



Leading the field. Thinking bigger.

IG GROUP HOLDINGS PLC
ANNUAL REPORT 2020

IG Group

→ STRIVE TO BE MORE
FOR OUR MARKETS

Our purpose

We exist to empower informed, decisive, adventurous people to access opportunities in the financial markets.

Our vision

To provide the world's best trading experience.



→ THIS REPORT IS ONLINE AT
IGGROUP.COM

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Highlights 2020

REVENUE¹

£649.2m

(2019: £476.9m)

PROFIT BEFORE TAX

£295.9m

(2019: £194.3m)

NET OWN FUNDS GENERATED FROM OPERATIONS²

£287.9m

(2019: £159.7m)

BASIC EARNINGS PER SHARE

65.3p

(2019: 43.1p)

TOTAL DIVIDEND PER SHARE

43.2p

(2019: 43.2p)

- 1 Throughout this report 'revenue' refers to net trading revenue (ie excluding interest on segregated client funds and after deducting introducing partner commissions).
- 2 The Group uses alternative performance measures to provide additional information on the performance of the business. For more detail, see our Key Performance Indicators on pages 22 and 23.





INTRODUCTION

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Achieving our global potential

MIKE MCTIGHE
CHAIRMAN

Chairman's Statement

It was a great privilege to become Chairman of the Board in February 2020. I've long admired IG and its 46-year history as an ethical, high-integrity provider of financial products and services to clients – offering them a platform to access the global markets they want to trade.

When I look back at the repositioning of IG that has taken place over the last 12 months, it's been an incredible period of both positive progress and continued strategic development. IG is now better placed than ever for the opportunities in front of us. We've learned some valuable lessons while making significant changes to the top team, and have and will continue to enhance our governance. We've also worked hard to build trust with our key stakeholders – vital steps that will make us stronger as a Board and stronger as a company.

Significant and critical progress against the new strategy

We've enjoyed fantastic performance over the last four months of the financial year in particular, and demand from our clients has never been greater. High levels of market volatility gave existing and new clients unprecedented opportunities to trade our products, driving revenue generation and, importantly, growing our high-quality client base for the future. Looking at the financial year as a whole, we made significant and critical progress against the new strategy we outlined in May of last year.

Our strategy was predicated on new products, new markets and combining the benefits of our scalable platform with local focus. During the year we launched Spectrum, our European

multilateral trading facility, while in the US we grew our US RFED and DailyFX businesses. In the Asia region, we saw excellent performance in Japan thanks to a new, localised offering, and our new Chief Executive Officer for Greater China is poised to drive and develop our business there, which offers a tremendous opportunity.

The momentum we've built in each of our Core Markets together with our portfolio of Significant Opportunities has been encouraging, and further positions IG as a global, diversified business.

Resilience of the Company

To be able to perform as strongly as IG has done over the past year – even prior to Covid-19 and the resulting market volatility – is testament to the resilience of the Company. IG has always had relentless ambition to keep innovating and improving our platform, working to deliver new functionality and capabilities for our clients. This year we've experienced incredible volumes, which demands that we accelerate investment in our technology and resilience. I'm sure we'll start to see the benefits of this investment coming through, in an improved experience for our clients.

What makes me most proud is the evident commitment of our people and the strong and enduring relationship we have with our high-quality, sophisticated client base. It's at the heart of everything we do and underpins our business model. Our employees set us apart, and I'm delighted that during the 2020 financial year we've continued to build out our strength in depth across all levels within the business.

Invaluable to IG's growth ambitions

Andy Green stepped down as Chairman of the Board at the conclusion of the AGM on 19 September 2019. I would like to record the Board's appreciation for Andy's contribution



We feel positive about the talent we have on board and the continued progress we're making on the journey to realise our global potential. IG is only one year into our three-year strategy. We know there's more road to be travelled, but we're confident that we're picking up momentum. The best part of IG's journey is yet to come.

Chairman's Statement

CONTINUED

to IG over more than five years and wish him well for the future. I would also like to thank Jonathan Moulds for all of his hard work when he stepped in as Interim Chairman between September 2019 and February 2020.

At the end of the financial year, Paul Mainwaring retired as Chief Financial Officer (CFO). Charlie Rozes took over as an Executive Director and CFO with effect from 1 June, after an extensive independently facilitated search. Charlie brings significant international, UK plc and Executive Director experience, which will be invaluable to IG's growth ambitions. On behalf of the Board, I'd like to thank Paul for his significant contribution in supporting the business and helping IG to successfully navigate a period marked by significant regulatory change. I wish him well for the future.

I'm very excited about the opportunity to build a more coherent and effective Board for IG. As part of our continued focus on adding to the depth and experience of the Board, Andrew Didham and Helen Stevenson were appointed as Non-Executive Directors in September 2019 and March 2020 respectively. In addition, after the financial year-end, we've further strengthened the diversity of the Board with the appointment of Rakesh Bhasin as a Non-Executive Director. Rakesh brings significant global experience, particularly of the Asia-Pacific region. I'd also like to thank Stephen Hill, who retired from the Board in April 2020 after a nine-year tenure, for his hard work.



I'm very excited about the opportunity to build a more coherent and effective Board for IG.

We'll continue to broaden the skills, experience and diversity of the Board by recruiting an additional Non-Executive Director, and we're progressing well with this search. In our strategy, we've put a lot of emphasis on developing our portfolio of Significant Opportunities in the US, Japan, China, Emerging Markets and Europe – through Spectrum, as well as our newly launched IG Prime institutional business. To support that, we need to keep seeding the Board and IG as a whole with additional, relevant skill, talent and experience. This will help us more fully understand how to operate successfully and sustainably in those markets. A natural by-product of this will be a more ethnically and culturally diverse Board.

Deliver a more global, diversified and sustainable business

I look forward to developing my role to help bring it all together, so that the Board functions as a collaborative and high-performing team – one that has the strong governance expected of a FTSE 250 company, and everything we need to effectively oversee the strategy laid down by June and her team last year. This will position us to hit our strategic growth targets and deliver a more global, diversified and sustainable business. The most important thing now is to execute our strategy, which I'm confident all levels of the Company will successfully deliver on.

None of this would be possible without IG's values and culture. The culture at IG revolves around an entrepreneurial, high-energy and collegial mentality, which is what allows it to innovate and evolve so successfully. During the pandemic this has continued unabashed, with colleagues finding clever and creative ways of encouraging each other to get involved, and to remain socially connected while socially distancing. It was a fantastic response to keep engagement high, especially for those colleagues working and living on their own, and one that showed very clearly the culture of thoughtfulness and camaraderie that exists in this business.

Our clients are at the heart of everything we do

We fully recognise our responsibilities to all our stakeholders. IG will continue to face outwards and communicate regularly and effectively with all our key audiences, mirroring the hands-on approach we take with our employees and our clients. Our clients are at the heart of everything we do, and the heightened market volatility we've witnessed this year has been a fantastic reminder of why so many sophisticated traders choose to trade with IG.

As a responsible innovator, our regulators are a key stakeholder for our business. We'll continue to listen to and engage with them over our shared goal of best-in-class investor protection, so we can truly differentiate ourselves in our industry. IG continues to build on the proactive working relationships and constructive dialogue we have with our regulators in every jurisdiction where we operate.

The best part of IG's journey is yet to come

We'll deliver a 43.2 pence per share dividend in the 2020 financial year. We're continuing to find ways to reposition ourselves in the minds of all our stakeholders, evolving to become a truly global, diversified and responsible financial services business. IG is only one year into our three-year strategy and, while we know there's much more to do, we're confident that we're picking up strong momentum – and that the best part of IG's journey is yet to come.

MIKE MCTIGHE
CHAIRMAN
23 July 2020

Our purpose

We exist to empower informed, decisive, adventurous people to access opportunities in the financial markets.

Our values



**CHAMPION
THE CLIENT**



**LEAD
THE WAY**



**LOVE WHAT
WE DO**

Our vision

To provide the world's best trading experience.

Strive to be more for everyone

JUNE FELIX
CHIEF EXECUTIVE OFFICER



Chief Executive Officer's Statement

I'm delighted to update you on the progress IG has made this financial year.

Our primary focus is to provide a first-class service to sophisticated individual and institutional clients wanting to trade complex products across a range of financial markets. They choose IG because of the strength of our brand and our long-standing reputation as a responsible partner and innovator. We actively work to help our clients achieve the best possible trading experience through our strong client service, expanding array of innovative products, technology, tools and educational content. Unlike many of our competitors, our differentiated business model is aligned with helping our clients succeed, and we don't benefit from client losses. Put simply, our clients make our business. During the 2020 financial year, we experienced record client growth thanks to our investment in our platform, the trust in our brand and the extraordinary macro-economic backdrop. While the longer-term behaviour of these new clients is hard to predict once we return to more normalised market conditions, we do enjoy market-leading client loyalty.

I'm proud of the progress we've made since our strategy launch in May last year. The solid foundations and underlying growth that we established in Q1 to Q3, in combination with the high market volatility in Q4, resulted in a record-breaking performance for the 2020 financial year. While we recognise that this period has been exceptional because of the impact of Covid-19 on our business, the underlying execution of our strategy shows that our focus on achieving sustainable growth and attractive shareholder returns remains firmly on track.

Significant investment in our people, communications and technology meant that during lockdown our teams around the world seamlessly transitioned to home working and still felt connected to IG's vibrant global community. IG is a fantastic company with talented people at its heart. I'm incredibly proud of how we've acted with agility and expertise, both for the benefit of our clients and in executing our strategy in a challenging external environment. As a company, we've always ensured our people and their families had the support they needed throughout the pandemic.

Covid-19 triggered extraordinary trading volumes during months of unprecedented market volatility. We handled a sustained surge in trading flows and onboarded a large number of new clients – drawn to us by the investment we've made in our platform and our reputation for delivering the best service in testing circumstances. I commend all of our people for their unwavering resilience, professionalism and commitment to serving our clients across this challenging period.

Key achievements

In May 2019, we announced our new strategy and three-year growth plan. We set out medium-term targets to achieve an average annual growth rate of 3–5% per annum in our well-established Core Markets, and to expand our business by an additional £100 million of revenue through a portfolio of growth initiatives – described in our strategy as Significant Opportunities – by the 2022 financial year. We remain confident in achieving these targets, and as previously set out, we're delivering a 43.2 pence per share dividend in the 2020 financial year.



IG is a fantastic company with talented people at its heart. I'm incredibly proud of how we've demonstrated agility and expertise, both for the benefit of our clients and in executing our strategy in a challenging external environment.

Our strategy



Operate a sustainable business model

Provide the best client experience

Win with our technology

Tailor client propositions

Broaden our product range

Extend our geographic reach

Chief Executive Officer's Statement

CONTINUED

As part of this strategy, we identified four growth levers to achieve our targets. We're at different stages of execution across our portfolio of Significant Opportunities but are seeing progress in all areas.

Our growth levers are:

Expanded distribution channels

→ Creating corporate partnerships that accelerate and expand our reach

A global firm with more local focus

→ Broadening our global network, tailoring products and marketing to local needs

Segmented target markets

→ Customising our offering for our three client segments – high-value, retail and institutional

Multi-product

→ Continuing to expand the trading opportunities for our clients through new and innovative products

Expanded distribution channels

Our intention is to create partnerships that accelerate and expand our global reach, supplementing our heritage of organic growth in selected key markets.

We've made encouraging progress across the year. We've strengthened our Asia presence by recruiting key people with strong local networks and expertise gained from working with banks, stockbrokers and hedge funds. Advanced discussions are also under way with potential corporate partners who have large client bases in Hong Kong and Japan. These large distribution partnerships require long lead times to negotiate, reach agreement and to implement, and are a critical component of our long-term strategy. We are integrating the first non-IG broker on Spectrum, which will expand our reach in Europe.

Current and potential partners recognise IG's market-leading technology, our expertise in delivering innovative new products, and our ability to seamlessly make markets that can be traded 24 hours a day. We're excited by the initial response from global institutions whose existing client reach, when complemented by our technological capabilities and product suite, will enable us to attract, grow, and retain a broader range of clients.

A global firm with more local focus

In the past year we recruited new senior leaders in several markets outside the UK, who have quickly helped drive our overall progress through their local expertise and contacts. We've also adapted and enhanced our global products and marketing to better meet local needs.

For example, we've used local Japanese consumer research to fundamentally redesign our platform. It now looks and operates in a way that best resonates with potential new Japanese clients.

We've worked with a high-profile, local brand ambassador to support our localised marketing efforts and reinforce our brand aspirations in Japan. These efforts resulted in substantial client growth in our Japanese business, within a market of £1 billion in revenues and over 2 million traders.

We've seen progress in our local engagement and recruitment across other geographies, too. The new leveraged US FX trading capability we launched in Q3 of the 2019 financial year is adding clients at an accelerating rate. Our DailyFX offering has grown by 71% year on year and reached over 27 million unique global readers. In Emerging Markets, across jurisdictions where we don't have a physical presence, we've seen our year-on-year revenues increase significantly. In Hong Kong, we've opened a new office to establish a presence in Greater China, and are in advanced discussions with corporate partners to serve the professional investor market in Hong Kong. We estimate that there are 500,000 professional investors in Hong Kong and a £1 billion market in products similar to those we offer in other parts of the world, and Greater China has over 4 million individuals who may qualify as professional investors.

Segmented target markets

We've continued to customise our offering for our three key client segments (high value, retail and institutional) to ensure it effectively meets the needs of each.

For our high-value segment, we continually listen to their needs and experiences by supplying new and real-time content, tools and webinar events with keynote speakers to support their sophisticated trading strategies. For retail clients, IG Academy provides educational resources, both on desktop and on the go via a mobile app. Retail clients also have access to an enhanced library of trading videos and courses, with interactive tests so they can check their understanding.



We're excited about our growth journey to become an even bigger, broader global trading platform for sophisticated clients.

We identified the underserved small hedge fund and family office segment as a potential £500 million market opportunity for IG. With this segment in mind, and despite the Covid-19 crisis, we continued with the launch of IG Prime in March. As IG Prime develops further, it will give institutional clients access to an increasingly broad suite of prime brokerage services, all supported by our global client network. It's early days, but we've had a great response from this new target segment – with institutional active client growth of 59% from the 2019 financial year to 2020.

Multi-product

Designing and launching innovative trading products is a critical element of our strategy, and we've continued to expand our unique multi-product range into broader markets. In October 2019, we launched turbo24s on Spectrum, IG's pan-European multilateral trading facility (MTF). These products are unique in allowing clients to trade turbo warrants 24 hours a day, five days a week. The launch was an important step in our strategy, bringing a new, limited-risk product into a well-regulated £1 billion market.

We've also strengthened our German leadership team for Spectrum and our German branch in order to more fully exploit the potential of our pan-European turbo24 product throughout Europe. We're already attracting new clients to IG and have seen positive and consistent growth since Spectrum was launched.

We're continually improving to meet the needs of active turbo traders, which make up a large proportion of the European securitised derivatives market. Spectrum is currently onboarding its first third-party broker, which will enable the exchange to offer its expanding product set to a wider array of potential clients and will mark a significant moment in its

evolution. In addition, discussions are ongoing with multiple large issuers who have publicly expressed an interest in working with Spectrum.

By evolving our product range we deepen our relationships with clients who trust our brand and are interested in the innovative new services we can provide. We've also refreshed our stock trading offering to provide a more compelling proposition and a better trading experience. We've had encouraging client feedback on these initiatives, resulting in new client growth and more cross-sell clients.

A responsible market leader

At IG, we're mindful of the responsibilities we have to all our stakeholders – our people, our clients, our shareholders, our regulators and the communities of which we are a part. As further evidence of our continued commitment to being a responsible market leader, this year we've strengthened our new environmental, social and governance (ESG) programme.

Inspired by employees, we launched the IG Brighter Future initiative – a commitment to managing our environmental impact and improving educational equality and social mobility.

In focusing on these two themes, we're following the wishes of IG employees, who, when asked to vote how they'd like to see the business develop its ESG agenda, overwhelmingly opted for these choices. Importantly, this is a global scheme, supporting all the communities in which we operate – and we've made significant progress.

To deliver on our theme of education and empowerment, I'm incredibly proud that we set aside £5 million from this year's earnings to improve educational opportunities for the least privileged young people in the communities we belong to.

ESTABLISHED THE

£5m

IG BRIGHTER FUTURE FUND

150m

SECURITISED DERIVATIVE CONTRACTS TRADED ON SPECTRUM IN THE LAST EIGHT MONTHS OF FY20

Core Markets

Our Core Markets are large, established markets in which we already have a significant presence. They consist of the UK, EU, EMEA non-EU, Australia and Singapore.

→ STRATEGIC PROGRESS
PG. 16-17

Significant Opportunities

Significant Opportunities represent geographies, client segments and product segments where we currently have a presence, but where there are opportunities to build on our strengths, serve more clients and deliver significant revenue growth.

→ STRATEGIC PROGRESS
PG. 14-15

Chief Executive Officer's Statement

CONTINUED

This is the biggest community commitment in IG's history, and in the UK we've already used £2 million to build even closer ties with Teach First – a brilliant charity working to build a fair education for all. This fund builds on the partnership we established with Teach First last year, and will tackle Covid-19's impact on the education of the UK's most vulnerable young people.

We've also formed a similar partnership with Teach For All, which will enable us to reach children in the other countries where we operate, and have set aside £2 million to work with a range of their network partners in the communities of which we are a part. The remaining £1 million will be used by IG teams to fund smaller local-led initiatives to support their own individual communities.

Following several years of carbon emissions reductions relative to headcount, in the 2020 financial year we entered into a programme of activities, including carbon offsetting, to achieve full carbon neutrality. As of July 2020, we are a carbon-neutral company in line with PAS 2060.

To oversee all this activity – and underlining our long-term commitment to ESG – IG has also recently welcomed our first-ever ESG Manager. This new role will coordinate and build on our approach, ensuring we deliver the best impact possible.

Beyond this, our values – lead the way, love what we do and champion the client – guide us in our daily activities and provide the foundation for IG's culture. These are powerful statements and resonate loudly in IG. I see them in action every day, evident in our behaviours and decision-making.

We've a long-standing tradition of innovation, as we address the evolving needs and interests of our sophisticated clients. As a responsible company, we regularly engage with regulators globally to stay aligned as these authorities adapt to the

changing needs of their markets. We've navigated well when regulations have changed in the past, and believe we have the depth and breadth to continue to do so as markets evolve.

I'm pleased by the way we've built new products and client offerings, while always placing appropriateness and good client outcomes as our top priority. Part of the reason that nearly 240,000 clients choose IG is that our own success is aligned with theirs, thanks to our business model that actively hedges client positions. This is a key differentiator that makes us more sustainable, focused on long-term growth, and able to put our values into action.

Expert at what we do

During our 46-year history, IG has developed a set of core competencies that sets us apart from the competition. This year we've been able to leverage these to aid us on our growth journey.

Our business model means that our revenue is earned from client transaction fees, driven by client volumes, and not positively or negatively impacted by client performance. This approach has positioned us well during recent market volatility.

We've continued to show our innovation and deep-rooted technical capabilities, having launched our new MTF, turbo24s and options accounts in Europe. We keep working to apply new technologies to enhance our clients' trading experience globally, across our products.

We've also continued to build and expand our marketing capabilities. We've reduced the cost of each newly-acquired client, by capitalising on our multi-year investment in search engine optimisation and our application of science to make marketing spend more efficient. This has paid dividends, best showcased by the consistent quality of our newly acquired clients – even during Covid-19 volatility. On top of this, we're successfully executing a rebrand

to deliver a consistent global brand for IG across all markets. This will further position IG as a global leader in online trading and a trusted partner during this year of record client acquisition.

Throughout IG's journey, we've developed deep risk management expertise, and have well-established processes and technology to identify and actively manage risk. During periods of the highest volatility ever seen in the financial markets, our robust risk-management process was key in responding to the risks that arose. We've shown our many stakeholders that we have the capability and capacity to manage the risks we face, and can continue to operate successfully under extremely stressed market conditions.

Our people and culture

Our progress is testament to IG's people: their commitment, work ethic and unfaltering drive to live our values and do what's best for this business and our clients.

We employ loyal, dedicated, richly talented individuals with a passion to deliver. Our people remain our greatest asset, allowing us to stand apart from our competition both in our capabilities and our conduct.

Covid-19 also highlighted the caring and charitable side of our workforce, with colleagues organising fundraising activities, sourcing equipment for care workers and donating food to the less fortunate. In London, for example, a matched-giving scheme saw our people raise more than £70,000 for the National Emergencies Trust; in Krakow colleagues donated protective medical kit to their local hospital; in Paris teams provided meals for medical staff; in Germany employees donated supplies to food banks; and in the US, India, Singapore and Australia our teams delivered funding for a range of local charities providing support to those affected by the pandemic.

Such acts of kindness and social responsibility are typical of the people

we have at IG, and I'm touched by the way colleagues responded to Covid-19 in their local areas, but also how they supported and looked out for one another.

Diversity and inclusion

I've always believed in meritocracy and the transformative power of diversity of thought at all levels throughout an organisation. For any firm, such values are important for success. For us – a global business with a local focus, an organisation that places innovation at its core – they're absolutely crucial, and we have more to do to achieve them.

Our new employee-led IG Black Network is helping us create a culture that's more inclusive, aware of bias and rich in diversity. We're working on expanding our efforts to ensure that our culture is attractive to employees from all backgrounds so that learning and growth can take place in an open atmosphere.

The IG Black Network joins our existing family of diversity networks that include IG Open, our LGBTQ+ network, IG Pact, our parent and carers network and IG Inspire, our women's network.

In this context, I've been especially pleased to welcome a number of senior women to executive roles. All of them are bringing fresh thinking to our business and enriching our already wide talent pool.

In our international offices and other business entities, I've also been delighted to see us hire individuals with deep local expertise – people who understand the characteristics of their markets and the requirements of clients in their region. This idea is central to our strategy of becoming a global firm with more local focus. Our recruitment approach is clearly aligned to that ambition.

It's not only in hiring new colleagues that we've championed diversity and encouraged fresh thinking. Internally, too, many people have changed roles

and been promoted into jobs outside of what could narrowly be deemed their 'area of expertise'. We like to cultivate internal talent – it's one of the things I believe has made us such an enduringly successful business over more than four decades. By exposing our people to different areas of our business, we offer individuals a chance to shine and to develop their own careers, and allow for the cross-fertilisation of ideas and approaches.

Looking forward

2020 is the first full financial year since the European Securities and Markets Authority (ESMA) implemented new regulatory changes that impacted a large part of our core business. Our robust business model and new strategy faced these changes head on and adapted to a new market landscape.

We've experienced record client demand and results, driven in part by the exceptional external forces, we've dealt expertly with the human and tactical implications of coronavirus and, importantly, made strong progress against our medium-term growth targets. It's been a successful first year in our three-year growth journey, and I'm pleased with the strategic progress and results we've achieved.

We remain firmly on track to achieve our medium-term targets of a 3–5% annual growth rate in our core markets, and to add an additional £100 million in revenue from the £60 million delivered in the 2019 financial year from our portfolio of Significant Opportunities by the end of the 2022 financial year.

Our strategy has gained great traction and we enter the 2021 financial year as a business with momentum, capability and ambition. Given our innovative mindset, we also evaluate the broader opportunities open to IG as we consider how best to serve our clients, and we'll continue to assess these as we execute on our central strategy.

As we set out on the second year of our three-year growth journey, we've every reason to remain excited by the future and confident in our ability to deliver what we set out to achieve. Working with our talented team, including our new Chairman, Mike McTighe, and new Chief Financial Officer, Charlie Rozes, who both bring broad, international experience and knowledge, I'm looking forward to leading the business over the coming years to deliver positive results for all of our stakeholders.



JUNE FELIX
CHIEF EXECUTIVE OFFICER
23 July 2020

Key strengths

- Our business model and risk management
- Our brand and reputation
- Our clients and client experience
- Our technology and innovation
- Our conduct and standing with regulators
- Our people and culture

Leading the way globally



Our aim is to empower sophisticated clients to access unique opportunities in the financial markets. Responsible innovation to meet our clients' evolving needs and interests has helped drive our growth throughout our history.

JUNE FELIX
CHIEF EXECUTIVE OFFICER

Strategic Progress

Significant Opportunities

We're pleased with our progress to advance our platform on a global basis. We've achieved this by developing new partnerships and new products in new geographies, as well as by tailoring our offering in tune with local needs.



Japan

- More than doubled our client base in a market with a £1 billion revenue opportunity
- Appointed a high-quality Japanese Chief Executive Officer
- Drove strong client acquisition through multi-channel marketing and optimisation of onboarding process
- Completed localisation of platform and brand
- Made encouraging progress on partnership discussions to expand our product reach
- Continued developing a stream of innovative new products, offering real USPs for clients

2m

TRADERS IN JAPAN

US

- Progression on our plans across our US businesses, which offers a compelling proposition
- Focused on integration of our three US businesses (RFED, DailyFX and Nadex) to amplify the IG brand and the US opportunity
- Maintained leadership for a RFED's service and price in the US OTC FX market
 - Received industry awards recognising the quality of both our service and technology
- Reached over 27 million unique visitors globally for our DailyFX website in 2020
- Launched new capability for Nadex, and are seeing early signs of renewed momentum

c.705,000

FUTURES AND OPTIONS TRADERS IN THE US

Greater China

- Moved forward with our plans to develop and grow our Greater China business
- Appointed an experienced Chief Executive Officer
- Opened a new Hong Kong office to establish a presence in the region
- Held discussions with corporate partners to serve the high-value investor market in Hong Kong
 - Hong Kong potentially has 500,000 professional investors
- Advanced partnership discussions with major banks and securities firms in Hong Kong

4m

POTENTIAL PROFESSIONAL INVESTORS IN GREATER CHINA

Europe

- Launched and operated Spectrum, IG's pan-European 24-hour multilateral trading facility (MTF)
- Introduced the unique facility for clients to trade turbo warrants 24 hours a day, five days a week
- Saw over 150 million securitised derivative contracts traded with IG Europe in the first eight months
- Made progress on expanding Spectrum's distribution opportunities through additional brokers
- Launched unique intraday securities issuance capability
- Continued discussions with additional issuers who have expressed a firm interest in issuing products on Spectrum

24/5

TRADING FROM SPECTRUM

Building on our success in our Core Markets

A close-up photograph of a middle-aged man with grey hair and a beard, wearing a dark blue suit jacket over a light blue shirt. He is holding a black mobile phone to his ear with his right hand and looking intently at a laptop screen in front of him. The background is a blurred office environment with vertical window blinds.

“

We have a deep understanding of our clients' needs, enabling us to provide a world-class trading platform, together with deep liquidity and seamless access to trade over 17,000 global markets.

JUNE FELIX
CHIEF EXECUTIVE OFFICER

Strategic Progress

CONTINUED

Core Markets

Our core business includes our largest established markets where we already had a prominent presence and a significant share in OTC leveraged trading. Our core gives us a strong foundation. However, the strength of our core also means we can evolve to become a broader and more diversified global trading platform through growing our Significant Opportunities portfolio.



ESMA REGION

-2%

Q1-Q3 REVENUE

EMEA EX EU

+14%

Q1-Q3 REVENUE

- Our overall performance in this financial year is built on the growth established in Q1 to Q3 period prior to the exceptional increase in trading seen in Q4
- We focus on continuing to customise our offering for our high-value, retail and institutional client segments

SINGAPORE

+8%

Q1-Q3 REVENUE

AUSTRALIA

+10%

Q1-Q3 REVENUE

- The resilience shown by our business throughout Covid-19 built on our significant investment in people, communications, technology and our core platform expertise
- Our successful navigation of the ESMA product intervention in the 2019 financial year was followed by proactive engagement with regulators



FOR MORE INFORMATION
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STRATEGIC REPORT

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Strategic Update

Our vision
is to provide the world's best trading experience.

Our six strategic choices underpin how we operate and are the guiding principles we choose to follow in pursuing our vision.



Our values
define our culture and are embedded by our employees to enable us to succeed and deliver against our strategy.



Medium-term financial targets

REVENUE GROWTH

3–5%pa

IN THE CORE MARKETS

REVENUE

+£100m

BY FY22 (FROM FY19) TO £160M

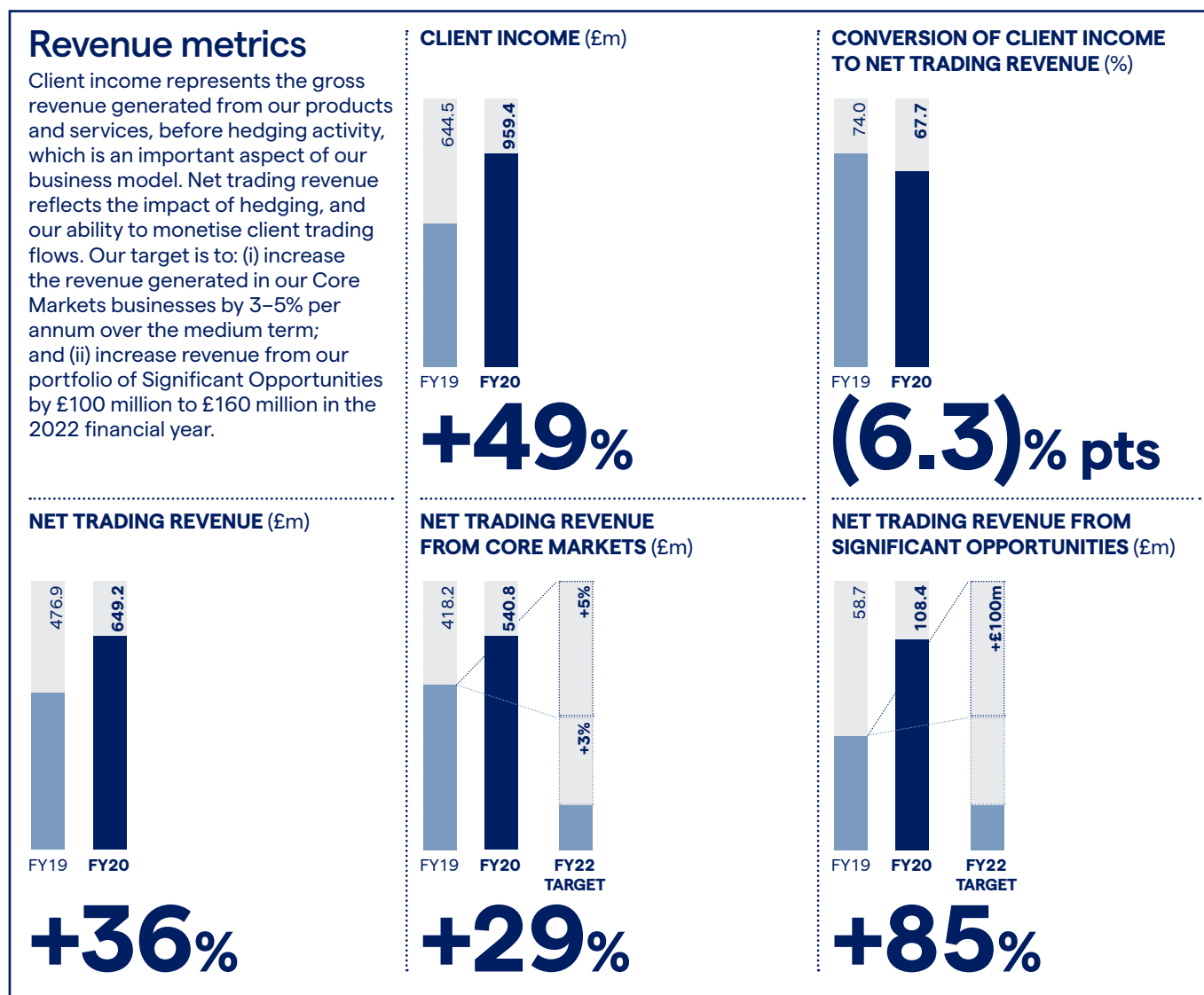


Growth levers	Expanded distribution channels	A global firm with local focus	Segmented target markets	Multi-product
Performance in 2019/20	<ul style="list-style-type: none"> → Robust pipeline under way in Greater China, Japan and Europe → Discussions well advanced in Hong Kong and Taiwan with major banks and stockbrokers → Integration of third-party broker in Germany 	<ul style="list-style-type: none"> → Tailored global product to local tastes in Japan → Use of well-known local brand ambassadors, for instance, in Japan → Active dialogue with a major Japanese securities firm → More than doubled our client base in Japan – FY20 vs FY19 	<ul style="list-style-type: none"> → Launched IG Prime brand for hedge fund and family office clients → IG Prime benefited from new management hires with strong prime brokerage expertise → Augmented IG Prime sales force 	<ul style="list-style-type: none"> → Launched Spectrum, IG's pan-European multilateral trading facility (MTF) → Achieved around 40% out-of-hours trades in Q4 on Spectrum, showing key USP for clients → 150 million securitised derivative contracts traded in the last eight months of FY20
Priorities for 2020/21	<ul style="list-style-type: none"> → Expand partnership opportunities in Japan, Hong Kong and Taiwan → Expand partnerships to additional broker-dealers in Italy, France and other European markets → Expand new white-labelling capabilities to new markets 	<ul style="list-style-type: none"> → Capitalise and tailor our US product set for the US market → Develop our search engine optimisation, social media and local content in every market → Continue new array of marketing approaches and distribution partnerships already under way 	<ul style="list-style-type: none"> → Further build out IG Prime and expand suite of capabilities for institutional segment → Continue to drive new enhancements and customised products for our professional clients → Position IG for the transitioning of Australian clients to wholesale 	<ul style="list-style-type: none"> → Introduce exchange-traded equities to Spectrum → Introduce new products into Japan → Meet specific regulatory requirements through innovative new products → Capitalise on our stock trading capabilities in new markets

Key Performance Indicators (KPIs)

Financial metrics

We use ten key metrics for our financial and non-financial performance.¹ These also measure our ability to deliver shareholder returns through revenue, profit and cash generation.



¹ Definitions for the individual metrics can be found in the glossary of terms, on page 209.

² Over-the-counter (OTC) leveraged activity remains the primary source of revenue for IG, reflecting 95% of total revenue in the 2020 financial year. For this reason, it's appropriate that this segment remains an area of focus within these KPIs. As we look to deliver on our strategy by moving into new product lines and geographies, we may in the future choose to introduce different metrics that focus on new business segments.

Profitability metric

Our profitability measure indicates the extent to which we're able to convert our revenue into profit by well-controlled cost management, as we work to maximise value for shareholders while investing in appropriate growth initiatives.

Our operating profit margin indicates our effectiveness in managing revenue and costs simultaneously.

OPERATING PROFIT MARGIN (%)



+5.2% pts

Shareholder return metric

IG's shareholder return metric indicates the total return, including dividends. We expect to maintain our full-year dividend at the level of the 2019 financial year, which is 43.2 pence per share.

TOTAL DIVIDEND PER SHARE (p)



Balance sheet strength metric

Our balance sheet metric measures the cash we generate. It indicates our ability to keep meeting our financial obligations as they fall due, including broker margin requirements and dividend payments.

NET OWN FUNDS GENERATED FROM OPERATIONS AFTER INVESTMENTS (£m)



+80%

Non-financial metrics

Our two non-financial KPIs focus on client metrics, which help to underline the longer-term health of IG. Please also refer to the environmental, social and governance (ESG) KPIs on pages 60 and 61 for information on our progress in our commitment to our stakeholders, environment and community. These client and ESG metrics help to provide context for our broader progress, beyond our financial KPIs.

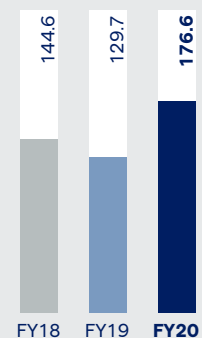
➔ ESG METRICS
PG. 60-61

Client metrics

Our client metrics reflect our continued focus on growing the size and quality of our client base. We work to retain and grow a high-quality, loyal client base.

TOTAL NUMBER OF ACTIVE OTC LEVERAGED CLIENTS (000)

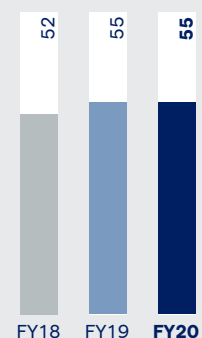
This is a measure of client trading activity. We use OTC leveraged clients rather than total active clients, as these represent the majority of our revenues.²



+36%

PERCENTAGE OF OTC LEVERAGED REVENUE GENERATED BY CLIENTS THAT HAVE TRADED WITH IG FOR AT LEAST THREE YEARS (%)

This measures the value of client retention, an important aspect of a high-quality, loyal client base.



Stakeholder Engagement

Section 172(1) statement by the Board

As a Board we continue to uphold the highest standards of conduct and make decisions for the long-term success of the business. We're aware that our business can only grow and prosper if we understand and respect the views and needs of our stakeholders.

Under the Companies Act 2006, 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 take into account, 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 members of the Company

Our key stakeholders

The Directors have identified certain key stakeholders who are essential to the success of our business – see pages 26 to 28.

The Board will sometimes engage directly with certain stakeholders on specific issues. This stakeholder engagement often takes place at an operational level. We consider key stakeholders when we discuss and make decisions relating to strategic matters, financial and operational performance, risk management, and legal and regulatory compliance. Information in relation to these areas is provided to the Board through reports sent in advance of each Board meeting, and through presentations to the Board.

As a result of these activities, the Board has an overview of engagement with stakeholders and other relevant factors, which enables the Directors to comply with their legal duties under Section 172 of the Companies Act 2006.

In May 2019, the Board agreed that its future meetings should specifically reference certain key stakeholder interests. We've now incorporated this requirement into the Board cycle. As part of the preparation procedure for Board meetings, we use template Board papers that require us to identify relevant stakeholders who should be considered in each proposed decision.

Board decision-making and stakeholder considerations

IG, its Directors and management are fully committed to effectively engaging with all key stakeholders. Below we set out some examples of how the Directors have taken into account the matters set out in Sections 172(1)(a)-(f) when discharging their Section 172 duties, and how this has affected certain principal decisions taken by them. We define 'principal decisions' as those that are material to IG and are significant to any one or more of our key stakeholder groups – as set out on pages 26 to 28.

In making the following principal decisions, the Board considered the outcome from our stakeholder engagement, as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between IG's shareholders.

Principal decision 1: four-year plan and budget

The Board approved an updated financial plan (the 2020 plan) to underpin the delivery of medium-term revenue targets set as part of our original four-year plan – agreed in 2019 for the financial years 2020/23 inclusive (the original plan) – and achieve our specific profit and earnings per share (EPS) targets and dividend payment for the 2022 financial year.

In agreeing the 2020 plan, the Board considered the potential impact that each element might have on its key stakeholders. In particular, the Board took into account:

- Our relationship with and the views of regulators in the countries where IG holds regulatory licences to conduct its business. We referred to the latest applicable legislation and regulations, held ongoing dialogue with relevant regulators and ensured that the business initiatives in the updated plan were in line with IG's regulatory risk appetite
- The interests of employees, through IG's continued support for the People Forum. This provides a helpful feedback channel to hear the views of employees, so we can address matters raised. Also relevant are our employee health and wellness programmes and diversity and inclusion policies, and our investment in software and equipment, as well as our implementation of a working style that enables employees to work effectively outside of the office. This has ensured that our people have been able to work from home seamlessly during the Covid-19 pandemic
- The needs of clients, through our decision to enhance IT infrastructure to ensure that our systems are resilient and better able to support our clients' demands. We considered the number of clients, the demand to access our services during periods of increased client activity, and the requests we've received to provide more advanced features on our desktop and mobile platforms for clients who use sophisticated trading strategies

- Our existing relationships with suppliers, in particular related to our IT infrastructure, as a result of the changing needs of IG and its stakeholders. These changes were driven by the expectations of regulators, the needs of employees and the demand from clients, as well as shareholders' interests in our decisions on overseeing costs and the nature and focus of future investment
- The views and interests of shareholders, by ensuring that our updated plan supported the sustainable growth of the business, along with the delivery of our strategy and shareholder value

Principal decision 2: commitment of £5 million to the IG Brighter Future Fund

The Board approved a commitment of £5 million from our profit before tax for the 2020 financial year to the IG Brighter Future Fund. This fund will be used to improve educational opportunities for the least privileged young people in our global communities, and to offer immediate assistance to those that have been hardest hit by the Covid-19 pandemic.

The Board took into account the fact that many businesses and individuals in the communities where we operate are facing considerable hardship as a result of the Covid-19 pandemic. We also recognised that IG has been fortunate, in that our business has performed well during this period of increased volatility in the financial markets. More information about how the fund will be used can be found on page 61.

In deciding to create the IG Brighter Future Fund and choosing where our investments should be made, the Board took into account the views of our employees. We aligned the fund with the priorities of the IG Brighter Future initiative – priorities that the Board had set after consulting with our People Forum and reviewing the results of our employee engagement survey. We also took into account the views of IG employees in setting aside a £1 million portion of the Brighter Future Fund to respond to immediate crises linked to the Covid-19 pandemic. This money was divided between each of IG's global offices, whose employees have proposed the initiatives that it will support. The Board also approved the formation of a Board ESG Committee, and an ESG Manager was recruited.

More information about the Brighter Future initiative and IG's other local-led charitable engagement can be found on pages 60 and 61.

Principal decision 3: Covid-19 – people considerations

We successfully implemented our comprehensive business continuity plan in response to the Covid-19 pandemic. Thanks to our significant long-term investment in communications and technology infrastructure, our people have been able to work from home safely and seamlessly during the pandemic.

The Executive Directors have been in regular communication with employees to ensure their safety, and that of their families, during this challenging time. We set up a Covid-19 Steering Group, including Executive Directors and senior members of staff, to oversee our employees' transition to working from home, monitoring their health and safety, and their ability to work effectively there. The Group also considered the steps needed to alter the working environment in preparation for employees returning to the office, and how and when employees should return, on a location-by-location basis. Our priority has been the health and safety of our people, and we continuously monitor best practice and government advice. We provide regular updates to our people and to the Board.

The Board agreed to a phased return-to-work approach for all employees, taking into account our people's safety when commuting to work and adjustments to be made at the workplace as a result of Covid-19.

Stakeholder Engagement

CONTINUED

At IG we rely on building strong and meaningful relationships with our key stakeholders. The premise of these relationships is openness and trust, to facilitate participation and open dialogue. It is only by attentively listening to our stakeholders and truly understanding them that we can confidently factor them into Board discussions and make decisions that are considerate of their needs and potential concerns. We understand that each stakeholder needs to be approached differently to achieve this, and the table opposite highlights our key stakeholders and sets out how we engage with them.

Further information on how the business has responded to stakeholders' key issues is set out in the section on Board decision-making and stakeholder considerations on pages 24 and 25.

Our stakeholders



Clients

Why we engage

IG empowers informed, decisive, adventurous people to access opportunities in financial markets. Our clients have high expectations of their trading provider. If we fail to meet those expectations, our clients will go elsewhere. There are many companies operating in our industry, and we need to engage with our clients to ensure that we continue to stay ahead of the competition.

Our clients use our trading platforms for hours every day, and that makes them the most valuable source of feedback for us – helping us to provide the best experience we can.



Our people

Nurturing a team of talented and dedicated people is central to our strategy, enabling us to deliver the exceptional products and services that keep us at the forefront of our industry.



Regulators

Regulations affect how we're able to market and provide services to our clients. It's essential that we engage with our regulators to ensure they understand our products and business model, so we can remain active in multiple regions and keep growing into new markets.

By maintaining relationships with our key regulators and actively engaging on both a local and global scale, we position ourselves to be well informed about impending developments in the regulatory environment.

How we engage

Day to day, we engage with our clients through our customer support teams, who are multilingual, highly trained and available 24 hours a day, 6.5 days a week, 365 days a year. Our goal is to offer best-in-class customer service to all our clients, and provide a variety of channels for them to get in touch with us.

We also provide clients with a range of tools and features to help them with their trading, including a wide education offering, plus breaking financial news and live analysis of the markets. These are available for all clients to use in a way that best suits them.

To ensure that we're meeting our clients' expectations, we conduct regular research to get their feedback on our products and services. This feedback directly helps to shape our prioritisation roadmaps and improvement programmes.

We have a variety of means to engage with our people. These include two surveys per year, functionality in our employee communication portal that we can use to collect feedback and comments at any time, and town halls and small group meetings that allow our senior managers to meet and understand our people's views. Our employee network groups also offer an important channel to better understand the experience of our employees that are currently underrepresented.

In response to the changes to the UK Corporate Governance Code, we established a single body to act as a conduit for more formal feedback and interactions with our Board. The resulting People Forum is chaired by our Chief Operating Officer, supported by the Chief People Officer, and attended by a Non-Executive Director on a rolling basis. Employees are democratically elected by our people and serve two-year terms.

We maintain constructive relationships with our regulators, communicating in an open and transparent manner, and ensuring that our actions are consistent with regulatory expectations.

We work with our regulators in multiple ways – from proactive engagement on new business proposals to assisting in their investigations and regulatory requests.

Our employees around the world are responsible for maintaining an open and constructive dialogue with local regulators, to facilitate strong relationships and understand the expectations that are critical to our business.

What matters most

We provide access to the financial markets that enables our clients to take advantage of opportunities. We can only do this if our platform is stable, secure and reliable, and trade execution is seamless. So the reliability of our technology is paramount.

Education is also of high importance to our clients. We offer a range of educational tools and materials, alongside demo accounts where clients can educate themselves about our leveraged products in a risk-free environment. We also offer a range of risk management solutions that our clients value as part of their educational journey.

Our clients need us to be 'always on', as opportunities can arise around the clock. Our 24-hour trading coverage is a unique selling point and a key feature of the service we provide.

Clients also expect us to be there when they need assistance, have an issue, or simply want to ask a question. Access to IG's highly trained customer service team is important for clients who rely on our expertise.

We hear consistently that our people want to be kept informed about our business strategy and changes to our industry. They want the chance to be involved in planning changes that will impact them and their teams. They also expect the organisation to provide opportunities for development.

Regulators focus on protecting consumers from bad outcomes, safeguarding our clients' best interests and ensuring that all clients are treated fairly. They also take an interest in capital and liquidity issues. Regulators value firms that respect and follow both the letter and the spirit of the regulations and guidelines they set out.

Stakeholder Engagement

CONTINUED

Our stakeholders

Why we engage



Communities

Sustainability and social awareness are firmly embedded into our purpose and values, and are integral components of IG's culture. We also recognise that community engagement is vital to our ability to deliver long-term returns for our stakeholders. These factors mean that we carefully consider our impact on the communities in which we operate and on the environment. Our commitment is embodied by the Brighter Future initiative – explained in more detail on page 60.



Shareholders

The support of our shareholders is critical to IG. Staying abreast of their views gives us insight into the considerations that drive their priorities when assessing us as an organisation. And by delivering for our shareholders, we help to ensure that our business continues to be successful in the long term.



Suppliers

We engage with suppliers to develop mutually beneficial and lasting partnerships. Suppliers play an important role in the quality of the service we provide, supporting us to meet the high expectations of our sophisticated client base.

How we engage

Through the Brighter Future framework, we partner with local charities that support the communities in which we operate, and we also have partnerships at national and global levels.

All of IG's people have opportunities to engage with our partners – from our Chief Executive Officer's membership of Teach First's Business Leaders Council through to employee volunteering and fundraising. This work is now coordinated by our dedicated ESG Manager and a team of regional champions spread across our global network. IG's environmental, social and governance (ESG) strategy is overseen by our recently formed ESG Board Committee.

We maintain an open dialogue with our shareholders – through one-to-one and group meetings, results webcasts and roadshows, conference attendance, capital markets days and the Annual General Meeting.

Shareholder feedback, along with details of major movements in our shareholder base, is reported to and discussed by the Board regularly. We consider shareholder views as part of our decision-making process.

Our major shareholders have direct correspondence with the Chairman, Senior Independent Director and Committee chairs on significant matters as they arise. One circumstance, for example, that would warrant engagement with a major shareholder would be proposed changes to the Remuneration Policy.

We frequently engage with our supplier base to ensure that all parties are getting the desired value from our relationship. Typically we do this through a series of engagements, ranging from informal conversations for exchanging information and discussing priorities to formal interactions. The latter might focus on contractual terms or involve reviewing the performance of the supplier, to ensure we're getting value for the service being provided.

What matters most

Our communities value sustained and long-term support. This is achieved through a combination of continual dialogue, financial donations and meaningful employee engagement. To date, our Brighter Future initiative has committed over £5 million to our charity partners and to critically important causes and campaigns. It also matters to our communities that we're conscious of our impact on the environment.

Shareholder discussions cover a wide range of topics, including financial performance, leadership, strategy, regulation and competitive position, as well as ESG practices. Shareholders look to identify what will drive sustainable improvement in our returns over the longer term, with a particular focus on delivery against our stated strategy.

The openness of management and the Board to the views of shareholders is critical to the development of investor trust.

We've found that our suppliers value clarity on our expectations of the relationship and the services they provide, along with timely and reliable payment. Our suppliers also appreciate fair, open and honest two-way communication and value the feedback we can give them.

Business Model and Risk Profile

IG enables clients to access trading opportunities in a wide range of markets – including stock indices, individual shares, forex, interest rates and commodities – through online dealing platforms and exchanges.

Clients can also access our stock trading platform, as well as an innovative portfolio-based product for longer-term investment purposes. We offer the latter in partnership with BlackRock, one of the world's leading asset managers.

Risk profile

Our business model is based on generating a return from our services through transaction fees (spread, commission and funding charges) charged to clients. The level of revenue in any period is predominantly driven by the number of active clients we serve in that period and the level of trading activity undertaken by each client.

IG does not seek to generate returns from actively taking market risk. We don't take proprietary trading positions, and our revenue is not dependent on the direction of market movements.

Under our business model, we accept some exposure to market risk in order to optimise the efficiency and effectiveness of our services to clients. We manage the market risk we face in providing these services by internalising client flow (allowing individual client trades to offset one another) and hedging externally when the residual exposures reach predefined limits. As a result, our revenue is driven by transaction fees charged to clients and the level of their trading activity, and isn't significantly affected by movements in market prices.

Our business model also means that we're subject to client credit risk, counterparty credit risk, liquidity risk and capital adequacy risk. We also face operational risks, including those arising through technology, people, process and external events. In addition, we're subject to conduct risk relating to the way we deal with our clients and with the markets.

IG operates in a dynamic competitive environment, and our revenue is dependent on the number of active customers and their level of activity – which is influenced by the degree of volatility present in the financial markets. This means that our business faces risks relating to market conditions and its competitive position.

We operate in a number of geographic markets and are regulated by different financial services authorities in those regions. Their regulations affect how our business is able to market and provide its services to clients. The regulations relating to the products and markets in which we operate

are continually evolving. IG supports the objectives of national regulators to improve client outcomes, however our business faces risks arising from potential changes in its regulatory environments that may adversely impact its activities or its competitive position.

The launch of new products and business initiatives may introduce new risks. We ensure that these risks are clearly identified and managed through our well-established control environment, which evolves in response to business developments. This means that while our risk profile may change at a micro level, at a macro level the risks we face remain fundamentally the same.

Our business model enables us to serve our clients effectively and to generate good returns for shareholders, while maintaining a low appetite for those risks that we can manage directly, such as market and credit risk. The Group has no appetite for liquidity or regulatory capital risk as per requirements and regulation. This is reflected in the Board's Risk Appetite Statement and the Key Risk Indicators (KRIs) used to monitor these risks. For more detail on how the Group manages various risks through employee training and operational controls, please see an overview of IG's Risk Management Framework on pages 50 to 59.

Clients

IG's clients are knowledgeable and demanding. They expect a broad product range, exceptional service, outstanding execution and highly sophisticated technology, which they use to trade frequently.

The majority of our clients are individual traders and investors. However, we also provide services to corporate clients and institutions, including asset managers, hedge funds, family offices and broker-dealers.

Regulators require firms to segment clients using classification frameworks that allow these authorities to provide clients with protection according to their needs. Most frameworks have three categories – licensed firms, corporates along with wealthy and sophisticated individuals, and all other individuals. In the UK and EU these groups are called Eligible Counterparties, Professionals and Retail, respectively.

A key part of IG's culture is to place our customers at the heart of everything we do, which in turn embeds this commitment at the centre of our strategic initiatives. We regularly seek and review feedback from clients, and this enables us to develop products and services specifically to meet the needs of active traders and investors globally.

Central to our commitment to our customers is the quality of our order execution. IG processes 100% of active client trades automatically and never re-quotes prices. Should a significantly better price become available for

customers during the dealing process, our innovative price-improvement technology enables customers to receive that better price during trade execution.

As well as interacting directly with clients, we also work with a range of partners to provide IG services to an expanded distribution network, under our newly launched brand, IG Prime. These partners are organisations that want to take advantage of our award-winning dealing technology and expertise. We're already offering a broad suite of partner models under the IG Prime brand, and we're working on developing these further.

Clients' investment requirements and appetite for risk may change over time, affected by factors such as family or financial commitments or the need to plan for retirement, and this has offered IG the opportunity to broaden our product set to appeal to sophisticated investors who may have evolving needs.

In 2014, we expanded our product range to include stock trading, followed by the launch of investment portfolios in 2017. Through these products clients can hold their investments in individual savings accounts (ISAs) and self-invested personal pensions (SIPPs). Offering these services allows us to deepen and lengthen our relationship with clients by catering for their evolving needs.

Early in 2019, we created an options account for European clients to trade vanilla and barrier options over-the-counter (OTC). Later in the year we also launched IG's on-exchange turbo24 product, which offers EU retail clients the opportunity to trade transferable securities in the form of turbo warrants.

Appropriateness

Leveraged derivative products are not appropriate for everyone, and good conduct by IG is particularly vital in relation to marketing and client recruitment, to prevent poor consumer outcomes. When designing our products, we have a clear and specific target audience in mind. We work hard to ensure that our advertising reaches this target audience, and that our clients comprehend the risks involved with IG's trading and investing products, and understand how our services work.

We also conduct rigorous checks to ensure that all our marketing promotions are clear, fair and not misleading, and that we're not downplaying risks compared to the benefits of our products.

Before allowing a prospective client to open an account, we carry out a detailed assessment to determine whether our products are appropriate for them. We question applicants extensively so we can assess whether they have the necessary knowledge and experience to understand the risks involved. We ask clients for details of their income and

savings, both on account opening and at regular intervals afterwards. As well as providing clear disclosures about the features and risks of the product, and depending on the results of this assessment, we may decline to open an account. Alternatively, we may provide an applicant with a type of account where risk is limited, such as a stock trading account. We may also close an open account if a client's circumstances change and we believe the account is no longer appropriate for them.

Client outcomes

To consistently deliver fair outcomes and positive experiences, we put our clients at the heart of everything we do. We strive to ensure that we understand their needs, and we have a very low tolerance for poor client experiences and outcomes. We're committed to continuing investment in process, training, and culture to improve client experiences and outcomes, and to address root causes wherever we fall short.

Our clients are knowledgeable investors and traders who gain utility out of their trading experience. They appreciate the intellectual challenge of speculating on market movements, and accept that this may involve losing money. Our disclosures make clear that many of our trading products are not long-term investment products, and as such we don't see client gains or losses as the sole indicator on which to judge client outcomes. Instead, we look across a broad range of metrics – including overall satisfaction, appropriateness trends, complaint statistics, trade-to-query ratios, specific causes of customer dissatisfaction, and financial outcomes – to ensure that we're doing the right thing for our clients. We also focus on providing our clients with the best possible service by continuing our investment in our platform to maximise its availability and performance.

Client acquisition and education

IG has a strong brand, built up over 46 years. We aim to acquire new clients through client referrals, word of mouth, natural search and client manager relationships. This is all supported by a targeted global marketing effort, with online marketing managed centrally and local activity run by country offices, though subject to central standards and oversight. Our sophisticated online marketing uses an algorithmic approach, enabling us to reach larger numbers of the right prospects more efficiently and effectively, and to pursue opportunity as it presents itself. We aim to react immediately to global and local events, creating campaigns rapidly and rolling them out to relevant regions, with appropriate local adjustments.

As well as marketing our products directly, we provide a number of education, news and analysis services. These encourage people to engage with IG and to learn about our products and how to trade effectively and responsibly. Our offerings include online courses, webinars and seminars via IG Academy, a suite of YouTube videos, and the DailyFX

Business Model and Risk Profile

CONTINUED

news and analysis website. These resources reinforce our commitment to transparency, ensuring that new and existing clients are well-informed about IG's services and the economics of trading the financial markets.

Our extensive educational resources include an introduction programme that promotes responsible trading. Clients can access expert tutorials, which cover everything from fundamental trading concepts to risk management. IG seeks to ensure that this content is engaging and is targeted towards client needs.

We also provide an extensive range of trading aids, such as news, commentary and analysis – both in-platform and on our website. We offer charting packages and various technical analysis tools that help clients to screen markets for trading opportunities, and they can choose to receive alerts when their trading signals are triggered.

Client risk management tools

We take our responsibility to help clients understand the risks associated with trading very seriously, and provide them with tools to manage these risks. Given our business model, it's in IG's interest to develop lasting relationships with clients – those who are more successful stay with us over the long term and become more valuable.

IG has a number of services designed to help clients limit any losses they may make.

Our close-out monitor (COM) liquidates client positions when their margin has been significantly eroded, and helps protect clients by closing positions automatically. As at 31 May 2020, 99.99% of all client accounts were subject to the COM procedure.

Clients can choose to attach guaranteed stops to their positions, so that they know their maximum possible loss at the outset of a trade. Our innovative charging system encourages clients to use guaranteed stops: no premium is payable for attaching a guaranteed stop unless it's triggered. IG was the first provider to offer guaranteed stops on this basis.

Since 1 August 2018, all Retail clients in the UK and EU have benefited from negative balance protection. This gives these clients the guarantee that they cannot lose more capital than they have on their account.

In jurisdictions where negative balance protection is not mandatory for retail clients, we offer a limited-risk account through which every trade has a guaranteed stop, providing protection on both an individual trade and overall account basis. Our turbo warrant and knock-out option products also give clients a way to trade with capped risk.

Revenue generation

We conduct our business through four revenue-generation models: OTC leveraged derivatives, exchange traded derivatives, stock trading and investments.

OTC leveraged derivatives

The majority of our revenue is derived from OTC leveraged derivatives, where clients trade different types of derivative instruments, including contracts for difference, financial spread bets and options. These enable them to take long or short positions, for varied durations, in a wide range of financial and other markets. They gain exposure to price movements in those markets without needing to buy or sell the underlying asset.

Our OTC leveraged derivatives are priced by reference to prices in the underlying markets. When markets are open, the prices of the derivative contracts are continually updated, reflecting the prices in the underlying markets. For the majority of derivatives, the price includes a spread around the underlying market price. For some derivatives on single shares, clients are charged a commission instead, and the contract does not include a spread. Clients are charged funding when long positions are held overnight, and receive funding when short positions are held overnight.

Our business faces market risk, as IG is the counterparty to the OTC leveraged derivatives that clients enter into. We accept this market risk in order to allow instant execution of client orders. We manage our market risk through internalisation – allowing individual client trades to offset against each other – and by hedging the residual risk above predefined limits, by entering into derivative contracts with third-party hedging brokers. We look to hedge our residual market exposures in an efficient manner by grouping our correlated exposures into asset classes. However, we are not able to hedge our precise exposures perfectly, which gives rise to basis risk.

Since we limit our market risk through internalisation and hedging, our trading revenue from OTC leveraged derivatives predominantly reflects the charges paid by clients through spread, commission and funding, less the costs incurred in hedging, and our revenue consistently has reduced variability. Internalisation is key to our business model and profitability, as it reduces the cost of hedging market risk in the underlying markets.

The majority of the OTC derivatives that we offer are 'leveraged'. Clients trade contracts for difference or financial spread bets on 'margin'. This means they only need to have sufficient funds in their account to cover the margin required to enter into a derivative contract, not its full value.

Margin is usually expressed as a percentage of the notional value of the trade, and margin trading lets a client use leverage to take a position in a market with a notional value that is significantly greater than the funds they must deposit. This means that leveraged derivative contracts magnify the gains or losses a client can make relative to the funds deposited.

IG faces client credit risk, as leveraged contracts can result in a client incurring losses that exceed the funds in their account, and they may be unable to fund those losses. When setting the level of margin for each contract, we take into account any relevant regulatory requirements and the volatility of prices in the underlying market, which reduces our exposure to client credit risk.

Our OTC leveraged derivatives activity also gives rise to liquidity risk. We trade our hedging contracts on margin, and are required to deposit initial margin with our brokers – a percentage of the gross amount of open positions with each broker. As this gross amount changes due to market price movements, and as the nature of our open positions changes, the consequent amount of margin we have to deposit also alters, as we're required to deposit margin with our brokers on demand. This means that our business faces liquidity risk through our hedging activities, and counterparty credit risk through the amounts we hold on deposit with our brokers.

IG sets its own exposure limits against each hedging counterparty, and large exposure rules defined by regulation mean that our exposure to any one hedging counterparty is also restricted. For this reason we need to maintain a number of different hedging relationships to provide us with sufficient capacity and diversification for our hedging requirements.

Exchange traded derivatives

Our revenue from exchange traded derivatives is principally derived from our ownership of Nadex, a US-based, regulated derivatives exchange. Nadex clients can trade options contracts on a wide range of underlying markets, with various strike prices and expirations. Clients become members of the exchange, and pay a trading fee on each side of the trade: once to open, and once to close. Under this model, clients don't trade on margin, so these contracts don't involve leverage. As a result, the exchange faces neither market nor client credit risk.

