model

FTSE Russell's ESG Ratings Model is the backbone of ESG integration by FTSE Russell and its clients. The model assesses how companies manage their exposure to potential ESG risks and scores companies accordingly. The overall score is used in the FTSE4Good Index family, which now includes the FTSE4Good Taiwan TIP ESG Index, which was developed in

partnership with a wholly owned subsidiary of the Taiwan Stock Exchange.

The Ratings and the underlying data across 14 'ESG themes' help provide a common framework between companies and investors on measuring and improving ESG practices, for example, shown through usage by the Transition Pathway

Initiative, an investor collaboration, and corporate consultants such as KPMG. Investor engagement with companies has become a key element of investment practices as covered in Principle 2 of the UN-backed Principles for Responsible Investment, and ESG Ratings can help support this.



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## Our Services continued

### Initiative

#### FTSE Russell continued Disclose Transition

#### Transition Pathway Initiative

The Transition Pathway Initiative (TPI) is an asset owner-led initiative that assesses how companies are preparing for the transition to a low carbon economy. It was launched by the National Investing Bodies of the Church of England and the Environment Agency Pension Fund, with the London School

of Economics Grantham Institute and FTSE Russell as partners. There are over 25 asset owner and asset manager members of the initiative who commit to incorporating climate change considerations into their investment decision-making and engagement with companies, fund managers and policy makers.

The TPI uses a subset of FTSE Russell's ESG Ratings data from the Climate Change Theme to evaluate companies' climate strategies and low carbon transition plans.

#### Aligning FTSE Russell's climate change indicators with the TCFD's recommendations

Following the release of the TCFD recommendations in June 2017, FTSE Russell conducted a full review of its climate-related indicators and enhanced its climate change research. These serve to ensure FTSE Russell's methodologies and criteria, and the TPI's Management Quality indicators, are aligned with the TCFD's recommendations, respectively. The enhancements will enable FTSE Russell to more accurately assess the quality of companies' climate change disclosures and scenario analysis, and how climate change will impact companies' strategy. 3 major changes were made to the indicators:

1. Inclusion of 7 new indicators
2. New sector specific indicators
3. Updated sector categorisation model

Indicators have started to be applied across the full universe of over 4,000 companies covered by FTSE Russell ESG research, with a full cycle of research expected to be completed by June 2018. Going forward, the Group will continue to review the recommendations.

## 4,000+

Companies covered by FTSE Russell ESG research

#### FTSE Blossom Japan Index and selection by GPIF

FTSE Russell developed and launched the FTSE Blossom Japan Index in July 2017 to meet the need of long-term investors looking to invest in Japanese companies. The new index is constructed using FTSE Russell's ESG Ratings data model, which draws on existing international ESG standards and aligns with the UN Sustainable Development Goals. The inclusion thresholds are aligned with the globally established FTSE4Good Index Series.

The index provides a powerful basis to increase corporate ESG transparency and performance. The largest pension fund in the world, the Government Pension Investment Fund (GPIF) of Japan subsequently selected the index as a core ESG benchmark through its flagship fund. The index was also selected for use with 2 ETFs.

## Over 700

Companies covered by the FTSE Blossom Japan Index



FTSE Blossom Japan

#### Other sustainability indexes

##### FTSE Divest-Invest China A50 Index

In 2017, FTSE Russell launched the FTSE Divest-Invest China A50 Index, an index designed to reduce exposure to Chinese companies with high carbon economy but increase exposure to Chinese companies engaged in the transition to a green economy.

The index can be used by market participants to create index tracking funds, ETFs, derivatives and as a performance benchmark.

##### FTSE4Good TIP Taiwan ESG Index

FTSE Russell launched the FTSE4Good TIP Taiwan ESG Index, developed in partnership with Taiwan Stock Exchange's subsidiary, Taiwan Index Plus Corp (TIP).

The index provides important new sustainability solutions for the region and reinforces global investor demand to integrate sustainability factors in investment portfolios.

##### FTSE Global Climate Index Series

The new FTSE Global Climate Index Series and FTSE ESG Index Series were launched in 2017.

They are designed to help investors incorporate the transition to a global green economy into core benchmarks and passive investments, combining sustainable investing with an innovative approach to factor index construction – Smart Sustainability.

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## Our Services continued

Initiative				
<p><b>MiFID II</b> Disclose</p>	<p><b>Ensuring readiness for MiFID II</b></p>	<p>MiFID II came into effect on 3 January 2018. The key objectives of MiFID are to strengthen market regulation, increase transparency and reinforce investor protection. LSEG has completed an extensive programme of change in order to endure</p>	<p>its readiness for the implementation of MiFID II.</p> <p>For example, MTS upgraded its trading systems for Cash, Repo and Bond Vision were updated, Millennium Exchange</p>	<p>was upgraded to address equity and fixed income regulations, and an assortment of market infrastructure upgrades were completed on clock synchronisation, networks, cable length normalisation and storage, amongst others.</p>
<p><b>Ownership Day</b> Convene</p>	<p><b>FTSE Russell host Ownership Day 2017</b></p>	<p>In April 2017, FTSE Russell hosted Ownership Day 2017, which is linked to our efforts to convene key industry events around the transition to a sustainable economy and improve dialogue on this topic along the investment chain and with regulators. The event was organised by the UK Sustainable Investment and Finance association (UKSIF). It focused on asset</p>	<p>owners and the benefits of active ownership and engagement with investee companies either directly or through asset managers.</p> <p>Speakers included The Pensions Regulator, Institute and Faculty of Actuaries, Transition Pathways Initiative, ClientEarth, the Task Force on Climate-related Financial Disclosures and the</p>	<p>Environment Agency Pension Fund. The event covered a range of governance topics, other ESG issues including climate change and its potential implications for investors, and the importance of dialogue and engagement between institutional asset owners and their investments.</p>
<p><b>LSEG Academy</b> Grow</p>	<p><b>Accelerating Growth in an Exchange Value Chain</b></p>	<p>As part of its mission in support of emerging markets, LSEG Academy, training centre of the London Stock Exchange Group, developed and delivered 2 capacity building projects to the benefit of executive teams from Tadawul, The Saudi Stock Exchange and Astana International Exchange.</p>	<p>In August and September, a 5 day, bespoke training programme, 'Accelerating Growth in an Exchange Value Chain', was held twice to the benefit of 20 senior managers from Tadawul. The programme was a benchmarking and learning opportunity for the Tadawul team to be introduced to the core components and dynamics of a well-functioning financial market infrastructure such as LSEG.</p>	 <p>Astana International Exchange chose LSEG Academy for a 2 month knowledge sharing programme</p>
	<p><b>Astana Financial Centre Training</b></p>	<p>In November and December 2017, the nascent Astana International Exchange chose LSEG Academy as a partner in a 2 month knowledge sharing programme focused on the development, monitoring and enforcement of listing and capital market rules on AIX markets.</p>	<p>The programme was financed by TheCityUK and delivered, partly online and in person, to 17 senior managers from AIX and AIFC.</p> <p>For LSEG Academy, the project represented an opportunity to share best practices and address the design of a solid regulatory framework for privatised companies in Kazakhstan.</p>	



## Our People

### Developing our diverse and global talent to fulfil long-term ambitions

**The engagement of our colleagues is central to our organisation. We rely on the skills and determination of our colleagues to deliver Group strategy, and to bring our values of Integrity, Partnership, Innovation and Excellence to life.**

#### HIGHLIGHTS

- Developed the Group Career Framework to enable internal talent mobility
- Launched unconscious bias training as part of our Diversity and Inclusion strategy
- Further developed Diversity and Inclusion effort including development of global WIN network and committing to the UK Government Disability Confident Scheme
- Our Mentor Exchange was extended to France, Italy, Sri Lanka and the US with over 600 mentors and mentees connected

# 700

Employees benefiting from Sharesave maturities

“Our colleagues are the foundation of LSEG, embodying our motto ‘My word is my bond’, and driving the Group’s vision to be the most trusted expert in global financial markets. We continually look to improve their development and engagement.”

**Tim Jones**

Group Director of Human Resources

#### Impact Areas:

Disclose | Develop | Sustain

#### Sustainable Development Goals:



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# Our People continued

Initiative

**Diversity and Inclusion**  
Develop

**Summary beliefs and Strategy**

LSEG values diversity and equality in the widest sense, and recognises them as key drivers for development and innovation. Diverse teams create opportunity, mitigate risk and are a catalyst for new ideas. As such, we strive to be an employer of choice for the diverse talent which we must attract, retain and engage in a highly competitive market. To do this, we have implemented our Diversity and Inclusion strategy.

Our work to improve diversity is guided by our Executive Committee's Diversity and Inclusion Committee, which is chaired by our Chief Risk Officer. Our strategy is already

making a difference and female representation across the Group has increased in line with our commitment to HM Treasury Women in Finance Charter. Female representation has increased to 33% in 2017 (July 2016: 30%). In March 2018, in line with new UK requirements, we will publish our first Gender Pay Gap Report across our 3 UK legal entities and our plans to address any gaps.

We currently brief all recruitment partners about our diversity agenda. To reinforce the importance of committed action on their part, we held a supplier event 1 November to give detailed information on our gender targets, the challenges

we face and engage their proactive support in increasing gender representation.

In 2017, we provided diversity awareness workshops to line managers, and we are currently working to increase diversity and inclusion such as flexible working and the disability confident employer scheme.

By 2020, we aim to achieve a stretch target of 40% female representation for senior management and our overall staff numbers.

**Unconscious bias**

In 2017, senior leaders and line managers undertook Open Mind-set training, raising awareness of micro-inequities, the impact of assumptions and how to change behaviour. To reinforce the training, all colleagues completed unconscious bias training. This was then applied to key management decisions

such as performance management and remuneration reviews, to ensure outcomes are fair and consistent across the Group. Similarly, when recruiting, we aim to include at least one female in the hiring decision-making process to provide a more rounded analysis and mitigate any unintentional bias.

**100%**

Staff completed unconscious bias training

**Rededication of LSE War Memorial**

On 14 November the Group rededicated and unveiled the London Stock Exchange War Memorial. Employees wishing to attend were warmly invited to do so.

On 20 September 2017, LSEG signed the UK's Armed Forces Covenant, an assurance that those who serve or served in the armed forces, and their families, will be treated fairly and not disadvantaged. Becoming a signatory reinforces LSEG's commitment to supporting its surrounding communities and encouraging inclusiveness in the workplace.



