IG Group

Group Audit Committee Terms of Reference

The Group Audit Committee (the “Committee”) is a Committee of IG Group Holdings plc (the "Jersey TopCo" or the “Group” or the “Company”) Board from which it derives its authority and to which it regularly reports. References to the Company or the Group shall include all other wholly owned subsidiaries in the Group.

The Committee should carry out the duties below for the Group, and where applicable, IG UK Holdings Limited (“IGUK”), IG Markets Limited (“IGM”) and IG Index Limited (“IGI”).

The Committee oversees financial reporting, maintains an appropriate relationship with the internal and external auditors and monitors internal controls and, in coordination with the Group Risk Committee, supports the Group in its oversight of the risk management and internal control framework.

The Committee shall follow the requirements of the Financial Reporting Council’s (“FRC's”) Audit Committees and the External Audit: Minimum Standard, as incorporated into the UK Corporate Governance Code (the “Code”).

1 Duties

1.1 Group Corporate Reporting

The Committee shall:

a. monitor the integrity of the financial and narrative statements of the Company, including its annual and half yearly reports and results announcements and other formal announcements relating to its financial performance, and review and report to the Group Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the external auditor;

b. provide advice to the Group Board on whether the Company’s Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy and whether it informs the Group Board’s statement in the Company’s Annual Report as required under the Code;

c. review and recommend to the Group Board summary financial statements, and any financial information contained in certain other documents for the Company, such as announcements of a price sensitive nature, and report to the Group Board on any material findings, provided that such monitoring and review is not inconsistent with any requirement for prompt reporting under the UK Listing Rules. Wherever practicable, sufficient time should be given between meetings of the Committee and the publication of financial information so that any issues which may have arisen can be resolved;

d. where required, in order to support the availability of distributable profits for the purposes of payment of dividends to shareholders, to review and recommend to the Group Board the half-year accounts or interim accounts of the Company and report to the Group Board on the availability of such distributable profits;

e. review the clarity, completeness and appropriateness of disclosure in the Company’s financial statements and the context in which statements are made, including the Going Concern Statement and an explanation of how the future prospects of the Company have been assessed, and make recommendations to the Group Board on the adoption of the Going Concern Statement;

f. review the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company;

g. review the methods used to account for significant or unusual transactions for the Company where different approaches are possible, including any off-balance sheet activities/accounting;

h. review whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

i. review all material information presented with the Company's financial statements, such as the strategic report (including the reporting of non-financial information) and the corporate governance statement (insofar as it relates to the audit and risk management);

j. review the basis of reporting and the key judgements relating to external sustainability-related disclosures, including the identification of material sustainability matters and the processes for gathering and verifying sustainability data;

k. review and provide oversight of all elements of the sustainability strategy that are reported in the Company's Annual Report and other public reporting, including:

i. Regulatory reporting of emissions and energy usage (SECR regulation)

ii. Climate-related risk reporting (TCFD regulation)

iii. Reporting of Diversity and Inclusion data; and

iv. Reporting of Brighter Future Fund impact (to the extent required).

Where the Committee is not satisfied with any aspects of the proposed financial reporting by the Company, it shall report its views to the Group Board.

1.2 IGUK, IGM, and IGI Corporate Reporting

The Committee shall:

a. monitor the integrity of the financial and narrative statements of IGUK, IGM and IGI including their annual reports and inform each of the IGUK, IGM and IGI Boards respectively of significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the external auditor;

b. provide advice to each of the IGUK, IGM and IGI Boards on whether each of their Annual Report and Accounts respectively taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess IGUK, IGM and IGI's position and performance, business model and strategy.

Wherever practicable, sufficient time should be given between meetings of the Committee and the publication of financial information so that any issues which may have arisen can be resolved.

c. review the methods used to account for significant or unusual transactions for IGUK, IGM and IGI where different approaches are possible, including any off-balance sheet activities/accounting;

d. review whether IGUK, IGM and IGI have followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor; and

e. review all material information presented with the IGUK, IGM and IGI financial statements, such as the strategic report (including the reporting of non-financial information) and if applicable the corporate governance statement (insofar as it relates to the audit and risk management).

