ACTUARIAL VALUATION AS AT 31 DECEMBER 2020 STATEMENT OF FUNDING PRINCIPLES

London Stock Exchange Group Pension Scheme: LSE Section

This Statement of Funding Principles sets out the policies of the Trustee of the London Stock Exchange Group Pension Scheme (the "Trustee" of the "Scheme") for securing that the statutory funding objective is met.

It has been prepared by the Trustee to satisfy the requirements of section 223 of the Pensions Act 2004, after obtaining the advice of Gordon Clark, the actuary to the Scheme. It will be taken into account in the actuarial valuation as at the effective date of 31 December 2020. The Statement of Funding Principles will be reviewed and, if necessary, revised before being taken into account at subsequent valuations under Part 3 of the Pensions Act 2004.

The Scheme is made up of two legally segregated Sections, the LCH Section and the LSE Section. This statement relates to the LSE Section (the "Section") of the Scheme only.

This Statement of Funding Principles has been agreed by London Stock Exchange plc (the "Employer").

The statutory funding objective

The statutory funding objective is that the Section of the Scheme has sufficient and appropriate assets to meet the costs incurred by the Trustee in paying its benefits as they fall due (the technical provisions).

Agreed Minimum Funding Level (AMFL)

If an actuarial valuation or actuarial report carried out reveals that the funding level of the Section at the effective date of the actuarial valuation / actuarial report is less than the Agreed Minimum Funding Level (AMFL) as described in the Scheme's Trust Deed and Rules, then the Employer will be required to address this in line with the Scheme's Trust Deed and Rules.

Full details of the AMFL and attaching provisions are contained in the Scheme's Trust Deed and Rules.

Calculation of the technical provisions

The principal method and assumptions to be used in the calculation of the technical provisions are set out in the Appendix to this Statement of Funding Principles.

The general principles adopted by the Trustee are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights. The basis will include appropriate margins to allow for the possibility of events turning out worse than expected and will only be adopted after considering how it compares with the assumptions used to assess the Section's solvency position.

However, the Trustee does not intend for the method and assumptions to remove completely the risk that the technical provisions could be insufficient to provide benefits in the future.

In determining what is 'prudent', the Trustee will take into account its objective assessment of the Employer's covenant and the level of risk present in the investment strategy of the Section.

The defined contribution assets and liabilities of the LSE Section including any additional voluntary contributions (AVCs) paid by members have been excluded from the valuation, as these assets are assumed to exactly match the value of the benefits that they cover.

Policy on discretionary increases and funding strategy

No allowance has been included in the assumptions for paying discretionary benefits or making increases to benefits that are not guaranteed under the Scheme's Trust Deed and Rules. The Trustee will not provide discretionary benefits unless the Employer agrees to finance them or there is no shortfall against the technical provisions.

Rectifying a failure to meet the statutory funding objective

If the assets of the Section are less than the technical provisions at the effective date of any actuarial valuation, a recovery plan will be put in place, which may require additional contributions from the Employer to meet the shortfall. The Trustee and the Employer have agreed that any such additional contributions should be appropriate and tailored to both Section and Employer circumstances.

Additional contributions will be expressed as fixed monetary amounts to be paid before fixed dates. In determining the actual recovery period at any particular valuation, the Trustee will take into account the following factors:

- The size of the funding shortfall and the Section's current asset and liability structure.
- The Trustee's future investment strategy, as set out in the Statement of Investment Principles.
- The Section's changing liability structure and its effect on cash flows.
- The business plans of the Employer and any plans for sustainable growth.
- The Trustee's objective assessment of the financial covenant of the Employer.
- Any contingent security offered by the Employer.

The assumptions to be used in these calculations are set out in the Appendix.

Arrangements for other parties to make payments to the Section

In some circumstances, a party other than the Employer or a Section member may contribute to the Section. Payments to the Section may be received from London Stock Exchange Group plc, in lieu of contributions otherwise due from the Employer.