Veteran colleagues attended the rededication of the LSE War Memorial



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# Our People continued

Initiative							
<b>Employee Development and wellbeing</b>  Develop	<b>Colleague Engagement &amp; Wellbeing</b>	<b>Employee Engagement</b> An engaged workforce is critical for our success, and we remain committed to building a high performing culture where our people can thrive. In our 2016 Have Your Say engagement survey, which saw a response rate of 82% (2014: 76%), 3 areas were highlighted where colleagues felt we could improve: communication around change, cross-Group collaboration and career development.  Since then, we have implemented a number of practices to respond to this feedback. To support the communication of change we have developed toolkits to help managers, and we invested in a Group Change Framework to drive greater consistency in how we manage change. In addition, the Mentor Exchange programme is helping foster collaboration by uniting	approximately 600 mentors and mentees across the Group, and was extended to France, Italy, Sri Lanka and the US. We also introduced On-boarding and Exit Surveys to understand the experience we offer colleagues at these critical milestones, and to help us understand how we can continue to improve as an employer.  To provide more clarity around career opportunities, we have developed a Group Career Framework which will launch in 2018. This will provide a Group-wide view of roles, introduce consistent corporate titles and behaviours aligned with our values. It will enable colleagues to understand where their role sits in the organisation, explore opportunities and plan their development. We plan to host our next Group-wide Have Your Say survey in autumn 2018.	<b>Wellbeing</b> A highlight of our engagement action planning has been the launch of our wellbeing focus in the UK, which spans 5 pillars: physical, mental, social purpose, financial and work-life balance. In June 2017, we joined the City Mental Health Alliance, a coalition of organisations committed to improving support around mental health. Internally, we have hosted a series of external speakers, who have addressed our colleagues on topics such as mental health, driving performance and building resilience. We are now in the process of rolling out similar practices across the Group.			
	<b>Colleague Forum</b>	Providing colleagues with the opportunity to meet with the Group's leaders to raise questions and ultimately shape the future success of LSEG is important to us. To facilitate this, we have a variety of colleague forums, employee engagement committees and representative bodies in place globally.  In the UK, the Colleague Forum supports all UK-based employees, and is co-chaired by the CEOs of LSE plc and LCH Ltd. The Forum meets bi-monthly to discuss and provide input to a	number of key business initiatives and business change programmes, as well as people-focused initiatives, such as contributing to the launch of LSEG's Wellbeing programme.  In 2016, the UK Colleague Forum launched ACTIVE, as a way for colleagues to meet people from across the Group, both socially and in a work context, and to build connections and grow networks. ACTIVE is a directory of clubs and groups available to London-based employees, bringing together existing clubs into	one place and creating communities of colleagues with similar interests being able to connect with each other. There are now 10 clubs, ranging from Languages to Yoga to Running to Wine Tasting.  Sri Lanka has an employee engagement forum that meets regularly to discuss and progress their employee engagement plan, whilst France- and Italy-based colleagues are represented by the Works Councils and Trade Unions respectively, all of which hold regular meetings on important business initiatives.			
	<b>Reward and Sharesave</b>	The Group's reward strategy focuses both on the short term, through an annual bonus scheme linked to our global performance management approach, and on the Group's medium-term performance through share schemes aimed at senior management and all staff. The Long Term Incentive Plan, details of which can be found in the Group's 2017 Annual Report on p.78, aligns the performance and reward of our senior management team with long-term performance and growth of the Group.	Our employee share ownership scheme, Sharesave, is available to all permanent employees across France, Hong Kong, Italy, Malaysia, Sri Lanka, the UK and the US. Colleagues can save up to £500 or equivalent per month, with the option, after 3 years, of using their accumulated savings to buy LSEG shares.  During 2017, over 700 employees in 6 countries benefited from Sharesave maturities including share price appreciation of c. 175%, further to the Group's performance over the 3 years of the	plan. Participation was extended further, continued to exceed 50% in an organisation that grew one third year on year, and was extended to colleagues joining the Group from Mergent and The Yield Book.	<b>700</b> Employees benefiting from Sharesave maturities		

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## Our People continued

### Initiative

#### Colleague learning Develop

#### Learning and Development

Throughout 2017, our Learning Management system, The Learning Exchange, successfully delivered blended development solutions across all LSEG locations, through visual and written content, as well as events requiring attendance. The Learning Exchange supports new business acquisitions and reaches approximately 4,000 colleagues in the US, Asia-Pacific, Europe, US and Rest of World.

We tailored our current core offerings to meet business and audience needs, focusing on supporting line managers throughout the colleague life cycle, managing change and raising awareness of unconscious bias. A practical and flexible delivery approach was adopted throughout 2017, maximising colleague impact through providing real-time, in-house delivered webinars and supporting resources encouraging colleagues to take ownership of their career. Managers were supported in holding performance and career conversations.

Our mandatory training modules were designed and delivered to drive an inclusive culture and behavioural impact. Line managers received a dedicated module enabling them to proactively manage the colleague experience from on-boarding to exit. All line managers were invited to attend an interactive session to raise awareness and mitigate the impact of potential unconscious bias within their teams, with an online version delivered to all global colleagues.

#### Graduate, intern and apprenticeship programmes

To support the growth and diversification of the Group, we expanded our global Graduate and Early Career Programme in 2017. The programme now has over 250 colleagues globally, and was extended to the US for the first time, strengthening our talent pool and leveraging significant growth opportunities as we invest and acquire in the US. We also offer an apprenticeship scheme and work experience for students interested in gaining an insight into LSEG.

The programme provides graduates with rotations across the Group, and will expand further in 2018 to support global growth.

## 100+ graduates

On our graduate programme across Italy, Sri Lanka, the UK and the US

## 170+ interns

Joined us globally



The 2017 graduate cohort

#### Compliance Training

Considering LSEG's role at the heart of capital markets, and the Group's reliance on the analytical skills and decision making capabilities of its employees, adherence to the highest behavioural standards is key to ensuring the quality of our product and service offering. The principles of the Group's Code of Conduct are embedded into the Group's operations through a series of policies that are enforced through periodic training and auditing.

This year, the Group's compliance training programme has covered the following policies with 100% completion. We take completion of these modules seriously.

Training	Coverage	Completion Statistics
Financial Crime	All staff	100%
LCH Incident Management Procedure	LCH staff and part of BSL <sup>1</sup>	100%
Conflicts of Interest	All staff <sup>2</sup>	100%
Preventing Bribery and Corruption	All staff <sup>2</sup>	100%
Information Security	All staff <sup>2</sup>	100%
Unconscious Bias	All staff	100%
Joiners, Movers and Leavers	All line managers	100%

1. Business Services Limited  
2. Except Italy, who will complete in 2018



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## Our People continued

### Initiative

#### Health and Safety Develop

#### Updates to policy and systems

This year a new Health and Safety (H&S) Policy was approved and published, with the major focus of this new policy recognising the increased global presence of LSEG. Senior managers in each LSEG entity have signed Statements of Intent to demonstrate their commitment to safeguarding the H&S of their staff. The development of a Group H&S Framework recognised the widening scope of H&S risks for staff working for LSEG across the globe. A high standard of safety and security is maintained at all LSEG offices but increasingly, staff travel from and between offices in the course of their duties and therefore many of the Group's H&S systems are targeted at this wider global risk.

A comprehensive Global Risk Register was developed to ensure that all risks associated with working at LSEG are documented and assessed to ensure that appropriate procedures and controls are in place, and to enhance our systems where necessary. To support the global H&S risk, access to a Legal Register was procured. This enables the Group to measure compliance against H&S legislation in individual countries and will be used to ensure compliance in all operating jurisdictions.

In 2017, a focus was placed on ensuring that all H&S procedures and systems were appropriate to support the global risk. Each safety procedure and key systems were reviewed, including water management, fire safety, electrical safety, permit to work and workstation assessment. A new workstation assessment system was launched to focus on mitigating against the risks associated with using computers.

#### Our People in Numbers Disclose

#### The changing employee landscape

On 31 December 2017, the Group employed 4,908 employees, an increase of 23% from the end of the previous reporting period, mainly due to the acquisition of Mergent and The Yield Book. On an organic basis, excluding the impact of acquisitions, we can report on the following KPIs:

Employee-based indicators	2017	2016	2015	2014 (9 months to December)
New Hires (excl. Acquisitions)	1,228	1,055	1,010	346
Voluntary turnover	9.5%	5.6%	9.9%	8%
Permanent contracts	97%	98%	96%	95%
Fixed-term contracts	3%	2%	4%	5%

#### ShareAction Sustain

#### Promoting Living Wage standards

LSEG hosted a ShareAction Market Open and Investor Briefing in 2017. Attended by leading businesses and institutional investors, the event celebrated the positive impacts of adopting the Living

Wage standards, both on workers and on the business outlook of FTSE 100 constituent companies. London Stock Exchange is a Living Wage accredited employer.



ShareAction opened the Main Market of London Stock Exchange, celebrating the positive impacts of adopting the Living Wage standards



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## Our People continued

### Initiative

#### Women Inspired Network (WIN)

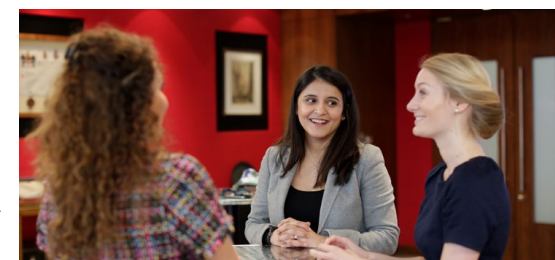
#### Develop

#### WIN

Now in its third year, the Group's WIN continues to nurture female talent at all levels across our offices in Fort Mill, London, Milan, New York, Paris, Seattle, and Toronto. WIN is composed of 3 pillars: Winning Communities, Winning Networks and Winning People.

A recently launched sub-committee of active volunteers is involved in various initiatives across the 3 pillars and connect the network globally to ensure LSEG remains an employer of choice for women and men.

In 2017, WIN ran numerous initiatives across the 3 pillars in our global locations to ensure LSEG remains an employer of choice for all.



WIN networking event

#### WIN Pillars

**Winning Communities** aims to inspire female leaders of the future. WIN works with schools, charities and other entities to inspire young people to consider a career in finance and technology and to simplify what can often feel like an overwhelming next step in their lives.

**Winning Networks** connects WIN members with other diversity networks and professional organisations to strengthen the Group's brand and broaden our network opportunities.

**Winning People** aims to nurture talent within the business and provide all employees with the best chance of succeeding in their career through relevant events, such as career insight breakfasts and WIN Week Americas.

#### WIN UK Supporting Diversity

In 2017, WIN UK hosted numerous events including AllBright's FoundHer initiative, Women in ETF's, and Veuve Clicquot's Business Woman Award. In May, LSEG welcomed HRH The Countess of Wessex to open the market in celebration of the

Women's Network Forum. We welcomed the Power Women Network to our office in London, hosting a high-level panel session on the theme of 'Diversity: driving innovation'. The event emphasised the Group's commitment to all forms

of inclusiveness, including gender diversity. In addition, WIN UK also successfully nominated one of LSEG's rising stars who won the Asian Women of Achievement Young Achiever award.

#### WIN Italy Young WINners Programme

The Young WINners Programme reaches out to academically gifted female students aged 16–18 who come from disadvantaged backgrounds. A total of 60 academically gifted female high school students took part in a series of lectures at

Borsa Italiana's Milan and CC&G's Rome offices, covering topics such as work-life balance, managing change as well as CV writing and interview skills. 2 participants won a scholarship to attend 4 weeks of summer school in Ireland.

60

Academically gifted girls took part in a lecture series on life skills

#### WIN US

##### WIN Fort Mill

Following the completed acquisition of Mergent, a networking event at the new Fort Mill office was sponsored by LSEG's WIN culture and diversity network, alongside the newly established WIN Fort Mill group. The session allowed new and existing employees to mix and learn about the professional development opportunities available as we integrate this important acquisition.

