LME
An HKEX Company

Board Risk Committee

Terms of Reference

THE LONDON METAL EXCHANGE
BOARD RISK COMMITTEE
TERMS OF REFERENCE

1. Status

The Board Risk Committee (the "**Committee**") is constituted by the board of directors of The London Metal Exchange (**"LME"** and "**Company**")) ("**the Board**") in accordance with the articles of association of the Company (the "Articles").

2. Purpose

(a) The Committee is to serve as a focal point for communication between the Board and the Executive as regards their duties relating to assurance over the risks to the LME including areas around change portfolio and continuing operational resilience arrangements and the key risk areas for which the Committee is responsible; including risk management therein, internal controls, responses to external and internal audits and such other matters as the Board determines from time to time.

(b) The Committee is to assist the Board in fulfilling its risk oversight responsibilities by providing independent review and supervision of the key risks to the Company. This includes all key risks identified as the Committee's responsibility in the Risk Appetite Statement and includes in particular the change portfolio and technology oversight. Moreover, the Committee will review the ongoing arrangements for Operational Resilience to ensure that the Company has the appropriate ongoing resilience to meet its Risk Appetite and regulatory expectations.

(c) The Board has delegated the responsibilities set out herein to the Committee

3. Administrative Structure

Composition

(a) The Committee will be composed of at least four (4) members, (excluding the secretary of the Committee) of the Board.

(b) Members of the committee shall be appointed by the Board on the recommendation of the Nomination Committee. If a member of the Committee ceases to be a member of the Board, their membership of the Committee shall automatically cease.

(c) Independent advisers may be appointed to the Committee from time to time.

(d) Members of the Committee will collectively have appropriate knowledge, expertise and professional experience concerning technology, associated policies and practices, the change portfolio, risk management and control activities.

(e) Committee membership shall be reviewed on a regular basis, by or in consultation with, the Nomination Committee of the Board.

4. Chair

(a) The chair of the Committee (the "Chair") will be appointed by the Board.

(b) In the absence of the Chair at any meeting, the Committee will choose from their own number a member to act as Chair of that meeting.

(c) The Chair's role requires:

(i) Fostering an open, inclusive and where appropriate, challenging discussion;

(ii) Ensuring that the Committee receives the information necessary to discharge its responsibilities;

(iii) Facilitating the running of the Committee to assist it in providing independent oversight of

executive decisions; and

(iv) Reporting to the Board on the Committee's activities.

5. **Secretary**

The Company Secretary, or their nominee, shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to the given issues.

6. **Quorum**

The quorum necessary for the transaction of business shall be three (3). Decisions shall be determined by simple majority, and, in the event of a tie, the Chair shall have a casting vote.

7. **Frequency of Meetings**

The Committee shall meet with such frequency and at such times as it may determine. It is expected that the Committee shall meet no less than four times per year.

8. **Notice of Meetings**

(a) Meetings of the Committee will be convened by the secretary of the Committee (the "Committee Secretary") or by the Company Secretary, in either case, at the request of the Chair, Committee members, the LME Board Chair, the LME Chief Executive, the LME Chief Technology Officer, or the LME Chief Risk Officer.

(b) Only members of the Committee have a right to attend meetings; however, members of the Board, LME Senior management or HKEX Group Senior management may be invited to attend, as appropriate. In order to ensure coordination with LME Clear the Board will invite a representative of LME Clear to observe the meeting.

(c) The Committee Secretary shall take minutes of meetings of the Committee and retain copies of papers presented at or considered at Committee meetings. Minutes of the preceding meeting shall be approved by the Committee at each meeting. Once approved, the minutes will be authenticated by the Chair or the chair of the meeting as a conclusive record of Committee proceedings at that meeting.

(d) Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend no later than five working days before the date of the meeting (where practical, except in an emergency situation). Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

(e) The Committee may meet for dispatch of business, adjourn and otherwise regulate its proceedings as its members deem fit. Without limiting the generality of the foregoing, any member may participate in a meeting of the Committee by way of telephone, computer or any electronic means of communication, provided that each person participating in the meeting is able to hear and speak. The meeting is deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the Chair of the meeting is located.

