

Board Risk Committee Report

Members

- **Jonathan Moulds**
Chair of the Committee
- **Andrew Didham**
Committee member
- **Wu Gang**
Committee member
- **Sally-Ann Hibberd**
Committee member
- **Susan Skerritt**
Committee member

- Five independent Non-Executive Directors currently make up our Board Risk Committee. Their biographies can be found on pages 58–61
- The Board Risk Committee met eight times during the year, including a joint meeting with the Audit Committee in September 2022. You can find full details of attendance at Committee meetings on the table on page 64
- The Board Chair, Executive Directors, Chief Risk Officer (CRO), Chief Compliance Officer (CCO), CLGO and the Global Head of Internal Audit attend Committee meetings as standing attendees

FY23 key focus areas

- ICARA and Wind Down Plan
- Consumer Duty Implementation Plan



Jonathan Moulds
Chair of the Board Risk Committee

Chair's Overview

I am pleased to present the report of the Board Risk Committee for the financial year ended 31 May 2023, to share with you our activities during the year and how we have discharged our responsibilities.

This is my fifth report as Committee Chair and I continue to work proactively and collaboratively with the Risk and Compliance teams and hold them to account to ensure we uphold the highest standards for our clients and our business. Our Committee remains focused on providing important oversight and advice to the Board, particularly for a business like ours with the range of risks we face, and always with our clients in mind. We understand how important it is to review the key current and emerging risks faced by our business, and this is reflected in our Committee agenda.

As a business, this year we have continued to demonstrate the robustness of our Group Risk Management Framework. In light of ongoing heightened risks globally, including interest rate rises and geopolitical instability, we continue to closely monitor and adapt to changes in the regulatory landscape, such as the introduction of Consumer Duty in the UK, as well as those further afield, particularly those relevant to the tasty business in the US. Our focus on good client outcomes, resilience and our control infrastructure have meant that we are well placed to respond positively to new challenges and developments and have seen limited manifestation of risk, but we continue to be alert to developments. There is more information on our Risk Management Framework in the dedicated Risk section on page 48.

I can report that the Risk function, headed by the CRO, continues to embed a holistic approach to risk management. We link risk reporting to the key risks facing our business through the Risk Taxonomy and Key Risk Indicators in line with our Risk Appetite Statement and Risk Management Framework, which we review on an annual and continuous basis.

Board Risk Committee Report continued

The business continues to embed the operational risk management systems into the business, with strong stakeholder engagement that encourages a culture of event reporting. This year, we have had extensive discussions with management on the operational risk scenario analysis and modelling for our first ICARA.

Operational risk remains a key focus for us as a Committee and we review the framework to ensure it is aligned with our diversification strategy. We also act as an escalation point for significant operational risk events and provide guidance as needed.

Our inaugural ICARA, with its focus on identifying and managing potential harm to clients, the markets and the Group itself, along with the Wind Down Plan, were key focus areas this year. We received detailed management reporting throughout the year, including at our annual Risk Workshop in October 2022, where we also welcomed presentations from external advisers. We reviewed and recommended the ICARA and Wind Down documents to the Board in November 2022, which have since been reviewed by the FCA in 2023 as part of its SREP. I commend the team's hard work on delivering our first ICARA as we await the outcome of the SREP.

The Compliance function, headed by the CCO, has provided those of us on the Committee with regular reporting of second-line compliance assurance activity, details of regulatory change both in the UK and abroad, and the assessment of key financial crime controls, with a focus on the detection and prevention of market abuse.

Consumer Duty has also been discussed in detail at the Committee this year, following delegated the authority from the Board to oversee management's compliance with this principle. We have received regular updates on the Consumer Duty Implementation Plan throughout the year and as we approach the 31 July 2023 implementation date, I ensure that the Board is kept updated as appropriate. One of our Committee Members, Andrew Didham, has been appointed the Non-Executive Consumer Duty Champion as part of our Consumer Duty preparations.

We have continued to receive third-line reporting and assurance from Internal Audit focused on the state of the Risk Management Framework, particularly for operational risk, and are pleased to report continued improvements as it becomes embedded further.

As with last year, we held a joint meeting with the Audit Committee to review and discuss matters common to both Committees. This year, we reviewed together the financial and regulatory capital forecasts in preparation for the ICARA and received a Privileged Access Management update from IT.

As we look forward to FY24, we, as a committee, will continue to constructively challenge management and hold them to account on the robustness of our risk management, internal controls and compliance framework, and their ability to remain fit for purpose and continue to keep pace with the strategic ambitions of the Group.

Role of the Board Risk Committee

The Committee's principal responsibilities are to:

- Provide oversight and advice to the Board in relation to our current and potential future risk exposures and future risk strategy including how we determine our risk appetite and tolerance, and how we consider the current and prospective macroeconomic and financial environment
- Review the design and implementation of our general Risk Management policy and measurement strategies
- Conduct a risk assessment of any proposed strategic transaction, focusing on implications for the risk appetite and risk tolerance of the Group, taking independent external advice where appropriate
- Consider and regularly review our risk profile relative to current and future strategy and risk appetite, identifying any risk trends, material regulatory changes, concentrations or exposures, and any requirement for policy change
- Carry out a robust assessment of our emerging and principal risks
- Review our ICARA and Wind Down Plans and recommend them to the Board
- Monitor effectiveness of the financial crime framework and receive an annual report from the Anti-Money Laundering Reporting Officer on the operation and effectiveness of IG's Anti-Money Laundering and Countering Terrorist Financing controls
- Oversee management's preparation for FCA's Consumer Duty regulation and compliance following its implementation on 31 July 2023
- Periodically review the design of the Group's corporate insurance cover against current and future risks and review the insurance renewal terms to recommend to the Board
- Provide advice to the Remuneration Committee on the alignment of the Remuneration Policy to risk appetite and annually review remuneration-related risks
- Monitor the adequacy and effectiveness of resources within Risk and Compliance functions
- Review the Group's exposure to climate-related risks and opportunities to monitor trends and consider whether such risks should be considered principal risks

The Terms of Reference of the Committee were last reviewed in May 2023 and are available on our website.