##### WIN Week Americas

WIN North America was relaunched in 2017. The main LSEG offices in North America – New York City, Fort Mill, Seattle and Toronto – organised a week-long series of events aligned to the initiative's pillars. The activities and presentations provided a platform for career development and networking with colleagues and leadership, and also included training and wellness activities.



WIN Week – Team and panellists

#### WIN Sri Lanka

Building up to a formal launch in early 2018, the WIN Sri Lanka community has been actively engaged with the tech industry's women empowerment initiative Diversity Collective Lanka.

In November, Sri Lanka's inaugural Women in IT Awards recognised the outstanding contribution of one of MillenniumIT's female business leaders.



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## Our Communities

### Empowering people, enriching communities

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

#### HIGHLIGHTS

- LSEG Foundation donated over £1.4 million in 2017
- School Home Support was chosen as the new LSEG UK Partner Charity
- LSEG and UNICEF made progress in the Zambian Girls 2030 project, aiming to help 11,000 girls access employment
- City Harvest was chosen as the new US Partner Charity

## £1.4m

Donated to charity from LSEG Foundation

## School Home Support

Was chosen as the new UK Partner Charity

## City Harvest

Was chosen as the new US Partner Charity

“Using our global footprint to make a positive social and environmental impact and support local communities.”

#### Diane Côté

Chief Risk Officer and Chair of LSEG Foundation

#### Impact Areas:

Sustain

#### Sustainable Development Goals:



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# Our Communities continued

## Initiative

### Partner Charities Sustain

**Global Partner – UNICEF** UNICEF has been LSEG’s global partner charity for 19 years. A key project between LSEG and UNICEF is *Zambian Girls 2030*, which aims to equip more than 11,000 Zambian girls with employability skills and help them access formal employment

in Zambia. To date, the project has helped nearly 8,000 girls enrol in school-level careers and skills clubs. LSEG also contributes to the UNICEF UK Children’s Emergency Fund.

**Current UK Partner Charity – Ellen MacArthur Cancer Trust** The Ellen MacArthur Cancer Trust (EMCT) rebuilds confidence in young people recovering from cancer by providing the opportunity to sail. In 2017, in addition to corporate donations, we raised over £6,000 for EMCT through a pub quiz, bake sale, raffle and foreign exchange collection boxes. With the cost of supporting one young person on a first time, 4 day sailing trip at

approximately £575, our donation equates to supporting 11 young people on their road to recovery from cancer. In January 2017, EMCT announced their Round Britain Tour, uniting 100 young people. In July 2017, the EMCT crew were invited to open the market at our headquarters in London

**Future UK Partner Charity – School Home Support** School Home Support, which provides access to the education and life skills young people need so that they can go on to lead secure adult lives, was announced as LSEG’s new UK Charity

Partner in October 2017. The 3 year partnership with LSEG Foundation will provide a substantial boost to a charity previously operating on a limited budget.

**France Partner – Unis-Cité** Unis-Cité’s purpose is to bring young people who have dropped out of school back to education or to employment, in order to increase their chance of acquiring autonomy, stability and wellbeing in the future. The Booster programme is steered by the French Ministry for Education and the Civic Service Agency.

The programme involves:

- 3 days a week with Unis-Cité involving solidarity actions and creative projects, and
- 2 days a week in school for individualised teaching sessions.

The aim is to develop competencies, such as self-confidence and interpersonal skills, respectively, and computer skills, team work



The 2017 LSEG Foundation Day brought together charities to which the Foundation donates, including UNICEF

**Italy Partner – COMETA** COMETA’s mission is to help at-risk students develop the technical and soft skills required to enter the job market or higher education, after achieving a professional qualification. On an annual basis, 24 LSEG volunteers support 50 students

to complete education, acting as mentors on skills such as communication, finance, mathematics and English. In addition, through face-to-face meetings and video calls, the mentors provide interview practice, case studies and work on business plans with the students.

**US Partner – City Harvest** City Harvest was chosen by LSEG Foundation as partner charity. Working with schools, the programme will help disadvantaged young people learn about nutrition and to help them understand the importance of healthy nutrition in leading a healthy and successful life.



LSEG colleagues packed 200 bags of food to serve around 200 families for several days

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## Our Communities continued

### Initiative

#### Regional Charitable Giving and Volunteering Sustain

#### Global

##### LSEG Foundation

LSEG Foundation is the single channel for the Group's charitable giving and focal point for staff engagement with charities. Its core mission is to empower people and enrich communities. Recognising the global reach of LSEG's business model, the Foundation's approach and positioning are aligned with the overall Group CS strategy (see p.5).

The Foundation is a grant-making charitable body, focusing on projects that help young and disadvantaged people reach their full potential by developing life skills and business acumen. It places particular attention on entrepreneurship, encompassing the communities in which the Group has a significant number of employees.

The Group is in the third year of a global partnership with UNICEF, having focused its community work on a project that strongly supports LSEG Foundation's core mission: helping 11,000 Zambian girls obtain formal employment.

#### UK

##### Opening the Market in support of Prior's Court

Prior's Court was founded 1999 and welcomes approximately 60 pupils from 5–23 years that suffer from severe autism. Unfortunately, only 16% young people with autism will ever hold down a job. Prior's Court wants to change this by offering them real skills that will enable them to stay in employment, which is the aim of the Prior's Court Bakery Project. LSEG proudly opened the market in support of this project and its launch.

##### Charity Touch Rugby Tournament

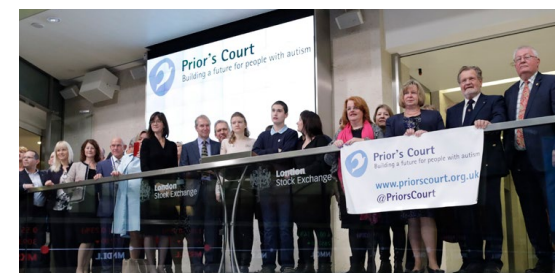
In partnership with the Harlequins Foundation, a charity that aims to combine the sport of rugby to create opportunities for young people in local communities, LSEG organised a third annual touch rugby tournament. Over £34,500 was raised in 2017 and involved 28 companies from across the City of London.

##### Tour of Cambridgeshire Cycle Ride

LSEG employees rode in the Tour of Cambridge Gran Fondo cycling event to raise money for the Atlas Foundation, which uses a global network of Rugby Champions to support projects that use rugby to improve lives of the poorest people. 9 LSEG employees joined a peloton of 60 riders in the event, raising £16,000.

##### Meridian Pull Challenge

5 LSEG teams took part in the Meridian Pull Challenge in June, raising over £10,000 for the AHOY Centre (Adventure, Help and Opportunities for Youth). The AHOY is a water sport-based charity in London that aims to change lives by building key life skills through sailing and rowing. The charity works with disadvantaged, at-risk young people, those excluded from mainstream education and disabled individuals.



LSEG opened the Market to support Prior's Court Bakery Project, which aims to offer young autistic people the skills required for permanent employment

#### US

##### Treehouse

FTSE Russell Seattle volunteered and held donation drives for Treehouse, a non-profit serving young people in foster care. 24 hours was volunteered and a US\$5,000 grant provided to Treehouse.

##### American Heart Association Run & Walk

For the fourth consecutive year, LSEG employees from FTSE Russell, LCH, MTS, UnaVista and Corporate Functions took part in the annual Wall Street Run & Walk, which benefits the American Heart Association. The event raised US\$2 million overall, with LSEG employee donations of over US\$1,000 doubled by matching from LSEG Foundation.

##### City Harvest

New York City colleagues gathered to support City Harvest, a programme that rescues excess food and delivers it to the hungry. Employees packed 200 bags, estimated to serve 200 families for 2–3 days, and 56 boxes of food for families impacted by hurricanes in Puerto Rico. The event also served as an integration mechanism for our employees who are spread across 5 offices, including those newly acquired.

Staff also joined the City Harvest Skip Lunch event, where employees donated the money they would usually spend on lunch to help feed hungry children. The funds raised by LSEG employees provided sufficient food for approximately 1,000 children over summer 2017.



6 colleagues spent 24 hours organising a free store where young people in foster care and their caregivers can shop for essentials



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## Our Communities continued

### Initiative

#### Regional Charitable Giving and Volunteering continued

#### Sustain

##### Italy

##### Intercultura

Many donations have been made to Italian charities, such as €15,000 to Intercultura, a non-profit volunteer-based, educational organisation that promotes intercultural learning through student exchanges, and, €20,000 to Mondo Bambino Onlus, a charity supporting children's growth in discriminative social situations.

##### Sri Lanka

##### Micro-volunteering

In 2017, a number of small micro-volunteering events were organised that benefited local communities. Examples of such initiatives include fundraisers to purchase monitors used to fight the dengue epidemic in Sri Lanka, which were donated to a local

hospital; providing dry rations and cash donations to those affected by floods and landslides; organising a book donation drive to assist a local library and school; and, organising a beach clean up.

##### Australia

##### The Smith Family Foundation

The LSEG Sydney office donated AUD\$15,000 to The Smith Family Foundation, which supports disadvantaged young

students and families through education. The donation helped support approximately 26 young people.

#### Environmental achievements

#### Sustain

##### Performance and management

##### Move to 100% natural renewable energy

From 1 May 2017, all UK electricity at controlled sites came from 100% natural renewable sources (hydro, wind and solar power) and is rated at zero carbon emissions. The switch accounts for more than 50% of electricity purchased globally, and the UK switch builds on 100% hydro-generated electricity that was already supplying 2 Italian sites. Total global electricity from 100% renewable sources is now 64%. LSEG is engaging with landlords at other sites to review potential to switch these locations to 100% natural renewable energy.

##### External recognition for commitment to environmental management

LSEG's Property Services function in the UK achieved certification to the internationally recognised Standard for Environmental Management, ISO 14001:2015.

To demonstrate commitment to ongoing environmental improvements both within LSEG Property Services and supply chain, a review of all property management activities was carried out to identify areas where real gains could be made in the sustainability performance for LSEG properties. This was achieved using the ISO 14001:2015 Standard as the framework for the improvement activities. The key benefits are reduced energy demand within buildings and more environmentally responsible processes for the management of waste materials. Supply chain engagement also improved, with service partners being key contributors in the success of the project.

The improvements were externally verified by a global certification body and LSEG was awarded certification in December 2017.

##### LSEG recognised for commitment to sustainability

In the latest edition of the annual FTSE 100 Sustainability Reporting Performance report, published by Carbonclear, LSEG's commitment to sustainability performance and disclosure was recognised, with LSEG moving into the top 20, at joint 13th. We top the financial services sector with a score of 66% against the sector average of 45%.

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# Our Communities continued

## Community contributions from the Group in 2017

Based on the London Benchmarking Group (LBG) methodology, we report our donations and other factors that reflect the Group's overall engagement with our communities.

In 2017, the Group made an overall donation to LSEG Foundation of £1,122,000 which is 17% higher than 2016. An additional £107,000 was donated directly to charities by the Group, bringing total donations to £1,229,000, 12% higher than 2016 spending. The 2017 Charity Trading Day raised £509,000 for LSEG Foundation, which will be distributed to charities over the course of 2018.

