# Virtu Europe Trading Ltd (VETL)

# ESG Disclosures – 2025

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# 1 Introduction

Environmental, Social & Governance (ESG) risks pose a financial and operational risk to the overall global financial system and capital markets.

These risks may affect Virtu either directly on its own operations, or indirectly via risks from the market or clients.

This document sets out the ESG Disclosures of the consolidated entities of Virtu ITG Ventures Limited ("VIVL"), made up of its 100% owned subsidiary Virtu Europe Trading Limited ("VETL" or the "Firm"). Both entities are Irish registered private limited liability companies and are subsidiaries of Virtu Financial Inc.

In 2015, Virtu went public debuting on the NASDAQ stock exchange through an initial public offering ("IPO"). On 17th June 2025, Virtu transferred its listing to the New York Stock Exchange ("NYSE").

The Disclosures are required by Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms, otherwise known as the Investment Firm Regulations ("IFR") and are prepared biannually.

VETL is regulated by the Central Bank of Ireland ("CBI") and is authorised as an Investment Firm under Regulation 8(3) and deemed authorised under Regulation 5(2) of the Statutory Instrument No. 375/2017 European Union (Markets in Financial Instruments) Regulations 2017.

## 1.2 Scope, Frequency and Location of Disclosures

The Disclosures are reported on a consolidated basis of VIVL and VETL. The Disclosures are prepared quarterly (Q2 & Q4).

The Firm publishes its Pillar III Disclosures and ESG Disclosures on the Virtu Financial group's website at the following address https://www.virtu.com/regulatory-disclosures/

These disclosures have been prepared solely for the purpose of fulfilling the Firm's disclosure requirements under IFR and are not used by management for any other purpose

# 2 ESG Governance Structure

An ESG committee was formed by Virtu Financial, Inc. ("Virtu" or the "Company") to formulate and oversee the implementation of a number of key deliverables which included;

- the development and implementation of an ESG multi-year roadmap, and
- ensuring appropriate infrastructure and mechanisms for the identification, management and reporting of ESG risks.

The primary purpose of the Virtu ESG Committee is to support the Company's commitment to environmental, health and safety, corporate social responsibility, human capital (including diversity and inclusion), corporate governance, sustainability, and other public policy matters relevant to the Company (collectively "ESG Matters").

The ESG Committee is a cross-functional committee of the Company with members across the Company's global offices that assists the Company's Executive Management regarding ESG Matters.

The ESG Committee consists of employees across various disciplines and locations to ensure a Group wide holistic approach to the identification and management of ESG risks.

As of 6 March 2024, the Committee consists of the Company's Co-Chief People Officers, Head of Investor and Media Relations, Chief Executive Officer in our Dublin office, Regional Head of Business Development in Paris, Head of APAC Analytics, Head of our Singapore Office, EU General Counsel, Head of EU Human Resources, Global Head of Facilities, Finance Controller and Global Head of Human Resources

## 2.1 Duties & Responsibilities

- Assist in setting the Company's general strategy with respect to ESG Matters that may affect the business, operations, performance or reputation of the Company or are otherwise significant to the Company and its stakeholders, and consider and recommend policies, procedures, goals, practices, and disclosures that conform with the strategy and best practices.
- Identify ESG risks and strategic opportunities for the Company; make recommendations regarding these ESG matters to Executive Management.
- Assist in coordinating the disclosure of the Company's ESG efforts through public statements and client requests.

- Monitor developments and guidance from the Securities and Exchange Commission (the “SEC”) and other regulatory bodies regarding ESG Matters.
- Review the Company’s performance under applicable ESG ratings.
- Review and assess this Charter annually and recommend any proposed changes to the Office of General Counsel who shall have the authority to amend the Charter.
- Perform such duties, tasks, and responsibilities relevant to the purpose of the ESG Committee as may from time to time be requested.

### 2.2 Reporting and Delegations

The Committee or its designee(s) may periodically be required to make reports to the Company’s applicable Board of Directors, Executive Management or Management Committee regarding its efforts.

The ESG Committee shall have the authority to retain outside advisors as it deems necessary to carry out its responsibilities.

### 2.3 Meetings

The ESG Committee meets at least quarterly or more frequently where deemed necessary or appropriate.

Meetings of the ESG Committee may be held in person or by video conferencing.

### 2.4 Corporate Governance

Corporate Governance is the system of rules, practices, and processes by which a company is directed and controlled, ensuring accountability, transparency, and ethical management for the benefit of all stakeholders.

The firms Corporate Governance Policy ensures an appropriate framework to guide the firm in decision making ensuring appropriate accountability. The policy defines the structure, decision-making processes, and responsibilities of the board of directors, senior management, and other stakeholders.

A strategic commitment to a robust governance framework is embedded across our cultural framework, with the Virtu purpose being to deliver exceptional client outcomes.

## 3 Risk Management Framework

The firm views risk management as a key consideration in delivering its strategic business aims and objectives, whilst ensuring its long -term sustainability and effective corporate governance. The firm's business strategy and risk appetite are linked and form the driver for decision making to ensure risk taking remains within the defined boundaries to support business strategy, effective management of capital and efficient use of liquidity.

