
LONDON STOCK EXCHANGE GROUP PENSION SCHEME

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2019

Scheme Registration Number: 19020501

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

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LONDON STOCK EXCHANGE GROUP PENSION SCHEME

TRUSTEE AND ITS ADVISERS FOR THE YEAR ENDED 31 DECEMBER 2019

Trustee

LSEG Pension Trustees Ltd

Trustee Directors - Employer Nominated

BESTrustees Ltd – represented by C Redmond (appointed 1 July 2019)

N Bayley

D Bouwmeester

P Brine

The Law Debenture Pension Trustee Corporation Plc – represented by V Paramour (resigned 30 June 2019)

Trustee Directors - Member Nominated

C Broad - Chair (switched from Employer Nominated on 31 March 2020)

S Griffin (appointed 1 April 2020) *

M Harries

D Stephens (resigned 31 March 2020) *

T Wright (resigned 31 March 2020)

* Pensioner

Secretary to the Trustee

S Tutton

Principal Employer

London Stock Exchange Plc

Participating Employers

London Stock Exchange Plc - LSE Section

LCH Ltd - LCH Section

Actuary

G Clark F.I.A.

Mercer Ltd

Independent Auditors

PricewaterhouseCoopers LLP

Administrator

Premier Pensions Management Ltd – Both Sections (appointed 1 July 2019)

JLT Benefit Solutions Ltd - LSE Section (terminated 30 June 2019)

Mercer Ltd - LCH Section (terminated 30 June 2019)

Bankers

Clydesdale Bank Plc - trading as Yorkshire Bank – Both Sections (appointed 1 July 2019)

The Royal Bank of Scotland Plc - LSE Section (terminated 30 June 2019)

National Westminster Bank Plc - LCH Section (terminated 30 June 2019)

Pension Consultant

Mercer Ltd

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TRUSTEE AND ITS ADVISERS FOR THE YEAR ENDED 31 DECEMBER 2019

Investment Managers

LCH Section

AQR Capital Management (UK Services) Ltd (appointed 15 January 2019)
Capital Group Companies Global (terminated 3 March 2019)
Legal & General Investment Management Ltd (terminated 10 January 2019)
Payden and Rygel Global Ltd (appointed 13 March 2019)
Pyrford International Ltd (terminated 18 February 2019)
Royal London Asset Management Ltd
Ruffer LLP
Schroder Investment Management Ltd

LSE Section

AQR Capital Management (UK Services) Ltd (appointed 15 January 2019)
Oaktree Capital Management Ltd
Payden and Rygel Global Ltd (appointed 13 March 2019)
Partners Group (UK) Ltd
Permira Debt Managers Ltd
PIMCO Europe Ltd (terminated 28 February 2019)
Schroder Investment Management Ltd

Investment Adviser

Redington Ltd

Additional Voluntary Contribution (AVC) Providers

LSE Section

Aviva Investors
BlackRock Life Ltd
BNY Mellon Fund Managers Ltd
Phoenix Life Ltd

LCH Section

Utmost Life and Pensions (formerly Equitable Life)
Legal & General Assurance Society

Insurance Policy Providers

LSE Section

Pensions Insurance Corporation
Phoenix Life

Investment Custodian

JP Morgan

Enquiries

Georgina Wallis
UK Pensions Manager
London Stock Exchange Plc
10 Paternoster Square London
EC4M 7LS

Email: GWallis@lseg.com

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The Trustee of the London Stock Exchange Group Pension Scheme (the "Scheme") is pleased to present its annual report together with the financial statements for the year ended 31 December 2019. The Scheme is a defined benefit scheme made up of two sections, the LSE Section and the LCH Section, both of which are closed to future accrual.

The Scheme was established on 18 December 2015 and is administered by Premier Pensions Management Ltd in accordance with the Trust Deed and Rules.

Management of the Scheme

The Trustee Directors who served during the year are listed on page 1.

In accordance with the Occupational Pension Schemes (Member Nominated Trustees and Directors) Regulations 2006, members have the option to nominate and vote for Member Nominated Trustee Directors.

The Member Nominated Trustee Directors, as shown on page 1, are nominated by the members under the rules notified to the members of the Scheme. They may be removed before the end of their term only by agreement of all the remaining Trustee Directors, although their appointment ceases if they cease to be members of the Scheme.

In accordance with the Trust Deed, London Stock Exchange Plc and LCH Ltd have a joint power to appoint and remove the Trustee of the Scheme. The Trustee Directors are appointed and removed in accordance with the Trustee Company's Articles of Association.

During the year 4 full Trustee Board Meetings were held, along with 4 Investment Committee and 4 Operation Committee Meetings.

Governance and Risk Management

The Trustee has in place a risk register and business plan that sets out its objectives in areas such as administration, investment, funding and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustee run the Scheme efficiently and serves as a useful reference document.

Trustee Knowledge and Understanding

The Pensions Act 2004 requires the Trustee to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding, to assist the Trustee on this matter, which became effective from 6 April 2006. The Trustee receives regular training and has agreed a training plan. This enables the Trustee to meet the Trustee Knowledge and Understanding requirements.

Financial Development of the Scheme

The financial statements on pages 18 to 48 have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund has increased from £643,369,231 at 31 December 2018 to £732,882,668 at 31 December 2019.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Recent Developments

New Scheme Administrator

The Trustee appointed Premier Pensions Management Ltd as the new Administrator for both Sections of the Scheme as from 1 July 2019.

Refinitiv Transaction

London Stock Exchange Group plc is working on a c\$27 billion all share deal to acquire the Refinitiv business. The Trustee has been working with its professional advisers to assess the potential implications of this transaction for the Scheme and is actively engaged in an ongoing dialogue with the Employer.

COVID-19

A coronavirus disease, COVID-19, began to spread globally in early 2020 and has been declared a pandemic by the World Health Organization. Its emergence and reactions to it have already had a profound effect on both the domestic and global economies and financial markets. The short and long-term impacts of the COVID-19 pandemic, and the true extent of such impacts, are by their very nature uncertain and will be determined by many factors. Such factors include the effectiveness of government and other health measures to contain and prevent the spread of the virus and the effectiveness of economic stimulus, emergency relief, and other government programs, initiatives and actions implemented or taken to mitigate the economic, financial and other disruptions caused by the COVID-19 pandemic.

The COVID-19 pandemic may impact the investment and operational risks to which the Scheme is exposed. The Trustee is working with the Scheme's important outsource providers to ensure continuity of services during the COVID-19 pandemic. All aspects of business as usual have continued to be successfully delivered with no interruption to services provided to the scheme membership and with the Scheme Administrator continuing to meet their Service Level Agreements. All payments from the Scheme have been made on time including pension payments to the Scheme's retired members. The Scheme Administrator is confident that this level of service can continue to be provided throughout any further lockdown period. The Trustee has been carefully monitoring the Scheme's investments during these very volatile times.

At this time, there remains considerable uncertainty as to how long the COVID-19 pandemic will last and as to the extent and duration of the economic, financial and other disruptions caused by the pandemic. Consequently, there remains considerable uncertainty relating to precisely how the COVID-19 pandemic will impact the investment and operational risks to which the Scheme is exposed and whether or to what extent any such impact will be temporary or lasting. These activities are subject to supervision and oversight by the Trustee who are monitoring the impact on the Employer as Sponsor to the Scheme. We will continue to monitor the impact of COVID-19 on our financial position through the usual governance mechanisms, including the Trustee regular oversight. In the immediate future, we are working hard to continue to deliver member services during the COVID-19 pandemic.