### Principal sources of funding 2017

Employees	Employees make donations and organise fundraising events
Foundation Day	The Group donates the equivalent of all equity trading fees raised on London Stock Exchange, Turquoise and Borsa Italiana during the annual Foundation Day
Corporate	The charitable donations from other companies in the Group contribute to the Foundation's donation pool
Fines	Money received through fines levied by the Group

LSEG community investment charitable donations	2017 £'000	2016 £'000	2015 £'000
Donations to LSEG Foundation	1,122	962	1,080
Donations to charity	107	133	1,074
In-kind donations	136	153	131
Management costs	238	218	219
<b>Total</b>	<b>1,603</b>	<b>1,466</b>	<b>2,504<sup>1</sup></b>

1. Variance in donations from 2015-2016 are due to the sale of Russell Investment Management

## How LSEG Foundation's strategy aligns to our business priorities

### Empowering people. Enriching communities.

#### Foundation Priorities

1. Help young people realise their potential, despite their situation or disadvantage
2. Help more young people access the job market, overcoming barriers posed by their condition
3. Help more young people aspire to become entrepreneurs, as a way of expanding their life opportunities

#### Business Priorities

1. Delivering best in class capabilities
2. Developing a partnership approach
3. Driving global growth

### Encouraging growth. Expanding opportunities.

We also identified a further 3 elements connected to our community engagement: in-kind donations, free venue hire for charities at our premises in the UK and Italy; management costs, the cost of time of the managers involved in our Board of Trustees; and, charity committees across the Group, our Foundation's programme office and the corporate functions that support staff engagement programmes.

### Donations from LSEG Foundation

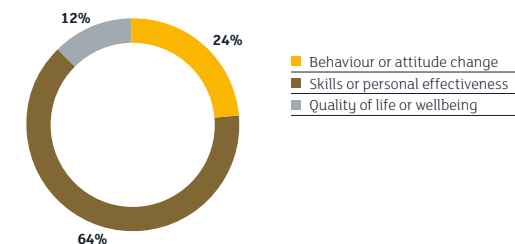
Total grants approved and paid amounted to £1.426 million, broadly similar to the prior year amount (£1.479 million). In addition to grants to partner charities across France, Italy, the US and the UK, and the major grant to the Group's global partner charity UNICEF, 37 grants for charities were identified and put forward to LSEG Foundation by LSEG employees across Australia, France, Italy, Sri Lanka, the UK and the US. This amount included small grants disbursed as part of the LSEG Staff Matching scheme, which doubles employee-raised funds up to £2,000 (€2,000 in Italy) per year, per person. In 2017, a record £105,000 was raised by our employees and matched by LSEG Foundation.

### Impact reporting

Given the bottom-up approach adopted for the selection of projects for local charitable grants, this year we have placed particular importance on the measurement of our donations' impact and their consistency with LSEG Foundation's cause. Based on the LBG impact reporting framework, we ask charities to report on 3 types of impact to help aggregation across different project categories.

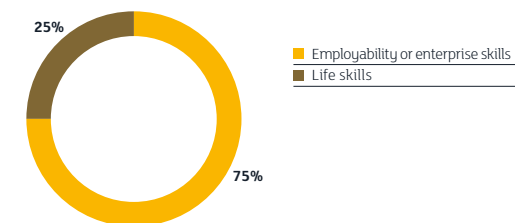
life or wellbeing' fraction covers donations made to organisations such as UNICEF Children's Emergency Fund and Habitat for Humanity Sri Lanka in response to emergencies.

### Impact of LSEG Foundation grant on beneficiaries



Within impact areas 1 and 2 ('Behaviour or attitude change' and 'Skills or personal effectiveness'), donations are perfectly aligned with our mission. Three quarters of the donations are aimed at increasing the employability of the beneficiaries or at developing financial or business skills, for which the UNICEF Zambia project plays a large role. 25% is focused on developing life skills.

### Target skills to be developed with our donation



In 2018, we aim to set targets to further sharpen the impact and strategic alignment of the Group's charitable giving.

**1. Behaviour or attitude change**  
Has the activity helped people make behavioural changes that can improve their life or life chances or has it challenged negative attitudes or preconceptions, enabling them to make wider, different or more informed choices?

**2. Skills or personal effectiveness**  
Has the activity helped people to develop new, or improve existing, skills to enable them to develop in the workplace, academically or socially?

**3. Quality of life or wellbeing**  
Has the activity helped people to be healthier, happier or more comfortable (e.g. through improved emotional, social or physical wellbeing)?


88% of LSEG Foundation grants were directed to projects that are in line with LSEG Foundation's mission, called 'impact areas'. Those aimed at behaviour or attitude change, termed 'raised aspirations', accounted for 24% of grants, and those aimed at the development of skills and personal effectiveness accounted for 64%. The 'quality of



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## Looking ahead

As our business expands and diversifies, we continue to review our approach to sustainability. In the coming year, as part of a strategic approach based on 6 revised impact areas, we plan to promote sustainable business that underpins the UN Sustainable Development Goals and links with our pillar sections in the following ways:

Pillar	Impact area	Objective	SDGs supported
Our Markets Our Services	Grow Convene Disclose Transition	<ul style="list-style-type: none"> <li>– Develop an integrated programme and campaign promoting and supporting the transition to a sustainable and low carbon economy through our Global Sustainable Investment Centre</li> <li>– Develop tools and plans to support the implementation of the final recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures</li> </ul>	  
Our People Our Communities	Develop Sustain	<ul style="list-style-type: none"> <li>– Identify a set of medium and long-term focus areas to inform the Group corporate sustainability programme in the long run</li> <li>– Develop greater focus within the Group sustainability strategy on the Group's culture and value creation for stakeholders to align with Group strategy</li> <li>– Continue making progress towards the achievement of the 2020 targets<sup>1</sup></li> </ul>	  

1. Ongoing delivery

# Part 3:

Our overall Corporate Sustainability performance



GEORGETOWN  
UNIVERSITY

McDonough  
SCHOOL OF BUSINESS  
CENTER FOR FINANCIAL  
MARKETS AND POLICY



## London: A global financial centre

Nikhil Rathi  
CEO, London Stock Exchange Plc & Director of International Development

Uncertainty in Global Markets keynote address June 2017







## Data Reporting Overview

“LSEG actively supports the drive for global alignment in ESG reporting standards, for the benefit of investors and companies. We also seek to improve our reporting year on year. Having recently launched our ESG Reporting Guidance for issuers, our own reporting ambitions must reflect the high standards we advocate.”

### David Harris

Group Head of Sustainable Business

It is becoming a norm that investors consider the ESG performance of a company alongside other financial and strategic information within their investment process. As a leading international markets infrastructure provider, we are keen to promote high ESG standards and ESG data that is reliable, consistent and comparable across industries.

In light of this, we are committed to reflecting best practice in our own reporting. We conduct materiality reviews before reporting to identify the important material standards and materials to adopt for LSEG. This year, we have started to reference our own ESG Reporting Guidance launched in February 2017 (more details on p.13), which are based on globally recognised standards. We also draw from a range of international frameworks and standards, many of which interrelate, including FTSE Russell's ESG methodology, TCFD, GRI Standards, Sustainability Accounting Standards Board indicators,

CDP and UN Sustainable Stock Exchanges initiative. This year we are starting to consider the recommendations from the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) (see p.14). Please see the Appendix for a summary of LSEG data for the quantitative ESG data points recommended in our ESG Reporting Guidance.

Based on these reporting frameworks, the following sections outline a set of indicators, divided across Environmental, Social and Governance areas, which we will continue to build on over time as our approach evolves.

While we expand as a Group with a number of new acquisitions and joint ownership initiatives, we align our values and incorporate them into our ESG reporting mechanisms during the integration. Acquisitions and Group companies where we have below 100% ownership add complexity to reporting ESG data, thus we have set out how we have calculated Group-wide data in the relevant sections.

### About this report

#### 1. Scope and time frame

This report covers 100% of the businesses over which LSEG has operational control (all legal entities in which LSEG has a 51% stake or higher) employing the same principles as for financial data. For a list of all the subsidiaries consolidated and covered in the report, please see our Annual Report, p.158–161. When a different boundary applies to ESG data, we provide explanations in the relevant section. Time frame matches the time period for the Annual Report.

#### 2. Verification and approval

All data included in this report has been submitted to an internal verification process. Environmental, diversity and cash donation data has also been also externally verified. The external verification statement for the environmental data is published on [www.lseg.com/home/about-london-stock-exchange-group/corporate-responsibility/environment](http://www.lseg.com/home/about-london-stock-exchange-group/corporate-responsibility/environment). This report was approved by LSEG Board in March 2018.

#### 3. Data provision

We provide both raw and normalised data where relevant (see Environment section), and wherever possible we provide 4 year time series of comparable data.

Our ESG practices are measured by a variety of assessments including performance indices and benchmarks. These assessments provide useful input to benchmark against global best practices and to plan for improvements in our sustainability approach.

Assessment	Benchmark	2017	2016	2015	2014	
<b>FTSE Russell ESG</b>	ESG Rating Absolute Score (5 – Highest)	4.6	4.5	3.8	4.3	
	ESG Rating ICB Supersector Relative Percentile Score (100 – Highest)	99	100	99	100	
	The FTSE4Good Index Series is designed to identify companies that meet globally recognised ESG standards	Pillar Exposure (3 – Highest)				
		Environmental	1.0	1.0	1.0	1.0
		Social	2.0	2.0	2.0	2.0
Governance	2.3	2.3	2.3	2.3		
<b>Dow Jones Sustainability Indices (DJSI)</b>	Pillar Score (5 – Highest)					
	Environmental	5.0	5.0	5.0	5.0	
	Social	4.3	4.5	3.2	3.8	
	Governance	4.7	4.3	3.9	4.3	
<b>Dow Jones Sustainability Indices (DJSI)</b>	Total sustainability company score (Percentile Ranking) <sup>1</sup>	71 (89 <sup>th</sup> )	69 (83 <sup>rd</sup> )	61 (80 <sup>th</sup> )	62 (84 <sup>th</sup> )	
	Economic (Percentile Ranking) <sup>1</sup>	75 (95 <sup>th</sup> )	77 (88 <sup>th</sup> )	68 (76 <sup>th</sup> )	73 (85 <sup>th</sup> )	
	Environmental (Percentile Ranking) <sup>1</sup>	83 (93 <sup>rd</sup> )	83 (97 <sup>th</sup> )	73 (91 <sup>st</sup> )	75 (93 <sup>rd</sup> )	
The Dow Jones Sustainability Indices comprise global sustainability leaders as identified by RobecoSAM	Social (Percentile Ranking) <sup>1</sup>	58 (84 <sup>th</sup> )	50 (78 <sup>th</sup> )	46 (76 <sup>th</sup> )	40 (68 <sup>th</sup> )	
	<b>CDP</b>	Overall score	A-	A-	99B	96B

1. A higher percentile indicates a higher score and better performance

CDP, formerly known as the Carbon Disclosure Project, runs the global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts. We were scored in the 'leadership' bracket for the fourth year running, highlighting the steps LSEG has taken which represent best practice in the field of environmental management



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# Environment

## LSEG is committed to utilising resources in ways that ensure the long-term sustainability and profitability of the business and that benefit the environment.

