

Corporate Responsibility Report 2012

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Corporate Responsibility Report 2012

*Managing the business
in an effective and
responsible manner*



A message from Xavier Rolet, Chief Executive Officer

- 01 A message from Xavier Rolet, Chief Executive Officer
- 02 Highlights
- 03 Our economic role
- 06 Our Corporate Responsibility strategy
- 08 Community
- 11 People
- 13 Ethics and governance
- 14 Environment
- 16 Looking ahead
- 17 Contacts and further information



“As a Group, we are in the process of transforming and diversifying our business. This report includes our priorities for the year ahead and outlines our commitment to further engagement and development of our CR practices.”

At London Stock Exchange Group, we are very much aware of our corporate responsibilities and the role we play in society. We are committed to managing our business effectively and responsibly, to delivering value to our shareholders and to behaving in a way that reflects our values and beliefs. We also know that we play a wider role in supporting economic growth, by providing stable and efficient markets for companies to raise essential investment capital.

The political, economic and social environment in which we operate continues to evolve. Current conditions mean that the importance of efficient, neutral and well-regulated financial markets has perhaps never been greater. Events over the past year have also highlighted and further added to the debate about responsible capitalism, and ethical and sustainable corporate practice.

With the growth of our increasingly international business, and recognising changes in the macro environment, we formalised our Corporate Responsibility (CR) efforts last year with the creation of a Corporate Responsibility Policy and a new Committee. Our activities are now focused under four key pillars: community, people, ethics and governance, and environment. We also established our London Stock Exchange Group Foundation, through which we have

already been able to support a large number of charities in the communities in which we operate. This report sets out more detail on this, our approach to each of our four CR pillars, as well as the more general role we play, through our business activities, in encouraging good corporate practices and providing opportunities for wealth and job creation.

As a Group, we are in the process of transforming and diversifying our business. Our approach to CR also continues to evolve and we know we have more to do. This report includes our priorities for the year ahead and outlines our commitment to further engagement and development of our CR practices.

We welcome your comments.

Xavier Rolet
Chief Executive

Highlights



Top: Market opening at the London Stock Exchange.
Bottom: Xavier Rolet and London Stock Exchange's Reading Programme volunteers with the students.

During the year, the Group championed a number of initiatives, including education for retail investors, ethical corporate behaviour and the provision of a strong framework for efficient and safe capital markets.

In particular, we:

- Continued to lobby in favour of good governance principles, contributing to the European Commission consultation on the Green Paper on an EU Corporate Governance Framework
- Contributed to the UK Financial Services Authority's consultation on the listing rules
- Contributed to the Kay Review, an independent study on the effect of UK equity markets on the competitiveness of UK business
- Launched 'La Finanza per tutti' (Finance for Everybody), a web-based service dedicated to financial education for retail investors in Italy. This is the first part of a project that promotes the Borsa Italiana website as a benchmark for innovation in online financial education
- Signed a data licence agreement with Google to allow it to distribute real-time 'last trade price' data free of charge. This allows Google's users to access London Stock Exchange and Borsa Italiana real-time trading data that was previously only available with a 15-minute delay
- Published "Leadership in a changing global economy: The future of London's IPO market", intended as a call to action to the community of banks, advisers, investors and private equity firms that support companies when choosing to list in London. The study provides a straightforward and unbiased analysis of London's listing environment. It also outlines a series of recommendations to ensure London continues to be the pre-eminent home for UK and international IPOs

Our achievements under our four pillar approach to corporate responsibility included the following:

Community

During the year we:

- Supported our 25 charities through the London Stock Exchange Group Foundation, with donations totalling £815,000
- Supported the efforts of our staff at MillenniumIT, who raised money for, and helped to construct, much-needed houses for displaced families in Sri Lanka
- Hosted a number of thought leadership lectures

People

During the year, we prioritised investing in creating a high performance culture, through:

- Attracting, developing and retaining key talent on a global basis
- Enhancing our performance management approach
- Increasing staff awareness of strategy and the desired behaviours and results
- Increasing focus on leadership and management development in order to execute our strategy

Ethics and governance

During the year, we continued to:

- Focus on operating to the highest standards of ethics and governance
- Comply with all the principles of the UK Corporate Governance Code

Environment

We made further progress with managing our environmental impact during the year, including:

- Implementing new group-wide waste reduction and recycling initiatives, which reduced our waste production by 92 tonnes or 14 per cent, to 570 tonnes, and increased our recycling rates from 44 per cent to 61 per cent across the Group
- Holding our first 'Green Week' to engage our employees with environmental issues
- Installing beehives on the roof of Paternoster Square in London
- Continuing to invest in energy efficient technology and tools to improve our management of energy use

Our economic role

The Group's central economic role is to bring together companies seeking capital with investors from around the world.