In the 2020 financial year we launched Spectrum, our Germany-based multilateral trading facility (MTF), which offers EU retail clients the opportunity to trade transferable securities in the form of turbo warrants. Spectrum offers these securities on a wide range of underlying markets. Clients can trade on Spectrum through a broker or bank that has a standard membership of the exchange. All members must fulfil the eligibility criteria set out in the rulebook as required by the regulator.

Prices for contracts listed on Nadex are provided by market makers, who are also members of the exchange and pay fees for trading. For Spectrum, we intend for liquidity to be provided by market makers, who must be categorised as market-making members of the exchange. At the moment, IG provides baseline liquidity to Spectrum and operates as one of the market makers to Nadex. We face market risk as a result of this activity, and hedge this via third-party partners.

Stock trading

We operate an execution-only stock trading platform, through which clients can buy and sell individual shares listed on exchanges around the world.

We charge a transaction fee for each purchase and sale transaction, and a currency conversion fee for transactions that involve different currencies. There is also a custody fee, which may be rebated to clients who undertake a minimum level of transactions in a set period. IG's trading revenue from this service is reported net of the execution fees we pay in the market.

Clients fund the purchase of shares in full at the time of placing an order. This activity doesn't give rise to any market risk or client credit risk for IG.

Investments

IG offers a portfolio-based investment service. From the results of an online questionnaire, clients are advised which of five portfolios comprising a basket of exchange traded funds (ETFs) may be best suited to their needs. These portfolios rebalance periodically. Alternatively, clients can choose their own portfolio of ETFs to reflect their investment profile.

We charge a percentage fee on the value of the assets under management, and our revenue from this activity reflects these fees less the amount paid to the ETF provider.

Clients fund the purchase of their investments in full at the outset. This activity doesn't give rise to any market risk or client credit risk for IG.

Business Model and Risk Profile

CONTINUED

Differentiation and core strengths

Business model and risk management

As already noted, IG's business model ensures that our interests are aligned with those of our clients. As a result of the internalisation of client positions and our hedging policy, we earn revenue from client transaction fees, and it is the volume of client trading that drives revenue and not client trading losses. Our business benefits when clients trade well, as they are then more likely to continue trading. This underpins IG's culture of championing the client.

IG has operated for 46 years, and we have well-established processes for identifying and managing risks. We focus on the long term, and on doing things properly to support a sustainable, growing business.

As a result, our shareholders and IG's many stakeholders, including clients, regulators and suppliers, can have confidence that our business has the capacity to manage the risks it faces, and that it will be able to keep operating normally under stressed conditions and through financial market volatility and operational risk events.

Brand and reputation

IG is a global leader in online trading and the trusted partner for around 239,600 active clients. As a FTSE 250 company with a market capitalisation of £2.8 billion on 31 May 2020, we have a long history of profitability and financial strength.

IG was created in 1974 as the UK's original OTC leveraged derivatives provider. We introduced a completely new, accessible way for people to trade on the price of gold, by defining it as an index. Since then, our innovative, client-focused approach has enabled our business to grow, expand internationally and broaden its product range, and today IG is the world's No.1 CFD provider¹ as well as maintaining its considerable UK market leadership in OTC leveraged derivatives.

The unified global IG brand was established in 2013 through our acquisition of the IG.com domain. This pivotal event gave us the framework to consolidate our global web traffic through a single route, so as to focus on online leadership – something that is increasingly important for acquiring, educating and providing a high level of service for clients. Our recent introduction of our new brand identity is another milestone for the IG brand, and is a reflection of our progressive growth strategy and commitment to keep pioneering the way forward in the industry.

Clients and client experience

IG's clients are of the highest quality. They are informed, self-directed, sophisticated traders who are loyal to IG and our services. Our business has the best client retention and tenure statistics in the industry.

Providing clients with the best service is at the heart of our corporate culture at IG. Our operating model and offices around the world allow our business to provide an uninterrupted service to clients. In addition to our global network of offices, we have operations and development centres in Krakow, Bangalore and Johannesburg that allow us to access the skills needed to support clients.

We offer a range of free seminars and online tutorials for clients, and our client services team provides dedicated 24-hour support. This team is fully trained to understand our products and how they are best suited to individual clients. They're available through email, telephone and web chat. We aim to ensure that correspondence with clients is always clear and fair, and is never misleading.

To ensure that clients are at the heart of our business, we encourage feedback and offer clear channels for comments and complaints. We monitor our service standards closely by regular tracking of Key Performance and Risk Indicators.

Technology and innovation

IG's success is predicated on investing in and developing technology and innovative products that are market-leading and empowering for clients. We were the first company in our sector to launch an online dealing platform, in 1998, and the first to launch a mobile app with live price streaming, in 2003. We first offered a CFD on bitcoin in 2013, and we launched our own exchange traded derivatives platform, Spectrum, in 2019.

We regularly invest in developing new tools and features for our client-facing platforms – a continuous process that is directed by detailed research into clients' evolving needs. IG stands out in its industry by giving clients round-the-clock access to trade, even when the underlying market is closed or when prices go negative. For example, in April 2020, IG continued to offer pricing on crude oil futures despite the price going negative. We were able to do this due to our long-standing investment in technology and our relentless focus on client experience.

For more advanced and institutional clients, we provide a range of professional technology, including a Direct Market Access (DMA) platform, sophisticated technical analysis tools and web application programming interface (API) solutions.

¹ Based on revenue excluding forex (from published financial statements, June 2020).

We provide our clients with trading platforms based on their requirements, whether they access them from home, office or on the move. These include a web-based platform, smartphone apps for a range of operating systems, and a progressive web app (PWA). The speed, customisation facilities, and integrated news and analysis feeds of our platform are at the cutting edge of trading technology. Designed to provide an intuitive, personalised experience for traders with different styles and objectives, IG's trading platform is at the core of the suite of trading tools and resources offered to clients.

Conduct and standing with regulators

IG always seeks to operate in the client's best interests. First, we target our marketing and advertising to an appropriate, specific audience, aiming to ensure that we open leveraged trading accounts only for clients for whom the product is suitable.

Second, we do our best to ensure that all clients are treated fairly. We provide educational and training materials to clients to help them understand our products and services, so that they can become more skilful and effective as traders. We believe that this approach builds a high level of trust in us from our clients, and nurtures lasting client relationships.

Third, IG adheres to the highest regulatory standards. Our Compliance Officers around the world are responsible for maintaining an open and constructive dialogue with local regulators, sharing our business plans with them and ensuring that our actions are consistent with regulatory expectations. As a result, we have strong working relationships with our regulators around the world, which is fundamental to the sustainability and growth of our business.

People and culture

IG has an experienced, long-serving team of people who understand its clients, what they need and what drives them. It's our team's expertise that enables us to deliver our outstanding platform and client service. Our people also understand the obligations that come with being the market leader in a highly regulated industry, operating with integrity and with respect for clients, regulators and other stakeholders. IG's culture is expressed through its values – 'champion the client', 'lead the way', and 'love what we do'.

Key trends and factors likely to affect our business

Covid-19

Through the resilience of our market-leading technology infrastructure, IG has demonstrated its ability to perform strongly throughout the period of unprecedented market volatility triggered by the Covid-19 pandemic. We've followed the letter and spirit of government guidance in countries where the virus has been present, as they work to contain and defeat it. Our significant long-term investment in communications and technology infrastructure has enabled all employees to work safely from home, and we continue to provide the best possible service for our clients when they choose to trade the financial markets. We've maintained regular communication with our staff members to ensure their safety, and that of their families, during this challenging time. The pandemic has shown that companies need to be even more digitally adept and focused if they're to succeed. Efficiently adapting to digital ways of working has been key for IG. Our business is well-positioned to continue successfully navigating the global impacts of the Covid-19 pandemic.

As a business that places a high degree of importance on technological readiness and client service, we're exposed to factors that may influence our platform's availability to clients. Throughout the Covid-19 pandemic, our employees had to adjust to significant changes in their working environment, while also handling exceptional levels of client trading activity. The sheer quantum of these trading volumes, combined with the influx of applications for new accounts, demands that we accelerate investment in our technology and resilience. This will ensure that we continue to deliver the best trading experience for our clients, now and in the years to come. However, any further sustained periods of volatility combined with the challenges of remote working do have the potential to impact our delivery of the technology that underpins our client experience. We'll continue to review our processes so we can minimise risks to service levels.

The level of volatility in financial markets

Our ability to attract new clients, and the willingness of clients to trade, are driven substantially by the numbers of clients who are seeing opportunities to trade in the financial markets. Higher levels of volatility tend to generate more trading opportunities, and these in turn attract new clients and increase the level of individual client trading activity. Measures of financial market volatility, such as the VIX index, reached unprecedented levels during the 2020 financial year. This surge was triggered primarily by the Covid-19 pandemic, and has resulted in exceptional revenue performance for IG in the final quarter of the financial year. However, these levels of volatility aren't expected to continue over the medium term. Any future reduction in the general level of volatility is likely to have a detrimental effect on IG's revenue, since this is driven by overall numbers of active clients and the level of each client's activity – both of which depend on market conditions.

The level of volatility in financial markets also affects our ability to convert client income into net trading revenue.

Periods of exceptionally high volatility can sometimes cause the percentage of client income we convert into net trading revenue to fall. We continue to work on maximising our hedging efficiency, while remaining within our risk appetite and maintaining our commitment to offer clients the best trading and execution experience.

The impact of changes in the regulatory environment

IG operates in a highly regulated environment that continues to evolve. We've seen regulatory intervention made permanent in the UK and across the EU in the past financial year, introducing a range of measures that apply to our retail client base. These broadly restrict the marketing and sale of contracts for difference (CFDs), and include leverage restrictions, negative balance protections and risk warnings.

These measures have had a significant impact on IG's revenue over the last two financial years. Over 70% of our over-the-counter (OTC) leveraged revenue is now generated from clients in jurisdictions where restrictions on the sale and marketing of CFDs have been implemented. It's expected that restrictions will be introduced in other jurisdictions over time, which may reduce or limit our revenue from clients in those regions. However, through our stated strategy to deliver growth via expanded distribution channels, geographical expansion, segmented target markets, and a multi-product offering, we aim to mitigate the potential impact of individual regulatory interventions.

We continue to drive new initiatives as part of our strategy, mitigating the impact of regulatory change by diversifying our product offering and providing choice for clients. IG has a history of innovation and flexibility, and a proven track record of deploying technology and skills to adapt our business in response to regulatory and market changes. In our experience, when tighter regulation has been applied appropriately, client outcomes have improved, the industry has become more sustainable and high-quality providers, like IG, have benefited over the longer term.

Over the last 46 years, IG's strategy has been one of differentiation within our industry. We've kept to the highest regulatory standards and focused on fair outcomes for our clients. We believe in robust, proportionate and consistently applied regulatory oversight of the CFD sector, so we fully support the regulatory objective to improve consumer outcomes across the industry.

The level of marketing spend and the effectiveness of marketing in attracting new clients

Our business model is based on generating a return from our services through transaction fees charged to clients. Our revenue for a given period is predominantly driven by the number of active clients we serve in that period and each client's level of activity.

Our marketing approach focuses on three key stages of the consumer life cycle funnel – awareness and consideration generation, demand activation, and onboarding and retention

all combine in order to secure the forecasted number of active clients and levels of client activity.

First, our awareness and consideration marketing activity takes our brand and product message to our defined broader core target audience, from whom we expect short-term returns, as well as our defined broader future target audience, from whom we expect return in the medium-to-long term. This creates a continuous stream of interested prospects, who become the focus of our second funnel stage. Here we use highly targeted demand-activation marketing activities, designed to convert these informed prospects into valuable, active clients. Our data-powered demand-activation marketing operates on defined investment targets to guarantee an attractive payback on this investment. Finally, the third stage of our funnel approach, our onboarding and retention-marketing activity, ensures that all clients receive a customer experience – in the form of tailored content and service – that enables and empowers them to engage as informed, decisive, active traders over a long lifetime with IG.

Across all stages of the consumer life cycle funnel, we operate an integrated cross-channel marketing approach. We orchestrate each channel to work in unity, to deliver a seamless, multi-touchpoint customer experience – and with that, the best return on investment. Our cross-funnel and cross-channel approach is enabled and powered by technology, data and continuous optimisation.

We're continuing to focus on the effectiveness of our targeted marketing, and managing the level of marketing spend to maintain an attractive payback on the investment. We vary the level of marketing spend in line with the opportunities we see to spend effectively.

Changes in the level and effectiveness of marketing spend, or in the rate of client attrition and reactivation, could have a significant effect on IG's future performance.

The level of investment in, and success of, new initiatives

We're continuing to identify opportunities to invest in new initiatives, to further broaden our range of products and services, and our geographic coverage.

Our European clients now have access to trade a range of turbo warrants on exchange, through Spectrum, our multilateral trading facility. Spectrum represents an important diversification of our product range. It gives European Retail clients the opportunity to trade securitised derivatives in the form of turbo warrants. Spectrum has launched successfully, initially offering turbo24s on stock indices, currencies and commodities, and plans to expand its product set to include single-name equities in the 2021 financial year.

In the 2020 financial year, we invested in localising our offering for the Japanese market. Our history of product innovation and strong focus on client experience mean that we're well-positioned to deliver long-term success in this

market. To support our growth ambitions, we'll continue investing in local marketing strategies and conducting research to correctly identify the needs of local consumers throughout the 2021 financial year.

We continued to develop our US retail foreign exchange dealer business throughout the 2020 financial year. IG US offers forex trading to clients in a market that's currently underserved. Our technology experience, excellent customer service and competitive pricing mean we should be well-positioned to succeed in this market.

We've also continued to pursue a range of partnership opportunities during the 2020 financial year. Our technology expertise and strong brand proposition make IG an attractive partner. The relative success of these initiatives will be impacted by the attributes of the partner and the speed at which the product offering can be taken to market.

We're continuing to work on our strategy and medium-term financial targets, announced on 22 May 2019, which included a number of new initiatives. The level of our investment in broadening our product range and diversifying into more geographical markets is key to delivering our growth strategy. Our future performance will be affected by the success of such initiatives.

The UK's exit from the European Union

During the 2020 financial year, IG Europe, our new client-facing subsidiary domiciled in Germany, became fully operational. We've successfully transferred the majority of our EU-resident client base to contract with IG Europe. Although the exact ramifications of the future trading relationship between the UK and EU remain unclear, IG now has an operating structure that should enable us to offer our regulated financial products in all EU member states once the transition period has ended.

Actions of competitors

Within our core OTC product set, we operate in a highly competitive environment. This includes some unregulated and unethical operators at one end, and some highly regulated, established companies offering similar products to IG at the other. The way our competitors act in response to regulatory changes, whether in the EU or elsewhere, and the extent of their compliance with both the letter and spirit of the regulations, may affect IG's competitive position in the industry. It may also affect the reputation of the industry as a whole. This risk extends to other jurisdictions in which we operate, which have either already implemented regulations to control the trading of leveraged derivatives, or are looking to do so in the near future.

We are also exposed to new entrant risk across our global markets and closely monitor any changes in the local competitive landscape in order to identify and respond to the threat of new entrants.

We regularly monitor the financial results and actions of our identified competitors, at an executive and a Board level.

Overview of the 2020 Financial Year

We're a global financial technology and trading business, with a clear purpose to enable our clients to access unique opportunities in the financial markets.

In FY20, we delivered record revenues and profits, with growth across all regions and products. We also built momentum and achieved significant progress towards our medium-term financial targets, and the broader diversification of our business.

Net trading revenue was £649.2 million, 36% higher than the prior year. This performance was underpinned by good growth in the first three quarters of the financial year, prior to the heightened market volatility in Q4. In the first three quarters, net trading revenue of £389.7 million was up 9% on the prior year period (Q1–Q3: £359.0 million). In Q4, net trading revenue accelerated to £259.5 million. This reflected the unprecedented level of client trading activity from the sustained period of volatility across global financial markets triggered by the Covid-19 pandemic and other macro events.

Our track record of revenue growth over time has been driven by steady increases in both the size and quality of our client base. We maintained our strict standards and policies throughout the year for new client recruitment and screening, and in total recruited 96,900 new clients in FY20, up over 100% on the prior year. We also continue to benefit from the loyalty and tenure of our established client base, with 55% of revenue in the financial year generated from clients who have traded with us for more than three years. In the final quarter of the financial year we onboarded 51,200 new clients across our product offering, with 35,300 new over-the-counter (OTC) leveraged clients placing a first trade in the period.

Total operating expenses, excluding variable remuneration, were £308.6 million, 19% higher than the prior year (FY19: £259.6 million). This included investments of £35 million in prospect acquisition and development of the IG brand, and the launch of our new businesses in the US and Europe. In addition, there was an increase in certain revenue-related costs, and a £5 million charitable donation. Variable remuneration was £44.3 million, 79% higher than the prior year, reflecting the exceptional performance against internal targets.

Profit before tax increased to £295.9 million (FY19: £194.3 million), with an operating profit margin of 45.6%. Conversion of operating profit into cash was strong, with own funds generated from operations of £345.0 million (FY19: £198.1 million).

Underpinning a strong set of financial and operating results, we also progressed a number of activities as part of a renewed focus around environmental, social and governance matters. Following several years of carbon emissions reductions (relative to headcount), in FY20 we commenced a programme of activities, including carbon offsetting, to achieve full carbon neutrality. As of July 2020, we're a carbon-neutral company in line with PAS 2060. The role we play in the communities we live and work in around the world led us to make a substantial charitable donation to those directly affected by the pandemic.

In terms of governance, IG appointed Mike McTighe to the role of Chairman of the Board from 3 February 2020 and Charlie Rozes to the role of Chief Financial Officer from 1 June 2020, alongside other important changes to the plc Board of Directors announced previously.

Q4 FY20 trading

While we delivered good progress and results in the first three quarters of the year, the fourth quarter saw extraordinary market conditions driven by the Covid-19 pandemic and other macro events. During Q4, record levels of client onboarding saw 35,300 new OTC leveraged clients, 17,900 new stock trading clients and 3,200 new on-exchange clients placing a first trade in the period. New clients onboarded in Q4 FY20 generated 14% of the total OTC leveraged revenue in the quarter. The demographics of this Q4 client cohort are similar to that of our existing high-quality client base, however it's too early to assess how their longer-term trading patterns and behaviours will develop. Attrition has been slightly higher compared to historical cohorts, but the Group expects to see longer-term value over time from an expanded client base. We continued to follow a multi-channel marketing approach throughout Q4, with organic search delivering a near threefold increase in applications compared to the Q1–Q3 quarterly average, a benefit of prior investment in brand and search engine optimisation. Further improvements to our digital marketing capability are targeted for FY21, with additional investment in the IG brand following the a new brand launch in June 2020, and an expansion in digital solutions to drive cost efficiency and improve scalability.

Our differentiated business model of internalising, or netting, client flows and hedging the residual risk in each market remained unchanged during this period, as did the Board-approved market risk limits. Our revenue doesn't benefit from client trading losses, nor is it exposed to client trading profits. This model has been an essential part of IG since we were founded almost 50 years ago, and demonstrated its value throughout the unprecedented activity levels in Q4 FY20. Market and credit risk were closely managed, and clients were able to continue to trade, for example, when the market experienced a 30% gap in the oil price in March, as well as

the brief move to negative oil price futures in April 2020. We haven't experienced any loss-making days since 2015.

In response to the Covid-19 pandemic, we successfully implemented our comprehensive business continuity plans, enabling all of our 1,921 global employees to quickly transition to home-based working. Despite the closure of our offices around the world, we nonetheless conducted all of our operations successfully through the Q4 period of unprecedented client trading volumes. This highlighted the outstanding efforts of our people and the resilience, scalability and agility of our communications and technology. In Q4, for example, the number of new client applications tripled from February to March, while client interactions doubled to approximately 190,000 for the same period. We intend to continue, and in FY21 increase, investment in this infrastructure as part of the continual improvement of our clients' experience trading with us.

Regulatory update

As a global company, we operate in many regulatory jurisdictions. We differentiate ourselves in the industry through a track record of good conduct, and maintaining open and transparent relationships with all our regulators.

The compliance requirements across our sector's products and services have continued to evolve and may change over time, including in areas where we are expanding and growing, such as Asia, and where we design and launch new products. We have worked constructively with regulators and have adapted our products and businesses, and will continue to anticipate the pace and direction of new regulation, and our adaptation to those changes is a key long-term success factor. This adaptability can be evidenced by the return to growth in FY20 in the ESMA region Retail client base following a significant regulatory shift in FY19. In the ESMA region, revenue increased 26% to £328.5 million year-on-year, accompanied by growth in the number of active clients and a small increase in the revenue per client. In addition, during the period we successfully implemented new regulations in Singapore – an important Asian regional market for us.

As previously indicated, further changes are possible in FY21 in some markets where we operate, including Australia. The Australian Securities and Investments Commission has not yet confirmed its final proposals or timelines to implement new regulations for leveraged OTC products, although this is expected within the next financial year.

Delivering on our strategy

Core Markets

We delivered good underlying OTC leveraged revenue growth of 3% to £319.1 million in Q1–Q3 FY20 (Q1–Q3 FY19: £310.9 million), prior to the sharp increase in Q4. Highlights in the Core Markets included:

- A significant recovery in the ESMA region (EU and UK) OTC leveraged Retail client base. The FY19 comparison included two months of trading prior to the implementation of the ESMA product intervention measures. Comparing the Q1–Q3 quarterly average with the FY19 Q2–Q4 quarterly average shows the two periods on a more consistent basis, with Q1–Q3 quarterly average revenue up 26%, driven by an 8% increase in the number of active clients. During the same period, revenue from our Professional client base in the ESMA region remained steady, with this group of clients contributing average quarterly revenue of £39.8 million in Q1–Q3 FY20 (Q2–Q4 FY19: £40.3 million)
- In Singapore, where increased margin requirements for retail forex traders were introduced in October 2019, the business continued to perform well with an 8% growth in Q1–Q3 FY20 versus Q1–Q3 FY19. In Australia, revenue increased 10%, driven by an 8% growth in the number of active clients¹

In Q4, revenue growth in the Core Markets from our OTC leveraged business accelerated to deliver revenue of £208.1 million, an 83% quarter-on-quarter increase. The number of active clients was exceptionally high, with strong levels of reactivation in addition to record levels of acquisition leading to a 41% increase in the number of Core Markets OTC leveraged active clients quarter-on-quarter. This was supported by a 30% quarter-on-quarter increase in the revenue per client, with clients identifying more opportunities to trade the financial markets.

Our stock trading and investment products also performed strongly, with an improved product offering and increased marketing spend coinciding with the higher levels of volatility seen in Q4. New client acquisition was almost double the prior year, with 26,000 clients placing a first trade (FY19: 13,500), of which 69% were in Q4. Stock trading and investments continue to serve as a retention tool for existing OTC leveraged clients, as well as providing an acquisition channel to attract new active traders to IG for whom leveraged trading products may be appropriate.

Significant Opportunities

As previously set out in the May 2019 strategy launch, we are targeting an increase in revenue of £100 million from our portfolio of Significant Opportunities, from £60 million in FY19 to around £160 million in FY22. Revenue from this portfolio in FY20 was £108.4 million (FY19: £58.7 million), an increase of 85%, reflecting tangible progress of the initiatives and boosted by Q4 FY20 market volatility. We have now completed the first year of the three-year implementation programme designed to diversify the business and better position it for the long term. Noting that each initiative is

¹ Average quarterly revenues in this paragraph are based on the Q1–Q3 FY20 quarterly average versus the Q2–Q4 FY19 quarterly average.

Overview of the 2020 Financial Year

CONTINUED

at a different stage of development, there has been good progress made across all of the Significant Opportunities.

Growth in revenue and the number of active clients has been strong in both the Japan and the Emerging Markets businesses, resulting from a number of actions completed during the year.

In Japan, new leadership introduced a more localised product offering which has been well received, with the investment in marketing through an extensive brand campaign, supported by a high-profile brand ambassador, driving further success. We continue to innovate new products for this important market. Good progress has been made in partnership discussions, and we'll continue to focus on these opportunities in the year ahead to better reach the 2 million active forex traders who drive a £1 billion revenue pool in this market.

During the period, we opened a new client-facing subsidiary, IG International. This better enables us to onboard new clients from many different parts of the world, and simplifies our arrangements with existing international clients. Revenue growth was driven by an increase in the number of active clients who were onboarded via reverse enquiry.

In the US, the OTC forex business added new clients at a steady rate. The business provides clients with award-winning service and leading technology. Nadex, our US retail exchange, has also continued to refine its product proposition, growing its revenues year on year. DailyFX, our US-based content provider, expanded its global reach through greater multi-lingual capability. Given the lead generation potential of the DailyFX brand, with over 27 million new readers (of which 5.1 million are in the US), the website is becoming a more important marketing and acquisition engine for IG as it looks to expand its content beyond forex. We will continue to focus on the integration and alignment of our three US businesses to amplify the IG brand and increase the overall revenue opportunity.

The successful launch of Spectrum, our multilateral trading facility, was a key milestone in the diversification of our product range. Spectrum's differentiated offering has been well received by the market, and volumes have grown steadily since the marketing launch in 2019. Around 40% of trades on Spectrum in Q4 FY20 were made out of normal trading hours, showing the value of Spectrum's unique 24/5 trading capability. We are continuously improving our product

offering to meet the needs of active turbo warrant traders, and to facilitate further growth in this opportunity. Spectrum is currently integrating an additional broker, which will enable the exchange to offer its expanding product set to a wider array of potential clients and will mark further progress. Discussions are ongoing with additional issuers who have publicly expressed a firm interest in issuing products on Spectrum.

Reflecting our growing focus on the Institutional client segment, IG Prime was launched in March 2020. FY20 revenue growth from this segment was encouraging, and a further build-out of IG Prime's product offering is planned in FY21 to provide additional opportunities for client acquisition. We grew the number of active clients by 59% in this client segment in FY20.

While at an earlier stage, in Greater China we recruited a new CEO with a strong network in Hong Kong and established a local office presence. We're advancing discussions with a number of banks and securities brokerage firms to distribute our suite of products. These partners, who recognise our differentiated product and service capabilities, would provide more immediate market access for us than a direct-to-consumer approach. Following completion, these partnerships would enable us to begin gaining access to a market of more than 500,000 professional investors in Hong Kong, and better position us well to reach the estimated 4 million high-net-worth individuals in Greater China.

Operating and Financial Review

Summary Group Income Statement

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m	Change %
Net trading revenue	649.2	476.9	36%
Net interest on client money	5.0	6.3	
Betting duty and FTT	(7.4)	(7.9)	
Other operating income	1.4	1.9	
Net operating income	648.2	477.2	36%
Operating expenses	(308.6)	(259.6)	
Variable remuneration	(44.3)	(24.7)	
Total operating costs¹	(352.9)	(284.3)	24%
Gain/loss on sale of subsidiaries	0.7	-	
Operating profit	296.0	192.9	53%
Net finance (expense)/income	(0.1)	1.4	
Profit before taxation	295.9	194.3	52%
Taxation	(55.5)	(36.0)	
Profit for the period	240.4	158.3	52%
Basic earnings per share	65.3p	43.1p	52%

¹ Operating costs include net credit losses on financial assets of £11.0 million (FY19: £1.8 million) which are presented separately on the Consolidated Income Statement in the Group Financial Statements.

Our net trading revenue in FY20 increased by 36% to £649.2 million, compared with £476.9 million in FY19, driven by a period of sustained high market volatility in Q4, related to the Covid-19 pandemic and other macro events.

Net trading revenue reflects the transaction fees (ie spread, commission and overnight funding charges) paid by clients net of our external hedging costs and clients' trading profits and losses, offset by our hedging profits and losses.

Operating expenses of £308.6 million increased by 19%. This included investment of £35 million in prospect acquisition and development of the IG brand, in the launch of our new businesses in the US and Europe, and an increase in certain costs directly related to the significant increase in revenue and active client numbers. Operating expenses also included a £5 million charitable donation. Variable remuneration of £44.3 million reflected a higher level of headcount and the outperformance of the Group against its internal targets.

We sold six entities, recognising a gain on sale of £0.7 million. These entities owned generic top-level domains, which we acquired in FY15.

Operating profit in the period was £296.0 million, 53% higher than FY19. After net finance costs of £0.1 million, profit before taxation was £295.9 million. The effective tax rate for the year was 18.8% (FY19: 18.5%), with profit after tax of £240.4 million. Basic earnings per share of 65.3 pence was 52% higher than in FY19.

Revenue performance by product

	Net trading revenue (£m)		
	Year ended 31 May 2020	Year ended 31 May 2019	Change %
OTC leveraged	617.2	451.4	37%
Exchange traded derivatives	18.4	16.8	9%
Stock trading and investments	13.6	8.7	57%
Group	649.2	476.9	36%

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Revenue drivers	Active clients (000) ¹			Revenue per client (£)		
	Year ended 31 May 2020	Year ended 31 May 2019	Change %	Year ended 31 May 2020	Year ended 31 May 2019	Change %
OTC leveraged	176.6	129.7	36%	3,496	3,481	–
Exchange traded derivatives	19.8	17.5	13%	927	958	(3%)
Stock trading and investments	54.9	37.9	45%	248	229	8%
Group¹	239.6	178.5	34%			

¹ Total active clients have been adjusted to remove the clients who are active in more than one product category (multi-product clients) to give a unique client count. In FY20, there were 11,700 multi-product clients, compared with 6,600 in FY19.

OTC leveraged derivatives

In FY20, OTC leveraged revenue in the year was £617.2 million, an increase of 37% on FY19. We served 36% more OTC leveraged active clients in FY20, whilst revenue per client was consistent with prior year. The increase in OTC leveraged revenue was primarily driven by market conditions in Q4 where high levels of market volatility were observed throughout the period.

Asset class	OTC leveraged revenue (£m)		
	Year ended 31 May 2020	Year ended 31 May 2019	Change %
Indices	287.2	213.8	34%
Equities	88.6	85.7	3%
Foreign exchange	113.3	79.6	42%
Commodities	86.2	41.8	106%
Options	24.4	20.3	20%
Cryptocurrencies	17.5	10.2	72%
OTC leveraged	617.2	451.4	37%

Changes in the composition of our OTC leveraged revenue by asset class reflects the differing levels of volatility in each asset class, which impacts the extent to which clients can identify trading opportunities.

The impact of elevated levels of market volatility was reflected in all asset classes. Revenue generated from clients trading on commodities showed the largest asset class increase of 106% on FY19, driven by the highly volatile price of oil during Q4.

Exchange traded derivatives

In FY20, we generated £18.4 million of revenue from exchange traded derivatives, traded on the two exchanges that we operate: Nadex, the US retail focused exchange, and Spectrum, the European multilateral trading facility, which was launched in October 2019. Active clients in FY20 increased 13%, reflecting the acquisition of new clients trading on Spectrum. This also resulted in a 3% reduction in the average revenue per client, as driven by new Spectrum clients, who were of a lower average value than the Nadex clients.

Stock trading and investments

For FY20 stock trading and investments revenue now includes the income derived from foreign exchange conversions, which was previously reported within the OTC leveraged revenue; the comparative for FY19 has been restated. On this basis our stock trading and investments revenue was 57% higher in FY20, driven by a 45% increase in the number of clients served and an 8% increase in revenue per client.

Revenue performance by market

Consistent with the presentation of our strategy and financial targets, revenue performance has been segmented into Core Markets and Significant Opportunities.

	Net trading revenue (£m)		
	Year ended 31 May 2020	Year ended 31 May 2019	Change %
ESMA region – OTC leveraged	328.5	260.4	26%
Other Core Markets – OTC leveraged	198.7	149.1	33%
Stock trading and investments	13.6	8.7	57%
Total Core Markets	540.9	418.2	29%
Significant Opportunities – OTC leveraged	90.0	41.9	115%
Significant Opportunities – ETDs	18.4	16.8	9%
Total Significant Opportunities	108.4	58.7	85%
Group	649.2	476.9	36%

Net trading revenue in the Core Markets was 29% higher in FY20 than the same period in the prior year, with all areas of the business benefiting significantly from increased client activity as a result of the high levels of market volatility in Q4.

ESMA region revenue increased 26% to £328.5 million, with a 49% increase in Retail client revenue and a 12% increase in Professional client revenue. The number of active Retail clients and revenue per Retail client increased throughout the year, and was further boosted by 34,000 new clients onboarded and increased activity of our existing clients. The number of active Professional clients trading and the revenue per Professional client remained steady in the Q1–Q3 period, with an increase in activity and revenue per client in Q4.

Our Other Core Markets comprise our businesses in Australia, Singapore, Switzerland, Dubai and South Africa. Other Core Markets revenue increased 33% to £198.7 million, driven by a 30% increase in the number of active clients. Stock trading and investments revenue was 57% higher than FY19, to £13.6 million, driven by a 45% increase in the number of clients served and an 8% increase in revenue per client.

Revenue from the portfolio of Significant Opportunities was £108.4 million in FY20, £49.7 million higher than in FY19, with a 115% increase in OTC leveraged revenue and a 9% increase in exchange traded derivatives revenue. Similar to the Core Markets, these revenues benefited from the extraordinary trading conditions experienced across the Group in the fourth quarter.

Q4 performance

Client activity and revenue in Q4 was exceptional, driven by the sustained levels of high volatility as a result of the Covid-19 global pandemic and other macro events.

In Q4, Group revenue was 86% higher than in Q3 FY20 and 120% higher than Q4 FY19. This sharp increase in revenue was driven by a significant rise in the number of active clients trading in the period with a higher average revenue per client, as the volatile markets provided more opportunities for clients to trade. Average OTC leveraged revenue per client was 31% higher in Q4 than Q3.

Group active clients in Q4 reached 199,300 (Q4 FY19: 128,100), driven by more existing clients trading and a significant increase in the number of new clients onboarded in the period. In Q4 there were 51,200 new clients trading, 204% higher than Q3.

While our revenue was significantly boosted by the exceptional client activity in Q4, we don't expect this level of activity to be sustained as we anticipate market volatility returning to more normalised levels in the course of FY21. However, we do anticipate some ongoing benefit from the record number of new active clients acquired in Q4. While preliminary indications are that these clients are of a similar profile to previous new client cohorts, it's too early to conclude how they will trade over time.

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Q1–Q3 performance

Prior to Q4, the Group delivered good performance across all businesses and products. Q1–Q3 FY20 net trading revenue was £389.7 million, 9% higher than Q1–Q3 FY19 which was £359.0 million. The Q1–Q3 FY20 Core Markets net trading revenue was 3% higher and the Significant Opportunities net trading revenue was 50% higher than Q1–Q3 FY19.

OTC leveraged products continue to generate the majority of the Group's net trading revenue and represented 95% of the Q1–Q3 FY20 revenue.

Revenue drivers	OTC leveraged revenue (£m)			Active clients ('000)		
	Q1–Q3 FY20	Q1–Q3 FY19	Change %	Q1–Q3 FY20	Q1–Q3 FY19	Change %
ESMA region	197.0	200.3	(2%)	73.1	74.1	(1%)
Other Core Markets	122.1	110.6	10%	34.0	31.6	7%
Core Markets	319.1	310.9	3%	107.1	105.7	1%
Significant Opportunities	52.5	30.5	72%	23.1	11.2	106%
Group OTC leveraged	371.6	341.4	9%	130.2	116.9	11%

ESMA region OTC leveraged revenue and active clients in Q1–Q3 FY20 were slightly lower than Q1–Q3 FY19. The FY19 comparison includes two months of trading in Q1 FY19 prior to the implementation of the ESMA product intervention measures. Comparing the Q1–Q3 FY20 quarterly average with the FY19 Q2–Q4 quarterly average shows the two periods on a more consistent basis, with an 8% increase in the average quarterly revenue, driven by a 7% increase in the average quarterly active clients. The recovery in the Retail client base was strong, with 26% higher revenue and an 8% increase in the number of active clients within the Retail client segment. The number of active Retail clients has increased each quarter since the implementation of the ESMA product intervention measures in August 2018 (Q1 FY19).

Average quarterly active Professional clients and revenue per Professional client remained largely unchanged across the two comparative periods.

The proportion of the ESMA region revenue generated by Professional clients in the Q1–Q3 FY20 period reduced to 61%, compared with 66% in the Q2–Q4 FY19 period, due to the increase in Retail client revenue.

Other Core Markets

OTC leveraged revenue in Q1–Q3 FY20 was £122.1 million, 10% higher than Q1–Q3 FY19. The number of active clients in the period increased by 7% on Q1–Q3 FY19, with a 3% increase in the revenue per client.

Australia and Singapore were the largest contributors to our Other Core Markets, representing 72% of the revenue in the Q1–Q3 FY20 period. Australia's Q1–Q3 FY20 net trading revenue increased by 10% on Q1–Q3 FY19. In Singapore, where increased margin requirements for forex trading came into effect in October 2019, revenue increased by 8%.

The OTC leveraged revenue in Q1–Q3 FY20 from the Significant Opportunities increased by £22.0 million to £52.5 million, 72% higher than Q1–Q3 FY19, with each of the businesses within the Significant Opportunities portfolio reporting growth in revenue in this period. The increased revenue is driven by growth in the client base, with the Q1–Q3 FY20 active clients increasing 106% on Q1–Q3 FY19. The average revenue per client in the Significant Opportunities reduced by 16% due to changes in the mix of the revenue. For example, clients of IG US, our OTC forex business, which went live in January 2019, have a lower revenue per client than the more established business units in the portfolio.

Operating expenses (excluding variable remuneration) by cost type

	£m		Change %
	Year ended 31 May 2020	Year ended 31 May 2019	
Fixed remuneration	116.4	106.3	9%
Advertising and marketing	61.8	51.7	20%
Bad debts	11.0	1.8	n/m%
Premises	7.3	13.1	(45%)
Regulatory fees	6.8	3.6	88%
Other structural costs	79.7	65.8	21%
Depreciation and amortisation	25.6	17.3	48%
Operating expenses	308.6	259.6	19%
Headcount at end of period	1,921	1,788	7%

Operating expenses were £308.6 million, £49.0 million higher than FY19. The increase reflects the planned investment to support growth in the Significant Opportunities portfolio, and an increase in certain costs directly related to the increased revenue and trading activity in Q4, including a higher bad debt provision, and increased credit card charges. The FY20 operating expenses also included a £5 million charitable donation.

Fixed remuneration increased by 9% in FY20 to £116.4 million, driven by the planned growth in headcount during the year. Included in fixed remuneration was an increase of £1.6 million for holiday accrual, as the employee holiday balance carried into the next financial year was significantly higher due to the Covid-19 pandemic.

Advertising and marketing spend increased by 20% in FY20 to £61.8 million (FY19: £51.7 million). The mix of external advertising and marketing spend changed compared with the prior year, with a reduction in centrally managed online spend reflecting improved efficiency, investment in our search engine optimisation capability, and an increase in locally managed and brand related spend, to enable a more localised marketing approach.

The bad and doubtful debt provisions in the year were £11.0 million (FY19: £1.8 million), the majority of which relates to provisions for client debts which arose during the highly volatile markets in Q4.

Premises costs were £7.3 million (FY19: £13.1 million). The decrease of £5.8 million was due to the majority of building rent now being recognised as depreciation, following the adoption of the IFRS16 Leases accounting standard; this also contributed to the £8.3 million increase in depreciation and amortisation. The remaining increase in depreciation and amortisation reflects the increase in the amortisation of internally developed assets, following high levels of capitalisation in FY19, and higher lease costs due to new premises.

We are charged fees by the various regulators in the jurisdictions in which we operate, and in addition are required to make a contribution to the Financial Services Compensation Scheme in the UK. The charge for this depends on the size of the compensation fund required by the FCA for the scheme. This requirement increased from FY19, which drove the increase of £3.2 million in regulatory fees.

Other structural costs were £79.7 million, an increase of 21% on FY19. The increase reflects higher credit card charges, linked to an increase in the number of payment transactions in Q4, and the £5 million charitable donation.

Variable remuneration

	£m		Change %
	Year ended 31 May 2020	Year ended 31 May 2019	
Share-based compensation	11.3	6.6	72%
Sales bonuses	8.2	5.4	50%
General bonuses	24.8	12.7	95%
Variable remuneration	44.3	24.7	79%

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Variable remuneration rose 79% to £44.3 million; this was 15% of operating profit, versus 13% in the prior year. Average monthly headcount in the Group increased to 1,887 at the end of FY20, from 1,780 at the end of FY19.

Share-based compensation costs relate to the long-term incentive plans for key employees, and reflect the size of the awards and the extent to which they are expected to vest, which is driven predominantly by earnings per share and relative Total Shareholder Return performance. The increase of 72% to £11.3 million reflects the higher accounting charge as a result of the outperformance in FY20 against internal targets, as well as a higher level of headcount.

Sales bonuses increased by 50%, reflecting higher commission payments to sales employees for the onboarding and management of their own-sourced high-value clients.

The charge for the general bonus pool was £24.8 million, an increase over the prior year period, reflecting our outperformance against internal targets as well as a higher headcount.

Net finance costs

We recognised net finance costs of £0.1 million during FY20, comprising finance income of £5.8 million (FY19: £5.4 million) and finance costs of £5.9 million (FY19: £4.0 million). The increase in finance costs is attributable to higher fees and interest relating to debt facilities and the adoption of IFRS16 Leases from 1 June 2019, which resulted in a £0.6 million interest charge for the financing element of operating leases.

Taxation

The effective tax rate (ETR) for the year was 18.8% (FY19: 18.5%).

The majority of our taxable profit arises in the UK. The ETR is lower than the 19% statutory rate of UK Corporation Tax due to the benefit of the UK 'Patent Box' incentive as a result of UK and European patents held, and the recognition of previously unrecognised tax losses for deferred tax purposes relating to the US and Japan.

Our ETR is dependent on a mix of factors including taxable profit by geography, tax rates levied in those geographies and the availability and use of taxable losses. Our future ETR may also be impacted by changes in our business activities, client composition and regulatory status, which could affect our exemption from the UK Bank Corporation Tax surcharge. Our current estimate of the ETR for FY21 is 19%.

Dividend

The Board recommends a final dividend of 30.24 pence per share, taking the full-year dividend for FY20 to 43.2 pence per share (FY19: 43.2 pence per share), in line with previous guidance.

The final dividend, if approved by shareholders at our Annual General Meeting (AGM), will be paid on 22 October 2020 to members on the register at the close of business on 25 September 2020.

Distributable reserves

As a result of an internal Group review of historical distributable reserves, three dividends were identified where the determination of distributable reserves was incorrect. The relevant dividends were interim FY18, final FY17, and interim FY10. While sufficient distributable reserves existed in the Group at the times of all the payments, the Company itself did not have sufficient distributable reserves.

At the September AGM, resolutions will be proposed to rectify the historical positions.

The Group's current and historical capital positions are unaffected.

Own funds flow

£m	Year ended 31 May 2020	Year ended 31 May 2019
Operating profit	296.0	192.9
Depreciation and amortisation – other	18.9	17.3
Lease asset depreciation	6.7	–
Lease liability payments	(7.3)	–
Share-based compensation	9.7	7.2
Gain on sale of subsidiaries	(0.7)	–
Change in working capital	21.7	(19.3)
Own funds generated from operations	345.0	198.1
As % of operating profit	117%	103%
Taxes paid	(57.1)	(38.4)
Net own funds generated from operations	287.9	159.7

We use own funds, and net own funds generated from operations, as key measures of cash generation. Cash generation remained strong in FY20, with own funds generated from operations of £345.0 million (FY19: £198.1 million). The cash conversion rate, calculated as own funds generated from operations divided by operating profit, increased to 117% (FY19: 103%). The high level of conversion of profit into cash reflects the non-cash charges in operating profit and the movement in working capital due to the higher level of the bonus accrual at the end of FY20, compared with the prior year.

Cash tax payments of £57.1 million consisted of £13.8 million in respect of the UK Corporation Tax liability for FY19, £41.2 million of tax in respect of the UK FY20 liability, and the payment of £4.6 million of overseas taxes, partly offset by the receipt of £2.5 million of UK tax overpaid in earlier periods.

Tax payments in FY20 were significantly higher than in FY19 due to increased profits during the year and the acceleration of UK Corporation Tax quarterly instalment payments. We were required to make six instalment payments in FY20, versus four payments previously required in a 12-month period, due to a change in UK tax legislation. This is expected to normalise back to four instalment payments in FY21.

Movement in own funds

£m	Year ended 31 May 2020	Year ended 31 May 2019
Net own funds generated from operations	287.9	159.7
Net financing (costs)/receipts	(0.8)	0.5
Capital expenditure	(16.3)	(14.3)
Proceeds from sale of subsidiaries	0.6	–
Purchase of own shares	(1.5)	(2.0)
Pre-dividend increase in own funds	269.9	143.9
Dividends paid	(159.2)	(171.1)
Increase/(decrease) in own funds	110.7	(27.2)
Own funds at start of the year	720.8	746.1
Impact of movement in exchange rates	1.0	1.9
Own funds at the end of year	832.5	720.8

Capital expenditure in the year of £16.3 million primarily related to internally developed software, and the purchase of third-party software and IT equipment.

Dividend payments during the year reflect the final dividend for FY19 of £111.4 million and the interim dividend for FY20 of £47.8 million.

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Summary Group Balance Sheet

£m	31 May 2020	31 May 2019
Goodwill	108.1	108.1
Intangible assets	39.1	43.4
Property, plant and equipment	17.0	14.4
Operating lease net asset	0.1	–
Fixed assets	164.3	165.9
Liquid asset buffer	83.8	84.4
Amounts at brokers	437.4	419.3
Cash in IG bank accounts	486.2	373.3
Own funds in client money	66.5	51.1
Liquid assets	1,073.9	928.1
Long-term bank borrowings	(100.0)	(100.0)
Client deposits at IG Bank S.A.	(58.9)	(31.6)
Title transfer funds	(82.5)	(75.7)
Own funds	832.5	720.8
Working capital	(61.8)	(43.1)
Tax payable	(9.9)	(10.4)
Deferred tax net asset	10.8	8.6
Net assets	935.9	841.8

The operating lease net asset of £0.1 million at 31 May 2020 reflected the adoption of IFRS 16 Leases with effect from 1 June 2019. The balance comprised a £29.3 million right-of-use asset offset by a £29.2 million lease liability.

Our liquid assets have increased by £145.8 million to £1,073.9 million during the year. This was driven by an increase in the Group's cash, after taking into account dividends of £159.2 million (FY19: £171.1 million) and tax payments of £57.1 million during the year, and an increase in amounts held at brokers. The increase in amounts at brokers reflected increased margin requirements at 31 May 2020 relative to 31 May 2019. Own funds in client money represents our cash which is in segregated client money pools.

Own funds are our liquid assets, reduced by borrowings and client money held on the Balance Sheet. Client deposits and title transfer funds increased relative to the prior year, reflecting high levels of account funding by clients.

The change in our working capital requirement reflected the relative size of the bonus pool accrual and other accruals which relate to variable costs.

Available liquidity

£m	31 May 2020	31 May 2019
Liquid assets	1,073.9	928.1
Broker margin requirement	(326.0)	(314.0)
Cash balances in non-UK subsidiaries	(177.4)	(187.5)
Own funds in client money	(66.5)	(51.1)
Available liquidity at end of year	504.0	375.5
Of which:		
Held as liquid asset buffer	83.8	84.4
Dividend due	111.7	111.3

Our total liquid assets at the end of year were £1,073.9 million (31 May 2019: £928.1 million). Liquidity is provided by shareholders' funds, supplemented by a £100 million bank term loan, client deposits at IG Bank in Switzerland, and client funds which have been transferred to us under title transfer arrangements. We have access to additional liquidity through a £100 million committed revolving credit facility.

We require liquidity to fund our day-to-day operations, primarily to fund the margin that our hedging brokers require to support our hedging positions, the regulatory and working capital of our subsidiaries, and to fund adequate buffers in client money accounts. Despite the unprecedented levels of financial market volatility, no issues were encountered with the management of liquidity during the period, reflecting our resilient business model and prudent financial and risk management.

The level of broker margin is driven by the notional value of our open hedging positions, which vary with client trading activity, and the extent to which client trades can be offset against each other. At 31 May 2020, the broker margin requirement was £326.0 million (31 May 2019: £314.0 million). The peak broker margin during FY20 was £380.8 million.

For liquidity management and planning purposes, we conservatively treat cash held by subsidiaries outside the UK as not immediately available. The amount of cash held in entities outside the UK was £177.4 million at 31 May 2020 (31 May 2019: £187.5 million). Balances in excess of capital and operating requirements are regularly repatriated to the UK by these entities to ensure efficient management of liquidity.

Regulatory capital resources

£m	31 May 2020	31 May 2019
Shareholders' funds	935.9	841.8
Less interim profit/declared dividends	(111.7)	(111.3)
Less goodwill	(108.1)	(108.1)
Less intangible assets	(39.0)	(43.4)
Less deferred tax assets ¹	–	(9.0)
Less value adjustment for prudent valuation	(1.6)	(1.1)
Regulatory capital resources	675.5	568.9

¹ For FY20, in line with the EU Capital Requirements Regulation Article 48, the deferred tax assets meet the threshold requirements to allow them to be risk weighted as part of the credit risk requirement and are not deducted in full from regulatory capital resources.

Pillar 1 risk exposure amounts (REA)

£m	31 May 2020	31 May 2019
Total Pillar 1 REA	2,018.6	1,875.9
Capital ratio	33.5%	30.3%
Required capital ratio		
Pillar 1 minimum	8.0%	8.0%
Individual capital guidance (ICG)	9.4%	9.4%
ICG requirement	17.4%	17.4%
Combined buffer requirement	2.5%	3.1%
Total requirement %	19.9%	20.5%
Total requirement – £m	401.7	385.0
Capital headroom – £m	273.8	183.8

Our capital ratio at 31 May 2020 was 33.5% (31 May 2019: 30.3%), well above the required minimum capital ratio, including the combined buffer requirement, of 19.9% (31 May 2019: 20.5%), demonstrating our solid capital base.

Segregated client funds

At 31 May 2020, we held £1,964.1 million (31 May 2019: £1,349.2 million) of client money in segregated bank accounts, and £1,509.8 million (31 May 2019: £1,096.8 million) of client assets in third-party custodian accounts. These amounts are classified as segregated client money and assets, and therefore excluded from our balance sheet.

Risk Management

Effective risk management is essential to the achievement of IG's strategy and business objectives, and to preserve its financial strength and resilience. The Board is responsible for ensuring that we maintain an appropriate risk management culture, supported by a robust Risk Management Framework.

Risk Management Framework

IG has an established Risk Management Framework to identify, measure, manage and monitor the risks faced by the business, including the achievement of fair outcomes for clients as a result of our conduct or to the sound, stable, resilient and transparent operation of financial markets. This framework provides the Board with assurance that the range of IG's risks, whether strategic or operational in nature, are understood and managed in accordance with the appetite and tolerance levels set by the Board. It provides the basis for enabling our ongoing assessment, control, monitoring and reporting of risk management.

The framework is established around the following elements:

- Risk culture
- Risk Taxonomy
- Risk Appetite Statement (RAS)
- Risk Management Governance
- Risk assessment, control, monitoring and reporting

Risk culture

The Board recognises that embedding a culture of risk management and compliance across all areas of the Company is fundamental to the effective operation of our Risk Management Framework, and sets the tone for broader conduct in all business activities and for promoting a common set of IG values and expected behaviours.

Our culture is defined by the shared values, attitudes, competencies and behaviours present throughout the business. A poor or inconsistent culture will inevitably lead to an increase in certain areas of risk.

We work to achieve the implementation of our desired risk management culture through principles, policies and consistent practices.

Three lines of defence

IG operates a 'three lines of defence' Risk Governance Model.

First line of defence

The first line of defence has primary accountability for risk management, including the day-to-day responsibility for

ensuring that the business operates within risk appetites. Management is responsible for identifying, assessing, and managing risks facing the business, in compliance with IG's risk management policies.

Second line of defence

The second line of defence, with an objective of independent risk oversight, is provided by the risk and compliance teams. These are part of a single control team, led by the Group's Chief Risk Officer.

These teams are independent from operational management in the first line, and are responsible for overseeing and challenging the business in managing its risks day to day. This includes maintaining IG's risk management and control policies, providing independent analysis, control of IG's risks, and keeping abreast of industry and regulatory developments that might require enhancements to our Risk Management Framework.

Third line of defence

The third line of defence, independent assurance, is provided by Group Internal Audit. The primary role of Internal Audit is to help the Board and executive management to protect the assets, reputation and sustainability of the organisation by providing independent, objective assurance reviews – designed to add value and improve our operations. The scope of the annual audit plan includes reviews of our Risk Management Framework and managing IG's principal risks. These will include assessing the design and operating effectiveness of our internal governance structures and processes, setting and adhering to risk appetite, and the risk and control culture of the organisation.

The Group Internal Audit function reports to the Audit and Board Risk Committees on a quarterly basis. External Auditors also support assurance, directly reporting into the Audit Committee.

Roles and responsibilities

Across IG's businesses each employee should understand clearly how they may encounter risk while performing their duties. Risk means the probability of loss or negative impact to IG, due to an event or outcome.

Some teams will have exposure to specific risk types, while others experience more general risks. Examples of specific exposures are market risk for our trading desk, liquidity risk for our treasury operations and credit risk for the credit operations team. A more general example would be the exposure all our employees have to operational risk. Each employee should be aware of the risks they are exposed to and know their responsibilities relating to that risk, to keep within IG's risk appetite.

We make employees aware of their responsibilities through:

→ **Training**

IG uses the IGnite system to ensure that all employees receive and complete mandatory periodic training. The second line of defence teams provide training on risk management tools, as well as targeting specific areas for education when there are changes to the risk landscape or risk exposure in that business area

→ **Top-down dissemination**

Our senior management team stresses the importance of risk awareness through regular town halls, blogs and emails, reminding staff of their responsibilities and advising of changes to business or practices

→ **Subject matter experts and risk associates**

Throughout the business, specific individuals are given training on risk practices. Their role is to help promote an understanding of the expectations of the first-line requirements

Our approach

We take the view that our processes should be developed to mitigate risk through a strong control environment, with an understanding and acceptance of the residual risk. Wherever possible, employees should have clear paths of escalation and planned response for any events outside of risk appetite. Risk practices should have the following attributes:

→ **Consistent and embedded**

Risk management should be fully embedded into all of our departments and business processes, as an integral part of day-to-day management. A consistent approach should be taken and consistent practices followed by employees globally

→ **Appropriate level**

Risk management activities should be appropriate for the level and complexity of our business activities and associated risks

→ **Continual assessment**

Risk management should be reviewed and enhanced continually, to ensure that our Risk Management Framework remains effective and aligned to shareholder and stakeholder expectations

Risk Taxonomy

IG has developed a Risk Taxonomy to ensure that we consider the full range of risks faced by the business, and to create a consensus for classifying all risk management activities. The taxonomy categorises the principal risks faced by IG into five areas: the risks inherent in the regulatory environment, the risks inherent in the commercial environment, business model risk, operational risk and conduct risk. We look at each of these risk areas from page 53.

Risk Appetite Statement

The purpose of the IG RAS is to detail the acceptable levels of risk to which we're willing to be exposed, so as to allow for a profitable business while operating within our risk tolerances.

The RAS is based around a set of statements for each risk within the Taxonomy. Qualitative statements of risk appetite for each risk are supported by Key Risk Indicators (KRIs) that are used to identify instances which require escalation and investigation. Thresholds and limits are set which raise awareness of increased risk and provide early warning indicators (Amber level) so management actions can be undertaken prior to a breach of the assigned risk appetite (Red level). KRIs are embedded in our risk monitoring and reporting.

KRIs consist of two distinct categories: 'Board-Approved Limits' and 'Monitoring KRIs':

→ **Board-Approved Limits (BALs)**

In the event of a Red breach, action must be taken, without discretion, which ensures we come back inside the BAL. It is the responsibility of the risk owner to manage and explain what actions have been taken once an Amber threshold (if present) has been breached. All efforts must be made to avoid a Red breach. An explanation must be provided to the Board as to why the matter escalated such that we breached a BAL

→ **Monitoring KRIs**

A breach of a defined KRI triggers escalation to management, which results in consideration being given as to what appropriate responsive actions are taken. Red levels, along with actions taken, are reported to the Board on a monthly basis

Risk Management Governance

Our Risk Management Governance Structure is summarised below.

Senior managers and certification regime

IG Group consists of several legal entities, two of which – IG Markets Limited (IGM) and IG Index Limited (IGI) – are regulated by the UK's Financial Conduct Authority. IGM and IGI are classified as significant IFPRU firms, and also as enhanced firms under the Senior Managers and Certification Regime. These entities employ staff who provide services for themselves and all other entities in the Group. The only exception to this are the Executive Directors of IGI, who are employed directly by IG Group Limited.

Risk Management

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We provide details of the assigned Senior Management Function (SMF) below.

Senior Management Function	IG member assigned
SMF 1: Chief Executive	Chief Executive Officer
SMF 2: Chief Finance Function	Chief Financial Officer
SMF 3: Executive Director	Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Commercial Officer
SMF 4: Chief Risk Function	Chief Risk Officer
SMF 5: Head of Internal Audit	Global Head of Internal Audit
SMF 10: Chair of the Risk Committee	Chair of the Board Risk Committee
SMF 11: Chair of the Audit Committee	Chair of the Audit Committee
SMF 12: Chair of the Remuneration Committee	Chair of the Remuneration Committee
SMF 13: Chair of the Nomination Committee	Chair of the Nomination Committee
SMF 16: Compliance Oversight	Chief Compliance Officer
SMF 17: Money Laundering Reporting Officer	Chief Compliance Officer
SMF 18: Other Overall Responsibility	Chief Legal and Governance Officer, Chief People Officer, Chief Product Officer, Chief Strategy Officer
SMF 24: Chief Operations Function	Chief Operating Officer, IT Director

In addition to the assigned SMF, prescribed and overall responsibilities are allocated to the relevant SMF. In fulfilling their prescribed and overall responsibilities, the SMFs are supported by governance committees and direct reports, to whom responsibilities may be delegated.

The Board

The Board has overall accountability for the management of risk at IG. This includes determining our risk appetite, which sets out the nature and extent of the principal risks we're willing to take in achieving our objectives, and defining the standards and expectations that drive our risk culture. It also involves ensuring that we maintain an appropriate and effective Risk Management Framework, and monitoring performance and risk indicators to ensure that we remain within our risk appetite. The Board delegates certain risk governance responsibilities to Board Committees.

Board Risk Committee

The Board Risk Committee provides the principal forum for the ongoing review and evaluation of specific elements of the Risk Management Framework, and for making recommendations to the Board when appropriate. Biannually the risk function provides to this Committee an assessment of key and emerging risks that may impact IG. The Committee then makes recommendations to the Board where appropriate. Details of the Committee can be found in the Board Risk Committee section set out on pages 137–139.

Audit Committee

The Audit Committee's responsibilities include reviewing an assessment of the control environment through Internal Audit reports and monitoring progress on the implementation of audit recommendations. The Audit Committee also has specific responsibilities to assess the accuracy and appropriateness of financial reporting and narrative disclosures, to review IG's tax Risk Management Framework, to receive reports on legal entity governance and the control environment for client money and assets, and to monitor whistleblowing arrangements. The Group Internal Audit function and External Auditors both report directly to the Audit Committee. Details of the Committee can be found in the Audit Committee section set out on pages 129–136.

Remuneration Committee

The Remuneration Committee's primary responsibility in relation to risk management is to ensure that remuneration policies are consistent with effective risk management across our business, and to consider the implications of those elements of the policies on risk and risk management. The Committee reviews the design and operation of performance-related pay schemes to ensure their efficacy and, with the assistance of the Board Risk Committee, to ensure that the risks implicit within the schemes are adequately monitored and controlled. Details of the Committee can be found in the Remuneration Committee section set out on pages 99–128.

Disclosure Committee

The Disclosure Committee is responsible for identifying Inside Information, and makes decisions about how and when the Company should disclose this information. Details of the Committee can be found in the Disclosure Committee section set out on page 88.

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee was formed in the 2020 financial year to oversee the environmental, social and governance considerations for IG, to adequately assess and manage obligations and expectations of these areas. Details of the Committee can be found in the Environmental, Social and Governance Committee section set out on page 88.

Nomination Committee

The Nomination Committee oversees the selection and appointment of Board members and senior management staff, and the risks inherent in this process. Details of the Committee can be found in the Nomination Committee section set out on pages 94-98.

Risk management within the business

We have a number of operational and executive committees, which provide advice and support to management in the day-to-day execution and proper performance of their duties, including those relating to implementation of the Board strategy and management of the Risk Management Framework. Details of this can be found in the Overview of Corporate Governance Framework set out on pages 78-79.