9. **Reporting**

The Committee shall report to the Board after each meeting on how it has discharged its responsibilities, the nature of its discussions, recommendations and actions to be taken and on any other matters referred to it by the Board.

10. Minutes of Meetings

The Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

Draft minutes of Committee meetings shall be circulated to all members of the committee. Once approved, minutes should be made available to all members of the Board unless, exceptionally, it would be inappropriate to do so.

11. Authority and Specific Responsibilities

(a) The Committee operates under delegated authority from the Board.

(b) The Committee has authority to investigate any matter relating to the LME that falls within the scope of its remit under these terms of reference.

(c) The specific duties of the Committee shall cover the areas and responsibilities outlined below and the specific Risk Types outlined in the Appendix.

12. Risk Management

The Committee shall:

(a) review the development and effectiveness of the Company's risk management framework and systems with a view to identifying and recommending to the Board an approach to managing the risks faced by the Company as outlined in the Company's Risk Appetite Statement;

(b) review and assess the effectiveness of the Company's risk control and mitigation tools, approach and methodology, including (but not limited to) the enterprise risk management programme and the Company's business continuity and contingency plans and make recommendations to the Board to enable it to exercise its oversight function;

(c) review and approve (or where required recommend to the Board) substantial changes to the Company's Risk Policies as outlined in the appendix;

(d) seek to ensure that management has identified material risks facing the Company and that appropriate arrangements are in place to control and mitigate those risks effectively;

(e) advise and make recommendations to the Board on the principal and emerging risks the company is willing to take in order to achieve its long-term strategic objectives;

(f) review and recommend the LME Risk Appetite Statement to the Board for approval at least once annually, to provide reports to the Board to enable the Board to satisfy itself that the strategy and business plan reflect an appropriate consideration of risk appetite;

(g) review any risk acceptance decisions made by management, and challenge risk information received from the Company's management functions, whilst seeking to ensure that the Company remains within its Risk Appetite;

(h) review and approve the statements to be included in the annual report concerning internal controls and risk management including the assessment of principal risks and emerging risks, and the viability statement;

(i) advise the Board whether there are sufficiently effective extreme event and emergency risk-response protocols to rapidly advise on and escalate significant new, emerging, or crystallising risks to the Board in an emergency situation;

(j) review significant reports from the Company's regulators, as well as recommendations from internal and external auditor relating to risk management issues and risk exposures and management's responses; and

(k) seek to ensure that management has identified material risks relating to Data, Physical Delivery, and Model Risk Types facing the LME and that appropriate arrangements are in place to control and mitigate those risks effectively.



13. **Technology and Cyber**

With respect to LME Technology and Cyber, the Committee shall:

(a) review any IT resilience, cyber and information security programmes, track progress in relation to such programmes and provide reports to the Board as appropriate;

(b) receive reports from management on the LME's cyber security arrangements and agreed metrics;

(c) review and discuss with management the adequacy of the governance and control framework supporting the technology change portfolio;

(d) provide independent oversight of the change portfolio agenda; and

(e) oversee assurance activities across the technology change portfolio where appropriate or directed by the Board.

14. **Change Management**

With respect to LME Change Management, the Committee shall:

(a) advise the Board on innovation and its potential future relevance to the LME;

(b) review and discuss with management the adequacy of the governance and control framework supporting the technology change portfolio;

(c) oversee the identification of material risks facing the fulfilment of the technology change portfolio and operational resilience arrangements, together with the effectiveness of arrangements that are put in place to control & mitigate those risks effectively;

(d) provide independent oversight of the LME change portfolio agenda;

(e) oversee assurance activities across the technology change portfolio where appropriate or directed by the Board.

