

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

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

**TERMS OF REFERENCE**

**1. Constitution**

1.1 The Committee is established by the Board of Directors of the Company ("Board") and has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference.

**2. Purpose**

2.1 The role of the Committee is to assist the Board in discharging its responsibilities for monitoring the integrity of the financial statements of the Company, and together with its subsidiaries ("the Group"), monitor the effectiveness of the management systems and internal controls relating to financial reporting and the performance and objectivity of the internal and external auditors.

**3. Membership**

3.1 The Committee shall comprise at least three members, all of whom shall be independent non-executive Directors. The Committee shall include at least one member of the Risk Committee. At least one member should have recent and relevant experience financial experience and the Committee, as a whole, shall have competence relevant to the sector in which the Company operates. The Chair of the Board shall not be a member of the Committee.

3.2 Appointments to the Committee are made by the Board on the recommendation of the Nomination Committee in consultation with the Chair of the Audit Committee. Appointments shall be for a period of up to three years, which may be extended for up to two additional three-year periods, provided members remain independent.

3.3 Only members of the Committee have the right to attend Committee meetings. However, the Chief Financial Officer, Group Head of Risk, head of internal audit/internal audit lead partner and external audit lead partner will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.

3.4 The Board shall appoint the Chair of the Committee. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.

**4. Secretary**

4.1 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.

**5. Quorum**

5.1 The quorum necessary for the transaction of business shall be two.

## **6. Frequency of Meetings**

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

6.2 Outside of the formal meeting programme, the Committee Chair shall maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive Officer, the Chief Financial Officer, the Group Head of Risk, the external audit lead partner and the head of internal audit/internal audit lead partner.

## **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 any of its members.

7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, 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. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

7.3 A meeting may be called at shorter notice than that otherwise stated in 7.2 if shorter notice is agreed by all Committee members.

## **8. Minutes of Meetings**

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

8.2 Minutes of Committee meetings shall be agreed with the Committee Chair and circulated to all members of the Committee.

8.3 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.

## **9. Engagement with Shareholders**

9.1 The Committee Chair should attend the annual general meeting to answer 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. Duties and Responsibilities**

10.1 The Committee shall have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

### **Financial reporting**

10.2 Monitor the integrity of the financial statements of the Company and the Group, including the annual report, half-yearly reports, preliminary results announcements and any other formal announcement relating to the Company's financial performance, and review and report to the Board

on significant financial reporting issues and judgements contained in them having regard to matters communicated to it by the external auditor.

#### 10.3 Review and challenge where necessary:

10.3.1 the application and appropriateness of significant accounting policies and any changes to them both on a year-on-year basis and across the Company and the Group;

10.3.2 the methods used to account for significant or unusual transactions (including any off-balance sheet arrangements) where different approaches are possible;

10.3.3 whether the Company and the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the external auditor's views;

10.3.4 the appropriateness, clarity and completeness of disclosure in the Company's financial reports, the context in which statements are made and any changes to those disclosures, including the review of any correspondence between the Company and the external auditor;

10.3.5 significant adjustments resulting from the external audit; and

10.3.6 all material information presented with the financial statements, including the strategic report, going concern and viability statements and the corporate governance statements, insofar as it relates to audit.

10.4 Monitor compliance with financial reporting standards, requirements of any exchange the Company is listed upon and other financial and governance reporting requirements, and report to the Board which has ultimate responsibility for compliance with such standards and requirements.

10.5 Review and, if appropriate, recommend to the Board for approval the Group's full-year and half-year results announcements.

10.6 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the Board.

#### **Narrative Reporting**

10.7 Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

#### **Management systems and internal controls**

The Committee shall:

10.8 Keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial reporting risks.

10.9 Provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary.

10.10 Review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material external or internal audit recommendation.

10.11 Consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts.

10.12 Consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, or misconduct and management's response, and also consider whether any such failings or weaknesses are material and therefore require disclosure in the annual report and accounts, 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.

