Section 172(1) Statement

We are committed to upholding the very highest standards of conduct and all decisions we make are for the long-term success of the business. We believe that our business will continue to grow and prosper if we understand and respect the views and needs of our stakeholders.

Under Section 172 (s172) of the Companies Act 2006 (CA2006), the Directors must act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, the Directors must have regard to, among other factors:

- → The likely consequences of any decision in the long term
- → The interests of the Company's employees
- → The need to foster our business relationships with suppliers, customers and others
- → The impact of our operations on the community and the environment
- → The desirability of the Company maintaining a reputation for high standards of business conduct
- → The need to act fairly between shareholders of the Company

Our key stakeholders

We have identified certain key stakeholders who are essential to the success of our business. Details of these stakeholders and why and how we engage with them can be found on pages 22-23.

The Board has direct engagement with our employees and shareholders and is kept fully informed of material issues of all stakeholders by the Executive team and external advisers.

Long-term decision making

Our strategy is to sustainably generate and preserve value for stakeholders and wider society over the long term by facilitating a wider range of trading and investment opportunities for ambitious people around the world. This long-term view drives the annual review of strategy undertaken by the Board and the setting of objectives for employees. Our risk-management procedures identify the potential consequences of decisions being made in the short, medium and long term so that appropriate levels of identification, mitigation, reduction, management or elimination of risk can be considered and taken in the best interests of the Group and stakeholders.

Methods used by the Board to fulfil s172 duties

The Board sets the purpose, values and strategy, and carefully ensures that it is aligned appropriately with stakeholder interests, while also taking our culture into consideration.

Consideration of key stakeholders is an integral part of all decision making by the Board and every paper presented to the Board clearly sets out the impact on any stakeholders for whom it is relevant. This analysis assists the Directors in performing their duties under s172, and further, the Board receives external challenge and assurance on this, together with reports from brokers and advisers.

Directors receive specific training including tailored induction processes for new Directors together with an ongoing programme of training on strategic, legal and regulatory developments relevant to the Group's activities. This enables the Directors to comply with their legal duties under s172 of the CA2006.

Principal Board decisions taken during the year

Stakeholder engagement allows us to understand the impact of decisions on key stakeholders and the wider market implications of these decisions. By listening to our stakeholders, we are able to identify emerging risks and trends, which can then be factored into strategy discussions.

We give three examples of how the Directors have considered the matters set out in s172 of the CA2006, when discharging their duties, and how this has affected certain principal decisions taken by them. We define 'principal decisions' as those that are material to the Group and are significant to any one or more of our key stakeholder groups.

In making the following decisions, the Board considered the outcome for our stakeholders based on engagement with them, as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between our shareholders.

Principal decision 1: Comprehensive debt refinancing programme

Background

Following the acquisition of tastytrade, the Board approved the issuance of £300 million of senior unsecured loan notes, the proceeds of which were used to repay the Group's £250 million bank debt, comprising a £150 million three-year term loan facility and a £100 million existing term loan, both of which were due to mature in June 2023. In addition, the Board agreed the renegotiation of our revolving credit facility (RCF), increasing the size to £300 million with an initial maturity of three years.

Board considerations

The Board considered and approved the establishment of a Euro Medium Term Note Programme (EMTN Programme). The establishment of the EMTN Programme included the publication of the associated Prospectus on 29 October 2021. The Directors considered that the EMTN Programme would bring numerous benefits, including:

- → An enhanced opportunity to time the market, reducing the transaction time from 10-12 weeks to two weeks
- → Flexibility in the types of notes that could be issued
- → Cost effectiveness, as issuing notes from an EMTN Programme was significantly cheaper when compared to a standalone issuance
- → The ability to make the most of private placement opportunities

Following the establishment of the EMTN Programme, the Board approved the issuance of £300 million senior unsecured notes, using the majority of the proceeds to repay its existing debt facilities. The Board also approved a new RCF facility which:

- → Provides significant levels of liquidity to support our strategic-growth ambitions
- → Lengthens the maturity of the debt facilities, enhancing our financial flexibility
- → Provides material headroom within our total facilities

Stakeholder impact and considerations

Clients
By providing ready, flexible and better-timed access to capital and liquidity, we would be better placed to support our clients' demands and expectations.