The Group's primary environmental impacts arise from our offices and data centres that host nearly 5,000 employees around the world, from staff travel and, indirectly, from our supply chain. We are aware of the risks and opportunities of climate change for our business and our clients, and the need to adapt our operations to prepare and take advantage of these.

The reporting period was the Group's fourth year of setting and reporting against environmental targets. We have achieved our aims for 2017, and have now set long-term science-based targets. More explanation and details of our progress are outlined on the following pages.

### Group reporting boundaries

LSEG uses the 'Operational Control' boundary for our GHG and environmental reporting. An organisation has operational control if it has, or its subsidiaries have, the full authority to introduce and implement its operating policies, including health, safety and environmental policies, within the operation. This approach accounts for 100% of emissions from facilities, operations and vehicles (whether leased or owned) over which LSEG has operational control.

The tables on the following pages summarise our relevant environmental disclosure based on CDP, GRI and FTSE Russell ESG indicators. We are considering the TCFD's recommendations (see p.14).

### Methodology and verification

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

The Scope 1, 2 and 3 emissions disclosed here and in the Directors' and Strategic Reports have been externally verified by SGS against the requirements of the WRI/WBCSD GHG Protocol – Corporate Accounting and Reporting Standard. Conduct of the verification met the requirements of ISO 14064-3:2006. Full details and the verification statement are available on our website.

Our emissions are calculated using GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and UK Government Environmental Reporting Guidelines. Including mandatory greenhouse gas emissions reporting guidance. We use DEFRA UK Government GHG Conversion Factors for our UK sites, and for extrapolated data, business travel, water and waste. Local GHG Protocol emissions factors are used to calculate energy emissions for international sites where available.

### Managing our environmental impact

Our Environmental Management Group (EMG) guides the Group's environmental strategy, and is responsible for setting Group-wide targets, and managing and continually seeking to improve our environmental performance. The EMG reports performance quarterly via our Intranet and annually discloses verified emissions on our website, in our CS and Annual Reports, and in response to CDP, FTSE Russell and DJSI. Its responsibilities also include:

- Increasing efficiency and reducing consumption in areas including energy, water and paper usage, waste management and business travel;

- Ensuring that environmental considerations are incorporated in the Group's purchasing policy and procurement decisions, including new developments, projects and materials;
- Engaging with clients, suppliers and community partners to promote environmental best practice.

David Warren, the Group's Interim CEO and CFO, reports to the Board on environmental issues.

### HIGHLIGHTS

## 64%

Group electricity now from natural renewable sources

## 4th

Consecutive year of recognition as an environmental leader by CDP

## Top 20

And first in sector for FTSE 100 Sustainability Reporting Performance Benchmark<sup>1</sup>

## -42%

Overall carbon footprint per FTE

1. Sustainability Reporting Performance of the FTSE 100 – Carbonclear Sep 2016

## -31%

Reduction in absolute carbon emissions

## -54%

Data Centre energy tCO<sub>2</sub>e

## -8%

Air travel tCO<sub>2</sub>e per FTE

## -9%

Office Space energy tCO<sub>2</sub>e

## ISO 14001

Received ISO 14001 accreditation for UK property portfolio

### Science-based targets

LSEG has become one of the first companies in the financial services sector to set long-term science-based carbon reduction targets. The official Scope 1 and 2 target, which meets the standards of the Science Based Targets Initiative (SBTI), is:

- "London Stock Exchange Group commits to a 40% reduction of their global Scope 1 and 2 GHG emissions by 2030 from a 2016 baseline."

A Scope 3 target is being developed, and once this is complete all 3 Scopes will be verified by the SBTI.



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# Environment continued

## Overall Performance

During the reporting period, we achieved a 31% reduction in our absolute carbon footprint and a 42% reduction in Carbon Emissions per Full Time Employee (FTE), accelerating our progress from previous years. This significant reduction is primarily attributed to our move to 64% of the Group's electricity now being provided by natural renewable energy.

We also implemented and received accreditation for our ISO 14001 Environmental Management System by a UKAS accredited body. The system initially covers the UK property portfolio and we are assessing expansion to cover further locations.

In 2017, we also set new long-term, science-based targets (see p.33).

**2020 Target: Reduce tCO<sub>2</sub>e by 20% per £m Revenue and per FTE**  
**Progress against 2020 Target: -59% per £m Revenue and -56% per FTE**

Disclosure	Indicator	2017			2016			2015			Performance against 2017 target	
		Unit	tCO <sub>2</sub> e	Unit	tCO <sub>2</sub> e	Unit	tCO <sub>2</sub> e	Unit	tCO <sub>2</sub> e	Target	Actual	
Carbon Footprint (tCO <sub>2</sub> e)	Total Group Carbon Footprint		21,902		31,688		31,974		31,974	-2%	-42%	
	per m <sup>2</sup>		0.236		0.351		0.393		0.393	↓	tCO <sub>2</sub> e per FTE	
	per FTE		3.99		6.91		7.72		7.72			
	per £m Revenue		11.21		19.10		22.54		22.54	↓	tCO <sub>2</sub> e per £m Revenue	
	Scope 1		1,918		1,583		1,094		1,094			
	Scope 2 – Market Based		11,749		21,738		22,809		22,809			
	Scope 2 – Location Based		21,958		23,120		24,404		24,404			
	Scope 3		7,320		6,572		6,318		6,318			
Scope 3 (Electricity T&D)		915		1,795		1,753		1,753				
Data Centres		7,008		15,450		15,940		15,940				
Offices		7,265		8,315		8,352		8,352				
Tenants		545		1,538		1,671		1,671				
Fugitive Emissions	Emissions from Aircon & Refrigeration		88.7		114.3		127.7		127.7			

## Data Centres

Data centre energy is the largest contributor to the Group carbon footprint, and as of May 2017, this impact has been dramatically reduced with a move to 100% renewable electricity for our primary UK data centres, resulting in a 56% reduction in tCO<sub>2</sub>e per occupied cabinet. We will further build on this with increased moves to cold-aisle containment in 2018. Diesel consumption was higher in 2017 due to running of generators during infrastructure upgrades.

**2020 Target: Reduce tCO<sub>2</sub>e and Water by 20% per £m Revenue**  
**Progress against 2020 Target: -72% tCO<sub>2</sub>e and -34% m<sup>3</sup> per £m Revenue**

Disclosure	Indicator	2017		2016		2015		Performance against 2017 target		
		Unit	tCO <sub>2</sub> e	Unit	tCO <sub>2</sub> e	Unit	tCO <sub>2</sub> e	Target	Actual	Actual
Energy	Electricity (kWh)	36,270,505	6,638	35,084,718	15,023	33,093,661	15,609	-2%	-56%	
	Natural Gas (kWh)	1,301,549	240	1,225,793	226	1,427,685	263			
	Diesel (litres)	44,755	116	32,708	85	21,318	55	↓		
	Total tCO <sub>2</sub> e		6,994		15,334		15,927			
	per occupied cabinet		4.99		11.23		13.21			
	per £m Revenue		3.58		9.25		11.23			
Water (m <sup>3</sup> )	Data Centres	39,164	13.5	37,790	13.0	36,276	12.5			
	per occupied cabinet	27.91		27.66		30.08				
	per £m Revenue	20.04		22.80		25.57				



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## Environment continued

### Offices

During 2017, we continued to make incremental energy savings through LED lighting replacements and other efficiency initiatives, however these gains were dwarfed by a move to 100% renewable electricity for our controlled UK offices and an additional site in Italy. Natural Gas consumption was higher than normal in 2017 due to a landlord meter fault at a site in Italy, which has since been resolved.

**2020 Target: Reduce tCO<sub>2</sub>e and Water by 20% per £m Revenue.**

**Progress against 2020 Target: -48% tCO<sub>2</sub>e and -40% m<sup>3</sup> per £m Revenue**

Disclosure	Indicator	2017		2016		2015		Performance against 2017 target		
		Unit	tCO <sub>2</sub> e	Unit	tCO <sub>2</sub> e	Unit	tCO <sub>2</sub> e	Target	Actual	
Energy	Electricity (kWh)	21,292,703	5,504	19,444,263	6,504	19,015,195	7,311			
	Natural Gas (kWh)	6,183,674	1243	4,113,675	822	1,931,365	382	↓	-2%	↓
	LPG (tonnes)	10	31	13	37	10	31			
	Diesel (litres)	43,268	115	71,031	190	61,659	164			
	Total tCO <sub>2</sub> e		6,893		7,553		7,888			
	per FTE		1.26		1.65		1.91			
	per £m Revenue		3.53		4.56		5.56			
	Energy use from Renewable Sources	47%		20%		20%				
Water (m <sup>3</sup> )	Office Space	62,647	21.5	56,299	19.3	46,301	15.9	↓	-2%	↓
	per FTE	11		12		11				
	per £m Revenue	32.05		33.97		32.64				

### Business Travel

LSEG continues to review and extend the use and availability of video conferencing (VC) facilities, and to encourage the use of VC in place of air travel. Train travel is the preferred option between a number of major European hubs. Over the last year, we significantly exceeded our target of a 10% increase in VC call hours (49%). Air travel per FTE also exceeded its 2% reduction target, achieving a 6% reduction per £m Revenue. In 2017, we changed part of our vehicle fleet to be electric (charged using 100% renewables), and are investigating options to switch the remaining fleet.

**2020 Target: Reduce tCO<sub>2</sub>e by 20% per £m Revenue and per FTE.**

**Progress against 2020 Target: -26% per £m Revenue and -19% per FTE.**

Disclosure	Indicator	2017		2016		2015		Performance against 2017 target		
		Unit	tCO <sub>2</sub> e	Unit	tCO <sub>2</sub> e	Unit	tCO <sub>2</sub> e	Target	Actual	
Air Travel (km)	International	3,667,592	350	8,611,245	815	9,925,739	951			
	Long Haul	31,394,971	5,653	25,456,946	4,642	22,657,714	4,186	↓	-2%	↓
	Medium Haul	5,185,352	445	4,698,111	420	4,601,109	414			
	Short Haul	4,235,405	599	3,207,159	473	2,696,238	425			
	Total km	44,483,319	7,047	41,973,461	6,349	39,880,800	5,977			
	per FTE		1.28		1.39		1.44			
	per £m Revenue		3.61		3.83		4.21			
Rail Travel (km)	Eurostar	502,907	5.8	636,720	6.7	502,907	8.8			
	National Rail	775,161	32.1	689,019	29.7	597,265	25.8			
	Total tCO <sub>2</sub> e	1,278,068	37.9	1,325,739	36.4	1,100,172	34.5			
	per FTE		0.0069		0.0080		0.0084			
Road Vehicles	Company Leased Fleet (Diesel litres)	23,933	64.1	29,524	79	15,779	42.2			
Video Conferencing	Number of Conferences	19,240		14,786		12,621			+10%	↑
	Conference Duration (Hours)	38,581		25,884		20,278		↑	+49%	↑



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## Environment continued

### Waste and Paper

LSEG continues to achieve 99% landfill avoidance, and total waste produced per FTE has reduced by 13%. This is largely driven by improvements in the waste management process in the UK including introduction of a baler and new food waste processes – adding to an innovative food waste solution in Italy.