### **Internal audit**

The Committee shall:

10.13 Approve the appointment and removal of the head of the internal audit or appointment and termination of any third-party firm to which the Group's internal audit function may be outsourced.

10.14 Review and approve the remit of the internal audit function and annually approve the internal audit charter ensuring it is appropriate for the current needs of the Company and the Group.

10.15 Review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, receive regular reports on work carried out, and be advised of the reasons for any change or delay in the plan.

10.16 Ensure internal audit has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with appropriate professional standards. The Committee shall also ensure that the function has adequate standing and is free from management or other restrictions.

10.17 Ensure the internal audit function has direct access to the Board Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee.

10.18 Review and monitor management's responsiveness to the internal auditor's findings and recommendations.

10.19 Monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system, irrespective of whether this is an in-house or outsourced function. The Committee shall oversee an independent review of the Company's internal audit function every five years.

10.20 Ensure that the Committee meets with the head of internal audit/internal audit lead partner, without management present, at least once per year.

### **External audit**

#### **Appointment, reappointment and resignation**

The Committee shall:

10.21 Consider and make recommendations to the Board, to be put to shareholders for approval at the Company's Annual General Meeting ("AGM"), on the selection, appointment, reappointment or removal of the Company's external auditor.

10.22 Lead, develop and oversee the tendering and selection procedure for the appointment of the audit firm, taking into account the FRC 'Audit Committees and External Audit: Minimum Standard' (the Standard), and ensure that all tendering firms have access to all necessary information and individuals during the tendering process.

10.23 If any external auditor resigns during their term of engagement, investigate the issues leading to this and recommend any actions to the Board.

10.24 Evaluate the risks to the quality and effectiveness of the financial reporting process and consider the need to include the risk of the withdrawal of the auditor from the market in that evaluation.

### **Terms of engagement**

10.25 Oversee the relationship with the external auditor and negotiate and approve their terms of engagement, including any engagement letter issued at the start of each audit, the scope of the audit and approve their remuneration (including fees for both the audit and non-audit services) to ensure that the level of fees is appropriate to enable an effective and high-quality audit to be undertaken.

### **Independence and expertise**

10.26 Assess annually the external auditor's independence and objectivity taking into account: relevant law; regulation; the Standard; the FRC's Ethical Standard for Auditors and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and safeguards applied to mitigate those threats including the provision of any non-audit services.

10.27 Annually seek reassurance from the external auditor and their staff that they have no relationships with the Company which could adversely affect the auditor's independence and objectivity.

10.28 Agree with the Board the Company's policy on employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements, and monitor the implementation of this policy.

10.29 Monitor the external auditor's compliance with relevant ethical and professional guidance on the rotation of the audit partner and staff.

10.30 Monitor the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard.

10.31 Assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on its own internal quality procedures.

10.32 Review the and discuss FRC's annual report with the auditor.

### **Non-audit services**

10.33 Review and approve the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of:

10.33.1 threats to independence and objectivity of the external auditor and any safeguards in place;

10.33.2 the nature of the non-audit services;

10.33.3 whether the external audit firm is the most suitable supplier of the non-audit service; and

10.33.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee.

### **Effectiveness of the Audit**

10.34 Oversee and assess the effectiveness of the external audit, taking into account the Standard, including the auditors mind-set and culture; skills character and knowledge; quality control; judgement, including the robustness and perceptiveness of the auditors in handling key judgements and their commentary where appropriate on the systems of internal control.

10.35 Obtain evidence where appropriate of the effectiveness of the external audit and auditor from those impacted by the audit/auditor.

10.36 Satisfy itself that the quality of the audit of a sufficiently high standard.

### **Audit cycle**

10.37 Review and approve the annual audit plan at the start of the audit cycle and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

10.38 Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without the executive Directors or management being present, to review the auditor's remit and the findings of the audit including (but not limited to) any major resolved or unresolved issues that arose during the audit, key accounting and audit judgements and levels of errors identified during the audit.