Where the Committee is not satisfied with any aspects of the proposed financial reporting by IGUK, IGM, and IGI, it shall inform the IGUK, IGM and IGI Board respectively.

1.2A Other Material Group Subsidiaries

The Committee shall, in respect of each material Group subsidiary outside the UK Sub-Group (currently including tastytrade and Independent Reserve, and, on completion of its proposed acquisition, Underdog):

a. monitor the integrity of that subsidiary's financial statements and other financial reporting prepared for statutory, regulatory or lender purposes, and inform the subsidiary's board of significant financial reporting issues and judgements which they contain, having regard to matters communicated by its auditor (which may differ from the Group's external auditor);

b. review the methods used to account for significant or unusual transactions at that subsidiary, including any off-balance sheet activities or accounting, and whether the subsidiary has followed appropriate accounting standards (which may include US GAAP or other local standards) and made appropriate estimates and judgements;

c. review all material information presented with that subsidiary's financial statements, including any strategic or narrative report;

d. where relevant, review the integration of a newly acquired material subsidiary's financial reporting and controls into the Group's consolidated reporting and control framework, until the Committee is satisfied that the subsidiary is fully aligned with Group standards; and

e. where the Committee is not satisfied with any aspect of the proposed financial reporting of a subsidiary within this paragraph, report its views to the Group Board and, where applicable, inform the subsidiary's board.

f. For the avoidance of doubt, this paragraph does not require the Committee to duplicate the statutory audit committee or equivalent governance function (if any) of a subsidiary regulated in its own jurisdiction, but to maintain Group-level oversight consistent with its oversight of IGUK, IGM and IGI under paragraph 1.2.

1.3 Risk Management and Internal Control Framework

The Committee shall:

a. receive a report from the Group Risk Committee in order to gain comfort that an appropriate and effective risk framework exists to ensure the accurate production of the financial results;

b. receive on an annual basis, a report from the Group Risk Committee on the effectiveness of the Group's risk management and internal control framework;

c. review and recommend to the Group Board for approval, the Group's Tax Risk Management Policy and Group Tax Management Framework;

d. review and recommend to the Group Board, the statements to be included in the Company's Annual Report concerning internal controls;

e. annually receive and review a report on the effectiveness of the Group's control environment relating to the safeguarding and holding of the Group's Client Money and Assets ("CASS");

f. review an assessment of the control environment via internal audit reports and the progress on implementation of audit recommendations via the Control Action List;

g. review the findings of the CASS Audit Reports. This shall include, but not be limited to the following:

i. a discussion of any major issues, including of any significant breaches, with the CASS Auditor; and

ii. a review and recommendation to the respective Boards of IGUK, IGM and IGI, the management response to the findings contained in the CASS Audit Report.

h. in coordination with the Group Risk Committee (which has primary oversight of the risk management framework), support the Group Board in its monitoring of the Company's internal control framework on an ongoing basis, and in carrying out at least annually a review of the effectiveness of that framework. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls, having regard to reports received from the Group Risk Committee under paragraph 1.3.b;

i. support the Group Board in making and reporting in the Company's Annual Report:

i. a description of how the Group Board has monitored and reviewed the effectiveness of the risk management and internal control framework during the period;

ii. a declaration of effectiveness of the material controls as at the balance sheet date; and

iii. a description of any material controls which have not operated effectively as at the balance sheet date, the action taken or proposed to improve them, and any action taken to address previously reported issues.

j. consider and advise the Group Board on the criteria for determining which controls are 'material' for the purposes of the internal controls declaration, in consultation with the Group Risk Committee to ensure alignment with the Group's principal risks. The criteria should have regard to controls whose failure could reasonably influence decisions by stakeholders, particularly in relation to financial and non-financial reporting.

k. Consider whether the assurance obtained through the first line (management), second line (risk and compliance functions) and third line (internal audit) is sufficient to enable the Group Board to make the declaration of effectiveness, and whether any external assurance is required.