Our primary markets in London and Italy provide companies with cost-efficient access to some of the world's deepest and most liquid pools of capital.

Our secondary markets enable efficient trading in a wide range of securities, creating a deep liquidity pool, transparent trading, price formation and the opportunity to manage risks.

Both our primary and secondary markets are built on the premise that open, trusted and efficient infrastructure is crucial to ensuring that markets function effectively and that a wide range of companies can secure long-term, sustainable financing at low cost. The trading structures and rules also provide choice and security for investors.

A choice of markets

We help companies to raise capital by providing a choice of markets. Each market has features that are carefully structured to satisfy different financing needs. In doing so, we play a vital role in fostering economic development, job creation, growth and innovation.

Over 2,840 companies are listed on our UK and Italian markets. From August 2007 to March 2012, London's equity markets successfully provided £42 billion of new issue capital and £184 billion through further capital raisings. This is equivalent to around 70 per cent of the Bank of England's Quantitative Easing programme during that time. Over the same period, £50 billion was raised in Italy.

The Group also provides a number of successful fixed income markets that allow companies to diversify their funding portfolios as well as enhance their treasury management.

The Group's equity markets have therefore provided a substantial boost to companies, providing funds for development and helping them to deleverage their balance sheets.

Enabling access to finance for SMEs

Small and medium enterprises (SMEs) are widely seen as a key driver of economic growth and innovation. We have a particular role in supporting SMEs by enabling them to access financing. There are more than 1,100 companies, valued in aggregate at £68 billion, on our growth market, AIM. Since 1995, AIM has helped over 3,300 SMEs raise more than £78 billion at admission and through further raisings.

A study by Grant Thornton revealed that AIM companies directly contributed £12 billion to UK GDP, employed 250,000 people and yielded £1.8 billion in tax revenues.

AIM companies' supply chain supports a further 150,000 full-time equivalent (FTE) jobs and GDP worth £5.1 billion. This supply chain includes financial services providers (such as nominated advisers, and tax and corporate finance specialists), business services (such as public relations, marketing, legal and accountancy firms) and a full range of other goods and services from across the economy.

In turn, the employees supported, directly and indirectly, by AIM companies spend their wages on goods and services supplied by UK businesses, generating further employment and GDP through so-called multiplier effects. This impact is estimated to lead to a further 170,000 FTE jobs and GDP contribution of £4.3 billion.

The total direct, indirect and induced economic impact of AIM companies therefore amounts to £21 billion in GDP and some 570,000 FTE jobs.

As SMEs have a vital economic role, we argued strongly in favour of easier access to non-bank financing for them in our document "A strategy for sustainable UK growth – 2012 Budget Submission". Our CEO, Xavier Rolet, further supported these arguments as part of the Breedon Review panel, which reported on boosting finance options for business.

"We help companies to raise capital by providing a choice of markets. Each market has features that are carefully structured to satisfy different financing needs. In doing so, we play a vital role in fostering economic development, job creation, growth and innovation."

04

Our economic role continued

London has seen an active IPO and secondary fundraising environment for Cleantech companies

 London Stock Exchange Group		
Current number of companies	Main Market AIM Total	34 77 111
Combined market cap (£m)	Main Market AIM Total	61,372 2,634 64,005
Money raised via new issues (£m)	Main Market AIM Total	2,850 1,948 4,798
Money raised through secondary issues (£m)	Main Market AIM Total	3,920 2,027 5,947
Total new and secondary (£m)	Main Market AIM Total	6,770 3,975 10,745

- There are 111 Cleantech companies listed on our markets, 34 on our Main Market and 77 on AIM
- Cleantech companies have raised over £10 billion in new and further issues across the Main Market and AIM
- London markets support Cleantech companies of all sizes, ranging from SMEs to FTSE 100 companies
- Cleantech companies on our markets may be eligible for inclusion on the FTSE Environmental Opportunities Index series, increasing their visibility and level of investment
- There are currently 79 companies in the FTSE Environment Opportunities Indices (52 in the FTSE EO AIM and 27 in the FTSE EO MM).

Supporting the industries of the future

Our markets have a crucial role in supporting the development of industries that will be important for our economic future, such as clean technology or 'Cleantech' firms. There are more than 100 Cleantech companies listed in London, and they have raised more than £10 billion in new and further issues.

Our markets also drive innovation in biotechnology with companies like Epistem, which performs stem cells research in the areas of oncology and gastrointestinal diseases or African Medical Investment, a leading supplier of specialist hospitals across Africa.

The Group's markets also help organisations that are tackling key social issues. Our Order book for Retail Bonds (ORB), which we launched two years ago, has helped Places for People, a social housing association, raise £180 million to support their activities. This brand new fixed income market for retail investors has already helped businesses raise over £1.5 billion since it went live.