Board Risk Committee Report continued

Main activities during the financial year**Risk Management Framework (RMF) and Risk Appetite Statement (RAS)**

- Reviewed and recommended updates to the RMF and RAS for Board approval during the year, including those to incorporate IFPR and Consumer Duty
- Received periodic reporting from Internal Audit on their opinion on the RMF in September 2022 and March 2023

Current and Emerging Risks

- Reviewed reporting on current and emerging risks facing the business, grouped by type (Regulatory, Commercial, Business Model, Conduct & Operational) and rated by severity, in September 2022 and March 2023

ICARA and Wind Down Plan

- Reviewed management's preparations for our first ICARA and Wind Down Plan documents, including: capital and liquidity projections, Business Model Risk Internal Assessment, stress testing, and operational risk scenario analysis in July, September and October 2022. ICARA was a key topic for this year's Risk Workshop in October 2022, with presentations from third party advisers. Third party assurance on IG's Operational Risk scenario analysis and modelling was also received in November 2022
- Recommended the ICARA and Wind Down Plan for Board approval in November 2022

Operational and Technology Risk

- Reviewed periodic updates on Operational Risk, in September 2022 and March 2023, which included an analysis of operational risk data to identify high risk areas within the Group, deep dives into top five risks, and a holistic summary of operational risk events data
- Considered management's annual Operational and Technology Risk Framework Review in January 2023, which incorporated external benchmarking data

Other Risk Matters

- Considered a report on Model Risk in November 2022
- Reviewed an update from Management on Conduct Risk matters in March 2023 and an annual report on Remuneration Risks in May 2023
- Received a report from the CRO on Risk and Compliance Resourcing in May 2023

Effectiveness of Risk Management Framework and Systems of Internal Controls

- Reviewed the CRO's annual assessment of the effectiveness of the Risk Management Framework and Systems of Internal Control for recommendation to the Audit Committee in May 2023

New Strategic Initiatives

- Reviewed the impact of Digital Assets on Group Risk Appetite in July 2022 and approved the launch of Digital Wallet Phase 1 from a risk perspective in October 2022, as well as its overall approval following a delegation of authority from the Board

Consumer Duty

- Monitored management's preparation for Consumer Duty requirements throughout the year, receiving frequent updates from the Consumer Duty Project. The annual Risk Workshop in October 2023 included a presentation from external counsel on Consumer Duty

Financial Crime

- Received a Financial Crime update, including Market Abuse and Anti-Money Laundering, in November 2022
- Recommended the MLRO Report for the 2022 calendar year to the Board in March 2023

Product Governance

- Reviewed Compliance's annual Product Governance Update in November 2022, which included a new section on Consumer Duty and its link to Product Governance

Other Compliance Matters

- Reviewed reporting on Conflicts Management in September 2022 and March 2023, which included updates on the Group-wide Conflicts Management Framework
- Reviewed management's annual compliance assessment of material breaches in November 2022
- Recommended management's action plan in response to the FCA's 'Dear CEO' Letter to all firms in its CFD portfolio to the relevant regulated UK Boards in January 2023
- Received a Key Global Regulatory Update in March 2023
- Received a Transaction Reporting Update in March 2023, given the volume of transactions we report
- Approved changes to the Compliance Framework in March 2023
- Recommended the FY24 Compliance Monitoring Programme to UK regulated entity Boards in March 2023

Board Risk Committee Report continued

Main activities during the financial year (continued)**Operational Resilience**

→ Received periodic reporting in September 2022 and March 2023 on progress towards the milestones established in response to the FCA's Operational Resilience Policy in the UK and management's preparations for the Digital Operational Resilience Act (DORA) in Europe

Culture

→ Reviewed Culture Risk Dashboard reporting covering client, IT, regulatory and people outcomes and conduct more broadly, and the progress being made to attain the aspired culture across the business in July 2022 and January 2023

Insurance

→ Reviewed the adequacy of our Global Insurance Programme in November 2022 and January 2023 for recommendation to the Board

Committee Evaluation

Following this year's Committee performance evaluation, I am pleased to report that we had very positive results. The evaluation was in line with the Committee's Terms of Reference, as part of the external Board Evaluation exercise facilitated by Better Boards, who are an independent consultancy. You can find details of the process, outcome and the actions on pages 72-73.

Jonathan Moulds

Chair of the Board Risk Committee
19 July 2023

Priorities for the year ahead

- Address any actions that may arise from the SREP
- Consumer Duty implications in the UK and beyond
- Further integration of the tasty business into risk management, internal control systems, and into Risk and Compliance reporting
- Environmental risks, including climate risks