

**THE LONDON METAL EXCHANGE  
PHYSICAL MARKET COMMITTEE (“Committee”)  
TERMS OF REFERENCE**

**STATUS**

1.1 The Committee is a sub-committee of the User Committee (the “UC”) of The London Metal Exchange (“LME” or the “Company”). The UC is a sub-committee of the Board of the LME (the “Board”).

**PURPOSE**

2.1 The Committee is responsible for:

- (a) representing the interests of the physical metals trade and industry on issues of strategic importance to the industry and the Company;
- (b) advising the UC, and (in the ordinary course, via the UC) the Board, on strategic issues relating to the global physical metals industry and the Company, including but not limited to warehousing, physical delivery, product developments and global physical market development;
- (c) Considering, from a market user perspective, and at the discretionary request of the Executive Committee of the LME (“EXCOM”), proposals for listing or delisting LME good delivery locations;
- (d) advising the UC, and (in the ordinary course, via the UC) the Board, on emerging business needs and trends relating to the physical market; and
- (e) advising the UC, and (in the ordinary course, via the UC) the Board, on issues related to the physical metals industry and the Company that the Board delegates the Committee to look into from time to time.

2.2 Subject to paragraphs 6.3 and 6.5, the Committee shall advise, and report to, the UC; the UC shall report such advice to the Board in accordance with its terms of reference.

2.3 The Committee shall be given sufficient resources to enable it to perform its functions, including the resources for seeking independent legal and professional advice.

**COMPOSITION**

3.1 The Committee shall comprise balanced and appropriate representation from those involved in the physical metals industry.

3.2 Board Directors or members of the LME Executive may be invited to attend all or part of any meeting as and when appropriate at the discretion of the Chairman.

3.3 The Committee’s members shall be nominated by EXCOM and appointed by the Board.

- 3.4 One member of the Committee shall be nominated by the Warehousing Committee (“WHC”) and appointed by the Board.
- 3.5 The Committee will be chaired by a chairman (the “Chairman”) to be appointed by the Board, upon the recommendation of EXCOM. The Chairman shall have no material interest in the business or businesses of the LME. The Chairman will sit also on the UC and WHC. In the absence of the Chairman, the Committee may nominate an Acting Chairman.
- 3.6 Members of the Committee including the Chairman and Vice Chairman shall generally be appointed for three years per term, and shall be eligible for reappointment by the Board for no more than three terms consecutively.
- 3.7 The LME Company Secretary or his/her nominee shall be the Secretary of the Committee.
- 3.8 The Board may at its sole discretion, or upon the recommendation of EXCOM, request that any member of the Committee (including the Chairman) resign from the Committee at any time, and such person shall comply with such request. No reason or period of notice need be given by the Board.
- 3.9 Should a Committee member cease to be employed by the employer by whom they were employed at the time of their appointment, then they shall be required to tender their resignation from the Committee (unless the Board declares otherwise).
- 3.10 Should two or more Committee members become employed by the same employer or the same group as a result of a corporate transaction or otherwise (except for the reasons covered by clause 3.9), the Board in consultation with the chairman of the Committee shall determine which member should remain on the Committee.

#### **FREQUENCY OF MEETINGS**

- 4.1 The Committee shall meet at least quarterly and more frequently when appropriate.
- 4.2 Committee meeting dates shall be agreed in advance affording adequate notice for maximum participation.
- 4.3 The agenda will be agreed in advance between the Chairman and the Executive (taking into account the requirements of 7.3 below).
- 4.4 Papers prepared for the Committee may be sent (by post, fax, email or other medium) between meeting dates and decisions or recommendations solicited and received between meetings, where necessary, to avoid delays in the decision-making processes.
- 4.5 Failure to attend three consecutive Committee meetings will result in the withdrawal of Committee membership, subject to the discretion of the Committee Chairman and the Board.

#### **QUORUM AND MAJORITY DECISIONS**

- 5.1 To be quorate, the Committee must have at least half of its members present at its

meeting.

- 5.2 Recommendations of the Committee shall be decided by a majority of the members of the Committee being in favour.

#### **REPORTING RESPONSIBILITIES**

- 6.1 The Chairman shall report formally to the UC (via his seat on the UC) on its proceedings after each meeting on all matters within its duties and responsibilities.
- 6.2 The Chairman shall represent the views of the Committee on the WHC (via his seat on the WHC), and shall report the proceedings of the WHC back to the Committee.
- 6.3 If the Chairman feels it is appropriate to report matters directly to the Board, he shall be empowered to raise such issues directly to the Chairman of the LME.
- 6.4 The Committee shall make whatever recommendations to the UC as it deems appropriate on any area within its remit where action or improvement is needed.
- 6.5 The UC has the right to accept, reject or modify any recommendations made to it. In the event that a Committee recommendation is rejected by the UC, the Committee chairman has the right to appeal to the Board.

#### **CONFIDENTIALITY, CONFLICTS OF INTEREST AND COMMERCIALY SENSITIVE INFORMATION**

- 7.1 Committee members must ensure that, unless outside consultation is specifically agreed, all matters discussed and all materials and data made available to them in respect of their Committee-related activities are kept confidential at all times. Further, Committee members must not abuse their Committee status and must not be involved in any decision-making processes in respect of which they may have a conflict of interest. Where Committee members think they may have a conflict of interest in relation to any matter to be discussed at a Committee meeting or that comes under discussion at a Committee meeting, they must absent themselves from the part of the meeting at which that matter is discussed and the minutes of the meeting must record the absence. Further, where the chairman feels that there may be a conflict of interest in respect of any matter to be discussed at a meeting or that comes under discussion at a Committee meeting and it is appropriate for a Committee member to leave all or part of a meeting, the chairman shall ask the member to leave the meeting. No reason need be given. Members that may have a conflict of interest shall receive minutes of the meeting with the matter in respect of which they may have a conflict of interest redacted from the copy of the minutes they receive.
- 7.2 Without prejudice to paragraphs 3.8 and 7.1, the Board may request that a Committee member (including the Chairman or the Vice Chairman) resign from the Committee where the Board has reason to believe that such Committee member has an interest or interests of any form which may conflict with the interests of the Company or with any company within the HKEX group, and the Committee member shall comply with such request. No reason need be given.

7.3 The Company shall observe the requirements relating to the management of inside information and commercially sensitive as prescribed by the Company and notified to the Committee from time to time. In practice, this may mean that consideration of certain items which may be considered to be inside information or commercially sensitive information shall be withheld from meetings of the Committee until such information is within the public domain.