To ensure effective risk management practices permeate throughout the business there is a comprehensive risk management governance structure in place, articulating the control mechanisms to identify, measure, assess, monitor, control and report on underlying risks. This governance structure is articulated within the Risk Management Framework (RMF) which is enabled by People, Processes, and Systems and sets the foundations and organizational structure for implementing and reviewing risk management practices and activities.

The objectives of the Risk Management Framework are -

- Ensure consistency in the strategies and approaches used to identify risks generated in its business activities that may be inherent in products, activities, processes or systems.
- Ensure identified risks are appropriately and consistently measured to enable evaluation, aggregation, comparison and control of risks.
- Assess risks at specific entity level and from a holistic approach to determine most appropriate approach for mitigation. Assessment should incorporate an evaluation of potential relationships or inter-dependencies across risk categories and businesses.
- Ensure appropriate governance and control structures are in place to effectively implement risk management strategies and ensure ongoing adherence to risk appetite.
- Provide appropriately targeted and regular reporting on risk exposures or concentrations to management to support the decision-making process
- Fostering a culture of senior management challenge through regular reviews of the risk profile and practices.

The Components of the Risk Management framework include -

- Risk Culture - the firm's risk culture describes the general awareness, attitudes and behaviors of employees to risk taking and the management of risk. The tone from the top in relation to the organizational culture and attitude to risk informs the attitude and behavior of employees to risk. Risk Management is the responsibility of all employees as reflected in the appraisal and remuneration process.
- Risk Governance - responsibility for ensuring an appropriate system of internal control ultimately lies with the Board of Directors (the Board). This is achieved by ensuring a robust governance structure is in place which facilitates the escalation and reporting of risk by the business to the Board, whilst also ensuring effective channels are in place to cascade risk approved policies from the Board to the business. The business is accountable for the identification, management and escalation of risk in their area, and are supported by Risk Management, Compliance and Audit through guidance and supervision.
- Risk Appetite - level of risk the firm is prepared to accept now and over the planning horizon to achieve its stated business strategy and objectives.
- Risk Management Tools - tools available to enable to business execute activities whilst ensuring they are within its risk appetite.
    - Risk Identification & Analysis - On an ongoing basis, yet formally at least annually, the firm reviews its risk profile and reassess the key risk types in the Risk Taxonomy, with risk controlling mitigants detailed in the associated policies and procedures.
    - Risk Evaluation & Mitigation - Risks identified in the Risk Taxonomy are assessed and measured in line with established policies and procedures. Controls and procedures are in place to mitigate risks highlighted through risk assessment.
    - Risk Monitoring, Review & Reporting - Regular and ad-hoc reporting to the Board, delegated Committees and Senior Management Team ensures risk exposures and changes to the firm's risk profile are communicated in a consistent and timely manner. This ensures that mitigating actions can be formulated to ensure it stays within its defined risk appetite.

Virtu has integrated defined ESG risks in its Risk Management Framework and overall risk management approach with the RMF setting out Virtu's approach to risk management which reflects the Risk Culture of the firm.

ESG-related risks are embedded across Virtu's framework specifically through the Risk Register and notably through regular assessments of its risks, under the Chief Risk Officers oversight.

ESG Risk is mapped in the Firms taxonomy as a risk under the wider Strategic Risk.

## 4 ESG Risk

ESG Risk is defined as the risks associated with ESG that can stem from the firm's own practices or from broader systemic issues within the markets and communities they operate.

The firm has mapped a number of risks in its Risk Register to Environmental, Social and Governance and the various sub-topics identified which are subject to an ongoing assessment / review process.

An initial full assessment was undertaken to look at our value chain and the financial and impact materiality of the associated ESG risks.

Those identified risks and mitigating controls were reflected in the Firms Risk Register and as such are subject to ongoing review through workshops with risk owners with a capital assessment being performed where capital is allocated through the ICARAP to these risks.

ESG risks are risks that stem from the current or prospective impacts of ESG factors on Virtu that could cause an actual or potential material negative impact on:

- Virtu's earnings, capital, value or reputation.
- Virtu's regulatory standing.
- The long-term sustainability of our clients' operations and financial wellbeing.
- The communities and environment in which we and our clients operate.

The risks identified may be mapped to the three categories of environmental, social and governance and are both transitional (i.e. under-pinned by policy and market-related changes) and physical in nature and can be characterized as follows:

**Environmental Risk:** The risks associated with the impact of climate change and how the firm utilizes natural resources and the effect of its operations on the environment. Environmental Risk is further sub-categorized into

- *Transition Risks:* Result from changes in the behaviour in financial markets in response to the implementation of energy policies or technological changes and may present opportunities in emerging products in sustainable and transition finance. We foresee potential opportunities in mitigating climate change, emphasizing energy efficiency and waste reduction to lower fixed operational expenses although we are unable to quantify such opportunities or our success in implementing. Our use of certified renewable energy powered data centers in certain instances aligns with sustainable practices and risk management.