In our second year of setting a paper reduction target, we achieved a 2% reduction in A4 sheets per FTE (target -5% per FTE), building on a 29% reduction in 2016. A new print management system is being further rolled out, and an ongoing push towards paperless processes is expected to driver further reductions in 2018.

**2020 Target: Reduce Total Waste by 20% per £m Revenue.**  
**Progress against 2020 Target: -69% per £m Revenue.**

Disclosure	Indicator	2017		2016		2015		Performance against 2017 target		
		Unit	tCO <sub>2</sub> e	Unit	tCO <sub>2</sub> e	Unit	tCO <sub>2</sub> e	Target	Actual	
Waste (tonnes)	Total Waste Produced	946	198	904	153	905	278			
	per FTE	0.17	0.036	0.20	0.033	0.22	0.067	↓	tonnes per FTE	↓
	per £m Revenue	0.48		0.55		0.64				
	Total Waste for Energy	731		667		631				
	Total Waste Recycled	211		234		271				
	– Food and Drink	23.9		20.6		49.2				
	– Paper & Cardboard	71.2		38.1		44.5				
	– Plastics	1.7		1.5		1.2				
– Glass	11.3		11.2		16					
– Mixed Recycling	103		162		160					
Landfill Avoidance		99.70%		99.80%		99.60%				
Paper	Sheets of A4	11,339,005		9,618,326		12,450,315			-5%	
	per FTE	2,065		2,099		3,008		↓	sheets of A4 per FTE	↓

Notes:

- All Group totals and electricity breakdowns use market-based Scope 2 emissions factors
- Scope 1 includes combustion of fuel and operation of facilities including Natural Gas, Diesel, LPG, Fugitive Emissions and Fleet Vehicles
- Scope 2 is purchase of electricity by the Group for its own use (The Group does not purchase heat, steam or cooling)
- Scope 3 includes emissions from Air Travel, Rail Travel, Waste, Water and Scope 3 Electricity Transmission and Distribution
- Group Carbon Footprint includes tenant consumption. Detailed section data excludes tenants
- Market-based emissions use grid average emissions factors except for renewable energy supplies. Residual factors will be updated for 2018
- Total extrapolated emissions -4.63%
- Only 4 sites are able to provide Fugitive emissions data from suppliers. All other sites excluded
- 2016 and 2015 figures have been updated on receipt of annual emissions factor guidance and actual data from suppliers

### 2018 Targets

We have set ongoing targets for all of our impact areas for 2018 compared to 2017, alongside our new long-term science-based targets (see p.33).

We are aware of the risks and opportunities for our business arising from climate change, and have developed measures to address them. We will actively monitor these changes so we can adapt and respond as necessary. Direct climate change costs for the Group arise from the carbon tax associated with the UK CRC Energy Efficiency scheme.

<b>Carbon Emissions</b> ↓ 5% (tCO <sub>2</sub> e/FTE/£m Revenue)		
<b>Business Travel Carbon</b> (tCO <sub>2</sub> e/£m Revenue) ↓ 2%	<b>Video Conferencing</b> (Total call hours) ↓ 5%	
<b>Other Environmental Impacts</b>		
<b>Waste Production</b> (tonnes/FTE) ↓ 2%	<b>Water Consumption</b> (m <sup>3</sup> /FTE) ↓ 2%	<b>Paper Consumption</b> (A4 Sheets/FTE) ↓ 2%



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## Social

**Our social performance tables summarise our social disclosure based on global standards, and in particular draw from GRI and the FTSE Russell ESG indicators, aligning with the recommendations in our Group's ESG Reporting Guidance. Please see 'Our People' section and appendix for further details on our policies and activities related to our employees.**

LSEG's human rights policy statement is included in the Group Corporate Responsibility policy approved by the Board in 2016 and incorporated into our Supplier Code of Conduct.

Progress was made in 2017 to further embed the respect for human rights in our operations and business conduct.

### 1. LSEG ESG Reporting Guidance

Our guidance on reporting ESG information provides specific guidance on human rights disclosure, based on FTSE Russell's ESG methodology. It explains the investment case and the sources of investment risks, and provides example indicators of practice and performance.

See p.17 of the LSEG ESG Reporting Guidance for human rights guidance at [www.lseg.com/esg](http://www.lseg.com/esg).

### 2. Implementation of the UK Modern Slavery Act

During 2016 LSEG amended its standard supplier framework terms to specifically address modern slavery, and our procurement team undertook a broad review of the existing supplier base for modern slavery risks, focusing on the suppliers that made up the top 75% of spend. More details on the steps taken by LSEG to counter modern slavery are shown in the full 'Slavery and Human trafficking statement' at [www.lseg.com/about-london-stock-exchange-group/corporate-responsibility/modern-slavery-act-statement](http://www.lseg.com/about-london-stock-exchange-group/corporate-responsibility/modern-slavery-act-statement).

### 2017 Group statistics<sup>1,2</sup>

Disclosure	Indicator	2017	%	2016	%	2015	%	2014	%
Employment	<b>Employees by region</b>								
	United Kingdom	1,596	33	1,408	35	1,549	30	1,502	32
	Sri Lanka	1,036	21	1,030	26	833	16	670	14
	United States of America	657	13	249	6	1,305	25	1,308	28
	Italy	625	13	586	15	578	11	546	12
	Russia	555	11	435	11	318	6	–	–
	France	171	3	174	4	182	3	169	4
	Malaysia <sup>3</sup>	121	2	–	–	–	–	–	–
	Other	147	3	94	2	480	9	–	–
	<b>Total</b>		<b>4,908</b>	<b>100</b>	<b>3,976</b>	<b>100</b>	<b>5,245</b>	<b>100</b>	<b>4,656</b>
Employees by contract type	<b>Employees by contract type</b>								
	Full time	4,683	95	3,808	96	4,891	93	4,328	93
	Part time	104	2	91	2	171	3	116	2
	Fixed term	121	3	77	2	183	4	212	5
	<b>Total</b>		<b>4,908</b>	<b>100</b>	<b>3,976</b>	<b>100</b>	<b>5,245</b>	<b>100</b>	<b>4,656</b>
Employees covered by collective bargaining agreements	16%		20%		15%		15%		
Staff voluntary turnover	9.5%		5.6%		9.9%		8%		
<b>Health and safety<sup>4</sup></b>	Number of health and safety incidents	0		3		0		1	
<b>Training and education</b>	Employees receiving regular performance and career development reviews	100%		100%		100%		100%	
	Total hours spent on employee development training	41,675		30,000		N/A		N/A	
<b>Labour standards</b>	Number of incidents of labour standards non-compliance	0		0		N/A		N/A	
<b>Diversity and equal opportunity</b>	<b>Employees by region</b>								
			<b>2017</b>		<b>2016</b>		<b>2015</b>		<b>2014</b>
		<b>% Female</b>	<b>% Male</b>	<b>% Female</b>	<b>% Male</b>	<b>% Female</b>	<b>% Male</b>	<b>% Female</b>	<b>% Male</b>
	United Kingdom	33	68	32	68	33	67	33	67
	United States of America	35	65	33	67	39	61	40	60
	France	39	61	37	63	38	62	38	62
	Italy	38	62	38	62	39	61	38	62
	Sri Lanka	24	76	18	82	18	82	17	83
	Other	40	60	34	66	38	62	43	57
	<b>Total</b>	<b>33</b>	<b>67</b>	<b>30</b>	<b>70</b>	<b>33</b>	<b>67</b>	<b>34</b>	<b>66</b>
<b>Group by gender and organisational level</b>	<b>Group by gender and organisational level</b>								
		<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>
	LSEG plc Board	2	9	1	10	3	11	3	11
	LSEG Subsidiary Boards <sup>5,7</sup>	23	142	17	128	21	181	10	93
	Executive Committee and Leadership Teams <sup>6,7</sup>	146	303	111	252	15	65	11	48
All Staff	1,458	3,001	1,085	2,528	1,741	3,424	1,593	3,004	
<b>Total</b>	<b>1,604</b>	<b>3,304</b>	<b>1,196</b>	<b>2,780</b>	<b>1,756</b>	<b>3,489</b>	<b>1,604</b>	<b>3,052</b>	
<b>Employees by age group</b>	<b>Employees by age group</b>								
		<b>Total</b>	<b>% Female</b>	<b>Total</b>	<b>% Female</b>	<b>Total</b>	<b>% Female</b>	<b>Total</b>	<b>% Female</b>
	Under 30 years	1,540	31	1,357	34	1,396	27	941	20
	30–50 years	2,740	56	2,204	55	3,157	60	3,067	66
	Over 50 years	628	13	415	10	692	13	648	14
<b>Total</b>	<b>4,908</b>		<b>3,976</b>		<b>5,245</b>		<b>4,656</b>		
Nationalities represented in the Group	72 <sup>8</sup>		59		55		51		
<b>Non-discrimination</b>	Total number of incidents of discrimination and actions taken	0		0		0		0	

1. Figures as of year end 31 December 2017

2. Owing to rounding, some totals may not correspond with the sum of the separate figures

3. Malaysian employees acquired as part of Mergent. No past data available

4. 100% of the total workforce were represented in formal joint management-worker health and safety

committees. The health and safety committee is chaired by the Head of Group Property with departmental representation from across the global business in multiple jurisdictions

5. Mix of employees and Non-Executive Directors

6. Executive Committee and Leadership Teams in LSEG

7. The LSEG Subsidiary Board members and the Executive Committee and Leadership Teams together comprise the 'Senior Managers' for the purposes of section 414C(18)(11) of the Companies Act 2006

8. Not a required disclosure, and therefore represents 76% of staff who disclosed this information



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## Governance

**LSEG is committed to the corporate governance standards set out by the UK Corporate Governance Code, which in 2014 was updated to strengthen the focus on long-term sustainable value creation.**

The purpose of this section is to provide disclosure on governance practices that are particularly relevant to sustainability issues deemed significant by our stakeholders.

For 200 years, we have abided by our motto, Dictum Meum Pactum, 'My word is my bond'. Today, it is as vital as ever that we maintain the highest standards of ethics and governance. Given our central role in a constantly evolving global economic landscape, it is important that we foster confidence in our markets and in the services we provide.

What we believe as a Group and how we act is summarised by our 4 core values and behaviours: **Integrity, Partnership, Innovation and Excellence.**

### Integrity

**My word is my bond**

Integrity underpins all that we do – from our unshakeable commitment to building and supporting global markets based on transparency and trust, to every transaction across our business with each and every stakeholder. We are a source of enduring confidence in the financial system, so when we say that our word is our bond, we mean it.

### Partnership

**We collaborate to succeed**

We pride ourselves on working together as proactive partners, building positive relationships with our colleagues, customers, investors, regulators, governments and shareholders, for our mutual success and the benefit of all.

### Innovation

**We nurture new ideas**

We are ambitious and forward-looking – a pioneering Group of market innovators, driven by fresh thinking that has kept us ahead of change. We prudently and proactively invest to make sure that our markets and services are constantly developing and evolving with advances in technology.

