



# LME Board

## Terms of Reference

## 1 Status

- a) The Board of Directors (the “**Board**”) of The London Metal Exchange (the “**Company**”) is the ultimate decision-making body within the Company. The Board shall be responsible for meeting the Company’s regulatory obligations, including but not limited to those specified within the “REC” section of the FCA Handbook. Taking account of the strategy of the HKEX Group, the Board has primary responsibility for establishing objectives and driving the strategy locally for the Company. The Board is also responsible for the oversight of risk management and internal controls.

## 2 Responsibilities

- a) The Board has the ultimate responsibility for the management, general affairs, direction, performance and long-term success of the Company and has the powers, authorities and duties vested in it by and pursuant to the Company’s Articles of Association and applicable law.
- b) Members of the Board must commit sufficient time to perform their functions on the board, act with honesty, integrity and independence of mind, effectively assess and challenge – where necessary - the decisions of the senior management, and oversee and monitor decision making.
- c) The Board must define, oversee and periodically assess the effectiveness of the implementation of governance arrangements that ensure the effective and prudent management of the Company in a manner which promotes the integrity of the market and satisfies its relevant regulatory obligations and recommend any steps to address deficiencies within the Company’s governance arrangements.
- d) The specific responsibilities assigned to the Board are set out in the LME Board Matters Reserved document.

## 3 Composition

- a) The Board shall be composed of a maximum of twelve Directors, of whom:
- i. One individual shall be appointed by the holders of the majority of the shares as the Chief Executive;
  - ii. Up to four individuals shall be appointed by the Board as Independent Directors; and
  - iii. Up to seven individuals shall be appointed by the holder of the majority of the shares as additional Directors. Such directors may be Executive Directors, non-Executive or otherwise.
- b) A Chair shall be appointed to the Board and selected by the Directors. The Chair shall be deemed independent on appointment. Should the Chair not be present at a meeting of the Board the Directors shall choose one from their number to act as chair for the duration of the meeting.

## 4 Appointment

*Independent Directors*



- a) Independent Directors should be independent in character and judgement, be of good repute and must possess adequate collective knowledge, skills and experience in order to understand the Company's activities, obligations and main risks.
- b) The Independent Directors shall be appointed upon recommendation and/or approval from the Nomination Committee who will take into account the above requirements and other factors as they consider appropriate.

#### *Regulatory Requirements*

- c) The Board shall comply with all relevant regulatory requirements, including (without limitation) REC 2.4A (see the Schedule to the Recognition Requirements Regulations paragraphs 2A and 2B<sup>1</sup>).

#### *Term of Appointment*

- d) Independent Directors and additional Directors who are not Executive Directors shall be appointed for an initial term of two years (or three years if they also serve on the Board of LME Clear). Such Directors shall not ordinarily serve on the Board for more than six years (or nine years if they also serve on the Board of LME Clear). In exceptional circumstances the Nomination Committee, subject to regulatory non-objection, may permit such a Director's term of office to exceed six / nine years for a limited period with view to ensuring good Board succession and continuity.
- e) The Chief Executive and additional Directors who are Executive Directors will serve until their appointment is terminated in accordance with Article 39 or 40<sup>2</sup>.

## **5 Secretary**

- a) The Company Secretary shall act as Secretary of the Board and shall ensure that that the Board receives information and papers in a timely manner to enable full and proper consideration of all issues.

## **6 Frequency of Meetings**

- a) The Board shall meet a minimum of five times per annum, in addition to one strategy day. Additional meetings can be requested at any time by any Director by making such request to the Company Secretary.
- b) All meetings, unless agreed otherwise, will be held in London. All Directors are expected to attend at least one meeting in person over a 12-month period, with certain Directors agreeing to a minimum of three (unless this is not possible due to unforeseen circumstances, e.g. travel restrictions). All meetings can be facilitated by either telephone conference and/or video conference.
- c) Notice of meetings, including time and location, the agenda and meeting papers shall be provided to Directors no later than five calendar days before the meeting.

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<sup>1</sup> <https://www.handbook.fca.org.uk/handbook/REC/2/4A.html>

<sup>2</sup> The circumstances set out in Articles 39 and 40 include, without limitation, that the Executive Director's contract of employment is terminated or that the holders of the majority of the shares terminate the Executive Director's appointment.



- d) The frequency of meetings shall be spaced out across the year to assist the Board in discharging its duties effectively. In the event that a decision is required outside of the meeting cycle, an additional meeting may be convened, subject to sufficient notice to the Board unless waived by the Board, or made by unanimous decision via email and ratified at the following meeting.

## 7 Quorum

- a) Five Directors, including one Independent Director, shall constitute a quorum.

## 8 Committees

- a) The Board shall establish the following Board Committees:

- Arbitration Panel Committee<sup>3</sup>
- Audit & Risk Committee
- Charity Committee
- Enforcement Committee
- Executive Committee
- Nomination Committee
- Remuneration Committee
- Special Committee
- Technology and Operational Resilience Committee
- User Committee

- b) The Company Secretary shall be responsible for ensuring that the activities of these Committees are reported to the Board<sup>4</sup>.

## 9 Minutes of Meetings

- a) The Company Secretary shall minute the proceedings and decisions of all Board meetings.
- b) Draft minutes of the Board meetings shall be promptly circulated to and agreed with the Chairman.

## 10 Relationship between the Company and the HKEX Group

- a) In order to comply with the Company's regulatory obligations as a UK Recognised Investment Exchange ("RIE"), the Board must ensure that the Company is operated as an independent and distinct legal entity. Subject to continuing to satisfy the Company's

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<sup>3</sup> The Board's powers in relation to the Rulebook have been delegated to the Executive of the LME so in practice any decisions in relation to arbitration arising from recommendations of the Committee will be made by the Executive

<sup>4</sup> With the exception of the activities of the Arbitration Panel Committee, whose activities are reported to Excom



regulatory obligations, the Board will seek to promote the success of the company for the benefit of HKEX as the Company's ultimate parent company.

- b) The Company may adopt HKEX Group policies and procedures where applicable and appropriate, and such policies and procedures shall be binding on the Company.

## 11 Authority

- a) The Board may delegate duties to Committees or individuals whilst ensuring there is effective oversight of the delegated duties. A list of matters that have been delegated to Committees can be found in the LME Board Matters Reserved document.
- b) The Board may:
  - i. Seek any information it requires from any employee of the Company and/or the LME Group in order to perform its duties;
  - ii. Obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so; and
  - iii. Call any employee to be questioned at a Board meeting as and when required.

## 12 Confidentiality and Conflicts of Interest

- a) Directors shall treat all information and documentation obtained with the necessary discretion. Confidential information shall not be disclosed outside the Board, made public or otherwise made available to third parties, even after resignation from the Board, unless it has been made public by the Company or it has been established that the information is already in the public domain.
- b) Directors shall not participate in any discussions and/ or decision making process on a subject or transaction in relation to which the Director has a conflict of interest with the Company.
- c) Each Director shall immediately disclose any potential conflict of interest to the Board - including but not restricted to those relating to member firms. These conflicts of interest shall be recorded and tracked by the Company Secretary and Compliance.

## 13 Review of Terms of Reference

- a) At least annually the Board shall review and approve these Terms of Reference.