The proceeds of any insurance policy held by the Trustee may be paid to the Section.

There are no arrangements currently in place for any other parties to contribute to the Section.

Policy on reduction of cash equivalent transfer values (CETVs)

At each valuation, the Trustee will ask the actuary to report on the extent to which assets are sufficient to provide CETVs for all members. If the assets are insufficient to provide 100% of benefits on that basis, so that payment of full CETVs would adversely affect the security of the remaining members' benefits, and the Employer is unable or unwilling to provide additional funds, the Trustee will consider reducing CETVs as permitted under legislation.

If, at any other time, the Trustee is of the opinion that payment of CETVs at a previously agreed level could adversely affect the security of the remaining members' benefits, the Trustee will commission a report from the actuary and will use the above criteria to decide whether, and to what extent, CETVs should be reduced.

Payments to the Employer

If the Section is not being wound up, there is a power to make payments to the Employer out of surplus funds held for the purposes of the Section under Rule 7.1(c) of the Replacement Rules dated 2 September 2016. This power can only be exercised if the requirements under section 37 of the Pensions Act 1995 are satisfied.

If the Section is being wound up, there is a power to make payments to the Employer out of funds held for the purposes of the Section under Rule 31.6 of the Replacement Rules dated 2 September 2016. This power can only be exercised if the requirements under section 76 of the Pensions Act 1995 and regulations made under it are satisfied.

Frequency of valuations and circumstances for extra valuations

An actuarial valuation of the Section was carried out as at 31 December 2020. Subsequent valuations will in normal circumstances be carried out every three years thereafter. An actuarial report on developments affecting the Section's technical provisions and funding level since the previous valuation will be obtained as at 31 December in each other year.

The Trustee may call for a full actuarial valuation instead of an actuarial report when, after considering the actuary's advice, it is of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions.

The circumstances in which the Trustee will consider calling a valuation instead of an actuarial report include:

- there is a significant fall in the market value of the Section's assets;
- the actuary's estimate of the costs of buying out the liabilities has risen significantly;
- there is a material deterioration in the Employer's covenant.

The Trustee will consult the Employer before carrying out an early valuation. Commissioning a valuation will not be necessary if agreement can be reached with the Employer to revise the Schedule of Contributions and/or Recovery Plan in a way satisfactory to the Trustee on the advice of the actuary.

This statement of funding principles is dated March 2022 and has been agreed by London Stock Exchange plc and the Trustee of the London Stock Exchange Group Pension Scheme:

Signed on behalf of London Stock Exchange plc	
Name	JULIA HOGGETT
Position	CEO, LSE PLC
Date of signing	17 March 2022
Signed on behalf of the Trustee of the London Stock Exchange Group Pension Scheme	
Name	Chris Broad
Position	Chair of Trustee
Date of signing	10 March 2022

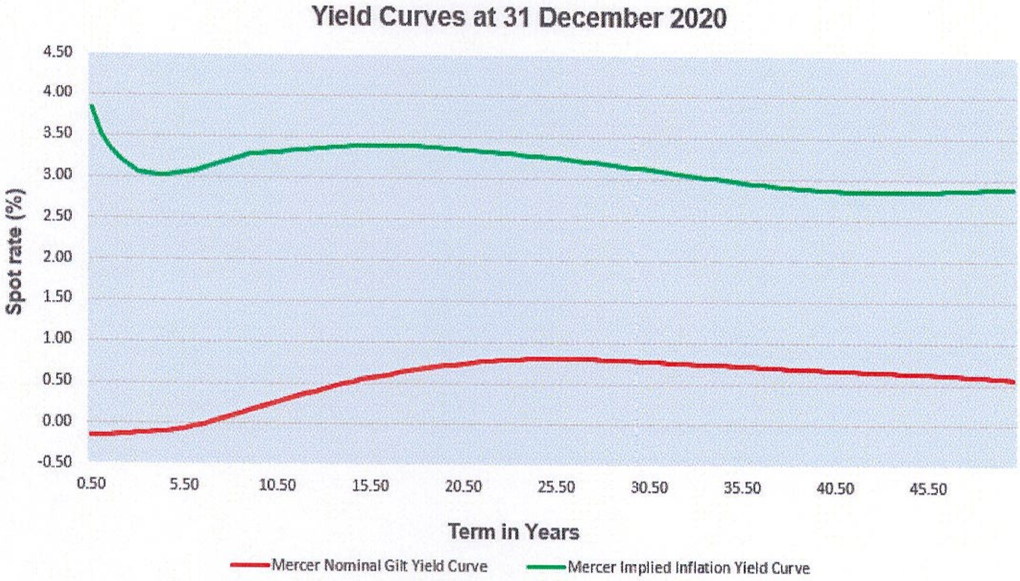
This statement of funding principles, dated March 2022, has been agreed by the Trustee of the London Stock Exchange Group Pension Scheme after obtaining actuarial advice from the Scheme Actuary:

Signed	
Name	Gordon Clark, MA, FIA
Position	**Scheme Actuary to the London Stock Exchange Group Pension Scheme**
Date of signing	31 March 2022

Appendix

Method and assumptions used in calculating the technical provisions (excluding insured pensioners)

The investment return and inflation assumptions adopted at this valuation are based on the full term structure derived from the yields on UK Government bonds. The chart below shows the nominal gilts and implied RPI inflation spot rate yield curves at the valuation date.



The derivation of these key assumptions and an explanation of the other assumptions to be used in the calculation of the technical provisions are set out below. A table summarising the key financial assumptions by term is included at the end of this appendix.

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit method. This is a very commonly used actuarial funding methodology and is consistent with the requirements of the scheme funding legislation.

Financial assumptions

Investment return (discount rate)

The discount rate used is a term structure as set out in the chart above. It is derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cash flows beyond the longest available bonds) plus an additional 0.25% p.a. to reflect the prudent allowance the Trustee has agreed for additional investment returns.

If, following a review of the Statement of Investment Principles, the investment strategy of the Section changes after completion of the valuation then the assumed rate of investment return may also change at subsequent funding updates to reflect the different expected investment returns from the new asset mix.

Inflation (RPI)

The assumption for the rate of increase in the Retail Prices Index (RPI) will be a term structure as set out in the chart on the previous page. It is derived from the difference between the yield on conventional and index-linked UK Government bonds at the date of each future cash flow (extrapolated for cash flows beyond the longest available bonds).

Inflation (CPI)

The assumption for the rate of increase in the Consumer Price Index (CPI) will be derived from the RPI inflation assumption with an appropriate adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. The adjustment will be reviewed at each valuation; at the 31 December 2020 valuation the adjustment was a deduction of 1.0% per annum prior to 2030 and nil adjustment thereafter.

Salary increases

The salary increase assumption has been determined after consulting the Employer. Salaries are assumed to increase in line with the assumed rate of RPI inflation. No additional allowance has been made for promotional increases.

Pension increases

The assumptions for the rate of future pension increases are derived from RPI and CPI price inflation annual forward rates (as appropriate) allowing for maximum and minimum annual increase entitlements. A version of the Jarrow-Yildirim model is used to derive rates with appropriate floors and caps from forward prices of inflation. This is a stochastic model which assumes that inflation over any given period will partly depend on what inflation was in the previous period.

Example assumed pension increase rates are shown in the table at the end of this appendix.

Demographic assumptions

Mortality

The mortality tables used are based on up-to-date information published by the Continuous Mortality Investigation (CMI) and National Statistics at the effective date of each valuation, making allowance for future improvements in longevity and adjustments to reflect the experience of the Scheme.

The baseline mortality assumption used for the 31 December 2020 valuation is the S3PMA / S3PFA_M (year of birth) mortality tables weighted by 88%/92% for male/female non-pensioner members and 88%/89% for male/female pensioner members.