Encouraging good market practices

Our position at the centre of financial markets allows us to play an important role in encouraging responsible corporate behaviour, promoting financial education initiatives and fostering more transparent and accessible markets.

Encouraging responsible corporate behaviour

We believe that the strength and stability of our markets' listing standards and corporate governance regimes are among the core reasons for our success.

In the UK, London Stock Exchange has a long history of driving corporate governance standards. 2012 marks the twentieth anniversary of the Cadbury Code, the UK's first corporate governance code. London Stock Exchange played an important part in establishing the Code's immediate credibility by requiring listed companies to comply with it or explain to their shareholders why they had not done so.

In Italy, Borsa Italiana, together with Abi, Ania, Assonime, Assogestioni and Confindustria, promotes the Italian Corporate Governance Code. The Code sets out best practices in corporate governance, in line with international standards. Borsa Italiana has also developed the STAR market segment, which is dedicated to mid-sized companies who either voluntarily comply with strict additional corporate governance requirements or explain why they do not.

London Stock Exchange also supports company directors through its Practical Guides, which provide best practice guidance on topics such as investor relations and corporate governance.

The Group gives its support to initiatives aimed at promoting disclosure of Environmental, Social and Governance (ESG) related issues. Last year, Borsa Italiana hosted the presentation of Carbon Disclosure Project - Italy 100 Report 2011. The report outlined the strategies adopted by Italian companies to tackle carbon emissions as well as future objectives of carbon management.

A study by the Carbon Disclosure Project (CDP) revealed that London Stock Exchange is the number one exchange globally in terms of participation levels of companies on its equity markets disclosing climate change information within the CDP framework. Companies representing 88 per cent of the overall market

05

Our economic role continued

capitalisation of companies on the London Stock Exchange equity markets provide such disclosure.

We are committed and focused on continuing to promote good governance principles. We actively lobby in European and national forums in favour of this. For example, we contributed to the European Commission consultation on the Green Paper on an EU Corporate Governance Framework.

In the UK, we continue to work closely with the UK Listing Authority, the Financial Reporting Council, our listed companies and market intermediaries on the UK's approach to corporate governance. We engage in a wide range of consultations and have recently contributed to the FSA's consultation on the listing rules and the Kay Review, an independent review of the effect of UK equity markets on the competitiveness of UK business.

The role of FTSE

FTSE, the world-leading index provider, is an important component of the Group and plays a significant role in influencing capital markets and investment strategies globally.

By developing ESG services, FTSE provides the global investment community with indices and tools that support a shift to a more sustainable and lower carbon economy. With institutional investors around the world applying ESG considerations to their investments, and with over \$3 trillion of assets under management, this is an important market development.

FTSE has been a pioneer in this area, having launched the FTSE4Good Index Series in 2001. Since then, it has systematically built a range of related investor services, including ESG Ratings, the FTSE Environmental Markets Classification System and the FTSE CDP Carbon Strategy Series.

Promoting financial education

We believe that markets need well-informed investors in order to thrive. We therefore provide financial education aimed particularly at retail investors, who value information from a trusted and neutral source.

During the last year:

- Borsa Italiana launched 'La Finanza per tutti' (Finance for Everybody), a web-based service dedicated to financial education for retail investors. This is the first part of a more ambitious project that promotes the Borsa Italiana website as a benchmark for innovation in online financial education
- In partnership with Investor Conferences Ltd., we promoted The London Investor Show, which provided information to retail investors and traders in the UK. This year we will be taking an even greater role
- Borsa Italiana organised the Trading Online Expo, a two-day event giving attendees the opportunity to meet brokers, issuers, trading companies and academics, and to learn about financial instruments and trading techniques

- London Stock Exchange regularly publishes the LSE Bulletin, which provides wide ranging market analysis to third parties. We also provide two dedicated websites featuring information specifically targeted to private investors' needs:
 - UK: www.londonstockexchange.com/traders-and-brokers/private-investors/home/private-investors.htm
 - Italy: www.borsaitaliana.it/homepage/homepage.htm

How we foster more transparent and accessible markets

The more transparent and accessible financial markets become, the better they are able to serve the needs of investors, companies and the wider economy.

We want retail investors to have access to real-time price and trading information. In February 2012, we signed a data licence agreement with Google to allow it to distribute real-time 'last trade price' data free of charge. Google's users will be able to access London Stock Exchange and Borsa Italiana real-time trading data that was previously only available with a 15-minute delay.

MillenniumIT, our technology solutions provider, develops, implements and delivers low-cost and highly efficient trading platforms, market surveillance, clearing and other products to emerging markets. Access to this type of cost-efficient technology helps emerging economies to develop their own capital markets, so local business can access finance and drive economic growth.

We are helping to modernise and develop the Mongolian Stock Exchange, so it can provide growth financing for Mongolian companies.