Principal risks

Principal risks/Taxonomy level 1	Taxonomy level 2	Outlook
Regulatory environment risk The risk that the regulatory environment in any of the jurisdictions in which we currently operate, or may wish to operate, changes in a way that has an adverse effect on our business or operations, through reduction in revenue, increases in costs, or increases in capital and liquidity requirements.	<ul style="list-style-type: none"> → Legislative and regulatory change → Tax change 	We actively monitor and manage the outlook for regulatory environment risk across all countries and territories where IG operates. Changes resulting from the 2019 European Securities and Markets Authority (ESMA) and Financial Conduct Authority (FCA) product intervention measures are now well embedded at IG. As regulation of all forms continues to evolve, further changes are anticipated in the normal course of business. When changes occur, we will have plans in place to ensure a smooth transition to meet new requirements.
Commercial risk The risk that our performance is affected by client sensitivity to adverse market conditions, failure to adopt or implement an effective business strategy, failure to provide the expected levels of client service, new or existing competitors offering more attractive products or services, risk to third-party supply of services or client dissatisfaction.	<ul style="list-style-type: none"> → Strategic delivery risk → Market conditions risk → Competitor risk → Supplier restriction risk → Client service risk 	Market volatility increased sharply in Q4 2020 and remained at elevated levels into June 2020, leading to strong business performance. We've also made significant progress on our strategic initiatives, despite the circumstances related to the Covid-19 pandemic.
Business model risk The risk we face arising from the nature of our business and our business model.	<ul style="list-style-type: none"> → Market risk → Credit risk → Liquidity risk → Capital adequacy risk 	Heightened volatility in Q4 resulted in significant trading volumes as existing and new clients looked to benefit from opportunities in the financial markets. Our mature and embedded systems and controls enabled us to manage the increased business model risk we faced during this extraordinary period.
Operational risk The risk of loss resulting from inadequate or failed internal processes, people, systems or external events. Includes the risk that we're unable to attract and retain the staff we need to operate our business successfully.	<ul style="list-style-type: none"> → Technology risk → People risk → Process risk → External risk 	Increased trading volumes, particularly in Q4, inevitably led to additional stress across all areas of operational risk. While our systems, people and processes handled this well, we've prioritised several projects to strengthen our technological and operational control environment for the years ahead.
Conduct risk The risk that our conduct poses to the achievement of fair outcomes for consumers, or to the sound, stable, resilient and transparent operation of the financial markets.	<ul style="list-style-type: none"> → Our clients → The markets and financial crime → Culture and our people 	IG continues to invest in systems, people and training to ensure our management of conduct risk meets the very highest standards. This includes ensuring we further embed our client-first culture, while continuing to work closely with all our regulators to protect the integrity of the financial markets.

Risk Management

CONTINUED

Risk assessment, monitoring, control and reporting

Risk assessment, control and monitoring are the responsibility of operational management in each area. Risk and control assessments are undertaken with support from the second and third lines of defence, with key controls identified and documented.

The Risk Taxonomy is used to identify all risks faced by IG. The RAS identifies KRIs, and maximum limits and thresholds, to manage and monitor each risk. These KRIs are the basis of reporting and are distributed to the Board on a monthly basis, or escalated immediately depending on significance, with more detailed metrics reported to relevant operational committees where appropriate. Relevant stakeholders and risk owners manage their respective risks, taking appropriate actions to avoid breaches.

Risk reporting takes place across numerous reports, covering key market, credit, liquidity, capital adequacy, operational and conduct risk KRIs. Frequency of reporting can range from live to hourly, monthly, quarterly or annually, depending on the requirements. Dashboards, emails and written reports, along with automated alerts, are utilised to notify relevant stakeholders of the risk profile status.

IG has adopted a common Risk Taxonomy that breaks the principal risks we face into five broad risk categories: the risks inherent in the regulatory environment, the risks inherent in the commercial environment, business model risks, operational risk and conduct risk.

Regulatory environment risk Legislative and regulatory change

IG operates in a highly regulated environment that is continually evolving.

Governments or regulators may introduce legislation or new regulations and requirements in any of the jurisdictions in which we currently operate. We face the risk that this could result in an adverse effect on our business or operations, reducing our revenue, raising costs or increasing our capital and liquidity requirements. We operate to the highest regulatory standards and believe that we lead the industry in the way in which we deal with our clients. We maintain constructive relationships with our key regulators and actively seek to converse with them in an effort to keep abreast of emerging regulatory trends or developments.

Tax change

Within regulatory environment risk, we also include the risk of significant adverse changes in the way that the Group as a whole, or our individual businesses, are taxed. Examples of the tax risk we face include the risk that a financial transactions tax is imposed, which could severely impact the economics of trading, and the risk that the basis under which we're taxed, in any of the jurisdictions in which we operate, is adversely affected.

Commercial risk

We define commercial risk as the risk that our performance is affected by client sensitivity to adverse market conditions, failure to adopt or implement an effective business strategy, failure to provide the expected levels of client service, new or existing competitors offering more attractive products or services, risk to third-party supply of services or client dissatisfaction.

Strategic delivery risk

We work to mitigate our strategic delivery risk through the Board's regular and thorough review and challenge of our strategy, and the performance of current strategic initiatives. The Board holds an annual Strategy Day to consider and agree the strategic priorities for the business. Planning processes are extensive, with stakeholders across our business being involved, and may include external assistance. We undertake external consultation and extensive market research before committing to any strategy, in order to test and validate a concept. Projects are managed via a phased investment process, with regular review periods, in order to assess performance and determine if further investment is justified. The Board also considers specific strategic actions and initiatives during its normal schedule of Board meetings.

Market conditions risk

IG's trading revenue reflects the transaction fees paid by clients less the transaction costs incurred in hedging market exposures. The extent of client trading activity and the number of active clients in any period are the key determinants of revenue in that period. The ability to attract new clients, and the willingness of clients to trade, depends on the level of trading opportunity that clients perceive to be available to them in the markets. Our revenue is therefore partly dependent on market conditions.

We seek to mitigate the impact of adverse market conditions and client sensitivity towards those conditions through detailed review of daily revenue analysis, monthly financial information, Key Performance Indicators (KPIs) and regular reforecasts of our expected financial performance, reflecting the latest and expected market conditions. We use these forecasts to determine actions necessary to manage performance, with consideration given to changes in market conditions.

We regularly update our investors and market analysts on our revenue performance, including quarterly updates and pre-close statements, and engage with investors and market analysts to mitigate the risk that the impact of market conditions is not reflected in performance expectations.

Competitor risk

IG operates in a highly competitive environment, which includes some unregulated and unethical operators. We work to mitigate competitor risk by maintaining a clear distinction in the market in terms of product, service and ethics, and by closely monitoring the activity and performance of our competitors, including detailed comparison of the terms of product offers.

We consider IG to be the leader in our market and, given our strong ethical values, we never deploy questionable practices, regardless of whether they would prove to be commercially attractive to clients. We do, however, aim to ensure that our product offering remains attractive, taking into account the other benefits that we offer our clients, including brand, strength of technology and client service quality. This allows our business to provide a competitive offering overall and manage competitor risk without compromising our values.

Supplier restriction risk

IG is dependent on services from third parties. These range from the banking industry to key technology firms, and cover matters such as the provision of corporate and client money bank accounts, client payment services, hedging and custodial services, to advertising and marketing channels.

We perform regular reviews and work to ensure that we have suitable engagement terms with each provider, so as to identify any issues which may arise and gain an understanding of any new upcoming requirements.

We aim to avoid concentration risk in our range of business partners, whether in IT or other services, and we consider this potential risk as part of our partner selection process. We're exposed to the risk that a key supplier could fail, and this is represented as one of the operational risk scenarios when we calculate our operational risk capital requirement

Client service risk

The risk of client dissatisfaction arising from the expected service level not being met resulting in reduced trading and account closures. This risk may stem from business stretch in times of high volatility and increased client contact.

The service IG provides its clients is supported by client-facing teams which interact with clients directly and specific operational teams that support client account activity.

Business model risk

We define business model risk as the risks we face that arise from the nature of our business and our business model, including market risk, credit risk, liquidity risk and capital adequacy risk.

Market risk

We accept some market risk to facilitate instant execution of client trades. We manage this market risk by internalising client flow through netting the exposure created through clients' trades so as to offset, and external hedging when the residual exposures reach defined limits. Our real-time market position-monitoring system allows us to constantly manage our market exposures against our market risk limits. If exposures exceed predetermined limits, we execute hedges to bring the exposure back within the limits.

IG has a market risk policy which sets out how our business manages its market risk exposures. The market risk policy incorporates a methodology for setting market risk limits, consistent with our risk appetite, for each financial market in which our clients can trade, as well as certain groups of markets or assets which we consider to be correlated. We determine these limits with reference to the expected liquidity and volatility of the underlying financial product or asset class, and represent the maximum (long or short) net exposure IG will hold without hedging.

We set our market risk limits with the objective of achieving the optimal efficiency between allowing client trades to be internalised, the cost of external hedging, and the variability of daily revenue. We work to manage market risk so that our trading revenue predominantly reflects client transaction fees net of hedging costs, and is not driven by market risk gains or losses.

Residual market risk can crystallise if a market 'gaps' or fluctuates sharply, which occurs when a price changes suddenly in a single large movement, sometimes at the opening of a trading day, rather than in small incremental steps. This can mean we're unable to execute or adjust our hedging in a timely manner, resulting in potential market risk exposure. This may create a gain or a loss.

We monitor our market risk exposures through regular scenario-based stress tests to analyse the impact of potential stress and market gap events, and take appropriate action to reduce our risk exposures and those of our clients.

Risk Management

CONTINUED

Credit risk

IG faces the risk that either a client or a financial counterparty fails to meet their obligations to us, resulting in a financial loss.

As a result of offering leveraged trading products, we accept that client credit losses can arise as a cost of our business model. Client credit risk principally arises when a client's total funds deposited with IG are insufficient to cover any trading losses incurred. In addition, a small number of clients are granted credit limits to cover running losses on open trades and margin requirements.

We manage client credit risk through the application of our Client Credit Risk Policy.

We set client margin requirements that reflect the market price risk for each instrument, and use tiered margining so that larger positions are subject to proportionately higher margin requirements. We offer training and education to clients covering all aspects of trading and risk management, which encourages them to collateralise their accounts at an appropriate level in excess of the minimum requirement. In addition to cash funding by clients, we may also accept collateral in the form of shares from professional clients held in their IG stock trading account.

We further mitigate client credit risk by monitoring client positions in real time via the close-out monitor (COM), and by giving clients the ability to set a level at which an individual deal will be closed (the 'stop' level or 'guaranteed stop' level).

The COM automatically identifies accounts that have insufficient margin and triggers an automated process to close positions on those accounts. Where client losses are such that their total equity falls below the specified liquidation level, positions will be liquidated to bring the account back to within margin requirements, resulting in reduced credit risk exposure for IG.

In some jurisdictions, IG provides negative balance protection for retail clients, which is a guarantee that clients can't lose more than the total amount of equity held on their account. This, together with COM and client-initiated 'stops', results in the transfer of an element of the market risk from the client to IG. This market risk arises following the closure of a client position, as IG may hold a corresponding hedging position that will, assuming sufficient market liquidity, be unwound.

We have significant financial exposure to a number of financial institutions, owing to our placement of financial assets at banks and our hedging of market risk in the wholesale markets, which requires us to place margin with our hedging brokers.

We manage financial institution credit risk by applying IG's Financial Institution Counterparty Credit Risk Policy.

Financial institutional counterparties are subject to a credit review when we enter into a new relationship, and this is updated semi-annually (or more frequently as required, for example on changes to the financial institution's corporate structure). Proposed maximum exposure limits for these financial institutions, reflecting their credit rating and systemic position, are reviewed and approved by the Executive Risk Committee.

We actively manage our credit exposure to each of our broking counterparties, settling or recalling balances at each broker on a daily basis in line with the collateral requirements. As part of our management of concentration risk, we're also committed to maintaining multiple brokers for each asset class.

We're responsible, under various regulatory regimes, for the stewardship of client money and assets. These responsibilities include the appointment and periodic review of institutions where client money is deposited. Our general policy is that all financial institution counterparties holding client money accounts must have a minimum long-term credit rating of BBB-, with limits set depending on strength of credit rating. In a small number of operating jurisdictions where we maintain accounts to provide local banking facilities for clients, it can be problematic to find a banking counterparty satisfying these minimum rating requirements. In such cases, we may use a locally systemically important institution. These criteria also apply to IG's own bank accounts held with financial institutions.

In addition, the majority of our deposits are made on an overnight or breakable-term basis, which enables us to react immediately to any deterioration in credit quality. We only hold deposits of an unbreakable nature or requiring notice with a subset of counterparties that have been approved by the Executive Risk Committee.

Liquidity risk

Liquidity risk is the risk that IG is unable to meet its financial obligations as they fall due. We manage this by applying our Liquidity Risk Management Policy.

Our approach to managing liquidity is to ensure that we have sufficient liquidity to meet our broker margin requirements and other financial liabilities when due, under both normal circumstances and stressed conditions. These liquidity requirements must be met from our own liquidity resources, as IG does not use client money to fund our operations.

We hold liquid assets to: (i) enable the funding of broker margin requirements, (ii) ensure sufficient funds are held in non-UK entities, (iii) place appropriate prudent margins and buffers in segregated client money accounts, (iv) maintain a liquid assets buffer, (v) make dividend payments to shareholders, (vi) cover profits and losses on client trading and hedging positions, and (vii) make tax and other payments.

We manage liquidity within the UK Defined Liquidity Group (UK DLG) comprising IGM and IGI. The UK DLG includes IGM, IG's primary market risk management vehicle, which internalises and hedges market risk on behalf of the other entities in the Group. Key liquidity decisions are discussed at the Executive Risk Committee and then the Executive Committee, as necessary.

The UK DLG carries out an Individual Liquidity Adequacy Assessment (ILAA) each year. This assesses the key drivers of liquidity for the UK DLG and whether it has sufficient liquidity to continue in operation, including under liquidity stress. The Contingency Funding Plan (CFP), contained within the ILAA, identifies mitigation options and steps to improve the liquidity position in a stress scenario, through the implementation of management actions.

We use a number of KRIs for managing liquidity risk, including cash held in UK DLG bank accounts, forecasted UK DLG available liquidity and UK DLG stressed liquidity after management actions.

We're required to fund initial margin payments to brokers on demand. Broker initial margin requirements are dependent on client trading positions, the level of internalisation IG can achieve from client trading, the product mix in our hedging positions and any natural offset in correlated products within our hedging positions.

In addition to our liquid assets, we mitigate liquidity risk through access to committed, unsecured bank facilities. We reassess annually the appropriate level of committed facilities we have available, and draw down on the facility at least once during each year to test the process for accessing that liquidity.

The Group successfully managed its liquidity needs throughout the increased levels of client trading activity that was driven by the heightened and sustained levels of market volatility triggered by the Covid-19 pandemic. Liquidity is anticipated to remain strong.

We produce short-term liquidity forecasts and stress tests, so that appropriate management actions, including facility draw-down, can be taken ahead of a period of expected liquidity demands.

IG is exposed to interest rate risk through our debt and our holdings of cash and investments. The interest costs incurred on debt and interest income received through cash and investments are not material in respect of our overall costs and income. We consider the liquidity risk related to these instruments in the Group Liquidity Risk Management Policy.

Capital adequacy risk

IG operates authorised and regulated businesses worldwide, supervised by the FCA in the UK and by various regulators across other jurisdictions. As a result of this supervision, we are required to hold sufficient regulatory capital at both Group and individual entity levels to cover our risk exposures, valued according to applicable rules, and any additional regulatory financial obligations imposed.

We're supervised on a consolidated basis by the FCA. In addition to our two UK FCA-regulated entities, our operations in Australia, Japan, Singapore, South Africa, Bermuda, the United States of America, Cyprus, Germany, Switzerland and United Arab Emirates (Dubai International Financial Centre) are directly authorised by the respective local regulators. Individual capital requirements in each regulated entity are taken into account, among other factors, when managing the global distribution and level of our capital resources, as part of the Group Capital Management Framework.

IG manages capital adequacy risk through our Regulatory Capital Policy, and we work to ensure that at all times we hold sufficient capital to operate our business successfully and to satisfy all regulatory requirements. We manage our capital resources with the objectives of facilitating business growth, maintaining our dividend policy, and complying with the regulatory capital resources requirements set by our regulators around the world.

We undertake an annual Internal Capital Adequacy Assessment Process (ICAAP) through which we assess our capital requirements, by applying a series of stress-testing scenarios to our baseline financial projections. This assessment is reviewed and challenged by the ICAAP and ILAA Committee as well as the Board Risk Committee, which recommends the result to the Board for review and approval.

We operate a monitoring framework over our capital resources and minimum capital requirements daily, calculating the credit and market risk requirements arising on the exposures at the end of each business day. We also monitor internal warning indicators as a component of our Board Risk Dashboard, and any breaches are escalated to the Board as they occur, with a recommendation for appropriate remedial action.

Entity-level capital requirements monitoring and management is carried out locally according to each jurisdiction's requirements.

Risk Management

CONTINUED

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people activities, technology or other operations, or external events.

Operational risk is managed by applying our operational Risk Management Framework. We continuously develop this framework to ensure visibility of risks and controls. We focus on clear accountability for controls and escalation and reporting mechanisms, through which risk events are identified and managed, and appropriate action is taken to improve controls.

We recognise that operational risk arises in the execution of all activities we undertake, and identify and manage operational risk in four categories: technology, people, process and external events.

Technology risk

Technology risk is the risk of loss caused by breakdown or other disruption to technology performance and service availability, or by information security incidents. It also includes new technology and technology that fails to meet business requirements.

We manage our technology risk through our Technology Risk Framework, which is overseen by the Technology Risk Committee. KPIs, incidents and outages are raised to this forum, comprising of IT and risk specialists. To manage cyber risk and external threats to our systems and data, we have the Information Security Forum, through which senior management is made aware of ongoing and potential threats, with policies and processes continuously being refreshed to ensure their validity within the evolving landscape. We have a 24/7 Security Operations Centre to review and triage information security incidents, and employ mitigation services for threats such as denial-of-service (DOS) attacks.

We undertake regular performance and stress-testing to ensure our platforms have sufficient headroom and resilience to perform in times of heightened volatility and increased demand. We also test our disaster recovery capability regularly to ensure that standby services are effective and minimise the impact to our services.

People risk

People risk is considered as the risk of a loss intentionally or unintentionally caused by an employee, such as employee error or misdeeds, or involving employees, such as in the area of employment disputes. It includes risks relating to employment law, health and safety, and HR practices. People risk includes the risk that IG is unable to attract and retain the staff it requires to operate its business successfully. In addition, we monitor for any strain on resources, ensuring sufficient staffing levels are in place for key business teams, so that processes are run effectively with controls maintained.

Process risk

Process risk relates to the design, execution and maintenance of key processes – such as client onboarding, trade execution or financial reporting – including process governance, clarity of roles, process design and execution. It also covers record-keeping, regulatory compliance failures and reporting failures.

External risk

External risk is the risk of loss due to third-party relationships and outsourcing, damage to physical and non-physical property or assets from natural or non-natural external causes, and external fraud.

We continue to develop our Operational Risk Framework to ensure visibility of risks and controls. We focus on clear accountability for controls and escalation and reporting mechanisms, through which risk events are identified and managed and appropriate action is taken to improve controls.

Our Risk and Control Self-Assessment (RCSA) methodology focuses on areas of the business identified as a priority. We use an operational risk event self-reporting process which provides increased visibility over events and control actions to be taken. These are monitored through a consolidated Control Action List.

The Group Business Continuity Policy, and the framework to that document, provide a clear statement of our commitment to ensure that critical IG business activities can be maintained during a disruption.

Conduct risk

IG recognises and manages the risk that our conduct may pose to the achievement of fair outcomes for clients, and to the sound, stable, resilient, and transparent operation of the financial markets. We have a conduct risk framework, and have implemented a conduct risk strategy that aims to analyse the conduct risks that may arise, and sets out how those risks are managed and mitigated. It also sets out specific controls used to manage conduct risk. We work to promote a positive, company-wide culture of good conduct as a competitive advantage and a means to differentiate our business clearly from those companies conducting themselves poorly or unethically. We also aim to ensure that all employees are aware of the importance of managing conduct risk through programme conduct risk training and awareness.

Our clients

We manage and monitor the risk of clients failing to understand the functionality of our products and suffering poor outcomes. We recognise that some of our products are not appropriate for certain clients, and operate a process to identify potential new clients for whom the product may not be suitable. We support clients with education and training, and offer account types that limit a customer's risk. Client outcomes are monitored and reported to the Board.

Across the Group, IG employs a vulnerable client policy, which places responsibility on first-line client-facing staff to monitor for signs of vulnerability in clients (eg the type of language used by clients in their communications to us). If a client is deemed vulnerable their account will be closed. The number of clients who have closed accounts due to deemed vulnerability is tracked and monitored by the compliance team as part of a product governance management information suite. Compliance monitoring helps to identify lack of policy adherence, as well as any sudden increases in closures which may point to an issue with the way our products are being designed, marketed and sold.

In addition, the client team monitors the funding of client accounts in tandem with information held on clients regarding their financial position. This is done with the intention of identifying scenarios where affordability of losses may be called into question.

Markets and financial crime

We recognise the risk of causing poor market outcomes if proper controls are not in place, for example, to detect instances of market abuse which must then be reported on. Clients may also attempt to use IG to commit fraud or launder money, and we've designed our systems, controls and monitoring programmes with the aim of preventing and detecting such issues.

Culture and our people

We recognise the risk that the actions of our staff or IG's culture can result in poor outcomes for clients, or for the financial markets. We work to ensure that our staff are appropriately trained, managed and incentivised to ensure that their behaviour and activities don't inadvertently result in poor outcomes for clients or the markets. We also review remuneration policies and incentive schemes to ensure that they are appropriate and conducive to good conduct by staff.

ESG Report

Introduction

We understand that sustainable long-term returns stem from good stakeholder management and conduct – whether that be in the way we treat our clients and our employees, or the way we interact with the markets, our regulators and wider society.

We aim to act with integrity and transparency, maintaining a reputation for professionalism and ethical practice along with a constant determination to do things better. This means we are committed to understanding and balancing our impact relating to environmental, social and governance (ESG) issues in line with the UN’s Sustainable Development Goals, and underpinned by our own well-established purpose and values.

It’s through our shared values that our attitudes and behaviours are shaped:

- **Champion the client:** Understand them. Be part of their whole experience. Think big, think long-term. Make every moment count and stick with them all the way. Do what matters most
- **Lead the way:** Be brave. Back yourself. Innovate and adapt to win. Challenge assumptions, ideas, decisions. Ask why. Stand up and speak your mind. Achieve. Do the right thing
- **Love what we do:** Make it personal. Care, be passionate, have fun. Respect our diversity and learn from each other. Share your enthusiasm. Take pride in each other’s achievements. Work as a team

Our values provide the foundation for our future growth and success, and give us an ongoing focus in our day-to-day work. We recognise the importance of defining and communicating these values to all our people, especially in times of change and uncertainty.

The following sections set out how we’ve been able to demonstrate our commitment to our values, behaviours and goals to create good client outcomes and fairer societies in the cities we operate in.

Brighter Future

In January 2020 we launched Brighter Future. This is a pioneering ESG initiative that brings together the strands of our ESG work around the globe, and is an expression of our long-term commitment to sustainability and social responsibility.

Brighter Future provides a framework that focuses our ESG activities to maximise the positive outcomes that we can achieve. To identify key themes, we polled our people. The overwhelming response was that we should focus on: (i) improving our environmental credentials, and (ii) empowering members of our communities through equal access to education and social mobility. This process enabled all of our people to feel ownership of the initiative. Our approach is well aligned with the UN’s Sustainability Development Goals.

In this section we outline some of the early achievements of the Brighter Future initiative. We’ve started to build long-term strategic partnerships and integrated the Brighter Future ethos into our operations and ways of working. There are already examples of IG colleagues donating time, money and expertise to excellent causes and projects.



Environment

The first theme of the Brighter Future initiative asserts a commitment to managing our environmental impact.

We’ve been conscientiously managing elements of our environmental impact for a number of years and monitoring our Scope 1 and 2 emissions. However, to illustrate our renewed commitment, we entered a programme of activities, including carbon offsetting, to achieve **full carbon neutrality**. As of July 2020, the Group is a carbon neutral company in line with PAS 2060.

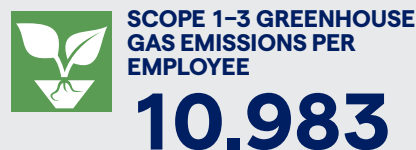
An important step in this process was to expand our data collection and analysis in order to **review** our Scope 3 emissions. This enabled us to identify where we could make improvements and has provided a framework for monitoring our impact going forward.

We’ve taken steps to **reduce** our waste and energy consumption. In addition to space consolidation, uninterruptable power supply (UPS) upgrades and new IT equipment for our teams, we’ve recently completed the LED upgrade of lighting in our central London data centre. We’ve also increased our engagement with providers that have strong renewable credentials and improved our recycling. For example, all coffee grounds from our UK office are delivered by Paper Round to Bio Bean, an organisation that recycles them into biomass fuel pellets.

In the 2020 financial year we offset all carbon emissions by supporting a range of projects promoting sustainable economic livelihoods and clean technology development. This formal offsetting has been complemented by our continued commitment to Fruitful Office. Our partnership has also facilitated the planting of 5,896 trees in Malawi.

By rebalancing our carbon footprint through investments in sustainability projects and taking steps to reduce our emissions, we have contributed to UN Sustainable Development Goals 7 and 13 respectively.

MEASURING IMPACT – ESG KPI 1¹



ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS



¹ For more detail on our ESG KPIs, please refer to the glossary of terms on page 209.

Empowerment

The second theme of the Brighter Future initiative asserts our commitment to promoting social mobility and addressing educational inequality. Here are some examples of how we've engaged with this theme.

In October 2019 we entered a strategic partnership with **Teach First**, a UK-based charity whose mission is to build a fair education for all. Teach First supports schools serving the UK's economically challenged communities, by helping them source high-calibre teachers and providing vital leadership training programmes. So far, our partnership has enabled Teach First to recruit and train eight teachers that have been placed in the schools that need them the most. In the UK we also welcomed a group of students from two Teach First partner schools for an office visit. This gave the students the type of invaluable insight into the world of work that their wealthier peers may have taken for granted.

In October, schools from different areas were invited to our Krakow office as part of the 'big sister' project – helping young women to think about their professional interest and inspire them by showing a variety of jobs they could do in their future career. Through these initiatives we have contributed to UN Sustainable Development Goals 4 and 10.

IG teams in Krakow and London have continued to engage with the charity **Helping Hands**. Volunteers worked with charity delegates to learn more about the challenges faced by amputees, and to build prosthetic hands that have been provided to those in need in a number of third world countries.

This year IG colleagues in Singapore have collaborated with the **Singapore Association of the Visually Handicapped** and the **KK Women's and Children's Hospital**. This has included running fundraisers and participating in charity events.

At IG we're very proud at what we've achieved with our Brighter Future initiative, and are excited about further embedding it into our decision-making and company culture in the next financial year and beyond.

MEASURING IMPACT – ESG KPI 2



NUMBER OF YOUNG LIVES POSITIVELY IMPACTED

3,819

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS



Case study

Brighter Future Fund

The Covid-19 global pandemic is having a devastating impact on a global scale. As so often is the case in times of crisis, it is the most vulnerable members of our communities that suffer disproportionately.

Driven by a strong desire to support our communities in their time of need, IG took swift action and committed £5 million from our profit before tax for the 2020 financial year to the IG Brighter Future Fund. This fund aligns with the priorities of the IG Brighter Future initiative and is being invested in three different ways.

- ➔ First, £2 million was allocated to expand our existing partnership with the UK education charity Teach First. Building on the foundations set with our existing partnership, we're now working together to support schools serving deprived communities where young people's education has been severely interrupted by the crisis
- ➔ Second, £2 million has been dedicated to a global response. Recognising that the Covid-19 pandemic has forced tens of millions of children out of school, we'll be working with the global organisation Teach for All and its network members to support these young people in the communities in which we operate
- ➔ Third, £1 million of the Brighter Future Fund has enabled us to maintain and extend our range of local-led employee initiatives across the globe to help fight the virus

FUND VALUE

£5.0m

THIS IS BEING USED TO SUPPORT THOSE THAT HAVE BEEN HARDEST HIT BY THE COVID-19 PANDEMIC

ESG Report

CONTINUED

Environment

At IG we recognise the impact climate change has on the environment and society. We're committed to measuring and managing the carbon emissions associated with our business operations. We strive to lead by example, and are actively working with all members to raise awareness on climate change risks, carbon emissions and energy efficiency.

Carbon neutrality

In the 2020 financial year, IG became a carbon-neutral company in line with PAS 2060, committing to zero emissions by offsetting our entire carbon footprint. By measuring and offsetting our carbon footprint, we aim to do our part in tackling global climate change, while supporting sustainable development in local communities.

We offset all carbon emissions by supporting a range of projects that promote sustainable economic livelihoods and clean technology development. All of our offsets are verified by either the Gold Standard or UN CDM. We recognise that offsetting is one way to reduce our environmental impact. However, we're also committed to implementing measures that mean we deliver an ongoing and long-term reduction in our overall footprint. We've addressed these in our carbon management plan.

Our carbon footprint

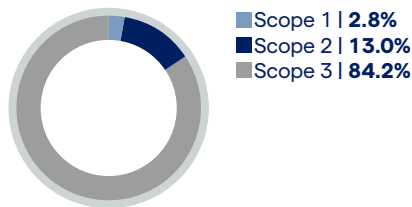
Our carbon footprint for the 2020 financial year has been prepared by an external consultant, Energise, and includes our Scope 1, 2 and 3 emissions. In relation to our Scope 1 and 2 emissions, our total

carbon footprint for the year was 3,324.12 tCO₂e. This equates to 1.73 tonnes per employee.

The increase in our scope 1 emissions associated with operating our facilities related to a recharge of the refrigerant in a UK data centre. The decrease in our scope 1 emissions associated with combustion relates to a reduction in our use of diesel for backup generators and a year on year reduction in our use of natural gas.

Overall, the majority of our emissions relate to Scope 3, and we're developing new initiatives to produce long-term emissions reductions. We're also actively managing our energy efficiency and we engage our people in sustainable initiatives as part of our Brighter Future initiative.

CARBON EMISSIONS BY SCOPE



CARBON EMISSIONS BY SOURCE



Carbon footprint

GHG protocol scope	Sub-category	Year ended 31 May 2020 tCO ₂ e	Year ended 31 May 2019 tCO ₂ e
Scope 1	Operation of facilities	469.91	107.00
Scope 1	Combustion	110.93	331.00
Scope 1		580.84	438.00
Scope 2	Purchased energy	2,743.28	2,711.00
Scope 2		2,743.28	2,711.00
Scope 1 and 2 emissions		3,324.12	3,149.00
Employees		1,921	1,788
Performance indicator	Scope 1 and 2 emissions	1.730	1.761
Relevant change		-1.75%	
Global energy use		8,439,477 kWh	
UK energy use		6,772,615 kWh	
Overseas energy use		1,666,862 kWh	
Scope 3	Business travel	1,427.38	Not calculated
	Employee commuting	862.40	Not calculated
	Fuel and energy-related activities	709.40	Not calculated
	Purchased goods and services	14,718.20	Not calculated
	Waste generated in operations	56.72	Not calculated
Scope 3		17,774.08	Not calculated
Grand total		21,098.20	Not calculated
Employees		1,921	Not calculated
Performance indicator	All three scopes	10.983	

Supporting and nurturing our people

ESG Report

CONTINUED

Social

Nurturing a team of talented and dedicated people is central to our strategy, enabling us to deliver the exceptional products and services that keep us at the forefront of our industry. To support the Company strategy announced in May 2019, we approved a revised people strategy in November 2019. Building on the foundations of the IG people experience, we now focus on three key themes:

- **One IG:** Harnessing the power of a diverse, inclusive and collaborative organisation
- **In great shape:** A scalable, fit and healthy organisation
- **Always learning:** An organisation and employee experience focused on learning and growth expectations and opportunities

The following sections outline our achievements in each area and signal our focus in the year ahead.

One IG Culture

Our employee surveys continue to reveal strong performance on cultural indicators such as the treatment of colleagues, commitment to ethical decision-making and conduct, and leaders' behaviour.

We held workshops in May 2019 to align our people with the strategy and to reinforce our values, asking them to set individual and team goals with this strategy in mind.

- Over 80% of employees attended and feedback was positive. This framework created the foundation for ongoing engagement throughout the year
- Our annual engagement survey showed that over the last 12 months belief in IG's future increased by seven points, with support for the statement 'the executive team has communicated a vision that motivates our people' increasing by 12 points

- 70% of our people agree that IG is making changes necessary to compete effectively

Keeping employees informed, updated and excited about our business and strategy is a key ambition of our leadership team. We communicate regularly and extensively, and ensure that new employees attend workshops on our values to understand their meaning and importance to our business.

Supporting the Chief Executive Officer in engaging the wider organisation is the Global Leadership Team (GLT). This group is made up of senior managers and the Executive Committee, and has a key responsibility for embedding organisational culture, engagement and communication throughout the business. The GLT meets regularly, and this year we held two conferences to improve collaboration, share strategic plans and develop our leaders.

IG hub – our employee communication portal – is used by our people to find out what's going on in the business. This year we published an array of news articles, features and videos – from leadership blogs and strategic updates to mental health advice and career guidance. Much of this content was user-generated, and all of it allowed for two-way dialogue, enabling employees to share their thoughts or to find further information.

Throughout the coronavirus lockdown the IG hub has been an essential tool in providing employees with regular updates on our Covid-19 plans, and day-to-day activities. We also created a dedicated working from home microsite so our people could stay connected, talk about their experiences and arrange fun activities. In the early weeks of the pandemic, we ran a series of global video calls with the Chief Executive Officer, June Felix, and members of the executive team. These sessions were attended by most of our people, with record numbers dialling in to the UK and UAE meetings.

Perceptions of our culture

In the IG People Survey we ask questions to understand the perceptions and experiences of our people. Here are the percentages of positive responses for 2020:

- I would recommend IG as a great place to work



74%
(2019: 80%)

- Employees are treated with respect regardless of age, race, gender physical capabilities, sexual orientation and gender identity



90%
(2019: 91%)

- This organisation is committed to ethical business decisions



82%
(2019: 91%)

- I work in an open-minded, compassionate and safe environment



81%
(new question)

ESG Report

CONTINUED

A diverse and fair workplace

We believe that a well-managed and diverse workforce brings creative energy to our business. We are committed to developing a team of individuals with the best skills to help us realise our goals, regardless of their age, ethnicity, faith, gender identity, sexual orientation, physical capacity or background.

In July 2018 we adopted a diversity and inclusion strategy, supported by a two-year plan of action.



IG diversity and inclusion strategic framework

Progress against our plans

- Significant improvement in understanding our people profile through the collection of survey data
- Data was used to track progress against our diversity goals, one of which is to improve female representation by 5% in two years
- Improved female representation by around 2% after one year
- Trained a number of hiring managers to adopt good recruitment practices, including the avoidance of bias and the importance of diversity
- Introduced a minimum standard of parental leave across all locations, with primary carers now receiving 16 weeks of guaranteed leave
- Continued to use our early careers programmes to strive for better representation
- Partnered with the following organisations to attract more women to careers in finance and technology: Code First Girls, Women in Finance, Women in Risk, and Women Who Code
- 40% of our graduate programme intake is female
- Appointed female leaders to a number of key roles, including the Group's Chief Legal and Governance Officer, the CEO of Greater China and the CEO of Germany

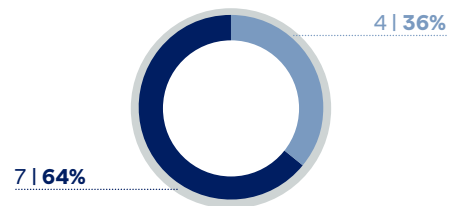
We now have four employee networks that are funded and sponsored by the executive team:

- IG Open supports our LGBTQ+ people and allies. This year IG Open backed the BFI Flare Film Festival, Red Run in London, Stonewall and LGBT Film Festival in Krakow, and joined Global for Small Businesses in Melbourne. We continue to support Pride celebrations across our locations. Importantly, our Bangalore office was one of the first to join Pride Circle after the decriminalisation of homosexuality in India. Further initiatives in Bangalore include gender neutral toilets and office engagement activities. IG Open also championed the extension of employee insurance cover to

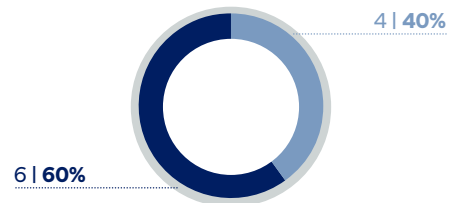
Our workforce

In terms of gender, our workforce is made up as follows at 31 May 2020:

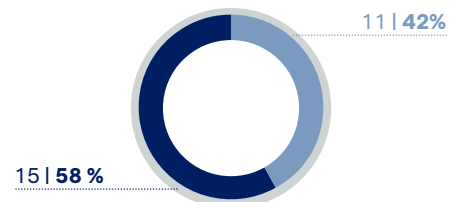
BOARD



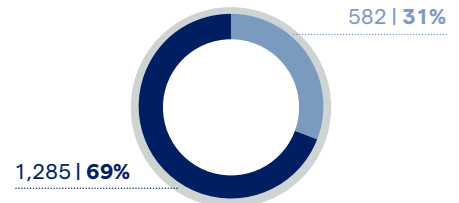
SENIOR EXECUTIVE TEAM



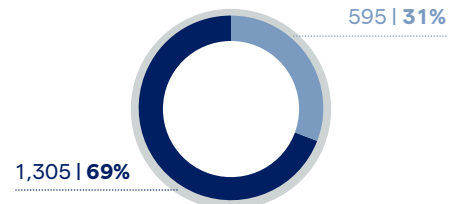
SENIOR LEADERSHIP TEAM



TEAM MEMBERS



TOTAL



■ FEMALE ■ MALE

include partners of our LGBTQ+ community

- IG Inspire, our women's network, had another active year across all our offices. The network sponsored internal presentations and panel discussions, and hosted the London Power Women network. Other activities included the second year of the women's mentoring scheme, and the launch of Power Hour sessions to learn more about our business
- IG Black Network, our new network launched this year, is driving forward our efforts to create a culture that's attractive to potential employees of all backgrounds, to educate colleagues on cultural bias, to provide a platform for cultural celebration and an open atmosphere for learning, inclusivity and growth. This vitally important network will help us to improve our understanding and to boost diversity at IG
- IG Parent and Carers Together (IG PACT) is a new network concentrating on our parental leave policies and flexible working arrangements. Through this network a staggered return-to-work programme for parents was established, and access to breastfeeding facilities was improved. During the coronavirus lockdown it supported our working parents with virtual events and online help

We published our UK gender pay gap figures in March this year, and they appear on the Group website. While a pay gap exists because we have more men than women in senior roles, we aspire to eliminate this difference over time.



Case study

Workforce voice

Our people have a number of avenues, both formal and informal, to connect with our senior management and the Board.

However, in response to changes to the UK Corporate Governance Code, there was a need to provide a single body that can act as a conduit for more formal feedback to senior leaders and the Non-Executive Board, resulting in the formation of a People Forum.

Our People Forum is chaired by the Chief Operating Officer, supported by the Chief People Officer, and Non-Executive Directors also attend on a rolling basis. The first People Forum meeting took place on 15 July 2019, and four more followed. Non-Executive Director attendees have included Jonathan Moulds, Malcolm Le May, Jim Newman and Sally-Ann Hibberd.

11 employees from a range of different departments and locations were democratically elected by their peers to serve a two-year term on the forum.

Key items that were discussed include employee reaction to our business strategy, our ESG approach, pay and bonuses, and our Covid-19 response. This has resulted in actions to increase employee engagement, such as the use of video calls to explain IG's strategy in more detail.

MEASURING IMPACT – ESG KPI 3



PROPORTION OF EMPLOYEES WHO WOULD RECOMMEND WORKING FOR IG

74%

ESG Report

CONTINUED

In great shape

We strive to bring people with the right skills, experience and behaviours into the organisation. Simply put, 'in great shape' means:

- **Scalable:** People-solutions providing the business with cost-effective and flexible options to support growth
- **Fit:** Strong and sustainable leadership with the skills and expertise to deliver
- **Healthy:** Resilient and engaged employees operating in an organisation that promotes accountability, growth and performance

Scalable

We regularly review our business to ensure that the organisation's structures and ways of working are scalable and suitable to support our business plans. For example, this year we partnered with a leading consultancy to redesign our marketing function, and undertook strategic reviews of a number of other areas.

Fit and healthy

To build a strong succession pipeline, we initiate a process every year to assess potential across our organisation. This involves using an externally recognised model of potential and moderation meetings with senior managers to examine talent deep within the organisation. We nurture identified individuals through personalised development plans, 360-degree feedback and a variety of experiences to accelerate their development and progression.

We continue to assign our high-potential people to critical roles, since development is most effective when delivered through the work people do. Over the last 12 months we created significant role changes for over 55% of our successors.

We're fully committed to the health and wellbeing of our people. Our employees receive appropriate protection benefits and discounted gym access. In the UK, our people can access our flexible benefits portal, allowing them to personalise benefits to their lifestyle requirements. We also provide a global employee assistance programme (EAP), offering 24/7 telephone counselling services and other wellbeing resources.

Employee engagement

We're proud to have been certified as one of Britain's Top Employers by the Corporate Research Foundation for over ten years, and remain committed to making IG a great place to work.

To understand our employees' perceptions of the business, we carry out two engagement surveys each year.

- Over 80% of employees participate in our surveys
- Engagement results have improved significantly since 2016
- Although engagement results have declined slightly over the last 12 months, improvements were seen in how our people view our strategy and future – particularly important for us in light of challenging market conditions

Our global, values-based awards programme allows our people to nominate their peers in recognition of their achievements. Over the last 12 months, more than 100 employees from across the business received awards.

Rewarding high performance

We continue to use our performance check-in process to provide regular opportunities for feedback, recognition and evaluation. Moderation meetings are held to allow for fair and consistent performance evaluation, and to identify the top performers across the organisation.

We offer competitive remuneration packages that are industry-benchmarked and fairly structured across diverse groups. The majority of our employees are included in a bonus scheme, distributed at the end of each financial year. We've put measures in place to ensure that our people receive bonuses which reflect their individual performance relative to that of their peers. The remainder of our employees are part of sales-related bonus plans.

We also reward our high-potential employees through a long-term incentive plan, and we offer our staff in the UK, Australia and the US the chance to share in our success through our tax-advantaged share-purchase schemes. An average of 28% of eligible employees took part in our share plans in the 2020 financial year.

Always learning

We recognise that retaining our people – and developing their skills – is vital to our continued success. We are constantly improving access to quality learning opportunities, and encouraging our people to progress within the business.

Our employees can access on-the-job coaching, webinars and internal training events, with secondments and Board exposure programmes also available. We recently upgraded our e-learning platform to LinkedIn Learning and are already seeing high participation rates. We encourage attendance at relevant external events and, where appropriate, sponsor our people to undertake industry-recognised training courses and to achieve professional qualifications.

We acknowledge the important role our managers play in the success of our business, and have management development programmes in London, Krakow and Bangalore. We support our

managers with access to the Gartner Manager Success portal, and internally with online workshops. We continue to offer managers and aspiring managers the opportunity to obtain a qualification in coaching from the Institute of Leadership and Management (ILM).

In the UK, we use the Apprentice Levy to support a variety of apprenticeships. We support early careers, management and leadership, and advanced-level qualifications. So far, we've supported over 35 staff to gain ILM qualifications, while four others are currently studying towards an MBA.

Governance

We've taken steps to further embed the principles of being a responsible business into our decision-making and business practices. As a clear statement of this commitment, we've established an ESG Board Committee to oversee and report to the Board on ESG matters. The ESG Committee will work closely with our Executive Committee and our newly appointed ESG Manager to see that we have an ambitious ESG strategy that is underpinned by the necessary values, behaviours and policies. These link into our newly established Brighter Future initiative and Brighter Future Fund (see pages 60 and 61, and our well-established people strategy (see pages 65 to 69). Furthermore, we consider the long-term consequences of our decisions on key stakeholders so that we are better able to manage risks and generate value. For more on this, refer to our Section 172(1) on pages 24 to 25.

Human rights

We conduct our business in an ethical manner, following policies that embody key human rights principles. To ensure the rights of our employees are respected, we have an Equality, Diversity and Inclusion Policy and corresponding complaints procedures.



Case study

Community involvement

We've been operating the IG Community Fund since 2017. This consists of a matched-giving scheme that deepens the impact of employee fundraising efforts, plus a dedicated budget enabling employees to respond to the causes that they feel passionately about.

In the 2020 financial year, the Community Fund was integrated into our Brighter Future initiative, further aligning our charitable activities with the themes of the environment and empowerment.

This year, we've continued to see a rise in the amount of fundraising activity being undertaken by our people, and we're pleased to have spent 100% of the dedicated Community Fund budget.

IG EMPLOYEE VOLUNTEERING ALLOWANCE

2 days

For example, IG Australia donated AU\$50,000 to the Red Cross in aid of its support for firefighters, wildlife and communities impacted by the Australian bushfires in 2019. This donation was supplemented by employee donations and associated IG matched-giving. On top of this, through a combination of the Community Fund, employee donations and associated matched-giving, IG UK donated over £70,000 to the National Emergencies Trust (NET). This was in aid of the NET's support for those most affected by the Covid-19 crisis.

In addition to the Community Fund we work with the Charities Aid Foundation, which enables employees to make contributions to selected charities directly from their monthly pay. Plus, our time-off policy gives our people the opportunity to take part in voluntary work. We grant each employee up to two paid days of volunteering leave to support causes that link to our Brighter Future themes of the environment and empowerment.

Enabling our people to give back to their communities aligns with our well-established purpose and values, and continues to be a pillar of IG culture. From all areas of IG's global network, we've seen incredible levels of commitment. This commitment has inspired us and given us the confidence to scale up our ESG strategy significantly with the Brighter Future initiative.

ESG Report

CONTINUED

Any employee with concerns about how IG respects the rights of employees or clients can also raise these to senior management through the Whistleblowing Policy. We expect our suppliers to uphold human rights in their own organisations, and we take active steps to prevent suppliers, agents, consultants and contractors throughout our supply chain from engaging in modern slavery. This is achieved through a comprehensive vendor management framework and ensuring that contract owners are trained on these principles. More information can be found in our Slavery and Human Trafficking Statement on iggroup.com.

Anti-bribery and corruption

We're fully committed to preventing, detecting and deterring fraud, bribery and all other corrupt business practices.

We conduct all of our business activities with honesty, integrity and to the highest ethical standards. As a UK-incorporated company, we abide by the UK Bribery Act 2010, and we've established a Stock Trading Code of Conduct, a Disclosure Committee and a relevant policy, to ensure we continue to meet the requirements of the Market Abuse Regulations.

We've designed and implemented global policies to comply with anti-bribery and anti-corruption laws, and this includes employees wishing to give or receive gifts or hospitality. IG does not make or endorse facilitation or introducer payments.

Every year all employees receive anti-bribery and corruption, and market abuse training through an e-learning module, which includes a knowledge assessment. This training is mandatory for all IG staff.

At IG we make charitable donations that are legal and ethical under local laws and practices, but we don't make contributions to political parties.

Taxation

We aim to make a positive contribution to the societies in which we operate, and one of the most sustainable ways to achieve this is to be a responsible taxpayer. We align our approach to tax with our core values, by leading the way and doing the right thing.

Tax contribution

Taxation is one of the most significant costs for the business. In the 2020 financial year, we paid £83.4 million (2019: £67.9 million) to tax authorities globally in corporate income taxes, employment taxes, irrecoverable VAT and betting duty. During the coronavirus pandemic we did not accept any government support and we continued to make payments on time.

Tax Strategy

We align our payment of tax with our commercial objectives, making sure that we're compliant with the tax laws in jurisdictions where we operate. We create most of our value in the UK, where a significant number of our staff are based. We benefit from the UK Corporation Tax rate, which is low in comparison with many other countries.

Our Chief Financial Officer is responsible for the management of tax risk. We rely on our in-house tax team and the support of external tax advisers to ensure that we operate in line with local tax laws and meet our statutory compliance obligations.

We have a Tax Strategy, which sets out our approach to paying taxes, and a Tax Risk Management Policy, which governs the tax decisions that are made by employees on behalf of the Group. These are approved by the Audit Committee on an annual basis.

Our tax team works with the wider business to ensure that the implementation of the Group strategy is supported by timely and accurate tax advice. While considering tax advice, we take into account the needs of stakeholders to ensure that the outcome is aligned to the commercial

transaction and remains within the spirit of the law and IG's values.

We have a transparent relationship with tax authorities, and will approach them when the application of tax laws requires clarification. The tax team meets with HMRC on a regular basis, to discuss the status of ongoing tax matters and to update HMRC on changes to the business.

Effective tax rate

The effective tax rate (ETR) for the 2020 financial year is 18.8% (2019: 18.5%). This is lower than the main UK Corporation Tax rate as a result of the benefit that IG receives from the UK patent box regime, and the recognition of previous years' losses for tax purposes. Further details can be found in note 8 of the Financial Statements.

Cash tax rate

IG paid £57.1 million in corporate income taxes during the 2020 financial year (2019: £38.4 million). This is significantly higher than in the 2019 financial year due to higher profits in the 2020 financial year and changes in the UK Corporation Tax quarterly instalment payment regime. These required us to make six instalment payments, versus four payments previously.

The effective cash tax rate is 19.3% (2019: 19.8%). The effective cash tax rate can differ from the ETR because tax payments made during a particular financial year may relate to other financial years, or may be based on estimated current year profits, depending on local tax laws. Also, the ETR includes the effects of deferred tax movements, which are not included when calculating tax payments.

Future effective tax rate

Our estimate of the ETR for the year to 31 May 2021 is 19%. The Group's ETR remains dependent on the locations where we make our profits, the tax rates applied to those profits and the availability of tax reliefs.

Non-financial information statement

Section 414CA of the Companies Act 2006 (the Act) requires the Company to include within its Strategic Report a non-financial information statement setting out such information as is required by section 414CB of the Act. The table below and the information it refers to are intended to help stakeholders understand IG's position on key non-financial matters.

Reporting requirement	Policies governing our approach	Risk management and other
Environmental matters	IG Health and Safety Policy Statement ISO 14001 Greenhouse Gas Protocol Recycling Policy	ESG Report, pages 62 to 63
Employees	Equality, Diversity and Inclusion Policy Recruitment Policy Absence Management Policy Annual Leave Policy Parental Leave Policy Group Whistleblowing Policy Anti-Discrimination and Harassment Policy Transitioning at Work Policy	ESG Report, pages 65 to 70
Human rights	Equality, Diversity and Inclusion Policy Slavery and Human Trafficking Statement	ESG Report, page 70
Social matters	Equality, Diversity and Inclusion Policy	ESG Report, page 66
Anti-bribery and corruption	IG Group Anti-Bribery Policy IG Group Gifts and Hospitality Policy IG Group Stock Trading Code Group Market Abuse Policy PEPs and Sanctions Policy Client Risk Categorisation Policy Group Global Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) Policy	ESG Report, page 70
Description of principal risks and impact on business activity		Business Model and Risk Profile, pages 30 to 35 Key trends and factors likely to affect our business, pages 36 and 37 Risk Management, pages 50 to 59
Description of business model		Business Model and Risk Profile, pages 30 to 35
Non-financial key performance indicators		KPIs, pages 22 and 23

Going Concern and Viability Statement

Going concern

The Group meets its day-to-day working capital requirements through its available liquid assets and committed banking facilities. The Group's liquid assets exclude all monies held in segregated client money accounts.

In assessing whether it is appropriate to adopt the going concern basis in preparing the Financial Statements, the Directors have considered the resilience of the Group, taking account of its liquidity position and cash generation, the adequacy of capital resources, the availability of external credit facilities and the associated financial covenants, and stress-testing of liquidity and capital adequacy taking into account the principal risks faced by the business. Further details of these principal risks and how they are mitigated and managed is documented in the Risk Management section in the 2020 Group Annual Report on page 50.

The Directors' assessment has considered future performance, solvency and liquidity over a period of at least 12 months from the date of approval of the Financial Statements. The Board, following the review by the Audit Committee, has a reasonable expectation that the Group has adequate resources for that period, and confirm that they consider it appropriate to adopt the going concern basis in preparing the Financial Statements.

Viability Statement

The UK Corporate Governance Code requires the Directors to make a statement regarding the viability of the Group, including explaining how they have assessed the prospects of the Group, the period of time over which they have made the assessment and why they consider that period to be appropriate.

The Group has a forecasting and planning cycle consisting of a strategic plan, an annual budget for the current year and financial projections for a further three years. The output from this business planning process is used in the Group's capital and liquidity planning, and the most recent forecasts are for the four-year period ending May 2024. The Group's revenue, which is driven by client transaction fees, has benefited from the sustained increase in financial market volatility since the last week of February 2020 as a result of the Covid-19 pandemic. Projections of the Group's revenue have conservatively considered financial market volatility returning to normal levels in the first year of the four-year period.

The four-year forecasting period is the length of time over which the Board strategically assesses the business; the period of time the Board would typically look to pay back investments; and is the period over which the Group reviews its regulatory capital and liquidity resources and requirements. The Group has assumed that there will be no significant changes to the Group's regulatory capital and liquidity requirements during this period.

The first year of the planning period has a greater degree of certainty and is, therefore, used to set detailed financial targets across the Group. It is also used by the Remuneration Committee to set targets for the annual incentive scheme. Caution about the degree of certainty needs to be exercised, as in the short term, the performance of the Group's business is impacted by influences such as market conditions that it cannot control.

The further three-year period provides less certainty of outcome, but provides a robust planning tool against which strategic decisions can be made. These forecasts are also considered when setting targets for the executive and senior management share plans.

The Group undertakes stress-testing on these forecasts and through the ILAA, ICAAP and Recovery Plan, providing the Board with a robust assessment of the possible consequences of principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity.

The types of scenarios used include the impact of a major political shock; the collapse of a major financial services firm; major currency appreciation; and cyber-attacks. The stress tests evaluate the impact of the scenarios on the relevant principal risks captured by the Group's Risk Management Framework. Additionally, the Group has undertaken reverse stress-testing to understand the circumstances under which the Group's business model is no longer viable. With appropriate management actions, the results of these stresses showed that the Group was resilient to all severe, but plausible, scenarios and would be able to withstand the impact of these. As the Covid-19 pandemic continues to evolve, stress scenarios will be refined taking into account a stress of a similar severity, with these being incorporated into the ILAA, ICAAP and Recovery Plan.

The Group has undertaken extensive modelling and analysis for potential changes in the regulatory landscape, for example Australia, in order to prepare the financial forecasts, and there are a range of potential outcomes.

The Group is planning investments in new countries and in new products that may be less successful than assumed by the financial forecasts. The Directors are satisfied that these and other uncertainties have been assessed, and that the financial forecasts reflect an appropriate balance of the potential outcomes.

In response to the Covid-19 pandemic, the Group successfully implemented its comprehensive business continuity plan. The Group's significant long-term investment in communications and technology infrastructure has enabled all employees to work safely from home, and IG continues to provide the best possible service for its clients when they choose to trade the financial markets. The Group is in regular communication with its staff members to ensure their safety, and that of their families, during this challenging time. Due to the Group's successful management of the heightened levels of client trading as a result of the sustained increase in financial market volatility triggered by the pandemic, the Group's relationship with key stakeholders, such as regulators and hedging brokers, has not been impacted.

Overall the Directors consider the Group is well placed to manage its business risks successfully, having taken into account the current economic outlook, the possible consequences of principal risks facing the business in severe but plausible scenarios, and the effectiveness of any mitigating actions on the Group's profitability and liquidity.

The Group's business model provides the Directors with comfort that the business is being run in a sustainable way, acting in the interest of its clients and acting responsibly in managing relationships with other stakeholders. The Board regularly assesses the principal risks facing the Group. These risks include regulatory, legislative, or tax changes which may detrimentally impact our business in the jurisdictions we operate or seek to operate in. In particular, a change that impacts the Group's ability to sell or trade OTC leveraged products may have a fundamental effect on the viability of the Group and its businesses. Further details of these principal risks and how they are mitigated and managed is documented in the Risk Management section on page 53. The Board receives reports on these and new emerging risks through the Risk Management Framework. On the basis of these and other matters considered and reviewed by the Board during the year, the Directors have reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the four-year period ending 31 May 2024.

The Strategic Report up to and including page 73 was approved for issue by the Board on 23 July 2020 and signed on its behalf by:



CHARLES A. ROZES
CHIEF FINANCIAL OFFICER
23 July 2020





GOVERNANCE REPORT

➤ PG. 74–151

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Chairman's Introduction to Corporate Governance



Mike McTighe

Mike McTighe, Chairman, gives his introduction to corporate governance in respect of the financial year.



Good-quality corporate governance underpins our ability to deliver sustainable future growth and create long-term value for shareholders.

MIKE MCTIGHE
CHAIRMAN

As your new Chairman, I'm excited about the opportunity ahead to build a more coherent and effective Board.

The last 12 months has been a period of significant change for IG. We've learned some valuable lessons, have deepened our understanding of the role of governance, and are rebuilding trust with our key stakeholders that will only make us stronger as a Board and a Company. We've done a lot of work in the last year to strengthen the membership of the Board. In addition to my appointment as your Independent Non-Executive Chairman, we added two talented new Non-Executive Directors to complement the existing Board. We further strengthened the Board in July through the appointment of Rakesh Bhasin as a Non-Executive Director. Rakesh joined the Board on 6 July 2020.

My role now is to help bring it all together to ensure that the Board functions as a collaborative and high-performing team, and that we continue to effectively oversee IG's strategy in achieving our growth targets and delivering a more global, diversified and sustainable business.

I became Chairman of the Board in February. Andrew Didham was appointed last September following the AGM, and Helen Stevenson was appointed in March 2020 – both as Non-Executive Directors. Andrew has relevant financial services skills and is an experienced Non-Executive Director. Helen brings extensive marketing and digital experience from a range of industries, together with strong customer focus. Stephen Hill retired in April 2020 after a nine-year tenure. Our most recently appointed Non-Executive Director, Rakesh, has significant experience in global markets, with particular reference to the Asia-Pacific region.

We're looking to broaden the skills, experience and diversity of the Board through the recruitment of an additional Non-Executive Director, and are progressing well with this search. I anticipate that alongside these three appointments, we'll further refine our Committees' membership, and our focus will then switch to enhancing the Board's effectiveness so that we operate well as a team. We recently conducted a Board effectiveness review to assist us with this, and you'll hear more of this later. Furthermore, as part of our drive to broaden the experience of the Board, our Executive Directors will be encouraged to take on one external Non-Executive Directorship.

At the end of the financial year, Paul Mainwaring retired as Chief Financial Officer (CFO), stepping down as a Director on 1 June 2020. The Board would like to express its deep appreciation for his significant contribution to IG. I'm delighted to say that Charlie Rozes took over as an Executive Director and CFO with effect from the same date after an extensive, independently-facilitated search.

The Board currently consists of eight Non-Executive Directors and four Executive Directors. While the Executive Directors run the operational aspects of the business on a day-to-day basis, the Non-Executive Directors provide appropriate guidance, challenge and support.

We've now achieved our target of increasing female representation on the Board to one third by 2020. I recognise the importance of diversity, in all of its forms, including social, ethnic and cultural. This will continue to be an area of focus for the Board.

Good-quality corporate governance underpins our ability to deliver sustainable future growth and create long-term value for shareholders. When I assumed my role as Chairman, I started by meeting with stakeholders such as shareholders, staff and regulators. We're on a journey when it comes to our corporate governance, and it's my intention to work closely with management to continue to strengthen our governance arrangements.

We've made some changes to the composition of Board Committees recently, so that the most appropriate members sit on these Committees – taking their requisite skills, experience, knowledge, diversity and personal strengths into account. We'll now look to review the Terms of Reference of those Committees so that they're empowered in so far as it's practicable and sensible to support the Board. This will enable the Board to spend the majority of its time on the growth and development of IG.

We've recently set up an Environmental, Social and Governance (ESG) Committee chaired by Non-Executive Director Sally-Ann Hibberd. This is an area of growing importance for all businesses, and I'm grateful to Sally-Ann for taking this on. I'm particularly excited about the work the ESG Committee will do to continually engage our employees, attract new talent and formally recognise our obligations to the communities in which we are based. This starts with the £5 million commitment to the IG Brighter Future Fund that will improve the educational opportunities available to the least privileged young people in the communities we operate in, many of whom have been disproportionately impacted by the Covid-19 pandemic.

As I mentioned earlier, a review of the effectiveness of the Board and Committees was undertaken. The evaluation process was externally facilitated by independent consultancy firm Boardroom Review Limited, as part of the overall annual Board and Committee effectiveness review. The evaluation process consisted of briefing meetings with the Board, a review of IG's Board and Committee information, one-to-one confidential interviews with all Board members and other selected participants. The facilitator also observed Board and Committee meetings in May. Discussions on the review took place at the July Board and Committee meetings, and next steps were agreed.

Finally, as part of our review of governance, we've embarked on a restructuring of the boards of the UK regulated companies within the Group: IG Index Limited and IG Markets Limited, to add Non-Executive Directors to those boards during the next financial year. This will ensure appropriate, enhanced oversight of the regulated entity boards, as well as clarity of accountability and decision-making. We also plan to review the board structures of our other regulated entities, wherever they may be located, for compliance with best-in-class practice.

The success of the Board is dependent on a shared purpose, vision and values, and the relationship between the Chairman and the Chief Executive Officer is central to this. June has throughout her time at IG continued to be an advocate for our values. We share common views on culture, values, ethics and inclusion, which help drive our approach to strategic development.



MIKE MCTIGHE
CHAIRMAN
23 July 2020

Corporate Governance Statement

Statement of compliance

The UK Corporate Governance Code (the Code), published in July 2018, sets out the standards of good practice in relation to how a company should be directed and governed. IG has a Premium Listing on the London Stock Exchange and, as such, the Company reports in accordance with the Code. The Code is published by the Financial Reporting Council (FRC), with additional information to be found on its website at frc.org.uk. The Board considers that the Company has been compliant with the provisions of the Code for the year ended 31 May 2020.

Overview of Corporate Governance Framework

We recognise that our overall structure is subject to the direction of our shareholders. They agree the Articles of Association, approve transactions mandated through the Listing Rules, consider the appointment and reappointment of Auditors and Directors, approve the final dividend, and provide for the Directors to delegate any of their powers or discretions.