### Excellence

**We are committed to quality**

We have a fundamental commitment to developing talented teams who deliver to the highest standards in all that we do. By collaborating together, we will sustain industry-leading levels of excellence, setting the benchmarks that inspire ever-better performance.

### HIGHLIGHTS

**100%**

Employees successfully completed mandatory Anti-Bribery and Corruption training in 2017

**100%**

LSEG businesses self-certified as compliant with our Anti-Bribery and Corruption policies

**Over 500**

Investor meetings held in 2017

#### Further information:

For a full description of LSEG's corporate governance framework please see the 2017 LSEG Annual Report.

You may also refer to the GRI Index available at: [www.lseg.com/about-london-stock-exchange-group/corporate-responsibility](http://www.lseg.com/about-london-stock-exchange-group/corporate-responsibility).



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## Governance continued

**Corporate responsibility and our sustainability strategy are overseen by the LSEG Board. Our CEO is responsible for reporting to the Board on sustainability matters, while the Group CFO, who is a Board member, has responsibility for the environmental policy.**

Our sustainability strategy is driven by the Group Corporate Responsibility Committee, on which Executive Committee members and an LSEG Board member sit.

Delivery of the sustainability programme is carried out by the Sustainable Business team, reporting to Investor Relations.

### Tax transparency

LSEG's strategy for taxation has been published and is available at [www.lseg.com/about-london-stock-exchange-group/regulatory-strategy/london-stock-exchange-tax-strategy](http://www.lseg.com/about-london-stock-exchange-group/regulatory-strategy/london-stock-exchange-tax-strategy).

The strategy is centred around 4 concepts:

1. To ensure that the Group fulfils its fiscal obligations with regard to the administration and payment of all taxes.
2. To ensure that the Group's tax affairs are arranged in an efficient manner, whilst remaining compliant with the tax laws of the jurisdictions in which it operates.
3. To support the delivery of the Group's corporate and risk management strategies.
4. LSEG does not undertake purely artificial transactions in order to obtain a tax benefit and will only enter into transactions which would be fully justifiable should they become public. Furthermore, all transactions must have a business purpose or commercial rationale.

We disclose UK tax charge and overseas tax charge in the cash flow statement of our Annual Report. LSEG is also a signatory of the UK Prompt Payment Code.

### Cyber security

Cyber security is increasingly identified by investors as a key non-financial sustainability risk in the financial sector with broad impacts on a number of stakeholders. Our reputation and ability to fulfil our purpose as a vital markets infrastructure provider is dependent on our secure management of data and financial assets. In order to have confidence in our data and assurance of financial assets, we have controls that protect the confidentiality, integrity and availability of LSEG and Group company assets including preventing unauthorised use or modification.

Given the increased size and scope of our businesses, we face a wide and expanding universe of risks. In particular, our critical role as a markets infrastructure provider gives us exposure to technology risks such as cyber threats,

systems resilience and technological innovation. The Group is reliant upon secure premises to protect its employees and physical assets as well as appropriate safeguards to ensure uninterrupted operation of its IT systems and infrastructure. The threat of cyber crime requires a high level of scrutiny as it may have an adverse impact on our business. Long-term unavailability of key premises could lead to the loss of client confidence and reputational damage.

Security threats are treated very seriously. The Group has robust physical security arrangements, and extensive IT measures are in place to mitigate cyber security risks. The Group is supported by the Centre for the Protection of National Infrastructure (CPNI) in the UK, with both physical and IT security teams monitoring intelligence and liaising closely with police and global Government agencies. A third party security monitoring service is retained to assist with monitoring global physical security events with the potential to impact Group operations. The Group has well established and regularly tested business continuity and crisis management procedures. The Group risk function assesses its dependencies on critical suppliers and ensures robust contingency measures are in place.

Please see the 'Key policies' on p.40 for a description of the Technical Information Security and Business Continuity policies.

## Sustainability governance

### Oversight

### Execution

### Deliverable

LSE Group Board LSE Group ExCo	Chair of LSEG CR Committee	LSE Group CS Strategy
LSE Group CR Committee	Pillar leaders + cross-business CR working groups	CS pillar strategies
Ratings agencies	Sustainable Business Team	Our Markets   Our Services Our People   Our Communities
ExCo	Group Head of Comms Group Head of IR	Management and reporting External validation Communications strategy





## Governance Key policies

**Our Code of Conduct and Corporate Responsibility policies, both published on [www.lseg.com](http://www.lseg.com), are underpinned by LSEG's values and behaviours and a number of policies that embed sustainability into our day to day operations.**

Given their relevance for our industry and associated risks, we provide below a brief description of the following policies:

1. Financial crime
2. Anti-bribery and corruption
3. Technical information security
4. Business continuity management
5. Representation

### 1. Financial crime

This policy outlines the approach and arrangements that LSEG has in place to prevent the occurrence, facilitation or furthering of financial crime. It also sets out LSEG's approach to compliance with applicable legislation, regulation and guidance.

The detection, disruption and deterrence of financial crime is a key objective for many regulators worldwide and continues to be a high priority for governments. Consequently, financial crime poses a continuous reputational, regulatory and legal risk to LSEG. In addition to the reputational and financial loss caused by financial crime, a failure to establish adequate controls to manage our risk and ensure those controls are effective exposes the group and approved persons to civil and criminal sanctions including heavy fines, restrictions on business activity and loss of relevant regulatory authorisation.

LSEG is committed to supporting government, law enforcement and international bodies to combat the use of the financial services sector to facilitate financial crime.

### 2. Anti-bribery and corruption

Consistent with LSEG's strategic risk objective of maintaining stakeholder confidence, we regularly review both the risks associated with our business conduct and our related policies. As a result, LSEG has in place a Code of Conduct, Anti-bribery and Corruption and conflict of interest policies, approved by the Board. In 2017, we carried out mandatory anti-bribery and corruption compliance training, with 100% successful completion; and, the number of staff disciplined or dismissed due to non-compliance was zero. Based on FTSE Russell's 2017 ESG assessment, LSEG's industrial and geographic exposure to the corruption theme is medium (2 out of 3). Our Anti-bribery and Corruption policy is available at [www.lseg.com](http://www.lseg.com).

### 3. Technical information security

This policy outlines the Technical Information Security requirements across LSEG. It addresses a number of risks, including data loss or theft which could result in unauthorised access to systems or company information; the threat of malware (such as viruses, worms, spyware, Trojans and other threats); and, the loss or unauthorised alteration of company data, including personal and confidential information which could expose LSEG to the risk of non-compliance with legal obligations of confidentiality, data protection and privacy.

### 4. Business Continuity Management (BCM)

LSEG is committed to minimising the impact to markets, customers and other stakeholders arising from any event which causes disruption. To achieve this the Group has established BCM as an integral part of its business operations.

BCM is a management process that identifies potential threats to an organisation and the impacts to business operations those threats might cause. It provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities.

BCM includes all activities relating to:

- business recovery planning;
- IT service continuity planning (including disaster recovery); and
- crisis management.

The purpose of this policy is to ensure that the Group has a feasible, practical, cost-effective and tested BCM Framework and that controls exist which ensure that the Group operates within its overall risk appetite.



## Governance Sustainable policy engagement

### 1. EU High-Level Expert Group on Sustainable Finance

LSEG played a major role throughout 2017 as a member of the expert body advising the European Commission on how to integrate sustainability considerations into its financial policy framework in order to mobilise finance for sustainable growth.

The High-Level Expert Group (HLEG), comprised of 20 senior experts, including the Group Head of Sustainable Business from LSEG, was drawn from the civil service, the finance sector and academia as well as a limited number of observers, was asked to provide recommendations to the Commission, which would feed into the EU's action plan, leading to concrete legislative proposals.

The key outcome of the HLEG's work are recommendations to the European Commission and the policy makers on:

- Establishing an EU sustainability taxonomy, aligned with the Paris Agreement but also the Sustainable Development Goals.
- Clarifying investor duties to extend the time horizons of investment and bring greater focus on ESG factors into investment decisions.
- Upgrading disclosures to make sustainability opportunities and risks transparent.
- Empowering retail investors to invest in sustainable finance opportunities.
- Developing official European sustainability standards for some financial assets, starting with green bonds.
- Establishing 'Sustainable Infrastructure Europe' to deploy development capacity in EU member states for infrastructure necessary for a more sustainable economy.
- Integrating sustainability firmly in the governance of financial institutions and in financial supervision. (Fit and proper tests to include an assessment of the individual and collective ability of members of governing bodies in financial institutions to address sustainability risks).

### 2. Lujiazui (LJZ) Green Finance Council

The LJZ Green Finance Council is an important working group for promoting green and ESG disclosure by listed companies, on which LSEG is a representative. In the last 2 years China and the UK have been building a close partnership in green finance, and the involvement of LSEG on the LJZ Council highlights this partnership.

### 3. LSEG representation on Green Finance Task Force

LSEG is a member of the UK Government's Green Finance Task Force, and is represented by the CEO of LSE. The Task Force was established by ministers from HM Treasury and the Department for Business, Energy and Industrial Strategy in September 2017, and is intended to accelerate growth of green finance and the UK's low carbon economy. The Task Force aims to deliver ambitious proposals to accelerate investment in the transition to a low carbon economy, creating high-value jobs and opportunities for UK businesses. It will examine a range of interventions, from making infrastructure investment more sustainable to scaling-up green mortgages.

### 4. G7 finance meeting

The G7 is supporting the growing movement to sustainable powering of the financial system.

As part of the G7 green finance work stream, Borsa Italiana hosted a meeting dedicated to Green Financial Centres. Borsa Italiana also joined and co-chaired the working group that the Minister for the Environment, set up in July 2017, to coordinate the creation of an Italian Sustainable Financial Centre.



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# Appendix i

## UN SSE: Communication to stakeholders

Having joined the UN-backed Sustainable Stock Exchanges (SSE) initiative in 2014, LSEG has committed to reporting to the SSE stakeholders on an annual basis. The report provided below is in line with the template and structure developed by the SSE. This is LSEG's fourth report on progress.

### Business Strategy

How does your exchange define and view the rationale for corporate sustainability and the exchange's role in promoting it?	Our CEO's message, CS strategy and Materiality review on p.2, 5 and 6, respectively, demonstrate our rationale for corporate sustainability and our role in promoting it.
How does your exchange's senior leadership and organisational structure support the promotion of corporate sustainability in its market(s)?	Our sustainability strategy is developed and reviewed by ExCo and the Board respectively. Our organisational structure is set out on p.5. Our Markets and Our Services pillars support the promotion of sustainability across capital markets globally, see p.10-18.
What goals/objectives does your exchange have in regards to advancing sustainability in your market?	The impact areas of our sustainability strategy that are more relevant here are Disclose, Convene, and Grow - please see the Our Markets and Our Services sections for more details (see p.10 and 15). We set out our specific objectives for 2018 in our Looking ahead section on p.30.