In particular:

- MillenniumIT provided the trading, surveillance and post-trade technology
- Our Primary Markets division advised on drafting and implementing regulations
- Our LSEG Academy carried out a comprehensive training programme on capital markets infrastructure and the legislative framework

In the UK, we recently published "Leadership in a changing global economy: The future of London's IPO market". Building on the idea that a thriving IPO market is an essential component of a healthy economy, we intended this study as a call to action to the community of banks, advisers, investors and private equity firms that support companies who choose to list in London. The study provides a straightforward and unbiased analysis of London's listing environment. It also outlines a series of recommendations to ensure London continues to be the pre-eminent home for UK and international IPOs.

Our corporate responsibility strategy

“We recognise the importance of our role in addressing and responding to environmental, social and governance (ESG) issues.”

Corporate Responsibility (CR) is not an afterthought in our business. Our wider responsibility to society and to all our stakeholders lies at the heart of our business and our values. We recognise the importance of our role in addressing and responding to environmental, social and governance (ESG) issues, conscious of the vital role we play at the centre of financial markets.

Our approach to CR

We have defined what we believe are the key areas of CR relevant to our business. These are the most likely to shape our own development and where we believe we can most successfully contribute.

Our CR focus is organised into four areas:

1. **Community:** contributing positively to the communities in which we operate
2. **People:** valuing our people and providing opportunities for career and personal growth, while committing to the highest performance and ethical standards
3. **Ethics and governance:** engaging with all our stakeholders in particular through our approach to ESG issues
4. **Environment:** managing the Group’s environmental impact.

Our four focus areas:



07

Our corporate responsibility strategy continued



How we manage CR

At Board level, the Group Chief Executive Officer represents our CR activities. The exception is the environment, which is represented by the Group CFO.

The Executive Committee, made up of the operational senior business leaders, is accountable for all our CR activities across the Group. The CR Committee then coordinates activities on the Executive Committee's behalf.

The CR Committee meets at least four times a year and reports regularly to the Executive Committee on the status of our CR commitments and activities. It includes representatives from across the business and from all of our geographies. We review the Committee's membership every two years.

Each fiscal year, the CR Committee submits an action plan to the Executive Committee. This focuses not only on our current objectives but also on other CR opportunities for the Group, on a critical evaluation of our successes and on our competitive position.

FTSE's approach to CR

On 16 December 2011, we completed the acquisition of the 50 per cent of FTSE International that we did not already own. From a CR standpoint, FTSE has always been very active and has completed many successful initiatives.

FTSE is a founding signatory and contributor to the development of the United Nations-backed Principles on Responsible Investment, and an active member of the Sustainable Investment and Finance associations in the US, Asia, Australia, Europe and the UK. It advocates responsible

investing and the integration of ESG factors into investment decisions and stewardship.

FTSE is also a participant in the UN Global Compact and is assessed by GoodCorporation against each of the Global Compact's ten principles.

For an account of FTSE's CR activities, please go to: www.ftse.com/About_Us/FTSE_Corporate_Responsibility/index.jsp

FTSE's 2011 UN Global Compact Communication of Progress is available here: www.ftse.com/About_Us/FTSE_Corporate_Responsibility/Downloads/FTSE_Global_Compact_Report_2011.pdf

The FTSE4Good index

The Group's CR efforts are reflected in our membership of the FTSE4Good index.

The Group is assessed against several ESG indicators. This gives our stakeholders a reliable indication of our achievements, as well as showing the areas where we can improve.

London Stock Exchange

FTSE ESG Ratings Assessment

Overall ESG Rating	
Absolute Score (0-5)	Supersector Relative (1-100)
3.5	83

Pillar Score			
Absolute Score (0-5)	Environment	Social	Governance
	4	3	3.5
Supersector Relative (1-10)	Environment	Social	Governance
	10	6	7

London Stock Exchange Group is scored against six ESG themes:

- Environmental management
- Climate change
- Human and labour rights
- Supply chain labour standards
- Countering bribery
- Corporate governance

Companies are evaluated against the criteria for each theme and scored between 0 and 5, with a score of 3 referred to as 'Good practice'.

An aggregated score is then calculated for each company for environmental, social and governance issues. The score is also adjusted to show how the company performs relative to its ICB Supersector peers (in our case, Financial Services companies), where 1 is the lowest and 10 is the highest.

An overall ESG rating score is then calculated for each company. Again, the score is adjusted to be relative to the company's peers, where 1 is the lowest and 100 is the highest score.

The Group performs well in the ESG ratings, with an absolute score of 3.5 out of 5 and a relative score of 83 out of 100.