The Board of Directors is responsible for appointing Directors to the Board, for agreeing the Group's strategy and monitoring its execution against agreed targets. The Board has overall responsibility for promoting the long-term sustainable success of the Company for the benefit of its shareholders as a whole. This means having regard to those matters set out in Section 172 of the Companies Act 2006, providing leadership and direction, including in relation to culture, ethics and values, and ensuring effective engagement with, and encouraging participation from, shareholders and other stakeholders. The Board has adopted a schedule of matters reserved to it for decision.

Certain governance responsibilities have been delegated by the Board to Committees of the Board to ensure independent oversight over financial reporting, internal controls, risk management, remuneration and reward, Board-level recruitment and environmental, social and governance (ESG) matters, and generally to assist the Board with carrying out its responsibilities. Further information on the role of the Board and of the Audit, Remuneration, Risk, Nomination and ESG Committees are set out in the following pages.

Additionally, the Board has a Standing Committee which deals with Board-reserved matters required to be considered at short notice, and where there are administrative matters requiring approval and evidencing that do not warrant a full Board. The Board also has a Disclosure Committee to identify Inside Information and to decide on how, and when, the Company should disclose that information in accordance with the Disclosure Policy.

The ESG Committee was formed in 2020, and its Terms of Reference were approved by the Board in July 2020. Our ESG team is responsible for creating, developing and implementing our ESG strategy, and reporting on performance. Its work is governed and overseen by the ESG Committee which provides formal updates directly to the Board.

The Chief Executive Officer (CEO) has delegated authority for:

- The development and execution of strategy
- Leadership and development of IG's executive management team below Board level
- Day-to-day decision-making relating to, and management of, the affairs of IG
- Delivering financial performance in line with our agreed budget
- Organisational design of our operations

The Chief Financial Officer (CFO) has delegated authority, including in relation to financial management of the Group, the stewardship of Group assets, the safeguarding of client money and assets, financial reporting and investor relations. The Chief Commercial Officer (CCO) has delegated authority for global client management, marketing and global sales and conversion. The Chief Operating Officer (COO) has delegated authority in respect of trading and operations, and business change.

Below Board level, we currently have a number of executive management Committees in place.

The CEO is supported by the Group Executive Committee – our most senior executive management Committee – comprising the CEO, CFO, CCO, COO and other senior executives. It supports the CEO in the proper performance of her duties, including to optimise the execution of our strategy agreed by the Board. It also provides advice and support to the executive management in the day-to-day running of our operations.

The CFO, in the proper performance of his duties, is supported by the Client Money and Assets Committee in providing oversight arrangements and operations in respect of the holding and safeguarding of client money and assets across the whole of the business. The CFO also leads the Cost Committee that oversees the management of costs across all business functions against agreed four-year-plan cost targets.

The Group Executive Committee is also supported by the Core Business Committee, chaired by the CCO. It's responsible for the delivery and monitoring of performance against the Group's four-year plan and budget for the core business units. Furthermore, it's supported by the Growth Accelerator Projects Committee, whose purpose is to deliver upon and monitor performance against the significant opportunities agreed as part of the strategy approved by the Board.

The Executive Risk Committee (ERC), provides advice to operational management in the day-to-day operation of risk governance, applying the principles of sound corporate governance to the identification, assessment, management, monitoring and reporting of risks within the risk appetite agreed by the Board.

The ERC in turn is supported by the Technology Risk Committee, Information Security Committee, Vendor Risk Management Committee, Best Execution Committee, the ICAAP and ILAA Committee, Conduct and Operational Risk Committee and Transaction Reporting Committee. This allows for the detailed review of matters forming part of the responsibilities of relevant management, and from where significant matters are escalated – often through the ERC to the Board Risk Committee.

The Technology Steering Committee provides assurance of strategic direction, delivery performance, and quality levels for all technology services across IG, and is chaired by the Chief Information Officer. It ensures that the technology investment decisions taken by us are fit for future purpose, and the technology estate quality is maintained in an efficient and sustainable manner. It's also responsible for delivering and monitoring performance against the technology improvement initiatives needed to ensure our technology remains available, secure, performant and scalable.

The Legal Entity and Policy Governance Committee is chaired by the Chief Legal and Governance Officer. Its function is to exercise oversight over the governance of our subsidiaries, and in particular, their adherence to the Group Legal Entity Governance Policy and the Group Policy Governance Framework.

The IG People Forum was established to further enhance Board engagement with the wider workforce. The principal duty of the People Forum is to shape and coordinate key people initiatives, and to provide a forum to allow employees' views and opinions to be heard on issues that will impact the employee experience prior to submitting any relevant proposals to the Group Board.

The Board

as at the date of this Report

The Board is responsible for determining the Group's strategy and for promoting our long-term success, through creating and delivering long-term value for shareholders.



Mike McTighe
Chairman

Age: 66
Time on Board: 5 months
(Appointed 3 February 2020)

Committee membership:
Nomination Committee (Chair)
(since 3 February 2020)
Disclosure Committee
(since 18 March 2020)

Mike has a wealth of leadership, board and regulatory experience from both public and private companies. Mike is the Chairman of Openreach Limited, Together Financial Services Limited and Arran Isle Limited.

For over 20 years he has held various non-executive director roles in a range of regulated and unregulated industries whilst also spending eight years on the board of Ofcom and one year on the board of Postcomm.

Mike has held many chairmanships over the years, including chairing several UK and US public company boards.

Mike spent most of his executive career at Cable and Wireless, Philips, Motorola and GE.



June Felix
Chief Executive Officer

Age: 63
Time on Board: 5 years
(Appointed Non-Executive Director on 4 September 2015; and Chief Executive Officer on 30 October 2018)

Committee membership:
Disclosure Committee

June was appointed as Chief Executive Officer on 30 October 2018, having previously served as a Non-Executive Director of the Company since 4 September 2015. June has had a successful career, growing and leading global financial services and tech companies, and living and working in Hong Kong, London and New York.

June brings to the role over 25 years' experience in both the finance and digital technology sectors. June also sits on the Board of Advisors of the London Technology Club. June has no other current external appointments.

Until the sale of Verifone Inc, June was President of Verifone Europe and Russia with responsibility for over 2,000 employees with the operation of the business throughout those territories. Prior to her role at Verifone, June held various executive management positions at a number of large multi-national businesses. These included Citibank where she was Managing Director of Global Healthcare, Citi Enterprise Payments, IBM Corporation where she was Global General Manager for the Global Banking and Financial Markets industry sector, and Chase Manhattan Bank where she was APAC Region Head of GPTS. June has also worked as a strategy consultant at Booz, Allen & Hamilton, in strategy roles at Chase Manhattan Bank, and as Chief Executive Officer of Certco, a risk management technology firm for global broker dealers.

June graduated from the University of Pittsburgh with a summa cum laude (first class honours) degree in Chemical Engineering and Pre-Med.



Charlie Rozes
Chief Financial Officer

Age: 52
Time on Board: 2 months
(Appointed 1 June 2020)

Committee membership:
Disclosure Committee

Charlie was appointed as Chief Financial Officer on 1 June 2020.

Charlie has a proven track record of, and accountability for, financial control and reporting, accounting, tax, M&A, investor relations, risk and compliance, and audit. He's a highly experienced finance leader having held a number of executive director roles in the financial services sector prior to joining IG, and having driven a number of substantial change programmes both in the UK and internationally.

Charlie began his professional career with PricewaterhouseCoopers LLP, and became a Partner in 2001 in the US management consulting practice. Following that he held senior executive roles at IBM and Bank of America. In 2007, he joined Barclays plc where he was the Chief Financial Officer of Barclays UK Retail and Business Bank, and became the Global Head of Investor Relations in September 2011 until August 2015.

He was the Group Finance Director at Jardine Lloyd Thompson plc from September 2015 until April 2019 when it was acquired by Marsh & McLennan Companies Inc.

Charlie has an undergraduate degree from Tufts University and an MBA from the Southern Methodist University.



Bridget Messer
Chief Commercial Officer

Age: 41
Time on Board: 2 years
(Appointed 1 June 2018)

Committee membership:
Disclosure Committee

Bridget's extensive knowledge of corporate, commercial and IG product matters, along with her excellent understanding of IG's various regulatory environments, helps the Board set its strategy for client acquisition, client management, and growth in IG's offices around the world.

Bridget joined IG as Legal Counsel in May 2005, then held a number of roles within the legal function leading to her appointment as General Counsel and Head of Compliance in April 2010. She was also appointed Group Company Secretary in March 2011.

In September 2015, Bridget was appointed to her current role as Chief Commercial Officer, reporting directly to the Chief Executive Officer. Bridget is a member of IG's Executive Committee.

Prior to joining IG, Bridget held solicitor positions within Deutsche Bank in London and at Corrs Chambers Westgarth Lawyers in Australia. Bridget is currently appointed as Chair of the Trustee Board of the African Commercial Law Foundation.

Bridget has no other current external appointments.

Bridget graduated from Queensland University of Technology with a Bachelor of Laws, first class honours, and a Bachelor of Business (Dean's List) in 2001, and was admitted to the roll of solicitors for Queensland in 2003, and England and Wales in 2006.



Jon Noble
 Chief Operating Officer

Malcolm Le May
 Senior Independent
 Non-Executive Director

Jim Newman
 Non-Executive Director

Sally-Ann Hibberd
 Non-Executive Director

Age: 43
Time on Board: 2 years
 (Appointed 1 June 2018)

Age: 62
Time on Board: 5 years
 (Appointed 10 September 2015)

Age: 55
Time on Board: 7 years
 (Appointed 1 October 2013)

Age: 61
Time on Board: 2 years
 (Appointed 20 September 2018)

Committee membership:
 Remuneration Committee (Chair)

Committee membership:
 Audit Committee (Chair)
 Board Risk Committee
 Remuneration Committee

Committee membership:
 ESG Committee (Chair)
 Audit Committee
 Board Risk Committee
 (since 18 March 2020)
 Nomination Committee

Jon was appointed Chief Operating Officer on 14 June 2019 with responsibility for Trading and Operations, and is a member of IG's Executive Committee. Jon also leads the business change office and chairs a number of the Company's management Committees, including the workforce-related People Forum and the Committee established to deliver upon, and monitor performance against, the significant opportunities agreed as part of the Board strategic review.

Jon first joined IG in 2000 as a trainee dealer, rising to Dealing Director in 2007. In 2010, Jon became Dealing & Operations Director and in 2012 was appointed Chief Information Officer. In 2015, Jon was appointed as Head of IG's Delivery Pillar. He was appointed to the Board as Chief Information Officer on 1 June 2018.

As Chief Information Officer, Jon had responsibility for setting and delivering our IT strategy, delivery of all programmes of work and for keeping the production environment stable and secure. He was responsible for IG's IT systems, including its client interface systems.

Jon graduated from Durham University with a degree in Economics and obtained an Executive MBA from London Business School in 2007.

Jon has no current external appointments.

Malcolm has broad experience and knowledge of the financial services and investment sectors, along with extensive experience on the boards of publicly listed companies.

Malcolm was appointed as Chief Executive Officer of Provident Financial plc in February 2018, having previously been its Senior Independent Director until November 2017 and, following the death of its Chairman, Interim Executive Chairman. He is a Partner at Opus Corporate Finance LLP and Juno Capital Partners LLP.

Malcolm served as a Non-Executive Director and Chairman of the Remuneration Committee of Hastings Group Holdings plc prior to his resignation in April 2018. He also served as Senior Independent Director of Pendragon plc, and was a Non-Executive Director and Chairman of the Investment Committee at RSA Insurance Group plc. Prior to this, he held various executive roles at Morgan Grenfell plc, Drexel Burnham Lambert, Barclays de Zoete Wedd Holdings, UBS AG, ING Barings Limited, Morley Fund Managers (now Aviva Investors) and JER Partners Limited, where he was European President.

Jim has in-depth knowledge and experience of the financial services sector, as well as considerable experience both as a Chief Financial Officer and in the implementation of transformation programmes.

A qualified chartered accountant, Jim was Finance Director for Resolution plc, having joined the Company as Group Financial Controller. He spent ten years at Aviva, where he was Group Integration Director for the CGU/Norwich Union merger and Finance Director of Norwich Union Life, Aviva's UK life insurance business. He was formerly the Corporate Development Director for Friends Life Group, where his responsibilities included overseeing the final separation and integration of the UK life business acquired by Resolution plc, as well as the delivery of the overall group change portfolio and strategic corporate development.

Jim has no other current appointments.

Sally-Ann has a broad background in financial services and technology. She previously served as Chief Operating Officer of the International Division, and latterly as Group Operations and Technology Director, of Willis Group, held a number of senior executive roles at Lloyds TSB and was a Non-Executive Director of Shawbrook Group plc until January 2019.

Sally-Ann is a Non-Executive Director of Equiniti Group plc, Chair of its Risk Committee and a member of the Audit, Nomination and Remuneration Committees.

Sally-Ann also serves as a Non-Executive Director of The Co-operative Bank plc where she is a member of its Audit, Remuneration and Risk Committees.

In addition, Sally-Ann is a non-executive member of the governing body of Loughborough University and a member of the advisory panel of Gobeyond Partners.

The Board

as at the date of this Report

CONTINUED



Jonathan Moulds
Non-Executive Director

Andrew Didham
Non-Executive Director

Helen Stevenson
Non-Executive Director

Rakesh Bhasin
Non-Executive Director

Age: 55
Time on Board: 2 years
(Appointed 20 September 2018)

Age: 64
Time on Board: 10 months
(Appointed 19 September 2019)

Age: 59
Time on Board: 4 months
(Appointed 18 March 2020)

Age: 58
Time on Board: 1 month
(Appointed 6 July 2020)

Committee membership:
Board Risk Committee (Chair)
Nomination Committee

Committee membership:
Audit Committee
(since 19 September 2019)

Committee membership:
Remuneration Committee
(since 18 March 2020)
ESG Committee

Committee membership:
ESG Committee

Jonathan is the Chairman of Litigation Capital Management Limited, an AIM-listed litigation finance company. He has extensive experience in financial markets and has worked in the US, Asia and UK during his career. He served as the Group Chief Operating Officer of Barclays plc until 2016.

Prior to Barclays, Jonathan had a 20-year career with Bank of America and was Chief Executive Officer of Merrill Lynch International following the merger of the two institutions in 2008, with responsibility for Bank of America's European businesses. He was a member of Bank of America's Global Operating Committee.

Jonathan has served widely on key industry associations including as Chairman of the International Swaps and Derivatives Association (ISDA) from 2004 until 2008, and as a Director of the Association for Financial Markets in Europe (AFME). He remains a member of AFME's Advisory Board. Jonathan was a member of the Capital Markets Senior Practitioners of the UK Financial Services Authority and the Global Financial Markets Association.

Andrew is currently a Director of N.M. Rothschild & Sons Limited and is also Chairman of the N.M. Rothschild Pension Trust. Since 2015 he has been a Non-Executive Director and, since 2017, Senior Independent Director of Charles Stanley Group plc where he also serves as Non-Executive Chairman of its principal operating company Charles Stanley & Co. Limited. In 2017 Andrew was appointed to the Board of Shawbrook Group plc where he is a Non-Executive Director and Chairman of its Audit Committee.

From 2017 to 2019 Andrew served as Non-Executive Director and Chairman of the Audit and Risk Committees of Jardine Lloyd Thompson Group plc.

Andrew was a partner of KPMG from 1990 to 1997 and is a Fellow of the Institute of Chartered Accountants in England and Wales. Upon leaving KPMG, Andrew served as Group Finance Director of the worldwide Rothschild group for 16 years from 1997 to 2012. From 2012 he has served as an Executive Vice Chairman in the Rothschild group.

Helen brings extensive marketing and digital experience from a range of industries, together with strong customer focus. Helen is an experienced Non-Executive Director with particular experience regarding remuneration matters. Helen is currently the Senior Independent Director of Reach plc and Kin and Carta plc, and a Non-Executive Director of Skipton Building Society.

Helen served as Chief Marketing Officer UK at Yell Group plc from 2006 to 2012 and, prior to this, served as Lloyds TSB Group Marketing Director. Helen started her career with Mars Inc where she spent 19 years, culminating in her role as European Marketing Director, leading category strategy development across Europe.

Helen is a member of the Henley Business School Strategy Board, and serves as a Governor of Wellington College.

Rakesh brings extensive technology and global markets experience, specifically in Asia-Pacific. He is a Non-Executive Director for a portfolio of companies in multiple sectors and is also Chairman of CMC Networks, a Carlyle Group investment company based in Africa, focused on providing telecommunications services across Africa and the Middle East.

In his executive career, Rakesh was the Chief Executive Officer and a member of the Board of Colt Technology Services, a Fidelity-owned company providing network, voice, and data centre services globally. Rakesh was appointed into the role of Chief Executive Officer in December 2006 and completed his tenure at the end of 2015, concluding his secondment from Fidelity. Concurrently, he was Non-Executive Chairman of KVH, an Asian-based technology company with headquarters in Tokyo and operations in Hong Kong, Seoul and Singapore, and Non-Executive Chairman of Market Prizm, a financial-services-focused technology company.

Rakesh has also previously held senior positions within AT&T, including Head of AT&T Asia-Pacific's managed network services business and President, AT&T Japan Limited. He was also formerly Senior Managing Director of Japan Telecom Company Limited.

Rakesh has a BSc in Electrical Engineering from George Washington University.

Former Directors who served during the year

Andy Green

Andy stepped down from the Board and the role of Chairman on 19 September 2019.

Stephen Hill

Stephen retired from the Board on 27 April 2020.

Paul Mainwaring

Paul stepped down from the Board on 1 June 2020.

Board Governance

Leadership

The role of the Board

The Board provides leadership by setting the Group's strategic direction and overseeing management's execution of the strategy. It is responsible for establishing our purpose and values, and for ensuring these and the strategy are aligned to our culture. It provides robust challenge, within a framework of prudent and effective risk management and internal controls. The Board is provided with timely and comprehensive information to enable it to discharge its responsibilities, to encourage strategic debate and to facilitate robust, informed and timely decision-making.

The Board is collectively responsible for promoting the long-term sustainable success of the Group for the benefit of its members as a whole, through the creation of long-term sustainable shareholder value and contribution to wider society. In exercising this responsibility, the Board takes into account the needs of, and ensures effective engagement with, all relevant stakeholders – including shareholders, clients, regulators, the workforce, suppliers and the wider community in which it operates – and the effect of our activities on the environment.

The Stakeholder Engagement section of the Strategic Report on pages 24 to 29 sets out the stakeholder engagement mechanisms that are currently in place. This includes who the key stakeholders are, why they are important to us, how engagement is being conducted, the principal issues that matter to each stakeholder group, our governance activities and the actions and outcomes from these engagements when the Board makes principal decisions. The Board considers 'principal decisions' to be those decisions which entail significant long-term implications and consequences for the Company and/or its stakeholders and distinguishes these from the normal, ordinary course decision-making processes that the Board engages in.

The Board has agreed to identify points for discussion at future Board meetings, which should include specific documented consideration of Section 172 stakeholder interests when they are discussed. This requirement is incorporated into the procedure for preparing Board meetings, and there is a template identifying the relevant stakeholder considerations for inclusion in the Board papers that accompany such discussions.

As a collective body, the Board is responsible for ensuring that it has the appropriate skills, knowledge, diversity and experience to perform its role effectively.

The Board has a comprehensive schedule of matters reserved to it for decision-making. These include agreeing the Group's strategy, approving major transactions, annual budgets and changes to our capital and governance structure. The matters reserved to the Board are supplemented by an annual Board calendar that provides for, among other things, regular reviews of operational and

financial performance; reviews of succession planning for the Board and senior management; setting the Group's risk appetite and approving any changes to our Risk Management and Internal Control Framework.

Specific matters for approval and recommendation to the Board have been formally delegated to certain Board Committees. The matters reserved to the Board and Committee Terms of Reference are available on the Company's website, iggroup.com.

Board composition

As at 31 May 2020, the Board comprised a Non-Executive Chairman who was independent on appointment, four Executive Directors and six Independent Non-Executive Directors, supported by the Company Secretary and senior management. Details of changes to the composition of the Board can be found in the Chairman's Introduction to Corporate Governance on page 76, in the Nomination Committee Report on pages 94 to 98 and in the Directors' Report on pages 140 to 142.

The Board operates a clear written division of responsibilities between the Chairman and the Chief Executive Officer (CEO), which was last updated in 2019.

Chairman

The Chairman, Mike McTighe, was appointed to the Board on 3 February 2020. He is responsible for leading the Board and creating the right conditions to ensure its effectiveness in all aspects of its role. This includes promoting the long-term sustainability of the Group and generating value for shareholders.

The Chairman is also responsible for ensuring that the Board takes an active and constructive part in supporting and challenging management in the development of our strategy. This also includes Board succession planning, and promoting the highest standards of integrity, probity and corporate governance throughout the business.

The Chairman sets the Board's agenda, in consultation with the CEO and Company Secretary, taking full account of the need to allow time for robust and constructive discussion and challenge on all relevant matters. He's responsible for promoting effective communication between the Board and its Directors, in and outside of Board meetings, and for seeking engagement with major shareholders to understand their views on governance and performance against the strategy agreed by the Board.

The Chairman has a close working relationship with the CEO and the Company Secretary, who work together to monitor the effective implementation of the strategies and actions agreed by the Board.

Board Governance

CONTINUED

At the last AGM, Andy Green did not seek re-election and instead stepped down from the Board with effect from that date (19 September 2019). In the period before Mike McTighe assumed the role of Chairman, Jonathan Moulds acted as Interim Chairman (from 19 September 2019 to 2 February 2020).

Chief Executive Officer

The CEO, June Felix, has specific responsibility for developing and executing the Group's strategy. In undertaking such responsibilities, the CEO takes advice from, and is provided with support by, her senior management team and all Board colleagues.

Additional specific authority includes day-to-day decision-making relating to the management of the affairs of IG, for delivering financial performance in line with the agreed budget, and for organisational design of our operations. The CEO is also responsible for recruitment, leadership and development of our executive management team and for proposing to the Board our approach to vision, values, culture, diversity and inclusion.

Chief Financial Officer

The Chief Financial Officer (CFO) is responsible for the financial management of the Group and its financial reporting, for monitoring our operating and financial results and for management of our internal financial control systems. The CFO also has responsibility for oversight of capital and liquidity management, and the management and safeguarding of client money and assets. He supports the CEO in implementing our strategy and in relation to the financial, risk management and operational performance of the Group.

During 2019/20 the CFO was Paul Mainwaring. We announced on 21 January 2020 Paul Mainwaring's intention to retire. On 4 May 2020 we further announced that Charlie Rozes had been appointed to assume the role of CFO with effect from 1 June 2020.

Other Executive Directors

The Chief Commercial Officer (CCO), Bridget Messer, has delegated authority for global client management, marketing and global sales and conversion. The Chief Operating Officer (COO), Jon Noble, has delegated authority in respect of trading and operations and business change.

Senior Independent Director

Malcolm Le May is the Senior Independent Non-Executive Director (SID) and, in this capacity, acts as a sounding board for the Chairman. He serves as an intermediary for the other Directors when necessary. He is also available to shareholders if they have concerns which communication via the normal channels of Chairman, CEO or other Executive Directors have failed to resolve, or when shareholders prefer to speak directly to him. He's responsible for evaluating the performance of the Chairman on behalf of the other Directors.

Non-Executive Directors

The Non-Executive Directors are independent of management and are considered by the Board to be free from any business or other relationships that could compromise their independence. Their role is to effectively advise and constructively challenge management, along with monitoring management's success in delivering the agreed strategy within the risk appetite and Control Framework agreed by the Board. They are also responsible, through the Remuneration Committee, for determining appropriate levels of remuneration and reward for the Executive Directors. In addition, the Chairman of the Audit Committee has responsibility for Internal Audit, including ensuring the independence of the function.

Company Secretary

The Company Secretary, Joanna Nayler, supports and works closely with the Chairman, the CEO, the CFO and the Board Committee Chairs in setting agendas for meetings of the Board and its Committees. She supports the accurate, timely and clear information flow to and from the Board and the Board Committees, and between Directors and senior management. In addition, she supports the Chairman in designing and delivering Directors' induction programmes, and the Board and Committee performance evaluations.

The Company Secretary also advises the Board on corporate governance matters and Board procedures, and is responsible for administering IG's Share Dealing Code of Conduct and the AGM.

How the Board operates

The Board meets regularly, at least six times a year, and this year held six scheduled meetings. In addition, the Board has a Standing Committee whose responsibility is to consider Board-reserved matters at short notice, or where there are administrative matters requiring evidencing that do not warrant a full Board.

Senior executives below Board level are invited to attend meetings as required to present and discuss matters relating to their business areas and functions.

The full Board also meets when necessary to discuss important ad hoc emerging issues that require consideration between scheduled Board meetings. There were six such meetings held during the year, convened principally to consider matters relating to Board appointments and succession, and our preparedness and responses to the Australian Securities and Investments Commission (ASIC) product intervention measures. The Chairman and the Executive Directors also met, as the Board, to consider Non-Executive Directors' fees.

Each Director commits an appropriate amount of time to their duties during the financial year. The Non-Executive Directors met the time commitment reasonably expected of them pursuant to their letters of appointment.

Where Directors are unable to attend meetings, they are encouraged to give the Chairman their views in advance on the matters to be discussed.

The Chairman and Non-Executive Directors meet in the absence of the Executive Directors at least twice a year. There were two such meetings during the year that took place immediately following Board meetings to discuss matters relating to Board discussions.

During the year, Non-Executive Directors, led by the SID, met without the presence of the Chairman, including to evaluate the Chairman's performance.

Attendance at Board meetings

The number of full scheduled Board meetings attended by each Director during the year is set out opposite. Where Board members weren't able to attend unscheduled meetings, they fed back any comments on the subject matter at hand to the Chairman.

BOARD MEMBER	SCHEDULED MEETINGS ELIGIBLE TO ATTEND	SCHEDULED MEETINGS ATTENDED
Chairman		
Mike McTighe ¹	2	2
Andy Green ²	2	2
Independent Non-Executive Directors		
Andrew Didham ³	5	5
Sally-Ann Hibberd	6	6
Stephen Hill ⁴	5	5
Malcolm Le May	6	6
Jonathan Moulds	6	6
Jim Newman	6	6
Helen Stevenson ⁵	6	6
Executive Directors		
June Felix	6	6
Paul Mainwaring	6	6
Bridget Messer	6	6
Jon Noble	6	6

- 1 Appointed on 3 February 2020.
- 2 Stepped down at conclusion of AGM on 19 September 2019.
- 3 Appointed at conclusion of AGM on 19 September 2019.
- 4 Retired on 27 April 2020.
- 5 Appointed on 18 March 2020.

Board Governance

CONTINUED

Board activities during the year

The Board meeting agendas during the year included consideration across the key areas of strategy, governance, risk and financial performance, pursuant to the schedule of matters reserved to the Board and the agreed annual forward calendar.

Strategy

→ The Board held a strategy session focusing on the strategic development of the business at which the Board, supported by advisers, analysed the then-current strategic business initiatives; reviewed the four-year plan; considered changes in technology infrastructure; and examined fintech sector themes and trends that could be used to help inform strategic development. The Board also reviewed the competitive environment, identified and developed strategic options and opportunities through internal teams, and agreed strategic development priorities

Business, operational highlights and current trading

→ Regularly received business performance updates on business progress and the issues and challenges faced by management through the CEO Report, Financial Review and quarterly reports from the CCO and the COO, as well as from the Chief Risk Officer on Risk and Compliance matters and from the Chief People Officer

→ Received reports on matters of interest such as location strategy, people management and governance, technology risk, regulatory change and competitor analysis

→ Considered our response to the imposition of ASIC product intervention measures

→ Considered the impact of Covid-19 which resulted in market volatility and an increase in clients and trading

Quarterly forecast and budget

→ Received updates on performance against the prior year, budget and market analyst consensus

→ Discussed the risks and opportunities for the 2020 financial year budget, and approved the 2021 budget and four-year plan

Culture, people, governance, risk and regulation

→ Evaluated the effectiveness of our risk management and internal control systems, reviewed and approved the Group's Risk Appetite Statement and key regulatory documents, including the Individual Capital Adequacy Assessment Process (ICAAP), the Individual Liquidity Adequacy Assessment (ILAA) documents and the Group's Recovery Plan (RP)

→ Considered and approved proposals on improvements to workforce representation at the Board, and updates to the diversity and inclusion strategy

→ Considered our emerging strategy relating to talent and succession

→ Discussed the results of the employee engagement survey

→ Received the health and safety annual report, and an annual information security update

→ Received regular updates on corporate governance developments, including the 2018 UK Corporate Governance Code, and the introduction of the Senior Managers and Certification Regime

→ Analysed the impact of emerging political and legal risk, including that relating to Brexit and Covid-19

→ Considered the impact of Covid-19 on staff and how best to assist them whilst working remotely during the pandemic

→ Launched IG Brighter Future Fund, a £5 million fund to improve the educational opportunities available to the least privileged young people

Financial performance

→ Reviewed the Group's financial performance and approved all financial results announcements and the Annual Report with the respective Financial Statements

→ Reviewed and approved a four-year forecast

→ Reviewed IG's capital plan and assessment

→ Received trading updates outside of the usual cycle due to market volatility as a result of Covid-19

Dividends

→ Reviewed the dividend policy

Other

→ Considered feedback following shareholder engagement

→ Received regular reports from Board Committee Chairs

→ Agreed the extension of our banking facilities

→ Agreed IG's corporate insurance programme

→ Undertook an external evaluation of its effectiveness and the effectiveness of each Board Committee and individual Directors

Board Committees

Certain governance responsibilities have been delegated by the Board to Board Committees to ensure that there's independent oversight of internal control and risk management, and to assist the Board with carrying out its responsibilities. Other than in respect of the Disclosure Committee, whose members consist of the Chairman, CEO, CFO and Company Secretary, these Board Committees comprise Independent Non-Executive Directors and, in some cases, the Chairman. Each Committee has agreed Terms of Reference, approved by the Board, which are available on IG's corporate website, iggroup.com.

A brief description of the roles of each Committee is set out on the following page.

The Chair of each Board Committee reports to the Board on the matters discussed at Committee meetings. Reports from the Chair of each of the principal Board Committees, including information on the Committee's composition and activities in the year, can be found in the sections relating to each Committee within this Annual Report.

Board Governance

CONTINUED

Audit Committee

- ➔ Responsible for the integrity of the Group's Financial Statements, including its annual and interim reports
- ➔ Reviews and recommends to the Board the effectiveness of our Internal Audit function and risk management system, annual Internal Audit plan, appointment, reappointment and removal of the External Auditors
- ➔ Responsible for monitoring the effectiveness of the control environment relating to the management and safeguarding of client money and assets
- ➔ Reviews the management and control framework for the governance, operation and maintenance of our legal entities

Board Risk Committee

- ➔ Responsible for providing oversight and advice to the Board in relation to current and future risk exposures, and promoting a risk-awareness culture within the Group
- ➔ Recommends to the Board the design and implementation of risk management policy and measurement strategies across IG, our risk profile, risk appetite and Key Risk Indicators for the current and future strategy
- ➔ Reviews and recommends to the Board the adoption of key risk-related documents, including the ILAA, ICAAP and RP
- ➔ Commissions thematic risk reviews relating to key risks
- ➔ Receives a twice-annual report on the risks associated with our corporate culture and periodic reports on risks relating to product governance
- ➔ Receives reports from Internal Audit on advisory work conducted by the function on the state of the Risk Management Framework, and current and potential risk exposures of the Group

Nomination Committee

- ➔ Responsible for reviewing the composition of the Board and Board Committees to ensure that they are appropriately balanced in terms of diversity, knowledge, skills and experience
- ➔ Reviews and recommends appointments to the Board and to other senior management positions
- ➔ Conducts succession-planning reviews at Board level for recommendation to the Board

ESG Committee

- ➔ Ensures that we have an ESG strategy and that it remains fit for purpose
- ➔ Assists on such other matters related to ESG as may be referred to it by the Board

Disclosure Committee

- ➔ Identification of Inside Information
- ➔ Decides on how and when we should disclose Inside Information in accordance with the Disclosure Policy and having regard, in particular, to information previously disclosed by the Company

Standing Committee

- ➔ Meets as and when there may be a need to consider Board reserved matters at short notice, where there are administrative matters requiring evidencing that do not warrant the need for a full Board or where full attendance is not possible at short notice

Remuneration Committee

- ➔ Responsible for making recommendations to the Board on the Group's senior executive Remuneration Policy
- ➔ Oversees the Group's Remuneration Schemes
- ➔ Reviews and recommends to the Board our Remuneration Policy, which is consistent with effective risk management, the framework for the remuneration of the Company's Chairman and Executive Directors and share-based awards under our Employee Incentive Scheme
- ➔ Monitors developments in remuneration and reward practice to ensure that our policies take account of reasonable stakeholder expectation

Effectiveness

Board composition

The Board's size – and the skills and experience of its members – have a significant impact on its effectiveness. It aims to maintain a balance in terms of experience and skills of individual Board members. These factors are regularly reviewed to ensure that the Board has the right mix of skills and experience for constructive discussion and, ultimately, effective Board decisions.

The breadth of skills and experience currently on the Board includes experience in key areas such as listed environments, international financial services, finance and accountancy, strategy, information technology, people, financial services regulation, marketing, risk management, investor relations, technology and digital, and law. Certain Non-Executive Directors currently undertake executive roles outside of IG.

There is an appropriate combination of Executive Directors and Non-Executive Directors, such that no individual or small group of individuals can dominate the Board's decision-making.

Director independence

The Company is fully compliant with the 2018 UK Corporate Governance Code, which requires that at least half of the Board, excluding the Chairman, should comprise Non-Executive Directors who are determined by the Board to be independent.

The independence of the Non-Executive Directors is considered by the Board, and reviewed on an annual basis as part of the Board effectiveness review. The Board considers factors such as length of tenure and relationships or circumstances that are likely to affect or appear to affect the Directors' judgment in determining whether they remain independent.

Following this year's review, the Board concluded that all the Non-Executive Directors continue to remain independent in character and judgment and are free from any business or other relationships that could materially affect the exercise of their judgment.

Conflicts of interest

Directors have a statutory duty to avoid situations in which they may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. Directors are required to disclose both the nature and extent of any potential or actual conflicts with the interests of the Company.

In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts that may arise, and to impose such conditions or limitations as it sees fit. During the year, potential conflicts were considered and assessed by the Board and approved where appropriate.

Board Governance

CONTINUED

Succession planning and appointments to the Board

The Board uses succession planning to ensure that executives with the necessary skills, knowledge and expertise are in place to develop and deliver our strategy, and that it has the right balance of individuals to be able to discharge its responsibilities. The Board regularly reviews its composition to keep it constantly refreshed. Any searches for Board candidates, and appointments made, are based on merit against objective criteria, including the use of a Board skills matrix which was last updated in March 2020.

The Nomination Committee has specific responsibility for considering the appointment of Non-Executive and Executive Directors and recommending new appointments to the Board. It regularly reviews the structure, size and composition required of the Board and makes recommendations to the Board as appropriate. More information on the work of the Nomination Committee can be found in the Nomination Committee Report on pages 94 to 98. The Board as a whole is also involved in overseeing the development of management resources across the Group.

Board tenure (as at the date of this report)

TENURE	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS (INCLUDING THE CHAIRMAN)
0 to 3 years	3	6
3 to 6 years	1	1
Over 6 years	0	1

Induction

Following appointment, each Director receives a comprehensive and formal induction, linked to their individual experience, to familiarise them with their duties and our business operations, risk and governance arrangements. The induction programme, which is coordinated with the help of the Company Secretary, may include briefings on industry and regulatory matters relating to us, strategy and business model, our history, risk management and risk appetite, as well as meetings with senior management in key areas of the business. These are supplemented by induction materials such as recent Board papers and minutes, organisation structure charts, governance matters and relevant IG policies. Newly appointed Directors may also meet the Company's External Auditor, brokers and advisers, and attend a presentation led by its external solicitors on the roles and responsibilities of a UK-listed company Director.

Ongoing professional development

In order to facilitate greater awareness and understanding of our business and operating environment, all Directors are given regular updates on changes and developments in the business.

Training opportunities are provided through internal meetings, workshops, presentations and briefings by internal advisers and business heads, as well as external advisers. The Company Secretary updates the Board on any relevant legislative and regulatory corporate governance-related changes on a regular basis.

The Directors meet with executives to receive further insights into the operations of the business in the jurisdictions where the Group operates. In addition, we have continued our series of Breakfast with the Board sessions attended by Non-Executive Directors, to enable staff across the business to meet and ask questions on defined topics. However, these sessions have had to be put on hold over the last few months due to the Covid-19 pandemic. We'll resume these as soon as it's safe to do so. Non-Executive Directors are also invited to attend IG People Forum meetings.

During the year, the Directors attended briefing sessions on defence and risk strategy, capital and liquidity, Pillar 2, conflicts of interest management and new opportunities.

The Chairman ensures that the Directors continually update and refresh their skills and knowledge, and independent professional advice is provided, when required, at IG's expense.

Information provided to the Board

The Chairman, with support from the CEO and Company Secretary, is responsible for ensuring that the Board receives accurate, timely and clear information to enable it to make appropriate challenges, to encourage debate and to ensure its decisions are fully informed.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and compliance with applicable laws and regulations is observed.

The Company Secretary supports the Chairman in setting the Board agenda, and Board papers are distributed to all Directors in advance of Board meetings via a secure electronic system. The Company Secretary is also responsible for advising the Board, through the Chairman, on corporate governance matters.

Directors receive briefings from the CEO and other executive officers in the periods between meetings.

Election and re-election of Directors

The UK Corporate Governance Code requires that all Directors of FTSE 350 companies should be subject to annual election by shareholders. Each Director and the Board as a whole underwent a performance evaluation during the course of the year. Following this, all Directors will stand for re-election or election at the AGM.

Board evaluation

Each year, an evaluation of the effectiveness of the Board is conducted. The evaluation includes an assessment of the effectiveness of Board Committees. Individual Directors are also assessed with feedback provided to and from the Chairman.

Last year the Board agreed areas of development, in respect of which there has been significant progress.

- Continuing to focus on Board dynamics following Board changes during the year, evaluating and responding to the need to ensure the right balance of skills needed on the Board
- Focusing on the needs of, and interaction with, key stakeholders including shareholders, regulators, clients and employees
- Monitoring the performance of management in the stewardship of IG's assets in support of the delivery of the new strategy
- Continuing to develop the senior management pipeline and capabilities whilst retaining key talent
- Increased focus at Board on culture and conduct-related themes

In 2020 an external evaluation was carried out by Boardroom Review Limited.

The review involved the Chairman and the Company Secretary setting the context for the evaluation, one-to-one confidential interviews with all Board members and the Company Secretary, and observation at the May Board and Committee meetings. The initial output of the 2020 external evaluation was considered at the July Board meeting and next steps agreed.

We will report on the action plan, actions taken and progress made in next year's Annual Report.

Time commitment

Following the Board evaluation process detailed above, the Board is satisfied that each of the Directors continues to be able to allocate sufficient time to the Company to discharge their responsibilities effectively, notwithstanding changes to the external commitments of certain Directors.

Accountability

Financial and business reporting

The Strategic Report on pages 18 to 73 describes the vision, strategy and the business model, whereby we generate and preserve value over the long term and deliver the objectives of IG.

A Statement of the Directors' Responsibilities in respect of the Financial Statements is set out on page 143, and a statement regarding the use of the going concern basis in preparing these Financial Statements is provided in the Going Concern and Viability Statement on pages 72 and 73.

Risk management and internal control

We are exposed to a number of business risks in providing products and services to our clients. The Board is responsible for establishing the overall appetite for these risks, which is detailed and approved in the Risk Appetite Statement. The Board has responsibility for ensuring the maintenance of our risk management and internal control systems, and for annually reviewing them.

The framework under which risk is managed in the business is supported by a system of internal controls, designed to embed within the business the effective management of our key business risks. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Through reports from the Board Risk Committee and the Audit Committee, and consideration of the ICAAP, ILAA and RP, the Board regularly reviews and monitors our risk management and internal control systems and the effectiveness with which we manage the principal risks we face.

The Directors confirm that the Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten our business model, future performance, solvency and liquidity. We outline the risks to which we're exposed and the framework under which risk is managed, including a description of the system of internal controls, in the Business Model and Risk Profile section on pages 30 to 35, in the Risk Management section on pages 50 to 59, and in the Going Concern and Viability Statement on pages 72 and 73.

An annual formal review of the effectiveness of our system of risk management and internal controls has been carried out for the Board, to support the statements included in the Annual Report and Financial Statements. The review focused on the overall Risk Governance Framework and the setting of our risk appetite. It considered the key risk assessment and monitoring activities across the Group, as well as the processes and controls in place to manage our principal risks and for escalating exceptions highlighted by the risk management processes.

Board Governance

CONTINUED

There are risk management and internal control systems in place for identifying, evaluating and managing the principal risks facing us in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the Financial Reporting Council.

Throughout the year and up to the date of this report, the Group has operated a system of internal controls that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations.

Internal controls over financial reporting

Our financial reporting process has been designed to provide reasonable assurance regarding the reliability of the financial reporting and preparation of financial statements, including consolidated financial statements, for external purposes in accordance with IFRS. The assessment of the overall effectiveness of the governance, and risk and control framework included reviews of systems and controls relating to the financial reporting process.

Internal controls over financial reporting include procedures and policies that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of our assets and liabilities
- Provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements, and that receipts and expenditures are being made only in accordance with authorisations of management and respective Directors
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of Group assets that could have a material effect on our financial statements

Remuneration

The responsibility for determining remuneration arrangements for the Chairman and Executive Directors has been delegated to the Remuneration Committee. Information on the Remuneration Committee and the Directors' Remuneration Report and Policy can be found on pages 99 to 128.

Engagement with shareholders and other stakeholders

The Board recognises the importance of maintaining good and constructive communication with our stakeholders including shareholders, and has in place a comprehensive programme to facilitate this each year.

Our Annual Report is an important medium for communicating with shareholders, setting out detailed reviews of the business and its future developments in the Chairman's Statement, the CEO's Statement and Q&A, and the Strategic Report.

To ensure that members of the Board develop an understanding of the views of major shareholders, there's regular dialogue with institutional investors and shareholders, presentations by management and Investor Roadshows around the time of our year-end and half-year results announcements. Our Investor Relations team coordinates these. These presentations are available on our website, iggroup.com, which also provides a wide range of other information to shareholders and prospective shareholders. We also respond to ad hoc requests from shareholders on a regular basis.

The Chairman, the SID (including in his capacity as Chairman of the Remuneration Committee) and the Executive Directors hold meetings with the Company's largest institutional shareholders and market analysts to discuss governance developments (including in respect of external and internal Remuneration Policy), business strategy, Board succession and financial performance.

Following all investor presentations and meetings, feedback is passed to the Board on any opinions or concerns expressed by shareholders. The Directors receive regular updates on shareholder views and roadshow feedback, as well as analysts' reports on market perception of our performance and strategy, and are made aware of the financial expectations of the Group from the outside market. This year, we conducted a Strategy and Business Update attended by shareholders and analysts setting out the key strategic choices we made in pursuit of our vision, the four growth levers that are being deployed to drive growth, and the market-specific action we're now taking to implement those levers to deliver sustainable growth.

The Chairman and the SID are available to meet shareholders on request, and ensure that the Board is aware of shareholder concerns not resolved through other communication mechanisms. The Chairman and the SID provide feedback to the Board on any views or concerns expressed to them by shareholders.

In addition to its shareholders, the Board recognises that the success of the business depends on its ability to engage effectively and work constructively with a variety of other key stakeholder groups, in order that their views may be taken into consideration in Board discussions and decisions.

The Board has identified a number of stakeholder groups other than shareholders. Details of the approach of the business to dealing with the various groups are set out through the reports and accounts below:

Principal stakeholders	Where principally reported	Pages
Clients	Strategic Report, Stakeholder Engagement, Business Model	18 to 73
Regulators	Strategic Report, Key trends and factors likely to affect our business	18 to 37
Workforce	ESG Report	60 to 71
Community	ESG Report	60 to 71
Environment	ESG Report	60 to 71
Auditors	Audit Committee Report	129 to 136

AGM

The AGM provides the Board with the opportunity to communicate with private and institutional investors, and we welcome and encourage their participation at the meeting. The Chairman aims to ensure that all the Directors, including the Chairs of the Board Committees, are available at the AGM to answer questions.¹ The 2019 AGM was a successful event attended by all the Directors. All the proposed resolutions were passed on a poll, with the percentage of votes in favour of each resolution ranging from 84.14% to 100%, and the percentage of votes cast was always above 79%.

The 2020 AGM will be held on 17 September 2020. The Notice of the AGM sets out the resolutions to be proposed at the meeting. A copy of the Notice is available on the iggroup.com website. We send our Annual Report and Notice to shareholders, or make them available on our website, at least 20 working days before the date of the meeting. The Notice sets out a clear explanation of each resolution to be proposed at the meeting. Shareholders have the opportunity to ask questions and, if they are unable to attend, can submit written queries in advance of the meeting. After the meeting, we will make available to shareholders full details of the votes, including proxy votes, received on each resolution, and will publish these on our website on the same day.

¹ Due to the ongoing Covid-19 pandemic, we anticipate that the 2020 AGM may need to be held as a closed meeting. Further information about our AGM arrangements will be set out in the Notice of AGM.

Nomination Committee Report



Mike McTighe

Mike McTighe, Chairman of the Nomination Committee, gives his review of the Committee's activities during the financial year.



The Board believes that diversity is a wider issue than gender and includes variations in experience, skills, personal attributes, culture, ethnicity and background.

MIKE MCTIGHE
CHAIRMAN OF THE NOMINATION COMMITTEE

The Nomination Committee has an important role in leading the process for appointments, ensuring plans are in place for orderly succession to the Board and senior management positions, and overseeing the development of a diverse pipeline for succession.

The Committee is responsible for ensuring the Board has the combination of skills, experience and knowledge needed to lead the Group at, and immediately below, Board level, and in supporting the development and delivery of our strategy.

It is responsible for identifying, and recommending, to the Board suitable candidates for appointment to the Board, and ensures the Board's composition meets the Company's needs, using external search consultancies to help source suitable candidates based on objective criteria.

On 15 April 2019, Andy Green announced his intention to step down from the role of Chairman of the Board at the conclusion of the AGM on 19 September 2019. At its meeting on 14 May 2019, the Committee agreed that Malcolm Le May should lead the search for the new Chairman of the Board in his capacity as Senior Independent Director (SID), and that Russell Reynolds be appointed to assist the Committee in the search process.

At its meeting on 11 September 2019, the Committee agreed to recommend the appointment of Malcolm Le May as Interim Chairman of the Committee following the conclusion of the AGM on 19 September 2019. At that meeting, the Committee also agreed to recommend the appointment of Jonathan Moulds as Interim Chairman of the Board, also with effect from the conclusion of the AGM on 19 September 2019. These recommendations were agreed by the Board, and Malcolm Le May was appointed as Interim Chairman of the Committee on 19 September 2019. Jonathan Moulds was appointed as Interim Chairman of the Board that same day. Initially in his capacity as SID, and then as Interim Chairman of the Committee, Malcolm Le May led the search to select the new Chairman of the Board, and ultimately the Nomination Committee's recommendation to make an appointment. After completion of a comprehensive search and selection process, supported by Russell Reynolds, I was appointed as Chairman of the Board and also as Chairman of the Committee on 3 February 2020. Russell Reynolds is independent of, and has no connection with, the Company or its individual Directors, except in its role as a professional recruitment consultant for the Company.

During the year, as well as succession planning for the role of Chairman, the Committee concluded the independent searches for and recommended the appointment of two Non-Executive Directors (NEDs): Andrew Didham and Helen Stevenson. These searches were facilitated by Heidrick & Struggles. Heidrick & Struggles is independent of, and has no other connection with, the Company or its individual Directors, other than in its role as a professional recruitment consultant for the Company. Following the relevant selection

processes, Andrew Didham was appointed to the Board on 19 September 2019, and Helen Stevenson on 18 March 2020. Stephen Hill stepped down from the Committee on 18 March and retired from the Board on 27 April 2020, after completing a nine-year tenure.

On 21 January 2020, Paul Mainwaring, the Company's Chief Financial Officer (CFO), indicated his intention to retire from the Company. He had completed 20 years as a UK plc Finance Director, and informed the Board that he felt it was appropriate to announce his intention to step down from executive roles as he approached this milestone.

The Committee oversaw an extensive independent search for his successor, with the selection process facilitated by Russell Reynolds. This resulted in the subsequently approved recommendation to the Board that Charlie Rozes be appointed as CFO with effect from 1 June 2020. Paul Mainwaring stepped down from the Board and his role as CFO on 1 June 2020, but stayed on for a one-month handover period. He retired on 26 June 2020 – finishing a long and distinguished service with the Company.

In January 2020, the Committee appointed external search and selection firm Audeliss to support it in expanding diversity succession-planning at Board and senior management level beyond the male/female agenda. This culminated in the appointment of Rakesh Bhasin on 6 July 2020 as a Non-Executive Director of the Board and member of the Environmental, Social and Governance (ESG) Committee.

Audeliss is currently assisting the Committee in the recruitment of an additional NED to bring fresh perspective to Board discussions and to further enhance the diversity and skill set of the current Board. Further information on the Committee's key activities during the year is set out below.

Committee membership and attendance

The Committee consists of Independent NEDs, and meets as necessary to discuss appointments to the Board. The Chairman of the Board is also the Chairman of the Committee, and the Company Secretary acts as the Secretary of the Committee. On invitation, the CEO also attends, but is not involved in decisions relating to her own succession. The Chief People Officer also attends on invitation.

During the year, the Committee met eight times, sometimes at short notice, principally to consider: the recruitment of a new Group Chairman; CFO succession-planning; Board composition and the refreshing of the Board; diversity; succession planning at Board and senior management level; Executive Director development and the composition of the Committee and other Board Committees.

COMMITTEE MEMBER	ELIGIBLE TO ATTEND	ATTENDED
Andy Green ¹	2	2
Mike McTighe ²	3	3
Sally-Ann Hibberd	8	8
Malcolm Le May ³	6	6
Jonathan Moulds	8	8
Jim Newman ⁴	6	5
Stephen Hill ⁵	6	6

- 1 Andy Green stepped down as a member of the Committee on 19 September 2019.
- 2 Mike McTighe appointed as a member of the Committee on 3 February 2020.
- 3 Malcolm Le May stepped down as a member of the Committee on 18 March 2020.
- 4 Jim Newman stepped down as a member of the Committee on 18 March 2020.
- 5 Stephen Hill stepped down as a member of the Committee on 18 March 2020 ahead of his retirement from the Board on 27 April 2020.

Role of the Nomination Committee

The principal roles and responsibilities of the Committee include:

- Reviewing the structure, size and composition of the Board and Board Committees to ensure that they are appropriately balanced in terms of skills, knowledge, diversity and experience, and making appropriate recommendations to the Board relating to succession planning at Board level
- Ensuring that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board
- Identifying and nominating, for approval by the Board, suitable candidates to fill Board vacancies as and when they arise
- Keeping under review the leadership needs of the Group, with a view to ensuring the continued ability of the Group to compete effectively in its marketplace
- Keeping up to date about strategic issues and commercial changes affecting the Group and the market in which it operates
- Performance evaluation of the Board and its Committees

The Terms of Reference of the Committee, which were last reviewed in January 2020, are available on the Group's website, iggroup.com.

Nomination Committee Report

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Main activities during the financial year

The Committee follows an annual rolling forward calendar which reflects the duties and responsibilities set out in its Terms of Reference.

During the year, the Committee undertook a number of significant activities. These included the recruitment of the new Chairman of the Board, CFO succession-planning, additional NED recruitment to bring fresh perspective to Board discussions and complement the skill set of the current Board, and a number of other activities.

Chairman succession

Following the May 2019 meeting, the outgoing Chairman, Andy Green, who was also Chairman of the Committee, remained a member and Chairman of the Committee until he stepped down at the AGM in September 2019. However, he did not take part in any of the Committee's discussions concerning the appointment of his successor, and did not attend any Committee meetings after July 2019.

The Committee, led by Malcolm Le May as SID and then as Interim Chairman of the Committee, assisted by Russell Reynolds, conducted an extensive process for the recruitment of a new Chairman of the Board. The key elements of the process followed in the search for the new Chairman were as follows:

- In April 2019, a requirements matrix was developed internally and completed by Board members
- After a competitive pitch process, Russell Reynolds was appointed to lead the search for the next Chair in May 2019
- Briefing calls were held with all Board members to gain their input into the candidate specification, which was then formally agreed
- Russell Reynolds' research identified 42 potential candidates who met the requirements of the candidate specification, and who were then formally approached
- The longlist of candidates consisted of 17 individuals: 12 men and five women
- The shortlist of candidates consisted of five individuals. There was also a sixth candidate who was from an internal source
- Shortlist candidates were interviewed first by the SID, Malcolm Le May
- Following these interviews, two candidates were removed from the list, and the remaining three external candidates were interviewed by members of the Committee and the CEO

At the time of putting forward his name for consideration, the internal candidate recused himself from having any further involvement in the selection process run by the Committee. The internal candidate withdrew from the process in August 2019. In September 2019, the Committee identified a preferred candidate. References and final due diligence meetings were then held with other executives before the

submission for regulatory approval was made. The selection process culminated in my appointment as both Chairman of the Board and of the Committee on 3 February 2020.

Early in the search process, the Committee agreed that in light of the timetable for the appointment of the new Chairman and the fact that Andy Green was stepping down at the AGM in September, there was a need to appoint an Interim Chairman of the Board. The Committee reviewed the candidates for the role of Interim Chairman of the Board, and it was determined that Jonathan Moulds should be appointed. Jonathan Moulds had previously recused himself from all Committee deliberations about the role of Interim Chairman. Jonathan Moulds was appointed as Interim Chairman of the Board on 19 September 2019 following the conclusion of the Company's AGM.

CFO succession

On 21 January 2020, Paul Mainwaring indicated his intention to retire from the Board and, following his decision, the Committee undertook an extensive search for his replacement. The process was facilitated by Russell Reynolds. A role profile was agreed by the Committee, and Russell Reynolds carried out a market-mapping exercise. A longlist of candidates was identified and subsequently reduced to a shortlist of two candidates. In February 2020, the Committee identified a preferred candidate for the role of CFO. The recruitment process culminated in the announcement in May of the appointment of Charlie Rozes as CFO and as an Executive Director of the Company with effect from 1 June 2020.

Non-Executive Director recruitment

During the first part of the year, the Committee worked with Heidrick & Struggles to complete the process, which had started the previous year, for the recruitment of two new NEDs.

An updated Board skills matrix and role profile had previously been agreed by the Committee, with input from Heidrick & Struggles. A longlist of potential candidates with the skills and experience detailed in the role specification was produced by Heidrick & Struggles. The longlisted candidates were reviewed by Heidrick & Struggles and a shortlist of candidates was then agreed by the Committee. The shortlisted candidates were interviewed on a one-to-one basis by the Chairman of the Committee and the Interim Chairman of the Committee, as appropriate, and by the Committee members and then by other members of the Board including the Executive Directors. The selection process culminated with Andrew Didham being appointed to the Board in September 2019, and Helen Stevenson in March 2020.

In line with the Group's strategy of expanding into new geographical territories, and the increasingly international nature of its business operations, the Committee retained Audeliss to assist. In January 2020 we asked them to help us select two new NEDs with international and territory-specific

expertise, and at the same time to enhance our cultural and ethnic diversity. The selection process has proceeded well, and we welcomed Rakesh Bhasin as an additional NED on 6 July. We anticipate that a further new NED will join the Board in the next financial year. With these appointments, the focus of the Committee will switch from Board recruitment to Board team building. This is appropriate given the number of changes to the composition of the Board which have taken place over the last 18 months.

Other activities

A further focus of the Committee during the year has been on putting in place structured development plans for the Executive Directors. In this regard, the Committee is keen to ensure that the Executive Directors on the Board have a good understanding of the perspectives and pressures faced by the NEDs. Accordingly, at its May meeting, the Committee agreed that a policy should be developed on the holding of outside directorships by the Executive Directors. The policy was approved by the Board at its July meeting. This policy will encourage the Executive Directors to hold one external non-executive directorship to enable the Executive Directors to broaden their perspective and understanding of the role of NEDs.

A further activity undertaken during the year has been consideration of the restructuring of the Boards of the Group's UK-regulated companies. Our intention is that our UK-regulated subsidiaries will be restructured to include NED membership. The restructuring of the Boards of the UK-regulated companies was discussed in detail at the Committee's meeting in May 2020, and we anticipate that the new Board structures will be implemented during the next financial year.

During the year, the Committee also conducted a review of its membership and that of the other Board Committees. The Committee decided to streamline the composition of the Committee and the other Board Committees, after being satisfied in each case that the relevant Committee would have the requisite skills, experience and knowledge, and diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. As at 31 May 2020, the members of the Committee are Mike McTighe (Chairman of the Committee), Jonathan Moulds and Sally-Ann Hibberd. The membership of the other Board Committees at the year-end is detailed in the relevant Committee sections.

Board and Committee evaluation

During the year, an evaluation of the performance of the Committee and its members was undertaken in line with the Committee's Terms of Reference. The evaluation process was externally facilitated by independent consultancy firm Boardroom Review Limited, as part of the overall annual Board and Committee effectiveness review.

Boardroom Review Limited is independent of the Company and has no connection with it or with any of the individual Directors.

The Board and Committee review process consisted of the following key elements:

- February/March – briefing meetings with the Board and review of IG's Board and Committee information
- April/May – one-to-one confidential interviews were undertaken with all Board members and chosen participants
- May – Board and Committee observation exercise (included private sessions and strategy discussions)
- July – discussion document, including strengths, challenges, areas of focus and recommendations, distributed for review. This set out an independent view of the current effectiveness of the Board and its Committees, and preparation for the future, highlighting the strengths and challenges over three years and providing specific practical recommendations and opportunities for improvement
- July – individual feedback to all Board members and discussion of themes, priorities, recommendations and personal development
- July – collective Board discussion at the July Board and Committee meetings and agreement of next steps
- Next stage – agreement of the long-term development roadmap

Further information on the outcome of the evaluation of the Board and its Committees and of individual Directors is given on page 91, together with a review of the progress on actions arising from the internally run performance review undertaken during 2019.

Diversity statement

As a business, we're committed to maintaining a diverse workforce at all levels across the Company, and more information on how we do this, including a description of the policies relating to diversity and how they have been implemented, can be found in the ESG Report on pages 66 and 67.

At the year-end, and following the appointment of Helen Stevenson in March 2020, the Board had a 36% female representation. IG has therefore met its target of increasing female representation to one-third by 2020, as recommended by the Hampton-Alexander Review: FTSE Women Leaders.

The Directors recognise the importance of diversity, in all of its forms, for the Board, and understand the significant benefits that come with having a truly diverse Board. The Board believes that diversity is a wider issue than gender, and includes variations in experience, skills, personal attributes, culture, ethnicity, and background.

Nomination Committee Report

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The Board will continue to appoint on merit, based on the skills and experience required for membership of the Board, while giving consideration to all forms of diversity when the Committee reviews the Board's composition. For appointments to the Board, IG uses executive search firms who have signed up to the voluntary code of conduct setting out the key principles of best practice in the recruitment process. These principles include a recommendation that search firms should consider gender diversity, and IG insists on having both male and female candidates when drawing up longlists and shortlists of candidates.

Senior management gender balance

The table below analyses the gender balance of the Executive Directors and their direct reports as of 31 May 2020.

		31 May 2020		31 May 2019		% Change
		Numbers	%	Numbers	%	
Board	Female	4	36%	3	30%	6%
	Male	7	64%	7	70%	
Senior Management Team	Female	4	40%	3	38%	3%
	Male	6	60%	5	63%	
Senior Leadership Team	Female	11	42%	8	33%	2%
	Male	15	58%	16	67%	
Total	Female	595	31%	541	31%	1%
	Male	1,305	69%	1,221	69%	



MIKE McTIGHE
 CHAIRMAN OF THE NOMINATION COMMITTEE
 23 July 2020

Directors' Remuneration Report and Policy



Malcolm Le May



During the year the Committee has undertaken a comprehensive review of our Directors' Remuneration Policy as a result of which it has modified the operation of the sustained performance plan (SPP) and made other changes to the Policy to better reflect shareholder expectations and to comply with the UK Corporate Governance Code.

MALCOLM LE MAY
 CHAIRMAN OF THE REMUNERATION COMMITTEE

- 1 Helen Stevenson joined the Board on 18 March 2020 and became a member of the Committee from that date.
- 2 Sally-Ann Hibberd and Jonathan Moulds stepped down from the Committee on 18 March 2020.
- 3 Mike McTighe joined the Board on 3 February 2020 and became a member of the Committee from that date. He stepped down from the Committee on 18 March 2020 following reorganisation of all Board committees, but continues to attend Committee meetings by invitation.
- 4 Andy Green stepped down from the Board and the Committee on 19 September 2019.
- 5 Stephen Hill stepped down from the Committee on 18 March and retired from the Board on 27 April 2020.

Chairman's overview

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year to 31 May 2020. This report includes our Directors' Remuneration Policy which we will be submitting to shareholders for approval at the 2020 AGM, details of remuneration arrangements in respect of the year to 31 May 2020 and a summary of how we intend to apply the Policy during the year to 31 May 2021.

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2019/20 Annual Report on Remuneration	114

Membership and attendance of the Remuneration Committee

The Remuneration Committee is composed of Independent Non-Executive Directors. Following a review of the structure of the Board, the number of members of the Remuneration Committee has been reduced to ensure that Board time is used effectively. The current members of the Remuneration Committee are Malcolm Le May (Chairman), Jim Newman and Helen Stevenson. Sally-Ann Hibberd and Jonathan Moulds stepped down from the Committee on 18 March 2020. The members of the Committee during the year are set out below, together with their attendance at meetings.