1.4 Whistleblowing

The Committee shall:

a. review and recommend for Group Board approval any changes as needed to the Group's arrangements and Policy for its workforce to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

1.5 Internal Audit

The Committee shall:

a. approve the appointment, line reporting arrangements and removal of the Global Head of Internal Audit;

b. consider and approve the charter of the Internal Audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the Internal Audit function has unrestricted scope, adequate standing and is free from management or other restrictions;

c. monitor and review the effectiveness of the Internal Audit function in the overall context of the Group's internal controls and risk management systems and in doing so determine whether the quality, experience and expertise of internal audit is appropriate for the business;

d. review and approve the Group's Internal Audit plans ensuring they are aligned to the key risks of the business and the risk taxonomy;

e. review all reports on the Group from the Internal Audit function, including the annual review of the overall effectiveness of the governance, and risk and control framework of the Group;

f. review and monitor management's responsiveness to the findings and issues raised by the Internal Audit function;

g. receive a summary report on the results of the core assurance work of the Internal Audit function on a periodic basis and monitor the consolidated Control Action List and themes arising;

h. meet the Global Head of Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from the Internal Audits carried out. In addition, the Global Head of Internal Audit shall be given the right of direct access to the Chair of the Company, the Group Board and its Committees, providing independence from the executive and accountability to the Committee;

i. obtain an independent external assessment of the Internal Audit function at an appropriate interval and at least once every five years. The results of the assessment will be considered by the Committee;

j. receive periodic updates on general developments in Internal Audit practice;

k. consider and agree with the Global Head of Internal Audit how the Internal Audit function will support the Board's compliance with Provision 29 of the Code, including the testing and assurance of material controls; and

l. receive from Internal Audit an annual opinion on the adequacy and effectiveness of the Group's governance, risk management and control framework to support the Board's declaration of effectiveness.

For the avoidance of doubt, reporting on advisory / consultancy work conducted by the Internal Audit Function is a matter for the Group Risk Committee.

1.6 External Audit

The Committee shall:

a. review and approve the annual Group audit plan and ensure that it is consistent with the scope of the audit engagement;

b. if the external auditor resigns, investigate the issue leading to this and decide whether any action is required;

c. annually review and approve the Group's policy on the supply of non-audit services by the external auditor including approval of non-audit services by the Committee and specifying the types of trivial non-audit service to be pre-approved, together with an assessment of whether the non-audit services have a direct or material effect on the audited financial statements to ensure that the supply of such services does not impair auditor independence or objectivity, taking into account any relevant law, regulation, the Ethical Standard and other professional requirements. The Company's Annual Report to shareholders should explain how, if the external auditor supplies non-audit services, auditor independence and objectivity is safeguarded;

d. approve the remuneration of the external auditor, and determine whether fees for audit or non-audit services (and the level of fees) are appropriate to enable an adequate audit to be conducted;

e. approve the terms of engagement of the external auditor, including any engagement letter issued at the start of each audit and the scope of the audit;

f. approve and monitor the Group's policy that the Committee must give its prior approval of the employment of any individual who has been engaged by the external auditor in the audit of the Company or the Group;

g. consider and make recommendations to the Group Board (to be put to shareholders for approval at the Annual General Meeting) in relation to the appointment, re-appointment and removal of the Group's external auditor. The Committee shall oversee the selection process for new auditors;

h. ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other firms and in respect of such tender conduct the selection process and ensure that all tendering firms have such access as is necessary to information and individuals for the duration of the tendering process;

i. review and recommend to the Company, IGUK, IGM and IGI Boards any representation letter(s) requested by the external auditor before they are signed by management in respect of the annual financial statements;

j. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year without management being present, to discuss their remit and any issues arising from the audit;

k. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

i. a discussion of any major issues which arose during the audit;

ii. the auditor's explanation of how the risks to audit quality were

addressed;

iii. key accounting and audit judgements;

iv. the auditor's view of their interaction with senior management;

v. levels of errors identified during the audit; and

vi. reviewing the effectiveness of the audit.