The allowance for future improvements is in line with the CMI_2020 core model for future improvements with a 1.75% per annum long term rate of improvement, a smoothing parameter of 7.5, an initial adjustment parameter of zero, and no weight placed on the mortality experience of 2020.

Early retirement

No allowance has been made for the members of the Section to retire early.

Ill Health retirement

No allowance has been made for the members of the Section to retire early due to ill health.

Commutation

Members are assumed to take 50% of the maximum permissible cash sum at retirement based on factors calculated to be 80% of cost neutral on the technical provisions basis at the valuation date.

Proportion married and age difference

It has been assumed that members will have an eligible spouse/civil partner/dependant at the time of retirement or earlier death, in line with 2011 census tables for married and cohabiting couples published by the Office for National Statistics weighted by 109%/94% for male/female non-pensioners and 89%/94% for male/female pensioners.

Sample rates at age 60 are shown below.

	Proportion of members with an eligible spouse/civil partner/dependant
Male Pensioners	71%
Male Non-Pensioners	87%
Female Pensioners	70%
Female Non-Pensioners	70%

It has also been assumed that partners are of the opposite sex and on average, male members have a wife/partner three years younger than them and female members have a husband/partner three years older than them.

Expenses

Administrative expenses (including PPF levies) will either be paid from the Section's assets and then reimbursed in full by the Employer on at least an annual basis, or the Employers may elect to pay additional contributions from time to time, to establish a notional reserve to cover future administrative expenses.

Investment management charges remain the responsibility of the Section and have been allowed for implicitly in determining the discount rates.

GMP equalisation

An allowance of 0.15% of liabilities has been made within the Scheme´s technical provisions for the estimated cost of equalising the Scheme´s benefits to address the inequalities created by Guaranteed Minimum Pensions.

Assumptions used in calculating contributions payable under the Recovery Plan

The contributions payable under the recovery plan will be calculated using the same assumptions as those used to calculate the technical provisions, with the exception of the investment return assumption used to project forward the Section's assets during the recovery period. This assumption may be increased to allow for additional investment returns based on the Section's investment strategy. Details of the level of investment return assumed will be set out in the recovery plan agreed at each actuarial valuation.

Method and assumptions used in calculating the technical provisions and asset valuation for insured pensioners

The value of the insurance policies held by the Trustee have been estimated using Mercer's experience of recent buyout quotations and our understanding of the factors affecting this market. The assumptions which have been used to calculate the technical provisions and corresponding asset valuation for members covered by insurance contracts are the same as those which applied when valuing the benefits of the non-insured pensioners, with the exception of the discount rate, CPI inflation, and mortality assumptions which are described below.

Investment return (discount rate)

The discount rate used to value the insurance policies is a term structure as set out in the chart at the start of this appendix. It is derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cash flows beyond the longest available bonds) with no allowance for additional investment returns.

Inflation (CPI)

The assumption for the rate of increase in the Consumer Price Index (CPI) will be derived from the RPI inflation assumption with an appropriate adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. The adjustment will be reviewed at each valuation; at the 31 December 2020 valuation the adjustment was a deduction of 0.8% per annum prior to 2030 and nil adjustment thereafter.

Mortality

The mortality tables used are based on up-to-date information published by the Continuous Mortality Investigation (CMI) and National Statistics at the effective date of each valuation, making allowance for future improvements in longevity and adjustments to reflect the experience of the Scheme.

The baseline mortality assumption used for the 31 December 2020 valuation is the S3PMA / S3PFA_M (year of birth) mortality tables weighted by 94%/95% for male/female insured pensioner members.

The allowance for future improvements is in line with the CMI_2020 core model for future improvements with a 1.75% per annum long term rate of improvement, a smoothing parameter of 7.5, an initial adjustment parameter of zero, and no weight placed on the mortality experience of 2020.