COMMITTEE MEMBER	ELIGIBLE TO ATTEND	ATTENDED
Malcolm Le May – Chairman	8	8
Jim Newman	8	8
Helen Stevenson ¹	1	1
Former members		
Sally-Ann Hibberd ²	7	7
Mike McTighe ³	2	2
Jonathan Moulds ²	7	7
Andy Green ⁴	2	2
Stephen Hill ⁵	7	7

Directors' Remuneration Report and Policy

CONTINUED

The Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Chairman attend the Committee meetings by invitation. The Company Chairman and Executive Directors do not attend or take part when matters relating to their own remuneration are discussed. The Chief People Officer and representatives from other areas of the business attend the Committee meetings by invitation as appropriate to the matter under consideration. The Company Secretary is secretary to the Committee.

Following each Committee meeting, a formal report is made to the Board in which the Chair of the Committee describes the proceedings of the Committee meeting and makes recommendations to the Board as appropriate.

Performance in 2019/20

The Group has achieved exceptional performance in exceptional circumstances this year, delivering record financial performance for the financial year to 31 May 2020. Since the last week of February 2020, following the Covid-19 outbreak, financial market volatility increased significantly and has remained elevated. During this period the Group saw high levels of client trading activity from both our existing clients and an expanded client base. We have converted this heightened activity into a significant increase in revenue and profit for the year as a result of our efficient operations as well as our effective management of market and credit risk. During such a prolonged period of volatility, the high volumes of clients choosing to trade markets with IG reflect our business resilience, the strength of our systems and our commitment to delivering the best possible trading experience.

During the year the Company has also made strong progress in implementing our strategy set out in May 2019. Further details are provided in the Strategic Update on page 20.

Directors' Remuneration Policy review

At IG Group, Executive Directors participate in one incentive plan only – the SPP. Under the current approach, SPP participants may receive 'plan contributions' in the form of share options to their 'plan account' each year depending on performance. These contributions are based on earnings per share (EPS) performance and the delivery against non-financial strategic and operational objectives for the preceding financial year, and Total Shareholder Return (TSR) performance over the preceding three financial years. One-third of the shares in the plan account are released each year, with the balance being deferred and released in future years. The design of the SPP reflects its operation as a single combined annual and long-term incentive scheme.

Over the last 18 months, the Committee has undertaken a thorough review of our Policy to ensure that the remuneration structure, including relevant performance measures, continues to be consistent with and encourages the delivery of the strategy we announced in May 2019.

This strategy focuses on four growth levers – expanded distribution channels, geographic expansion, segmented target markets and a multi-product offering, that is being deployed to deliver sustainable growth and attractive shareholder returns. As part of this review the Committee carefully considered whether the SPP continued to be appropriate to support the execution of our strategy as it evolves or whether an alternative structure such as a traditional bonus plus LTIP structure would be more appropriate.

The review also considered our approach to remuneration in light of the changes contained within the 2018 UK Corporate Governance Code and emerging corporate governance best practice. The Committee consulted extensively with shareholders and proxy advisers in the development of this Policy and their views helped us to shape our final proposals. The shareholders that we consulted with were supportive of the proposed approach going forward.

The Committee believes that the SPP has supported the business well over the past seven years since its implementation and that the average payout delivered over this period of 58% of maximum (including the payout due in respect of 2019/20) is a fair reflection of our long-term performance and the value delivered for shareholders. The Committee continues to believe that the SPP is a suitable framework for the Group. The SPP is a simple, dynamic structure which creates alignment with shareholders, incentivises executives to deliver progress against strategic milestones, sustainable profit, as well as long-term market outperformance.

The Committee has however proposed some changes to the operation of the SPP to extend the vesting timeframe and to make the performance measures more relevant for the Group to support our strategy and to improve alignment with shareholders over a longer period.

Changes to the SPP

The following outlines the changes that the Committee plans to make to the SPP:

- **Payout profile** – From the 2021 financial year onwards, plan contributions will be delivered on fixed dates over a period of up to five years from the start of the relevant plan year. Awards will normally be delivered as follows:
 - 30% of the amount earned will be delivered in cash shortly following the end of the plan year. For example, for the 2021 financial year this amount would be paid in July 2021
 - 20% of the amount earned will be awarded in share options which will be released to participants following the end of the fourth financial year following the start of the plan year. For example, for the 2021 financial year these share options would vest in July 2024
 - 50% of the amount earned will be awarded in share options which will be released to participants following

the end of the fifth financial year following the start of the plan year. For example, for the 2021 financial year these share options would vest in July 2025

Currently the full SPP award is delivered in share options. However, the Committee considered that it was appropriate to deliver the initial portion of the award in cash to reflect market practice and to provide some medium-term cash flow for the executives.

→ **Underpin** – The Remuneration Committee retains discretion to scale back the vesting of share options at the end of years four and five if the underlying performance of the participant or the Group does not justify the payout of the award

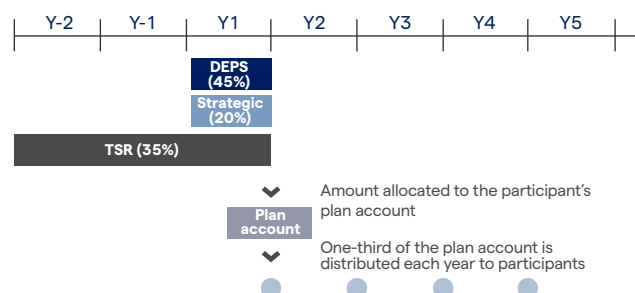
→ **Performance measures** – SPP awards will continue to be based on EPS performance and the delivery against non-financial strategic and operational objectives for one financial year, and relative TSR performance over the three prior financial years. The performance measures will, however, be reweighted slightly by reducing the weighting on TSR and increasing EPS. The Committee considers it is important that TSR is still included as a performance measure within the SPP to ensure alignment of outcomes with shareholders and as a measure of our multi-year performance and value creation. However, the Group does not have many listed competitors, which makes defining a peer group challenging. In order to improve line-of-sight for executives the Committee is proposing to reduce the weighting on relative TSR from 35% to 25% with the weighting on EPS increased from 45% to 55%. The TSR peer group will also be changed from the FTSE 350 excluding investment trusts to the FTSE 250 excluding investment trusts, so that Group performance is being compared to other similar-sized businesses to make the performance comparison more relevant

→ **Award opportunities** – There will be no changes to SPP opportunities. The CEO’s maximum opportunity will continue to be 500% of salary with other Executive Directors having a maximum SPP opportunity of 400% of salary

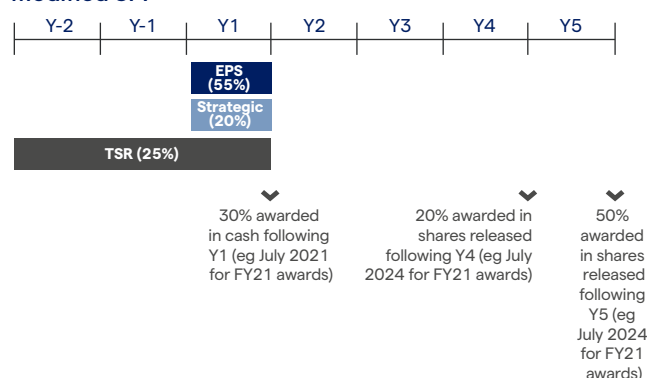
The invested share options in the Executive Directors’ current SPP accounts, including share options due to be awarded in respect of the 2020 financial year, will continue to pay out in accordance with the SPP’s current operation outlined in the 2017 Policy until the plan terminates following the 2023 financial year.

The Committee considers that the changes outlined further simplify the SPP, more closely align it to the strategy, extend its timeframe and create longer-term alignment with shareholders. The Committee also considers that the proposed operation of the SPP complies with the spirit of the UK Corporate Governance Code. The following illustrates the operation of the current SPP and the modified SPP:

Current SPP



Modified SPP



Other changes to Directors’ Remuneration Policy

In addition to the changes outlined above, the Committee is also planning the following changes to the Directors’ Remuneration Policy to align with the UK Corporate Governance Code provisions:

→ **Pension and benefits allowance** – The pension and benefits allowance rate for Directors’ appointed to the Board during 2018 was reduced to 12% of base salary, which is in line with the rate available to the wider workforce in the UK. Any future new hires to the Board, including the new CFO who joined us on 1 June 2020, are appointed on this rate

→ **Shareholding guideline** – The shareholding guideline for the CFO, COO and CCO will be increased from 150% of base salary to 200% of base salary to reflect best practice and evolving market practice in this area. The CEO’s shareholding guideline will continue to be 200% of base salary. Shares owned by the Executive Directors, as well as unvested SPP share options (on a net of tax basis), count towards this guideline

→ **Post-employment shareholding guidelines** – In light of evolving market practice, the Committee has introduced a post-employment shareholding guideline. Executive Directors will be expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for two years following stepping down as an Executive Director. This guideline applies to shares that

Directors' Remuneration Report and Policy

CONTINUED

are released from the SPP on or after the adoption of the new Policy at the 2020 AGM. Any shares purchased by the Executive Directors will not be subject to the guideline. The Committee believes that this approach encourages Executive Directors to continue to retain an appropriate level of shareholding in the Company following their departure from the business to ensure that their interests remain aligned with shareholders

➔ **Malus and clawback** – The circumstances in which malus and clawback may apply under the SPP have been extended to include serious reputational damage, corporate failure and/or where the individual is not considered to be fit and proper to align with evolving best practice

Incentive outcomes for 2019/20

The SPP for 2019/20 operated in line with the 2017 Policy. The SPP award for the 2020 financial year is based on three metrics: diluted earnings per share (DEPS) (45%), relative TSR (35%) and non-financial measures (20%). DEPS performance for the 2020 financial year was 64.9 pence, which exceeded the maximum target set, and our TSR over the period 1 June 2017 to 31 May 2020 was in the upper quartile compared to the FTSE 350 (excluding investment trusts). As a result, these elements paid out in full.

During the year non-financial performance was very strong, reflected in an improved client experience and client attrition profile (with high client satisfaction scores and platform ratings), strong progress made across our significant opportunities portfolio as well as good progress on operational effectiveness. Some aspects of our operational performance, including our systems uptime, were impacted in the latter part of the year by the significant increase in trading volumes. Overall, after careful consideration the Committee judged that 86% of the total portion of the award based on non-financial strategic operational objectives should payout to reflect this strong overall performance.

Overall, the Committee determined that 97.2% of the SPP award for FY19/20 should be awarded. This award will be granted following the announcement of results for the year and will vest in accordance with the 2017 Policy.

In determining the level of payout, the Committee carefully considered whether pay outcomes were appropriate, a fair reflection of the underlying performance of the business and aligned with the experience of shareholders, employees and other stakeholders, particularly in light of the current climate and given that a significant contributor to our performance has been increased transaction fees resulting from the elevated levels of market volatility following the Covid-19 outbreak.

As part of this determination of the performance outcome the Committee took into account the following:

- ➔ TSR performance over the past three years is +62% which is in the upper decile compared to comparators. While our TSR has been positively impacted by performance in the last part of the year, when measured to the start of March 2020 (prior to the significant increase in trading volumes), TSR was also positioned in the upper quartile. This performance represents a significant value increase for shareholders
- ➔ Our revenue and EPS performance are the highest in our history, representing increases of c.36% and c.52% on prior year
- ➔ Nearly all of our employees participate in the Group annual bonus plan and therefore they will also benefit from the improvement in performance
- ➔ We continue to pay a dividend for FY19/20 of 43.2 pence per share
- ➔ We have made strong progress on the delivery of our strategy, strengthening the business and positioning it for future growth

Overall, the Committee concluded that the level of the SPP award for FY19/20 was a fair reflection of the shareholder value delivered through the increase in share price as well as the enhanced financial performance, and that it was appropriate in the context of the experience of our other stakeholders.

Board changes

Executive Directors

Earlier this year, we announced that Paul Mainwaring, CFO, had indicated to the Board that he intended to retire, after nearly 20 years as a UK plc Finance Director and four as the CFO of the Group. Charlie Rozes was subsequently appointed as the Group's new CFO and he joined the Board on 1 June 2020.

Paul Mainwaring gave notice of his retirement and stepped down from the Board on 1 June 2020. He remained with the business until 26 June 2020 providing a comprehensive handover to Charlie. Paul will receive a payment of £444,440 in lieu of his salary and pension and benefits allowance for the remaining approximately 11 months of his notice period. This amount will be paid in instalments. Paul was treated as a good leaver under the SPP. He remained eligible to receive an SPP award in respect of the 2019 financial year as he was in role for the full year in line with the performance outlined above. He will also receive a pro rata SPP award in respect of the 2020 financial year for his period in employment to 26 June 2020, based on performance against targets. Unvested SPP shares will be released on the normal dates in line with the provisions of the SPP. Further details of the approach to Paul's remuneration are set out on pages 123 and 124.

Charlie Rozes brings a wealth of experience to the Group and the Committee took into consideration his skills, experience, and criticality in driving future Group performance when determining a suitable remuneration package. The Company carried out an extensive search for a new CFO and concluded that a candidate of Charlie's experience was crucial to supporting the Group in the implementation of IG's strategy. Charlie's salary has been set at £490,000 per annum, his pension and benefits allowance is 12% of base salary in line with the provision available for other employees in the UK. He will be eligible for an annual SPP award of up to 400% of base salary per annum. In setting his salary the Committee considered Charlie's extensive previous experience as a Finance Director of a UK plc, including his international experience, which is critical to support the implementation of IG's strategy, the level of his previous salary as CFO of Jardine Lloyd Thompson (which was above the salary paid to Paul Mainwaring) as well as market practice at other companies of a similar size and complexity including other companies in the financial services sector with whom the Group competes for talent. Taking into account all of these reference points, the Committee considered that this salary positioning was appropriate. The Committee noted that the incumbent's salary has only increased by 2.74% since 2016. On leaving his previous role, Charlie forfeited awards under share-based incentives. The Company has bought these awards out on a like-for-like basis. Further details are provided on page 124.

Non-Executive Directors

On 19 September 2019, Andy Green stepped down as Chairman of the Company. He was paid his fees to this date. Mike McTighe joined the Company as Chairman on 3 February 2020. His annual fee has been set at £300,000 per annum.

Stephen Hill stepped down as a Non-Executive Director on 27 April 2020 as he had completed nine years on the Board. On 19 September 2019 we welcomed Andrew Didham as a new Non-Executive Director, and on 18 March 2020 Helen Stevenson joined as a new Non-Executive Director.

Wider workforce remuneration

During the course of the financial year, in addition to the Remuneration Policy changes set out above, the Committee has further developed its approach to considering and taking into account wider workforce remuneration when setting Executive Director pay. The CEO pay ratio has been disclosed in this year's report for the first time (further details are provided on page 125) and we have also reported our latest gender pay gap as part of the Gender Pay Gap Report, which can be found on our website, iggroup.com.

Conclusion

I look forward to receiving your support for the new Directors' Remuneration Policy and the Directors' Remuneration Report at the AGM on 17 September 2020.



MALCOLM LE MAY
CHAIRMAN OF THE REMUNERATION COMMITTEE
23 July 2020

Directors' Remuneration Report and Policy

CONTINUED

2020 Directors' Remuneration Policy

The Directors' Remuneration Policy describes the framework, principles and structures that guide the Remuneration Committee's decision-making process in relation to Directors' remuneration arrangements. During the year the Committee has undertaken an extensive review of the Directors' Remuneration Policy to ensure that it continues to support the execution of our strategy and the generation of sustained shareholder value. A number of changes have been made to the Policy and to the operation of the Company's incentive plan, the sustained performance plan (SPP), to reflect shareholder expectations and to comply with the UK Corporate Governance Code.

Objectives of the Remuneration Policy

The Remuneration Policy is set to ensure that remuneration is sufficiently competitive to attract and retain senior executives of a high calibre and to provide a suitable incentive to drive performance, while remaining appropriate in the context of our approach to pay throughout the organisation. Key objectives of the Policy are that remuneration of Group employees should:

- Align with the best interests of the Company's shareholders and other stakeholders
- Recognise and reward performance of employees that supports the execution of strategy and helps drive sustainable shareholder value growth
- Be consistent with regulatory and corporate governance requirements
- Be designed to achieve effective risk management through the choice of performance measures, shareholding requirements, and malus and clawback provisions
- Be straightforward, easy for shareholders and employees to understand and be simple for the Group to monitor
- Not be used to reward behaviour that inappropriately increases the Group's exposure to risk

The Committee considers that a successful Remuneration Policy needs to be sufficiently flexible to take account of future changes in the Group's business environment and in remuneration practice. There should be transparency and alignment to the delivery of strategic objectives at both a Company and an individual level.

There should also be scope to reward for exceptional effort and achievement that delivers value both for the Company and the shareholders. Likewise, failure to achieve, individually or at Company level, will not be rewarded.

The Committee is also mindful of ensuring that there is an appropriate balance between the level of risk and reward for the individual, the Company and for shareholders. The maximum award that can be granted to individuals is set out in the Policy.

When setting levels of variable remuneration, the degree of stretch in performance conditions and the balance of equity and cash within a package, consideration is given to providing the appropriate balance of each so as not to encourage unnecessary risk-taking. As well as financial risk, the Committee also ensures that there is an appropriate focus on regulatory and governance matters.

The total remuneration package is structured so that a significant proportion is linked to performance conditions, and it is the Company's policy to ensure that a suitable proportion of the potential remuneration package is provided via share-based instruments. This ensures that Executive Directors have a strong ongoing alignment with shareholders through the Company's share price performance.

Remuneration Policy table

The table below summarises each element of the Remuneration Policy for the Executive Directors, explaining how each element operates and how each part links to the corporate strategy.

Key elements of remuneration

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base salary			
To recruit and retain key employees of an appropriate calibre to deliver the strategic objectives of the Company.	<p>Base salaries are normally reviewed by the Committee annually, with salary increases effective from 1 June.</p> <p>Base salaries are set taking into account:</p> <ul style="list-style-type: none"> → Scale, scope and responsibility of the role → Experience of the individual and his or her performance → Pay and workforce policies elsewhere in the Group → Business performance and prevailing market conditions → Salary levels at other companies of a similar size, complexity, geographic spread and business focus 	<p>Whilst there is no maximum salary, increases will normally be in line with the typical increases awarded to other employees in the Group.</p> <p>However, increases may be above this level in certain circumstances such as:</p> <ul style="list-style-type: none"> → Where an Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, larger increases may be awarded to move salary positioning closer to typical market level as the Executive Director gains experience → Where an Executive Director has been promoted or has had a change in responsibilities → Where there has been a significant change in market practice 	None
Pensions and benefits			
Competitive, cost-effective flexible pension and benefits allowance to help recruit and retain Executive Directors.	<p>Executive Directors are eligible to participate in the Company's flexible pension and benefits plan, from which Executive Directors can receive a range of benefits, Company pension contribution or cash allowance.</p> <p>Executive Directors may participate in a share incentive plan (SIP) or savings related share option scheme (SAYE) or any other all-employee plans on the same basis as other employees up to HMRC approved limits.</p> <p>The Committee may introduce other benefits if it is considered appropriate to do so.</p> <p>Where appropriate, the Company may provide support to Executive Directors in the preparation of their tax returns.</p> <p>Executive Directors shall be reimbursed for all reasonable expenses and the Company may settle any tax incurred.</p> <p>Where an Executive Director is required to relocate to perform their role, the appropriate one-off or ongoing benefits may be provided (eg housing, schooling etc).</p>	<p>The maximum pension and benefits allowance for Executive Directors will be in line with the allowance available to the wider workforce in the UK. This rate is currently 12% of salary.</p> <p>Where the Committee has determined that it is appropriate to provide additional benefits (including in connection with the relocation of an Executive Director), benefits may be provided above this level. The Committee will set the level of benefit at an appropriate level taking into account individual circumstances and the policy in place for other employees.</p> <p>Executive Directors may participate in a SIP, SAYE or other all-employee plan up to the same maximum as other employees.</p>	None

Directors' Remuneration Report and Policy

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Purpose and link to strategy	Operation	Opportunity	Performance metrics
Sustained performance plan			
<p>The sustained performance plan (SPP) provides a single incentive plan for Executive Directors rather than having separate annual and long-term plans.</p> <p>It provides a simple and competitive incentive mechanism that encourages and rewards both annual and sustained long-term performance, linked to the Company's strategic objectives.</p> <p>A significant portion of the SPP award is in shares, encouraging Executive Directors to build up a substantial stake in the Company, thereby aligning the interests of management with shareholders.</p>	<p>Awards are made after the announcement of results relating to each 'plan year'.</p> <p>For the FY21 onwards, plan contributions payout as follows:</p> <ul style="list-style-type: none"> → 30% of the award is delivered in cash shortly following the end of the plan year → 20% of the amount earned will be awarded in shares which will be released to participants following the end of the fourth financial year that follows the start of the plan year → 50% of the amount earned will be awarded in shares which will be released to participants following the end of the fifth financial year that follows the start of the plan year <p>The Remuneration Committee retains discretion to scale back the vesting of awards at the end of years four and five if the underlying performance of the participant and/or the Group does not justify the payout of the award.</p> <p>The Committee may determine that a different payout schedule should apply for future plan years.</p> <p>Shares may be awarded either in the form of par value options, nil cost options or conditional awards. Shares held in a participant's plan account, including the plan contribution awards in respect of the FY20 will continue to pay out in accordance with the previous vesting profile outlined in the 2017 Policy.</p> <p>For awards granted in relation to plan years prior to FY21, one-third of the balance of plan account will be released each year following the end of the financial year. The SPP reaches the end of its ten-year life following the end of FY23. In accordance with the plan rules 50% of the remaining balance of the participants' plan account will be released following the end of 2023, with a further 25% of the remaining balance of the participants' plan account being released following the end of 2024 and 2025 respectively. Awards granted in relation to plan years from FY21 onwards will continue to vest according to their normal payout schedule following the termination of the SPP.</p> <p>Recovery provisions apply, see page 108 for further details.</p>	<p>The maximum plan contribution in respect of a plan year is 500% of salary for the Chief Executive Officer and 400% of salary for other Executive Directors.</p>	<p>Awards are determined based on performance for the prior financial year (financial and strategic measures) and for up to three financial years ending with the plan year Total Shareholder Return (TSR) measures.</p> <p>Performance measures may comprise, for example, earnings per share (EPS) targets, TSR and strategic non-financial measures. The Committee may vary performance measures from year to year in accordance with strategic priorities and the regulatory environment.</p> <p>TSR performance will normally be measured against the performance of a suitable comparator group.</p> <p>No more than 25% of the award will normally be payable for threshold levels of performance.</p> <p>The Committee may, in its discretion, adjust SPP awards, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant and/or the Group over the relevant period or that such vesting level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgment the Committee may take into account such factors as the Committee considers relevant.</p>

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Share ownership policy			
This aligns the interests of management and shareholders both in- and post-employment and promotes a long-term approach to performance and risk management.	<p>Executive Directors are expected to build a holding of shares to the value of a minimum of 200% of base salary.</p> <p>It is normally expected that the shareholding guideline would be met within five years from the date of appointment (unless exceptional circumstances apply).</p> <p>The Committee will review progress annually, with an expectation that Executive Directors will make progress towards achieving the shareholding policy each year.</p> <p>Following ceasing to be an Executive Director, Executive Directors will normally be expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for two years. This guideline applies to shares that are released from the SPP on or after the adoption of the new Policy at the 2020 AGM. Any shares purchased by the Executive Directors will not be subject to the guideline. The Committee retains discretion to waive this guideline if it is not considered to be appropriate in the specific circumstances. This guideline shall apply if an individual ceases to be an Executive Director following the date of the adoption of this policy at the 2020 AGM.</p>		

Notes to the Policy table

Summary of decision-making process and changes to policy

The Policy has been updated to reflect feedback from shareholders, the new UK Corporate Governance Code, as well as recent developments in best practice. In determining the new Remuneration Policy, the Committee followed a robust process which included discussions on the content of the Policy at Remuneration Committee meetings during the year. The Committee considered the input from management and our independent advisers, as well as considering best practice and guidance from major shareholders. A summary of the changes to the new Policy compared to the 2017 Policy is set out below:

- **Vesting profile for the SPP** – Under the 2017 policy one third of the participants’ plan account paid out each year. Under the new policy the approach to vesting has been simplified and extended. The award in respect of each plan year will vest on a fixed schedule over a five-year period
- **Pension and benefits allowance** – The maximum pension and benefits allowance for Executive Directors has been reduced to 12% of base salary, which is in line with the allowance available to the wider workforce in the UK
- **Shareholding guidelines** – The in-employment shareholding guideline for Executive Directors (other than the CEO) has been increased from 150% of salary to 200% of salary to reflect best practice and shareholder expectations. The shareholding guideline for the CEO continues to be 200% of salary. A post-employment shareholding guideline has been introduced

Other changes have been made to the wording of the Policy to increase flexibility, to aid operation, to increase transparency and to reflect typical market practice.

Directors' Remuneration Report and Policy

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Performance measures

For the 2021 financial year it is intended that SPP awards will be based on a combination of EPS, TSR and non-financial strategic and operational performance measures.

Metrics	Rationale and link to the strategic KPIs	How performance measures are set
Total Shareholder Return (TSR) relative to an appropriate comparator group	<p>TSR measures the total return to the Group's shareholders, both through share price growth and dividends paid, and as such it is aligned to shareholder interests.</p> <p>TSR is influenced by how well the Group performs on a range of other metrics, including financial indicators such as revenue, profit, cash generation and dividends, and non-financial indicators such as client satisfaction and operational performance.</p>	
Earnings per share (EPS)	EPS is a key indicator of the profits generated for shareholders, and a reflection of both revenue growth and cost control.	The Committee determines appropriate performance targets each year, taking account of the annual and longer-term business plans.

Non-financial strategic and operational performance schemes

Non-financial strategic and operational measures	<p>Specific strategic and operational non-financial measures may include targets related to client experience, strategic delivery, operational effectiveness and culture, people and conduct.</p> <p>Each of these targets has a direct impact on a number of the Group's KPIs. For example, system reliability is a key measure of the resilience of our trading platforms, which is an essential element of revenue generation and client satisfaction.</p> <p>The basket of measures chosen is considered to provide a broader assessment of executive delivery than financial metrics alone.</p>	<p>Targets are set at the start of the financial year based on our strategic and operational objectives for the year.</p> <p>Following the end of the year, the Committee assesses performance relative to prior years, internal targets and sector averages. Assessment is undertaken 'in the round', taking account of activities and achievements during the year.</p>
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Financial, strategic and operational non-financial measures are considered to be commercially sensitive and are therefore not disclosed at the time of award. The intention is that targets will be disclosed retrospectively in the Annual Remuneration Report, provided that they are no longer commercially sensitive.

Recovery provisions

The Committee may decide within four years of a plan contribution being awarded that the underlying award will be subject to malus and/or clawback. This may happen in the following circumstances:

- There has been a material misstatement in the Company's financial results
- The assessment of any condition was based on an error or on inaccurate or misleading information or assumptions
- Participant's employment is terminated for serious misconduct
- Substantial failure of risk management
- Serious reputational damage (for plan contributions from FY21 onwards)
- Corporate failure (for plan contributions from FY21 onwards)
- Where the individual is not considered to be fit and proper (for plan contributions from FY21 onwards)

Share plan operations

The Committee will operate the SPP in accordance with the Rules of the plan (a copy of SPP rules is available on request from the Company Secretary). Awards under the SPPs may:

- Have any performance conditions applicable to them amended or substituted by the Committee in circumstances where the Committee determines an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy

- Incorporate the right to receive an amount equal to the value of dividends which would have been paid on the shares under an award that vest up to the time of vesting. This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis
- Be settled in cash at the Committee's discretion. For Executive Directors, this provision will only be used in exceptional circumstances such as where for regulatory reasons it is not possible to settle awards in shares
- Be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price

Remuneration Policy across the Company

We have designed the Remuneration Policy for the Executive Directors and senior management taking into account the Policy for employees across the Company as a whole. The Committee is kept updated through the year on general employment conditions, basic salary-increase budgets, the level of bonus pools and payouts and participation in share plans.

The Committee is therefore aware of how total remuneration at the Executive Director level compares to the total remuneration of the general population of employees. Common approaches to Remuneration Policy which apply across the Company include:

- Consistency in 'pay for performance', with annual bonus schemes being offered to the vast majority of employees
- Offering pension, medical, life assurance and other flexible benefits for all employees, where practical given geographical location
- Ensuring that salary increases for each category of employee are considered, taking into account the overall rate of increase across the Company, benchmarking, and both Company and individual performance
- Encouraging broad-based share ownership through the use of all-employee share plans, where practical

Approved payments

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments), notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed: (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' Remuneration Policy in force at the time they were agreed or where otherwise approved by shareholders; or (ii) at a time when the relevant individual was not a Director of the Company (or other person to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than the time the award is granted. This Policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

Illustrating the application of Remuneration Policy

As a result of the Company's Remuneration Policy, a significant proportion of the remuneration received by Executive Directors depends on Company performance. The charts below show how total pay for Executive Directors varies under four different performance scenarios: minimum, target, maximum and maximum plus 50% share price growth.

Minimum: This comprises the fixed elements of pay, being base salary and pension and benefits allowance. Base salary and pension and benefits allowance are effective as at 1 June 2020.

Target: This comprises fixed pay and the target value of SPP (250% of salary for the CEO and 200% of salary other Executive Directors respectively).

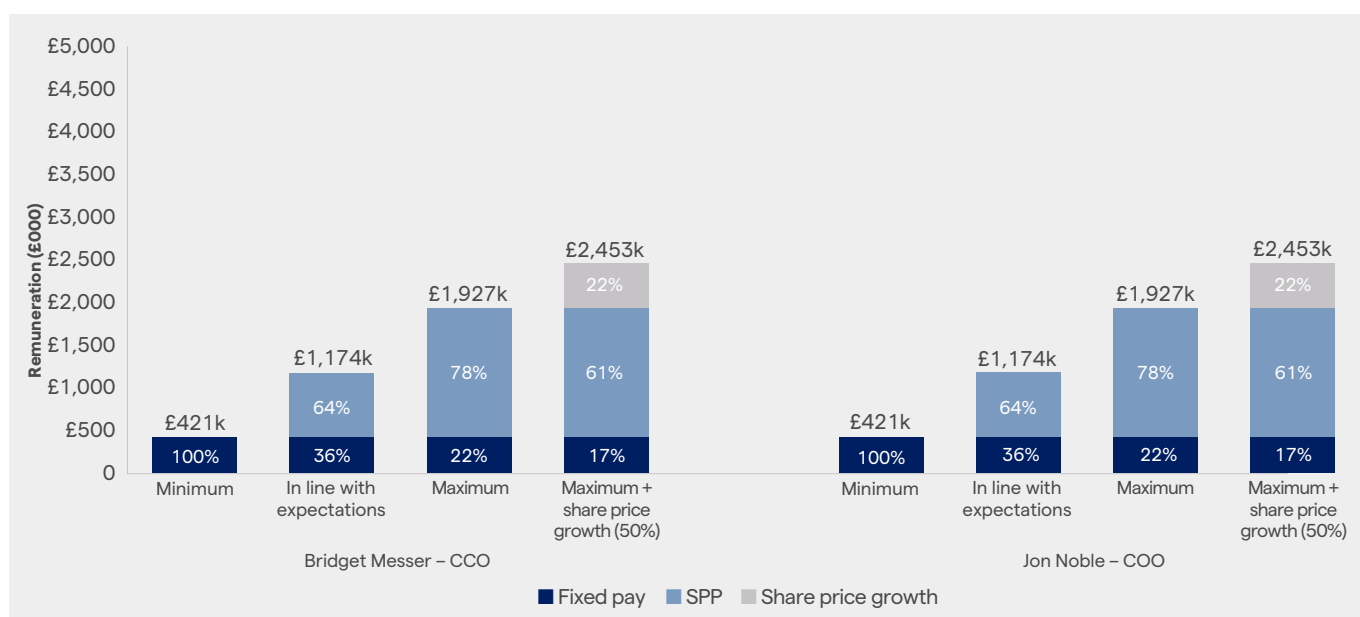
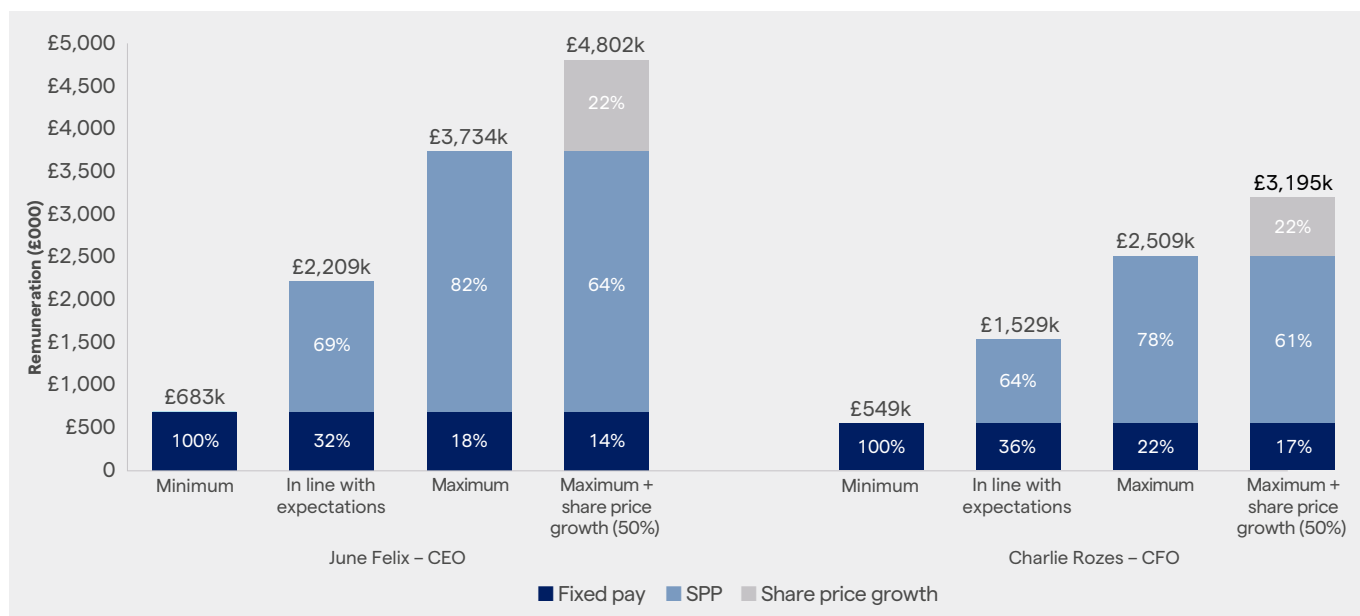
Maximum: This comprises fixed pay and the maximum value of SPP (500% of salary for the CEO and 400% of salary other Executive Directors respectively).

Maximum + 50% share price growth: This comprises fixed pay and the maximum value of SPP (500% of salary for the CEO and 400% of salary other Executive Directors respectively) with 50% share price growth applied to the portion of the SPP (70% of total) which is delivered in shares.

No account has been taken of share price growth (other than share stated), or of dividend shares awarded.

Directors' Remuneration Report and Policy

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Executive Directors' service contracts

Executive Directors are employed under a service contract with IG Group Limited (a wholly-owned intermediate holding company) for the benefit of the Company and the Group. The period of notice for existing Executive Directors does not exceed 12 months and, accordingly, Executive Directors' employment contracts can be terminated on 12 months' notice by either party. Our intention is that the period of notice for any new Executive Director would not exceed 12 months.

In the event that the Company terminates an Executive Director's service contract other than in accordance with the terms of his or her contract, the Committee will act in the best interests of the Company and ensure there is no reward for failure. All service contracts are continuous, and contractual termination payments relate to the unexpired notice period.

On a Director's departure, the Company may at its sole discretion pay base salary and the value of pension and benefits allowance that would have been receivable in lieu of any unexpired period of notice. In the event of termination for gross misconduct, the Company may give neither notice nor a payment in lieu of notice. Where the Company, acting reasonably, believes it may have a right to terminate employment due to gross misconduct, it may suspend the Executive Director from employment on full salary for up to 30 days to investigate the circumstances prevailing.

The Company may place an Executive Director on gardening leave for a period up to the duration of the notice period. During this time, the Executive Director will be entitled to receive base salary and their pension and benefits allowance. At the end of the gardening leave period, the Company may, at its discretion, pay the Executive Director base salary alone, in lieu of the balance of any period of notice given by the Company or the Executive Director.

When considering payments in the event of termination, the Remuneration Committee takes into account individual circumstances. Relevant factors include the reasons for termination, contractual obligations and the relevant incentive plan rules. When determining any loss of office payment for a departing Director, the Committee will always seek to minimise the cost to the Company while complying with the contractual terms and seeking to reflect the circumstances in place at the time.

The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment (including payment of reasonable fees for a departing Director to obtain independent legal advice in relation to their termination arrangements and nominal consideration for any agreement to any contractual terms protecting the Company's rights following termination).

Copies of the Executive Directors' service contracts are available for inspection at the Company's Registered Office.

Sustained performance plan awards

If a participant ceases to hold employment or be a Director within the Group, or gives notice of leaving, other than as a 'good leaver' they forfeit any entitlement to receive further awards. All unvested awards will lapse.

'Good leavers' would normally continue to be eligible to receive an award for the year in which they ceased employment. Such award would be pro-rated based on time in employment for the plan year and would remain subject to performance. 'Good leavers' are participants who cease to hold employment or be a Director by reason of their retirement, injury or disability, transfer of their employment outside the Group, or for any other reason at the Committee's discretion.

Any unvested awards which relate to the 2021 financial year onwards would continue to vest on the normal dates, unless the Committee determines that they will vest on an earlier or earlier dates. The Committee retains the discretion to pro-rate unvested awards if this is considered appropriate.

For plan contributions which relate to periods up to and including the 2020 financial year, the participant's plan account will vest one-third following the end of the plan year of cessation of employment and thereafter the remaining balance in equal parts on the first and second anniversary of such first payment, unless the Committee determines that they will vest on one or more earlier dates.

Where awards are granted in the form of options, any vested awards already held at the time of cessation of employment will remain exercisable for a period of 12 months. Awards that vest following cessation will be capable of being exercised for a period of 12 months following vesting. The exception is when dismissal has been for misconduct, in which case such awards lapse in full.

Directors' Remuneration Report and Policy

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Change of control

The Executive Directors' contracts do not provide for any enhanced payments in the event of a change of control of the Company nor for liquidated damages. Executive Directors may continue to receive an award for the financial year in which the change of control occurs. Any award would normally be pro-rated based on the portion of the year prior to the change of control. Any unvested awards will normally vest in the event of a change of control. Where awards are granted in the form of options, participants will normally have one month following the change of control to exercise their options.

Recruitment Remuneration Policy

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- ➔ The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent
- ➔ New Executive Directors will normally receive a base salary, pension and benefits in line with the Policy described on pages 105 to 107 and will also be eligible to join the incentive plans up to the limits set out in the Policy
- ➔ In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out below. The key terms and rationale for any such component would be disclosed as appropriate in the Directors' Remuneration Report for the relevant year
- ➔ Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining any such 'buyout', the guiding principle would be that awards would generally be on a 'like-for-like' basis unless this is considered by the Committee not to be practical or appropriate
- ➔ The maximum level of variable remuneration which may be awarded (excluding any 'buyout' awards referred to above) in respect of recruitment is 500% of salary, which is in line with the current maximum limit under the SPP
- ➔ Where an Executive Director is required to relocate to take up their role, the Committee may provide assistance with relocation (either via one-off or ongoing payments or benefits)
- ➔ In the event that an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including any accrued pension entitlements and any outstanding incentive awards
- ➔ To facilitate any buyout awards outlined above, in the event of recruitment the Committee may grant awards to a new Executive Director relying on the exemption in the Listing Rules which allows for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval or under any other appropriate Company incentive plan

Chairman and Non-Executive Directors

The table below summarises each element of the Remuneration Policy applicable to the Chairman and the Non-Executive Directors.

Purpose and link to strategy	Operation	Opportunity
To attract and retain Non-Executive Directors of appropriate calibre and experience.	<p>The Remuneration Committee determines the fee for the Chairman (without the Chairman present).</p> <p>The Board is responsible for setting Non-Executive Directors' fees. The Non-Executive Directors are not involved in any discussions or decisions by the Board about their own remuneration.</p> <p>Fees are set taking into account the time commitment required to fulfil the role and typical practice at other similar companies.</p> <p>Fees are within the limits set by the Articles of Association and take account of the commitment and responsibilities of the relevant role.</p>	<p>The Chairman receives a single fee to cover all of his or her Board duties.</p> <p>Non-Executive Directors receive a fee for carrying out their duties. They may receive additional fees if they chair the Board Committees, and for holding the post of Senior Independent Director. Additional fees may be paid for additional time commitments if considered appropriate.</p> <p>Committee membership fees may be paid.</p> <p>Reasonable costs in relation to travel and accommodation for business purposes are reimbursed to the Chairman and Non-Executive Directors. The Company may meet any tax liabilities that may arise on such expenses.</p> <p>The Chairman and Non-Executive Directors do not receive a pension and benefits allowance or participate in incentive schemes.</p> <p>Non-significant benefits may be introduced if considered appropriate.</p> <p>Details of current fee levels are set out in the Annual Report on Remuneration</p>

Non-Executive Directors do not have service contracts; they are engaged by letters of appointment. Each Non-Executive Director is appointed for an initial term of three years subject to re-election, but the appointment can be terminated on three months' notice.

Consideration of shareholder views

As part of its review of Remuneration Policy undertaken during the year the Committee consulted in detail with our top 20 shareholders and proxy agencies to explain the changes proposed and their rationale. The Committee was pleased with the level of support received for the changes. The Committee will continue to engage with shareholders in relation to remuneration arrangements.

Consideration of employment conditions elsewhere in the Company

In setting the remuneration of the Executive Directors, the Committee takes into account the overall approach to reward for employees in the Company. The Group operates in a number of different environments, and has many employees who carry out diverse roles across a number of countries. All employees, including Directors, are paid by reference to the market rate, and base salary levels are reviewed regularly. When considering salary increases for Directors, the Company will be sensitive to pay and employment conditions across the wider workforce. However, no remuneration comparison measurements have been utilised to date. The Committee does not formally consult with employees on the executive of the Remuneration Policy. The Committee is periodically updated on pay and conditions applying to employees across the Company.

Directors' Remuneration Report and Policy

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Annual Report on Remuneration

This report has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013) and the FCA's Listing Rules. This report will be subject to an advisory shareholder vote at the AGM on 17 September 2020.

This part of the report includes a summary of how we intend to implement the Remuneration Policy in the financial year ended 31 May 2021 as well as how we implemented the Policy in the financial year ended 31 May 2020.

The parts of the report that are subject to audit have been marked.

Implementation of Remuneration Policy in the financial year ending 31 May 2021

The following sections provides details of how the Directors' Remuneration Policy will be implemented for the financial year ended 31 May 2021.

Component	Details of approach for 2020/21
Base salary	<p>Base salaries for Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Commercial Officer (CCO) will be increased by 1.7% from 1 June 2020 in line with the average increase received across the wider workforce.</p> <p>Base salaries are as follows:</p> <ul style="list-style-type: none"> → CEO – £610,000 (1.7% increase) → CCO – £376,500 (1.7% increase) → COO – £376,500 (1.7% increase) <p>The salary for the incoming CFO was set at £490,000.</p>
Pension and benefits allowance	<p>Pension and benefits allowances for Executive Directors are set at 12% of base salary which is in line with allowances available to the wider workforce in the UK.</p> <p>Executive Directors will be eligible to participate in any all employee share incentive plans on the same basis as other employees.</p>
Modified sustained performance plan (SPP)	<p>For 2020/21 the maximum plan contribution will continue to be 500% of salary for the CEO and 400% of salary for other Executive Directors.</p> <p>For 2020/21 the level of plan contribution will be based:</p> <ul style="list-style-type: none"> → 55% on earnings per share (EPS) performance → 25% on relative Total Shareholder Return (TSR) compared to the FTSE 250 (excluding investment trusts) → 20% on non-financial strategic and operational measures <p>Performance for EPS and non-financial strategic and operational measures will be assessed over the financial year to 31 May 2021.</p> <p>Relative TSR performance will be assessed over the three-year period from 1 June 2018 to 31 May 2021.</p> <p>EPS targets and non-financial measures are considered to be commercially sensitive and therefore have not been disclosed at this time. The Committee's intention is that these targets will be disclosed in next year's Annual Remuneration Report.</p> <p>Further details on performance measures are provided below.</p> <p>Any SPP award earned in respect of 2020/21 will be paid as follows:</p> <ul style="list-style-type: none"> → 30% in cash in July 2021 → 20% in shares awarded in July 2021 released in July 2024 → 50% in shares awarded in July 2021 released in July 2025

Component	Details of approach for 2020/21
Shareholding guidelines	<p>Executive Directors are expected to build shareholdings of at least 200% of base salary.</p> <p>Executive Directors will be expected to maintain a minimum shareholding to 200% of salary (or actual shareholding if lower) for two years following stepping down as an Executive Director. This applies to Executive Directors that step down from the Board following the implementation of this Policy at the 2020 AGM. This guideline applies to shares that are released from the SPP on or after the adoption of the Policy. Any shares purchased by the executives will not be subject to the guideline.</p>

Further details on performance measures

The performance measures that are used in the SPP are a subset of the Company's Key Performance Indicators (KPIs).

Metric	Rationale and link to the strategic KPI	Further details
Total Shareholder Return (TSR) relative to the FTSE 250 (excluding investment trusts) (25% weighting)	<p>TSR measures the total return to the Group's shareholders, both through share price growth and dividends paid, and as such it is aligned to shareholder interests.</p> <p>TSR is influenced by how well the Group performs on a range of other metrics, including financial indicators such as revenue, profit, cash generation and dividends, and non-financial indicators such as client satisfaction and operational performance.</p> <p>TSR is assessed against the FTSE 250 excluding investment trusts as this is a broad market index of which the Group is a constituent.</p>	<p>TSR will be assessed over the period 1 June 2018 to 31 May 2021.</p> <p>25% of this portion will be awarded for median performance with 100% of this portion being awarded for upper quartile performance (straight-line assessment in between).</p>
Earnings per share (EPS) (55% weighting)	<p>EPS is a key indicator of the profits generated for shareholders, and a reflection of both revenue growth and cost control.</p>	<p>EPS targets will be assessed based on performance for the year ending 31 May 2021.</p> <p>The Committee has set EPS taking into account relevant factors including Board-approved budget, market consensus expectations and historical targets.</p> <p>Payouts start to accrue for reaching threshold levels of performance with 100% of this portion being awarded for the achievement of maximum performance.</p>

Non-financial strategic and operational metrics (20% weighting)

The non-financial strategic and operational metrics are specifically designed to measure factors important to the Group in continuing to operate on a profitable and sustainable basis for the long term. These metrics focus on our core priorities aligned with our new strategy and are grouped into four categories: client experience; strategic delivery; operational effectiveness; and culture, conduct and people.

When assessing the non-financial metrics the Committee deliberately separates the assessment from any review of financial performance, viewing them both as important, but recognising they are assessed and rewarded separately to ensure management are incentivised to deliver in-year non-financial strategic and operational milestones that are important to delivering profit and shareholder value in the future.

Directors' Remuneration Report and Policy

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Metric	Rationale and link to the strategic KPI	Further details
Client experience	<p>Providing clients with a compelling, rewarding and engaging experience is central to IG's ability to attract and retain clients.</p> <p>IG has a sophisticated, high-quality and loyal client base and in order to maintain and grow this, the Group focuses on all aspects of customer experience. Performance is tracked and measured via reference to a variety of metrics which provide insight into either specific elements of the customer experience, or the overall experience.</p>	<p>Performance against these measures will be assessed over the financial year ending 31 May 2021.</p> <p>Following the end of the year, the Committee assesses performance relative to prior years, internal targets and sector averages.</p> <p>This metric is assessed across three areas: customer satisfaction; rating of and satisfaction with trading platforms; and client conversion.</p>
Strategic delivery	<p>The delivery of the Group's strategic initiatives is key to IG's future financial performance and growth.</p> <p>Strategic delivery targets are set for both the core markets and the significant opportunities portfolio, with clear owners for each target. The targets reflect key deliverables or milestones for the financial year, which will position IG for growth in future years.</p>	<p>The metrics selected for the 2021 financial year are based on the Board-approved strategy, which has been communicated publicly, and covers core markets, EU (new products), US, Japan, Other Asia and institutional.</p> <p>As an example, in Asia, onboarding a meaningful partner is a key element of our strategy and hence has been selected as a strategic delivery target.</p> <p>Performance against these targets will be assessed by the Remuneration Committee, based on items delivered over the financial year ending 31 May 2021.</p>
Operational effectiveness	<p>The Committee considered it important that management are incentivised and rewarded for attaining stretching operational KPIs, to ensure the Group's ability to deliver future sustained shareholder value.</p> <p>These metrics include items such as system reliability, resilience to cyber-attack and attainment of demanding client service standards.</p> <p>This category also incorporates the delivery of operational improvements and internal systems and processes which will improve IG's effectiveness, efficiency and controls.</p>	<p>Performance against these measures will be assessed over the financial year ending 31 May 2021.</p> <p>Following the end of the year, the Committee assesses performance relative to prior years, internal targets and sector averages. Assessment takes account of activities and achievements during the year.</p> <p>For example, for system reliability, 12-month rolling platform uptime is assessed against pre-agreed internal service levels and performance over preceding years.</p>
Culture, conduct and people	<p>IG believes having a strong, compliant culture which embodies IG's values and excellent conduct is an important differentiator and helps to contribute to business success and risk management.</p> <p>Having appropriate talent available and engaged is a prerequisite for successful delivery of IG's strategy.</p>	<p>Performance against these measures will be assessed over the financial year ending 31 May 2021.</p> <p>The Committee assesses performance based on the outcome of the annual engagement survey, which is administered by a third party, and IG's performance against its strict internal conduct standards.</p>

Executive Directors' service contracts

Executive Directors are employed under a service contract with IG Group Limited (a wholly owned intermediate holding company) for the benefit of the Company and the Group.

The dates on which service contracts are entered into and notice periods are as follows:

- June Felix – 30 October 2018 (12 months' notice from either party)
- Charlie Rozes – 1 June 2020 (12 months' notice from either party)
- Jon Noble – 22 May 2018 (six months' notice from either party)
- Bridget Messer – 22 May 2018 (six months' notice from either party)

Chair and Non-Executive Directors

The Board reviewed Non-Executive Director fees and agreed that no changes would be made to the base fee or Committee fees for the 2021 financial year. The additional fee for the Senior Independent Director will be increased to £15,000 per annum following the 2020 AGM on 17 September 2020.

Fees from 1 June 2020 are therefore as follows:

- Non-Executive Director base fee – £65,000
- Committee Chairs (other than the Nomination Committee) – £25,000¹
- Senior Independent Director – £10,000 (to be increased to £15,000 following the AGM on 17 September 2020)
- Committee membership fees (excluding the Nomination Committee and the Group Board Chairman) – £3,000¹

The fees for the Chairman were set at £300,000 per annum upon his appointment.

Non-Executive Directors do not have service contracts; they are engaged by letters of appointment. Each Non-Executive Director is appointed for an initial term of three years subject to re-election, but the appointment can be terminated on three months' notice. Non-Executive Directors may receive reimbursement for business expenses incurred in the course of their duties, including tax therein if applicable.

Implementation of Remuneration Policy in the financial year ending 31 May 2020

Total single figure of remuneration – Executive Directors (audited)

Name of Director	Year	Fees/basic salary £000	Benefits allowance/ benefits ⁴ £000	Pension £000	Contribution to SPP account ⁵			Total £000
					Vested element £000	Deferred element £000	Total £000	
J Felix ²	2020	600	124	–	972	1,944	2,916	3,640
	2019	377	76	–	109	218	327	780
P Mainwaring ³	2020	411	70	–	533	1,065	1,598	2,079
	2019	411	70	–	102	204	306	787
J Noble	2020	370	35	9	480	959	1,439	1,853
	2019	370	35	10	92	184	276	691
B Messer	2020	370	35	9	480	959	1,439	1,853
	2019	370	35	10	92	184	276	691

1 No decision has yet been taken by the Board regarding the payment of fees to the Chair and members of the ESG Committee.

2 J Felix was a Non-Executive Director of the Company until her appointment as CEO on 30 October 2018. During FY19 she received £23,000 in relation to her role as Non-Executive Director which is included in fees/base salary above.

3 P Mainwaring retired from the Board on 1 June 2020.

4 Benefits can include critical illness cover, dental cover, health assessments, income protection cover, life assurance and private medical cover. It was agreed by the Remuneration Committee that relocation costs (including any applicable tax costs) of up to £85k would be met for J Felix within the first year of her appointment as CEO. Costs for FY19 were £33k (note in the 2018/19 Directors' Remuneration Report costs were incorrectly stated as £70k), costs for the 2020 financial year were £52k. J Felix, J Noble and B Messer receive a flexible benefits and pensions allowance of 12% of base salary less any benefits taken. P Mainwaring received a flexible benefits and pensions allowance of 17% of base salary less any benefits taken. Executives have the option to receive part, or all, of their pension and benefits entitlement in cash.

5 Figures provided are the cash values of the SPP contributions in respect of performance for the periods ending 31 May 2020 (ie plan year 7). The vested element is the proportion of the plan year contribution for the relevant period that vests shortly following the end of the financial year (one-third of the total). The deferred element is the proportion that remains deferred in the plan account (two-thirds of the total) which is released in future years. Details of SPP awards held in the plan account are provided in the Other Share Awards Outstanding table on page 122. No portion of the award disclosed is attributable to share price growth and the Committee did not exercise discretion in relation to share price.

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Total single figure of remuneration – Non-Executive Directors (audited)

Name of Director	Year	Fees ⁸ £000	Benefits ⁹ £000	Total £000
M McTighe ¹	2020	100	–	100
	2019	–	–	–
J Newman	2020	96	–	96
	2019	96	–	96
M Le May	2020	102	–	102
	2019	103	–	103
S-A Hibberd ²	2020	71	2	73
	2019	45	–	45
J Moulds ^{2,3}	2020	167	–	167
	2019	51	–	51
A Didham ⁴	2020	47	–	47
	2019	–	–	–
H Stevenson ⁵	2020	14	–	14
	2019	–	–	–
Former Directors				
A Green ⁶	2020	90	–	90
	2019	300	–	300
S G Hill ⁷	2020	63	8	71
	2019	71	22	93

1 M McTighe joined the Board on 3 February 2020. Remuneration is shown from this date.

2 S-A Hibberd and J Moulds joined the Board on 20 September 2018. Remuneration is shown from this date.

3 J Moulds served as Interim Chair for the period from 20 September 2019 to 2 February 2020 and received an additional fee of £75,600 for this period.

4 A Didham joined the Board on 19 September 2019. Remuneration is shown from this date.

5 H Stevenson joined the Board on 18 March 2020. Remuneration is shown from this date.

6 A Green stepped down from the Board on 19 September 2019. Remuneration is shown to this date.

7 S G Hill stepped down from the Board on 27 April 2020. Remuneration is shown to this date.

8 Other than in respect of the Chair, basic Non-Executive Director fees were £65,000 per annum with an additional £25,000 paid for chairing a Board Committee (other than the Nomination Committee) and £10,000 for the Senior Independent Director and £3,000 for membership of a committee (excluding the Nomination Committee). Payment of fees for membership and the ESG Chair have not yet been decided by the Board.

9 Certain Non-Executive Directors' expenses relating to the performance of a Director's duties, such as travel to and from Company meetings and related accommodation, have been classified as taxable benefits. In such cases, the Company will ensure that the Director is kept whole by settling the expense and any related tax. The figures shown include the cost of the taxable benefit plus the related personal tax charge.

Sustained performance plan (SPP)

Determination of SPP contribution for the financial year ending 31 May 2020

Performance targets for plan year 7 (financial year ending 31 May 2020) comprised diluted earnings per share (DEPS) targets, Total Shareholder Return (TSR) and non-financial measures. TSR performance was measured over the three-year period from 1 June 2017 to 31 May 2020, and DEPS and non-financial measures over the financial year ending 31 May 2020.

Performance measure	Weighting	Threshold (25% payout for TSR and 0% for DEPS)	Maximum (100% payout)	Actual performance	Percentage of maximum award to Directors
DEPS	45%	35.4p	45.9p	64.9p (100% awarded)	100%
TSR	35%	Median ranking	Upper quartile ranking	Upper quartile – 19 of 265 companies (100% awarded)	100%
Non-financial	20%	0%	100%	86.1% awarded	86.1%
Total	100%				97.2%

The maximum award for the CEO role is 500% of basic salary with all other Executive Directors being eligible for a maximum award of 400% of basic salary.

Performance measures – how these are set and review of performance for the year ended 31 May 2020

Diluted earnings per share (45% weighting)

At the start of the financial year, the Committee established a DEPS range in order to measure the performance and determine the payouts under the SPP. In doing this, the Committee took into account a number of relevant factors, including Board-approved budget, market consensus expectations and historical targets.

DEPS performance for the 2020 financial year was 64.9 pence representing c.52% increase in respect of the previous year and around 19 pence (c.41%) ahead of the maximum target set, and therefore the full portion of this element will be awarded. DEPS performance represented the highest performance delivered since the SPP was introduced.

Total Shareholder Return (35% weighting)

TSR performance is assessed against the FTSE 350 (excluding investment trusts). 25% of this element is awarded for median performance with the full portion being awarded for upper quartile performance or above with straight-line vesting in between.

For the award to be granted in respect of the year to 31 May 2020, TSR was measured over the three-year period from 1 June 2017 to 31 May 2020. Actual TSR performance for the Group for the three-year period was 62.1% (2019: -19.6%). TSR was positioned in the upper decile compared to the comparator group and therefore the full amount of this element will be awarded.

Non-financial measures (20% weighting)

The Committee approved a series of non-financial measures comprising client experience, strategic delivery, operational effectiveness, and culture, conduct and people during the year ended 31 May 2020. These measures are also used for determining a portion of the staff general bonus pool.

An average of the performance under the specific objectives resulted in an overall assessment of 86.1% (2019: 93.2%) of the potential payout under this element.

Performance highlights include client satisfaction achieving the highest year on record, improved client retention, and a significant increase in the engagement the organisation has towards the new organisation strategy. Additionally, we met a number of significant strategic milestones during the year including the launch of Spectrum, IG's 24/5 multilateral trading facility, the launch of IG Prime, IG's institutional brand, and localising the trading experience for IG's Japanese client base. In light of this excellent progress, which the Board believes helps to position the Group strongly to execute upon its strategy and deliver future sustained value creation for shareholders, the Committee agreed that the outcome was appropriate.

The table below provides details of the individual measures considered and their performance assessment for the year ended 31 May 2020.

Component	Detail	FY20 outcome
Client experience	<p>The Remuneration Committee uses a number of indicators to measure performance against the client experience metric. In the 2019 financial year, IG scored 95% for client satisfaction based on improved measure of client satisfaction.</p> <p>In determining a score the Remuneration Committee reviewed client satisfaction data for IG and other firms in the sector, as well as performance against internal targets. This year, IG's external ratings have also been taken into consideration for this metric, namely app store ratings and independent review scores. This is to ensure that IG maintains a consistent standard across a variety of external and internal measures.</p> <p>The Remuneration Committee has also taken client behaviour into consideration when assessing this metric, specifically by looking at the client attrition rate during the 2020 financial year. 2020 financial year clients have shown their loyalty to be stronger to IG during the year compared to both the 2018 and 2019 financial years.</p>	90%

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Component	Detail	FY20 outcome
Strategic delivery	<p>As part of the Board's strategic planning, there is a clear plan relating to strategic delivery projects provided to the Remuneration Committee at the start of the year. This details the underlying projects set for delivery in the short-to-medium term.</p> <p>The Remuneration Committee uses this plan to judge the performance, and management's execution and delivery of the key strategic initiatives. This plan is in line with the strategic priorities outlined at the beginning of the 2020 financial year, and is split between Core Markets and the portfolio of Significant Opportunities.</p> <p>The Core Markets performed particularly strongly in its measure of the number of new OTC clients acquired during the 2020 financial year.</p> <p>There were a number of key projects with material development across the Significant Opportunities portfolio. These include: launching Spectrum, IG's 24/5 multilateral trading facility and IG Prime, IG's dedicated institutional brand, making key user experience changes to localise the trading experience for IG's Japanese client base, hiring a CEO for Greater China and a Global Head of Institutional Sales, and increasing the number of unique visitors to DailyFX by over 70% year on year.</p>	88%
Operational effectiveness	<p>IG achieved 99.935% rolling cumulative 12-month uptime with outages totalling 247 minutes. This compares to the 2019 financial year's 99.99% uptime and outages totalling 38 minutes, and the 2018 financial year's 99.98% uptime and outages totalling 86 minutes.</p> <p>This metric also encompasses how IG responds to client queries received, compared to challenging internal targets. IG sets these challenging targets to ensure that IG responds promptly to client queries. When appraising performance against these internal targets, the Remuneration Committee also considered the impact that the reduction in IT uptime and increased trading volumes seen in Q4 had on performance against these targets.</p> <p>Another element of this metric includes how IG has progressed against its aim of increasing the efficiency of its corporate actions and account opening functions. Good progress has been made against this goal during the 2020 financial year, reflecting process automation and the number of accounts opened without human interaction.</p> <p>The Remuneration Committee made the decision at the beginning of the year that IT systems and stability should represent 50% of the overall score given to the operational effectiveness metric, reflecting its crucial importance to the Group. This ultimately impacted the overall score achieved for the operational effectiveness metric.</p>	76.5%
Culture, conduct and people	<p>This measure is designed to ensure that IG has an engaged workforce with a strong compliant culture that embodies IG's values. This is to serve as a differentiator and contribute to business success and risk management.</p> <p>This measure is assessed against five key metrics: employee engagement, organisation culture index, and three Board-approved conduct Key Risk Indicators (KRIs).</p> <p>Both employee engagement and culture index are assessed by an anonymous survey administered by an external third party. Employee engagement was slightly down year on year, falling 2% to 68%. There were however some strong increases in engagement around the organisation strategy and the communicated vision of the future. IG's culture index score was 78% in the 2020 financial year, improving year on year. This improvement was driven by IG demonstrating ethical business decisions and conduct.</p> <p>Throughout the three Board-approved conduct KRIs, IG demonstrated a positive Group-wide culture and conduct.</p>	90%

In addition to considering the performance against the measures outlined above, the Committee may at its discretion decide to reduce the level of SPP awards granted if it considers that the Company's or individual's performance for the relevant measurement period does not warrant the level of award or to take account of such other factors as it considers appropriate.