Shareholders
The Board considered the impact of the new debt structure for shareholders and agreed that the EMTN Programme and new debt facility represented an appropriate long-term strategic opportunity which would create value, promoting the success of the Group in the long term including for shareholders as a whole.

Regulators
The Board considered the positive impact of the EMTN Programme from a regulatory perspective. Specifically, the enhancement of our ability to raise capital and to access liquidity on short notice (and therefore more effectively mitigate the risk of capital and liquidity shortages) were considered to be aspects of the proposal that would be viewed favourably by our regulators, in light of the positive impact on our ability to serve our clients.

Commitment to the business plan and long-term success
The Board fully considered the benefits of implementing the EMTN Programme and agreed that the proposal provided an opportunity for us to move at pace towards realising our strategic vision, and enabled us to operate under a more efficient and flexible debt structure aligned to our growth opportunities.

Principal decision 2: Pledging 1% of post-tax profits to charitable causes

Background
In 2020 we established our Brighter Future Fund with a Board-approved payment of £5 million. This year, as a sign of our commitment to responsible business, the Board approved a pledge of the equivalent of 1% of the prior financial year's post-tax profits towards charitable causes each year from 2022 to 2025, subject to ongoing Board approval. The majority of this will be paid into the Brighter Future Fund and used to make strategic donations aligned with the themes of empowerment through education and the environment. The 1% will also be used to meet our employee matched fundraising promise and will include employee time spent volunteering.

Board considerations
The Board considered the fact that as our businesses grow, so too does our impact on our communities and on the environment. It is increasingly important that we manage this impact in a responsible and sustainable manner. To this end, the 1% pledge represents a significant step towards sharing our successes with the communities in which we operate.

As stated in our purpose, we exist for every ambitious person, regardless of their background. The primary goal for the Brighter Future Fund is to improve educational opportunities for the least privileged in our global communities. The Board considered that the 1% pledge was therefore in line with our purpose-led direction and in the best interests of our stakeholders.

Stakeholder impact and considerations

Communities
The Board recognised the significant positive impact this pledge could have on the communities in which we operate.

Employees
The Board considered how employees would be invited to participate in community outreach activities via the Brighter Future Fund, with a particular focus on how employees could donate their time by using volunteering days and directing money from the Fund by accessing the matched-giving promise. The Board also considered how community outreach commitments were becoming increasingly important to prospective employees.

Commitment to the business plan and long-term success
The Board considered that the 1% pledge would be in line with our purpose and values, each of which had been carefully articulated to ensure long-term success.

Principal decision 3: Sale of Nadex and Small Exchange

Background
Following receipt of a non-binding offer from crypto.com, the Board approved the sale of the entire issued share capital of Nadex by IGNA, and sale of the issued share capital of Small Exchange held by tastytrade for $216 million.

Board considerations
The transaction represented a significant return on the investments made, creating the potential for additional investment across the business. Completion of the sale was announced on 2 March 2022.

The Board focused in particular on the potential anti-money laundering risk, political risks and regulatory risks, and the retention of key people.

The Board considered this sale in line with our strategic direction and in the best interests of our stakeholders.

Stakeholder impact and considerations

Employees
The Directors considered the impact of the proposed sale on employees. In particular, the Board considered key person risk and the views of impacted staff members, with a focus on the views and interests of employees who would be transferred to crypto.com as a result.

Shareholders
The Board was kept apprised of each key stage of the transaction and any significant developments were reported to the Board, including in relation to deal structure and key terms of the transaction documents. The Board considered the returns acceptable from a shareholder perspective and agreed that the sale represented good value.

Commitment to the business plan and long-term success
The Board considered that the sale would be in line with our strategic priorities as it would allow resources to be redeployed into key strategic opportunities and markets identified as part of our strategy.