For more information regarding the methodology see: www.ftse.com/analytics/ftse4good-esgratings

Community

“In 2010 we set up London Stock Exchange Group Foundation. Created as a corporate charitable trust, the Foundation provides a single channel for our charitable giving as well as a focal point for staff and their engagement with local charities.”

The Group is committed to contributing positively to the communities in which it operates. We recognise that a responsible and engaged business is a good business.

To support this, in 2010 we set up London Stock Exchange Group Foundation. Created as a corporate charitable trust, the Foundation provides a single channel for our charitable giving as well as a focal point for staff and their engagement with local charities.

Funding the Foundation

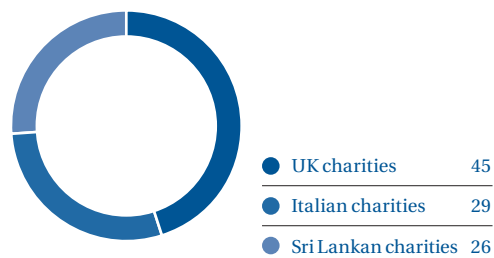
The Foundation receives funding from:

- Donations from the Group
- Fine income, which is the money we collect as a result of disciplinary action against member firms

During the year ended March 2012, the Group gave £500,000 to the Foundation, with a further £300,000 coming from fines.

We hosted our first Charitable Trading Day on the first day of our new financial year, where we raised over £500,000. The money raised has been given to the Foundation to fund further charitable donations.

Charitable giving %



Breakdown of donations by geography

Supporting charities

Last year money donated by the Foundation amounted to £815,000, of which 45 per cent was donated to UK charities, 29 per cent to Italian charities and 26 per cent to Sri Lankan charities.

As well as supporting charities directly, the Foundation recognises the important role that staff fundraising plays. As a result, the Foundation commits to match any staff fundraising for a registered charity, up to £2,000 in any year, increased from £1,000.

FTSE

Fifteen years ago, FTSE selected UNICEF as its official partner charity. In that time the partnership has evolved, moving beyond providing funds for their work in protecting the right of children worldwide, to one where the focus is on issues such as climate change, disease prevention and the protection of children. FTSE has contributed over £3 million over this 15 year partnership. FTSE's staff are deeply involved with representatives visiting UNICEF projects in Africa to understand what impact FTSE's support is having on the ground. For more details please visit: www.ftse.com/About_Us/FTSE_Corporate_Responsibility/index.jsp

Our charity portfolio

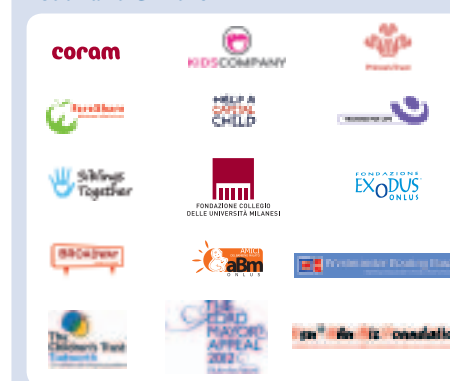
Since inception, we supported a portfolio of 25 charities, which fall into three categories:

- Youth and children
- Healthcare
- Art and culture

Examples of some of the charities we supported are shown right.

Some of the charities we support

Youth and Children



Healthcare



Art and Culture



Partner Charities



09

Community continued

Italy

During the year, in Italy, we partnered with two charities: Fondazione Banco Alimentare Onlus and AIRC.

Banco Alimentare

Since 1989, the Fondazione Banco Alimentare Onlus has been a single collection and distribution point for food donations. Banco Alimentare collects the production surplus from within the food chain and it distributes it to over 8,000 charities throughout Italy.



London Stock Exchange staff volunteering at Banco Alimentare's main depot near Milan.

Airc

The Associazione Italiana per la Ricerca sul Cancro (the Italian Association for Cancer Research), or AIRC, was founded in 1965 by a group of researchers at the Istituto Tumori in Milan. AIRC is committed to fostering cancer research in Italy.



Italian staff working for AIRC on the occasion of a fund-raising initiative.

UK

In the UK, we partnered with the London's Air Ambulance. Over the past two years, the Air Ambulance has been able to help Londoners who need urgent life-saving treatment with the Foundation's support and donations. The Air Ambulance has supported over 4,000 people.

We continue to emphasise building ongoing relationships with local schools and higher education institutions, to develop students' skills and abilities and raise their aspirations. Recent projects included a reading scheme, working with a primary school in Limehouse, East London.



London's Air Ambulance doctors at the market opening.

Sri Lanka

We have been actively working with Habitat for Humanity in Sri Lanka for some time now. And have been privileged to build 54 houses there. Further details on this is given on page 10.

Partner charities

Since the end of the financial year, the Foundation has chosen two new partner organisations:

- UK mentoring charity 'Friendship Works'
- Italian youth charity 'In-Presa'

These partner charities will benefit from a three-year commitment from the Group, both financially and by providing our staff with opportunities to share skills and volunteer.