The Trustee is responsible for making an assessment as to whether the 'going concern' basis is appropriate for preparing these financial statements. The Trustee has carefully assessed the long-term prospects of the Scheme taking into account our current position, the main risks faced and the measures in place to monitor and manage these risks. This includes the impact of COVID-19 on the Employer and its ability to support the Plan where relevant. The Trustee anticipates that the Scheme will be able to continue to operate successfully.

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TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Membership

Details of the Scheme's membership movements for the LSE Section over the year are shown below:

	In Service	Deferreds	Pensioners	Total
Members at 1 January	14	896	1,009	1,919
Adjustments	-	-	22	22
Leavers with deferred benefits	(3)	3	-	-
Retirements	-	(50)	50	-
Deaths	-	(2)	(12)	(14)
Transfers out	-	(14)	-	(14)
Trivial commutations	-	-	(1)	(1)
New spouses and dependants	-	-	5	5
Members at 31 December	11	833	1,073	1,917

Details of the Scheme's membership movements for the LCH Section over the year are shown below:

	In Service	Deferreds	Pensioners	Total
Members at 1 January	-	675	181	856
Adjustments	-	(1)	1	-
Retirements	-	(14)	14	-
Deaths	-	(1)	(4)	(5)
Transfers out	-	(5)	-	(5)
New spouses and dependants	-	-	4	4
Members at 31 December	-	654	196	850

"In service" members are members who remain employed by LSE and were active as at 31 March 2012 when the LSE Section closed to future accrual and retained a salary link to their benefits.

The LSE Section pensioners are paid directly by Pensions Insurance Corporation ("PIC"). As at 31 December 2019 907 of those pensioners were covered under an insurance policy also held with PIC (2018: 936). A further 82 pensioners (2018: 82) have annuities paid directly by Phoenix Life, under a policy held in the name of the Trustee.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

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TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Pension Increases

Pensions are increased on 1 April each year.

For the LSE Section, the increases to pensions in payment as at 1 April 2019 were as follows:

- Pre 2003 retirements: 3.0% (2018: 4.1%)
- Post 2003 retirements on pre 88 GMP: 0.0% (2018: 0.0%)
- Post 2003 retirements on Post 88 GMP: 3.0% (2018: 4.1%)
- Post 2003 retirements on benefits in excess of GMP: 3.0% (2018: 4.1%)

For the LCH Section, the increases to pension in payment as at 1 April 2019 were as follows:

- GMP earned after April 1988: 2.4% (2018: 3.0%)
- Pre 6 April 1997 excess over GMP: 3.3% (2018: 4.0%)
- 6 April 1997 to 5 April 2005 pension: 3.3% (2018: 4.0%)
- 6 April 2005 to 5 April 2006 pension: 3.3% (2018: 4.0%)
- Pension accrued after 5 April 2006: 2.5% (2018: 2.5%)

There were no discretionary pension increases for either Section of the Scheme.

Transfers

Transfer values are calculated and verified in accordance with the statutory cash equivalent requirements in accordance with the Pension Schemes Act 1993 as amended by The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 (SI 2008/2450) which took effect from 1 October 2008.

No discretionary benefits are accounted for in the calculation of transfer values.

The Scheme no longer accepts transfers in.

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TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Report On Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The funding position of both Sections of the Scheme as at 31 December 2017, the date of the latest triennial valuation, are shown below:

	LSE Section 31 December 2017 £m	LCH Section 31 December 2017 £m
Value of liabilities:	471.9	285.7
Value of assets:	396.2	263.3
Deficit:	(75.7)	(22.4)
Funding level:	84%	92%

If the Employer goes out of business or decides to stop contributing to the Scheme, the Scheme may be "wound up" and the Employer would be required to pay additional money to buy all member's benefits from an insurance company. The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company is known as the "buy-out position". A pension scheme's buy-out position will often show a larger shortfall than the standard valuation as insurers are obliged to take a very cautious view of the future, and they also seek to make a profit.

The actuarial valuation at 31 December 2017 showed that the Scheme's assets would not have been enough to buy all member's benefits from an insurance company, as the "buy-out position" at that date was:

	LSE Section 31 December 2017 £m	LCH Section 31 December 2017 £m
Value of liabilities:	542.8	372.6
Value of assets:	396.2	263.3
Deficit:	(146.6)	(109.3)
Funding level:	73%	71%

Actuarial valuations are a "snap shot" of the Scheme's funding position at a particular moment in time. Scheme solvency can and does change where there are changes in share prices, gilt yields, or members live longer than expected.

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Report On Actuarial Liabilities (continued)

Significant Actuarial Assumptions

The key assumptions used for calculating the Technical Provisions and future contribution requirement for the Scheme were:

	LSE Section 31 December 2017 % p.a.	LCH Section 31 December 2017 % p.a.
Investment return	1.91	1.90
Price inflation (RPI)	3.39	3.38
Price inflation (CPI)	2.39	2.38
Salary increases	3.39	-
Deferred revaluations	2.39	2.38
Pension increases in payment:		
RPI (min 3%, max 5%)	3.70	-
RPI (min 0%, max 4%)	-	3.07
RPI (min 0%, max 2.5%)	-	2.27
CPI (min 0%, max 3%)	2.10	2.08
Mortality:		
Baseline	S2PA YoB tables weighed by 89%/86% for male/female non-pensioners and 85% for pensioners	
Future improvements	CMI 2016 model with a long term improvement rate of 1.75% p.a.	

The LCH Section uses a full yield curve approach. The assumptions shown in the table above are approximate single equivalent rates.

Recovery Plan

To eliminate the funding shortfall identified in the Scheme actuarial valuations carried out as at 31 December 2017, the Employer agreed to pay the following additional deficit funding contributions to the Scheme:

	LSE Section £m (p.a.)	LCH Section £m (p.a.)
2018	14.00	3.25
2019	14.00	3.00
2020 to 2022 inclusive	14.00	3.00

The Actuarial Certificates in relation to the Schedules of Contributions are shown on pages 49 and 50 of the Annual Report. The Annual Funding Update carried out by the Scheme Actuary as at 31 December 2019 showed that both funding positions of the Scheme had improved to:

LSE Section: 88%
LCH Section: 95%

The next full actuarial valuation is due as at 31 December 2020.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Investment Matters

Investment Objective & Strategy

The principal objective of the Trustee is to ensure the Scheme has sufficient assets such that the benefits promised to members are paid on time and in full. This objective will be achieved by combining investment returns and an agreed contribution schedule with the Employer, set out as part of the Alternative Funding Framework ("AFF").

The investment strategy is agreed by the Trustee after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal market sectors, the day to-day management of the Scheme's asset portfolio, which includes full discretion for stock selection, is the responsibility of the Investment Managers.

All investments have been managed during the year by the Investment Managers shown on page 2.

Statement of Investment Principles

The Trustee has prepared a Statement of Investment Principles, in accordance with the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. The latest version is dated September 2019.

Custodial Arrangements

The Trustee has appointed JP Morgan as the custodian for the Liability Driven Investments held by Schroder Investment Management Ltd.

The other Investment Managers appoint their own custodians.

Environmental Social and Governance Considerations

Environmental, Social and Governance ("ESG") issues may be financially material to the investment portfolio. The Trustee recognises however that the current time horizon of the portfolio is short (less than 5 years) and that over this period, the extent to which ESG considerations will impact the portfolio is more uncertain. Nevertheless, The Trustee considers the long-term financial interests of the Scheme to be paramount, and, where appropriate and practical:

- Expects the Investment Managers to consider financially material environmental, social and governance issues in investment decision making.
- Expects the Investment Managers to practice good stewardship which includes engaging with issuers of debt or equity on financially material environmental, social or governance issues. The investment managers have delegated authority with respects to the rights attached to the Scheme's investments (where relevant).

