

**LCH LIMITED**  
(the *Company*)

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

Adopted by the board of directors on 9 September 2020

**1. BACKGROUND**

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

**2. PURPOSE**

**Board**

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

2.1.1 the independent chairman of the Board (the *Chairman*);

2.1.2 up to four independent directors who meet the standards of independence set out in paragraph 6.3 (the *Independent Directors*);

2.1.3 up to three directors (the *User Directors*) associated with or connected to shareholders of LCH Group Holdings Limited (the *Parent Company* and together with its subsidiaries, the *LCH Group*) other than London Stock Exchange Group plc (*LSEG* and together with its subsidiaries (other than the LCH Group), the *LSEG Group*) or other exchanges, trading venues, multilateral trading facilities, alternative trading systems or similar (the *User Shareholders*); and

2.1.4 the director nominated by LSEG in accordance with paragraph 3.

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

2.3 The Board will also comprise:

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

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

- 2.3.3 the chief risk officer of the Parent Company as proposed by the Group CEO or such other LCH executive as may be proposed by the Group CEO.
- 2.4 The Committee shall regularly assess the structure, size, composition and performance of the Board, and shall make recommendations to the Board if any changes are considered necessary or desirable.
3. **LSEG DIRECTOR**
- 3.1 Without prejudice to any other rights which LSEG may have, LSEG has the right to appoint one LSEG director to the Board (the *LSEG Director*).
- 3.2 If the existing LSEG Director retires or is removed, LSEG shall propose to the Committee a candidate to be the replacement LSEG Director.
- 3.3 The Committee shall consider:
- (i) the seniority, experience, skill and expertise of each candidate; and
  - (ii) the regulatory good standing of each candidate.
- 3.4 The Committee shall recommend to the Board the appointment of the candidate proposed by LSEG unless it considers the candidate not to be appropriate based on the criteria set out in paragraph 3.3.

4. **EXECUTIVE MANAGEMENT TEAM**

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

5. **DUTIES AND POWERS OF THE COMMITTEE**

- 5.1 The Committee shall put forward candidates for appointment as directors in accordance with paragraphs 2 and 3 and coordinate any necessary succession planning in respect of the Chairman or directors of the Board.
- 5.2 The Committee will need to be satisfied that candidates understand the responsibilities of Board membership and will be able to devote the necessary time to Company matters.
- 5.3 The Committee will need to ensure that its recommended candidates are respected for their competence and are of good standing in their field of business and that such recommended candidates are not disqualified under any provisions of applicable law from serving on the Board.
- 5.4 The Committee shall make available to the Board on a regular basis all such information as is required to ensure that the Board is formally kept up to date with the actions, deliberations and determinations of the Committee.
- 5.5 The Committee will undertake any other tasks required of it by the Board.

- 5.6 The Committee is authorised by the Board to:
- (a) undertake any activity within its frame of reference;
  - (b) make whatever enquiries or solicit whatever further information it may need from nominees or employees of the Company or the LCH Group or elsewhere, in order to perform its duties;
  - (c) maintain a list of potential candidates and may discuss with any such candidate the Committee's requirements for nomination;
  - (d) obtain, at the Company's expense, outside legal or other professional advice on any matter within its Terms of Reference and to invite those persons to attend at meetings of the Committee; and
  - (e) delegate any of its powers to one or more of its members or the Committee Secretary.
- 5.7 The Committee will consult from time to time with the nomination committee of LCH SA to ensure that there is a coordinated process for the appointment of suitable directors to the Board and the board of directors of LCH SA.
- 5.8 The Committee shall keep itself informed of any changes in the laws and regulations applicable to the composition of the Board and the other matters for which the Committee is responsible.

## 6. PROCEDURES OF THE COMMITTEE

### **Appointment of the Chairman and the Independent Directors**

- 6.1 The Committee shall set its own procedures when making decisions on recommendations in relation to the appointment of a new Chairman and/or the Independent Directors to the Board. However, as part of such procedures it will:
- (a) draw up a short-list of potential candidates whose suitability and willingness to be appointed should be explored in greater detail (and may engage a reputable firm of search consultants to recommend candidates);
  - (b) consult the Group CEO, the chief executive officer of LSEG and the chairman of LSEG (and may consult other persons who are not members of the Committee as appropriate) as to the suitability of the short-listed candidates being considered by the Committee, and if requested, arrange meeting(s) with short-listed candidates;
  - (c) with regard to the appointment of a new Chairman, consult with the Independent Directors in advance of making a recommendation to the Board.
- 6.2 When the Committee makes decisions on recommendations in relation to the appointment of a new Chairman to the Board, unless the Independent Directors on the Committee approve otherwise, the then current Chairman shall not be entitled to attend any part of a meeting of the Committee at which a candidate for the role is considered

or to vote on whether a candidate should be short-listed or recommended to the Board for appointment.