In the coming year we will review our Sri Lankan partner charity.

10

Community continued



Housing displaced families in Sri Lanka

We want to highlight the exceptional efforts of the Group's MillenniumIT staff who, through financial contributions and hands-on labour, succeeded in building 54 houses for families in Sinnathamunai, a small village on the east coast of Sri Lanka.

At the end of the Sri Lankan civil war in 2009, more than 300,000 people were left homeless in the north of the country alone. Seeing this need, Tony Weeresinghe, CEO of MillenniumIT, committed to getting our business involved in providing new homes for displaced families. As a result, MillenniumIT staff worked with our London Stock Exchange Foundation and local charity partner Habitat for Humanity to get this project off the ground.

The path to reconciliation lies in understanding and respecting fellow citizens. The decision by MillenniumIT's staff to go to the east of Sri Lanka at their own expense and in their own time was their contribution. Their time with the war-affected communities was a life changing experience for all.

On 8 October 2011, 54 families who had experienced displacement three times (twice as a result of the ethnic conflict and once due to the Tsunami) became the proud owners of homes built by us.

On 20 December 2011, the Foundation and MillenniumIT began the second stage of the project, in the north of Sri Lanka. Fifty one homes are being built in the village of Muthiyankattikulam. Two volunteer weekends have already taken place and this phase is expected to be complete by July 2012.

We are extremely proud of what we have achieved and of the incredible work and commitment of our colleagues in Sri Lanka.

Proving a better environment for children in hospital

In August 2011, the staff of the Children's Leukaemia Ward at the Cancer Hospital in Maharagama requested help from MillenniumIT in renovating the toilet complex in Ward 15C.

The hospital specialises in cancer care. All patients diagnosed with the disease are transferred to this ward. Although the ward catered for 30 children and their carers, only one of the toilets and two shower cubicles were working. Due to poor water-proofing of the walls, part of the ward was unusable. This created a highly unsuitable environment for children with fragile immune systems.

On 2 December 2011, MillenniumIT handed over the renovated toilet complex to the Cancer Hospital. The cost of the project was covered by MillenniumIT staff.

In addition to funding the project, MillenniumIT staff also project managed the construction. The ward's consultant believes that the new facilities will reduce the infection rate among patients.

People

“We continued to prioritise a high performance culture. Our objective was to enhance our employees’ ability to drive and execute strategy across our business, while helping them to continually grow in their roles.”

As a responsible employer, the Group is committed to investing in our people. In doing so we help them to achieve their potential, thereby expanding the pool of talent within our organisation and allowing us to successfully execute our strategy.

Our priorities

Our priorities for staff development is to:

- Build a high-performance culture that encourages and rewards collaboration, trust and innovation
- Provide rich and meaningful professional experiences that enable staff to fulfil their potential
- Nurture responsible leadership at all levels of the organisation and embed the Group Business Principles in all of our practices
- Engage staff in co-creating and executing the Group’s strategy, through clear communication of the rationale and meaning of every Group decision

Our progress

During the year, we continued to prioritise a high performance culture. Our objective was to enhance our employees’ ability to drive and execute strategy across our business, while helping them to continually grow in their roles.

We achieved this through:

- Attracting, developing and retaining key talent on a global basis
- Enhancing our performance management approach
- Increasing staff awareness of strategy and the desired behaviours and results
- Increasing focus on leadership and management development in order to execute our strategy

Enhancing our performance management approach

All staff are involved in the year end performance review process to provide our staff with specific performance objectives for the year ahead. To improve the effectiveness of this process, all managers with people management responsibilities in Europe were involved in an extensive training programme to enhance their performance development skills.

The Group’s budget for training and development increased by 28 per cent year-on-year and we intend to maintain this level of investment.

“The Group’s budget for training and development increased by 28 per cent year-on-year.”



Above: The 2011 Graduate Programme intake.

12

People continued

To ensure our staff are directly involved in the growth and success of the Group, we launched a global share save plan for all this year employees. Over 35 per cent of staff took part in the scheme, with each employee saving an average of £158 each month.

Increasing our awareness of strategy

This year's bi-annual leadership forums focused senior leaders from across the globe on the themes of 'high performance' and 'customer-focused innovation'. These forums involved external experts, workshops, best practice teach-ins and feedback facilitation. We also upgraded our internal communication activities this year, launching regular CEO staff townhalls, more insightful and engaging Group communications, product knowledge session and online communications.

Attracting, developing and retaining key talent

The Group's global Graduate Programme marked its second year anniversary with an intake of 17 graduates, bringing the total to 27 over two years. These young professionals have been recruited as the 'managers of tomorrow' and we look forward to integrating them into our organisation.