Non-financial matters including ethical views of beneficiaries and members are not ordinarily considered in the selection, retention and realisation of investments.

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TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Investment Matters (continued)

Transitions

LSE Section

During the year, several changes were made to the Investment Managers of the LSE section of the Scheme. In January, £16m was transferred to the AQR Diversified Risk Premia Fund, being taken from the Trustee bank account into which the prior year's deficit contribution of £14m had been received.

In February, £33m was invested into RLAM UK Long Dated Corporate Bond Fund. The investment was funded by £15m from the PIMCO Diversified Income Fund and £18m from the Schroders Segregated LDI Portfolio. Also in February, £20m was invested into the Payden & Rygel Absolute Return Bond Fund, via a disinvestment from the PIMCO Absolute Return Strategy Fund

The LSE Section subsequently invested a further £14m into the Payden & Rygel Absolute Return Bond Fund from the Trustee bank account using receipts of the 2019 deficit contribution of £14m.

LCH Section

During the year, several changes were made to the Investment Managers of the LCH Section.

In January 2019, £25m was invested into the AQR Diversified Risk Premia Fund. This was funded from a disinvestment from L&G Passive Equities.

In February, £60m was invested in the RLAM UK Long Dated Corporate Bond Fund which was funded through disinvestments from the Schroders Segregated LDI Portfolio, the RLAM UK Aggregate Bond Fund, the Pyrford Global Total Return Fund and the Ruffer Absolute Return Fund.

£29m was also invested into the Payden & Rygel Absolute Return Bond Fund through disinvestments from the Ruffer Absolute Return Fund, the Capital Group EM Total Opportunities Fund and the Schroders Segregated LDI Portfolio.

Asset Allocation

At the year end, the allocation of the Scheme's investments (excluding AVCs) was as follows:

	2019 %	2018 %	Benchmark %
LSE Section			
Liability Driven Investments *	50	61	54
Return Seeking Investments **	50	39	46
	100	100	100
LCH Section			
Liability Driven Investments	48	50	48
Return Seeking Investments **	52	50	52
	100	100	100

* Excludes the buy in contract with Pension Insurance Corporation.

** Includes credit-based assets (corporate bonds).

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Investment Matters (continued)

Performance

The performance of the Scheme's investments to 31 December 2019 is shown below:

	1 Year (%)	3 Years (% p.a.)
LSE Section	13.5	6.8
LCH Section	18.6	5.5

Performance figures are shown net of fees.

Investment Management Fees

The Investment Managers are paid fees in relation to the size of the assets managed (or exposure gained). The annual management charges range from 0.05% p.a. to 1.6% p.a. and some funds also charge performance-related fees. These fees have been negotiated where possible and the Trustee believes they represent competitive rates for the type of mandate awarded.'

Employer Related Investments

Direct investments in the Employer are not permitted and there were none at any time during the year.

As at 31 December 2019, the Scheme had less than 0.01% exposure to Employer related investments (indirectly, through equity indices).

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Compliance Matters

The Pensions Regulator

The statutory body that regulates occupational pension schemes is The Pensions Regulator and can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Telephone: 0345 600 1011
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

Pensions Tracing Service

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193
Website: www.gov.uk/find-pension-contact-details

The Money and Pensions Service

For any general enquiries on their pensions, members can contact the Money and Pensions Service. A local adviser can usually be contacted through a Citizen's Advice Bureau. Alternatively the Service can be contacted at:

The Money and Pensions Service
120 Holborn
London
EC1N 2TD

Telephone: 0115 965 9570
Email: contact@maps.org.uk
Website: www.maps.org.uk

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TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Compliance Matters (continued)

Pensions Ombudsman

Any concerns connected with the Scheme should be referred to Premier Pensions Management Ltd, AMP House, Dingwall Road, Croydon, CR0 2LX as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the administrators or the trustees can consult with The Pensions Ombudsman. The address is:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

Telephone: 0800 917 4487
Email: helpline@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

Data Protection

The Trustee is registered as a Data Controller within the meaning of GDPR guidelines (formerly under the Data Protection Act 1998) to hold such information as is necessary for the management of the Scheme. Premier Pensions Management Ltd (the Scheme Administrator) is registered as a Data Processor under GDPR guidelines (formerly under the Act).

Enquiries

Members can obtain information about their own pension benefits, copies of the Scheme's governing documentation or further information about the Scheme by contacting:

Georgina Wallis
UK Pensions Manager
London Stock Exchange Plc
10 Paternoster Square London
EC4M 7LS

Telephone: 0207 410 6863
Email: GWallis@lse.com

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Trustee's Responsibilities

Trustee's Responsibilities in Respect of the Financial Statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") are the responsibility of the Trustee. Pension scheme regulations require and the Trustee is responsible for ensuring that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee's Responsibilities in Respect of Contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contribution payable to the Scheme by or on behalf of the Employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Approved and signed for on behalf of the Trustee by:

Trustee Director:

Trustee Director:

Date: 31 July 2020

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2019

Report on the audit of the financial statements

Opinion

In our opinion, London Stock Exchange Group Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2019, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland," and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the annual report, which comprise: the Statement of Net Assets (Available for Benefits) as at 31 December 2019; the Fund Account for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you, where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2019

Conclusions relating to going concern (continued)

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Reporting on other information

The other information comprises all the information in the annual report other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the Statement of Trustee's Responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2019

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Manchester

Date: *31/7/20*

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

		LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £	Scheme 2018 £
Contributions and Benefits	Notes				
Employer contributions	5	14,726,882	3,000,000	17,726,882	18,012,735
Other income	6	7,523	7,045	14,568	82,535
		<u>14,734,405</u>	<u>3,007,045</u>	<u>17,741,450</u>	<u>18,095,270</u>
Benefits paid or payable	7	(12,159,624)	(2,789,347)	(14,948,971)	(14,651,307)
Payments to and on account of leavers	8	(4,286,090)	(3,086,909)	(7,372,999)	(10,163,893)
Administrative expenses	9	(727,030)	(666,092)	(1,393,122)	(936,511)
		<u>(17,172,744)</u>	<u>(6,542,348)</u>	<u>(23,715,092)</u>	<u>(25,751,711)</u>
Net Withdrawals From Dealings With Members		<u>(2,438,339)</u>	<u>(3,535,303)</u>	<u>(5,973,642)</u>	<u>(7,656,441)</u>
Returns on Investments					
Investment income	10	1,060,056	1,926,874	2,986,930	5,596,936
Investment management expenses	11	(540,385)	(562,396)	(1,102,781)	(885,477)
Change in market value of investments	12	49,084,560	44,518,370	93,602,930	(26,469,623)
Net Returns on Investments		<u>49,604,231</u>	<u>45,882,848</u>	<u>95,487,079</u>	<u>(21,758,164)</u>
Net Increase in the Fund		<u>47,165,892</u>	<u>42,347,545</u>	<u>89,513,437</u>	<u>(29,414,605)</u>
Net Assets at 1 January		<u>398,959,319</u>	<u>244,409,912</u>	<u>643,369,231</u>	<u>672,783,836</u>
Net Assets at 31 December		<u>446,125,211</u>	<u>286,757,457</u>	<u>732,882,668</u>	<u>643,369,231</u>

The notes on pages 21 to 48 form part of these financial statements.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 DECEMBER 2019