- 6.3 In determining whether a person is fit for appointment as Chairman or as an Independent Director, the Committee shall consider whether such person is independent in character and judgment, and whether there are relationships or circumstances (including any with LSEG or any member of the LSEG Group and/or with any User Shareholder) which are likely to affect, or could appear to affect, such person's judgment. In addition, the Committee shall have regard to relevant factors which may include if such person has a relationship that would disqualify such person as a "public director" within the meaning of the CFTC Rules in force from time to time or as an "independent director" under any corporate governance standards applicable from time to time (including the Financial Reporting Council's UK Corporate Governance Code) or which the Board otherwise determines should be complied with in the interests of best practice corporate governance.
- 6.4 The Committee shall, as often as necessary in light of all the facts and circumstances, but at least annually, verify its determination made pursuant to paragraph 6.3 in respect of each Independent Director's fitness.
- 6.5 When the Committee makes decisions on recommendations in relation to the appointment of a new Independent Director to the Board, the Committee will take into account (amongst other things) that ideally there should be, amongst the Independent Directors:
- (a) a breadth of industry expertise and experience and product knowledge;
  - (b) particular expertise and experience in each of (i) risk management, (ii) audit, (iii) clearing services and (iv) financial services; and
  - (c) diversity, including gender, age, geographical provenance, and educational and professional background.
- 6.6 When the Committee makes recommendations of Independent Director candidates, it shall state its reasons, identifying (if relevant) why it considers that the candidate is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination as described in paragraph 6.3.

### **Appointment of User Directors**

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

## **7. TENURE OF DIRECTORS**

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

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

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

## 8. MEMBERSHIP OF THE NOMINATION COMMITTEE

8.1 The Committee shall be appointed by the Board and the membership shall comprise the Chairman, at least two Independent Directors, one User Director and the LSEG Director or an LSEG representative, being any person of appropriate seniority and expertise as may be agreed from time to time between LSEG and the Chairman (the *LSEG NomCom Representative*).

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

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

## 9. SECRETARY

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

## 10. TENURE OF NOMINATION COMMITTEE MEMBERS

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

10.2 If a member of the Committee ceases to be a director of the Company, that person's membership of the Committee shall automatically cease.

## 11. NOTICE OF MEETINGS

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

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

12. **TIMING AND LOCATION OF MEETINGS**

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

13. **ATTENDANCE AT MEETINGS**

13.1 Only members of the Committee have the right to attend Committee meetings. Other individuals, such as appropriate senior employees and/or external advisers, may attend all or part of any meeting, as and when appropriate, at the invitation of the Committee Chairman.

13.2 Members of the Committee may hold meetings in person, by telephone or by video conference or any combination of these. Decisions may also be made by e-mail circulation, providing that approval is unanimous.

14. **QUORUM**

The quorum for meetings shall be one Independent Director, one User Director and the LSEG Director or LSEG NomCom Representative (as relevant) on the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

15. **CONDUCT OF MEETINGS**

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

16. **MINUTES OF MEETINGS**

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

17. **REPORTING**

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

17.2 The Committee shall produce to the Board for approval each year a summary of (i) its activities, (ii) the process used to make nominations, (iii) a description of its policy on diversity (including gender), any measurable objectives it has set for implementing the policy and progress on achieving such objectives and (iv) shall either explain if external advice or search consultants have not been used or, if they have been used, identify them and state whether they have a connection with the Company. Following such approval, that summary is to be included as a section in the Company's annual report.

17.3 The Committee Chairman, or his or her designee, will make available to the chief compliance officer of the Company (the *Chief Compliance Officer*) such information

relating to the Committee's work as is necessary for the relevant Chief Compliance Officer to draft and submit the annual compliance reports required by the CFTC Rules and other applicable regulations in force from time to time.

**18. AMENDMENT**

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

**19. CONFIDENTIALITY AND CONFLICTS OF INTEREST**

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

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

**20. OTHER**

20.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required on all Committee matters.

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

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

20.4 To the extent these Terms of Reference conflict with the provisions of the articles of association of the Company (in force from time to time), the provisions of the articles of association shall prevail.

## APPENDIX

### Mechanism for Appointment of User Directors to the Board

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



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

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