We also launched a Summer Internship Programme in the UK. This is designed to attract the right talent for our future needs and to help position us as an employer of choice among graduates.

In Sri Lanka, MillenniumIT's internship programme continues to offer university students the opportunity to apply their academic knowledge and skills in a corporate setting, while earning academic credits. During the year, MillenniumIT provided 39 internships to undergraduates.

MillenniumIT also offers a wide range of other developmental programmes, such as:

- MillenniumIT Discovery Programme – “Empowering Innovators”
- MillenniumIT Scholarship programme – University of Colombo – School of Computing Scholarship Programme
- MillenniumIT Sponsored Programmes – 12 Hour Continuous Software Coding Competition – April 2012

Staff turnover was down during the year to 15 per cent in the UK, 3 per cent in Italy and 14 per cent in Sri Lanka (FTSE not included).

We are committed to providing a safe and healthy environment. Although, in the prior year, there were no reportable accidents across the Group, in the last year there were five reportable accidents which required more than three days off work.

“All managers with people management responsibilities in Europe were involved in an extensive training programme to enhance their performance development skills.”

Ethics and governance

“Maintaining our reputation depends on all our employees working to the highest standards. To help them, we have a group-wide set of Business Principles.”



Our reputation for integrity and high-quality services is central to our business success. It is fundamental to our position as a neutral, trusted provider of vitally important financial markets infrastructure and is embedded in our motto of the past 200 years – Dictum Meum Pactum, meaning “My Word is My Bond”.

In today’s environment, with the focus on responsible capitalism and with the spotlight on the financial sector in particular, it is vital that we continue to put our values such as transparency, trust and integrity at the heart of all that we do.

Our Business Principles

Maintaining our reputation depends on all our employees working to the highest standards. To help them, we have a group-wide set of Business Principles. These detail the behaviours and approach we expect from our employees, in their dealings with a broad range of stakeholders:

- Customers
- Shareholders
- Employees
- Partners and suppliers
- Regulators and other regulatory bodies
- The communities in which we operate, and
- The environment

The Principles cover behaviours that include:

- Integrity and honesty
- Commitment to fair competition
- Equal opportunities and diversity
- Confidentiality
- Financial disclosure
- Dealings with regulatory authorities, and
- Political activity

As a general requirement, all senior executives, under our Risk Policy, are required to confirm that their employees have seen and understand all key policies covering expected behaviours.

Corporate governance

We are committed to the highest standards of corporate governance.

The Group has a premium listing on our UK Main Market, requiring us to follow the UK Corporate Governance Code. This sets out principles and recommendations for good governance that we follow specifically in relation to:

- Leadership
- Effectiveness
- Accountability
- Remuneration
- Relations with shareholders

Each year, we disclose how we have applied the main principles of the UK Code, whether we have complied with the provisions throughout the year and, where appropriate, explain any non-compliance.

During the year, we complied with all the provisions of the UK Code. The full report on corporate governance is contained in the Group’s annual report and accounts, which can be found here: www.londonstockexchange.com

The Board’s principal focus during the year was on the important steps we took in executing on our strategy, notably through our acquisition of the remaining 50 per cent of FTSE, and in seeking to buy a majority stake in LCH.Clearnet. The Board’s discussions focused on the ability of these transactions to meet our strategic objectives and deliver shareholder value, as well as on identifying and managing the associated risks.

In the past year, the Board also reviewed:

- The upgrade of the Group’s risk framework
- An external review of Board effectiveness, including succession planning
- The evaluation of the Group strategy

Details of the Board’s members can be found here: www.londonstockexchange.com/about-us/directors/directors.htm

Our Business Principles are supported by more detailed policies at either a Group or local business level. These give clear guidelines on expected conduct, including our approach to:

- Whistleblowing and reporting of unethical behaviour
- Bribery
- Corporate gifts and hospitality
- Confidentiality
- Release of price sensitive information
- Document creation and retention
- Diversity
- Risk management
- Share dealing
- Health and safety
- Prompt Payment Code

Environment

“We implemented new group-wide waste reduction and recycling initiatives, which reduced our waste by 14 per cent.”

The Group is committed to minimising its environmental impact through a process of review and improvement. This includes engaging our people and communities in green issues and improving the ways that we measure and manage our impact upon the environment.

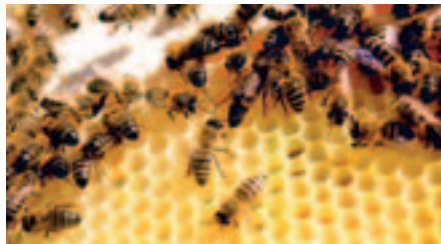
Engaging our people and communities

During the year, we held our first group-wide ‘Green Week’, which provided a focus for environmental improvements across our locations worldwide.