LSE Section		2019	2018
		£	£
Investment Assets	Notes		
Equities		19,251,481	20,663,438
Bonds		292,346,138	293,860,203
Pooled investment vehicles	14	97,819,245	40,865,856
Derivatives	15	1,084,038	1,287,813
Reverse repurchase agreements receivable	16	106,746,175	92,222,467
Insurance policies	17	220,500,000	214,100,000
AVC investments	18	10,583,527	10,415,948
Cash		263,355	2,269,381
Income receivable		877,809	1,133,506
		<u>749,471,768</u>	<u>676,818,612</u>
Investment Liabilities			
Derivatives	15	(2,301,131)	(888,526)
Repurchase agreements payable	16	(302,223,626)	(291,554,794)
		<u>(304,524,757)</u>	<u>(292,443,320)</u>
Net Investments		<u>444,947,011</u>	<u>384,375,292</u>
Current assets	22	1,601,775	14,854,057
Current liabilities	23	(423,575)	(270,030)
Net Assets at 31 December		<u>446,125,211</u>	<u>398,959,319</u>
LCH Section		2019	2018
		£	£
Investment Assets	Notes		
Bonds		318,960,830	308,614,317
Pooled investment vehicles	14	155,657,620	127,112,307
Derivatives	15	2,634,196	734,109
Reverse repurchase agreements receivable	16	127,415,775	28,027,841
AVC investments	18	656,642	601,907
Cash		478,831	102,124
Income receivable		1,025,181	1,079,185
		<u>606,829,075</u>	<u>466,271,790</u>
Investment Liabilities			
Derivatives	15	(183,275)	(490,924)
Repurchase agreements payable	16	(323,791,764)	(222,907,099)
		<u>(323,975,039)</u>	<u>(223,398,023)</u>
Net Investments		<u>282,854,036</u>	<u>242,873,767</u>
Current assets	22	4,453,123	1,733,450
Current liabilities	23	(549,702)	(197,305)
Net Assets at 31 December		<u>286,757,457</u>	<u>244,409,912</u>
Total Scheme Net Assets at 31 December		<u>732,882,668</u>	<u>643,369,231</u>

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 DECEMBER 2019

(continued)

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is covered in the Report on Actuarial Liabilities on pages 7 and 8 of the annual report and these financial statements should be read in conjunction with them.

The notes on pages 21 to 48 form part of these financial statements.

The financial statements on pages 18 to 48 were approved on behalf of the Trustee by:

Trustee Director:

Trustee Director:

Date: 31 July 2020

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – the Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council, and with the guidelines set out in the Statement of Recommended Practice Financial Reports of Pension Schemes (revised 2018) (the “SORP”).

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has no material impact on the financial statements. However, it has required certain additions to or amendments of disclosures in the financial statements.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is registered as a trust under English law. The address for enquiries is included in the Trustee's Report.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. COMPARATIVE DISCLOSURES FOR THE FUND ACCOUNT

		<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
Contributions and Benefits	Notes			
Employer contributions	5	14,762,735	3,250,000	18,012,735
Other income	6	777	81,758	82,535
		<u>14,763,512</u>	<u>3,331,758</u>	<u>18,095,270</u>
Benefits paid or payable	7	(11,933,567)	(2,717,740)	(14,651,307)
Payments to and on account of leavers	8	(4,248,716)	(5,915,177)	(10,163,893)
Administrative expenses	9	(793,898)	(142,613)	(936,511)
		<u>(16,976,181)</u>	<u>(8,775,530)</u>	<u>(25,751,711)</u>
Net Withdrawals From Dealings With Members		<u>(2,212,669)</u>	<u>(5,443,772)</u>	<u>(7,656,441)</u>
Returns on Investments				
Investment income	10	2,795,816	2,801,120	5,596,936
Investment management expenses	11	(524,894)	(360,583)	(885,477)
Change in market value of investments	12	(8,918,252)	(17,551,371)	(26,469,623)
Net Returns on Investments		<u>(6,647,330)</u>	<u>(15,110,834)</u>	<u>(21,758,164)</u>
Net Decrease in the Fund		<u>(8,859,999)</u>	<u>(20,554,606)</u>	<u>(29,414,605)</u>
Net Assets at 1 January		407,819,318	264,178,920	671,998,238
Cash transfer from legacy DC section		<u>-</u>	<u>785,598</u>	<u>785,598</u>
Net Assets at 31 December		<u>398,959,319</u>	<u>244,409,912</u>	<u>643,369,231</u>

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. ACCOUNTING POLICIES

The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements.

4.1 Contributions

Employer deficit funding and expenses contributions are accounted for in the period to which they relate in accordance with the Schedule of Contributions.

4.2 Other Income

All other income is accounted for on an accruals basis.

4.3 Payments to Members

- a) Pensions in payment are accounted for in the period to which they relate.
- b) Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retirement or leaving. Benefits taken are reported gross of any tax settled by the Scheme on behalf of the member.
- c) Individual transfers out are accounted for when member liability is discharged, which is normally when the transfer amount is paid.

4.4 Expenses

Both administrative and investment management expenses are accounted for on an accruals basis.

4.5 Investment Income

- a) Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
- b) Derivative income is accounted for when declared by the Investment Manager.
- c) Income from cash deposits is accounted for on an accruals basis.
- d) Income from Insurance policies is included within the sales proceeds of investments.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. ACCOUNTING POLICIES (continued)

4.6 Currency

- a) The Scheme's functional and presentational currency is Pounds Sterling (GBP).
- b) Assets and liabilities in foreign currencies are expressed in Sterling at the rates of exchange ruling at the year end.
- c) Foreign currency transactions are recorded in Sterling at the spot exchange rate at the date of the transaction.

4.7 Valuation of Investments

- a) Investments are included at fair value.
- b) Quoted securities in active markets, such as bonds, are usually valued at the current bid prices at the year end.
- c) Unquoted equities, which are not traded on active markets have been included at fair value based on the value advised by the Investment Manager at the year end.
- d) Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled Investment Manager at the year end. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the Investment Manager at the year end.
- e) The market value of bonds excludes interest accrued between the last interest payment date and the year end, which is included within other investment balances.
- f) Derivatives are stated at fair value:
 - i) Over the counter swap contracts are valued using the current value of future cash flows arising from the swap determined using discounted cash flow models and market data as the year end.
 - ii) Over the counter forward foreign exchange contracts are valued using the gain or loss that would arise from closing out the contract at the year end by entering into an equal and opposite contract at that date.
- g) For repurchase agreements, the Scheme continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.
- h) For reverse repurchase agreements, the Scheme does not recognise the securities received as collateral in its financial statements but does recognise the cash delivered to the counterparty as a receivable in the financial statements.
- i) AVC investments comprise policies of assurance. The value of these policies has been taken as their surrender values at the year end, as advised by the AVC providers.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. ACCOUNTING POLICIES (continued)

4.7 Valuation of Investments (continued)

- j) Insurance policies purchased in the name of the Trustee which provide the pension benefits for certain members have been valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date and adjusted on a cash basis.

4.8 Change in Market Value of Investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including any profits and losses realised on sales of investments during the year.