Overall, the Committee determined that 97.2% of the SPP award for the 2020 financial year should be awarded. This award will be granted following the announcement of results for the year and will vest in accordance with the 2017 Policy.

In determining the level of payout, the Committee carefully considered whether pay outcomes were appropriate, a fair reflection of the underlying performance of the business and aligned with the experience of shareholders, employees and other stakeholders, particularly in light of the current climate and given that a significant contributor to our performance has been increased transaction fees resulting from the elevated levels of market volatility following the Covid-19 outbreak.

As part of this consideration the Committee took into account the following:

- The Group has achieved exceptional performance in exceptional circumstances this year. Our people have performed strongly, rapidly making changes to the ways of working to ensure that the Group was able to convert increased client trading volume to enhanced shareholder value
- Our revenue and EPS performance are the highest in our history, representing a c.36% and c.52% increase on prior year
- TSR performance over the past three years is +62.1% which is in the upper decile compared to comparators. While our TSR has been positively impacted by performance in the last part of the year, when measured to the start of March 2020 (prior to the significant increase in trading volumes), TSR was also positioned in the upper quartile. This performance represents a significant value increase for shareholders
- Nearly all of our employees participate in the Group annual bonus plan and therefore they will also benefit from the increase in performance
- We continue to pay a dividend for the 2020 financial year of 43.2 pence per share
- We have made good progress on the delivery of our strategy, strengthening the business and positioning it for future growth

Overall, the Committee concluded that the level of the SPP award for the 2020 financial year was a fair reflection of the shareholder value delivered through the increase in share price, as well as the enhanced financial performance, and that it was appropriate in the context of the experience of our other stakeholders.

Overall summary

Based on the performance for the financial year ending 31 May 2020, we will grant awards under the SPP at 97% of the maximum potential payout to the Executive Directors after the announcement of the results. The actual number of shares that will be contributed to the Director's plan account will be based on the ten-day average share price immediately prior to grant.

Since its introduction seven years ago, the average payout under the SPP is 58% of the maximum. The Committee considers that the outcomes under the SPP are a fair reflection of performance delivered, and that they are aligned with value achieved for shareholders over this period.

Financial year	2014	2015	2016	2017	2018	2019	2020	7-year average
SPP contribution (% maximum)	54%	41%	90%	27%	80%	18.64%	97.2%	58%

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Awards granted during the year ended 31 May 2020 (audited)

The SPP awards granted during the financial year ended 31 May 2020 in respect of performance to 31 May 2019 (plan year 6) are as follows:

	Contribution		Number of options awarded ¹	Number of options in the plan account after plan year 6 contribution ²	Number of options vested and exercised during the year	Number of options lapsed	Number of options in the plan account at the end of the year
	% of salary	Value of options awarded					
J Felix	55%	£327,224	57,341	57,341	19,113	–	38,228
P Mainwaring	75%	£306,442	53,699	190,629	63,543	–	127,086
J Noble	75%	£275,872	48,342	212,634	70,877	–	141,757
B Messer	75%	£275,872	48,342	199,989	66,663	–	133,326

1 The number of options contributed to the plan account was based on the ten-business-day average share price immediately post the announcement date of the Group's results for the year ended 31 May 2020 of 570.66 pence per share. Awards were granted in the form of nominal cost options and are subject to continued employment. The release of shares is subject to the satisfaction of the underlying financial performance to be tested in the final year of the plan.

2 In addition to the awards made in respect of plan year 6, this also includes the brought forward number of options in the plan account from plan years 1–5 (where relevant) with its respective accrued dividend shares.

Full details of performance targets applied to the 2019 SPP awards and the assessment of performance against targets are set on out pages 103 to 106 of the 2019 Directors' Remuneration Report.

Details of the outstanding SPP share awards, using an estimate of the options to be granted in respect of plan year 7 (ie performance to 31 May 2020) are set out below:

Event	Plan account brought forward (number of shares) ¹	Options awarded as dividend equivalents accruing on unvested options after the year-end	Plan contribution in respect of period ended 31 May 2020 (estimated number of options) ²	Plan account following contribution for the year	Estimated number of options vesting	Estimated cumulative number of options remaining in the plan account at the end of the year	
							J Felix
P Mainwaring	Plan year 7	127,086	8,665	208,927	344,678	114,892	229,786
J Noble	Plan year 7	141,757	9,666	188,085	339,508	113,169	226,339
B Messer	Plan year 7	133,326	9,090	188,085	330,501	110,167	220,334

1 Executive Directors will be granted awards in respect of plan year 7 following the announcement of results for the year ended 31 May 2020 on 23 July 2020. The share price used to calculate the number of awards to be granted will be the ten-day average share price after this date. As the actual average share price is not known at the time of signing of the Annual Report, the above number of awards has been estimated using a share price of 765 pence, being the share price on 31 May 2020. Share awards have an exercise price of 0.005 pence.

2 In accordance with the scheme rules 33.3% of the cumulative awards in the plan account (after the contributions in respect of plan year 7) will vest in August 2020 with the vesting of the remaining options deferred. The August 2020 vesting will include additional dividend shares accrued as follows in respect of plan year 1–6 awards held in the plan account – J Felix (2,606), P Mainwaring (8,665), J Noble (9,666) and B Messer (9,090) based on reinvestment at the dividend payment date.

Other share awards outstanding (audited)

	Award date	Share price at award date	Number as at 31 May 2019	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number outstanding at 31 May 20
J Noble							
SIP: matching shares	1 Aug 17	626.50p	574	0	0	0	574
SIP: matching shares	6 Aug 19	565.29p	0	318	0	0	318
Total			574	318	0	0	892

	Award date	Share price at award date	Number as at 31 May 2019	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number outstanding at 31 May 20
J Felix							
SIP: matching shares	6 Aug 19	565.29p	0	318	0	0	318
Total				318	0	0	318

	Award date	Share price at award date	Number as at 31 May 2019	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number outstanding at 31 May 20
P Mainwaring							
SIP: matching shares	1 Aug 17	626.50p	574	0	0	0	572
SIP: matching shares	7 Aug 18	894.43p	402	0	0	0	402
SIP: matching shares	6 Aug 19	565.29p	0	319	0	0	319
Total			976	319	0	0	1,293

Table of Directors' share interests (audited)

	Legally owned ⁶		SIP ⁷	SPP awards ⁸		Total 31 May 2020	% of salary held under shareholding policy ⁹
	31 May 2019	31 May 2020		Awards held in plan account	Vested but unexercised		% salary
Executive Directors							
J Felix	43,700	96,774	318	38,228	–	135,320	150%
P Mainwaring	86,900	120,993	1,293	127,086	–	249,372	353%
J Noble	64,187	82,663	892	141,757	–	225,312	328%
B Messer	36,506	53,172	–	133,326	–	186,498	256%
Non-Executive Directors							
M McTighe ¹	–	–	–	–	–	–	–
M Le May	–	–	–	–	–	–	–
J A Newman	–	–	–	–	–	–	–
S-A Hibberd	–	–	–	–	–	–	–
J Moulds	–	–	–	–	–	–	–
A Didham ²	–	–	–	–	–	–	–
H Stevenson ³	–	–	–	–	–	–	–
Former Directors							
A Green ⁴	6,881	15,055	–	–	–	15,055	38%
S G Hill ⁵	15,966	15,966	–	–	–	15,966	188%

1 M McTighe joined the Board on 3 February 2020.

2 A Didham joined the Board on 19 September 2019.

3 H Stevenson joined the Board on 18 March 2020.

4 A Green stepped down from the Board on 19 September 2019.

5 S G Hill stepped down from the Board on 27 April 2020.

6 This figure includes partnership shares that are purchased as part of the Group's share incentive plan (SIP) which are not subject to vesting conditions.

7 This figure shows the number of matching shares held at 31 May 2020 as part of the Group's SIP, which will vest after three years from the respective award date, as long as employees remain employed by the Group.

8 This figure excludes awards under the SPP scheme for performance year ending 31 May 2020, which will be granted following the announcement of the Group's results on 22 July 2020. The awards held in the plan account include those in respect of plan years 1–6 as at 31 May 2020.

9 Calculated as shares owned on 31 May 2020 plus the unvested shares held within the SPP on a net of tax basis at the closing mid-market share price of 765 pence on 31 May 2020.

Under the share ownership policy, the Executive Directors are expected to hold shares to the value of a minimum of 200% of base salary. Shares owned by the Executive Directors as well as unvested SPP share options (on a net of tax basis) count towards this guideline. It is expected that this guideline is achieved within five years of the date of appointment. June Felix was appointed in October 2018 and has already built a significant shareholding purchased from her own funds.

There have been no changes to any of the Directors' share interests in the period since 31 May 2020.

The awards to be made under the Company's SPP in respect of the performance period ending on 31 May 2020 are not included in this table (see page 122 for details).

Leaving arrangements for Paul Mainwaring

Earlier this year, Paul Mainwaring, CFO, indicated to the Board that he intended to retire, after nearly 20 years as a UK plc Finance Director and four as the CFO of IG Group. Paul Mainwaring gave notice of his retirement and stepped down from the Board on 1 June 2020, the date on which his successor joined the business. He remained with the business until 26 June 2020 providing a comprehensive handover to the new CFO. Paul will receive a payment of £444,440 in lieu of his salary and pension and benefits allowance for the remaining approximately 11 months of his notice period. This amount will be paid

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in instalments. Paul was treated as a good leaver under the SPP. He remained eligible to receive an SPP award in respect of the 2020 financial year as he was in role for the full year in line with the performance. The details of his award for the 2020 financial year are provided on page 122. He will also receive a pro rata SPP award in respect of the 2021 financial year for his period in employment to 26 June 2020. This will be based on performance targets set for the 2021 financial year.

The outstanding shares in Paul's SPP on the date of his cessation of employment account in respect of the period up to and including the 2020 financial year will be released to him in accordance with the plan rules and are subject to malus and clawback provisions, with one-third being released in July 2021, one-third in July 2022 and one-third in July 2023. Any shares awarded to Paul under the SPP in respect of the 2021 financial year will be released in line with the revised vesting schedule set out on page 114.

Joining arrangements for Charlie Rozes

Charlie Rozes joined the Company as CFO on 1 June 2020. Charlie Rozes' salary has been set at £490,000 per annum, his pension and benefits allowance is 12% of base salary in line with the provision available for other employees in the UK. He will be eligible for an annual SPP award of up to 400% of base salary.

Charlie Rozes brings a wealth of experience to the Group and the Committee took into consideration his skills, experience, and criticality in driving future Group performance when determining a suitable remuneration package. The Company carried out an extensive search for a new CFO and concluded that a candidate of Charlie's experience was crucial to supporting the Group in the implementation of IG's strategy. In setting his salary level, the Committee considered Charlie's extensive previous experience as a Finance Director of a UK plc, including his international experience, which is critical to support the implementation of IG's strategy, the level of his previous salary as CFO of Jardine Lloyd Thompson (which was above the salary paid to Paul Mainwaring) as well as market practice at other companies of a similar size and complexity, including other companies in the financial services sector with whom the Group competes for talent. Taking into account all of these reference points the Committee considered that this salary positioning was appropriate. The Committee noted that the incumbent's salary had only increased by 2.74% since 2016.

On leaving his previous role, Charlie forfeited the following share awards which the Company has bought out on a like-for-like basis as summarised below:

- **Restricted share award** – A restricted share award with a value of c.£243,000. The award was due to vest 50% on 1 May 2021 and 50% on 1 May 2022 and was not subject to performance conditions. The Committee intends to grant an award of equal value which vests on the same dates as the forfeited award. The vesting of this award will be subject to continued employment, and malus and clawback provisions. The vesting of the buyout award will not be subject to the achievement of performance conditions as the original award forfeited was not subject to performance conditions
- **Performance share award** – A performance share award with a maximum value of c.£243,000. The award was due to vest on 1 May 2022 subject to the achievement of performance conditions. The Committee intends to grant an award of equal value which vests on 30 June 2022. The proportion of the award that vests will be subject to performance to ensure it operates on a like-for-like basis with the awards forfeited. The portion of the award that vests will be based on the average award outcome for SPP awards for the financial years ending 31 May 2021 and 31 May 2022. The Committee considered that it was appropriate to link the vesting of awards to IG's performance, to ensure Charlie is aligned with our performance and the shareholder experience from the outset. The vesting of this award will also be subject to continued employment, and malus and clawback provisions
- **Market value option award** – On leaving his previous employer, Charlie forfeited market value options which were due to vest and become exercisable one-third on each of the following dates 1 May 2021, 1 May 2022 and 1 May 2023. The gains on these options based on the three-month average share price to the date of the announcement of his appointment was £44,600. The Committee intends to grant a restricted share award with a value equal to the value of the gain on the options which vest on the same dates as the forfeited award. The vesting of this award will be subject to continued employment, and malus and clawback provisions. The vesting of the buyout award will not be subject to the achievement of performance conditions, as the original award forfeited was not subject to performance conditions

Payments to past Directors (audited)

No payments were made to past Directors in the year.

Executive Directors' outside appointments

None of the current Executive Directors hold any outside appointments.

Change in remuneration of the Chief Executive Officer (CEO)

	Base salary ¹		Taxable benefits		Performance-based remuneration	
	% change (FY20/FY19)	% change (FY19/FY18)	% change (FY20/FY19)	% change (FY19/FY18)	% change (FY20/FY19)	% change (FY19/FY18)
CEO	0%	-4.2%	0%	20.2%	420.0%	-61.8%
Group employees	1.6%	3.2%	5.5%	8.8%	49.5%	-33.2%

¹ J Felix was appointed as CEO on 30 October 2018 taking over from P G Hetherington, who stepped down as CEO on 26 September 2018. For FY19/FY18, their combined base salary for the year is used in the calculations. Remuneration is included in the financial year in which performance is measured against.

Relative importance of spend on pay

The following table sets out the profit, dividends and overall spend on pay over the past five financial years:

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Profit after tax	240.4	158.3	226.4	169.2	164.3
Dividends	159.5	159.1	158.9	118.5	114.9
Employee remuneration costs	160.7	131.0	131.6	119.1	113.5
Average number of employees	1,887	1,780	1,597	1,522	1,412

CEO to all employees pay ratio

For the year ended 31 May 2020, the CEO's total remuneration as a ratio against the full-time equivalent remuneration of UK employees is detailed in the table below:

	Base salary	Total remuneration	CEO pay ratio
Year ended 31 May 2020	£600,000	£3,640,000	
25th percentile	£42,000	£55,790	65 : 1
50th percentile	£63,000	£78,310	46 : 1
75th percentile	£75,000	£106,750	34 : 1

The Company has calculated the ratio in line with the reporting regulations using 'method A' (determine total full-time equivalent remuneration for all UK employees for the relevant financial year; rank the data and identify employees whose remuneration places them at the 25th, 50th and 75th percentile). We have used method A as we believe it provides the most consistent and comparable outcome. Data used to determine the pay ratios was taken as at 31 May 2020 and any part-time employees' salary and bonus have been pro-rated to convert them into a full-time equivalent. Please note that the median employees' data was not used as they were not considered to be a representative of a typical employee, instead an employee next to the median was used for the fiftieth percentile data.

The CEO pay ratio has been rounded to the nearest whole number.

The Board have confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

Statement of shareholder voting

The Directors' Remuneration Policy was approved at the 2017 AGM. The Directors' Remuneration Report for the financial year ended 31 May 2019 was approved at the 2019 AGM. The following votes were received:

	2017 Remuneration Policy	
	Total number of votes	% of votes cast
For ¹	289,325,839	96.5%
Against	10,631,334	3.5%
Total	299,957,173	100%
Withheld	7,223,131	-

¹ 'For' includes votes at the Chairman's discretion.

Directors' Remuneration Report and Policy

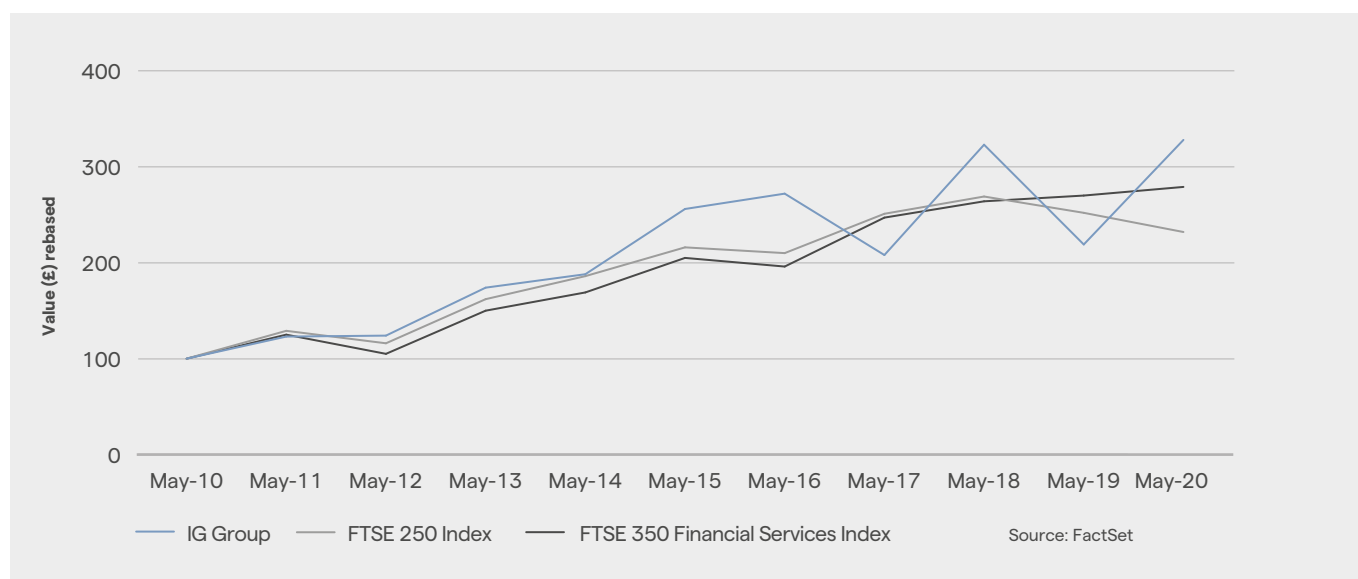
CONTINUED

	2019 Annual Report on Remuneration	
	Total number of votes	% of votes cast
For ¹	252,044,345	86.34%
Against	39,872,908	13.66%
Total	291,917,253	100%
Withheld	12,194,069	-

¹ 'For' includes votes at the Chairman's discretion.

Total Shareholder Return chart

This graph shows the value, by 31 May 2020, of £100 invested in the Group on 31 May 2010 compared with the value of £100 invested in the FTSE 250 Index and the FTSE 350 Financial Services Index. As the Group is a member of both of these indices, the Committee believes it is appropriate to compare the Group's performance against them.



CEO earnings history

The earnings history of the CEO is shown in the table below:

Financial year	2011	2012	2013	2014	2015	2016 ²	2017	2018	2019 ³	2020
Single figure remuneration (£000)	1,141	2,201	1,103	1,970	1,519	2,745	1,452	2,974	1,166	3,640
Annual bonus outcome (% maximum)	7%	99%	47%	-	-	-	-	-	-	-
LTIP vesting outcome (% maximum)	40%	61%	-	-	-	-	-	-	-	-
VSP vesting outcome (% maximum)	-	-	6%	3%	0%	-	-	-	-	-
SPP contribution (% maximum) ¹	-	-	-	54%	41%	90%	27.1%	80%	18.64%	97.2%

¹ The SPP replaced the annual bonus and VSP schemes from the financial year ending 31 May 2014.

² Includes the base salaries paid to both T A Howkins and P G Hetherington for their respective tenures as CEO during the year, and the SPP awards applying to P G Hetherington in the year.

³ J Felix was appointed as CEO on 30 October 2018, taking over from P G Hetherington who stepped down as CEO on 26 September 2018. The single figure shown is the aggregate amount earned during the year. P Mainwaring performed the role of acting CEO for the period between 26 September 2018 and 30 October 2018 but received no additional remuneration for this period.

Remuneration Committee's role

The Committee's principal roles are summarised below:

- Make recommendations to the Board on the Group's senior executive Remuneration Policy
- Determine an overall remuneration package for the Executive Directors in order to attract and retain high-quality Directors capable of achieving the Group's objectives
- Set and agree with the Board a competitive and transparent remuneration framework which is aligned to the Group's strategy and is in the interest of both the Company and its shareholders
- Determine the contractual terms, remuneration and other benefits for the Executive Directors
- Determine and review the Group's Remuneration Policy, ensuring it is consistent with effective risk management across the Group, and consider the implications of this Remuneration Policy for risk and risk management
- Determine and agree the policy for the remuneration of the Company Chairman and the Executive Directors
- Review pay, benefits and employment conditions and the remuneration trends across the Group
- Approve the structure of share-based awards under the Group's employee incentive schemes, to determine each year whether awards will be made and, if awards are made, to monitor their operation, the size of such awards and the performance targets to be used
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised
- Receive and review reports annually directly from the risk management function on the implications of the Group Remuneration Policy for risk and risk management
- Monitor regulatory developments, including those affecting UK-listed companies and financial services firms, to ensure the Company's Remuneration Policy is consistent with these
- Establish the selection criteria, appoint and set the Terms of Reference for any remuneration consultants who advise the Committee

The full Terms of Reference for the Committee can be found on the Group's website, iggroup.com. To ensure the Committee discharges its responsibilities appropriately, an annual forward calendar, linked to the Committee's Terms of Reference, is approved by the Committee.

Activity during the financial year

During the year, the Committee's key activities included:

- Reviewing the Directors' Remuneration Policy and the operation of the SPP
- Reviewing the Directors' Remuneration Report published in the 2019 Annual Report and Accounts
- Recommending to the Board the leaving arrangements for the outgoing CFO and the remuneration arrangements for the new CFO
- Reviewing the fee for the Company Chairman and Executive Directors' remuneration for the 2021 financial year
- Reviewing performance against targets for the 2020 SPP award, the vesting of LTIP awards and for the determination of the bonus pool
- Reviewing the remuneration and bonus awards, including for senior management
- Reviewing the proposed targets for the 2021 financial year SPP
- Reviewing the performance of the Group's sales incentive plans to gain assurance that their design helps promote good conduct
- Reviewing remuneration-related risks, remuneration code staff and gender pay gap reporting
- Reviewing developments in market practice and corporate governance relating to remuneration

Advice to the Committee

During the financial year ended 31 May 2020, the Committee consulted the Chief Executive Officer about remuneration matters relating to individuals other than herself. The Chief People Officer and the Employment Tax and Reward Manager provide support to the Committee. The Company Secretary is secretary to the Committee and also provided advice and support as required.

External advisers attend Committee meetings at the invitation of the Committee Chairman.

The Remuneration Committee appointed Deloitte LLP (Deloitte) as advisers to the Committee in April 2019, following a competitive tender process.

Deloitte's fees for advice provided to the Remuneration Committee during the financial year ending 31 May 2020 were £174,950 (excluding VAT). Fees are charged on a time and material basis.

Directors' Remuneration Report and Policy

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Deloitte are founding members of the Remuneration Consulting Group and are signatories to its Code of Conduct, which requires its advice to be objective and impartial. During the year, Deloitte also provided unrelated advisory services in respect of regulatory, risk management and tax advice, Internal Audit services and agreed upon procedures-based assurance services.

It is the view of the Committee that the engagement team at Deloitte that provided remuneration advice to the Committee during the year do not have connections with the Group or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts. The Committee considers that the advice received from the advisers is independent, straightforward, relevant and appropriate, and that it has an appropriate level of access to them and has confidence in their advice.

Committee evaluation

During the year, an evaluation of the performance of the Committee and its members was undertaken in line with the Committee's Terms of Reference. The evaluation process was externally facilitated by independent consultancy firm Boardroom Review Limited as part of the overall annual Board and Committee effectiveness review. Boardroom Review Limited is independent of the Company, and has no connection with it or with any of the individual Directors.

Further information of the evaluation of the Board and its Committees and of individual Directors is given on page 91, together with a review of the progress on actions arising from the internally run performance review undertaken during 2019.

This report was approved by the Board of Directors on 23 July 2020 and signed on its behalf by:



MALCOLM LE MAY
CHAIRMAN OF THE REMUNERATION COMMITTEE
23 July 2020

Audit Committee Report



Jim Newman

Jim Newman, Chairman of the Audit Committee, gives his review of the Committee's activities during the financial year.



The Committee has continued to oversee the delivery of improvements in the systems and controls infrastructure, in line with our strategic developments. We have also focused on the implications of Covid-19 for our reporting and ongoing viability.

JIM NEWMAN
CHAIRMAN OF THE AUDIT COMMITTEE

Chairman's overview

In this report I set out the role of the Committee and how it has discharged its responsibilities during the year. The Committee has continued to work closely with other Board Committees in respect of relevant issues affecting more than one Committee. These included operational risk and control developments, strategic developments and the assessment of Covid-19 implications.

In this financial year, we carried out an audit tender process in line with the External Auditor Policy, given that PricewaterhouseCoopers (PwC) were in their tenth year of engagement. Following the conclusion of a formal tender process led by the Committee, we reappointed PwC as our auditors for the year ending 31 May 2021. PwC will hold office until the next AGM of the Company in September 2020, when their appointment will be subject to shareholder approval.

The Committee further considered the implications of Covid-19 on our reporting and going concern, and details are provided below.

I'm pleased to report that this year the Committee continued to see significant improvements in the quality of materials provided and presented. It has overseen and supported the development of significant improvements in the systems and controls infrastructure. This includes the financial control systems infrastructure, processes and systems relating to the management of client money and assets, and improvements to access management control systems, where implementation of additional controls is still in progress. The development of controls over corporate actions has also been a focus in the later part of the year. In addition, the Committee instigated and oversaw a comprehensive review by management, assisted by Deloitte, of all dividend income received and paid by IG Group Holdings plc, to confirm its distributable reserve position. As a result of that self-initiated review, some matters relating to dividend payments have come to the Board's attention. These are set out in the Operating and Financial Review on page 46.

We saw a change in the composition of the Committee. I welcomed Andrew Didham – who has relevant financial experience – to the Committee on 19 September 2019. Long-standing member, Malcolm Le May, stepped down from the Committee on 18 March 2020. I thank Malcolm for his valuable contribution to the Committee.

The contribution of Paul Mainwaring, who retired as Chief Financial Officer (CFO), was significant and greatly appreciated by the Committee. He led the development of major improvements in the financial management and reporting capabilities of the Group, and was instrumental in ensuring that the management of client money and assets control was properly reported to the Committee. I'd like to thank Paul for his input to the Committee, and also welcome the appointment of his successor, Charlie Rozes, who I'm already enjoying working with.

Audit Committee Report

CONTINUED

The Committee has seen material improvement in our Corporate Governance Framework in relation to legal entity and policy governance of all subsidiaries within IG. The Committee receives reports from the Management Committee that has oversight of all subsidiary companies within IG, ensuring compliance with the Group Legal Entity and Governance Policy (GLEG). The newly implemented GLEG provides a framework for the governance, operation and maintenance of our regulated and non-regulated entities with regard to their statutory and regulatory duties and obligations, and those of their Directors. It provides a structure to help facilitate decisions being appropriately made and evidenced at entity level, and to act as a mechanism to help monitor, control and oversee the governance of legal entities at Group level.

I can also report that latterly the Committee has seen improvements in the level and quality of materials provided in respect of training on accounting, audit and reporting developments. The Committee also received reports on general developments in Internal Audit practice and commissioned an external Internal Audit quality assessment review, the results of which were encouraging.

The Board has agreed amended Terms of Reference (ToR) to reflect changes introduced in the 2018 UK Corporate Governance Code, including widening the scope of responsibilities concerning financial reporting, whistleblowing and management of External Auditors. The last amendment to the ToR was made in January 2020, to include specifically the Committee's oversight of legal entity governance of all IG companies.

Membership and attendance

All Audit Committee members are Independent Non-Executive Directors who draw on considerable and broad business and financial services experience. Andrew Didham was appointed a member of the Committee on 19 September 2019 following his appointment to the Board.

The Corporate Governance Code requires the inclusion in the Committee of at least one member determined by the Board as having recent and relevant financial experience. Andrew Didham and I, as Committee Chairman, are both considered to fulfil this requirement.

The CFO, Global Head of Internal Audit, Company Secretary (or her delegate) and representatives from PricewaterhouseCoopers LLP (PwC), the External Auditor, attend the Committee meetings by standing invitation. Members of senior management from various areas of the business attend the Committee meetings by invitation when necessary.

The Committee has four scheduled meetings a year and will additionally meet if and when required. The table below details meetings scheduled and attended during the year.

COMMITTEE MEMBER	ELIGIBLE TO ATTEND	ATTENDED
Jim Newman	5	5
Andrew Didham ¹	3	3
Sally-Ann Hibberd	5	5
Malcolm Le May ²	4	4

- 1 Andrew Didham attended all Committee meetings held following his appointment on 19 September 2019.
- 2 Malcolm Le May resigned from the Committee on 18 March 2020 further to a review of composition of all Board Committees.

Role of the Audit Committee

The principal roles and responsibilities of the Committee are set out in its ToR, and include, but are not limited to:

- Reviewing the financial statements and announcements relating to the financial performance and governance of the Group, including ongoing viability
- Reviewing the control environment through several means including via Internal Audit reports, the progress on implementation of audit recommendations and through consideration of a summary of the Internal Audit-generated Control Action List
- Monitoring and reviewing the effectiveness of the Group's Internal Audit function in the overall context of the Group's internal controls and risk management
- Recommending the appointment of the External Auditors and reviewing their effectiveness, fees, ToR and independence
- Monitoring the availability of distributable profits for the purpose of considering dividend payments
- Reviewing and approving 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's full ToR are revised on an annual basis and can be found on iggroup.com.

How the Committee operates

To ensure the Committee discharges its responsibilities appropriately, an annual forward calendar, linked to the Committee's ToR and covering key events in the financial reporting cycle, is approved by the Committee.

The Company Secretary, with input from the Committee as appropriate, drafts the agenda before each meeting, ensuring that each of the items under the Committee's ToR and responsibilities are covered at least once in the financial year, and more frequently if required.

Following each Committee meeting, a formal report is made to the Board in which I, as Chairman of the Committee, describe the proceedings of the Committee meeting and make recommendations to the Board as appropriate.

Members of the Committee also meet separately with the Global Head of Internal Audit and the External Auditors to focus on their respective areas of responsibility, and to discuss any potential requirements for support from the Committee to address any issues arising.

Main activities during the financial year

Financial reporting

In relation to financial reporting, the primary role of the Committee is to work with management and the External Auditors in reviewing the appropriateness of the half-year and annual financial statements. The Committee discharged its responsibilities in this area through focusing on the following, among other matters:

- Assessing the quality and acceptability of accounting policies and practices
- Ensuring disclosures are clear and compliant with financial reporting standards, and relevant financial and governance reporting requirements
- Considering material areas in which significant judgments and estimates have been applied or there has been discussion with the External Auditors
- Reviewing announcements and financial statements prior to issuance, including preliminary and half-year results announcements and recommending these to the Board for approval
- Reviewing the processes to support the assessment and determination of the principal risks that may have an impact on the Group's solvency and liquidity before recommending and approving the Going Concern and Viability Statement to the Board

- Evaluating on behalf of the Board whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's performance, business model and strategy
- Receiving a paper summarising all statements and assurances required of Directors in the Annual Report and Financial Statements together with evidence to support the Directors' views and required statements
- Overseeing the Group's approach to tax management and control
- Reviewing the inherent risks in the financial reporting process and systems

To aid this review process, the Committee has considered reports from the CFO and his team, Internal and External Auditors.

The Committee considered and discussed with management and the External Auditors the primary areas of judgment and disclosure in relation to the financial statements for the year ended 31 May 2020, details of which are set out overleaf.

Audit Committee Report

CONTINUED

Role of the Committee	Discharge of responsibilities	Conclusion/action taken
Going concern and long-term viability		
<p>The Directors are required to make a statement in the Annual Report as to the going concern and longer-term viability of the Group.</p>	<p>The Committee evaluated various reports from management that set out the view of the Group's going concern and longer-term viability. These reports detailed the impact of outcomes of stress tests after applying multiple scenarios to determine how the Group is able to cope with deterioration in liquidity profile or capital position.</p>	<p>Taking into account the assessment by management of stress-testing results and risk appetite, the Committee agreed to recommend the Going Concern and Viability Statement to the Board for approval.</p>
Carrying value of goodwill and other intangible assets		
<p>In accordance with accounting standards, the Group is required to review any goodwill balances for impairment and to consider the underlying assumptions used in determining the carrying value of these assets.</p> <p>In addition, the Group is required to assess whether there is any indication the other intangible assets may be impaired.</p>	<p>The Committee reviewed a paper from management setting out the key assumptions used in the impairment review of the goodwill balance and an associated sensitivity analysis.</p> <p>The Committee reviewed the impairment review of the DailyFX intangible asset.</p>	<p>Based on the assessment performed, the Committee concluded that there should be no change to the recorded carrying value of the goodwill and other intangible assets.</p>
Impact of new accounting standards and interpretations		
<p>The Group reviewed the impact of new accounting standards and interpretations on the Financial Statements to assess their impact on reporting.</p>	<p>The Committee reviewed the assessment prepared by management detailing the expected impact of the following new accounting standards on the 2020 reporting periods.</p> <p>IFRS 16 – Leases</p> <p>IFRIC 23 – Uncertainty over income tax treatments</p>	<p>Based on management's report, the Committee concluded the impact of the new accounting standards and interpretations had been appropriately evaluated and disclosed.</p>
Tax provisions		
<p>Calculating the Group's Corporation Tax charge involves a degree of estimation and judgment, as the tax treatment of certain items cannot be finally determined until resolution has been reached with the relevant tax authority. The Group hold tax provisions in respect of the potential tax liability that may arise on these unresolved items.</p> <p>The Group has generated tax losses in certain jurisdictions where we operate. We've recognised deferred tax assets in respect of these losses to the extent that future profits have been forecast.</p>	<p>The Committee reviewed a report from management that detailed the assumptions made in calculating the Group's Corporation Tax charge and provisions. Our External Auditors also provided commentary on this matter to the Committee. The Committee has also reviewed the Group's Tax Risk Management Policy and Tax Strategy.</p>	<p>The Committee concluded that the Corporation Tax charge and provisions recorded by the Group were appropriate and complete.</p>
Impact of Covid-19		
<p>The Group considered the impact of Covid-19 on its ability to recover financial assets held.</p>	<p>The Committee reviewed a report from management that detailed the assumptions made in determining the expected credit loss in accordance with IFRS 9, taking into consideration the additional impact of Covid-19.</p> <p>The Committee has also reviewed changes to the disclosures made in relation to financial instruments.</p>	<p>The Committee concluded that the expected credit loss provisions and disclosures recorded by the Group were appropriate and complete.</p>

Control environment

Other matters addressed by the Committee focused on the effectiveness of the Group's control environment and performance of our IT systems, and the Internal Audit function, including the objectivity and independence of Internal Audit personnel.

Role of the Committee	Discharge of responsibilities	Conclusion/action taken
Risk management and internal control		
<p>The Committee is required to assist the Board in the annual review of the effectiveness of the Group's Risk Management Framework and internal control systems.</p>	<p>The Committee received a report from the Board Risk Committee including an assessment of those risks that might threaten the Group's business model, future performance, solvency or liquidity.</p> <p>It considered and challenged management on the overall effectiveness of the Risk Management Framework and internal control systems.</p> <p>The Committee received regular reports on a project to further improve controls over Identity Access Management and the development of corporate actions controls and reporting.</p> <p>The Committee reviewed the relevant disclosures within the Accountability section of the Corporate Governance Report within the Annual Report.</p>	<p>The Committee agreed to recommend to the Board the Annual Report statements relating to the effectiveness of the Risk Management Framework and internal control systems.</p>
Internal Audit		
<p>The Committee is required to oversee the performance, resourcing and effectiveness of the Internal Audit function.</p>	<p>The Committee monitored and reviewed the effectiveness of the Group's Internal Audit function in the overall context of our internal controls and risk management systems.</p> <p>It reviewed and assessed the risk-based Internal Audit plan.</p> <p>It reviewed and monitored management's responsiveness to the findings and recommendations of the Internal Audit function.</p> <p>It monitored the consolidated Control Action List, noting themes arising, reviewing the effectiveness of the function.</p> <p>The Committee received all Internal Audit reports and, in addition, received summary reports on the results of the work of the Internal Audit function on a periodic basis.</p> <p>The Committee reviewed additional Internal Audit Reports, not forming part of the annual plan, requested by management or Directors in preparedness for new or changing product offerings.</p> <p>It reviewed the performance of the Internal Audit function against the plan and an assessment of the effectiveness of the Internal Audit function.</p> <p>The priorities for the Internal Audit function and approach to remote working in light of Covid-19 impacts were considered.</p>	<p>The Committee reviewed the resourcing and effectiveness of the Internal Audit function and approved the risk-based audit plan.</p> <p>The Committee supports the work of the Internal Audit function in the areas of advisory and consulting work, where it predominantly reports to the Board Risk Committee.</p> <p>The Internal Audit function remains effective and has implemented the appropriate policies to ensure this. The function has sufficient resources to deliver the proposed plan.</p> <p>The function continues to be efficient, with the processes being robust and strong governance being evidenced.</p> <p>The priorities of the function in light of the Covid-19 impact assessment were evaluated and agreed.</p>

Audit Committee Report

CONTINUED

Role of the Committee	Discharge of responsibilities	Conclusion/action taken
Whistleblowing		
The Committee considers the adequacy of the Group's arrangements by which employees may in confidence raise concerns about improprieties in matters of financial reporting or other matters.	The Committee reviewed the Group's Whistleblowing Policy to ensure that it remained fit for our needs.	The Committee reviewed the Whistleblowing Policy and decided it remained fit for purpose. The Committee concluded that whistleblowing processes were operating effectively during the period under review. It did, however, recommend that in due course management report on all areas of workforce-related dissatisfaction, whilst noting the encouraging Employee Engagement results.
Client money and assets		
The Committee has a responsibility for overseeing the Group's systems and controls relating to the holding and management of client money and assets.	The Committee monitored the effectiveness of the control environment relating to client money and assets, and received an annual report from the CFO on the operation of the Client Money and Assets Committee. The Committee also considered the report from the External Auditors on the client money control environment and operations. The Committee further received regular reports on the control environment of corporate actions, which focused on improvements to the control environment.	The Committee reviewed improvements made to the control environment, which had been stress-tested and the steps being taken to further enhance controls at both Group and entity level. The Committee considered that these were appropriate to the circumstances of the Group.
Corporate governance		
The Committee is responsible for the review of the role of the Control Functions Oversight Committee (and from April 2020, the Legal Entity and Policy Governance Committee) which itself provides oversight over the risk-based system for the governance, operation and maintenance of the Group's legal entities.	The Committee received updates from the Control Functions Oversight Committee and an update from the Legal Entity and Policy Governance Committee to gain comfort that decisions are made and evidenced at the appropriate legal entity level, and that appropriate mechanisms are in place for monitoring, control and oversight of legal entity decision-making at Group level. The Committee noted the continued development of appropriate procedures and policies, including the Group Legal Entity Governance Policy and the Policy Governance Framework. A restructuring of the boards of the UK regulated companies within the Group: IG Index Limited and IG Markets Limited, to add Non-Executive Directors to those boards is under way and expected to be completed during the next financial year. This will ensure appropriate, enhanced oversight of the regulated entity boards, as well as clarity of accountability and decision-making.	The Committee was satisfied as to the progress made in improving the overall framework. Legal Entity Governance has been developed to provide more detailed oversight of the work of our regulated entities around the globe. Management Committees' ToR were standardised in advance of the introduction of the Senior Managers and Certification Regime last December.

External Auditors

The Committee is responsible for making recommendations on the appointment, reappointment and removal of External Auditors, and for assessing and agreeing the fees payable to them (both audit and non-audit fees). The Committee is also responsible for reviewing the audit plans and reports from the External Auditors. The main activities undertaken in relation to the External Audit are summarised below:

Role of the Committee	Discharge of responsibilities	Conclusion/action taken
Audit tender		
<p>The Committee considers and makes recommendations to the Board (to be put to shareholders for approval at the AGM) in relation to the appointment of the Group's External Auditors. The Committee oversees the selection process for new auditors.</p>	<p>An audit tender process was carried out, where three audit firms had shown interest in the bid. Due to the breadth of IG's business scope, strategy and international outreach, smaller firms declined to tender. A panel was set up consisting of members of the Committee and management. Management meetings with each of the tendering teams were held with the Chair of the Committee.</p> <p>The audit tender panel received written submissions from each of the tendering firms, and each firm presented to the audit tender panel.</p>	<p>Based on a thorough assessment process and in-depth discussion and debate, the audit tender panel recommended the reappointment of PwC as Auditors for the 2021 financial year onwards, commencing 1 June 2020. This recommendation was based on the strength and experience of the lead partner and overall audit team, PwC's CASS expertise, the quality of their audit work, the challenge that they provided, their familiarity with the Group and their commitment to continue to work with the Group to improve the service they provide.</p> <p>The Committee recommended to the Board the reappointment of PwC as External Auditors for the 2021 financial year onwards.</p>
Oversight of external audit		
<p>The Committee is required to oversee the work and performance of PwC as External Auditors, including the maintenance of audit quality during the period.</p>	<p>The Committee met with the key members of the PwC audit team to discuss the 2020 audit plan and agree areas of focus.</p> <p>It assessed regular reports from PwC on the progress of the 2020 audit and any material issues identified.</p> <p>It debated the draft audit opinion ahead of the 2020 year-end. The Committee was also briefed by PwC on critical accounting estimates, where significant judgment is needed.</p>	<p>The Committee approved the audit plan and the main areas of focus, including revenue recognition, the potential risk of management override of controls and uncertain tax positions.</p> <p>More on the Committee's role in assessing the performance, effectiveness and independence of the External Auditors and the quality of the external audit can be found on page 144.</p>
Audit and audit-related fees		
<p>Audit-related fees include those related to the statutory audit of the Group and its subsidiaries, as well as audits required due to the regulated nature of our business. Also included are fees associated with the ISAE 3000 controls opinion relating to the Group's processes and controls over client money segregation.</p>	<p>During the year, the Committee reviewed and approved a recommendation from management on the Company's audit and audit-related fees.</p>	<p>The Committee considers the 2020 audit and audit-related fees to be appropriate given the change in complexity of the Group structure. A breakdown of audit and non-audit related fees is in note 4 to the Financial Statements on page 162.</p>
Non-audit services and fees		
<p>To prevent the objectivity and independence of the External Auditors from becoming compromised, the Committee has a formal policy governing the engagement of the External Auditors to provide non-audit services. The policy is reviewed on an annual basis. The Committee reviewed the Group's policy governing non-audit work against details of regulations on the statutory audit of public interest entities.</p> <p>We have updated our internal process on engagement of External Auditors and review of non-audit services to ensure that its policy is in line with the regulations.</p>	<p>The Committee reviewed and approved all arrangements for non-audit fees. Fees in relation to permitted services below £0.05 million are deemed pre-approved by the Committee and are subject to the approval of the CFO. Fees above £0.05 million must be approved by the Committee, through the Committee Chairman.</p> <p>The Committee also requested and received an explanation from PwC of its own in-house independence process.</p> <p>The Committee ensured there were no exceptions to fee limits and approval processes, per the policy, during the year.</p>	<p>During the year, non-audit fees of £0.1 million were paid to PwC, as discussed in note 4 to the Financial Statements. These principally related to software services which ceased during the year.</p> <p>The Group continues to engage Ernst & Young (EY) for global tax compliance.</p>

Audit Committee Report

CONTINUED

Effectiveness of the External Auditors

In assessing the effectiveness and independence of the External Auditors, the Committee considered relevant professional and regulatory requirements and the relationship with the External Auditors as a whole. The Committee monitored the External Auditors' compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, and assessed their qualifications, expertise and resources, as well as the effectiveness of the audit process, including a report from the External Auditors on their own internal quality procedures and independence.

As part of the assessment, a questionnaire was completed by the key stakeholders in the Group. The questionnaire addressed matters including the External Auditors' integrity, objectivity, skills and technical knowledge, the quality of planning and execution of the audit, the level of challenge applied, the External Auditors' understanding of the Group's business, insights and added value and general support and communication to the Committee and management. The results were analysed, and a report was presented to the Committee. Following the review of the effectiveness of the External Auditors, the external audit process and an assessment of the External Auditors' independence and objectivity, the Committee recommended the reappointment of PwC to the Board for recommendation to and approval by shareholders at the Company's 2020 AGM.

There are no contractual obligations restricting choice of External Auditors.

Audit Committee effectiveness

During the year, an evaluation of the performance of the Committee and its members was undertaken in line with the Committee's ToR. The evaluation process was externally facilitated by independent consultancy firm Boardroom Review Limited as part of the overall annual Board and Committee effectiveness review. Boardroom Review Limited is independent of the Company, and has no connection with it or with any of the individual Directors.

Further information of the evaluation of the Board and its Committees and of individual Directors is given on page 91, together with a review of the progress on actions arising from the internally run performance review undertaken during 2019.

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014

Following a tender process, PwC has been the Group's External Auditors since October 2010 and has been reappointed at each subsequent AGM. The Group is in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the External Auditors, and the setting of a policy on the provision of non-audit services. The External Auditors are required to rotate the audit partner responsible for the Group audit every five years, and a new audit partner will take over from the next financial year.

As a result of the audit tender process carried out in 2019, the Company will be proposing the reappointment of PwC at the 2020 AGM.



JIM NEWMAN
CHAIRMAN OF THE AUDIT COMMITTEE
23 July 2020

Board Risk Committee Report



Jonathan Moulds

Jonathan Moulds, Chairman of the Board Risk Committee, gives his review of the Committee's activities during the financial year.



The Committee has continued to embed its role in ensuring a holistic approach to risk management across the Group, including through clear linking of risk reporting to the key risks facing the business.

JONATHAN MOULDS
CHAIRMAN OF THE BOARD RISK COMMITTEE

I'm pleased to report that the Committee has continued to embed its role in ensuring a holistic approach to risk management across the Group, including through clear linking of risk reporting to the key risks facing the business.

This year's review comes with the added consideration of the complexity we have faced during the last three months of the financial year, during which nearly all of our workforce across the Group has been working from home, and we've witnessed unprecedented market volatility – both as a result of the Covid-19 pandemic.

I believe the way that the Risk Management Framework and business have adapted to a changing risk profile in light of the pandemic has been excellent. We've faced significant turmoil and heightened risk across the business. This has ranged from levels of market and credit risks never seen before due to extreme levels of market volatility, to operational and technology risks associated with distance working. We've experienced increased load on our systems caused by the heightened market volatility and increased client numbers. We've also faced process and conduct risks due to the unprecedented demand for our products and services, which drove up the volume of new applications and trading. Despite this, through our resilience and control infrastructure, we haven't seen any significant manifestation of risk, or events out of keeping with the volumes of business we've witnessed.

Chairman's overview

The Committee has continued to focus on providing oversight and advice to the Board in relation to the Group's current and potential future risk exposures, including risks to the achievement of our strategy. The Committee's agenda reflects the importance of reviewing the key actual and emerging risks faced by the business.

I'm pleased to report that the Committee has continued to embed its role in ensuring a holistic approach to risk management across the Group, including through clear linking of risk reporting to the key risks facing the business. This has been enabled by the ongoing development of the Risk Taxonomy and Key Risk Indicators, including alignment of the two elements, throughout the year.

The Risk function, headed by the Group Chief Risk Officer (CRO), has supported this development while continuing to focus on risk-related material such as the Risk Appetite Statement and Risk Management Framework. The operational risk management systems have continued to be developed and embedded into the business, with strong stakeholder engagement that encourages a culture of event reporting. The Operational Risk team has adapted its approach to better assist first-line functions in root-cause analysis relating to events, which has enabled us to improve the design and implementation of controls. Operational risk reports are regularly provided to related management Committees, such as the Executive Risk Committee and the Client Money and Assets Committee.

Board Risk Committee Report

CONTINUED

This year's annual Non-Executive Director Risk Workshop once again provided active oversight of and input to our regulatory capital calculations, as set out in the Group's Internal Capital Adequacy Assessment Process (ICAAP). It also covered the stress-testing of our risks, and our capital and liquidity held against those, as well as our reverse stress-test. Recovery Plans (RP) were considered at subsequent Committee meetings.

Internal Audit reporting to the Committee has focused on the review and advisory work conducted by the function on the state of the Risk Management Framework – particularly the development of the operational risk framework, as well as the Group's current and potential risk exposures.

Role of the Board Risk Committee

The Committee refreshed its Terms of Reference (ToR) during the year to reflect that its responsibilities had been extended to include advising the Boards of IG Markets Limited and IG Index Limited with respect to those entities' current and future risk appetite and assisting with oversight of strategy implementation by senior management.

The Committee provides oversight and advice to the Board in relation to current and potential future risk exposures and future risk strategy of the Group. This includes determination of risk appetite and tolerance, considering the current and prospective macroeconomic and financial environment. Key responsibilities of the Committee, in addition to those noted above, include:

- Reviewing the Group's major risk exposures, identifying risk trends, concentrations and exposures and material regulatory changes, and overseeing the mitigation of those, consistent with our risk appetite
- Considering, and recommending for approval by the Board, the Risk Appetite Statement and Key Risk Indicators
- Reviewing the scope and nature of the work undertaken by the risk management and control functions, particularly in relation to business, regulatory, compliance, anti-money-laundering, conduct and culture risks
- Reviewing the adequacy and effectiveness of the Group's technology infrastructure and supporting documentation in the Risk Management Framework
- Conducting an annual review of the Group's remuneration framework in support of the Committee's responsibility to consider the alignment of the Remuneration Policy to risk performance
- Ensuring rigorous stress-testing and scenario-testing of the Group's business and receiving reports that explain the impact of identified risks and threats
- Monitoring, reviewing and challenging key regulatory documents – the Individual Liquidity Adequacy Assessment (ILAA), ICAAP and the Recovery Plan (RP)

- Reviewing and recommending the statements to be included in the Annual Report concerning controls and risk management, for approval by the Board
- Considering whether any changes in the Group's risk profile warrant a change in proposed insurance arrangements
- Continuing to work closely with other Board Committees where risk-related input is required
- Considering reports from Internal Audit on the function's advisory work and assessment of the state of the Risk Management Framework and the Group's current and potential risk exposures

The ToR for the Committee are on the Company's website, iggroupp.com.

Board Risk Committee membership and attendance

The Board Risk Committee is composed of Independent Non-Executive Directors. The following table shows the Committee members during the year and their attendance at Committee meetings.

COMMITTEE MEMBER	ELIGIBLE TO ATTEND	ATTENDED
Jonathan Moulds	5	5
Stephen Hill ¹	4	4
Jim Newman ²	5	4
Sally-Ann Hibberd ³	1	1

- 1 Stephen Hill resigned as a Committee member effective from 18 March 2020, ahead of his retirement from the Board on 27 April 2020.
- 2 Jim Newman did not attend one scheduled meeting due to a personal commitment. His apologies were received by the Committee Chairman in advance of the meeting.
- 3 Sally-Ann Hibberd was appointed as a Committee member on 18 March 2020.

The Committee is scheduled to meet four times a year and additionally when required. The Committee met five times during the financial year. The Committee makes recommendations to the Board and, where relevant, to other Board Committees (for example, to the Remuneration Committee on remuneration-related risks) and the business of the Committee is reported to the following Board meeting.

Other than the Company Secretary, who attends (or appoints a delegate to attend), all Committee meetings, Executive Directors, the Chief Risk Officer (CRO) and the Global Head of Internal Audit attend Committee meetings by invitation. Representatives from other areas of the business attend the Committee meetings by invitation as appropriate to the matter under consideration.

During the year, the membership of the Committee changed. Sally-Ann Hibberd became a member of the Committee and Stephen Hill resigned as a member of the Committee on 18 March 2020, ahead of his retirement from the Board on 27 April 2020.

To ensure the Committee discharges its responsibilities appropriately, an annual forward calendar, linked to the Committee's ToR, is approved by the Committee. The Company Secretary assists the Chairman of the Committee in drafting the agenda for each Committee meeting.

Activity during the financial year

During the year, the Committee's key activities included:

- Reviewing developments to the Risk Appetite Statement, Risk Taxonomy and Risk Management Framework, and alignment of business and risk management strategy with the risk appetite
- Considering current and emerging risks facing the business, including the risk associated with regulatory change, Brexit, the global Covid-19 pandemic and market volatility
- Requesting and/or reviewing a number of specific reports, including in relation to financial crime risk, anti-money-laundering controls, and product governance
- Reviewing and challenging of operational risk development
- Reviewing IT and cyber security in the context of the annual technology risk review
- Review of regulatory waivers applying to legal entities across the Group
- Formal annual compliance assessment of material breaches
- Reviewing enhancements to IG's approach to transaction reporting
- Reviewing a culture risk dashboard and report covering client outcomes, technology, regulatory outcomes, people outcomes and conduct more broadly
- Reviewing the capital and liquidity position of the Group including through the ICAAP, ILAA and the RP
- Reviewing its own performance and considering steps to enhance Committee effectiveness and making appropriate recommendations to the Board

Committee evaluation and future priorities

During the year, an evaluation of the performance of the Committee and its members was undertaken in line with the Committee's ToR. The evaluation process was externally facilitated by independent consultancy firm Boardroom Review Limited, as part of the overall annual Board and Committee effectiveness review.

Boardroom Review Limited is independent of the Company and has no connection with it or with any of the individual Directors.

Further information of the evaluation of the Board and its Committees and of individual Directors is given on page 91, together with a review of the progress on actions arising from the internally run performance review undertaken during 2019.



JONATHAN MOULDS

CHAIRMAN OF THE BOARD RISK COMMITTEE
23 July 2020

Directors' Report

Directors' Report

The Directors present their report, together with the Group Financial Statements, for the year ended 31 May 2020. The Directors' Report comprises pages 140 to 142 of this report, together with the sections of the Annual Report incorporated by reference as set out below:

CONTENTS	PAGE
Corporate Governance Report	74-93
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Greenhouse gas emissions	62
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Employees, Customers, Suppliers and Others Reporting Requirements Under the Companies (Miscellaneous Reporting) Regulations 2018	24-29
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Going concern and viability statement	72
Directors' Remuneration Policy, service contracts and details of Directors' interest in shares	99-128
Likely future developments	9-71
Risk management and internal control	50-59
Anti-bribery and corruption	70

Section 414A of the Companies Act 2006 (the Act) requires the Directors to present a Strategic Report in the Annual Report and Financial Statements. The information can be found on pages 20 to 73.

The Company has chosen, in accordance with Section 414C (11) of the Act and as noted in this Directors' Report, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report, including the Non-Financial Information Statement required by Section 414C of the Act, which can be found in the ESG Report section on page 71.

In line with the requirements under Capital Requirements Directive IV, requiring credit institutions and investment firms to publish annually certain tax and financial

data for each country where they operate, the Group's UK regulated subsidiaries will make available their country-by-country reporting on iggroup.com.

Disclosures required pursuant to Listing Rule 9.8.4R

In compliance with the UK Financial Conduct Authority's Listing Rules, the information in Listing Rule 9.8.4R to be included in the Annual Report and Accounts, where applicable, can be found on the following pages:

DETAIL	PAGE
Waiver of dividends	140

Modern slavery

In compliance with Section 4 (l) of the Modern Slavery Act 2015, the Group has published its slavery and human trafficking statement online.

Branch offices

The Group has the following overseas branches within the meaning of the Companies Act 2006: branch offices in Australia, China (Representative Office), France, Germany, Hong Kong, Ireland, Italy, New Zealand, Norway, Poland, South Africa, Spain and Sweden.

Corporate Governance Statement

In compliance with the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR) 7.2.1, the disclosures required by the DTR are set out in this Directors' Report and in the Corporate Governance Report.

Profit and dividends

The Group's statutory profit for the year after taxation amounted to £240.4 million (2019: £158.3 million), all of which is attributable to the equity members of the Company.

The Directors recommend a final ordinary dividend of 30.24 pence per share, amounting to £111.7 million, making a total of 43.2 pence per share and £159.5 million for the year (2019: 43.2 pence and £159.1 million). Dividends are recognised in the Financial Statements for the year in which they are paid or, in the case of a final dividend, when approved by the shareholders. The amount recognised in the Financial Statements, as described in note 10, includes this financial year's interim dividend and the final dividend from the previous year, both of which were paid.

The final ordinary dividend, if approved, will be paid on 22 October 2020 to those shareholders on the register as at 25 September 2020.

Certain nominee companies representing our Employee Benefit Trusts hold shares in the Company, in connection with the operation of the Company's share plans. Evergreen dividend waivers remain in place on shares held by them that have not been allocated to employees.

Articles of Association

The Company's Articles of Association (the Articles) are available on iggroup.com, or by writing to the Company Secretary at the Group's registered office. The Articles can also be obtained from the UK Registrar of Companies. The Articles were last amended by the shareholders by means of a special resolution on 21 September 2016.

Board of Directors and their interests

The Directors who held office during the financial year are set out below:

Chairman

Andy Green – stepped down from the Board and as Chairman on 19 September 2019
 Mike McTighe – appointed to the Board and as Chairman on 3 February 2020

Independent Non-Executive Directors

Andrew Didham – appointed on 19 September 2020
 Stephen Hill – retired on 27 April 2020
 Malcolm Le May
 Jonathan Moulds
 Jim Newman
 Helen Stevenson – appointed on 18 March 2020

Executive Directors

June Felix
 Paul Mainwaring¹
 Bridget Messer
 Jon Noble

¹ Paul Mainwaring retired on 1 June 2020.

Our Chief Financial Officer (CFO), Paul Mainwaring, announced on 21 January 2020 his intention to retire as CFO and a Director of the Company. He stepped down from the Board on 1 June 2020. Charlie Rozes has been appointed as CFO and as a Director of the Company with effect from 1 June 2020.

Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Articles, the UK Corporate Governance Code (the Code), the Act and related legislation. The Board has the power to appoint any person as a Director to fill a casual vacancy or as an additional Director, provided the total number of Directors does not exceed the maximum prescribed in the Articles. Any such Director holds office only until the next AGM, and is then eligible to offer himself or herself for election.

The Articles also require that all those Directors who have been in office at the time of the two previous AGMs, and who did not retire at either of them, must retire as Directors by rotation. Such Directors are eligible to stand for re-election. However, in line with the Code's recommendation that all Directors of FTSE 350 companies should be subject to annual election, all Directors will stand for election or re-election at the 2020 AGM.

Directors' conflicts of interest

In accordance with the Act, all Directors must disclose both the nature and extent of any potential or actual conflicts with the interests of the Company. We explain the procedure for this on page 89.

Insurance and indemnities

The Group has Directors' and Officers' liability insurance in place, providing appropriate cover for any legal action brought against its Directors. Qualifying third-party indemnity provisions (as defined by Section 234 of the Act) were in force during the year ended 31 May 2020. These provisions remain in force for the benefit of the Directors, in relation to certain losses and liabilities which they may incur (or have incurred) to third parties in the course of acting as Directors of the Company.

Research and development

In the ordinary course of business, we regularly develop new products and services.

Political donations

The Company made no political donations to political organisations or independent election candidates, and incurred no political expenditure in the year (2019: £nil).

Share capital

The Company has three classes of shares: ordinary shares, deferred redeemable shares and preference shares. As at 31 May 2020, our issued shares comprised 369,439,455 ordinary shares of 0.005 pence each (representing 99.97% of the total issued share capital), 65,000 deferred redeemable shares of 0.001 pence each (representing 0.02% of the total issued share capital) and 40,000 preference shares of £1.00 each (representing 0.01% of the total issued share capital). Details of movement in our share capital and rights attached to the issued shares are given in note 22 to the Financial Statements. Information about the rights attached to our shares can also be found in the Articles. Details of the Group's required regulatory capital are disclosed in the Operating and Financial Review on page 49.

Variation of rights

Subject to the provisions of applicable statutes, the rights attached to any class of shares may be varied, either with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Directors' Report

CONTINUED

Restrictions on transfer of securities

There are no specific restrictions on the transfer of securities in the Company, other than as contained in the Articles and certain laws or regulations, such as those related to insider trading, which may be imposed from time to time. The Directors and certain employees are required to obtain approval prior to dealing in the Company's securities. We aren't aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Exercise of rights of shares in employee share schemes

The trustees of the IG Group Employee Benefit Trusts do not seek to exercise voting rights on shares held in the employee trusts, other than on the direction of the underlying beneficiaries. No voting rights are exercised in relation to shares unallocated to individual beneficiaries. The trustees have a dividend waiver in place in respect of unallocated shares held in the trust.