### Transparency and Issuer Reporting

Describe your exchange's approach to promoting sustainability disclosure by companies.	We cover this across both Our Markets and Our Services. We encourage best practice disclosure in 3 ways. First, during 2016 we developed guidance on ESG disclosure for issuers of all sizes across the UK and Italy, which was launched in February 2017 and can be accessed at <a href="http://www.lseg.com/esg">www.lseg.com/esg</a> . Second, FTSE Russell's ESG services and the associated FTSE4Good Index family set a standard for ESG disclosure globally. Third, we promote issuer-investor dialogue on ESG issues through capital markets events and our new online investor relations platform Elite Connect. In July 2017, Borsa Italiana held its first Sustainability Day to encourage investor issuer dialogue on ESG issues (see p.14). In 2017, the CEOs of LSEG, London Stock Exchange, Borsa Italiana and FTSE Russell signed the letter of support for the final recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD).
What is your exchange's process for reviewing listing standards in general? Are there opportunities for stakeholders to comment during the process?	The UKLA is responsible for listing standards in the UK not the London Stock Exchange. Borsa Italiana is responsible for setting and reviewing the listing standards of Directors' and the Italian financial markets supervisory authority's approval. Borsa Italiana stakeholders can comment on the process of amending the listing standards, both the Rules of the Markets and their implementing Instructions. For example, as part of its preparation of the modifications, Borsa Italiana shall consult relevant stakeholders, such as the industry associations of issuers and intermediaries, in order to incorporate their comments and suggestions.
How do you track the sustainability reporting of your listed companies?	We track sustainability reporting in 2 ways: internally and externally. Internally, the FTSE ESG service tracks the level of ESG disclosure for our markets and for other markets around the world. The report published by FTSE Russell in December 2016 saw LSE in 16th position and Borsa Italiana 9th. Externally, we review our progress against Corporate Knights exchange rankings for sustainability disclosure. The 2017 report saw LSE reach the 4th position globally (up from 8th in 2016) and Borsa Italiana 21st (down from 19th in 2016).



<b>Overview</b>	<b>Corporate Sustainability Strategy</b>	<b>2017 Review</b> Our Markets   Our Services   Our People   Our Communities	<b>Performance</b>	<b>Appendix</b>
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What incentives (i.e., public recognition/awards) and sanctions do have in place to encourage disclosure and discourage non-compliance/lower levels of transparency?

FTSE Russell assesses ESG and green revenues disclosure and performance of companies globally and provides this analysis to investors around the world. This data is also used to construct the FTSE4Good Index Series, which highlights companies that meet good practice standards, and the Environmental Markets and Green Revenues Index Series. FTSE Russell also works with other exchanges.

What connections have you made between national sustainable development frameworks and goals, and your exchange's existing standards and norms?

LSEG's ESG Reporting Guidance builds on national disclosure standards and norms across the UK and Italy. The EU Non-Financial Reporting Directive was transposed in the UK and Italy during 2016, mandating public interest companies with more than 500 employees to disclose environmental, social, diversity, human rights and anti-bribery and corruption information. The guidance also builds on the recommendations of the TCFD and the Sustainable Development Goals.

### Issuer Capacity Building

If your exchange offers sustainability guidance for companies, please provide a description of the process for its creation.

LSEG involved market participants in the creation of its ESG Guidance for issuers through investor and issuers workshops organised in the UK and Italy, and consulted other stakeholders (standard setters and responsible investment NGOs) before finalising the guidance.

Do you and/or your regulator provide guidance on externally assuring ESG disclosures? In your market, how common is external assurance of ESG disclosures?

Assurance of ESG disclosure is mandated in Italy and the UK as part of the implementation of the EU Non-Financial Reporting Directive. LSEG ESG Guidance recommends enhancing the credibility of ESG information through internal and or external assurance (see the 'Investment Grade Data' chapter of the guidance).

### Collaboration and Engagement

Who does your exchange view as its key stakeholders and how does it engage and collaborate (or plan to do so) with these and potentially other stakeholders?

We do this in a range of ways:

- LSEG, in 2017, was involved in the EU High Level Expert Group on Sustainable Finance, in the UK Green Finance Taskforce, and in the G7 Green Finance workstream under the Italian Presidency. We are working in a range of ways to support the growth and development of green finance and are represented on the City of London's Green Finance Initiative and as an observer of the Green Bond Principles;
- we partner a large number of peer exchanges around the world and in some cases this explicitly covers ESG and ESG indices;
- we respond to regulator consultations and have responded positively to consultations regarding issuer non-financial disclosure in the past;
- we host events for issuers and ESG-related initiatives;
- through FTSE Russell we are involved in a large number of investor ESG collaborative bodies and initiatives including the UN backed PRI, UK SIF, US SIF, Euro SIF, ICGN, Japan SIF and RIAA and through our involvement with the SSE initiative: in 2017, LSEG was part of the SSE Green Finance Advisory Group.


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### Sustainable Products

How has your exchange supported the development of financial products that address sustainability-related issues (e.g., ESG Indices, carbon markets, social/environmental bonds, sustainable development funds, etc.)?

In 2016, LSEG launched its Global Sustainable Investment Centre which aims to promote green and sustainable capital raising and deep integration of ESG consideration in the investment process across asset classes. The product portfolio includes green bonds in different currencies, renewable infrastructure funds, cleantech companies, green ETFs, ESG indexes and analytics, FTSE Russell's Green Revenues and analytics, and supporting tools such as LSEG ESG Reporting Guidance.

### Exchange Needs

Are there any specific resources that you would like from the SSE or other relevant groups to help you in your sustainability work?

The agenda of the SSE has already moved beyond disclosure, addressing green finance. The next step could be to carry out work on SDG8 regarding decent work and growth, which is one of the key SDGs identified by the SSE as relevant to exchanges.

Are there any specific requests you have of investors, issuers and regulators in terms of their role in advancing sustainability in the market?

LSEG looks forward to continuing collaboration with investors, issuers and regulators on the sustainable investment agenda. It is key to the continued success of ESG disclosure that issuers perceive how investors are shifting capital allocation in response to ESG and low carbon economy considerations. Therefore, we will continue to place emphasis on the importance of investor-issuer dialogue on ESG issues, as a complement to high-quality ESG data flows. LSEG welcomes the recommendations of the TCFD as a key development in the trend toward the global alignment of ESG disclosure standards.



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## Appendix ii

Key:

↑ Likely

➔ Possible

## FTSE Russell quantitative ESG data points as referenced in the LSEG ESG Reporting Guidance

Indicator	Indicator sub code	Indicator description wording	2017	2016 <sup>1</sup>	Relevance
Environmental	ECC14	Total operational GHG emissions data (Scope 1 & 2) is disclosed	13,667 tCO <sub>2</sub> e	23,321 tCO <sub>2</sub> e	↑
	ECC15	Total energy consumption data is disclosed	64,655 MWh	70,432 MWh	↑
	EPR18	Disclosure of NOX emissions (tonnes)	Not significant	Not significant	➔
	EPR19	Disclosure of SOX emissions (tonnes)	Not significant	Not significant	➔
	EPR21	Disclosure of volatile organic compounds (VOC) emissions (kilograms)	Not significant	Not significant	➔
	EPR24	Disclosure of hazardous waste generation (tonnes)	Not significant	Not significant	➔
	EPR25	Disclosure of non-recycled waste generation (tonnes)	735 tonnes	670 <sup>2</sup> tonnes	➔
	EPR26	Disclosure of waste recycled (tonnes)	211 tonnes	234 <sup>2</sup> tonnes	➔
	EPR27	Total costs of environmental fines and penalties during financial year	0	0	➔
	EPR28	Percentage of sites covered by recognised environmental management systems such as ISO 14001 or EMAS	47%	N/A <sup>3</sup>	➔
	ESC30	Total GHG emissions data on properties disclosed	14,818 tCO <sub>2</sub> e	25,303 tCO <sub>2</sub> e	➔
	ESC31	Total energy usage data on properties disclosed	64,655 MWh	70,432 MWh	➔
	ESC32	Total water usage data from property portfolio disclosed	97,624 m <sup>3</sup>	109,243 m <sup>3</sup>	➔
	EWT11	Total water use/water extraction data is disclosed	97,624 m <sup>3</sup>	109,243 m <sup>3</sup>	➔
EWT12	Percentage of water recycled (non-potable) for use in own operations	Not significant	Not significant	➔	



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Indicator	Indicator sub code	Indicator description wording	2017	2016 <sup>1</sup>	Relevance
Governance	GAC12	Disclosure of total amount of political contributions made	£0	The only political donations made in 2016 amounted to US\$41,500 by Russell Investments PAC, before its sale. The Group has made no other political donations.	↑
	GAC13	Disclosure of number of staff disciplined or dismissed due to non-compliance with anti-corruption policy/policies	0	0	↑
	GAC14	Disclosure of cost of fines, penalties or settlements in relation to corruption	0	0	↑
Social	SHR17	Total amount of corporate or group donations/community investments made to registered not-for-profit organisations	£1.2 million <sup>4</sup>	Close to £1.1 million <sup>5</sup>	↑
	SHS12	Percentage of sites with OHSAS 18001 certification	6%	16%	→
	SHS13	Number of staff trained on health and safety standards within the last year	100% <sup>6</sup>	100%	→
	SHS15	Lost-time incident rate, over last 3 years	0	Not significant	→
	SHS38	Number of work-related employee fatalities	0	0	→
	SHS40	Number of work-related contractor fatalities	0	0	→
	SLS24	Full-time staff voluntary turnover rates	9.5%	5.6%	↑
	SLS25	Percentage of employees that are contractors or temporary staff	3%	2%	↑
	SLS26	Amount of time spent on employee development training to enhance knowledge or individual skills, using: a) Total hours as a company, or b) Average hours per employee	a) 41,675 b) 8.5	a) 30,000 b) N/A	↑

1. 2016 figures have been updated and re-verified on receipt of annual emissions factor guidance and actual data from suppliers

2. 2016 figures reduced due to a supplier reporting error which has been corrected

3. ISO14001 system established and accredited for UK property portfolio in 2017

4. This is the total cash charitable donation made by the Group in 2017, consisting of £1122,000 to LSEG Foundation and £107,000 to other charities (see p.29)

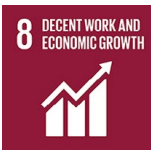


5. This is the total cash charitable donation made by the Group in 2016, consisting of £962,000 to LSEG Foundation and £133,000 to other charities (see p.29)

6. 100% of new staff received health and safety training

## Appendix iii

### Sustainable Development Goals

As the UN Sustainable Stock Exchanges initiative assesses that exchanges are well placed to have a measurable impact on 5 of the Sustainable Development Goals (SDGs), we align our strategy to them. This is also one of the frameworks recommended in our ESG Reporting Guidance.

SDG	Goal	Associated targets	LSEG impact area
	<b>Gender equality</b>	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life	<b>DEVELOP SUSTAIN</b>
	<b>Decent work and economic growth</b>	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formation and growth of micro, small and medium sized enterprises, including through access to financial services	<b>GROW SUSTAIN</b>
	<b>Responsible consumption and production</b>	Encourage companies, especially large and trans-national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	<b>DISCLOSE TRANSITION CONVENE</b>
	<b>Climate action</b>	Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning	<b>DISCLOSE TRANSITION CONVENE SUSTAIN</b>
	<b>Partnership for the goals</b>	Enhance the global partnership for sustainable development complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technologies and financial resources to support the achievement of Sustainable Development Goals in all countries, particularly developing countries	<b>DEVELOP CONVENE</b>



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