5. EMPLOYER CONTRIBUTIONS

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Deficit funding	14,000,000	3,000,000	17,000,000
Expenses	726,882	-	726,882
	<u>14,726,882</u>	<u>3,000,000</u>	<u>17,726,882</u>
	<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
Deficit funding	<i>14,000,000</i>	<i>3,250,000</i>	<i>17,250,000</i>
Expenses	<i>762,735</i>	<i>-</i>	<i>762,735</i>
	<i><u>14,762,735</u></i>	<i><u>3,250,000</u></i>	<i><u>18,012,735</u></i>

In accordance with the Schedule of Contributions certified by the Scheme Actuary on 25 September 2018, the Employer of the LSE Section will continue to pay annual deficit funding contributions of £14.0 million up to 2022 inclusive. In addition, the Employer reimburses the Scheme on at least an annual basis for the administration costs of the LSE Section.

In accordance with the Schedule of Contributions certified by the Scheme Actuary on 19 December 2018, the Employer of the LCH Section will continue to pay annual deficit funding contributions of £3.0 million up to 2022 inclusive. In addition, the Employer reimburses the Scheme on at least an annual basis for the administration costs of the LCH Section (from January 2019). However, following the transfer out of the DC Section assets and liabilities in 2017, the Employer Reserve held by the DC Section was transferred to the DB Section of the LCH Section and is being used to fund these administration expenses.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. OTHER INCOME

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Interest on cash held with Scheme Administrator	<u>7,523</u>	<u>7,045</u>	<u>14,568</u>
	<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
Legal & General Work Save Master Trust	-	81,758	81,758
Interest on cash held with Scheme Administrator	<u>777</u>	<u>-</u>	<u>777</u>
	<u>777</u>	<u>81,758</u>	<u>82,535</u>

Members of the LCH Section who previously transferred out their DC funds to the Legal & General Work Save Master Trust, are permitted to transfer their policy back into the Scheme at retirement to provide for their lump sum on retirement.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. BENEFITS PAID OR PAYABLE

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Pensions	11,055,244	2,398,002	13,453,246
Commutations and lump sum retirement benefits	1,077,169	331,339	1,408,508
Death benefits	-	60,006	60,006
Lifetime and annual allowance tax charges	27,211	-	27,211
	<u>12,159,624</u>	<u>2,789,347</u>	<u>14,948,971</u>
	<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
Pensions	10,442,941	2,167,681	12,610,622
Commutation and lump sum retirement benefits	<u>1,490,626</u>	<u>550,059</u>	<u>2,040,685</u>
	<u>11,933,567</u>	<u>2,717,740</u>	<u>14,651,307</u>

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Individual transfers out to other schemes	<u>4,286,090</u>	<u>3,086,909</u>	<u>7,372,999</u>
	<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
Individual transfers out to other schemes	<u>4,248,716</u>	<u>5,915,177</u>	<u>10,163,893</u>

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

9. ADMINISTRATIVE EXPENSES

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Actuarial & consultancy	229,406	203,430	432,836
Administration	157,814	141,276	299,090
Trustee	156,470	101,880	258,350
Legal	119,287	114,844	234,131
Covenant review	32,746	54,612	87,358
Audit	16,360	30,360	46,720
Levies	14,869	19,380	34,249
Bank charges	78	310	388
	727,030	666,092	1,393,122

	LSE Section 2018 £	LCH Section 2018 £	Scheme 2018 £
Actuarial & consultancy	291,363	69,300	360,663
Administration	139,961	42,470	182,431
Trustee	141,800	17,310	159,110
Legal	122,769	9,289	132,058
Covenant review	33,348	-	33,348
Audit	42,650	-	42,650
Levies	14,733	4,244	18,977
Miscellaneous	7,274	-	7,274
	793,898	142,613	936,511

In accordance with the Schedule of Contributions certified by the Scheme Actuary on 25 September 2018, the LSE Section settles its administration expenses and then the Employer reimburses the Section on at least an annual basis.

In accordance with the Schedule of Contributions certified by the Scheme Actuary on 19 December 2018, the LCH Section will settle its administration expenses and then the Employer will reimburse the Section in full, on at least an annual basis. However, following the transfer out of the DC Section assets and liabilities in 2017, the Employer Reserve held by the DC Section was transferred to the DB Section of the LCH Section and is being used to fund these administration expenses.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. INVESTMENT INCOME

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Bonds	1,046,150	1,909,682	2,955,832
Cash deposits	13,906	17,192	31,098
	<u>1,060,056</u>	<u>1,926,874</u>	<u>2,986,930</u>
	<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
Bonds	2,380,810	2,509,198	4,890,008
Cash deposits	4,674	457	5,131
Derivatives	410,332	291,465	701,797
	<u>2,795,816</u>	<u>2,801,120</u>	<u>5,596,936</u>

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. INVESTMENT MANAGEMENT EXPENSES

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Administration, management & custody	328,543	375,421	703,964
Investment consultancy	221,900	202,600	424,500
Investment fee rebates	(10,058)	(15,625)	(25,683)
	<u>540,385</u>	<u>562,396</u>	<u>1,102,781</u>
	<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
Administration, management & custody	290,894	361,535	652,429
Investment consultancy	234,000	19,300	253,300
Investment fee rebates	-	(20,252)	(20,252)
	<u>524,894</u>	<u>360,583</u>	<u>885,477</u>

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

12. RECONCILIATION OF INVESTMENTS

LSE Section

	Value at 1 January 2019 £	Purchases at Cost and Derivative Payments £	Sales Proceeds and Derivative Receipts £	Change in Market Value £	Value at 31 December 2019 £
Equities	20,663,438	-	(2,108,352)	696,395	19,251,481
Bonds	293,860,203	831,193,077	(845,125,629)	12,418,487	292,346,138
Pooled investment vehicles	40,865,856	115,887,487	(64,078,551)	5,144,453	97,819,245
Derivatives	399,287	79,536	(10,403,967)	8,708,051	(1,217,093)
Insurance policies	214,100,000	182,051	(11,055,244)	17,273,193	220,500,000
AVC investments	10,415,948	2,097,735	(2,919,261)	989,105	10,583,527
	<u>580,304,732</u>	<u>949,439,886</u>	<u>(935,691,004)</u>	45,229,684	639,283,298
Repurchase agreements	(199,332,327)			3,854,876	(195,477,451)
Cash	2,269,381			-	263,355
Income receivable	1,133,506			-	877,809
	<u>384,375,292</u>			<u>49,084,560</u>	<u>444,947,011</u>

LCH Section

	Value at 1 January 2019 £	Purchases at Cost and Derivative Payments £	Sales Proceeds and Derivative Receipts £	Change in Market Value £	Value at 31 December 2019 £
Bonds	308,614,317	900,851,524	(916,786,588)	26,281,577	318,960,830
Pooled investment vehicles	127,112,307	159,144,867	(143,428,434)	12,828,880	155,657,620
Derivatives	243,185	280,735	(4,922,908)	6,849,909	2,450,921
AVC investments	601,907	-	-	54,735	656,642
	<u>436,571,716</u>	<u>1,060,277,126</u>	<u>(1,065,137,930)</u>	46,015,101	477,726,013
Repurchase agreements	(194,879,258)			(1,496,731)	(196,375,989)
Cash	102,124			-	478,831
Income receivable	1,079,185			-	1,025,181
	<u>242,873,767</u>			<u>44,518,370</u>	<u>282,854,036</u>

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

13. TRANSACTION COSTS

The LSE Section and LCH Section incurred direct transaction costs of circa £211,000 and £385,000 respectively, as part of the investment transitions outlined on page 10.

Indirect transaction costs are incurred through bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs are not separately provided to the Scheme.