Powers of the Directors to issue or purchase the Company's shares

The Articles permit the Directors to issue or repurchase the Company's own shares, subject to obtaining shareholders' prior approval. The shareholders gave this approval at the 2019 AGM. The authority to issue or buy back shares will expire at the 2020 AGM, and it will be proposed at the meeting that the Directors be granted new authorities to issue or buy back shares. The Directors currently have authority to purchase up to 36,943,945 of the Company's ordinary shares. However, no ordinary shares were repurchased during the year.

During the year, the Company instructed the trustees of the Employee Benefit Trusts to purchase shares in order to satisfy awards under our share-incentive plan schemes. The Company also issued shares in respect of the sustained performance plan. Details of the shares held by our Employee Benefit Trusts, and the amounts paid during the year, are disclosed in note 24 to the Financial Statements.

Major interest in shares

Information provided to the Company by major shareholders pursuant to the Financial Conduct Authority (FCA) and Disclosure Guidance and Transparency Rules (DTR) is published via a Regulatory Information Service, and is available on our website. The information in the table below has been received in accordance with information made available to the Company and in accordance with DTR5, from holders of notifiable interests in the Company's issued share capital as at 31 May 2020 and as at 30 June 2020. The lowest threshold is 3% of the Company's voting rights, and holders are not required to notify us of any change until this, or the next applicable threshold, is reached or crossed.

Change of control

Following any future change of control of the Company, participating lenders in the Group's bank facility agreement have the option to cancel their commitment. Upon such cancellation, any outstanding loans, including accrued interest and other amounts due to lenders will become immediately due and payable. Further details may be found in note 17 to the Financial Statements.

There are no agreements between the Company and its Directors or employees providing for compensation on any loss of office or employment that occurs because of a takeover bid. However, options and awards granted to employees under our share schemes and plans may vest on a takeover, under the schemes' provisions.

Annual General Meeting

The Company's AGM will be held on 17 September 2020. Details of the resolutions to be proposed at the AGM will be provided in a separate circular sent to all shareholders.

Independent Auditors

Resolutions to reappoint PricewaterhouseCoopers LLP as the Company's Auditors, and to authorise the Directors to determine their remuneration, will be put to shareholders at the AGM on 17 September 2020.

Subsequent events

Please refer to note 29 to the Financial Statements.

Major Interest in shares	31 May 2020		30 June 2020	
	No. of shares	Percentage	No. of shares	Percentage
Artemis Investment Management LLP	25,336,713	6.86	25,093,371	6.79
BlackRock (Index)	24,802,307	6.71	21,107,638	5.71
MFS Investment Management	24,234,888	6.56	24,730,546	6.69
The Vanguard Group, Inc.	15,570,651	4.21	15,238,861	4.12
Marathon Asset Management	13,781,010	3.73	13,089,666	3.54
Royal London Asset Management	13,246,846	3.59	13,418,900	3.63
Troy Asset Management Limited	12,660,582	3.43	12,735,082	3.45
M&G	11,218,648	3.04	11,415,810	3.09

Statement of Directors' Responsibilities

in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have prepared the Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company, and of the profit or loss of the Group and Company for that period. In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements
- Make judgments and accounting estimates that are reasonable and prudent
- Prepare the Financial Statements on the going-concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions, and disclose with reasonable accuracy at any time the financial position of the Group and Company, and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the International Accounting Standards Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirms that, to the best of their knowledge:

- The Group and Company Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Company
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

In the case of each Director in office at the date the Directors' Report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Group and Company's Auditors are unaware
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's Auditors are aware of that information

On behalf of the Board



JUNE FELIX
CHIEF EXECUTIVE OFFICER
23 July 2020

Independent Auditors' Report

to the members of IG Group Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion, IG Group Holdings plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 May 2020 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Statements of Financial Position as at 31 May 2020; the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements, the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 June 2019 to 31 May 2020.

Our audit approach

Overview

Materiality	<ul style="list-style-type: none"> → Overall group materiality: £14.8 million (2019: £9.7 million), based on 5% of profit before tax. → Overall company materiality: £6.8 million (2019: £6.4 million), based on 1% of total assets.
Audit scope	<ul style="list-style-type: none"> → group: We determined the appropriate work to perform based on the consolidated balances of the group. As a result, the majority of our audit work was performed by the group audit team in London supported by a PwC member firm in Poland, reflecting the centralised nature of the groups' business activities. → This approach gave us sufficient coverage over the group's total assets and consolidated profit before tax → company: The parent company balance sheet consists primarily of investment in subsidiaries, receivables, and payables. The audit work was performed by the group audit team in London
Key audit matters	<ul style="list-style-type: none"> → Revenue recognition (group) → Management override of control, including privileged access management (group and company) → Impact of Covid-19 (group and company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules of the Financial Conduct Authority, the Financial Conduct Authority's Handbook, European Securities and Markets Authority ("ESMA") and corporation tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to privileged access management and the recording of journals, and potential bias in the determination of material estimates. Audit procedures performed by the group engagement team included:

- Enquiries of management, internal audit, and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Identifying and, where relevant, testing journal entries posted by senior management or with unusual account combinations;
- Validation of IT changes made in key financial reporting systems by review of logs and approvals;
- Review of correspondence with regulators, and internal audit reports in so far as they are related to the financial statements; and
- Incorporated unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Independent Auditors' Report

to the members of IG Group Holdings plc

CONTINUED

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

Revenue recognition – Group

The group's trading revenue is predominantly generated from over the counter (OTC) leveraged derivatives placed by clients, offset by net gains or losses from the hedging trades that the group places with external market counterparties to manage its risk.

The group's revenue on these activities arises principally from spreads, overnight funding charges and commissions.

The risk is that there are large volumes of trades entered into by the group, and while revenue calculations are automated, depending on the specific product they can be relatively complex in nature, requiring varying logic and inputs.

How our audit addressed the key audit matter

We focused firstly on understanding the control environment in which revenue is recorded. We understood and evaluated the design of key controls in place and tested their operating effectiveness.

These controls included:

- Client onboarding;
- Trade capture and recording;
- Validation of system calculated revenue numbers by the group's revenue control team;
- Cash and settlement reconciliations;
- Market counterparty and other third party reconciliations; and
- Recording and access to modification of complaints records.

We noted no significant exceptions in the design or operating effectiveness of the above controls and we determined we could rely on these controls for the purposes of our audit.

In addition, we performed the substantive procedures described below:

- We tested the valuation of selected client positions to third party pricing sources;
- We agreed selected cash account balances to external third party evidence at year-end through a combination of independent confirmations and examination of bank statements;
- We agreed selected amounts and balances held with market counterparties to independent confirmations and other external third party evidence; and
- Using data enabled audit techniques, we recalculated the revenue recorded in relation to an extensive sample of trades, and agreed these to the underlying accounting records.

In order to address the risk that improper or inaccurate adjustments or transactions had been entered into the trading systems, we also considered the nature of client complaints and related matters, making further enquiries of management where relevant.

No material issues arose from this work.

Key audit matter

Management override of control, including privileged access management – Group and Company

International Standards on Auditing (UK) (ISAs UK) require that we consider management override of control as a significant audit risk as management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Specifically in relation to information technology, the risk relates to privileged access provided for the group's technology function to certain IT systems relevant to the group's revenue and financial reporting processes. While mitigating controls operate, the privileged access could result in unauthorised changes being made to system functionality or data, either in error or intentionally.

Although the Directors are responsible for safeguarding the assets of the business, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the financial statements.

How our audit addressed the key audit matter

To address the risk of management override of controls, including privileged access management, we performed the following procedures:

- Enquired of those charged with governance, management, and internal audit, in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewed correspondence with regulators, and internal audit reports in so far as they are related to the financial statements;
- Tested the validity of a sample of journals using fraud risk based criteria for journal selection;
- Assessed the judgemental areas underlying key accounting estimates (for example Impairment of Intangible Assets including Goodwill), and evaluated whether there was any evidence of management bias;
- Evaluated the nature of customer litigation and complaints, for evidence of activity that may have a bearing on the financial statements;
- Validated that the most recent changes to the systems had been recorded in the IT change management system for approval;
- For each key automated control, tested whether any inappropriate changes had been made during the period;
- Using data enabled audit techniques, recalculated the revenue recorded in relation to an extensive sample of trades, and agreed these to the underlying accounting records;
- Agreed selected cash account balances to external third party evidence at year-end through a combination of independent confirmations and examination of bank statements;
- Agreed selected amounts and balances held with market counterparties to independent confirmations and other external third party evidence; and
- Incorporated unpredictability into the nature, timing and/or extent of our testing.

No issues arose from this work.

Independent Auditors' Report

to the members of IG Group Holdings plc

CONTINUED

Key audit matter

Impact of Covid-19 – Group and Company

The economic disruption arising from the Covid-19 pandemic has created significant volatility in market prices, and high volumes of client trading activity. The pandemic has also resulted in changes to working practices being required, which may impact the effectiveness of the financial reporting control environment.

The trading circumstances have also resulted in updates to plans and forecasts being introduced, and required active management of volatile liquidity requirements arising from hedging activities.

As a result of the above, we have determined consideration of the impact of Covid-19 to be a key audit matter.

How our audit addressed the key audit matter

In assessing the Directors' consideration of the impact of Covid-19 on the financial statements, we have undertaken the following audit procedures:

- Considered the impact that Covid-19 may have had on controls in a disrupted and remote working environment. This included performing testing of key controls over the impacted period to obtain audit evidence to determine whether the controls continued to be designed and operating effectively; and
- In assessing the Directors' going concern assessment:
 - Evaluated and challenged management's assessment of the impact of Covid-19 on the group's financial plans, liquidity and capital position, and operating arrangements;
 - Evaluated the stress testing performed by management and considered whether these were adequate;
 - Substantiated the nature and existence of the group's financial resources and liquidity financing facilities.

We also evaluated the adequacy of the disclosures made in the financial statements with respect to the impact of Covid-19.

As a result of these procedures, we concluded that the impact of Covid-19 has been appropriately evaluated and reflected in the preparation of the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group consists of a UK holding company with a number of subsidiary entities and branches containing the operating businesses of both the UK and overseas territories. The accounting records and related controls for both the UK and overseas businesses are primarily maintained and operated by the group's finance teams in London and Krakow. The technology controls that are relevant to our financial statement audits are operated by the group in London, Krakow and Bangalore.

As a result, the majority of our audit work was performed by the group audit team in London, supported by a PwC member firm in Poland, reflecting the centralised nature of the group's business activities.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£14.8 million (2019: £9.7 million).	£6.8 million (2019: £6.4 million).
How we determined it	5% of profit before tax.	1% of total assets.
Rationale for benchmark applied	Consistent with last year, we applied this benchmark, a generally accepted auditing practice, as it is the most relevant metric against which the performance of the group is measured.	A benchmark of total assets has been used as the company's primary purpose is to act as a holding company with investments in the group's subsidiaries, not to generate operating profits and therefore a profit based measure is not relevant. The benchmark used is consistent with last year.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.7 million (Group audit) (2019: £0.5 million) and £0.3 million (Company audit) (2019: £0.3 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent Auditors' Report

to the members of IG Group Holdings plc

CONTINUED

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 May 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 91 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 72 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 143, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on pages 129-136 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities in respect of the Financial Statements set out on page 143, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 8 December 2010 to audit the financial statements for the year ended 31 May 2011 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 May 2011 to 31 May 2020.

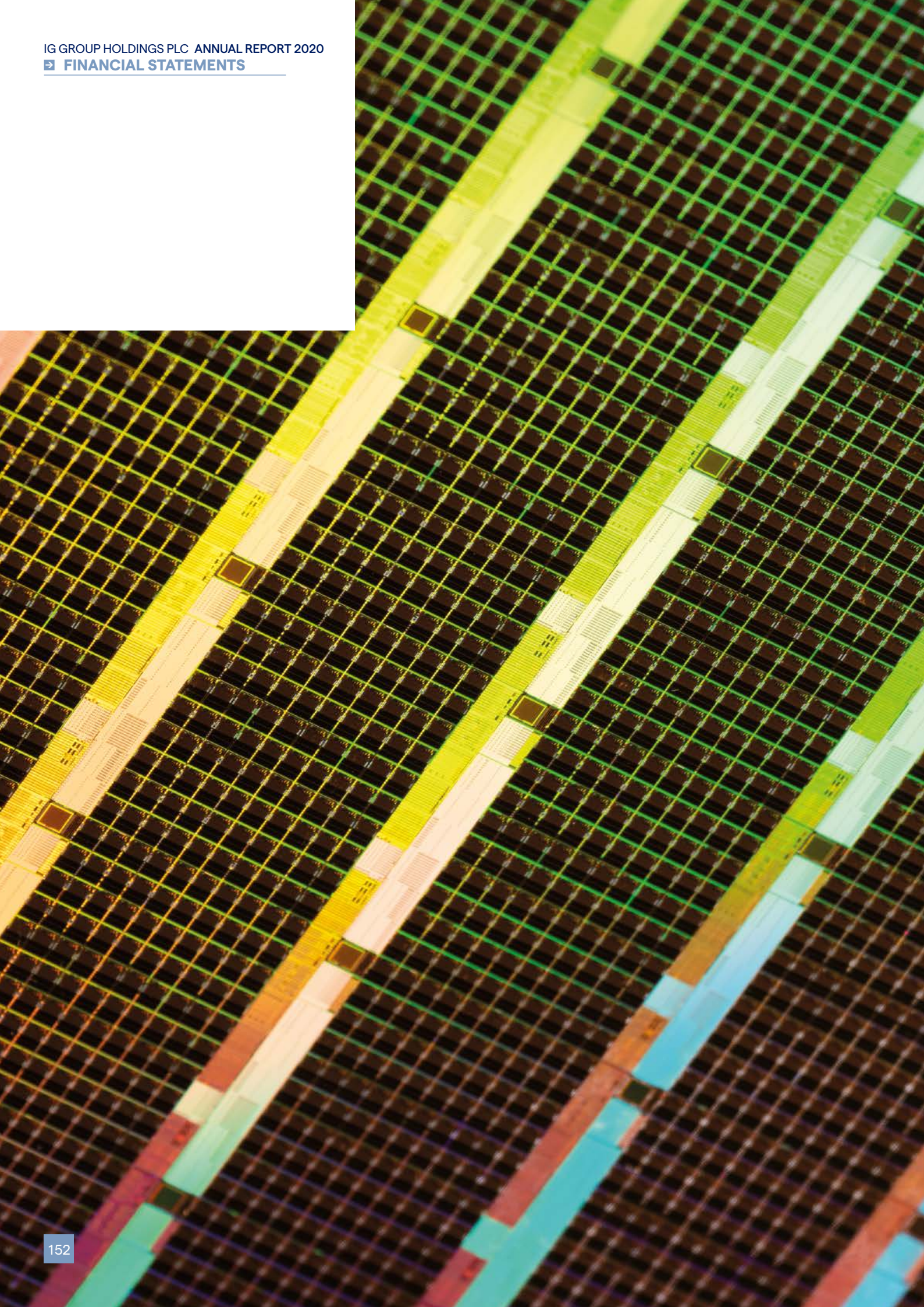
DARREN MEEK (SENIOR STATUTORY AUDITOR)

FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Statutory Auditors

London

23 July 2020



FINANCIAL STATEMENTS

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Consolidated Income Statement

for the year ended 31 May 2020

	Note	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Trading revenue		657.7	488.0
Introducing partner commissions		(8.5)	(11.1)
Net trading revenue	2	649.2	476.9
Betting duty and financial transaction taxes		(7.4)	(7.9)
Interest income on segregated client funds		6.0	6.9
Interest expense on segregated client funds		(1.0)	(0.6)
Other operating income		1.4	1.9
Net operating income		648.2	477.2
Operating costs	3	(341.9)	(282.5)
Net credit losses on financial assets	27	(11.0)	(1.8)
Gain on sale of subsidiaries		0.7	–
Operating profit		296.0	192.9
Finance income	6	5.8	5.4
Finance costs	7	(5.9)	(4.0)
Profit before taxation		295.9	194.3
Taxation	8	(55.5)	(36.0)
Profit for the year and attributable to owners of the parent		240.4	158.3
Earnings per share:			
Basic	9	65.3p	43.1p
Diluted	9	64.9p	42.8p

Consolidated Statement of Comprehensive Income

for the year ended 31 May 2020

	Year ended 31 May 2020		Year ended 31 May 2019	
	£m	£m	£m	£m
Profit for the year attributable to owners of the parent		240.4		158.3
Other comprehensive income:				
Items that may be subsequently reclassified to the income statement:				
Changes in the fair value of financial assets held at fair value through other comprehensive income, net of tax	0.7		0.6	
Foreign currency translation gain	2.4		6.2	
Other comprehensive income for the year		3.1		6.8
Total comprehensive income attributable to owners of the parent		243.5		165.1

Consolidated Statement of Financial Position

at 31 May 2020

	Note	31 May 2020 £m	31 May 2019 Restated ¹ £m
Assets			
Non-current assets			
Property, plant and equipment	11	46.4	14.4
Intangible assets	12	147.2	151.5
Financial investments	13	83.8	189.9
Deferred income tax assets	8	11.5	9.0
		288.9	364.8
Current assets			
Trade receivables	15	347.0	301.1
Other assets	16	22.1	33.1
Prepayments		11.1	9.7
Other receivables		3.9	5.3
Cash and cash equivalents		486.2	373.3
Financial investments	13	140.5	35.3
		1,010.8	757.8
TOTAL ASSETS		1,299.7	1,122.6
Liabilities			
Non-current liabilities			
Borrowings	17	99.7	99.6
Lease liabilities	18	22.5	–
Deferred income tax liabilities	8	0.7	0.4
		122.9	100.0
Current liabilities			
Trade payables	19	143.1	110.4
Other payables	20	81.1	60.0
Lease liabilities	18	6.8	–
Income tax payable		9.9	10.4
		240.9	180.8
TOTAL LIABILITIES		363.8	280.8
Equity			
Share capital and share premium	22	125.8	125.8
Other reserves	23	168.4	161.2
Retained earnings		641.7	554.8
TOTAL EQUITY		935.9	841.8
TOTAL EQUITY AND LIABILITIES		1,299.7	1,122.6

¹ Refer to note 23 for further information.

The Consolidated Financial Statements on pages 154 to 198 were approved by the Board of Directors on 23 July 2020 and signed on its behalf by:



CHARLES ROZES

CHIEF FINANCIAL OFFICER

Registered Company number: 04677092

Consolidated Statement of Changes in Equity

for the year ended 31 May 2020

	Note	Share capital £m	Share premium Restated ¹ £m	Other reserves Restated ¹ £m	Retained earnings £m	Total £m
At 1 June 2018		–	125.8	152.6	563.7	842.1
Profit for the year and attributable to owners of the parent		–	–	–	158.3	158.3
Other comprehensive income for the year		–	–	6.8	–	6.8
Total comprehensive income for the year		–	–	6.8	158.3	165.1
Transfer of transactions with non-controlling interests reserve		–	–	2.1	(2.1)	–
Equity-settled employee share-based payments	24	–	–	7.2	–	7.2
Tax recognised directly in equity on share-based payments	8	–	–	–	0.5	0.5
Employee Benefit Trust purchase of own shares	23	–	–	(2.0)	–	(2.0)
Equity dividends paid	10	–	–	–	(171.1)	(171.1)
Transfer of share-based payment reserve		–	–	(5.5)	5.5	–
At 31 May 2019		–	125.8	161.2	554.8	841.8
IFRIC 23 transitional adjustment		–	–	–	0.5	0.5
IFRS 16 transitional adjustment		–	–	–	0.5	0.5
At 1 June 2019		–	125.8	161.2	555.8	842.8
Profit for the year and attributable to owners of the parent		–	–	–	240.4	240.4
Other comprehensive income for the year		–	–	3.1	–	3.1
Total comprehensive income for the year		–	–	3.1	240.4	243.5
Equity-settled employee share-based payments	24	–	–	9.7	–	9.7
Tax recognised directly in equity on share-based payments	8	–	–	–	0.6	0.6
Employee Benefit Trust purchase of own shares	23	–	–	(1.5)	–	(1.5)
Equity dividends paid	10	–	–	–	(159.2)	(159.2)
Transfer of share-based payment reserve		–	–	(4.1)	4.1	–
At 31 May 2020		–	125.8	168.4	641.7	935.9

¹ Refer to note 23 for further information.

Consolidated Cash Flow Statement

for the year ended 31 May 2020

	Note	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Operating activities			
Cash generated from operations	28	349.6	256.8
Income taxes paid		(57.1)	(38.4)
Net cash flow generated from operating activities		292.5	218.4
Investing activities			
Interest received		4.5	4.2
Purchase of property, plant and equipment		(9.9)	(5.6)
Payments to acquire and develop intangible assets		(6.4)	(8.7)
Proceeds on disposal of subsidiaries		0.6	-
Net cash flow from financial investments		3.3	(50.1)
Net cash flow used in investing activities		(7.9)	(60.2)
Financing activities			
Interest and fees paid		(5.3)	(3.3)
Interest unwinding of lease liabilities		(0.6)	-
Repayment of principal element of lease liabilities		(6.7)	-
Equity dividends paid to owners of the parent		(159.2)	(171.1)
Employee Benefit Trust purchase of own shares		(1.5)	(2.0)
Drawdown of term loan net of fees		-	99.5
Net cash flow used in financing activities		(173.3)	(76.9)
Net increase in cash and cash equivalents		111.3	81.3
Cash and cash equivalents at the beginning of the year		373.3	289.7
Impact of movement in foreign exchange rates		1.6	2.3
Cash and cash equivalents at the end of the year		486.2	373.3

Notes to the Financial Statements

1. General information, basis of preparation and critical accounting estimates and judgments

General information

The Financial Statements of IG Group Holdings plc and its subsidiaries (together the Group) for the year ended 31 May 2020 were authorised for issue by the Board of Directors on 23 July 2020 and the statement of financial position was signed on the Board's behalf by Charles Rozes. IG Group Holdings plc is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in England and Wales. The address of the registered office is Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA.

The Group's Financial Statements have been prepared in accordance with EU-adopted International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS IC) and with the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets (including derivative instruments) at fair value through other comprehensive income and fair value through profit and loss.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed below.

Basis of preparation

The accounting policies which have been applied in preparing the Financial Statements for the year ended 31 May 2020 are disclosed in note 30.

Critical accounting estimates and judgments

The preparation of Financial Statements requires the Group to make estimates and judgments that affect the amounts reported for assets and liabilities as at the year-end, and the amounts reported for revenue and expenses during the year.

The nature of estimates means that actual outcomes could differ from those estimates. In the Directors' opinion, the accounting estimates or judgments that have the most significant impact on the presentation or measurement of items recorded in the Financial Statements are the following:

(a) Carrying value of intangible assets (estimate) – the Group undertook an analysis as at 31 May 2020 in relation to the DailyFX intangible asset to determine whether there were any indicators of impairment. The Group considered the number of first trades generated by the asset and the average net trading income generated by each active client to determine whether there were any indicators that would require a full impairment assessment to be undertaken. The Group concluded that there were no indicators of impairment. Whilst the global economic outlook is uncertain due to the Covid-19 pandemic, taking into account the performance of the asset and wider Group, this was not determined to be an indicator of impairment. The Group also considered the estimated life of DailyFX and concluded that the total useful life of ten years remained appropriate.

The Group undertakes an impairment assessment of goodwill annually. The goodwill balance as at 31 May 2020 primarily relates to the purchase of the UK business by IG Group Holdings plc. For impairment testing purposes, this goodwill is assessed as part of the UK cash-generating unit. Information on the key assumptions used in the Group's impairment assessment of goodwill is disclosed in note 14.

(b) Tax charge (estimate) – the calculation of the Group's total tax charge involves a degree of estimation. In calculating the tax charge, the Group makes assumptions about the availability of reliefs, such as the UK Patent Box, the availability of future profits to support the recognition of deferred tax assets and assessments of the outcome of tax enquiries. The tax treatment of some transactions and the application of tax legislation cannot be finally determined until formal resolution has been reached with the relevant tax authority. The Group recognises a tax charge for open tax matters based on an assessment of the taxes that may be due. For further information please see note 8.

Notes to the Financial Statements CONTINUED

1. General information, basis of preparation, and critical accounting estimates and judgments CONTINUED

(c) DailyFX asset acquisition (judgment) – determining whether the purchase of DailyFX during the year ended 31 May 2017 was a business combination or an asset purchase was a matter of critical accounting judgment which remains relevant for the year ended 31 May 2020 given the carrying value of £21.0 million at 31 May 2020 (31 May 2019: £23.8 million). The purchase included the website, together with its historical content and lead list. In order to enable lead capturing and to re-establish the DailyFX Plus facility, which captures details on new subscribers, the infrastructure necessary for operating and integrating the website needed to be rebuilt. A number of the DailyFX staff were offered and subsequently accepted roles with IG. Therefore, whilst inputs had been acquired, the processes that IG would ultimately benefit from had to be recreated and rebuilt or separately acquired. Accordingly, the Group accounted for the transaction as an asset purchase as not all the requirements for a business combination were met.

(d) Accounting for cryptocurrencies (judgment) – the Group has recognised £22.1 million of cryptocurrency assets and rights to cryptocurrency assets on its Statement of Financial Position as at 31 May 2020 (31 May 2019: £33.1 million). These assets are used for hedging purposes and held for sale in the ordinary course of business and a judgment has been made to apply the measurement principles of IAS 2 Inventories in accounting for these assets. The assets are presented as 'Other assets' on the Statement of Financial Position. The accounting treatment of cryptocurrency assets is considered to be a critical accounting policy judgment.

2. Net trading revenue

Net trading revenue represents trading revenue after deducting introducing partner commissions.

Net trading revenue by operating segment

The Executive Directors are the Group's Chief Operating Decision-Maker (CODM). Management has determined the operating segments based on the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance.

The CODM consider business performance based on geographical location. This geographical split reflects the location of the office that manages the underlying client relationship. Net trading revenue represents an allocation of the total net trading revenue that the Group generates from client trading activity.

The CODM continue to consider business performance from a product perspective, split into OTC leveraged derivatives, exchange traded derivatives and stock trading and investments. The revenue from exchange traded derivatives derives from the United States and EU. The revenue from stock trading and investments derives from the UK, EU and Australia.

During the year ended 31 May 2020, the basis of allocation for net trading revenue by product has changed. Net trading revenue allocated to the stock trading and investments product now includes the currency conversion fees charged to stock trading and investments clients. These fees were previously included in OTC leveraged revenue.

The Group manages market risk and a number of other activities on a Group-wide portfolio basis and accordingly a large proportion of costs are incurred centrally. These central costs are not allocated to individual segments for decision-making purposes for the CODM, and, accordingly, these costs have not been allocated to segments. Additionally, the Group's assets and liabilities are not allocated to individual segments and not reported as such for decision-making purposes to the CODM.

2. Net trading revenue CONTINUED

The segmental analysis shown below therefore does not include a measure of profitability, nor a segmented balance sheet, as this would not reflect the information which is received by the CODM on a regular basis. The segmental breakdown of net trading revenue is as follows:

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Net trading revenue by geography:		
UK	257.7	201.1
EU	89.0	68.0
EMEA non-EU	55.2	43.5
Australia	91.9	70.1
Singapore	57.0	40.5
Japan	46.6	19.2
Emerging markets	28.3	17.5
US	23.5	17.0
Total net trading revenue	649.2	476.9
Net trading revenue by product:		
OTC leveraged derivatives	617.2	451.4
Exchange traded derivatives	18.4	16.8
Stock trading and investments	13.6	8.7
Total net trading revenue	649.2	476.9

The Group does not derive more than 10% of revenue from any single client.

3. Operating costs

	Note	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Employee-related expenses:			
Fixed remuneration		116.4	106.3
Variable remuneration		44.3	24.7
		160.7	131.0
Advertising and marketing		61.8	51.7
Premises-related costs		7.3	13.1
IT, market data and communications		26.6	23.7
Legal and professional costs		14.2	13.8
Regulatory fees		6.8	3.6
Depreciation and amortisation	11, 12	25.6	17.3
Other costs		38.9	28.3
		341.9	282.5

Included in premises-related costs is £0.7 million relating to short-term operating leases which do not meet the criteria to be capitalised as right-of-use assets. Prior to the introduction of IFRS 16 Leases, all expenses relating to operating leases of £6.6 million were included in premises costs for the year ended 31 May 2019.

Notes to the Financial Statements CONTINUED

4. Auditors' remuneration

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Audit fees		
Parent	0.6	0.5
Subsidiaries	0.7	0.6
Total audit fees	1.3	1.1
Audit-related fees		
Services supplied pursuant to legislation	0.6	0.6
Other audit-related assurance services	0.1	0.1
Total audit-related fees	0.7	0.7
Non-audit fees		
Other services	0.1	0.2
Total non-audit fees	0.1	0.2

Audit-related fees include services that are specifically required of the Group's Auditors through legislative or contractual requirements, controls assurance engagements required of the Auditors by the regulatory authorities in whose jurisdiction the Group operates and other audit-related assurance services.

Other services primarily relate to the licensing of software used for the production of client stock trading statements. This licensing service ceased during the year ended 31 May 2020.

5. Staff costs

The staff costs for the year, including Directors, were as follows:

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Wages and salaries, performance-related bonus and equity-settled share-based payment awards	137.8	112.2
Social security costs	15.8	12.2
Other pension costs	7.1	6.6
	160.7	131.0

The Group does not operate any defined benefit pension schemes. Other pension costs includes employee-nominated payments to defined contribution schemes and company contributions.

The Directors' remuneration for the years ended 31 May 2020 and 31 May 2019 is set out in the Directors' Remuneration Report on page 117.

The average monthly number of employees, including Directors, split into the key activity areas was as follows:

	Year ended 31 May 2020 Number	Year ended 31 May 2019 Number
Prospect acquisition	308	270
Sales and client management	260	221
Technology	709	678
Operations	336	353
Business administration	274	258
	1,887	1,780

6. Finance income

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Bank interest receivable	2.5	3.1
Interest receivable on cash held at brokers	1.7	1.2
Interest accretion on financial investments	1.6	1.1
	5.8	5.4

7. Finance costs

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Bank interest payable	0.5	0.3
Revolving credit facility interest and fees	0.9	0.5
Term loan interest and fees	2.8	2.7
Interest payable to brokers	1.1	0.5
Interest payable on lease liabilities	0.6	–
	5.9	4.0

8. Taxation

Tax on profit on ordinary activities

Tax charged in the income statement:

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Current income tax:		
UK Corporation Tax	52.7	32.6
Non-UK Corporation Tax	4.9	4.1
Adjustment in respect of prior years	(0.2)	(1.1)
Total current income tax	57.4	35.6
Deferred income tax:		
Origination and reversal of temporary differences	(1.4)	(0.3)
Adjustment in respect of prior years	(0.2)	0.7
Impact of change in tax rates on deferred tax balances	(0.3)	–
Total deferred income tax	(1.9)	0.4
Tax expense in the income statement	55.5	36.0
Tax not charged to income statement:		
Tax recognised in other comprehensive income	0.2	0.1
Tax recognised directly in equity	(0.6)	(0.5)

Notes to the Financial Statements CONTINUED

8. Taxation CONTINUED

Reconciliation of the total tax charge

The standard rate of Corporation Tax in the UK for the year ended 31 May 2020 is 19.0% (31 May 2019: 19.0%). Taxation outside the UK is calculated at the rates prevailing in the relevant jurisdictions. The tax expense in the income statement for the year can be reconciled as set out below:

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Profit before taxation	295.9	194.3
Profit multiplied by the UK standard rate of Corporation Tax of 19.0% (year ended 31 May 2019: 19.0%)	56.2	36.9
Higher taxes on overseas earnings	0.4	0.9
Adjustment in respect of prior years	(0.4)	(0.4)
Expenses not deductible for tax purposes	1.1	1.5
Patent Box deduction	(1.7)	(1.1)
Impact of change in tax rates on deferred tax balances	(0.3)	–
Recognition and utilisation of losses previously not recognised	(1.3)	(3.3)
Current year losses not recognised as deferred tax assets	1.5	1.5
Total tax expense reported in the income statement	55.5	36.0

The effective tax rate for the year is 18.8% (year ended 31 May 2019: 18.5%).

Deferred income tax assets

	31 May 2020 £m	31 May 2019 £m
Tax losses available for offset against future profits	4.3	4.6
Temporary differences arising on share-based payments	2.7	0.8
Temporary differences arising on fixed assets	1.8	1.7
Other temporary differences	2.7	1.9
	11.5	9.0

Deferred income tax liabilities

	31 May 2020 £m	31 May 2019 £m
Temporary differences arising on fixed assets	(0.4)	(0.4)
Other temporary differences	(0.3)	–
	(0.7)	(0.4)

Deferred income tax recovery/settlement

	31 May 2020 £m	31 May 2019 £m
Deferred tax assets to be recovered within 12 months	4.8	2.3
Deferred tax assets to be recovered after 12 months	6.7	6.7
	11.5	9.0
Deferred tax liabilities to be settled within 12 months	(0.1)	–
Deferred tax liabilities to be settled after 12 months	(0.6)	(0.4)
	(0.7)	(0.4)

8. Taxation CONTINUED

The UK Government reversed the planned reduction in the rate of UK Corporation Tax from 19% to 17% in March 2020. The impact of this change on deferred tax has been reflected, and deferred tax assets and liabilities have been assessed at the tax rates that are expected to apply when the related asset is realised or liability settled.

The Group has an unrecognised deferred tax asset of £4.2 million (31 May 2019: £2.4 million) in respect of prior years' losses of the US businesses, and current year losses in respect of the German and Hong Kong businesses, the recoverability of which is dependent on sufficient taxable profits in those entities. The recognised deferred tax asset reflects the extent to which it is considered probable that future taxable profits can be offset against the tax losses carried forward. The Group also has an unrecognised deferred tax asset of £12.7 million (31 May 2019: £11.6 million) in respect of UK capital losses, the recoverability of which is dependent on sufficient capital gains arising in the future.

Share-based payment awards have been charged to the income statement but are not allowable as a tax deduction until the awards vest. The excess of the expected tax relief in future years over the amount charged to the income statement is recognised as a credit directly to equity.

The movement in the deferred income tax assets is as follows:

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
At the beginning of the year	9.0	9.1
– Income statement (charge)/credit	2.0	(0.1)
– Tax credited to other comprehensive income	–	0.1
– Tax (charged)/credited directly to equity	0.6	(0.2)
– Impact of movement in foreign exchange rates	(0.1)	0.1
At the end of the year	11.5	9.0

The movement in the deferred income tax liability is as follows:

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
At the beginning of the year	(0.4)	–
– Income statement (charge)	(0.1)	(0.3)
– Tax (charged) to other comprehensive income	(0.2)	(0.1)
At the end of the year	(0.7)	(0.4)

Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the geographic location of the Group's earnings, the tax rates in those locations, changes in tax legislation, the recognition of previously unrecognised tax losses and the resolution of open tax issues. The Group's future tax charge may also be impacted by changes in the Group's business activities, client composition and regulatory status, which could impact the Group's exemption from the UK Bank Corporation Tax surcharge.

The calculation of the Group's total tax charge involves estimations and judgments with respect to several items, including the recognition of deferred tax assets, which are dependent on the Group's estimation of future profitable income, transfer pricing, and certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The Group is subject to a number of disparate tax jurisdictions worldwide as a result of its global operations, and these tax regimes themselves are subject to change. The Group determines its tax liability by taking into account its tax risks and it makes provision for those matters where it is probable that a tax liability will arise.

There are two historic UK tax schemes that are subject to formal resolution with HMRC. The Group has previously paid all tax and interest arising on these transactions and expects them to be resolved with no further impact on the Group's tax charge.

Notes to the Financial Statements CONTINUED

9. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding shares held as own shares in the Group's Employee Benefit Trusts. Diluted earnings per share is calculated using the same profit figure as that used in basic earnings per share and by adjusting the weighted average number of ordinary shares assuming the vesting of all outstanding share scheme awards and that vesting is satisfied by the issue of new ordinary shares.

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Earnings attributable to owners of the parent	240.4	158.3
Weighted average number of shares:		
Basic	368,081,407	367,570,489
Dilutive effect of share-based payments	2,540,279	2,796,998
Diluted	370,621,686	370,367,487
	Year ended 31 May 2020	Year ended 31 May 2019
Basic earnings per share	65.3p	43.1p
Diluted earnings per share	64.9p	42.8p

10. Dividends paid and proposed

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Final dividend for FY19 at 30.24p per share (FY18: 33.51p)	111.4	123.3
Interim dividend for FY20 at 12.96p per share (FY19: 12.96p)	47.8	47.8
	159.2	171.1

The final dividend for the year ended 31 May 2020 of 30.24 pence per share amounting to £111.7 million was proposed by the Board on 23 July 2020 and has not been included as a liability at 31 May 2020. This dividend will be paid on 22 October 2020, following approval at the Company's AGM, to those members on the register at the close of business on 25 September 2020.

11. Property, plant and equipment

	Leasehold improvements £m	Office equipment, fixtures and fittings £m	Computer and other equipment £m	Right-of-use assets £m	Total £m
Cost:					
At 1 June 2018	23.1	6.3	30.9	–	60.3
Additions	0.8	0.5	4.2	–	5.5
Disposals/write-offs	(2.1)	(0.4)	(1.0)	–	(3.5)
Impact of movement in foreign exchange rates	(0.2)	(0.1)	(0.2)	–	(0.5)
At 31 May 2019	21.6	6.3	33.9	–	61.8
IFRS 16 transitional adjustment	–	–	–	24.0	24.0
At 1 June 2019	21.6	6.3	33.9	24.0	85.8
Additions	1.3	0.7	7.9	12.1	22.0
Impact of movement in foreign exchange rates	0.1	(0.1)	–	0.1	0.1
At 31 May 2020	23.0	6.9	41.8	36.2	107.9
Accumulated depreciation:					
At 1 June 2018	17.0	3.7	24.1	–	44.8
Provided during the year	1.0	0.8	4.9	–	6.7
Amounts derecognised upon disposal	(2.1)	(0.4)	(1.0)	–	(3.5)
Impact of movement in foreign exchange rates	(0.2)	(0.1)	(0.3)	–	(0.6)
At 31 May 2019	15.7	4.0	27.7	–	47.4
Provided during the year	1.6	0.9	4.9	6.9	14.3
Impact of movement in foreign exchange rates	(0.1)	(0.1)	–	–	(0.2)
At 31 May 2020	17.2	4.8	32.6	6.9	61.5
Net book value – 31 May 2020	5.8	2.1	9.2	29.3	46.4
Net book value – 31 May 2019	5.9	2.3	6.2	–	14.4
Net book value – 31 May 2018	6.1	2.6	6.8	–	15.5

As of 1 June 2019, the Group has adopted IFRS 16 Leases and recognised right-of-use assets arising from the Group's lease arrangements. All right-of-use assets relate to premises leases. Refer to note 30 for further information on the transitional impact of IFRS 16 Leases.

Notes to the Financial Statements CONTINUED

12. Intangible assets

	Goodwill £m	Domain names £m	Internally developed software £m	Software and licences £m	Total £m
Cost:					
At 1 June 2018	108.0	38.9	30.9	22.9	200.7
Additions	–	–	5.9	3.2	9.1
Disposals	–	–	–	(0.1)	(0.1)
Impact of movement in foreign exchange rates	0.1	1.6	(0.1)	–	1.6
At 31 May 2019	108.1	40.5	36.7	26.0	211.3
Additions	–	–	4.3	2.1	6.4
Disposals	–	(3.5)	–	–	(3.5)
Impact of movement in foreign exchange rates	–	0.7	(0.1)	–	0.6
At 31 May 2020	108.1	37.7	40.9	28.1	214.8
Accumulated amortisation:					
At 1 June 2018	–	11.4	17.3	20.6	49.3
Provided during the year	–	3.4	5.0	2.1	10.5
Amounts derecognised upon disposal	–	–	–	(0.1)	(0.1)
Impact of movement in foreign exchange rates	–	0.3	(0.2)	–	0.1
At 31 May 2019	–	15.1	22.1	22.6	59.8
Provided during the year	–	3.6	5.8	1.9	11.3
Amounts derecognised upon disposal	–	(3.5)	–	–	(3.5)
Impact of movement in foreign exchange rates	–	0.2	(0.2)	–	–
At 31 May 2020	–	15.4	27.7	24.5	67.6
Net book value – 31 May 2020	108.1	22.3	13.2	3.6	147.2
Net book value – 31 May 2019	108.1	25.4	14.6	3.4	151.5
Net book value – 31 May 2018	108.0	27.5	13.6	2.3	151.4

13. Financial investments

Financial investments are UK Government securities:

	31 May 2020 £m	31 May 2019 £m
Held as:		
Liquid asset buffer	83.8	84.4
Collateral at brokers	140.5	140.8
	224.3	225.2
Of which:		
Non-current portion	83.8	189.9
Current portion	140.5	35.3
	224.3	225.2

The effective interest rates of securities held at the year-end range from 0.29% to 1.04% (31 May 2019: 0.08% to 1.04%).

14. Goodwill

Goodwill has been allocated for impairment testing purposes to cash-generating units (CGUs) as follows:

	31 May 2020 £m	31 May 2019 £m
UK	100.9	100.9
US	6.1	6.0
Australia	0.1	0.1
South Africa	1.0	1.1
	108.1	108.1

Goodwill arose as follows:

- UK – from the reorganisation of the UK business on 5 September 2003
- Australia – from the acquisition of the non-controlling interest in IG Australia Pty Limited in the year ended 31 May 2006
- US – from the acquisition of Nadex (formerly HedgeStreet Exchange) on 6 December 2007
- South Africa – from the acquisition of Ideal CFDs on 1 September 2010

Impairment testing

The Group's goodwill balance has been subject to a full impairment assessment and there has not been any impairment recognised for the year ended 31 May 2020 or 31 May 2019. For the purposes of the Group's impairment testing of goodwill, the carrying amount of each CGU is compared to the estimated recoverable amount of the relevant CGU and any deficits are considered impairments requiring recognition in the year. The carrying amount of a CGU includes only those assets that can be attributed directly, or allocated on a reasonable and consistent basis.

The estimated recoverable amount for each CGU is based upon the value-in-use (VIU) of each CGU. For all CGUs, the estimate of the recoverable amount was higher than the carrying value.

Key assumptions used in the calculation of the recoverable amount of the CGUs

The key assumptions for the VIU calculations are those regarding expected future cash flows, regional long-term growth rates and discount rates. Future cash flow projections are based on the most recent financial budgets considered by the Board which are used to project cash flows for each CGU over the next four years. After this period a terminal growth rate of 2.0% (31 May 2019: 2.5%) has been applied to the fourth year of the cash flow to derive a terminal value for the CGUs. The resultant cash flows have been discounted at a pre-tax discount rate of 10.0% (31 May 2019: 10.0%) for UK, 15% for South Africa (31 May 2019: 10.0%), 12.0% (31 May 2019: 12.0%) for Australia and 12.0% (31 May 2019: 18.0%) for the US.

Sensitivity to changes in assumptions

These calculations have been subject to a sensitivity analysis reflecting reasonable changes in key assumptions. All VIU calculations are not sensitive to a 500 basis points discount rate increase and to business performance of 30% below forecast. In addition, the recoverable amount of all CGUs remained higher than the carrying value with terminal growth rates reduced to zero. At this level the recoverable amount for all CGUs exceeded the carrying values by a significant amount.

Notes to the Financial Statements CONTINUED

15. Trade receivables

	31 May 2020 £m	31 May 2019 £m
Amounts due from brokers	274.8	245.4
Own funds in client money	66.5	53.9
Amounts due from clients	5.7	1.8
	347.0	301.1

Amounts due from brokers represent balances with brokers where the combination of cash held on account and the valuation of financial derivative open positions results in an amount due to the Group. In addition to amounts due from brokers, the Group posts UK Government securities as collateral with brokers to partly meet margin requirements of which £51.8 million (31 May 2019: £81.6 million) are held in custody accounts and £88.7 million (31 May 2019: £59.2 million) is considered as full title transferred held in non-custody accounts. These are classified as financial investments.

Own funds in client money represents the Group's own cash held in segregated client funds, in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates and includes £16.5 million (31 May 2019: £13.5 million) to be transferred to the Group on the following business day. Amounts due from clients arise when a client's total funds deposited with the Group are insufficient to cover any trading losses incurred or when a client utilises a trading credit limit, and is stated net of an allowance for impairment.

16. Other assets

Other assets are cryptocurrencies and rights to cryptocurrencies, which are owned and controlled by the Group for the purpose of hedging the Group's exposure to clients' cryptocurrency trading positions. The Group holds rights to cryptocurrencies on exchange and in vaults as follows:

	31 May 2020 £m	31 May 2019 £m
Exchange	6.0	14.2
Vaults	16.1	18.9
	22.1	33.1

Other assets are measured at fair value. Other assets are level 2 assets in accordance with the fair value hierarchy (note 26).

17. Borrowings

In May 2020 the Group extended its credit facility with four UK banks. The credit facility is for £200 million, of which £100 million is a fully drawn term loan which is repayable on maturity of the facility in June 2022. The term loan is stated net of £0.3 million of unamortised arrangement fees. The Group also has access to a £100 million revolving credit facility with a maturity date of June 2021 having been extended by one year in May 2020. The revolving credit facility was not drawn as at 31 May 2020.

18. Leases

Following the adoption of IFRS 16 Leases from 1 June 2019, the Group now recognises a lease liability on the balance sheet to represent its obligation to make lease payments. The table below shows the maturity analysis of the recognised lease liability at 31 May 2020, and the rental commitments under non-cancellable operating leases that related to leases that have not been recognised as right-of-use assets prior to the adoption IFRS 16 at 31 May 2019.

	31 May 2020 £m	31 May 2019 £m
Future minimum payments due:		
Within one year	6.8	7.0
After one year but not more than five years	20.9	19.0
After more than five years	1.6	2.6
	29.3	28.6

In addition to the £29.3 million lease liability, the Group has £0.2 million lease commitments under non-cancellable operating leases which are not capitalised as right-of-use assets.

18. Leases CONTINUED

The movements in balances associated with IFRS 16 Leases can be reconciled as follows:

Right-of-use asset

	£m
Right-of-use asset at 1 June 2019	24.0
New lease agreements – present value of lease liabilities	11.5
New lease agreements – estimated restoration costs	0.7
Depreciation in the year	(6.9)
Right-of-use asset at 31 May 2020	29.3

Lease liability

	£m
Lease liability at 1 June 2019	24.5
New lease agreements – present value of lease liabilities	11.5
Lease payments made in the year	(7.3)
Unwinding of discount	0.6
Lease liability at 31 May 2020	29.3

19. Trade payables

	31 May 2020 £m	31 May 2019 £m
Client funds	141.4	107.4
Amounts due to clients	1.7	3.0
	143.1	110.4

Client funds comprise title transfer funds and client deposits with the Group's Swiss banking subsidiary. These amounts are included within cash and cash equivalents. Client funds also includes financial liabilities relating to issued turbo warrants. Amounts due to clients represent balances that will be transferred from the Group's own cash into segregated client funds on the following business day in accordance with the UK's FCA 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates.

20. Other payables

	31 May 2020 £m	31 May 2019 £m
Accruals	74.2	53.9
Payroll taxes, social security and other taxes	6.9	6.1
	81.1	60.0

21. Contingent liabilities and provisions

In the ordinary course of business, the Group is subject to legal and regulatory risks in a number of jurisdictions. There are no contingent liabilities that are expected to have a material adverse financial impact on the Group's Consolidated Financial Statements. The Group had no material provisions at 31 May 2020 (31 May 2019: £nil).

Notes to the Financial Statements CONTINUED

22. Share capital and share premium

	Number of shares	Share capital £m	Share premium account Restated ¹ £m
Allotted and fully paid:			
(i) Ordinary shares (0.005p)			
At 31 May 2018	367,889,455	–	125.8
Issued during the year	955,000	–	–
At 31 May 2019	368,844,455	–	125.8
Issued during the year	595,000	–	–
At 31 May 2020	369,439,455	–	125.8
(ii) Deferred redeemable shares (0.001p)			
At 31 May 2019	65,000	–	–
At 31 May 2020	65,000	–	–
(iii) Redeemable preference shares (£1.00)			
At 31 May 2019	40,000	–	–
At 31 May 2020	40,000	–	–

¹ Refer to note 23 for further information.

During the year ended 31 May 2020, 595,000 (31 May 2019: 955,000) ordinary shares with an aggregate nominal value of £29.75 (31 May 2019: £47.75) were issued to the Employee Benefit Trust in order to satisfy the exercise of sustained performance plan and long-term incentive plan awards, for consideration of £29.75 (31 May 2019: £47.75).

Except as the ordinary shareholders have agreed or may otherwise agree, on a winding up of the Company, the balance of assets available for distribution, after the payment of all of the Company's creditors and subject to any special rights attaching to other classes of shares, are distributed among the shareholders according to the amounts paid up on shares by them.

Deferred redeemable shares

These shares carry no entitlement to dividends and no voting rights.

Redeemable preference shares

The preference shares are entitled to a fixed non-cumulative dividend of 8.0% paid in preference to any other dividend. Redemption is only permissible in accordance with capital distribution rules or on the winding up of the Company where the holders are entitled to £1 per share plus, if the Company has sufficient distributable reserves, any accrued or unpaid dividends. The preference shares have no voting rights, except that they are entitled to vote should the Company fail to pay any amount due on redemption of the shares. The effective interest rate on these shares is 8.0% (31 May 2019: 8.0%).

23. Other reserves

	Share-based payments reserve £m	Foreign currency translation reserve £m	Own shares held in Employee Benefit Trusts £m	Transactions with non- controlling interests reserve £m	Available-for- sale reserve £m	FVOCI reserve £m	Merger Reserve Restated ¹ £m	Total other reserves Restated ¹ £m
At 1 June 2018	15.7	65.5	(7.4)	(2.1)	(0.1)	–	81.0	152.6
Transfer of transactions with non-controlling interests reserve	–	–	–	2.1	–	–	–	2.1
Equity-settled employee share- based payments	7.2	–	–	–	–	–	–	7.2
Foreign currency translation on overseas subsidiaries	–	6.2	–	–	–	–	–	6.2
Exercise of UK share incentive plans	(0.9)	–	0.9	–	–	–	–	–
Employee Benefit Trust purchase of shares	–	–	(2.0)	–	–	–	–	(2.0)
Reclassification on IFRS 9 adoption	–	–	–	–	0.1	(0.1)	–	–
Change in value of financial assets held at fair value through other comprehensive income	–	–	–	–	–	0.6	–	0.6
Transfer of share-based payment reserve	(5.5)	–	–	–	–	–	–	(5.5)
At 31 May 2019	16.5	71.7	(8.5)	–	–	0.5	81.0	161.2
Equity-settled employee share- based payments	9.7	–	–	–	–	–	–	9.7
Foreign currency translation on overseas subsidiaries	–	2.4	–	–	–	–	–	2.4
Exercise of UK share incentive plans	(5.4)	–	5.4	–	–	–	–	–
Employee Benefit Trust purchase of shares	–	–	(1.5)	–	–	–	–	(1.5)
Change in value of financial assets held at fair value through other comprehensive income	–	–	–	–	–	0.7	–	0.7
Transfer of share-based payment reserve	(4.1)	–	–	–	–	–	–	(4.1)
At 31 May 2020	16.7	74.1	(4.6)	–	–	1.2	81.0	168.4

¹ Refer to note 23 for further information.

The share-based payments reserve relates to the estimated cost of equity-settled employee share plans based on a straight-line basis over the vesting period. The foreign currency translation reserve relates to translation of overseas subsidiaries. It includes a balance of £53.7 million arising from foreign exchange gains on Japanese goodwill and customer list assets that were acquired in 2008, and were subsequently impaired in full in the year ended 31 May 2011. The fair value through other comprehensive income (FVOCI) reserve includes unrealised gains or losses in respect of financial investments, net of tax.

In the year ended 31 May 2009, the Group carried out a share placement of 27,864,407 shares at a placing price of £2.95 per share, raising £82.2 million. After deducting £1.2 million transaction costs, £81.0 million was recognised as ‘share premium’.

Notes to the Financial Statements CONTINUED

23. Other reserves CONTINUED

This placing was facilitated through IG Jersey Cashbox Limited, a Jersey incorporated company which has since been liquidated. The Group has now determined that the transaction qualified for merger relief under section 612 Companies Act 2006. As a result, £81.0 million has now been reclassified to 'other reserves' from 'share premium', reflecting the merger relief treatment. The affected financial statement line items for the prior periods are restated as follows:

Statement of Financial Position and Statement of Changes in Equity (extract)

	Previously reported £m	Adjustments £m	Restated £m
At 1 June 2018			
Equity			
Share capital and share premium	206.8	(81.0)	125.8
Other reserves	71.6	81.0	152.6
At 31 May 2019			
Equity			
Share capital and share premium	206.8	(81.0)	125.8
Other reserves	80.2	81.0	161.2

Own shares held in Employee Benefit Trusts

The movements in own shares held in Employee Benefit Trusts in respect of employee share plans during the year were as follows:

	Year ended 31 May 2020 Number	Year ended 31 May 2019 Number
At the beginning of the year		
Subscribed for and purchased during the year	858,852	1,181,079
Exercise and sale of own shares held in trust	(706,004)	(1,076,613)
At the end of the year	1,279,338	1,126,490

The Group has a UK-resident Employee Benefit Trust which holds shares in the Company to satisfy awards under the Group's HM Revenue and Customs approved share incentive plan (SIP). At 31 May 2020, 277,478 ordinary shares (31 May 2019: 339,934) were held in the trust. The market value of the shares at 31 May 2020 was £2.1 million (31 May 2019: £1.9 million).

The Group has a Jersey-resident Employee Benefit Trust which holds shares in the Company to satisfy awards under the long-term incentive plan and sustained performance plan. At 31 May 2020, the Trust held 974,678 ordinary shares (31 May 2019: 745,694). The market value of the shares at 31 May 2020 was £7.5 million (31 May 2019: £4.1 million).

The Group has an Australian-resident Employee Equity Plan Trust which holds shares in the Company to satisfy awards under a SIP. At 31 May 2020, 27,182 ordinary shares (31 May 2019: 40,862) were held in the trust. The market value of the shares at 31 May 2020 was £0.2 million (31 May 2019: £0.2 million).

24. Employee share plans

The Company operates three employee share plans; a sustained performance plan (SPP), a long-term incentive plan (LTIP) and a share incentive plan (SIP), all of which are equity-settled.

Sustained performance plan

The SPP award was introduced in the year ended 31 May 2014 for the Group's Executive Directors and other selected senior employees. The Remuneration Committee approves any awards made under the plan and is responsible for setting the policy for the operation of the SPP, agreeing performance targets and participation.

The legal grant of awards under the SPP occurs post the relevant performance period. At the outset of the financial year the Remuneration Committee approves, and communicates to the participants, performance conditions and a predefined maximum monetary award in terms of multiple of salary. The grant of awards, in the form of equity-settled par value options, is based upon three performance conditions: relative total shareholder return (TSR), diluted earnings per share (EPS) and operational non-financial performance (NFP). Awards subsequently vest in tranches over the longer term, so the participant retains an ongoing substantial stake in the share price performance of the Company.

24. Employee share plans CONTINUED

The following table shows the movement of options in the SPP for the year ended 31 May 2020:

Award date	Performance period (year ended)	Share price at award	Expected full vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	Dividend equivalent awarded during the year Number	At the end of the year Number
4 Aug 2014	31 May 2014	609.90p	1 Aug 2025	61,126	–	–	(24,667)	1,527	37,986
6 Aug 2015	31 May 2015	742.55p	1 Aug 2025	65,325	–	–	(26,034)	2,680	41,971
2 Aug 2016	31 May 2016	868.65p	1 Aug 2025	303,397	–	(11,905)	(108,078)	12,912	196,326
1 Aug 2017	31 May 2017	626.50p	1 Aug 2025	223,976	–	(6,870)	(74,658)	9,712	152,160
7 Aug 2018	31 May 2018	893.00p	1 Aug 2025	760,535	–	(26,575)	(253,512)	19,741	500,189
6 Aug 2019	31 May 2019	559.20p	1 Aug 2025	–	461,366	(12,686)	(101,403)	23,676	370,953
Total				1,414,359	461,366	(58,036)	(588,352)	70,248	1,299,585

The average share price at exercise of options during the year was 565.84 pence.

The exercise price of all SPP awards is 0.005 pence.

Further information on the Company's SPP awards to Executive Directors is given in the Directors' Remuneration Report. The SPP awards for the year ended 31 May 2020 will be granted post year-end following the approval of actual performance against targets set by the Remuneration Committee. A ten-day share price averaging period, that commences after the Company's closed period, is utilised to convert the notional value awarded into a number of options.

The table below details the number of options expected to be awarded for the year ended 31 May 2020, based on the year-end share price:

Expected award date	Closing share price at 31 May 2020	Expected full vesting date	Awards expected for the year ending 31 May 2020 Number
6 Aug 2020	765.0p	1 Aug 2025	2,307,805

Long-term incentive plan

The LTIP is made available to senior management who are not invited to participate in the SPP.

Awards under the LTIP are nominal cost options, which vest after three years, conditional upon continued employment at the vesting date. There are no performance targets.

The maximum number of LTIP awards that can vest under the awards made are:

Award date	Share price at award	Expected vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	Dividend equivalent awarded during the year Number	At the end of the year Number
1 Aug 2017	626.50p	1 Aug 2020	406,372	–	(143,377)	–	–	262,995
7 Aug 2018	893.00p	7 Aug 2021	270,619	–	(43,240)	–	–	227,379
6 Aug 2019	559.20p	6 Aug 2022	–	491,480	(17,476)	–	–	474,004
Total			676,991	491,480	(204,093)	–	–	964,378

The exercise price of all options awarded under the LTIP is 0.005 pence. Awards issued on 12 August 2016 and expected to vest on 12 August 2019 lapsed in full during the year ended 31 May 2019.

Notes to the Financial Statements CONTINUED

24. Employee share plans CONTINUED

Share incentive plan

SIP awards are made available to all UK, Australian and US employees. The terms of the award are approved by the Remuneration Committee.

The UK and Australian awards invite all employees to purchase up to £1,800/A\$3,000 (31 May 2019: £1,800/A\$3,000) of partnership shares, with the Company matching on a one-for-one (31 May 2019: one-for-one) basis. All matching shares vest after three years as long as the employee remains employed with the Group for the term of the award. Shares awarded under the scheme are held in trust in accordance with local tax authority rules. Employees are entitled to receive dividends on the partnership and matching shares held in trust for as long as they remain employees.

The US award invites employees to invest a maximum of 5% of their salary to the award. Employees are invited to purchase shares in IG Group Holdings plc at a discount of 15% to the scheme price, being the lower of the opening share price and the closing share price for the period.

The maximum number of matching shares that can vest based on the SIP awards made are:

Country of award	Award date	Share price at award	Expected vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	At the end of the year Number
UK	2 Aug 2016	879.50p	2 Aug 2019	98,175	–	(862)	(97,313)	–
Australia	15 Jul 2016	930.00p	15 Jul 2019	7,234	–	–	(7,234)	–
UK	1 Aug 2017	626.50p	1 Aug 2020	112,936	–	(7,902)	(3,680)	101,354
Australia	15 Jul 2017	626.50p	15 Jul 2020	12,082	–	(240)	(1,156)	10,686
UK	7 Aug 2018	893.00p	7 Aug 2021	107,294	–	(12,112)	(2,814)	92,368
Australia	15 Jul 2018	935.84p	15 Jul 2021	11,156	–	(1,024)	(1,326)	8,806
UK	6 Aug 2019	559.20p	6 Aug 2022	–	68,745	(1,591)	(956)	66,198
Australia	15 Jul 2019	597.00p	15 Jul 2022	–	3,395	(471)	(566)	2,358
Total				348,877	72,140	(24,202)	(115,045)	281,770

Of the above SIP awards exercised during the year ended 31 May 2020, the average weighted share price at exercise was:

Country of award	Award date	Weighted average share price at exercise
UK	2 Aug 2016	668.25p
Australia	15 Jul 2016	548.50p
UK	1 Aug 2017	626.50p
Australia	15 Jul 2017	640.00p
UK	7 Aug 2018	871.26p
Australia	15 Jul 2018	859.50p
UK	6 Aug 2019	556.00p
Australia	15 Jul 2019	614.12p

The weighted average exercise price of the SIP awards exercised during the year ended 31 May 2020 is 561.14 pence.

Accounting for share schemes

The IFRS expense recognised in the income statement in respect of share-based payments was £9.7 million (31 May 2019: £7.2 million).

The fair value of the equity-settled share-based payments to employees is determined at the date at which a shared understanding of the terms and conditions of the arrangement is reached between the Company and the participants. The weighted average fair value of the equity-settled awards granted or deemed as such under IFRS 2 during the year was £13.5 million (31 May 2019: £7.8 million).

For SIP awards the fair value is determined to be the share price at the grant date without making an adjustment for expected future dividends, as award recipients are entitled to dividends over the vesting period.

24. Employee share plans CONTINUED

For LTIP awards the fair value is determined to be the share price at grant date without making an adjustment for the expected future dividends as dividend equivalents are awarded on options granted under the LTIP.

For potential SPP awards made under the TSR criteria, fair value is calculated using an option pricing model prepared by advisers. For the SPP awards made under the EPS and NFP operational measures, the fair value is determined by taking the share price at deemed grant date less the present value of expected future dividends for the duration of the performance period. Dividend equivalents accrue under the SPP on awarded but not yet vested options post the performance period. Dividend equivalents cease to accrue on unexercised options after the vesting date.