l. annually assess the external auditor's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures, taking

into consideration relevant UK professional and regulatory requirements. The assessment of external audit effectiveness should include consideration of:

i. whether the auditor demonstrated appropriate professional scepticism and challenge;

ii. how the auditor responded to the Committee's questions and concerns;

iii. the quality and timeliness of reports and other communications;

iv. findings from any regulatory inspection reports on the audit firm's quality; and

v. the auditor's own internal quality procedures.

m. annually assess the external auditor's independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the external auditor as a whole (including any threats to the external auditor's independence and the safeguards applied to mitigate those threats) and including the provision of any non-audit services and the impact this may have on their independence.

m. satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Group (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity.

o. consider the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners and other related requirements as part of the year-end process.

p. when conducting an audit tender, ensure that:

i. the participation of firms beyond the largest audit firms is not precluded without good reason;

ii. steps are taken to ensure that the Company has a sufficient number of potential auditors that are independent (or capable of becoming independent within the required timeframe) to allow for adequate competition and choice;

iii. the tender process commences sufficiently in advance to allow firms to exit relationships that may cause a conflict of interest;

iv. all tendering firms have sufficient access to information and individuals during the tender process;

v. tenders are evaluated based primarily on quality (including technical competence, independence and challenge) rather than price or perceived cultural fit, and consideration is given to conducting price-blind tenders;

vi. public reports on audit quality published by the FRC or other regulators and each firm's audit quality indicators are reviewed as part of the evaluation;

vii. all Committee members are involved in the tender process; and

viii. at least two options are presented to the Board, together with a justified preference for one of them.

q. ensure the Company manages its non-audit relationships with audit firms to preserve a fair choice of suitable external auditors at the next tender, having regard to the need for greater audit market diversity and any market opening measures which may be introduced.

r. where appropriate, engage with shareholders on the scope of the external audit, and where shareholders have requested that certain matters be covered in an audit and that request has not been accepted, ensure an explanation of the reasons is provided in the Annual Report.

s. promote a culture that invites challenge by the external auditor, giving due consideration to points raised and making changes to financial statements in response where appropriate.

1.7 Other

The Committee shall:

a. have regard to, or consider in the reporting to the Committee, management's compliance with the (twelfth) FCA Principle introduced by the FCA's Consumer Duty regulation which requires firms "to act to deliver good outcomes for retail clients" in respect of IGUK, IGM and IGI. Consumer Duty creates a higher and more exacting standard of conduct.

b. Monitor and review the effectiveness of the Group's sustainability reporting controls and processes, ensuring these are commensurate with the controls over financial reporting as sustainability reporting requirements evolve.

1.8 Sustainability Oversight

The Committee shall:

a. Oversee sustainability regulation horizon scanning, including upcoming reporting requirements related to environmental matters and Diversity and Inclusion;

b. Review and monitor the Company's compliance with sustainability reporting regulations and requirements;

c. Provide oversight of the implementation of sustainability reporting frameworks to ensure accurate and timely disclosure; and

d. consider emerging sustainability reporting requirements and any implications for the control environment, including the potential need for assurance over sustainability information.

2 Membership

2.1 Members of the Committee shall be appointed by the Group Board, on the recommendation of the Nomination Committee in consultation with the Committee Chair.

2.2 The Committee shall be comprised of at least three independent Non-Executive Directors. At least one Committee member shall have recent and relevant financial experience. The Chair of the Group Board shall not be a member of the Committee. The Committee as a whole shall have competence relevant to the sector in which the Group operates, including the financial services sector.

2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals, including the Group Board Chair, Group Chief Executive Officer, Group Chief Financial Officer, other directors of Jersey TopCo, IGUK, IGM and IGI, the Group Chief Risk Officer, Group General Counsel, Global Head of Internal Audit and representatives from the finance function or any employee of the Group may be invited to attend all or part of any meeting as and when appropriate.

2.4 The Group's external auditor will be invited to attend meetings of the Committee on a regular basis.

2.5 The Group Board shall appoint the Committee Chair who shall be an independent Non-Executive Director. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.