10.39 Consider communications from the external auditor on audit planning and findings on material weaknesses in accounting that come to the auditor's attention, including a review of material items of correspondence between the Company and the external auditor.

10.40 Review any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate.

10.41 Review, prior to its consideration by the Board, the external auditor's report to the Directors and their management letter, including management's response to the auditor's findings and recommendations.

10.42 At the end of the audit cycle, assess the effectiveness and quality of the audit process including:

10.42.1 reviewing whether the auditor has met the agreed audit plan;

10.42.2 understanding reasons for material changes to the audit plan;

10.42.3 considering the external auditor's robustness and perceptiveness in handling key accounting and audit judgements and responding to the Committee's questions;

10.42.4 the auditor's view of their key interactions with senior management; and

10.42.5 the level of errors identified during the audit.

## **Fraud**

10.43 The Committee shall annually review the Company's procedures for detecting fraud and financial crime including, but not limited to, money laundering, bribery and corruption and the use of the Company to further terrorism.

## **Compliance**

The Committee shall:

10.44 Review the Company's systems and controls for ethical behaviour and the prevention of bribery and receive reports on non-compliance.

10.45 Review the annual report of the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls.

## **11. Reporting Responsibilities**

11.1 The Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The report shall include:

11.1.1 any significant issues that it considered in relation to the financial statements and how these were addressed;

11.1.2 its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of the audit firm, when a tender was last conducted and advance notice of any retendering plans;

11.1.3 progress made against any internal audit plans; and

11.1.4 any other issues on which the Board has requested the Committee's opinion.

11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report and accounts, which shall include:

11.3.1 the significant issues and accounting policies that the Committee considered in relation to the financial statements and how these issues and accounting policies were addressed, having regard to matters communicated to it by the external auditor;

11.3.2 an explanation on how the Committee has addressed the effectiveness of the internal audit process;

11.3.3 an explanation of its assessment of the independence and effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditor provides non-audit services to the Company and the Group, auditor objectivity and independence is safeguarded) and its recommendation on the appointment or reappointment of the external auditor, including length of incumbent auditor's tenure, when a tender was last conducted and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services;

11.3.4 Where shareholders have requested that certain matters be covered in an audit and that request has been rejected;

11.3.5 Where a regulatory inspection of the quality of the audit has taken place, provide information about the findings of the review together with any remedial action taken.

11.3.4 relevant financial disclosure requirements set out in the UK Corporate Governance Code; and

11.3.5 any other issues on which the Board has requested the Committee's opinion.

11.4 In compiling the above report, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the longer term viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

11.5 If the Board does not accept the Committee's recommendation regarding the appointment, re-appointment and removal of the external auditor, include a statement explaining its recommendation and reasons why the Board has taken a different stance in the annual report and accounts.

## **12. Other**

The Committee shall:

12.1 Have access to sufficient resources in order to carry out its duties, including access to the Corporate Secretariat 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 Have due regard 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 FCA's Listing Rules, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable rules as appropriate.

12.4 Seek to ensure co-ordination between the activities of the external auditor and the internal audit function.

12.5 Oversee any investigation of activities which are within its terms of reference.



12.6 Work and liaise as necessary with all other Board committees.

12.7 Ensure that a periodic evaluation of the Committee's performance is carried out.

12.8 At least annually, review its terms of reference and recommend any changes it considers necessary to the Board for approval.

### **13. Authority**

The Committee is authorised by the Board to:

13.1 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.

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

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

13.4 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.

13.5 Have the right to publish in the Company's annual report and accounts details of any issues that cannot be resolved between the Committee and the Board.

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

13.7 Collectively and individually have direct access to the Chief Financial Officer, the Group Head of Risk, the head of internal audit/internal audit lead partner and the Company's external auditor.

Last reviewed by the Committee on 29 March 2023.

**Adopted at the Board meeting of the Company on 30 March 2023.**