This highly successful week was used to engage employees on environmental topics such as energy and waste management, as well as wider issues such as charitable giving and healthy living. The response from our staff was extremely positive and we will be advancing this initiative in the next financial year.

In association with the Golden Company initiative ‘Golden City’, the Group now sponsors its own beehives. Two hives have been placed on the roof of our Paternoster Square offices in London, to support the Golden Company’s young people training programme.

The Golden Company is a social enterprise which uses beekeeping to teach young people about business management. Trainee ‘Bee Guardians’ work alongside professional beekeepers to maintain the hives throughout the year and in doing so, learn about work methods and how to effectively run a small business.



The introduction of the two hives housing more than 100,000 bees has meant that the Group is helping to maintain the City of London’s fragile bee population.

Sustainable waste management

We implemented new group-wide waste reduction and recycling initiatives, which reduced our waste production by 92 tonnes, or 14 per cent, to 570 tonnes. The improvement continued throughout the year, with the total quantity of waste produced falling in each quarter, from 164 tonnes in quarter 1 to 121 tonnes in quarter 4. We also increased our recycling rates from 44 per cent to 61 per cent across the Group.

Examples of our waste reduction and recycling initiatives include:

- Introducing a new recycling and waste management system in our UK offices, which raised UK recycling rates from 43 per cent in quarter 1 to 94 per cent by the end of quarter 4
- Rolling out an improved recycling system at our new site in Milan and other Italian sites, which raised recycling rates from 73 per cent in quarter 1 to 85 per cent by the end of quarter 4
- Implementing a waste electrical and electronic equipment recycling system at our site in Sri Lanka, which so far has diverted over a tonne of waste from landfill
- Sponsoring a roadside waste collection system on the public road outside our Sri Lankan site, which greatly reduced the volume of fly-tipped waste

51%

increase in our recycling rates in the UK

12%

increase in our recycling rates in Italy



15

Environment continued

In the UK, our improved waste management system received a Platinum Award at the City of London's Clean City Scheme. This is the first time that we have achieved platinum status at this prestigious awards ceremony.

Managing our carbon emissions

Against a backdrop of greater demand for our services, our energy use across the Group increased by 2.5 per cent compared with the previous 12 months. We are continuing to invest in energy efficient technology and equipment across our sites, to reduce our energy consumption and therefore minimise our carbon emissions.

Despite continued business growth, we travelled less than in the previous year, resulting in reduced CO₂ emissions from business travel. We have made greater use of video and web conferencing and will continue to encourage people to work remotely in order to reduce business travel.

During calendar year 2012, we will be increasing our data centre footprint. Although this will increase our overall electricity use, we have invested heavily to ensure that the equipment is as energy efficient as possible.

Performance measurement and management

The acquisition of FTSE has increased our property portfolio and the complexity of our environmental performance measurement techniques.

To standardise our measurement processes, we have invested in a state of the art environment and sustainability performance measurement tool, which we will roll out to all sites during calendar year 2012. This will allow us to see real-time utility performance data, enabling us to respond quickly to inefficient use and providing greater visibility of performance against our targets.

Looking ahead

“We are committed to continuing to develop and improve our approach to Corporate Responsibility during the coming year.”

We are committed to continuing to develop and improve our approach to Corporate Responsibility (CR) during the coming year. We aim to do this by:

- Evaluating existing and emerging CR reporting frameworks, as well as market best practices
- Determining measurements material and relevant to CR, including non-financial metrics
- Evaluating the most appropriate ways to encourage, promote and support voluntary disclosure of environmental, social and governance (ESG) issues by companies listed on our markets and engaging with the thoughts from the United Nations Sustainable Stock Exchanges Initiative
- Assessing FTSE's CR policies/practices and considering appropriate integration with the Group framework
- Promoting greater staff and shareholder engagement with our CR programme

We have also set out specific objectives for each of our four CR pillars. These are as follows:

Community

- Focus the Foundation's efforts on helping young and disadvantaged people to reach their potential, by developing life skills and business enterprise, and involve our staff in selecting and volunteering for partner charities whose mission is in line with the Foundation's new focus
- Involve our customers in our community approach, through fundraising and shared programme development

People

- Develop a new group-wide competency framework, providing the context for fulfilling our staff's potential and developing a high performance culture
- Focus on innovation, through collaboration that leverages the Group's geographic and business diversity

Ethics and governance

- Engage more widely with stakeholders about our role in promoting good ethical and governance practices
- Develop our own approach to best practices within the Group

Environment

- Review our carbon emissions reporting process, to ensure our expanded portfolio aligns with the Greenhouse Gas Protocol
- Review our utility meter reading capabilities, to identify improvement opportunities and establish revised improvement targets for water, waste and energy management, reflecting our expanded property portfolio

Contacts and further information

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