2.6 There should be some cross-membership between the Committee and the Group Risk Committee.

3 Secretary

3.1 The Group Company Secretary (the "Secretary") or their nominee shall act as the Secretary of the Committee and attend all meetings. The Secretary will ensure that the Committee receives information and papers in a timely manner to enable full consideration to be given to all matters by the Committee.

4 Quorum

4.1 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present (in person or virtually) shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5 Conflicts of Interest

5.1 Each member of the Committee should consider whether they have any conflicts of interest prior to participating in meetings of the Committee and contributing to decisions.

6 Frequency of Meetings

6.1 The Committee shall meet at least three times a year at appropriate times in the financial reporting and audit cycle and as required.

7 Notice of Meetings

7.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair or by any of its members or at the request of external or internal auditors if they consider it necessary.

7.2 Notice of each meeting confirming the venue, time and date, together with an agenda, shall be sent to Committee members and any other attendees, no later than five working days before the date of the meeting, or as otherwise agreed with the Committee Chair. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

8 Minutes of Meetings

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

8.2 Draft minutes of Committee meetings shall be circulated to all members of the Committee in the next meeting pack, unless a conflict of interest exists.

8.3 Where required due to urgency or expediency, a decision may be recorded and agreed by all the members of the Committee electronically and will be as effective as a resolution passed at a Committee meeting.

9 Engagement with Shareholders

9.1 The Committee Chair shall attend the Annual General Meeting to respond to any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

10 Reporting Responsibilities

10.1 The Committee Chair shall report formally to the Group Board and the Boards of IGUK, IGI and IGM after each meeting on the content of its discussion, recommendations and actions to be taken. In reporting to the Boards of IGUK, IGI and IGM, the Committee Chair shall address matters pertinent to those entities specifically, reflecting their reliance on the Committee in the absence of their own audit committee.

10.2 The Committee shall produce a report to be included in the Company's Annual Report describing its work as set out in the Code and the FRC's Audit Committees and the External Audit: Minimum Standard. This will include:

a. how the Committee has addressed the effectiveness and independence of the external audit process;

b. the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;

c. an explanation of the application of the Group's accounting policies, having regard to matters communicated by the external auditor;

d. the approach taken to the appointment or reappointment of the external auditor;

e. information on the length of tenure of the current audit firm, when a tender was last conducted, and advance notice of any retendering plans;

f. where shareholders have requested that certain matters be covered in an audit and that request has not been accepted, an explanation of the reasons;

g. where applicable, an explanation for the absence of an internal audit function, how internal assurance is achieved, and how this affects the work of external audit; and

h. membership of the Committee and attendance.

11 Authority

The Committee is authorised:

11.1 to investigate any activity within its terms of reference and to seek any information it requires from any employee of the Group to perform its duties. The Committee shall have access to all records of the Group and any relevant internal or external reports;

11.2 to obtain, at the Group's expense, outside legal or other independent professional advice on any matter within its terms of reference; and

11.3 to ask any employee to attend a Committee meeting if required.

12 Other Matters

The Committee shall:

12.1 have access to sufficient resources in order to carry out its duties, including access to the services of the Group Company Secretary for advice and assistance as required;

12.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

12.3 give due consideration to all applicable laws and regulations, in particular the Directors' duties contained in the Companies (Jersey) Law 1991, the Companies Act 2006, the Code and associated guidance, the requirements of the UK Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook, Market Abuse Regulation and any other applicable rules, as appropriate;

12.4 monitor the progress of any relevant corporate governance or regulatory developments that may impact the Committee and recommend any action or changes it considers necessary to the Group Board for approval;

12.5 consider the Group's Sustainability strategy and any implications during its discussions and decision-making;

12.6 work and liaise as necessary with all Group Board committees;

12.7 at least annually, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any necessary changes to the Group Board for approval. The annual review should include consideration of any updates to the Code, the FRC's Audit Committees and the External Audit: Minimum Standard, and related regulatory requirements; and

12.8 In accordance with Principle C of the Code, ensure that its reporting focuses on the Committee's decisions and their outcomes in the context of the Company's strategy and objectives, rather than routine descriptions of processes. Where the Committee reports on departures from the Code's provisions, it shall ensure clear explanations are provided.