

**CMC Markets plc**  
("the Company")

**GROUP RISK COMMITTEE**  
("the Committee")

**TERMS OF REFERENCE**

**1. CONSTITUTION**

1.1 The Committee was constituted as a committee of the board of directors ("board") of the Company at a meeting of the board held on 25 January 2016 in accordance with the articles of association of the Company. These terms of reference replace any previous terms of reference for any previous Risk committee of the board.

1.2 The Committee has the delegated authority of the board in respect of the functions and powers set out in these terms of reference.

1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Company Secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

**2. MEMBERSHIP**

2.1 The Committee shall comprise of a minimum of three members. Each Committee member shall be an independent non-executive director as determined by the board, at least one of whom should have recent and relevant experience working with risk management and oversight. The Chairman of the Audit Committee should participate in the activities of the Committee. If the board decides that a member of the Committee is no longer independent that director will then cease to be a member of the Committee.

2.2 The board shall appoint members of the Committee, on the recommendation of the Nomination Committee, in consultation with the Committee chairman.

2.3 The chairman of the board may be a member but shall not chair the Committee.

2.4 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.

2.5 The board shall appoint the chairman of the Committee from among the independent non-executive directors and shall determine the period for which the chairman of the Committee will hold office. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.

2.6 The Committee chairman shall review membership of the Committee annually, as part of the annual effectiveness review of the Committee.

2.7 The Company Secretary, or his or her nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and

ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

### **3. MEETINGS: ATTENDANCE, NOTICE, QUORUM AND VOTING**

3.1 The Committee shall meet at least four times a year at appropriate times in the Company's reporting cycle.

3.2 Outside of the formal meeting programme, the Committee chairman shall maintain a dialogue with key individuals involved in the Company's governance, including the board chairman, the Chief Executive Officer, the Chief Operating & Financial Officer, Group Commercial Director, Group Head of Risk and Head of Compliance as required.

3.3 Only Committee members have the right to attend and vote at Committee meetings. However, the Chief Executive Officer, Chief Operating & Financial Officer, Group Commercial Director, Group Head of Risk, Head of Compliance, and other non-members may be invited to attend meetings of the Committee by invitation for all or part of any meetings as and when necessary. The Committee chairman shall have the discretion to decide who, other than the Committee members, shall attend and address Committee meetings.

3.4 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

3.5 Committee members shall be deemed to meet together if they are in separate locations but are linked by conference telephone or other communication equipment which allows those participating to hear and speak to each other.

3.6 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the Chief Executive Officer, Chief Operating & Financial Officer, Group Commercial Director, Group Head of Risk or Head of Compliance

3.7 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be considered, shall be sent to each member of the Committee and any other person invited to attend, at least three days prior to the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time, but Committee papers may be forwarded at shorter notice with the approval of the Committee chairman.

3.8 The quorum necessary for the transaction of business at a Committee meeting shall be two members for the duration of the meeting. If there is difficulty in achieving a quorum, independent non-executive directors, who are not members of the Committee, may be co-opted as members for individual meetings.

3.9 A duly convened Committee meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

3.10 Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting.

3.11 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly, has a personal interest that member shall not be permitted to vote on that matter.

3.12 Except where he has a personal interest, the Committee chairman shall have a casting vote.

#### **4. DUTIES AND RESPONSIBILITIES**

The Committee shall carry out the following duties for the Company and its subsidiaries, including CMC Markets UK plc, (the "Group") as appropriate:

##### **4.1 Risk Framework and Appetite**

The Committee shall:

(a) Monitor, review and advise the board, as appropriate, on the integrity of the risk reporting in relation to:

(i) The Company's overall risk appetite, tolerance and strategy, ensuring consideration of the current and prospective financial environment;

(ii) Current risk exposures of the Company and future risk strategy; and

(iii) The overall risk assessment processes reported to the board, ensuring both qualitative and quantitative metrics are used.

(b) Review and report to the board on significant risk reporting issues and judgements which the annual report and financial statements, interim reports, preliminary announcements and related formal statements contain having regard to matters communicated to it by the external auditor, internal auditors or senior management;

(c) Review the Company's capability to identify and manage new risk types;

(d) Review all material information presented with the financial statements, such as the risk report and the corporate governance statements, insofar as it relates to risk management;

(e) Review and, as appropriate, recommend for board approval the Risk Management Framework;

(f) Review and, as appropriate, recommend for board approval the Risk Appetite Statement;

(g) Review proposed strategic transactions, including acquisitions or disposals, ensuring appropriate due diligence is undertaken on risk aspects and implications for the risk appetite and tolerance of the Company. Independent external advice may be sought as appropriate; and

(h) Review and, if appropriate, recommend for board approval the Internal Capital Adequacy Assessment Process ("ICAAP"), Individual Liquidity Adequacy Assessment ("ILAA") and Contingency Funding Plan ("CFP") documents on an annual basis.

##### **4.2 Risk management systems and internal controls**

The Committee shall:

(a) Risk management

(i) On behalf of the board (which retains overall responsibility for risk management), monitor the Company's risk management system and, at least annually, carry out a review of its effectiveness;

(ii) Where requested by the board, ensure that a robust assessment of the principal risks facing the Company has been undertaken and provide advice on the management and mitigation of those risks;

(iii) Oversee and advise the board on the Company's and the Group's current risk exposure and future risk strategy and annually consider whether the remuneration arrangements for executives incentivises inappropriate risk taking; and

(iv) Review reports on any material breaches of risk limits and the adequacy of proposed action(s).