Financial Assumptions – Term Structure

The table below shows the full term structure at 31 December 2020 for the key financial assumptions. The rates shown are one year forward rates.

Term (years)	Discount rate (non-insured)	Discount rate (insured)	RPI inflation	CPI inflation (non-insured)	Pension increases RPI (3%,5%)
0	0.10%	-0.15%	3.51%	2.51%	3.52%
1	0.14%	-0.11%	2.91%	1.91%	3.28%
2	0.16%	-0.09%	2.79%	1.79%	3.31%
3	0.18%	-0.07%	2.89%	1.89%	3.41%
4	0.29%	0.04%	3.10%	2.10%	3.53%
5	0.45%	0.20%	3.32%	2.32%	3.66%
6	0.62%	0.37%	3.51%	2.51%	3.76%
7	0.80%	0.55%	3.68%	2.68%	3.84%
8	0.96%	0.71%	3.83%	2.83%	3.91%
9	1.12%	0.87%	3.48%	3.44%	3.76%
10	1.24%	0.99%	3.53%	3.53%	3.78%
11	1.35%	1.10%	3.58%	3.58%	3.81%
12	1.42%	1.17%	3.60%	3.60%	3.81%
13	1.48%	1.23%	3.58%	3.58%	3.80%
14	1.52%	1.27%	3.53%	3.53%	3.78%
15	1.54%	1.29%	3.45%	3.45%	3.76%
16	1.55%	1.30%	3.35%	3.35%	3.72%
17	1.56%	1.31%	3.25%	3.25%	3.69%
18	1.56%	1.31%	3.15%	3.15%	3.65%
19	1.54%	1.29%	3.06%	3.06%	3.63%
20	1.51%	1.26%	2.98%	2.98%	3.61%
21	1.45%	1.20%	2.92%	2.92%	3.59%
22	1.37%	1.12%	2.86%	2.86%	3.58%
23	1.27%	1.02%	2.80%	2.80%	3.55%
24	1.17%	0.92%	2.74%	2.74%	3.53%
25	1.07%	0.82%	2.66%	2.66%	3.51%
26	0.97%	0.72%	2.57%	2.57%	3.49%
27	0.88%	0.63%	2.47%	2.47%	3.46%
28	0.81%	0.56%	2.36%	2.36%	3.44%
29	0.76%	0.51%	2.26%	2.26%	3.41%
30	0.71%	0.46%	2.18%	2.18%	3.39%
31	0.67%	0.42%	2.11%	2.11%	3.38%
32	0.64%	0.39%	2.06%	2.06%	3.37%
33	0.62%	0.37%	2.03%	2.03%	3.36%

Term (years)	Discount rate (non-insured)	Discount rate (insured)	RPI inflation	CPI inflation (non-insured)	Pension increases RPI (3%,5%)
34	0.60%	0.35%	2.02%	2.02%	3.36%
35	0.59%	0.34%	2.04%	2.04%	3.37%
36	0.59%	0.34%	2.08%	2.08%	3.38%
37	0.59%	0.34%	2.14%	2.14%	3.39%
38	0.59%	0.34%	2.22%	2.22%	3.41%
39	0.59%	0.34%	2.32%	2.32%	3.42%
40	0.58%	0.33%	2.43%	2.43%	3.44%
41	0.57%	0.32%	2.55%	2.55%	3.46%
42	0.54%	0.29%	2.69%	2.69%	3.49%
43	0.51%	0.26%	2.84%	2.84%	3.52%
44	0.46%	0.21%	2.99%	2.99%	3.56%
45	0.40%	0.15%	3.15%	3.15%	3.58%
46	0.33%	0.08%	3.30%	3.30%	3.61%
47	0.25%	0.00%	3.32%	3.32%	3.58%
48	0.17%	-0.08%	3.31%	3.31%	3.56%
49+	0.09%	-0.16%	3.31%	3.31%	3.55%