- *Physical Risks:* Result from the direct impact of climate change on people and property through extreme weather events, such as forest fires or long-term risks such as rising water levels or increasing temperatures. We look to actively mitigate the physical risks from climate change to our Firm through a widely distributed server infrastructure and employee base and a high degree of system redundancy.

**Social Risk:** Relates to issues relating to the rights, well-being and interests of people and communities.

**Governance Risk:** Relates to issues relating to the governance of the Firm and stakeholder companies

# 5 Risk Appetite Statement

Virtu Europe Trading Limited (VETL) refers to its Risk Appetite Statement to determine the level of risk the Board is willing to take now and over the planning horizon, given the firm's financial resources, to pursue and deliver its business strategy.

Risk appetite is a key component of the firm's Risk Management Framework (RMF) and is defined as the aggregate level and type of risk an organization is willing to assume within its risk capacity to achieve its strategic objectives and business strategy.

The firm's strategy is aligned with its risk appetite to guide the business activity and its associated risk taking. This ensures structures exist to identify and analyse emerging risks for issues that could become material risks in the future.

The firm's Risk Strategy is to ensure that it has a clearly defined risk appetite which is embedded in the Business Strategy, and that appropriate governance, processes and controls are in place to support achieving the Risk Strategy within set boundaries. Based on the defined Risk Appetite, the firm manages risk to enable growth which in a considered manner and in line with the Business Strategy allows the firm to protect its long-term franchise and financial stability.

The risk appetite for VETL is encapsulated in the entity's budget and medium-term business plan and is approved by the Board on an annual basis.

Consequently the firm's risk appetite is reflective of its strategy, including organizational objectives, business plans and shareholders' expectations.

The Risk Appetite recognises a range of possible outcomes as business plans are implemented. It is set and implemented against the business and risk strategies from the "top-down", cascading from high level objectives set by the Board, through the firm into the formulation of detailed risk measures (a number at a point in time e.g.: EBITDA) or metrics (measures the relationship between numbers e.g.: EPS).

## 5.1 Risk Appetite Methodology

Qualitative Risk Appetite Statements for each risk category are approved and supplemented by various qualitative and quantitative measures and metrics.

Risk capacity is defined as the maximum level of risk the firm can assume given its current level of resources before breaching constraints determined by regulatory capital and liquidity needs, the operational environment and obligations, also from a conduct perspective to shareholders, clients and other stakeholders.

The firm acknowledges a willingness and capacity to take on risks and is inclusive of a tolerance for loss or negative events that can be reasonably quantified, such as operational risk losses. The level or risk the firm is willing to take on is determined across key strategic areas and strategic objectives in each of those areas. For each objective the firm will set a risk appetite ranging from Very Low to Very High with a corresponding score.

This methodology ensures that the risk appetite is aligned with the firm's overall objectives.

There are certain risks that the Board wishes to avoid completely in the pursuit of its strategic objectives such as

- activities outside the Firm's ethical framework; activities where significant conflicts of interest exist;
- activities which could adversely harm or impact shareholders; activities which are fraudulent, dishonest or contrary to legal requirement or regulatory;
- activities which constitute market abuse including market manipulation and conduct that creates a disorderly market.

Other risks outside the firm's risk appetite include

- recklessness or willfully facilitating the use of the firm's systems for the furtherance of crime, including money-laundering,
- terrorist financing or market abuse;
- undertaking activities which are contrary to the Firm's Strategic Objectives; and
- willfully circumventing risk management or governance frameworks.

It is accepted however that the firm cannot totally avoid these risks and ensures robust controls exist to capture any incidences which are escalated appropriately.

The firm has an overall medium risk appetite to Strategic Risk as it balances the delivery of its strategic objectives and business plan whilst ensuring the long -term viability and sustainability of the Firm.

The Firms Business Strategy and strategic objectives are aligned with its risk appetite to guide the business activity and its associated risk taking.

## 6 Climate Risk Capital Requirements

ESG risks are considered as part of Virtu's annual Internal Capital Adequacy Risk Assessment Process (ICARAP) exercise which is conducted annually. The ICARAP is a key process that facilitates the Board and senior management in identifying, measuring, and monitoring the Firm's risks and ensuring that it holds adequate financial resources to support its risk profile.

Climate Risk is not deemed to materially affect Virtu's balance sheet or operations over the ICARAP horizon.

## 7 Emerging Risks

Virtu undertakes periodic assessments on emerging risks and their potential harm to the firm, the markets and its clients through various measures.

The potential impact of Emerging Risks are considered as part of -

- the annual cyclical review of the Firms Risk Register which is refreshed to inform its ICARAP;
- a dedicated Emerging Risks workshop attended by key stakeholders across the Firm and its branches; and
- an annual Political, Economic, Social, Tax, Legal, Environmental (PESTLE) assessment is conducted as part of the 3 Year Strategy.

These reviews aid the identification and assessment of new and emerging risks that can potentially pose a threat to the successful achievement of our business strategy, objectives and/or financial planning outcomes.

As the assessment informs the risk profile of the Firm, it provides a link between ESG and Risk Appetite, Business Strategy, Objectives and Financial Planning, economic capital assessment and stress testing.