14. POOLED INVESTMENT VEHICLES

The Scheme's investments in pooled investment vehicles at the year end comprised:

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Bonds	71,227,292	94,844,645	166,071,937
Diversified growth	16,629,806	52,144,456	68,774,262
Cash/Liquidity	9,962,147	8,668,519	18,630,666
	97,819,245	155,657,620	253,476,865
	<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
Bonds	-	16,626,597	16,626,597
Diversified growth	14,395,749	48,328,158	62,723,907
Cash/Liquidity	26,417,134	6,296,176	32,713,310
Equities	52,973	42,453,808	42,506,781
Emerging markets	-	13,407,568	13,407,568
	40,865,856	127,112,307	167,978,163

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15. DERIVATIVES

OTC swaps - The Trustee aims to match as far as possible the Liability Driven Investments portfolio and the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements.

The Trustee has entered into OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme. The derivatives are made up of Total Return Swaps.

Forward foreign exchange - In order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

LSE Section

Type	Assets £	Liabilities £	Total £
OTC swaps	1,054,465	(2,207,690)	(1,153,225)
Forward foreign exchange	29,573	(93,441)	(63,868)
2019	1,084,038	(2,301,131)	(1,217,093)
2018	1,287,813	(888,526)	399,287

LCH Section

Type	Assets £	Liabilities £	Total £
OTC swaps	2,607,769	-	2,607,769
Forward foreign exchange	26,427	(183,275)	(156,848)
2019	2,634,196	(183,275)	2,450,921
2018	734,109	(490,924)	243,185

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15. DERIVATIVES (continued)

OTC Swaps

Section	No of Contracts	Expiration	Notional £	Assets £	Liabilities £	Total £
LSE Section	9	0>60 Yrs	41,768,469	1,054,465	(2,207,690)	(1,153,225)
LCH Section	2	<1 Month	46,220,136	2,607,769	-	2,607,769
Scheme 2019			87,988,605	3,662,233	(2,207,690)	1,454,543
<i>Scheme 2018</i>			75,433,656	1,989,085	(1,315,122)	673,963

Forward Foreign Exchange

Section	No of Contracts	Expiration	Currency Bought	Currency Sold	Assets £	Liabilities £	Total £
LSE Section	18	<1 Month	Various*	Various*	29,573	(93,441)	(63,868)
LCH Section	17	<1 Month	Various*	Various*	26,427	(183,275)	(156,848)
Scheme 2019					56,000	(276,716)	(220,716)
<i>Scheme 2018</i>					32,837	(64,328)	(31,491)

* Various currencies include USD, GBP, HKD, CAD, AUD, JPY, CHF, EUR & SEK

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. REPURCHASE AGREEMENTS

Repurchase agreements are a form of short term borrowing, where the Scheme has sold assets with the agreement to repurchase them at a fixed date and price. Reverse repurchase agreements are a form of short term lending, where the Scheme has purchased assets with the agreement to resell at a fixed date and price. The amounts receivable and payable under these agreements as at 31 December were as follows:

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Repurchase agreements payable	(302,223,626)	(323,791,764)	(626,015,390)
Reverse repurchase agreements receivable	106,746,175	127,415,775	229,195,120
	<u>(195,477,451)</u>	<u>(196,375,989)</u>	<u>(396,820,270)</u>
	<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
Repurchase agreements payable	<i>(291,554,794)</i>	<i>(222,907,099)</i>	<i>(514,461,893)</i>
Reverse repurchase agreements receivable	<i>92,222,467</i>	<i>28,027,841</i>	<i>120,250,308</i>
	<u>(199,332,327)</u>	<u>(194,879,258)</u>	<u>(394,211,585)</u>

17. INSURANCE POLICIES

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Pensions Insurance Corporation	213,000,000	-	213,000,000
Phoenix Life	7,500,000	-	7,500,000
	<u>220,500,000</u>	<u>-</u>	<u>220,500,000</u>
	<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
Pensions Insurance Corporation	<i>206,600,000</i>	-	<i>206,600,000</i>
Phoenix Life	<i>7,500,000</i>	-	<i>7,500,000</i>
	<u>214,100,000</u>	<u>-</u>	<u>214,100,000</u>

The value of the insurance policies is calculated by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme funding valuation assumptions updated for market conditions at the reporting date and adjusted on a cash basis.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

17. INSURANCE POLICIES (continued)

The insurance policy held with Pensions Insurance Corporation relates to a Buy-In Policy purchased to pay pensions direct to members.

The insurance policy held with Phoenix Life is an annuity policy in the name of the Trustee which pays pensions direct to members.

18. AVC INVESTMENTS

The Trustee holds assets invested separately from the main fund in the form of individual insurance policies securing additional benefits for those members electing to pay additional voluntary contributions. As part of the move to Utmost, the Equitable Life with-profits, unit linked and building society pension funds were moved to the Utmost unit-linked funds.

The value of the AVC funds at the year end were as follows:

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
BlackRock Life	6,923,092	-	6,923,092
Aviva Investors	2,879,919	-	2,879,919
Phoenix Life	716,452	-	716,452
BNY Mellon	64,064	-	64,064
Legal & General	-	633,430	633,430
Utmost Life (formerly Equitable Life)	-	23,212	23,212
	10,583,527	656,642	11,240,169
	<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
BlackRock Life	6,360,065	-	6,360,065
Aviva Investors	3,339,431	-	3,339,431
Phoenix Life	716,452	-	716,452
Legal & General	-	579,480	579,480
Utmost Life (formerly Equitable Life)	-	22,427	22,427
	10,415,948	601,907	11,017,855

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. INVESTMENT FAIR VALUE HIERARCHY

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets have been fair valued at the year end using the above hierarchy categories as follows:

	Level 1 £	Level 2 £	Level 3 £	2019 £
LSE Section				
Equities	-	-	19,251,481	19,251,481
Bonds	292,346,138	-	-	292,346,138
Pooled investment vehicles	-	97,819,245	-	97,819,245
Derivatives	-	(1,217,093)	-	(1,217,093)
Repurchase agreements	-	(195,477,451)	-	(195,477,451)
Insurance policies	-	-	220,500,000	220,500,000
AVC investments	-	10,583,527	-	10,583,527
Cash	263,355	-	-	263,355
Income receivable	877,809	-	-	877,809
	293,487,302	(88,291,772)	239,751,481	444,947,011
LCH Section				
Bonds	318,960,830	-	-	318,960,830
Pooled investment vehicles	-	155,657,620	-	155,657,620
Derivatives	-	2,450,921	-	2,450,921
Repurchase agreements	-	(196,375,989)	-	(196,375,989)
AVC investments	-	633,430	23,212	656,642
Cash	478,831	-	-	478,831
Income receivable	1,025,181	-	-	1,025,181
	320,464,842	(37,634,018)	23,212	282,854,036
	613,952,144	(125,925,790)	239,774,693	727,801,047

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. INVESTMENT FAIR VALUE HIERARCHY (continued)

	Level 1 £	Level 2 £	Level 3 £	2018 £
LSE Section				
Equities	-	-	20,663,438	20,663,438
Bonds	293,860,203	-	-	293,860,203
Pooled investment vehicles	-	40,865,856	-	40,865,856
Derivatives	-	399,287	-	399,287
Repurchase agreements	-	(199,332,327)	-	(199,332,327)
Insurance policies	-	-	214,100,000	214,100,000
AVC investments	-	10,415,948	-	10,415,948
Cash	2,269,381	-	-	2,269,381
Income receivable	1,133,506	-	-	1,133,506
	297,263,090	(147,651,236)	234,763,438	384,375,292
LCH Section				
Bonds	308,614,317	-	-	308,614,317
Pooled investment vehicles	-	127,112,307	-	127,112,307
Derivatives	-	243,185	-	243,185
Repurchase agreements	-	(194,879,258)	-	(194,879,258)
AVC investments	-	579,479	22,428	601,907
Cash	102,124	-	-	102,124
Income receivable	1,079,185	-	-	1,079,185
	309,795,626	(66,944,287)	22,428	242,873,767
	607,058,716	(214,595,523)	234,785,866	627,249,059