15. **Operational Resilience**

With respect to Operational Resilience, the Committee shall:

(f) review and discuss with management the adequacy of the governance and risk control framework relating to LME's operational resilience arrangements;

(g) review and assess the adequacy of LME's operational resilience arrangements and operational risk profile;

(h) review the Recovery and Resolution Plan of the Company and provide expert input to the Wind Down Plan and Capital Calculations for consideration by the Board;

(i) oversee the Business Continuity framework (including all relevant policies) and its implementation;

(j) review the Company's process for monitoring its security and business continuity arrangements and make recommendations to the Board to enable it to exercise its oversight function;

(k) review the Company's material outsourcing arrangements and associated mitigants for third-party risk management of Critical Service Providers and make recommendations to the Board to enable it to exercise its oversight function; and

(l) at least annually, review the adequacy of LME's business continuity and disaster recovery arrangements (including, but not limited to the LME and LME Clear Operational Resilience and Business Continuity Policy and LME and LME Clear Crisis Management Plan) and monitor their effectiveness and make recommendations to the Board to enable it to exercise its oversight function.

16. **General Duties**

The Committee shall also:

(a) report on Committee business to the Board, with such recommendations as the Committee may deem appropriate;

(b) do any such things to enable it to discharge any powers and functions conferred on it by the Board; and

(c) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the respective constitutions of the LME or imposed by applicable legislation or regulation.

Notwithstanding the foregoing, the Committee shall not have authority to approve any decision that could have a significant impact on the risk profile of the LME. Any such decision shall be referred to the Board for approval.

17. **Other Matters**

The Committee shall:

(a) have access to sufficient resources and training in order to carry out its duties;

(b) have access to members of management and legal counsel at any meeting if necessary; and

(c) at least annually, review its own performance, constitution, and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

The Committee is authorised to appoint, at the LME's expense, consultants in respect of any matter within its terms of reference.

18. **Conflict of Interests**

A Committee member must declare to the Chairman the nature and extent of any conflict of interest ("**conflict**") he or she may have as soon as reasonably practicable. The Committee member shall provide the Chairman with such details of the matter as is necessary for the Chairman to determine how to address the conflict, together with such additional information as the Chairman may request. Where the chairman considers that any member has an actual or potential conflict on a particular matter, that Committee member shall not be permitted to vote in relation to that matter. Any conflicts shall be dealt with in accordance with the Company's Conflicts of Interest Policy as applicable from time to time.

LME Policy Matrix

Risk Appetite Statement	Policy	Executive	Board Risk Committee	Board
Third-Party Risk	LME Group Outsourcing and Third Party Risk Management Policy	Recommend (CEO can approve non-material changes)	Advise Board (endorse)	Approve (material changes)
	Group Third Party Risk Management Policy ** Group Procurement Policy **	Recommend	Approve	-
Operational Risk	Operational Risk Policy Group Incident Escalation & Reporting Policy ** Group Risk Management Policy	Recommend	Approve	-
	LME Risk Appetite Statement	Recommend	Advise Board	Approve
Business Continuity Risk	LME and LME Clear Operational Resilience and Business Continuity Policy LME and LME Clear Crisis Management Plan	Recommend	Advise Board	Approve
	Group Business Continuity Management Policy **	Recommend	Approve	
Data Risk	Group Record Retention Policy ** Group Privacy Policy **	Recommend	Approve	-
Change Risk	Group New Product Policy **	Recommend	Approve	-
Cyber Risk	Group Cyber Risk Management Policy ** Group Acceptable Use of Information & IT Systems **	Recommend	Approve	-
Technology Risk	Group End User Computing Policy **Group Technology Risk Management Policy **	Recommend	Approve	-

** HKEX Group Policies

Appendix – Key Risk Types Mapping

Risk Type	Key LME Committee Consideration Ownership
Strategic	Board
Legal	Board
Reputational	Board
Technology	Board Risk Committee
Operational	Board Risk Committee
Third Party	Board Risk Committee
Data	Board Risk Committee
Change	Board Risk Committee
Cyber	Board Risk Committee
Business Continuity	Board Risk Committee
Human Capital	Board Risk Committee
Fraud	Audit Committee
Compliance	Audit Committee
Conduct	Board Risk Committee
Capital	Audit Committee
Credit	Board Risk Committee
Market	Board Risk Committee
Payment and Settlement	*Not applicable*
Custody	*Not applicable*
Liquidity	*Not applicable*
Model	Board Risk Committee
Markets and Trading	Board Risk Committee
Physical Markets	Board Risk Committee