The inputs below were used to determine the fair value of the TSR element of the SPP awards granted on 6 August 2019:

Date of grant	6 August 2019
Share price at grant date	559.2p
Expected life of awards	0.82 years
Risk-free Sterling interest rate	0.61%
IG Group Holdings plc expected volatility	35.96%

Due to the small exercise price of 0.005 pence, the risk-free rate has no impact on the fair value calculation.

IG Group Holdings plc's expected volatility is based on historical TSR volatility of IG Group Holdings plc measured daily over a period prior to the date of grant and commensurate with the remaining performance period.

The weighted average fair values for outstanding awards across all schemes are as follows:

	At the beginning of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
Year ended 31 May 2020	751.23p	468.83p	743.20p	739.50p	577.48p
Year ended 31 May 2019	749.83p	845.11p	873.98p	736.38p	751.23p

25. Related party transactions

The Group had no transactions with its Directors other than those disclosed in the Directors' Remuneration Report.

The Directors and other members of management classified as 'persons discharging management responsibility' in accordance with the Market Abuse Regulation are considered to be the key management personnel of the Group in accordance with IAS 24 Related Party Disclosures. The Directors' Remuneration Report discloses all benefits and share-based payments earned during the year and the preceding year by the Executive Directors. The total compensation for key management personnel was as follows:

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Short-term employee benefits	4.6	6.0
Share-based payments	7.9	6.5
	12.5	12.5

The average number of key management personnel during the year was nine (year ended 31 May 2019: ten).

Notes to the Financial Statements CONTINUED

26. Financial instruments

Accounting classifications and fair values

The table below sets out the classification of each class of financial assets and liabilities and their fair values. The Group considers the carrying value of all financial assets and liabilities to be a reasonable approximation of fair value and represents the Group's maximum credit exposure as at the balance sheet date without taking account of any collateral held.

As at 31 May 2020	Note	FVTPL £m	Amortised cost £m	FVOCI £m	Total carrying amount £m	Fair value £m
Financial assets:						
Cash and cash equivalents		-	486.2	-	486.2	486.2
Financial investments	13	-	-	224.3	224.3	224.3
Total trade receivables – amounts due (to)/from brokers	15	(1.8)	276.6	-	274.8	274.8
Trade receivables – own funds in client money	15	-	66.5	-	66.5	66.5
Trade receivables – amounts due from clients	15	-	5.7	-	5.7	5.7
Other receivables		-	3.9	-	3.9	3.9
		(1.8)	838.9	224.3	1,061.4	1,061.4
Financial liabilities:						
Trade payables – client funds	19	12.6	(154.0)	-	(141.4)	(141.4)
Trade payables – amounts due to clients	19	-	(1.7)	-	(1.7)	(1.7)
Borrowings	17	-	(99.7)	-	(99.7)	(99.7)
Other payables		-	(81.1)	-	(81.1)	(81.1)
		12.6	(336.5)	-	(323.9)	(323.9)
As at 31 May 2019						
	Note	FVTPL £m	Amortised cost £m	FVOCI £m	Total carrying amount £m	Fair value £m
Financial assets:						
Cash and cash equivalents		-	373.3	-	373.3	373.3
Financial investments	13	-	-	225.2	225.2	225.2
Total trade receivables – amounts due (to)/from brokers	15	(28.6)	274.0	-	245.4	245.4
Trade receivables – own funds in client money	15	-	53.9	-	53.9	53.9
Trade receivables – amounts due from clients	15	-	1.8	-	1.8	1.8
Other receivables		-	5.3	-	5.3	5.3
		(28.6)	708.3	225.2	904.9	904.9
Financial liabilities:						
Trade payables – client funds	19	41.0	(148.4)	-	(107.4)	(107.4)
Trade payables – amounts due to clients	19	-	(3.0)	-	(3.0)	(3.0)
Borrowings	17	-	(99.6)	-	(99.6)	(99.6)
Other payables		-	(60.0)	-	(60.0)	(60.0)
		41.0	(311.0)	-	(270.0)	(270.0)

26. Financial instruments CONTINUED
Financial instrument valuation hierarchy

The hierarchy of the Group's financial instruments carried at fair value is as follows:

As at 31 May 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets:				
Total trade receivables – amounts due (to)/from brokers	(3.0)	1.2	–	(1.8)
Financial investments	224.3	–	–	224.3
Financial liabilities:				
Trade payables – client funds	–	12.6	–	12.6

As at 31 May 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets:				
Trade receivables – due (to)/from brokers	6.0	(34.6)	–	(28.6)
Financial investments	225.2	–	–	225.2
Financial liabilities:				
Trade payables – client funds	–	41.0	–	41.0

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

Level 1 assets are valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes the Group's open exchange-traded hedging positions. The quoted market price used for financial assets held by the Group is the period end bid price.

Level 2 assets are valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product used by the Group to hedge its market risk does not exist. This category includes the Group's open non-exchange-traded hedging positions. This comprises shares, foreign currency and foreign currency options. The fair values used in the valuation of these products are sometimes brokered values and may occur after the close of a market but before the measurement date. The effects of discounting are generally insignificant for these Level 2 financial instruments.

Level 3 assets are valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

There have been no changes to fair value hierarchy, the valuation techniques and accounting estimates for any of the Group's financial instruments held at fair value in the year (31 May 2019: none). There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements for years ended 31 May 2020 and 31 May 2019.

Notes to the Financial Statements CONTINUED

26. Financial instruments CONTINUED

Fair value of financial assets and liabilities measured at amortised cost

The hierarchy of the Group's financial instruments not carried at fair value is as follows:

As at 31 May 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets:				
Cash and cash equivalents	-	486.2	-	486.2
Trade receivables – amounts due from brokers	-	276.6	-	276.6
Trade receivables – own funds in client money	-	66.5	-	66.5
Trade receivables – amounts due from clients	-	5.7	-	5.7
Other receivables	-	3.9	-	3.9
Financial liabilities:				
Trade payables – client funds	-	(154.0)	-	(154.0)
Trade payables – amounts due to clients	-	(1.7)	-	(1.7)
Borrowings	-	(99.7)	-	(99.7)
Other payables	-	(81.1)	-	(81.1)

As at 31 May 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets:				
Cash and cash equivalents	-	373.3	-	373.3
Trade receivables – amounts due from brokers	-	274.0	-	274.0
Trade receivables – own funds in client money	-	53.9	-	53.9
Trade receivables – amounts due from clients	-	1.8	-	1.8
Other receivables	-	5.3	-	5.3
Financial liabilities:				
Trade payables – client funds	-	(148.4)	-	(148.4)
Trade payables – amounts due to clients	-	(3.0)	-	(3.0)
Borrowings	-	(99.6)	-	(99.6)
Other payables	-	(60.0)	-	(60.0)

The fair value of the financial assets and liabilities measure at amortised cost approximate their carrying amount:

- Cash and cash equivalents
- Trade and other receivables (excluding the Group's open financial derivative hedging positions with brokers above)
- Trade and other payables
- Borrowings

Items of income, expense, gains or losses

All of the Group's gains and losses arising from financial assets and liabilities classified as fair value through the profit and loss are included in net trading revenue for the years ended 31 May 2020 and 31 May 2019.

Offsetting financial assets and liabilities

The following financial assets and liabilities have been offset and are subject to enforceable netting agreements.

As at 31 May 2020	Note	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off £m	Net amounts of financial assets £m
Financial assets				
Trade receivables – amount due from/(to) brokers	15	733.1	(458.3)	274.8
Financial liabilities				
Trade payables – client funds	19	14.8	(156.2)	(141.4)
		747.9	(614.5)	133.4

26. Financial instruments CONTINUED

As at 31 May 2019	Note	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off £m	Net amounts of financial assets £m
Financial assets				
Trade receivables – due from/(to) brokers	15	610.6	(365.2)	245.4
Financial liabilities				
Trade payables – client funds	19	42.2	(149.6)	(107.4)
		652.8	(514.8)	138.0

Amounts due from brokers and client funds have been presented gross to reflect the impact of offsetting. The Group is entitled to offset amounts due from brokers on a broker account level. Client funds represents balances with clients where the cash held on balance sheet and the valuation of open derivate positions result in an amount due to clients. The offsetting note has been restated to include these balances, which the Group is entitled to offset.

27. Financial risk management

Financial risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks. Details of how risks are managed are discussed in the Risk Management section on page 50.

Market risk

Market risk disclosures are analysed into these categories:

- Non-trading interest rate
- Price and foreign currency risk, which is further analysed between the impact on financial investments held at fair value through other comprehensive income and the impact on the Group's year-end net trading book position. The Group's foreign currency exposure on its financial assets and liabilities denominated in currencies other than the reporting currency is included in the trading book

Non-trading interest rate risk

The Group has interest rate risk relating to financial instruments not held at fair value through profit or loss. These exposures are not hedged.

The interest rate risk profile of the Group's financial assets and liabilities at each year-end was as follows:

	Within 1 year		Between 2 and 5 years		Total	
	31 May 2020 £m	31 May 2019 £m	31 May 2020 £m	31 May 2019 £m	31 May 2020 £m	31 May 2019 £m
Fixed rate:						
Financial investments	140.5	35.3	83.8	189.9	224.3	225.2
Floating rate:						
Cash and cash equivalents	486.2	373.3	–	–	486.2	373.3
Trade receivables – due from brokers	274.8	245.4	–	–	274.8	245.4
Trade receivables – own funds in client money	66.5	53.9	–	–	66.5	53.9
Borrowings	–	–	(99.7)	(99.6)	(99.7)	(99.6)
	968.0	707.9	(15.9)	90.3	952.1	798.2

There are no financial assets and liabilities which are held for a period over five years.

Non-trading interest rate risk sensitivity analysis – fixed rate

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The level of future fixed interest receivable would be similar to that received in the year and is considered immaterial to the Group's profit for the year.

Notes to the Financial Statements CONTINUED

27. Financial risk management CONTINUED

Non-trading interest rate risk sensitivity analysis – floating rate

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Trade receivables and payables include client and broker balances upon which interest is paid or received based upon market rates.

Interest rate sensitivity has been performed on floating rate financial instruments by considering an adverse interest rate movement of 1% on financial assets and liabilities. The impact of such a movement on the Group's profit for the year is shown below.

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Impact:		
Cash and cash equivalents	(4.9)	(3.7)
Trade receivables – amount due from brokers	(2.7)	(2.5)
Trade receivables – own funds in client money	(0.7)	(0.5)
Borrowings	1.0	1.0

The net impact of such a movement in interest rates is considered to be immaterial to the Group's profit for the year.

Price risk

The Group is exposed to investment securities price risk because financial investments held by the Group are priced based on closing market prices published by the UK Debt Management Office.

The table below summarises the impact of decreases in the value of financial investments on the Group's post-tax gain or loss in other comprehensive income. The analysis is based on the assumption that the value of financial investments has decreased by 1% with all other variables held constant:

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Impact on FVOCI reserve (equity)	(2.2)	(2.3)

The financial impact of such a movement in fair value is considered to be immaterial to the Group.

The Group is also exposed to price and foreign currency risk in relation to its net trading book position. The Group accepts some exposure to market risk in order to optimise the efficiency and effectiveness of its services to clients. The Group manages the market risk it faces in providing its services to clients by internalising client flow (allowing individual client trades to offset one another) and hedging when the residual exposures reach predefined limits. The Group's Risk Management Framework is set out on page 50 of the Annual Report. The Group's Market Risk Policy incorporates a methodology for setting market risk limits for each financial market in which clients can trade, as well as certain groups of markets or assets which are considered to be correlated.

The table below presents the Group's combined exposure to indices and equities, and the Group's largest exposure to foreign exchange and commodities, as at 31 May 2020. The sensitivity analysis presents the impact on the income statement of a 5% adverse market movement with all other variables held constant:

	31 May 2020		31 May 2019	
	Notional exposure £m	Impact £m	Notional exposure £m	Impact £m
Indices and equities	0.7	–	4.0	(0.2)
Foreign exchange	2.9	(0.1)	6.9	(0.3)
Commodities	0.6	–	1.8	(0.1)

27. Financial risk management CONTINUED

Foreign currency risk

The table below illustrates the sensitivity of the Group's net assets with regard to currency movements on financial assets and liabilities included in the balance sheets of non-GBP functional currency entities which are denominated in the functional currency of that entity (and which are not held at fair value through profit and loss) as at the year-end.

Based on a 5% weakening in the following exchange rates, the increase/(decrease) of the Group's net assets would be as follows:

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Impact:		
US Dollar	(4.2)	(5.0)
Euro	(2.0)	1.0
Yen	0.8	0.7
South African Rand	(1.6)	(0.9)
Swiss Franc	(0.2)	(1.1)
Other	(0.6)	0.2

Credit risk

The principal sources of credit risk to the Group's business are from financial institutions and individual clients.

Amounts due from financial institutions, which are stated net of an expected credit loss of £0.1 million (31 May 2019: £nil), are all less than 30 days past due. Amounts due from clients, which are stated net of an expected credit loss of £15.7 million at 31 May 2020 (31 May 2019: expected credit loss of £9.3 million), include both amounts less than and greater than 30 days past due.

The analysis in the following table shows credit exposures by credit rating:

	Cash and cash equivalents		Trade receivables – amounts due from brokers		Trade receivables – amounts due from clients		Trade receivables – own funds in client money	
	31 May 2020 £m	31 May 2019 £m	31 May 2020 £m	31 May 2019 £m	31 May 2020 £m	31 May 2019 £m	31 May 2020 £m	31 May 2019 £m
Credit rating:								
AA+ & above	25.7	30.4	–	–	–	–	–	–
AA to AA-	22.9	22.8	–	42.4	–	–	5.4	1.7
A+ to A-	420.2	305.4	267.8	182.3	–	–	60.1	44.6
BBB+ to BBB-	7.2	2.7	–	14.7	–	–	1.0	4.9
BB+ to B	10.2	11.5	3.3	0.1	–	–	–	–
Unrated	–	0.5	3.7	5.9	5.7	1.8	–	2.7
Total carrying amount	486.2	373.3	274.8	245.4	5.7	1.8	66.5	53.9

Loss allowance

Below is a reconciliation of the total loss allowance:

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
At the beginning of the year	9.3	11.0
Loss allowance for the year:		
– Gross charge for the year	13.8	3.0
– Recoveries	(2.8)	(1.2)
– Debts written off	(4.4)	(3.6)
Foreign exchange	(0.1)	0.1
At the end of the year	15.8	9.3

Notes to the Financial Statements CONTINUED

27. Financial risk management CONTINUED

The loss allowance has been calculated in accordance with the Group's expected credit loss model. The following table provides an overview of the Group's credit risk by Stage and the associated loss allowance. The financial instruments that are assessed in accordance with the 'simplified approach' as permitted by IFRS 9 are trade receivables (excluding derivative amounts due from brokers).

	31 May 2020				
	Stage 1 12-month ECL £m	Stage 2 lifetime ECL £m	Stage 3 lifetime ECL £m	Simplified approach £m	Total £m
Credit grade:					
Investment grade	700.3	-	-	328.2	1,028.5
Non-investment grade	10.2	-	-	40.3	50.5
Gross carrying amount	710.5	-	-	368.5	1,079.0
Loss allowance	-	-	-	(15.8)	(15.8)
Total carrying amount	710.5	-	-	352.7	1,063.2
	31 May 2019				
	Stage 1 12-month ECL £m	Stage 2 lifetime ECL £m	Stage 3 lifetime ECL £m	Simplified approach £m	Total £m
Credit grade:					
Investment grade	586.5	-	-	319.2	905.7
Non-investment grade	12.0	-	-	15.8	27.8
Gross carrying amount	598.5	-	-	335.0	933.5
Loss allowance	-	-	-	(9.3)	(9.3)
Total carrying amount	598.5	-	-	325.7	924.2

Concentration risk

The Group's largest credit exposure to any one individual broker at 31 May 2020 was £70.2 million (A+ rated) (31 May 2019: £58.6 million (A+ rated)). Included in cash and cash equivalents, the Group's largest credit exposure to any bank at 31 May 2020 was £100.1 million (A+ rated) (31 May 2019: £99.7 million (A rated)). The Group has no significant credit exposure to any one particular client or group of connected clients.

Liquidity risk

Amounts receivable and payable on demand

The Group's financial instruments are all repayable within one year, with the exception of the Group's term loan which is repayable in full in June 2022.

The Group has non-derivative cash flows payable over five years in relation to the redeemable preference shares of £40,000 at 31 May 2020 (31 May 2019: £40,000).

28. Cash generated from operations

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Operating activities		
Operating profit	296.0	192.9
Depreciation and amortisation	25.6	17.3
Share-based payments charge	9.7	7.2
Gain on sale of subsidiaries	(0.7)	–
(Increase)/decrease in trade and other receivables and other assets	(35.6)	72.5
Increase/(decrease) in trade and other payables	54.6	(33.1)
Cash generated from operations	349.6	256.8

29. Subsequent events

There are no subsequent events that have a material impact on the Financial Statements.

30. Significant accounting policies

The accounting policies and interpretations adopted in the preparation of the Financial Statements are consistent with those followed in the preparation of the Group's Annual Report for the year ended 31 May 2019, except for the change related to IFRS 16 Leases as described below, and IFRIC 23 Uncertainty over Income Tax Treatments.

New accounting standards and interpretations adopted during the year

IFRS 16 – Leases

IFRS 16 was endorsed by the EU in November 2017 and is effective for periods beginning on or after 1 January 2019. IFRS 16 reflects a major change in the way that operating leases are accounted for by the Group. Previously the annual lease expense was recognised in the income statement, with future minimum operating lease payments disclosed in the notes. IFRS 16 requires all leased assets, except for short-term or low-value leases, to be recognised as assets, with a corresponding lease liability. This has the effect of grossing up the balance sheet. The depreciation of the asset is recognised in the income statement, along with a corresponding finance cost.

Where the Group is the lessee, it now recognises a right-of-use asset and a related lease liability from the date at which the right-of-use asset has been obtained. The lease liability is measured as the net present value of future lease payments, which are discounted at the Group's estimated incremental secured borrowing rate. For low-value or short-term leases, payments are recognised as lease payments on a straight-line basis over the lease term. These are recognised as premises costs in operating expenses.

Transition considerations

The Group adopted IFRS 16 as of 1 June 2019 using the modified retrospective approach and as permitted by the standard, the Group has not restated comparatives. IFRS 16 has had a significant impact on the Group's balance sheet. Prior to adoption, the future minimum rentals payable for operating leases, all of which relate to office accommodation totalled £28.6 million at 31 May 2019. As at 1 June 2019, the Group recognised a right-of-use asset of £24.0 million, a lease liability of £24.5 million and an adjustment to retained earnings of £0.5 million.

Lease related depreciation of £6.9 million and an interest expense of £0.6 million has been recognised in the income statement for the year ended 31 May 2020. Under IAS 17 Leases, the corresponding operating lease expense recognised in operating expenses would have been £7.0 million.

In applying IFRS 16 for the first time, the Group has used the following practical expedients as at 1 June 2019:

- Applying the use of hindsight in determining the lease term where the contract contains an option to extend
- Accounting for operating leases with a remaining lease term of less than 12 months as short-term leases

Notes to the Financial Statements CONTINUED

30. Significant accounting policies CONTINUED

The lease liability is measured at the present value of future lease payments, discounted using the Group's estimated incremental secured borrowing rate. The lease liability recognised on 1 June 2019 can be reconciled to operating lease commitments disclosed in note 18 as follows:

	£m
Operating lease commitments disclosed as at 31 May 2019	28.6
Less: recognition of lease commitment using the incremental secured borrowing rate	(1.8)
Less: short-term leases not recognised as a liability	(0.4)
Less: low-value leases not recognised as a liability	(1.9)
Lease liability recognised as at 1 June 2019	24.5
Of which are:	
Current lease liabilities	4.9
Non-current lease liabilities	19.6
	24.5

The right-of-use asset is initially measured at cost, comprising the initial measurement of lease liability, adjusted for lease payments made at or before commencement date, restoration costs, and lease incentives. The right-of-use asset can be reconciled to the lease liability as follows:

	£m
Lease liability recognised as at 1 June 2019	24.5
Restoration costs	0.5
Less: lease incentives	(1.0)
Right-of-use asset recognised as at 1 June 2019	24.0

The adjustment of £0.5 million relating to restoration costs and lease incentives resulted in a £0.5 million transitional adjustment to retained earnings.

The Group did not need to make any adjustments to lessor accounting as a result of the adoption of IFRS 16.

Going concern

The Directors have prepared the Financial Statements on a going-concern basis which requires the Directors to have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Going Concern and Viability Statement included in the Strategic Report on page 72.

Basis of consolidation

Subsidiaries

The Group Financial Statements consolidate the financial results of IG Group Holdings plc and the entities it controls (its subsidiaries) as listed in note 31.

Subsidiaries are consolidated from the date which the Group obtains control until the date on which control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities. Control is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The results, cash flows and final positions of subsidiaries used in the preparation of the Consolidated Financial Statements are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All inter-company transactions, balances, income and expenses between the Group entities, including unrealised profits arising from them, are eliminated on consolidation.

30. Significant accounting policies CONTINUED

Business combinations are accounted for using the acquisition method. On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The cost of an acquisition is measured at the fair value of consideration transferred including an estimate of any contingent or deferred consideration. Contingent or deferred consideration is remeasured at each balance sheet date with periodic changes to the estimated liability recognised in the income statement. Acquisition related costs are expensed as incurred. Goodwill is initially measured as the excess of the consideration transferred over the fair values of identifiable net assets. If this consideration is lower than the fair values of identifiable net assets acquired, the difference is credited to the income statement in the year of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Segmental information

The Group's segmental information is disclosed in a manner consistent with the basis of internal reporting provided to the Chief Operating Decision-Maker (CODM) regarding components of the Group. The Group has identified the CODM as the Executive Directors of IG Group Holdings plc, who regularly review this management information to assess the performance and allocate resources to the 'operating segments'. Operating segments that do not meet the quantitative thresholds required by IFRS 8 are aggregated.

Foreign currencies

The Group's functional currency is Pound Sterling. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are revalued at the Group's functional currency rate of exchange prevailing at the balance sheet date. Gains and losses arising on revaluation are taken to the income statement. Non-monetary assets and liabilities carried at fair value and denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

The functional currency of each entity in the Group is consistent with the primary economic environment in which the entity operates. On consolidation, the assets and liabilities of the Group's overseas operations are translated into Pound Sterling at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising from translation of overseas operations are recognised in 'other comprehensive income' and the accumulated translation reserve. Such accumulated translation differences are recognised as income or as expenses in the period in which the overseas operation is disposed of.

Revenue recognition

Trading revenue includes revenue arising from each of the Group's four revenue generation models: OTC leveraged derivatives, exchange traded derivatives, stock trading, and investments.

OTC leveraged derivatives

Revenue from the OTC leveraged derivatives business represents:

- i) fees paid by clients for spread, commission and funding charges in respect of the opening, holding and closing of financial spread bets, contracts for difference or options contracts, together with gains and losses for the Group arising on client trading activity; less
- ii) fees paid by the Group in spread, commissions and funding charges arising in respect of hedging the risk associated with the client trading activity and the Group's currency exposures, together with gains and losses incurred by the Group arising on hedging activity.

Open client and hedging positions are fair valued daily with gains and losses arising on this valuation recognised in revenue. The policies and methodologies associated with the determination of fair value are disclosed in note 26, 'Financial Instruments'.

Exchange traded derivatives

Revenue from exchange traded derivatives represents fees paid by members of the Group's regulated futures and options exchange, with members of the exchange charged a fee per transaction undertaken. Revenue also represents gains and losses incurred by the Group arising on its market-making activity on the Group's futures and options exchange and the Group's multilateral trading facility.

Notes to the Financial Statements CONTINUED

30. Significant accounting policies CONTINUED

Stock trading

Revenue from stock trading represents fees and commission earned from the stock trading service after deducting contracting and trade settlement fees payable to third-party brokers. Revenue is recognised in full on the date of the trade being placed or the fee being charged.

Investments

Revenue from investments represents management fees, which are earned as a percentage of assets under management. These are recognised over the period in which the service is provided.

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Group and can be reliably measured. Revenue is shown net of sales taxes and excludes any inter-company transactions.

Trading revenue is reported before introducing partner commission, betting duties and financial transaction taxes, which are disclosed as an expense in arriving at net operating income.

Net trading revenue represents trading revenue after adjusting for introducing partner commission, as this is consistent with the management information received by the CODM.

Income earned from clients for market data, such as chart fees, and income earned from charging clients for funding using debit and credit cards, are netted within operating costs as the amounts involved are not considered material.

Finance income and costs on segregated client funds

Interest income and expense on segregated client funds is accrued on a time basis, by reference to the principal amount outstanding and at the applicable interest rate.

Interest income and interest expense on segregated client funds are disclosed within operating profit, as this is consistent with the nature of the Group's operations.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Board of Directors.

Employee benefits

(a) Pension obligations

The Group operates defined contribution schemes. Contributions are charged to the income statement when they become payable according to the rules of the schemes. Once the contributions have been paid, the Group has no legal or constructive obligations to pay further contributions.

(b) Bonus schemes

The Group recognises an accrual and an expense for bonuses based on formulae that takes into consideration specific financial and non-financial measures.

(c) Termination benefits

Termination benefits are payable when an employment contract is terminated by the Group. The Group recognises termination benefits when the Group can no longer withdraw the offer of those benefits.

Leases

Prior to 1 June 2019, leases were classified as operating leases where the lessor retains substantially all the risks and benefits of ownership of the asset. Lease payments under an operating lease is recognised as an expense on a straight-line basis over the lease term unless another systematic basis was more representative of the time pattern of the user's benefit.

From 1 June 2019, the Group's leases are recognised as a right-of-use asset with a corresponding lease liability from the date at which the asset is available for use.

Leasing arrangements can contain both lease and non-lease components. The Group has elected to separate out the non-lease component and to account for these separately from the right-of-use asset.

30. Significant accounting policies CONTINUED

The lease liability is initially measured as the net present value of the following payments:

- Fixed payments less any lease incentives
- Variable lease payments dependent on an index or rate initially measured as at the commencement date
- Amounts payable by the Group under residual guarantees
- Payments of penalties for terminating the lease

Lease payments are discounted at the Group's estimated incremental secured borrowing rate. This represents the cost to borrow funds to obtain a similar valued right-of-use asset in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising of:

- Lease liability at initial recognition
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Right-of-use assets are depreciated over the duration of the lease term.

Lease payments for low-value assets or with a period of 12 months or less are recognised on a straight-line basis as an expense.

Taxation

The income tax expense represents the sum of tax currently payable and movements in deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates in the respective jurisdictions that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for on all temporary differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences may be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or 'other comprehensive income'.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements CONTINUED

30. Significant accounting policies CONTINUED

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based upon estimated useful lives. Estimated residual value and useful lives are reviewed annually and residual values are based on prices prevailing at the balance sheet date. Depreciation is charged on a straight-line basis over the expected useful lives as follows:

Leasehold improvements	– over the lease term of up to 15 years
Office equipment, fixtures and fittings	– over five years
Computer and other equipment	– over two, three or five years
Right-of-use asset	– over the lease term of up to 15 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition is determined as the difference between the sale proceeds and carrying amount of the asset and is immediately recognised in the income statement.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill is recognised as an asset and is allocated to cash-generating units by management for purposes of impairment testing. Cash-generating units represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of a business unit, or of an operation within it.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination such as a trade name or customer relationship is recognised at fair value and identified separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Expenditure on internally developed intangible assets, excluding internal software development costs, is taken to the income statement in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after all the following criteria are met:

- The project's technical feasibility and commercial viability can be demonstrated
- The availability of adequate technical and financial resources and an intention to complete the project have been confirmed
- Probable future economic benefit has been established

Intangible assets with a finite life are amortised over their expected useful lives, as follows:

Internally developed software	– straight-line basis over three to five years
Software and licences	– straight-line basis over the contract term of up to five years
Trade names	– straight-line basis over two years
Client lists and customer relationships	– straight line basis over three years
Domain names and generic top-level domains	– straight-line basis over ten years

30. Significant accounting policies CONTINUED

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed before being brought into use.

Impairment of non-financial assets

When impairment testing is required, the Directors review the carrying amounts of the Group's non-financial assets to determine whether there is any indication of impairment. If any such indication exists (or at least annually for goodwill), the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less selling costs and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate. This rate reflects current market assessments of the time value of money as well as the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated and previously recognised impairment losses are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, although impairment losses relating to goodwill may not be reversed.

Financial instruments

Financial instruments – Classification, recognition and measurement

The Group determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below and re-evaluates this designation at each year-end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Financial instruments are disclosed in note 26.

(a) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit and loss are financial assets that are not classified and measured at amortised cost or as fair value through other comprehensive income. The financial assets included in this classification are the financial derivative open positions included in trade receivables (due from brokers). The Group uses derivative financial instruments, in order to hedge derivative exposures arising from open client positions, which are also classified as fair value through profit and loss.

All financial instruments at fair value through profit or loss are carried at fair value with gains or losses recognised in trading revenue in the income statement.

(b) Financial assets measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets which are held to collect the contractual cash flows. The contractual terms of the financial assets give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's financial assets measured at amortised cost comprise 'trade receivables', 'other receivables' and 'cash and cash equivalents'.

Notes to the Financial Statements CONTINUED

30. Significant accounting policies CONTINUED

(c) Financial assets measured as fair value through other comprehensive income

Financial assets measured as fair value through other comprehensive income are assets that are held to collect the contractual cash flows or to be sold. The contractual terms of these assets give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are included in non-current assets unless the investment matures or management intend to dispose of them within 12 months of the end of the reporting period. The Group's fair value through other comprehensive income financial assets are 'financial investments'.

(d) Financial liabilities

The Group's financial liabilities include trade payables, lease liabilities and borrowings. These are measured subsequently at amortised cost using the effective interest method, excluding the derivative element of 'trade payables – amounts due from brokers'. The interest expense is calculated at each reporting period by applying the effective interest rate, and the resulting charge is reflected in finance costs on the income statement.

(e) Determination of fair value

Financial instruments arising from open client positions and the Group's hedging positions are stated at fair value and disclosed according to the valuation hierarchy required by IFRS 13 Fair Value Measurement. Fair values are predominantly determined by reference to third-party market values (bid prices for long positions and offer prices for short positions) as detailed below:

- Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments
- Level 2: Valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Group to its clients or used by the Group to hedge its market risk does not exist
- Level 3: Valued using techniques that incorporate information other than observable market data that is significant to the overall valuation

Financial instruments – Impairment of financial assets

The impairment charge in the income statement includes a loss allowance reflecting the change in expected credit losses. Expected credit losses are recognised for trade receivables (excluding amounts due from brokers held at fair value through profit and loss), cash and cash equivalents, other receivables and financial investments. Expected credit losses are calculated as the difference between the contractual cash flows that are due to the Group and the cash flows that the Group expects to receive given the probability of default and loss given default.

At initial recognition of financial assets, an allowance is made for expected credit losses resulting from default events that are possible within the next 12 months, except for where the simplified approach is used where an allowance is made for the lifetime expected credit loss. In the event of a significant increase in credit risk, an allowance is made for expected credit losses resulting from possible default events over the expected life of the financial asset. The Group applies the simplified approach for trade and other receivables. The Group applies the general approach for other financial assets.

Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are considered to be Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly considers changes in credit rating associated with the asset, whether contractual payments are more than 30 days past due and other reasonable information demonstrating otherwise. In accordance with the Group's internal credit risk management definition, financial instruments have a low credit risk when it has an external credit rating of 'investment grade' or if no external credit rating is available, in accordance with the Group's internal credit risk management definition.

Assets are transferred to Stage 3 when an event of default, as defined in the Group's Credit Risk Management Policy, occurs or where the assets are credit impaired. The Group determines that a default occurs when a payment is 90 days past due for all assets except for receivables from clients where it uses 120 days. This is aligned with the Group's risk management practices.

All changes in expected credit losses subsequent to the assets' initial recognition are recognised as an impairment loss or gain. Financial assets are written off, either partially or in full, against the related allowance when the Group has no reasonable expectations of recovery of the asset. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

30. Significant accounting policies CONTINUED

Financial instruments – Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expired.

(a) Financial assets

A financial asset is derecognised where the rights to receive cash flows from the asset have expired; the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

(c) Offsetting financial instruments

Assets or liabilities resulting from profit or losses on open positions are carried at fair value. Amounts due from or to clients and brokers are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Trade payables and receivables

Trade receivables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to the Group.

Trade payables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions results in an amount payable by the Group.

Trade receivables do not contain a significant financing element and so the Group has applied the simplified approach. The expected lifetime credit loss is recognised at initial recognition of the financial asset, with the loss allowance calculated by reference to an aging debt profile. Trade receivables are written off when there is objective evidence of non-collectability or when an event of default occurs.

Other assets

Other assets represent rights to cryptocurrencies and cryptocurrencies controlled by the Group. The Group offers various cryptocurrency-related products that can be traded on its platform. The Group purchases and sells cryptocurrencies as part of its hedging activity.

The Group holds cryptocurrency assets for trading in the ordinary course of its business, effectively acting as a commodity broker-dealer in respect of the underlying cryptocurrency asset (because the salient features of these assets are, in economic terms, consistent with certain commodities under IAS 2 Inventories, 3(b)). The assets are measured at fair value less costs to sell, with changes in valuation being recorded in income statement in the period in which they arise. Cryptocurrency assets are not financial instruments and they are categorised as non-financial assets.

Notes to the Financial Statements CONTINUED

30. Significant accounting policies CONTINUED

Other receivables

Other receivables are financial assets which give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are assets that have not been designated as fair value through profit or loss. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant.

Other receivables do not contain a significant financing element and so the Group has applied the simplified approach. The expected lifetime credit loss is recognised at initial recognition of the financial asset, with the loss allowance calculated by reference to an aging debt profile. Other receivables are written off when there is objective evidence of non-collectability or when an event of default occurs.

Prepayments

Prepayments are assets with fixed or determinable payments made in advance for services or goods. They do not qualify as financial assets and are amortised over the period in which the economic benefit is expected to be consumed.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits which may be accessed without penalty. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Consolidated Cash Flow Statement, net cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

The majority of the Group's cash balances are held with investment-grade banks. The Group considers the risk of default, and how adverse changes in economic and business conditions might impact the ability of the banks to meet their obligations. The Group assesses the expected credit losses on cash and cash equivalents on a forward-looking basis and if there has been a significant increase in credit risk since initial recognition.

The Group holds money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA) and other regulatory bodies. Such monies are classified as either 'cash and cash equivalents' or 'segregated client funds' in accordance with the relevant regulatory requirements. Segregated client funds comprise individual client funds held in segregated client money accounts. Segregated client money accounts restrict the Group's ability to control the monies and accordingly such amounts are not held on off-balance sheet.

The amount of segregated client funds held at year-end was £1,964.1 million (31 May 2019: £1,349.2 million) and the amount of segregated client assets was £1,509.8 million (31 May 2019: £1,096.8 million). These amounts are held off-balance sheet. The return received on managing segregated client funds is included within net operating income.

In addition, the Group's Swiss banking subsidiary, IG Bank S.A., is required to protect customer deposits under the FINMA Privileged Deposit Scheme. At 31 May 2020, IG Bank S.A. was required to hold £23.9 million (31 May 2019: £20.0 million) in satisfaction of this requirement. This amount, which represents restricted cash, is included in cash and cash equivalents.

Title transfer funds are held by the Group under a Title Transfer Collateral Arrangement (TTCA) by which a client agrees that full ownership of such monies is unconditionally transferred to the Group. Title transfers funds are accordingly held on balance sheet with a corresponding liability to clients within trade payables.

Financial investments

Financial investments are held as fair value through other comprehensive income and are non-derivative financial assets. Financial investments are recognised on a trade date basis. They are initially recognised at fair value plus directly related transactions costs. They are subsequently carried at fair value. Fair value is the quoted market price of the specific investments held.

Unrealised gains or losses, other than loss allowances for expected credit losses for investments measured at FVOCI, are reported in equity (in the fair value through other comprehensive income reserve) and in other comprehensive income, until such investments are sold, collected or otherwise disposed of.

30. Significant accounting policies CONTINUED

On disposal of an investment, the accumulated unrealised gain or loss included in equity is recycled to the income statement for the period and reported in other income. Gains and losses on disposal are determined using the fair value of the investment at the date of derecognition.

Interest on financial investments is included in finance income using the effective interest rate method. The effective interest rate is either the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses unless the asset is credit impaired. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

When an investment measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement as a reclassification adjustment.

Other payables

Non-trading financial liabilities are recognised initially at fair value and carried at amortised cost using the effective interest rate method if the time value of money is significant.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Borrowings

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, taking into consideration the term of the borrowings, an assessment is made whether to state at amortised cost, with any difference between net proceeds and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest rate method.

Share capital

(a) Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Group is presented as a liability on the balance sheet; measured initially at fair value net of transaction costs and subsequently at amortised cost until extinguished on conversion or redemption. Dividends paid are charged as an interest expense in the income statement.

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs. Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(b) Own shares held in Employee Benefit Trusts

Shares held in Employee Benefit Trusts for the purposes of employee share schemes are classified as a deduction from shareholders' equity and are recognised at cost. Consideration received for the sale of such shares is recognised in equity, with any difference between the proceeds from the sale and the cost being taken to reserves. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

(c) Share-based payments

The Company operates three employee share plans: a share incentive plan, a sustained performance plan and a long-term incentive plan.

For market-based vesting conditions, the cost of these awards is measured at fair value calculated using option pricing models and are recognised as an expense in the income statement on a straight-line basis over the vesting period based on the Company's estimate of the number of shares that will vest.

Notes to the Financial Statements CONTINUED

30. Significant accounting policies CONTINUED

For non-market-based vesting conditions, at each balance sheet date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions determining the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement as part of operating expenses, with a corresponding credit to equity.

The grant by the Company of options over its equity instruments to employees of the subsidiary undertakings in the Group is treated as a capital contribution. The fair value of the employee services received is recognised over the vesting period as an increase in the investment in subsidiary undertakings, with a corresponding credit to equity. Upon awards vesting, the cost of awards is transferred from the share-based payments reserve into retained earnings.

31. List of investments in subsidiaries

The following companies are all owned directly or indirectly by IG Group Holdings plc:

Name of Company	Registered office and country of incorporation	Holding	Voting rights	Nature of business
Subsidiary undertakings held directly:				
IG Group Limited	Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA, United Kingdom	Ordinary shares	100%	Holding company
Subsidiary undertakings held indirectly:				
IG Index Limited	Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA, United Kingdom	Ordinary shares	100%	Spread betting
IG Markets Limited		Ordinary shares	100%	CFD trading, foreign exchange and market risk management
IG Markets South Africa Limited		Ordinary shares	100%	CFD trading
Market Data Limited		Ordinary shares	100%	Data distribution
IG Nominees Limited		Ordinary shares	100%	Nominee company
IG Knowhow Limited		Ordinary shares	100%	Software development
Extrabet Limited		Ordinary shares	100%	Non-trading
IG Finance		Ordinary shares	100%	Financing
IG Finance Two		Ordinary shares	100%	Financing
IG Finance Three		Ordinary shares	100%	Financing
IG Finance Four		Ordinary shares	100%	Financing
IG Finance 5 Limited		Ordinary shares	100%	Financing
IG Forex Limited		Ordinary shares	100%	Financing
IG Spread Betting Limited		Ordinary shares	100%	Financing
IG Finance 8 Limited		Ordinary shares	100%	Financing
IG Finance 9 Limited		Ordinary shares	100%	Financing
Financial Domains Limited		Ordinary shares	100%	Holding company
Financial Domains Registry Holdings Limited		Ordinary shares	100%	Holding company
Financial Domains Registrar Limited		Ordinary shares	100%	Domains registrar
Financial Domains (Services) Limited		Ordinary shares	100%	Domains registry
Deal City Limited		Ordinary shares	100%	ETF trading
InvestYourWay Limited		Ordinary shares	–	Non-trading
IG Trading and Investments Limited		Ordinary shares	100%	Non-trading
IG Australia Pty Limited	Level 15, 55 Collins Street, Melbourne VIC 3000, Australia	Ordinary shares	100%	Sales and marketing office
IG Share Trading Australia Pty Limited		Ordinary shares	100%	Non-trading

31. List of investments in subsidiaries CONTINUED

Name of Company	Registered office and country of incorporation	Holding	Voting rights	Nature of business
IG Asia Pte Limited	9 Battery Road, 01-02 MYP Centre, 049910, Singapore	Ordinary shares	100%	CFD trading and foreign exchange
Kunxin Translation (Shenzhen) Co. Limited	Room A02-2679, 26/F, Anlian Building, Jin Tian Road No. 4018, Lianhua Street, Futian District, Shenzhen, 518026, China	Ordinary shares	100%	Translation services
IG Securities Limited	Izumi Garden Tower 26F, 1-6-1 Roppongi, Minato-ku, 106-6026, Tokyo	Ordinary shares	100%	CFD trading and foreign exchange
IG Europe GmbH	Westhafenplatz 1, Frankfurt am Main, 60327, Germany	Ordinary shares	100%	CFD trading and foreign exchange
IG Bank S.A.	42 Rue du Rhone, Geneva, 1204, Switzerland	Ordinary shares	100%	CFD trading and foreign exchange
IG Infotech (India) Private Limited	Infinity, 2nd Floor, Katha No. 436, Survey No. 13/1B, 12/2B, Challagatta Village, Bangalore, 560071, India	Ordinary shares	100%	Software development and support services
IG US Holdings Inc.	2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, United States	Ordinary shares	100%	Holding company
North American Derivatives Exchange Inc.		Ordinary shares	100%	Exchange
Market Risk Management Inc.		Ordinary shares	100%	Market maker
FX Publications Inc		Ordinary shares	100%	Publications
Nadex Domains Inc.		Ordinary shares	100%	Domains registry
IG US LLC		Ordinary shares	100%	Foreign exchange trading
Fox Sub Limited	57/63 Line Wall Road, Gibraltar	Ordinary shares	100%	Financing
Fox Sub 2 Limited		Ordinary shares	100%	Financing
Fox Japan Holdings		Ordinary shares	100%	Holding company
IG Limited	Office 2&3, Level 27, Currency House – Tower 2, Dubai International Financial Centre, PO Box – 506968 Dubai, United Arab Emirates	Ordinary shares	100%	CFD trading and foreign exchange
Brightpool Limited	Christodoulou Chatzipavlou, 221 Helios Court, 3rd floor 3036, Limassol, Cyprus	Ordinary shares	100%	Market maker
IG Markets Kenya Limited	William House, 4th Ngong Avenue, Nairobi, Nairobi West District, PO Box 40111, 00100, Kenya	Ordinary shares	100%	Non-trading
Spectrum MTF Operator GmbH	Westhafenplatz 1, Frankfurt am Main, 60327, Germany	Ordinary shares	100%	Multilateral trading facility
Raydius GmbH				Issuer of turbo warrants
IG International Limited	Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda	Ordinary shares	100%	CFD trading and foreign exchange
IG Securities Hong Kong Limited	19/F, Lee Garden One, 33 Hysan Avenue Causeway Bay, Hong Kong	Ordinary shares	100%	Financial services

Notes to the Financial Statements CONTINUED

31. List of investments in subsidiaries CONTINUED

The following UK entities, all of which are 100% owned by the Group, are not subject to an audit by virtue of Section 479A of the Companies Act 2006 relating to subsidiary companies: IG Finance Three (05297886), IG Finance 5 Limited (06752558), IG Finance 9 Limited (07306407), Financial Domains Limited (09233880), Financial Domains Registry Holdings Limited (09235699), Financial Domains Registrar Limited (09235694), Financial Domains (Services) Limited (09235591) and Deal City Limited (09635230).

The following UK entities, all of which are 100% owned by the Group, are exempt from the requirement to prepare individual Financial Statements by virtue of Section 394A of the Companies Act 2006 relating to the individual Financial Statements of dormant subsidiaries: IG Finance (05024562), IG Finance Two (05137194), IG Finance Four (05312015), IG Nominees Limited (04371444), IG Spread Betting Limited (06806588), IG Finance 8 Limited (06807656), InvestYourWay Limited (07081901), Extrabet Limited (04560348), IG Forex Limited (06808361) and IG Trading and Investments Limited (11628764).

Employee Benefit Trusts

IG Group Holdings plc Inland Revenue Approved Share Incentive Plan (UK Trust)

IG Group Limited Employee Benefit Trust (Jersey Trust)

IG Group Employee Equity Plan Trust (Australian Trust)

COMPANY FINANCIAL STATEMENTS

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Company Statement of Financial Position

	Note	31 May 2020 £m	31 May 2019 Restated ¹ £m
Assets			
Non-current assets			
Investment in subsidiaries	6	541.9	508.6
Property, plant and equipment	7	7.5	–
		549.4	508.6
Current assets			
Prepayments		0.2	0.2
Other receivables	9	134.3	168.1
Cash and cash equivalents		0.2	0.8
		134.7	169.1
TOTAL ASSETS		684.1	677.7
Liabilities			
Non-current liabilities			
Lease liabilities		6.4	–
		6.4	–
Current liabilities			
Other payables	10	4.1	10.5
Lease liabilities		1.3	–
		5.4	10.5
TOTAL LIABILITIES		11.8	10.5
Equity			
Share capital and share premium	11	125.8	125.8
Other reserves	12	88.1	83.1
Retained earnings		458.4	458.3
TOTAL EQUITY		672.3	667.2
TOTAL EQUITY AND LIABILITIES		684.1	677.7

¹ Refer to note 23 of the Consolidated Financial Statements for further information.

The Financial Statements of IG Group Holdings plc (registered number 04677092) were approved by the Board of Directors on 23 July 2020 and signed on its behalf by:



CHARLES ROZES
CHIEF FINANCIAL OFFICER

Company Statement of Changes in Equity

	Share capital ¹ £m	Share Premium ¹ Restated ³ £m	Other reserves ¹ Restated ³ £m	Retained earnings ² £m	Total equity £m
At 1 June 2018	–	125.8	82.4	421.0	629.2
Profit and total comprehensive income for the year	–	–	–	202.9	202.9
Equity-settled employee share-based payments	–	–	8.2	–	8.2
Employee Benefit Trust purchase of own shares	–	–	(2.0)	–	(2.0)
Equity dividends paid	–	–	–	(171.1)	(171.1)
Transfer of share-based payment reserve	–	–	(5.5)	5.5	–
At 31 May 2019	–	125.8	83.1	458.3	667.2
Profit and total comprehensive income for the year	–	–	–	156.1	156.1
Equity-settled employee share-based payments	–	–	9.7	–	9.7
Employee Benefit Trust purchase of own shares	–	–	(1.5)	–	(1.5)
Equity dividends paid	–	–	–	(159.2)	(159.2)
Transfer of share-based payment reserve	–	–	(4.2)	4.2	–
At 31 May 2020	–	125.8	88.1	458.4	672.3

1 These reserves are not distributable.

2 IG Group Holdings (IGGH) distributable reserves as at 31 May 2020 are estimated as £257.0 million. The Company has determined whether profit is realised and unrealised in accordance with UK company law. Distributable reserves as at 31 May 2020 are £201.4 million lower than the Company's total retained earnings as a result of an internal reorganisation in 2005 and a balance in retained earnings relating to vested employee share-based payments awards. In accordance with the UK Companies Act 2006 Section 831(2), a public company may make a distribution only if the amount of its net assets is not less than the aggregate of its called-up share capital and non-distributable reserves following the distribution. IGGH distributable reserves as at 31 May 2019 are estimated as £265.4 million. This balance is restated to reflect that a further £58.7 million balance in retained earnings relating to vested employee share-based payments awards and £3.7 million balance relating to shares transferred to employees is not distributable.

3 Refer to note 23 of the Consolidated Financial Statements for further information.

Company Cash Flow Statement

	Note	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Operating activities			
Cash generated from operations	8	185.7	173.8
Net cash flow generated from operating activities		185.7	173.8
Investing activities			
Investment in subsidiary		(23.6)	–
Net cash flow used in investing activities		(23.6)	–
Financing activities			
Interest unwinding on lease liabilities		(0.2)	–
Repayment of principal element of lease liabilities		(1.8)	–
Equity dividends paid to owners of the parent		(159.2)	(171.1)
Employee Benefit Trust purchase of own shares		(1.5)	(2.0)
Net cash flow used in financing activities		(162.7)	(173.1)
Net (decrease)/increase in cash and cash equivalents		(0.6)	0.7
Cash and cash equivalents at the beginning of the year		0.8	0.1
Cash and cash equivalents at the end of the year		0.2	0.8

Notes to the Financial Statements

1. Authorisation of Financial Statements and statement of compliance with IFRS

The Financial Statements of IG Group Holdings plc (the Company) for the year ended 31 May 2020 were authorised for issue by the Board of Directors on 23 July 2020 and Statement of Financial Position was signed on the Board's behalf by Charles Rozes. IG Group Holdings plc is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in England and Wales. The address of the registered office is Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA.

The Company's Financial Statements have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS IC) and with the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. There are no significant areas of judgment or complexity, or areas where assumptions and estimates are significant to the Company's Financial Statements.

As permitted by Section 408(1)(b), (4) of the Companies Act 2006, the individual income statement of IG Group Holdings plc (the Company) has not been presented in these Financial Statements. The amount of profit for the year included within the Financial Statements of IG Group Holdings plc is £156.1 million (year ended 31 May 2019: £202.9 million). A Statement of Comprehensive Income for IG Group Holdings plc has also not been presented in these Financial Statements. No items of other comprehensive income arose in the year (31 May 2019: £nil).

2. Accounting policies

The accounting policies applied are the same as those set out in note 30 of the Consolidated Financial Statements except for the following:

- Investments in subsidiaries are stated at cost less accumulated impairment losses
- The Company has share-based payment schemes involving employees of its subsidiaries. The costs of awards under these schemes is recognised as an increase in the investment in the employing subsidiary
- Dividends receivable are recognised when the shareholder's right to receive the payment is established

3. Auditors' remuneration

Auditors' remuneration is disclosed within note 4 of the Consolidated Financial Statements.

4. Directors' remuneration

Directors' remuneration is disclosed within the Directors' Remuneration Report section of the Annual Report.

5. Staff costs

The Company has no employees (31 May 2019: nil).

6. Investment in subsidiaries

At cost:

	31 May 2020 £m	31 May 2019 £m
At the beginning of the year	508.6	501.3
Additions in the year	33.3	7.3
	541.9	508.6

Additions in the year include equity-settled share-based awards for employees of subsidiaries of £9.7 million.

A full list of the Group's direct and indirectly owned subsidiaries is provided in note 31 of the Consolidated Financial Statements.

The Directors consider the carrying amount of the Company's investments in subsidiary to be supported by the net present value of future cash flows.

Notes to the Financial Statements CONTINUED

7. Property, plant and equipment

	Right-of-use assets £m
Cost:	
At 31 May 2019	–
IFRS 16 transitional adjustment	9.0
At 1 June 2019	9.0
Additions in the year	–
At 31 May 2020	9.0
Accumulated depreciation:	
At 31 May 2019	–
Provided during the year	1.5
At 31 May 2020	1.5
Net book value – 31 May 2020	7.5
Net book value – 31 May 2019	–

The Company's right-of-use asset represents the commercial lease for office space. Following the application of IFRS 16 at 1 June 2019, the Group now recognises a lease liability on the balance sheet to represent its obligation to make lease payments. The table below shows the rental commitments under non-cancellable operating leases are as follows:

	31 May 2020 £m	31 May 2019 £m
Future minimum payments due:		
Not later than one year	1.3	1.8
After one year but not more than five years	6.4	7.4
After more than five years	–	1.4
	7.7	10.6

8. Cash generated from operations

	31 May 2020 £m	31 May 2019 £m
Operating activities		
Operating loss	(4.4)	(7.0)
Dividends received	160.8	209.9
Lease asset depreciation	1.5	–
Decrease/(increase) in trade and other receivables	33.8	(32.0)
(Decrease)/increase in trade and other payables	(6.0)	2.9
Cash generated from operations	185.7	173.8

Operating losses consist of legal and professional fees and external audit fees.

9. Other receivables

	31 May 2020 £m	31 May 2019 £m
Amounts due from Group companies:		
– Market Data Limited	131.2	130.9
– IG Markets Limited	1.8	32.6
– Other Group companies	1.2	4.5
Other debtors	0.1	0.1
	134.3	168.1

Under the Group's cash management framework, entities holding cash that is surplus to short-term requirements lend the money to another Group entity. These amounts are repayable on demand and are non-interest bearing.

10. Other payables

	31 May 2020 £m	31 May 2019 £m
Accruals	3.2	2.7
Amounts due to Group companies	0.7	7.8
	3.9	10.5

11. Share capital and share premium

Share capital and share premium is disclosed within note 22 of the Consolidated Financial Statements. Share premium has been restated, resulting in a reclassification of £81.0 million from share premium to other reserves. For further information refer to note 23 of the Consolidated Financial Statements.

12. Other reserves

	Share-based payments £m	Own shares held in Employee Benefit Trusts £m	Merger reserve restated ¹ £m	Total other reserves restated ¹ £m
At 1 June 2019	8.8	(7.4)	81.0	82.4
Equity-settled employee share-based payments	8.2	–	–	8.2
Exercise of UK share incentive plans	(0.9)	0.9	–	–
Employee Benefit Trust purchase of shares	–	(2.0)	–	(2.0)
Transfer of share-based payments reserve	(5.5)	–	–	(5.5)
At 31 May 2019	10.6	(8.5)	81.0	83.1
Equity-settled employee share-based payments	9.7	–	–	9.7
Exercise of UK share incentive plans	(5.4)	5.4	–	–
Employee Benefit Trust purchase of shares	–	(1.5)	–	(1.5)
Transfer of share-based payments reserve	(3.2)	–	–	(3.2)
At 31 May 2020	11.7	(4.6)	81.0	88.1

¹ Refer to note 23 of the Consolidated Financial Statements for further information.

Notes to the Financial Statements CONTINUED

13. Directors' shareholdings

The Directors of the Company hold shares as disclosed in the Group Annual Report.

14. Risk management

Financial risks arising from financial instruments are managed at a Group-wide level and details are in the Risk Management section of the Group Annual Report.

Credit risk

Held within other receivables are amounts receivable by the Company from related parties that are unrated. The Directors consider the Company's receivables to be recoverable as they are with Group companies and the companies have adequate resource to ensure repayment in full. Therefore, credit risk is minimal.

Liquidity risk

The Company is able to obtain financial support from other Group companies if this is needed. Therefore, liquidity risk is minimal.

15. Subsequent events

The subsequent events of the entity are the same as those disclosed in note 29 to the Group Consolidated Financial Statements.

16. Dividends paid and proposed

The dividends paid and proposed by the entity are the same as those disclosed in note 10 to the Group Consolidated Financial Statements.

Shareholder and Company Information

Shareholder information

Receiving shareholder information by email

You can opt to receive shareholder information from us by email rather than by post. We will then email you whenever we add shareholder communications to the Company website. To set this up, please visit www.investorcentre.co.uk/ecomms and register for electronic communications (e-comms).

If you subsequently wish to change this instruction or revert to receiving documents or information by post, you can do so by contacting the Company's registrars at the address shown in the company information overleaf. You can also change your communication method back to post by logging in to your Investor Centre account and going to 'update my details' followed by 'communication options'.

The Registrar can also be contacted by telephone on 0371 495 2032. Calls to this number cost no more than a national rate call from any type of phone or provider. These prices are for indication purposes only; if in doubt, please check the cost of calling this number with your phone line provider. Lines are open 8.30am to 5.30pm, Monday to Friday excluding bank holidays.

Shareholder enquiries

If you have any queries relating to your shareholding, dividend payments or lost share certificates, or if any of your details change, please contact Computershare by visiting www.investorcentre.co.uk or by using the contact details above.

American Depositary Receipts (ADRs)

IG's ADR programme trades in the US over-the-counter (OTC) market, under the symbol IGGHY. Each ADR currently represents one ordinary share.

Dividend dates¹

Ex-dividend date	24 September 2020
Record date	25 September 2020
Last day to elect for dividend reinvestment plan	1 October 2020
Final dividend payment date	22 October 2020
2021 interim dividend	February 2021

Annual shareholder calendar¹

Company reporting

Final results announced	23 July 2020
Annual Report published	10 August 2020
Annual General Meeting	17 September 2020

Interim report

As part of our e-comms programme, we have decided not to produce a printed copy of our Interim Report. We will instead publish the report on our website, where it will be available around mid-January each year.

Company information

Directors

Executive Directors

J Y Felix (Chief Executive Officer)
 C A Rozes (Chief Financial Officer)
 B E Messer (Chief Commercial Officer)
 J M Noble (Chief Operating Officer)

Non-Executive Directors

R M McTighe (Chairman)
 A Didham
 M Le May
 J P Moulds
 J A Newman
 S-A Hibberd
 H C Stevenson
 R Bhasin

Company Secretary

J S Nayler

Independent Auditors

PricewaterhouseCoopers LLP
 Chartered Accountants and Statutory Auditors
 7 More London Riverside
 London
 SE1 2RT

Bankers

Barclays Bank plc
 1 Churchill Place
 London
 E14 5HP

HSBC Holdings plc
 8 Canada Square
 London
 E14 5HQ

Lloyds Banking Group plc
 25 Gresham Street
 London
 EC2V 7AE

Royal Bank of Scotland Group plc
 280 Bishopsgate
 London
 EC2M 4RB

¹ Please note that these dates are provisional and subject to change.

Shareholder and Company Information CONTINUED

Solicitors

Linklaters LLP
1 Silk Street
London
EC2Y 8HQ

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Brokers

Barclays Bank plc
5 The North Colonnade
Canary Wharf
London
E14 4BB

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

Registered office

Cannon Bridge House
25 Dowgate Hill
London
EC4R 2YA

Registered number

04677092

Cautionary statement

Certain statements included in our 2020 Annual Report, or incorporated by reference to it, may constitute 'forward-looking statements' in respect of the Group's operations, performance, prospects and/or financial condition.

Forward-looking statements involve known and unknown risks and uncertainties because they are beyond the Group's control and are based on current beliefs and expectations about future events about the Group and the industry in which the Group operates.

No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. The forward-looking statements contained herein reflect knowledge and information available at the date of this Annual Report and the Group undertakes no obligation to update these forward-looking statements except as required by law.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase, any shares or other securities in the Company, and nothing in this report should be construed as a profit forecast.

Market share

Market share data has been provided by Investment Trends Pty Limited (website: www.investmenttrends.co.uk). Contact: Suzie Toohey (email: s.toohey@investmenttrends.com) or Brian Chong (email: b.chong@investmenttrends.com). Unless stated, market share data is sourced from the following current reports:

- Investment Trends France Leverage Trading Report, released October 2019
- Investment Trends US Leverage Trading Report, released October 2019
- Investment Trends Singapore Leverage Trading Report, released December 2019
- Investment Trends Australia Leveraged Trading Report, released February 2020
- Investment Trends Hong Kong Warrants & FX Report, released February 2020
- Investment Trends Germany Leverage Trading Report, released May 2020
- Investment Trends Spain Leverage Trading Report, released June 2020
- Investment Trends UK Leverage Trading Report, released July 2020

Glossary of Terms

Financial and non-financial Key Performance Indicators (KPIs)

Client income (£m)

The gross revenue generated from our products and services, before hedging activity. This consists of the transaction fees (spread, commission and funding) paid by clients for the trading service we offer.

Conversion of client income to net trading revenue (%)

The percentage of our total client income that we're able to monetise into net trading revenue.

ESG KPIs

Scope 1-3 greenhouse gas emissions per employee (TCO_{2e})
Total scope 1-3 greenhouse gas emissions in the financial year, divided by headcount on 31 May 2020.

Net own funds generated from operations after investments (£m)

Measures the level of net own funds (cash) that we generate from our operations after deductions for investment activity and taxes.

Net trading revenue (£m)

Represents the transaction fees paid by clients (client income), net of introducing partner commissions, our external hedging costs, client trading profit and losses, and corresponding hedging profits and losses.

Net trading revenue from Core Markets (£m)

Represents the revenue we source from our Core Markets (the ESMA region, Australia, Singapore, Switzerland, Dubai and South Africa). The Core Markets represent revenue from locations where we already have a well-established, often market-leading presence in the local leveraged trading market.

Net trading revenue from Significant Opportunities (£m)

Represents the revenue from IG's portfolio of identified Significant Opportunities (Japan, Emerging Markets, US, Institutional, Spectrum and Greater China) as detailed in our strategy. The Significant Opportunities represent IG's operations where we're less well established, or where the leveraged derivative market is at an early stage of development.

Number of young lives positively impacted

The number of young lives we have positively impacted through our work with our educational partners, including Teach First in the UK. This figure incorporates students directly impacted via initiatives such as hosted workplace visits for pupils at IG, as well as those indirectly impacted by our annual funding to recruit and train eight science, technology, engineering and mathematics teachers, and an additional 16 teachers and their pupils who will be coached and supported by trained IG employees in the coming academic year.

Operating profit margin (%)

Measures the operating profit that we generate as a percentage of net trading revenue.

Percentage of OTC leveraged revenue generated by clients that have traded with IG for at least three years (%)

The proportion of OTC leveraged revenue generated by clients that have traded with us for three or more years.

Proportion of employees who would recommend working for IG (%)

Proportion of employees who would recommend working for IG, as measured in our annual engagement survey.

Total dividend per share (pence)

The total value of our full-year dividend.

Total number of active OTC leveraged clients (000)

The total number of clients who have generated revenue in the relevant financial year by trading our leveraged OTC products.

IG Group Holdings plc

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IG GROUP HOLDINGS PLC ANNUAL REPORT 2020