20. INVESTMENT RISK DISCLOSURES

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit Risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market Risk comprises currency risk, interest rate risk and other price risk, defined as follows:

- **Currency Risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest Rate Risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other Price Risk** is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. INVESTMENT RISK DISCLOSURES (continued)

Both Sections have exposure to these risks via the current investment strategies. The Trustee manages investment risk, including credit risk and market risk by having a well-diversified investment strategy and setting an overall risk budget, within guidelines which are set considering the Scheme's strategic investment objectives. The Trustee monitors these risks on a quarterly basis. The Trustee has adopted an appropriate investment strategy, which is set out in the Scheme's Statement of Investment Principles (SIP). This investment strategy considers advice from its advisers and due regard for the objectives, the liabilities of the Scheme, the risks of and to the Scheme and the Sponsor covenant.

Further information on these risks and the Trustee's approach to risk management is set out below. This does not include AVC investments, as these are not considered significant in relation to the overall investments of the Scheme.

The investment strategy of the LCH Section holds:

- 48% in Liability Driven Investments (LDI). These are investments that aim to move in line with the long-term liabilities of the LCH Section.
- 52% in return-seeking assets

The investment strategy of the LSE Section holds:

- 50% in Liability Driven Investment (LDI).
- 50% in return-seeking assets

Credit Risk

Both Sections of the Scheme are subject to direct credit risk because both Sections directly invest in bonds, over the counter ("OTC") derivatives, have cash balances, enter into repurchase agreements and hold other investment balances. The Scheme is also directly exposed to credit risk in relation to the holdings in the pooled investment vehicles.

Direct credit risk in the segregated LDI portfolios are addressed by investing in government bonds where credit risk is minimal, and bonds are investment grade. Cash within the LDI portfolios is held within funds which have an average credit rating that is investment grade.

Credit risk arising from pooled investment vehicles is mitigated by the majority of the bonds being investment grade rated. Credit risk arising on non-investment grade bonds held through pooled funds (e.g. in the Payden & Rygel Absolute Return Bond Fund) is mitigated through diversification of the underlying securities and through strong credit underwriting to minimise the likelihood and impact of default by any one issuer.

Credit risk arising on any derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements. Credit risk also arises on forward foreign currency contracts. There are some collateral arrangements for these contracts. Schroders monitor the credit worthiness of the counterparties on an ongoing basis and are permitted to enter into a derivative contract with any counterparty they have deemed appropriate on behalf of the Scheme.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. INVESTMENT RISK DISCLOSURES (continued)

Credit Risk (continued)

Direct credit risk arising from investing in pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

A summary of pooled investment vehicles by type of arrangement is as follows:

LSE Section

Fund Manager	Fund Type
AQR Diversified Risk Premia Fund	Open Ended Investment Company (OEIC)
RLAM UK Long Corporate Bond Fund	Open Ended Investment Company (OEIC)
Payden & Rygel Absolute Return Bond Fund	Open Ended Investment Company (OEIC)
Permira Credit Solutions II – Senior Fund	Shares of Limited Liability Partnerships
Oaktree Opportunities IX Fund	Cayman Island exempted limited partnership
Partners Group Real Estate Secondaries Fund	L.P. Inc

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. INVESTMENT RISK DISCLOSURES (continued)

Credit Risk (continued)

LCH Section

Fund Manager	Fund Type
AQR Diversified Risk Premia Fund	Open Ended Investment Company (OEIC)
RLAM UK Long Corporate Bond Fund	Open Ended Investment Company (OEIC)
Payden & Rygel Absolute Return Bond Fund	Open Ended Investment Company (OEIC)
Ruffer Absolute Return Fund	Open Ended Investment Company (OEIC)

Currency Risk

Both Sections of the Scheme are subject to currency risk because some of the investments are held in overseas markets via pooled investment vehicles. Currency risk is addressed for both Sections through currency hedging. All overseas investments are fully currency hedged with exception of the Oaktree Opportunities IX Fund and the Partners Group Real Estate Secondaries Fund of the LSE Section as these are relatively small illiquid investments for which currency hedged share classes do not exist.

Interest Rate Risk

Both Sections of the Scheme are subject to interest rate and inflation risk both in terms of their assets and their liabilities. Both Sections' holdings in LDI, which include bonds, repurchase agreements and cash, are designed to address a portion of liability interest rate and inflation risk by investing in assets/instruments that replicate the interest rate and inflation characteristics of the respective liabilities of both Sections.

If interest rates fall, the value of liability driven investments will rise to help match the increase in value of the actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

If inflation rises, the value of liability driven investments will rise to help match the increase in actuarial liabilities. Similarly, if inflation falls, the LDI will fall in value, as will the actuarial liabilities.

Other Price Risk

Other price risks arise on both Sections' investments in directly held equity and property related funds or exposures held in pooled vehicles. Both Sections look to manage this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. INVESTMENT RISK DISCLOSURES (continued)

Other Price Risk (continued)

The tables below show both Sections' fund exposure to each investment risk. These values estimate the amount by which the Schemes deficit might increase by in a 1-in-20 downside scenario:

LSE Section

Investment Risk	Exposure 2019 £	Exposure 2018 £
Interest rate	1,300,000	1,400,000
Inflation	500,000	900,000
Credit	5,700,000	3,800,000
Currency	1,600,000	1,800,000
Other price	2,400,000	7,700,000

LCH Section

Investment Risk	Exposure 2019 £	Exposure 2018 £
Interest rate	2,400,000	3,600,000
Inflation	600,000	1,200,000
Credit	6,100,000	1,600,000
Currency	1,000,000	4,200,000
Other price	8,100,000	16,800,000

The above figures are net of liabilities.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. INVESTMENT RISK DISCLOSURES (continued)

LSE Section

The following table shows the investment holdings of the LSE Section at 31 December:

Investment Manager	2019 £m	2018 £m	Credit Risk	Currency Risk	Interest Rate Risk	Inflation Risk	Other Price Risk
Schroders Segregated LDI	105.6	105.1			✓	✓	
Schroders Synthetic Global Equity Portfolio	1.2	0.0					✓
AQR Diversified Risk Premia	16.6	-			✓		✓
PIMCO Absolute Return Strategy	-	19.9	✓	✓	✓		
PIMCO Diversified Income Fund	-	14.4	✓		✓		
RLAM UK Corporate Bond Fund	36.7	-	✓		✓		
Payden & Rygel Absolute Return Bond Fund	34.5	-	✓		✓		
Permira Credit Solutions II – Senior Fund	8.2	8.2	✓		✓		
Partners Group Real Estate Secondaries Fund	5.2	5.5		✓			✓
Oaktree Opportunities IX Fund	5.9	6.8	✓	✓	✓		✓

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. INVESTMENT RISK DISCLOSURES (continued)

LCH Section

The following table shows the investment holdings of the LCH Section at 31 December:

Investment Manager	2019 £m	2018 £m	Credit Risk	Currency Risk	Interest Rate Risk	Inflation Risk	Other Price Risk
Schroders Segregated LDI	132.6	121.5			✓	✓	
Schroders Synthetic Global Equity Portfolio	2.6	-					✓
Capital Group Emerging Markets Total Opportunities Fund	-	13.4	✓	✓	✓		✓
LGIM Passive DM Equities	-	42.5		✓			✓
Pyrford Global Total Return	-	8.0	✓	✓	✓		✓
Ruffer Absolute Return Fund	26.8	40.3	✓	✓	✓		✓
AQR Diversified Risk Premia	25.3	-			✓		✓
RLAM UK Aggregate Bond Fund	-	16.6	✓		✓		
RLAM UK Long Corporate Bond Fund	64.9	-	✓		✓		
Payden & Rygel Absolute Return Bond Fund	30.0	-	✓		✓		

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. CONCENTRATION OF INVESTMENTS

The following investments each account for more than 5% of the Scheme's net assets at the year end:

	2019		2018	
	£	%	£	%
Pensions Insurance Corporation (LSE)	213,000,000	29.1	206,600,000	32.1
Royal London Long Corporate Bond Fund (LCH)	64,882,007	8.9	-	-
Royal London Long Corporate Bond Fund (LSE)	36,685,343	5.0	-	-
Ruffer Absolute Return Fund (LCH)	-	-	40,308,819	6.3

22. CURRENT ASSETS

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Cash held by the Scheme Administrator	1,574,893	4,453,123	6,028,016
Contributions due from the Employer	26,882	-	26,882
	<u>1,601,775</u>	<u>4,453,123</u>	<u>6,054,898</u>
	LSE Section 2018 £	LCH Section 2018 £	Scheme 2018 £
Cash held by the Scheme Administrator	14,691,322	1,733,450	16,424,772
Contributions due from the Employer	162,735	-	162,735
	<u>14,854,057</u>	<u>1,733,450</u>	<u>16,587,507</u>

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

23. CURRENT LIABILITIES

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Investment fees due	228,144	253,949	482,093
Administration fees due	155,474	178,543	334,017
Benefits payable	39,957	-	39,957
PAYE due to HMRC	-	32,603	32,603
Due to Employer	-	11,643	11,643
Other creditors	-	72,964	72,964
	423,575	549,702	973,277
	<i>LSE Section 2018 £</i>	<i>LCH Section 2018 £</i>	<i>Scheme 2018 £</i>
Investment fees due	55,000	85,300	140,300
Administration fees due	104,775	69,193	173,968
Benefits payable	110,255	-	110,255
PAYE due to HMRC	-	31,169	31,169
Due to Employer	-	11,643	11,643
	270,030	197,305	467,335

24. RELATED PARTY TRANSACTIONS

During the year one of the Trustee Directors, D Stephens, was a pensioner of the Scheme. His pension was paid in accordance with the Trust Deed and Rules.

Trustee fees and expenses are paid for by the Scheme as shown in Note 9 to the financial statements.

The amount due to the Employer in Note 23 relates to the cost of the calculation of transfers out. Additional transfer out calculations are paid for by the Employer then the member reimburses the cost of the calculation. The amount shown in Note 23 is the amount of the members reimbursement due back to the Employer.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

25. EMPLOYER RELATED INVESTMENTS

Direct investments in the Employer are not permitted and there were none at any time during the year.

As at 31 December 2019, the Scheme had less than 0.01% exposure to Employer related investments (indirectly, through equity indices).

26. TAXATION

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income and capital gains tax.

27. CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES

GMP Equalisation

On 26 October 2018, the High Court ruled that benefits provided to members who had contracted out of their scheme must be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 6 April 1997. Following the ruling, it is expected that the Trustee will need to equalise guaranteed minimum pensions between men and women. This is likely to result in additional liabilities for the Scheme for equalisation of the benefits already crystallised e.g. historical transfers out, retirement benefits etc.

It is estimated that the additional Scheme liabilities due under GMP Equalisation total £0.5m or 0.15%. These liabilities are not considered material to the accounts and therefore no amounts have been accrued on this basis. The Trustee is currently reviewing all options with its Scheme Advisers. GMP Reconciliation and Equalisation Projects are currently being carried out by the Scheme Administrator, with the final data cut awaited from HMRC.

Investment Managers

At 31 December 2019 the LSE Section had contractual commitments of £2,243,282 (2018: £2,310,570) representing the funds committed but not yet invested with Partners Group Real Estate.

The Scheme had no other contractual commitments or contingent liabilities as at 31 December 2019 (2018: Nil).

28. SUBSEQUENT EVENTS

COVID-19

Subsequent to the Scheme's year end, the full extent of the Coronavirus pandemic has begun to emerge with significant volatility in financial markets around the world and Government imposed restrictions on movement. Despite the significant stimulus packages announced by governments around the globe it is likely that many developed economies will enter a period of downturn, the severity and length of which are unknown. The extent of the future impact on the Scheme cannot be estimated with any certainty. The Trustee has been carefully monitoring the Fund's investments during these very volatile times.

The Trustee regards the impact of COVID-19 as a non-adjusting post balance sheet event. No adjustment has therefore been made to the financial statements as at 31 December 2019 and it is difficult to estimate the impact on the Scheme's investments at this stage.

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

ACTUARIAL CERTIFICATES

Certification of the Schedule of Contributions – LSE Section

Adequacy of Rates of Contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have expected on 31 December 2017 to be met by the end of the period specified in the Recovery Plan, dated September 2018.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated June 2018.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature:

Gordon Clark

Scheme Actuary:

Gordon Clark

Qualification:

Fellow of the Institute and Faculty of Actuaries

Date of Signing:

25 September 2018

Employer:

Mercer Ltd
Tower Place
London
EC3R 5BU

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

ACTUARIAL CERTIFICATES

Certification of the Schedule of Contributions – LCH Section

Adequacy of Rates of Contributions

3. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have expected on 31 December 2017 to be met by the end of the period specified in the Recovery Plan, dated December 2018.

Adherence to Statement of Funding Principles

4. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated December 2018.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature:

Gordon Clark

Scheme Actuary:

Gordon Clark

Qualification:

Fellow of the Institute and Faculty of Actuaries

Date of Signing:

19 December 2018

Employer:

Mercer Ltd
Tower Place
London
EC3R 5BU

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2019

Statement about contributions

Opinion

In our opinion, the contributions required by the Schedule of Contributions for the Scheme year ended 31 December 2019 as reported in London Stock Exchange Group Pension Scheme's Summary of Contributions have, in all material respects, been paid in accordance with the Schedules of Contributions certified by the Scheme Actuary on 25 September 2018 and 19 December 2018.

We have examined London Stock Exchange Group Pension Scheme's Summary of Contributions for the Scheme year ended 31 December 2019 which is set out on the following page.

Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the Schedule of Contributions and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Manchester

Date:

31/7/20

LONDON STOCK EXCHANGE GROUP PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAYABLE FOR THE YEAR ENDED 31 DECEMBER 2019

During the year ended 31 December 2019, the contributions payable to the Scheme were as follows:

	LSE Section 2019 £	LCH Section 2019 £	Scheme 2019 £
Employer - Deficit funding	<u>14,000,000</u>	<u>3,000,000</u>	<u>17,000,000</u>
Contributions required by the Schedules of Contributions (as reported on by the Scheme Auditors)	14,000,000	3,000,000	17,000,000
Other Contributions:			
Employer - Expenses	<u>726,882</u>	<u>-</u>	<u>726,882</u>
Total contributions reported in the financial statements	<u>14,726,882</u>	<u>3,000,000</u>	<u>17,726,882</u>

Approved and signed for on behalf of the Trustee by:

Trustee Director:

Trustee Director

Date: 31 July 2020