(b) (i) Review the Company's risk systems and, at least annually, carry out a review of its effectiveness and approve the statement to be included in the annual report concerning risk management; and

(ii) Approve the annual Risk plan and monitoring plan/update.

(c) (i) Review the assurance reports from management on the effectiveness of the internal control and risk management systems and the operational effectiveness of matters related to risk and control; and

(d) (i) Consider any necessary disclosure implications of the process that has been applied by the board to deal with material risk management aspects of any significant problems disclosed in the annual report and accounts; and

(ii) Consider the major findings of any relevant internal investigations into risk weaknesses, or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate.

(e) Consider and monitor the remit of the risk management 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 monitor whether the function has adequate independence and is free from management and other restrictions.

#### 4.3 Appointment and removal of the Group Head of Risk and Head of Compliance

The Committee shall:

- (a) Recommend to the Nomination Committee/ board on the appointment or removal of the Group heads of Risk and Compliance functions;
- (b)
  - (i) Review all reports on the Company from the Group heads of Risk and Compliance functions; and
  - (ii) Monitor management's responsiveness to the findings and recommendations of the Group heads of Risk and Compliance functions.
- (c) Ensure the Chief Operating & Financial Officer, Group Head of Risk and Head of Compliance have the right of unfettered direct access to the Chairman of the board and to the Committee.

#### 4.4 Compliance

The Committee shall:

- (a) Review the Company's systems and controls for ethical behaviour and the prevention of financial crimes (including but not limited to bribery and money laundering) and receive reports on non-compliance;
- (b) Keep under review the adequacy and effectiveness of the Company's compliance function;
- (c) Approve the annual Compliance plan and monitoring plan/update; and
- (d) Review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to recommendations arising from the Company's compliance monitoring.

### 5. MINUTES OF MEETINGS

5.1 The company secretary (or his or her nominee) shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance .

5.2 Draft minutes of Committee meetings shall be circulated promptly to all Committee members .

5.3 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

### 6. ANNUAL GENERAL MEETING

6.1 All Committee members shall attend the annual general meeting and the Committee chairman (or other appropriate member) shall be available to respond to any shareholder questions on the Committee's activities and areas of responsibility.

6.2 Consider and make recommendations to the board, to be put to shareholders for approval at the Company's Annual General Meeting ("AGM"), on any necessary risk related matters .

### 7. REPORTING RESPONSIBILITIES

The Committee shall:

7.1 Report to the board on its proceedings after each meeting on all matters within its duties and responsibilities and the minutes of all Committee meetings shall be made available to board members;

7.2 Prepare a formal report to shareholders on its activities to be included in the Company's annual report, which shall include:

(a) Details of the membership of the Committee, number of meetings held and attendance over the course of the year;

(b) The significant issues that the Committee considered in relation to risk management and how these issues were addressed, having regard to matters communicated to it by the external auditor;

(c) Confirmation that the board has carried out a robust assessment of the principal risks facing the Company, a description of those risks and an explanation as to how they are being managed and mitigated;

(d) Reporting on stress testing other than that included within the ICAAP process; and

(e) Any other issues on which the board has requested the Committee's opinion.

7.3 In compiling the above report, exercise judgement in deciding which of the issues it considers in relation to risk management are significant, but include at least those matters that have informed the board's assessment of the quality/ appropriateness of the Company's risk management;

7.4 Make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed;

7.5 Where disagreements between the Committee and the board cannot be resolved, report the issue to the shareholders as part of the report on the Committee's activities in the annual report;

7.6 The director's report in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments; and

7.7 Make available to shareholders these terms of reference by placing them on the Company's website.

## **8. GENERAL MATTERS**

The Committee shall:

8.1 Consider other duties determined by the board from time to time;

8.2 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary, as required;

8.3 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members. Any individual training should be discussed and agreed with the Company Secretary;

8.4 Give due consideration to all applicable laws and regulations, in particular the directors duties contained in the Companies Act 2006, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Rules and Transparency Rules and any other applicable rules as appropriate;

8.5 Work and liaise as necessary with all other board committees; and

8.6 Arrange for annual review of its own effectiveness and performance and, at least annually, review its terms of reference and recommend any changes it considers necessary to the board for approval.

## **9. AUTHORITY**

The board authorises the Committee to:

9.1 Carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, appropriate professional advice on any matter within its terms of reference as it considers necessary;

9.2 Seek any information it requires from any employee of the Company or any of the Company's subsidiaries to perform its duties;

9.3 Secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense;

9.4 Call any employee to be questioned at a Committee meeting as and when required and all employees are directed to co-operate with any request made by the Committee;

9.5 Have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the board;

9.6 Commission, at the Company's expense, any reports or surveys which it deems necessary to help it fulfil its obligations; and

9.7 Collectively and individually have direct access to the group finance director, the head of internal audit and the Company's external auditors.

**Adopted at the board meeting of the Company on 23 November 2021.**